



**BUDIMEX SA**

**CONDENSED FINANCIAL STATEMENTS**

**for 1 quarter of 2018**

**prepared in accordance with  
International Financial Reporting Standards**

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**Statement of financial position**

<b>ASSETS</b>	<b>31 March 2018</b>	<b>31 December 2017</b>
	(PLN thousands)	(PLN thousands)
<b>Non-currents assets (long-term)</b>		
Property, plant and equipment	115 353	115 521
Investment properties	3 274	3 306
Intangible assets	28 615	29 937
Investments in subsidiaries	727 827	727 827
Investments in associates	61 246	61 246
Investments in other entities	6 417	6 417
Other financial assets	75 042	70 384
Trade and other receivables	20 628	18 124
Retentions for construction contracts	58 322	54 685
Deferred tax asset	362 535	360 149
<b>Total non-current assets (long-term)</b>	<b>1 459 259</b>	<b>1 447 596</b>
<b>Current assets</b>		
Inventories	395 571	242 103
Trade and other receivables	691 731	638 335
Retentions for construction contracts	44 792	46 306
Long-term construction contracts valuation	559 434	472 740
Current tax receivable	42 963	29 995
Other financial assets	258 183	295 836
Cash and cash equivalents	1 038 240	1 680 371
<b>Total current assets (short-term)</b>	<b>3 030 914</b>	<b>3 405 686</b>
<b>TOTAL ASSETS</b>	<b>4 490 173</b>	<b>4 853 282</b>

**Statement of financial position (cont.)**

<b>EQUITY AND LIABILITIES</b>	<b>31 March 2018</b> (PLN thousands)	<b>31 December 2017</b> (PLN thousands)
<b>Equity</b>		
<b>Shareholders' equity</b>		
Issued capital	145 848	145 848
Share premium	80 199	80 199
Other reserves	52 452	52 452
Foreign exchange differences on translation of foreign operations	6 512	5 682
Retained earnings	527 120	449 995
<b>Total shareholders' equity</b>	<b>812 131</b>	<b>734 176</b>
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Loans, borrowings and other external sources of finance	46 544	45 885
Retentions for construction contracts	195 951	192 314
Provision for long-term liabilities and other charges	225 541	219 909
Long-term retirement benefits and similar obligations	7 857	7 857
Other financial liabilities	554	713
<b>Total long-term liabilities</b>	<b>476 447</b>	<b>466 678</b>
<b>Short-term liabilities</b>		
Loans, borrowings and other external sources of finance	27 616	26 381
Trade and other payables	1 303 411	1 579 248
Retentions for construction contracts	191 526	207 272
Provision for construction contract losses	164 783	234 876
Long-term construction contracts valuation	710 329	767 855
Deferred revenue	637 106	671 844
Provisions for current liabilities and other charges	162 159	157 814
Short-term retirement benefits and similar obligations	985	985
Other financial liabilities	3 680	6 153
<b>Total short-term liabilities</b>	<b>3 201 595</b>	<b>3 652 428</b>
<b>Total liabilities</b>	<b>3 678 042</b>	<b>4 119 106</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 490 173</b>	<b>4 853 282</b>

**Income statement**

	3-month period ended 31 March	
	2018	2017
	(PLN thousands)	(PLN thousands)
<b>Continuing operations</b>		
Net sales of finished goods, goods for resale, raw materials and services	1 087 484	940 517
Cost of finished goods, goods for resale, raw materials and services sold	(1 003 806)	(806 795)
<b>Gross profit on sales</b>	<b>83 678</b>	<b>133 722</b>
Selling expenses	(2 338)	(2 488)
Administrative expenses	(47 715)	(47 667)
Other operating income	10 617	12 072
Other operating expenses	(6 536)	(5 938)
<b>Operating profit</b>	<b>37 706</b>	<b>89 701</b>
Finance income	57 174	19 798
Finance costs	(9 222)	(9 472)
<b>Profit before tax</b>	<b>85 658</b>	<b>100 027</b>
Income tax	(8 533)	(17 527)
<b>Net profit from continuing operations</b>	<b>77 125</b>	<b>82 500</b>
<b>Net profit for the period</b>	<b>77 125</b>	<b>82 500</b>
<i>Basic and diluted earnings per share attributable to the shareholders (in PLN)</i>	<i>3.02</i>	<i>3.23</i>

**Statement of comprehensive income**

	3-month period ended 31 March	
	2018 (PLN thousands)	2017 (PLN thousands)
<b>Net profit for the period</b>	<b>77 125</b>	<b>82 500</b>
<b>Other comprehensive income for the period, which:</b>		
<i>Will be subsequently reclassified to profit or loss:</i>		
Foreign exchange differences on translation of foreign branch	830	(210)
Deferred tax related to components of other comprehensive income	-	-
<i>Will not be subsequently reclassified to profit or loss:</i>		
Actuarial gains/(losses)	-	-
Deferred tax related to components of other comprehensive income	-	-
<b>Other comprehensive income, net of tax</b>	<b>830</b>	<b>(210)</b>
<b>Total comprehensive income for the period</b>	<b>77 955</b>	<b>82 290</b>

**Statement of changes in equity**

	Issued capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign operation	Retained earnings	Total equity
	in PLN thousands					
<b>Balance as at 1 January 2018</b>	<b>145 848</b>	<b>80 199</b>	<b>52 452</b>	<b>5 682</b>	<b>449 995</b>	<b>734 176</b>
Profit for the period	-	-	-	-	77 125	<b>77 125</b>
Other comprehensive income	-	-	-	830	-	<b>830</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>830</b>	<b>77 125</b>	<b>77 955</b>
<b>Balance as at 31 March 2018</b>	<b>145 848</b>	<b>80 199</b>	<b>52 452</b>	<b>6 512</b>	<b>527 120</b>	<b>812 131</b>

