

The Budimex Group

Condensed consolidated financial statements

**for the period of 6 months
from 1 January to 30 June 2014**

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

The BUDIMEX Group

Condensed consolidated financial statements for the 6-month period from 1 January to 30 June 2014

prepared in accordance with IFRS

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Consolidated statement of financial position

ASSETS	30 June 2014	31 December 2013	30 June 2013
	(PLN thousands)	(PLN thousands)	(PLN thousands)
Non-current assets			
Property, plant and equipment	79 864	83 755	111 602
Investment properties	23 265	24 529	23 409
Intangible assets	4 571	4 106	4 444
Goodwill	73 237	73 237	73 237
Equity accounted investments	1 932	3 518	6 685
Available-for-sale financial assets	8 376	8 381	7 633
Retentions for construction contracts	23 878	24 804	22 403
Trade and other receivables	21 284	20 703	8 945
Receivables from concession agreement	42 614	22 376	-
Derivative financial instruments	17	692	-
Long-term prepayments and deferred costs	4 957	4 793	5 238
Deferred tax asset	337 711	351 336	305 942
Total non-current assets	621 706	622 230	569 538
Current assets			
Inventories	627 101	697 046	838 074
Loans granted and other financial assets	12 177	3 164	-
Trade and other receivables	732 030	525 675	497 158
Retentions for construction contracts	14 089	18 217	40 644
Amounts due and receivable from customers (investors) under construction contracts	285 512	146 630	391 208
Current tax receivable	44	331	666
Derivative financial instruments	183	131	1 028
Cash and cash equivalents	1 014 447	1 658 783	776 018
Short-term prepayments and deferred costs	12 407	14 546	13 472
Total current assets	2 697 990	3 064 523	2 558 268
TOTAL ASSETS	3 319 696	3 686 753	3 127 806

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Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	30 June 2014	31 December 2013	30 June 2013
	(PLN thousands)	(PLN thousands)	(PLN thousands)
Shareholders' equity			
Shareholders' equity attributable to the shareholders of the Parent Company			
Share capital	145 848	145 848	145 848
Share premium	87 163	87 163	234 799
Other reserves	4 584	4 584	2 705
Foreign exchange differences on translation of foreign operations	5 117	5 101	2 415
Retained earnings	168 007	383 627	3 312
Total shareholders' equity attributable to the shareholders of the Parent Company	410 719	626 323	389 079
Non-controlling interests	19 380	18 852	16 327
Total shareholders' equity, incl. non-controlling interests	430 099	645 175	405 406
Liabilities			
Non-current liabilities			
Loans, borrowings and other external sources of finance	43 000	34 355	68 796
Retentions for construction contracts	165 206	161 347	152 827
Provision for long-term liabilities and other charges	148 422	147 676	144 754
Long-term retirement benefits and similar obligations	4 381	4 381	3 960
Derivative financial instruments	1 173	226	-
Total non-current liabilities	362 182	347 985	370 337
Current liabilities			
Loans, borrowings and other external sources of finance	20 544	19 729	31 637
Trade and other payables	1 162 542	1 217 984	1 198 437
Retentions for construction contracts	182 511	189 466	202 101
Amounts due and payable to customers (investors) under construction contracts	615 815	689 915	379 216
Prepayments received	251 105	276 325	283 004
Provision for short-term liabilities and other charges	130 170	120 126	109 919
Current tax payable	16	16 147	1 935
Short-term retirement benefits and similar obligations	1 117	1 117	1 052
Derivative financial instruments	608	499	3 144
Short-term accruals	158 439	156 931	134 890
Short-term deferred income	4 548	5 354	6 728
Total current liabilities	2 527 415	2 693 593	2 352 063
Total liabilities	2 889 597	3 041 578	2 722 400
TOTAL EQUITY AND LIABILITIES	3 319 696	3 686 753	3 127 806

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Consolidated income statement

	6-month period ended 30 June	
	2014	2013
	(PLN thousands)	(PLN thousands)
Continuing operations		
Net sales of finished goods, goods for resale, raw materials and services	2 153 122	2 087 665
Cost of finished goods, goods for resale, raw materials and services sold	(1 943 793)	(1 906 095)
Gross profit on sales	209 329	181 570
Selling expenses	(12 138)	(13 335)
Administrative expenses	(86 277)	(76 723)
Other operating income	20 504	21 092
Other operating expenses	(21 435)	(19 175)
Gains/ (losses) on derivative financial instruments	8	(4 800)
Operating profit	109 991	88 629
Finance income	20 160	15 225
Finance costs	(16 399)	(15 124)
(Losses) on derivative financial instruments	(1 887)	-
Share of results of equity accounted companies	(1 675)	(1 517)
Profit before tax	110 190	87 213
Income tax	(22 750)	(19 362)
Net profit from continuing operations	87 440	67 851
Net profit for the period	87 440	67 851
Of which:		
Attributable to the shareholders of the Parent Company	86 912	67 801
Attributable to non-controlling interests	528	50
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	3.40	2.66

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Consolidated statement of comprehensive income

	6-month period ended 30 June	
	2014	2013
	(PLN thousands)	