**Statement of changes in equity (cont.)**

	Issued capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign operation	Retained earnings	Total equity
in PLN thousands						
<b>Balance as at 1 January 2017</b>	<b>145 848</b>	<b>80 199</b>	<b>54 001</b>	<b>5 670</b>	<b>382 856</b>	<b>668 574</b>
Profit for the period	-	-	-	-	82 500	<b>82 500</b>
Other comprehensive income	-	-	-	(210)	-	<b>(210)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(210)</b>	<b>82 500</b>	<b>82 290</b>
<b>Balance as at 31 March 2017</b>	<b>145 848</b>	<b>80 199</b>	<b>54 001</b>	<b>5 460</b>	<b>465 356</b>	<b>750 864</b>
Profit for the period	-	-	-	-	367 335	<b>367 335</b>
Other comprehensive income	-	-	(1 549)	222	-	<b>(1 327)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(1 549)</b>	<b>222</b>	<b>367 335</b>	<b>366 008</b>
Dividends	-	-	-	-	(382 696)	<b>(382 696)</b>
<b>Balance as at 31 December 2017</b>	<b>145 848</b>	<b>80 199</b>	<b>52 452</b>	<b>5 682</b>	<b>449 995</b>	<b>734 176</b>



**Cash flow statement**

	3-month period ended 31 March	
	2018 (PLN thousands)	2017 (PLN thousands)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>85 658</b>	<b>100 027</b>
<b>Adjustments for:</b>		
Depreciation/ amortization	10 142	7 835
Foreign exchange (gains)/ losses	(617)	648
Interest and shares in profits (dividends)	(50 955)	(12 071)
(Profit)/ loss on disposal of investments	(7)	(16)
Change in valuation of derivative financial instruments	(585)	(2 130)
Change in provisions and liabilities arising from retirement benefits and similar obligations	9 977	3 730
Other adjustments	854	(38)
<b>Operating profit before changes in working capital</b>	<b>54 467</b>	<b>97 985</b>
Change in receivables and retentions for construction contracts	(11 773)	(25 983)
Change in inventories	(153 468)	(52 625)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	(286 381)	(228 718)
Change in long-term construction contracts valuation and provision for construction contract losses	(214 313)	(306 593)
Change in deferred income	(34 738)	34 781
Change in cash and cash equivalents of restricted use	6 586	3 762
<b>Cash used /from operations</b>	<b>(639 620)</b>	<b>(477 391)</b>
Income tax paid	(23 886)	(68 135)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(663 506)</b>	<b>(545 526)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of intangible assets and tangible fixed assets	164	15
Purchase of intangible assets and tangible fixed assets	(2 879)	(3 265)
Acquisition of shares in related parties	-	(1 520)
Acquisition of bonds issued by banks	(238 868)	(98 965)
Proceeds from bonds issued by banks	278 009	-
Loans granted	(18 760)	-
Repayment of loans granted	11 900	-
Interest received	2 309	129
<b>NET CASH FROM / USED IN INVESTING ACTIVITIES</b>	<b>31 875</b>	<b>(103 606)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of finance lease liabilities	(4 069)	(2 363)
Interest paid	(540)	(303)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(4 609)</b>	<b>(2 666)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(636 240)</b>	<b>(651 798)</b>
Foreign exchange differences, net	695	(1 071)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 2.3)</b>	<b>1 639 774</b>	<b>2 239 546</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 2.3)</b>	<b>1 004 229</b>	<b>1 586 677</b>

## **1. General information**

Budimex SA (the "Company", the "Issuer") with its registered office in Warsaw, ul. Stawki 40, is a joint-stock company entered in the Commercial Register kept by the District Court for the capital city of Warsaw, Commercial Division XII of the National Court Register under No. KRS 0000001764.

Budimex SA is the parent company of the Budimex Group and serves as an advisory, management and financial centre.

The main areas of the Company's business activities are widely understood construction and assembly services realised in the system of general contracting at home and abroad and a limited scope of developer activities, property management, trading and production.

The Company is part of the Ferrovial Group with Ferrovial SA with its registered office in Madrid, Spain, as its parent company.

## **2. Principles applied for the purpose of preparation of this report**

### **2.1. Accounting policies and basis of preparing the financial statements of the Company**

These condensed financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and appropriate accounting standards applicable for preparation of the interim financial statements adopted by the European Union issued and effective when preparing the interim financial statements applying the same principles for the current and comparable period. Details of accounting policies adopted by the Company were described in the financial statements of the Company for the year ended 31 December 2017, published on 22 March 2018.

The financial statements and the comparative data contain also attributable to Budimex SA share in jointly controlled entities that constitute joint operations as per IFRS 11:

Budimex SA Sygnity SA Sp. j.,  
Budimex SA Ferrovial Agroman SA Sp. j.,  
Budimex SA Ferrovial Agroman SA S.C.,  
Budimex SA Budimex Budownictwo Sp. z o.o. S.C.,  
Budimex SA Cadagua SA II S.C.,  
Budimex SA Tecnicas Reunidas SA-Turów S.C.,  
Budimex SA Energetyka 1 Sp. j.,  
Budimex SA Energetyka 2 Sp. j.,  
Budimex SA Energetyka 3 Sp. j.,  
Budimex SA Ferrovial Agroman SA 2 S.C.,  
Budimex SA Cadagua SA III S.C.,  
Budimex SA Cadagua SA IV S.C.,  
Budimex SA Cadagua SA V S.C.

**Standards, amendments to standards and interpretation effective in the current period**

Starting from 1 January 2018 the Company adopted IFRS 9 “Financial Instruments” and appropriate changes in accounting principles were presented in paragraph 2.2 of the report.

Apart from the above, the Company for the first time adopted below standards, changes to standards and interpretation:

- Explanations to IFRS 15 “Revenue from Contracts with Customers”,
- Amendments to IFRS 2 “Share-based Payment” – *Classification and Measurement of Share-based Payment Transactions*,
- Amendments to IFRS 4 “Insurance Contracts” – *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*,
- Amendments to IAS 40 “Investment Property” - *Transfers of Investment Property*,
- Annual Improvements to IFRSs (Cycle 2014-2016) – annual improvements to IFRS 1, IFRS 12 and IAS 28, mainly with a view to removing inconsistencies and ensuring wording clarification,
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration”.

**Amendments to standards already published, but not yet effective**

At the date of the authorization of the attached condensed financial statements, the Company did not apply the following standards, which had been issued and authorised for use in the EU, but were not yet effective:

- IFRS 16 “Leases”, endorsed in the UE on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 9 “Financial Instruments” – “Prepayment option with negative compensation” (effective for annual periods beginning on or after 1 January 2019),

The Company has elected not to use the opportunity of early adoption of IFRS 16. The Company estimates that the application of IFRS 16 „Leases” may, to some extent, increase both its non-current assets and its financial liabilities that will impact some financial ratios. At the same time, positive impact on operating result and negative impact on the result from financing activities are expected. The value of future (undiscounted) operating lease payments which would have been recognised as assets/financial liabilities in accordance with IFRS 16 was disclosed in the financial statements of the Company for the year ended 31 December 2017, published on 22 March 2018.

**Standards, amendments to standards and interpretations issued by IASB but not yet adopted by the EU**

The IFRSs endorsed by the EU do not differ materially from regulations adopted by the International Accounting Standards Board (IASB), except for the below standards, amendments to Standards and IFRIC Interpretations, which as at the date of the preparation of these financial statements were not yet adopted for use:

- IFRS 17 “Insurance contracts” (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IAS 19 “Employee benefits” – *Plan Amendment, Curtailment or Settlement* (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” - *Long-term Interests in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2019),
- Annual Improvements to IFRSs (Cycle 2015-2017), effective for annual periods beginning on or after 1 January 2019,
- Amendments to References to the IFRS Conceptual Concepts, effective for annual periods beginning on or after 1 January 2019,
- IFRIC 23 “Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019).

The remaining standards, standards amendments or improvement and the IFRIC Interpretation would not have any material impact on the financial statements, had these been applied by the Company at the reporting date.

## 2.2. Changes in accounting principles and the method of preparation of financial statements

In the period covered by the report the Company applied for the first time IFRS 9 "Financial Instruments". The Company decided to apply the standard retrospectively. The Company decided not to restate previous periods data and to include potential impact of the first time application in opening balance of the retained earnings. Despite that, according to the best estimations of the Company application of IFRS 9 did not have any material impact on the previous years' financial statements. That is why as at 31 March 2018 no adjustment was made which would be presented in the retained earnings.

In the reporting period there were no other changes in the accounting principles and the method of preparation of financial statements compared to those disclosed in the financial statements of the Company for the financial year 2017, published on 22 March 2018.

Main assumptions of the accounting principles applied by the Company as at the date of the first application of IFRS 9 are presented below.

### Financial instruments

#### Classification and measurement

Financial assets and financial liabilities are recognised in the statement of financial position of the Company when it becomes party to the contractual provisions of the instrument. At first recognition financial assets and financial liabilities are recognised at fair value (in case of assets/ liabilities subsequently measured at amortised cost transaction costs should be added/deducted to/from the initial value).

At initial recognition trade receivables which do not contain significant financing component (according to IFRS 15) are measured at their transaction price.

Classification of financial assets is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

In the subsequent periods after the initial recognition the financial assets are measured at:

- amortised cost,
- at fair value through other comprehensive income,
- at fair value through profit or loss.

A financial asset is measured at amortised cost if:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Furthermore, the Company may make an irrevocable election at initial recognition for investments in equity instruments not held for trading that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. The amounts accumulated in other comprehensive income cannot be reclassified to profit or loss, even at derecognition. Such an investment is a non-monetary item. Any related foreign exchange component is also presented in other comprehensive income.

A financial asset is measured at fair value through profit and loss in all other cases.

Financial assets are derecognised when contractual rights to the cash flows from the financial asset expire or when they were transferred and substantially all risks and rewards of ownership of the financial asset were transferred as well.

All financial liabilities are classified as measured at amortised cost after the initial recognition, except for financial liabilities measured at fair value through profit or loss (meeting the definition of held for trading) – these instruments

are measured at fair value after the initial recognition.

A special subcategory of financial assets and liabilities held for trading are *derivatives*. Derivative transactions are concluded to hedge cash flows against foreign exchange and interest rate risk.

Derivative instruments are measured as at the balance sheet date at a reliably determined fair value. The fair value of derivative instruments is estimated using a model based, inter alia, on exchange rates (average NBP rates) as at the balance sheet date or differences in interest rate levels of the quoted and base currencies.

The effects of periodic valuation of derivative instruments hedging exchange rate fluctuations on construction contracts denominated in foreign currencies and gains and losses as at the settlement date are recognized in the profit and loss account under "Other operating income (expenses)" under operating activities.

The effects of periodic valuation of derivative instruments hedging interest rate fluctuations or foreign exchange rates of items classified as financial activities and gains and losses as at the date of their settlement are shown in the profit and loss account under "Finance income (costs)" as part of financing activities.

The Company does not apply hedge accounting.

#### Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on a financial asset. Credit losses are the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive, taken into consideration all expected shortfalls (i.e. lack of payments). If the impaired financial assets are long-term, the loss allowance for expected credit losses should be discounted according to the original effective interest rate (i.e. the rate as at the asset recognition).

#### *The amount of the loss allowance for expected credit losses*

In case of trade receivables and financial assets within IFRS 15 scope (i.e. valuation of long-term construction contracts) the Company measures the loss allowance in the amount of the lifetime expected credit losses.

In case of other financial assets outside IFRS 15 scope (i.e. investments in equity instruments, retentions for construction contracts, loans granted and other financial assets not measured at fair value) the loss allowance should be measured at an amount equal to the lifetime expected credit losses, if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument should be measured at an amount equal to 12-month expected credit losses.

In case of other financial assets outside IFRS 15 scope, if the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, and then, at the current reporting date, they determine that the credit risk is not significantly increased anymore, they shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

### 2.3. Cash recognized in the cash flow statement

The Company recognizes cash of restricted use including cash of the consortia in the portion attributable to other consortium members in the statement of financial position under cash and cash equivalents. For the purpose of the statement of cash flow – the balance of cash at the beginning and at the end of the reporting period is reduced by cash of restricted use, and its change in the statement of financial position is recognized under cash flow from operating activities.

	31 March 2018	31 December 2017	31 March 2017
	(in PLN thousand)		
<b>Cash recognised in the statement of financial position</b>	<b>1 038 240</b>	<b>1 680 371</b>	<b>1 615 479</b>
Cash and cash equivalents of restricted use	(34 011)	(40 597)	(28 802)
<b>Cash recognised in the statement of cash flow</b>	<b>1 004 229</b>	<b>1 639 774</b>	<b>1 586 677</b>

## 2.4. Going concern

The financial statements of the Company were prepared on the assumption that the Company will be going concern in the foreseeable future without a significant limitation in its activities. As at the date of signing the financial statements, the Management Board of the Company is not aware of any facts or circumstances that would indicate a threat to the Company's continued activities after the reporting date, due to an intended or compulsory withdrawal from or a significant limitation in its activities.

As at 31 March 2018 the excess of the current liabilities over the current assets amounted to PLN 170 681 thousand. Taking into consideration very good financial position of Budimex Group related to liquidity, of which the excess of current assets over current liabilities as at 31 March 2018 amounted to PLN 645 760 thousand, the Company's Management Board does not state as at the date of signing the financial statements any threat to Company's ability to continue as a going concern.

## 3. Shareholders of the Parent Company

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at 27 April 2018 has not changed compared to the structure as at 22 March 2018 when financial statements for the year ended 31 December 2017 had been published.

Shareholder	Type of shares	Number of shares	% of the issued capital	Number of votes	% of voting rights at the AGM
Valivala Holdings B.V. Amsterdam (the Netherlands) - Ferrovial SA Group company (Spain)	ordinary	14 078 159	55,14%	14 078 159	55,14%
Aviva OFE Aviva BZ WBK	ordinary	2 344 000	9,18%	2 344 000	9,18%
Nationale - Nederlanden OFE	ordinary	1 376 939	5,39%	1 376 939	5,39%
Other shareholders	ordinary	7 731 000	30,29%	7 731 000	30,29%
<b>Total</b>		<b>25 530 098</b>	<b>100,00%</b>	<b>25 530 098</b>	<b>100,00%</b>

## 4. Descriptions of factors and events which had a material effect on the financial result of the Company for the first quarter of 2018

### 4.1. Business operation of the Company in the I quarter of 2018

Sale of construction-assembly services in Poland is characterized by seasonality mainly connected with atmosphere conditions and the highest revenues are usually achieved in the second and third quarter, while the lowest – in the first quarter.

In the period of three months of 2018 Budimex SA earned sales revenue in the amount of PLN 1 087 484 thousand and in the comparative period of the year 2017, sales revenue amounted to PLN 940 517 thousand giving increase by 15.63%

Gross profit on sales for the 3-month period of 2018 amounted to PLN 83 678 thousand and was by PLN 50 044 thousand (37.42%) lower than in the comparative period of the previous year.

Total amount of administrative and selling expenses in I quarter of 2018 was PLN 50 053 thousand, while in I quarter of 2017 amounted to PLN 50 155 thousand. The share of selling and administrative expenses in total sales was equal to 4.60% (in the first quarter of 2017 to 5.33%).

In I quarter of 2018, the result from the other operating activity, including financial result from derivative instruments, was positive and amounted to PLN 4 081 thousand. Other operating income comprised mainly: released provisions for penalties and compensation in the amount of PLN 5 514 thousand, revenue from received penalties and fines in the amount of PLN 3 952 thousand, overdue liabilities write-off amounted to PLN 930 thousand, reversal of receivable impairment write-downs in the amount of PLN 449 thousand and profit on valuation and realization of derivative instrument contracts of PLN 100 thousand. Other operating expenses comprised mainly: cost of paid penalties and compensation in the amount of PLN 3 994 thousand, impairment write-downs against doubtful debts in the amount of PLN 1 984 thousand, donations granted in the amount of PLN 313 thousand and cost of legal proceedings in the amount of PLN 165 thousand.

For comparison, in I quarter of 2017 the result from the other operating activity, including financial result from derivative instruments, was positive and amounted to PLN 6 134 thousand. Other operating income comprised mainly: revenue from received penalties and fines in the amount to PLN 3 775 thousand, released provisions for penalties and legal proceedings in the amount of PLN 410 thousand and PLN 1 760 thousand accordingly, reversal of receivable impairment write-downs in the amount of PLN 2 073 thousand, overdue liabilities write-off amounted to PLN 1 212 thousand and profit on valuation and realization of derivative instrument contracts of PLN 2 521 thousand. Other operating expenses comprised mainly: impairment write-downs against doubtful debts in the amount of PLN 4 543 thousand, cost of paid penalties and compensation in the amount of PLN 749 thousand and cost of legal proceedings in the amount of PLN 338 thousand.

All valued derivative instrument contracts were classified as level 2 in the fair value hierarchy. During the 3 months ended 31 March 2018, there was no transfer between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 of fair value measurement.

In I quarter of 2018 the operating profit amounted to PLN 37 706 thousand and was lower by PLN 51 995 thousand (57.96%) compared to the same period of the year 2017. In I quarter of 2018, the operating margin was equal to 3.47%, while in the comparative period of 2017 was equal to 9.54%.

In I quarter of 2018, the result from financial activity was positive and amounted to PLN 47 952 thousand. Financial income, besides dividend income from related entities in the amount of PLN 49 000 thousand, comprised also interest of PLN 8 174 thousand (this amount is inclusive of PLN 1 449 thousand of interest from short-term, not listed bonds, purchased from banks, presented in the statement of financial position in other financial assets in the amount of PLN 239 289 thousand). Financial expenses comprised mainly costs of bank guarantees and commissions in the amount of PLN 6 082 thousand, costs of long-term retention receivables and liabilities discounting of PLN 2 490 thousand.

For comparison, in I quarter of 2017, the result from financial activity was positive and amounted to PLN 10 326 thousand. Financial income, besides dividend income from related entities in the amount of PLN 11 686 thousand, comprised also interest of PLN 8 112 thousand (this amount is inclusive of PLN 498 thousand of interest from short-term bonds). Financial expenses comprised mainly costs of bank guarantees and commissions in the amount of PLN 5 666 thousand, costs of long-term retention receivables and liabilities discounting of PLN 2 052 thousand and exchange differences in the amount of PLN 1 226 thousand.

Profit before tax for the period of 3-months of 2018 amounted to PLN 85 658 thousand, while in the comparative period of 2017 amounted to PLN 100 027 thousand.

In the period of three months of 2018 the Company reported a net profit of PLN 77 125 thousand gaining net profit margin of 7.09% while in the same period of 2017 net profit margin was equal to 8.77%.

In the first quarter of 2018, the Company purchased or started to lease property, plant and equipment, intangible assets and investment property with a total value of PLN 8 805 thousand, of which plant and machinery accounted for PLN 6 388 thousand.

In the comparative period of 2017, the Company purchased or started to lease property, plant and equipment, intangible assets and investment property with a total value of PLN 6 376 thousand, of which plant and machinery accounted for PLN 3 264 thousand.

As at 31 March 2018 the Company did not possess any contractual obligations for the purchase of property, plant and equipment.

## 4.2. Revenue from contracts with customers by categories

In the first quarter of 2018 and 2017 the revenue from contracts with customers by type of product or service was as follows:

Product/service type	amounts in PLN thousands	
	Sales of finished goods and services in the 3-month period ended:	
	31 March 2018	31 March 2017
Revenue from sale of construction and assembly services	1 080 890	934 679
Revenue from sale of other services	4 604	4 848
Revenue from sale of goods and materials	1 990	990
<b>Total sales of finished goods, goods for resale, raw materials and services</b>	<b>1 087 484</b>	<b>940 517</b>

In the first quarter of 2018 and 2017 the revenue from contracts with customers by geographic area was as follows:

Region	amounts in PLN thousands	
	Sales of finished goods and services in the 3-month period ended:	
	31 March 2018	31 March 2017
Poland	1 035 988	898 303
Germany	38 886	42 214
Other EU countries	12 610	-
<b>Total sales of finished goods, goods for resale, raw materials and services</b>	<b>1 087 484</b>	<b>940 517</b>

In the first quarter of 2018 and 2017 the revenue from contracts with customers by type of construction was as follows:

Type of construction	amounts in PLN thousands	
	Sales of finished goods and services in the 3-month period ended:	
	31 March 2018	31 March 2017
Civil engineering (infrastructure)	352 213	377 258
Railway	62 342	26 006
General construction, of which:	666 335	531 415
- non-residential	482 947	357 309
- residential	183 388	174 106
Other	6 594	5 838
<b>Total sales of finished goods, goods for resale, raw materials and services</b>	<b>1 087 484</b>	<b>940 517</b>

## 4.3. Changes of estimates

### Provisions for expected contract losses

In accordance with accounting policies adopted, the Company creates provisions for expected contract losses if budgeted contract costs exceed the entire expected contract revenue. As at 31 March 2018, the balance of the provision for contract losses amounted to PLN 164 783 thousand, while as at 31 December 2017 amounted to PLN 234 876 thousand. Due to that, in the 3-month period of 2018 the balance of provision decreased by PLN 70 093 thousand.

### Provision for legal proceedings

The Company recognises provisions for legal proceedings when it is suited and the probability of an unfavourable court judgement is higher than the probability of a favourable one. An estimation of that result is made on the basis of analysis of a legal proceedings progress as well as lawyers' opinions. As at 31 March 2018 and as at 31 December 2017 the balance of the provision in this respect amounted to PLN 23 550 thousand.



**Provision for penalties**

The Company recognises provisions for penalties related to the realization of construction contracts. A provision is recognised only when the Company has a present obligation as a result of past event, the settlement of that obligation is highly probable and a reliable estimate can be made of the amount of the obligation. As at 31 March 2018, the balance of the provision in this respect amounted to PLN 33 553 thousand, while as at 31 December 2017 amounted to PLN 39 027 thousand. Due to that, in the 3-month period of 2018 the balance of provision decreased by PLN 5 474 thousand.

**Costs of future warranty repairs**

The Company is required to issue guarantees for its construction services. It is accepted that the provision between 0.3%-1.4% of revenue from the given contract is made what depends on particular construction segment. This general value is assessed on an individual basis and may be increased or reduced, as appropriate. As at 31 March 2018, the balance of the provision in this respect amounted to PLN 330 597 thousand, while as at 31 December 2017 amounted to PLN 315 146 thousand. Due to that, in the 3-month period of 2018 the balance of provision increased by PLN 15 451 thousand.

**Deferred tax asset and liability**

As at 31 March 2018, the balance of deferred tax asset (reducing by deferred tax liability) amounted to PLN 362 535 thousand, while as at 31 December 2017 amounted to PLN 360 149 thousand. Due to that, in the 3-month period of 2018 the balance of deferred tax asset increased by PLN 2 386 thousand.

**Impairment write-downs against receivables and retentions for constructions contracts**

As at 31 March 2018, the balance of recognized impairment write-downs against receivables and retentions amounted to PLN 132 926 thousand, while as at 31 December 2017 amounted to PLN 131 246 thousand. In the 3-month period of 2018 the Company recognized impairment write-downs in the amount of PLN 1 984 thousand and utilized impairment write-downs in the amount of PLN 3 thousand, reversed impairment write-downs - increasing other operating income - in the amount of PLN 449 thousand and in the same time the Company increased it by PLN 145 thousand due to exchange differences.

**Impairment write-downs against inventory**

As at 31 March 2018 and 31 December 2017, the balance of recognised impairment write-downs against inventory amounted to PLN 2 425 thousand.

**4.4. Material changes of the legal proceedings pending in I quarter of 2018**

The total value of legal proceedings pending in respect of liabilities and claims of Budimex SA as at 31 March 2018 was PLN 309 953 thousand and PLN 124 100 thousand respectively and as at 31 December 2017 was PLN 316 712 thousand and 131 549 thousand.

The proceedings in the highest value case with reference to liabilities are pending before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw, which involve the consortium members: Ferrovial Agroman SA, Budimex SA and Estudio Lamela S.L. (the FBL Consortium) and Przedsiębiorstwo Państwowe "Porty Lotnicze" (PPL). The litigation is the result of PPL serving a notice rescinding the contract for the development and modernization of Terminal 2 of the Warsaw Chopin Airport.

Initially, the proceedings related solely to the claim filed on 24 January 2008 by the FBL Consortium, in relation to bank guarantees realised by PPL groundlessly, which were given as a performance bond for a total amount of PLN 54 382 thousand. That case was finally resolved by a judgment of the Court of Appeal in Warsaw of 23 August 2012. The total value of the awarded claim and the amount of statutory interest for late payment was PLN 87 920 thousand (the amount attributable to Budimex SA was PLN 35 168 thousand, of which PLN 21 612 thousand as reimbursement of the performance bond). The court enforcement officer transferred that amount to the bank account of Budimex SA on 28 September 2012. After the cassation appeal of PPL was dismissed by the Supreme Court, the enforcement proceedings became final and PPL cannot submit now any further claims against the FBL Consortium regarding reimbursement of the amounts adjudicated in the partial judgment.

In the course of the proceedings before the Court of Arbitration, PPL filed a counter-claim of a total amount of PLN 135 719 thousand, covering claims for the redress of damage, including lost benefits, return of unjust enrichment

and liquidated damages. On 31 July and 26 October 2009, PPL filed to the Court of Arbitration further written statements of claim including extension of the counter-claim, changing the original amount of counter-claim from PLN 135 719 thousand to PLN 280 894 thousand. As a result of subsequent procedural steps, in August 2012, the PPL's claim was raised to PLN 298 892 thousand. According to the value of the shares set forth in the consortium agreement, the risk allocated to Budimex SA does not exceed the total of PLN 119 556 thousand.

Regardless of the PPL's counter-claim and in accordance with former announcements, on 27 February 2009 the FBL Consortium submitted a statement of claim including an extension of the main claim by the amount of PLN 216 458 thousand, covering: remuneration for the works performed, but not paid by the Investor, remuneration for additional works, and reimbursement for the retained amounts and interest on late payments. Under the consortium contract, the share of Budimex SA in this claim amounts to PLN 86 583 thousand. According to Budimex SA, all claims under the PPL's counter-suit are groundless. Consequently, on 21 October 2008, the FBL Consortium filed a response to the counter-claim, which contained a motion to dismiss the action in its entirety, and hence the statement on the groundlessness of PPL's claims.

Until now, during several hearings, the court has examined all witnesses for the claimant and the counter-claimant with respect to the circumstances included in PPL's counter-claim. Additionally, at the beginning of 2018, the hearing of evidence was completed, including three expert opinions on the claims of the FBL Consortium concluded in the extended principal claim. Consequently, the last remaining evidence to be heard in the case is the expert's opinion on the amount of PPL's claims. The scope of this application will be decided by the Arbitration Court at the hearing in June 2018, and the basis of this decision will be the conclusions of the previous expert opinions (regarding the claims of the PPL Consortium and the assessment of the claims of the plaintiff), the content of which affects the scope of PPL's claims. According to the first expert opinion (BS Consulting Group) - the FBL Consortium had the right to extend the time to complete the works, while the next two opinions confirmed that the claims of the FBL Consortium are justified for the most part. Although experts' opinions do not determine the formal assessment of the validity of claims of the FBL Consortium (this is done by the Arbitration Court), but in a situation where the Arbitrator Team would also share the FBL Consortium's position, there would be no room for recognizing the legitimacy of PPL's claims.

As part of a summary of the parties' positions - the purpose of which is to close the stage regarding the claims of the FBL consortium at the beginning of 2018, PPL submitted to members of the Consortium a deduction statement and a possible charge of deduction in the proceedings. This step resulted in a change of the previous Arbitration Court decision, which intended to issue another partial verdict encompassing the plaintiff's claims after the hearing of evidence had been completed. Currently, the hearing of evidence concerning the opinion of experts on PPL claims submitted in a counterclaim will be continued - but only to the extent that will be determined by the Arbitration Court at the hearing at the beginning of June 2018. This stage will probably not end earlier than in the first half of 2019.

The Management Board is of the opinion that the final judgement of the Court of Arbitration will be favourable to the FBL Consortium.

On 24 July 2017, Muzeum Śląskie in Katowice filed a claim against Budimex SA and Ferrovia Agroman SA, operating as a consortium, in connection with the performance of the contract called „Construction of new premises of Muzeum Śląskie in Katowice” concluded on 7 June 2011. The claimant requested that either the amount of PLN 122 758 thousand, together with statutory interest calculated as of the date of claim filing, was awarded jointly and severally against the defendants towards undue performance of the contract, or the defendants were ordered to reduce contract transaction price by the amount of PLN 34 675 thousand being the reimbursement of the unfairly, as stated by the claimant, paid contract consideration. Art. 471 of the Civil Code was named as the basis for the principal claim, while the provisions of contractor warranty for defects in the constructed facility – for the alternative claim (*żądanie ewentualne*).

In the opinion of the Management Board of Budimex SA, the claim is unjustified. The irregularities, if any, which the claimant names as the basis for its action do not result from contract performance or undue performance by the consortium. In addition, due contract performance was confirmed by the claimant by the issued Certificate of Acquisition and Certificate of Completion of premises of Muzeum Śląskie in Katowice. In the opinion of the Management Board, the reported provisions cover the risks related to contract performance. Budimex SA filed its reply to said claim on 31 October 2017. It was supplemented by Budimex SA in January 2018. At the same time, the court attempted to deliver a copy of the claim to Ferrovia Agroman SA. Due to the non-translation of all documents into Spanish, Ferrovia Agroman SA refused to accept the parcel. As at the date of the report, it was not possible to successfully deliver a copy of the claim to Ferrovia Agroman SA.

Another legal proceedings with a material value relate to the claim filed on 5 March 2008 by Miejskie Wodociągi i Kanalizacja w Bydgoszcy Sp. z o.o. requesting that the amount of PLN 25 252 thousand be awarded jointly and severally against the consortium to which the Budimex SA and Budimex Dromex SA belonged. The claim relates to the replacement of contractor costs incurred by the investor when the consortium rescinded the contract. The share of the companies in the consortium was 90%, therefore the value of the claim for which Budimex SA is presently liable is PLN 22 727 thousand. On 12 July 2017, the court of the first instance awarded against Budimex SA only the amount of PLN 22 thousand (towards reimbursement of the costs of expert opinions commissioned by the claimant), and dismissed the claim in its entirety. The appeal against court decision was filed both by the claimant (as regards the entire claim), and the defendant (as regards the part of the verdict regarding the amount of PLN 22 thousand). Currently, the parties await setting the date for the hearing before the court of the second instance.

As at the date of the preparation of these financial statements, the final outcome of the remaining proceedings is not known.

The proceedings in respect of claims of Budimex SA relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed. Apart from the case brought to court by the FBL Consortium against PPL, no value of other proceedings concerning claims is material.

As at the date of these financial statements, the final outcome of the proceedings is not known.

**5. Other events for the I quarter of 2018 and significant events after 31 March 2018**

On **15 January, 13 March** and **10 April 2018** new tranches of the loan were provided by Budimex SA to Budimex Nieruchomości Sp. z o.o. (subsidiary of Budimex SA) in the amount of PLN 2 800 thousand and PLN 1 100 thousand and PLN 800 thousand, based on the loan agreement dated 24 April 2017. In accordance to that agreement the loan was granted by Budimex to Budimex Nieruchomości Sp. z o.o. to the maximum amount of PLN 100 million for financing developer projects. Pursuant to the agreement the loan will be paid in tranches and is to be repaid till 29 June 2018. The loan interest rate was determined as 1-m WIBOR plus margin. On 26 February 2018 Budimex Nieruchomości Sp. z o.o. partially repaid the loan in the amount of PLN 8 900 thousand.

On **24 January 2018** and on **28 March 2018** new tranches of the loan were provided by Budimex SA to Budimex Kolejnictwo SA (subsidiary of Budimex SA) in the amount of PLN 3 000 thousand and PLN 5 000 thousand, based on the loan agreement dated 26 October 2017. In accordance to that agreement the loan was granted by Budimex to Budimex Kolejnictwo SA in the amount up to PLN 30 000 thousand. The loan interest was agreed as 6-m WIBOR plus margin. The loan was paid back on 11 April 2018.

On **30 January 2018** new tranche of the loan were provided by Budimex SA to FBSerwis SA (an associate of Budimex SA) in the amount of PLN 1 470 thousand based on the loan agreement dated 4 January 2016. In accordance to that agreement the loan was granted by Budimex to FBSerwis SA in the amount up to PLN 13 720 thousand with the repayment date till 4 January 2021. The loan interest was agreed as 3-m WIBOR plus margin.

On **1 February 2018** the demerger of Elektromontaż Poznań SA by spinning off the part of the business related to property management to Budimex Inwestycje Grunwald SA was registered. As a result of the demerger, the issued capital of Elektromontaż Poznań SA was decreased from PLN 54 082 thousand to PLN 18 388 thousand (decrease of the nominal value of shares from PLN 10 to PLN 3.40 per share). At the same time, the issued capital of Budimex Inwestycje Grunwald SA was increased from PLN 100 thousand to PLN 35 794 thousand (issue of new shares with the nominal value of PLN 0.10 per share).

On **15 February 2018** and on **16 March 2018** new tranches of the loan were provided by Budimex SA to FBSerwis SA in the amount of PLN 1 470 thousand and PLN 3 920 thousand, based on the loan agreement dated 30 May 2017. In accordance to that agreement the loan was granted by Budimex to FBSerwis SA in the amount up to PLN 78 400 thousand with the repayment date till 26 May 2020. The loan interest was agreed as 3-m WIBOR plus margin.

On **20 March 2018** the increase of issuance capital of Budimex PPP SA (subsidiary of Budimex SA) by PLN 105 thousand i.e. from PLN 1 290 thousand to the amount of PLN 1 395 thousand was registered in the National Court Register.

On **23 March 2018** the association deed of Budimex K Sp. z o.o. and Budimex L Sp. z o.o. was signed and all shares of both companies were obtained by Budimex SA.

**6. Related party transactions**

Transactions with related parties made in the first quarter of 2018 and in the first quarter of 2017 and unsettled balances of receivables and liabilities as at 31 March 2018 and 31 December 2017 are presented in the tables below:

	amounts in PLN thousands			
	Receivables		Liabilities	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Parent Company and related parties (the Ferrovia Group)	20 718	20 679	83 861	73 553
Subsidiary companies	145 619	105 478	106 473	106 756
Associates	113	289	93	175
Jointly controlled entities	1 685	3 754	728	682
Other related parties*	19	11	-	-
<b>Total</b>	<b>168 154</b>	<b>130 211</b>	<b>191 155</b>	<b>181 166</b>

	amounts in PLN thousands			
	Loans granted		Loans taken out	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Parent Company and related parties (the Ferrovia Group)	-	-	8 789	8 698
Subsidiary companies	13 043	13 217	-	-
Associates	70 226	62 451	-	-
<b>Total</b>	<b>83 269</b>	<b>75 668</b>	<b>8 789</b>	<b>8 698</b>

	amounts in PLN thousands			
	Sales of finished goods and services		Purchase of finished goods and services	
	3-month period ended 31 March		3-month period ended 31 March	
	2018	2017	2018	2017
Parent Company and related parties (the Ferrovia Group)	50	19	11 373	11 032
Subsidiary companies	139 565	72 447	26 606	21 764
Associates	72	315	74	128
Jointly controlled entities	270	174	-	-
<b>Total transactions with related parties</b>	<b>139 957</b>	<b>72 955</b>	<b>38 053</b>	<b>32 924</b>

	amounts in PLN thousands			
	Finance income		Finance costs	
	3-month period ended 31 March		3-month period ended 31 March	
	2018	2017	2018	2017
Parent Company and related parties (the Ferrovia Group)	-	-	12	15
Subsidiary companies	49 143	11 762	-	-
Associates	915	129	-	-
<b>Total transactions with related parties</b>	<b>50 058</b>	<b>11 891</b>	<b>12</b>	<b>15</b>

\*) Other related parties comprise also entities on which the key management person of the Company or his close relative exercises significant influence.

Inter-Group transactions are made on an arm's length basis.

**7. Contingent receivables and contingent liabilities**

	31 March 2018 (in PLN thousands)	31 December 2017 (in PLN thousands)
<b><u>Contingent receivables</u></b>		
<b>From related parties, of which:</b>	<b>15 273</b>	<b>15 066</b>
– guarantees and suretyships received	2 725	2 518
– bills of exchange received as security	2 548	2 548
– other contingent receivables	10 000	10 000
<b>From other entities</b>	<b>572 634</b>	<b>558 021</b>
– guarantees and suretyships received	571 486	557 169
– bills of exchange received as security	1 148	852
<b>Other contingent receivables</b>	<b>14 768</b>	<b>14 768</b>
<b>Total contingent receivables</b>	<b>602 675</b>	<b>587 855</b>
<b><u>Contingent liabilities</u></b>		
<b>To related parties, of which:</b>	<b>334 671</b>	<b>347 754</b>
– guarantees and suretyships issued	334 671	347 754
<b>To other entities, of which:</b>	<b>3 331 546</b>	<b>3 484 000</b>
– guarantees and suretyships issued	3 317 794	3 470 248
– bills of exchange issued as performance bond	13 752	13 752
<b>Other contingent liabilities</b>	<b>134 381</b>	<b>134 381</b>
<b>Total contingent liabilities</b>	<b>3 800 598</b>	<b>3 966 135</b>
<b>Total off-balance sheet items</b>	<b>(3 197 923)</b>	<b>(3 378 280)</b>

Contingent receivables represent guarantees issued by banks and other financial institutions to the companies of the Company as security for the potential claims the Company may file against its business partners in respect of the construction contracts in progress.

Contingent liabilities represent guarantees and suretyships issued by banks to business partners of the Company as security for the potential claims they may be filed against the Company in respect of the construction contracts in progress. Banks are entitled to recourse the underlying claims to the Company. Guarantees issued to the Company's customers represent an alternative, to the retentions held, method of securing potential claims of customers.

The bills of exchange issued represent a security for the settlement of liabilities towards the strategic suppliers of the Company, while the bills of exchange received and recognized under contingent assets (receivables) represent security for the repayment by the Company customers of the amounts due to the Company.

Other contingent liabilities include among others voluntary acceptance of enforcement constituting a security of payment up to the amount of PLN 134 381 thousand due and payable in the case of improper performance of obligations by Budimex SA under the acquisition agreement concerning shares of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.

**President of the Management Board**

**Management Board Member**

**Dariusz Blocher**

**Marcin Węglowski**

Warsaw, 27 April 2018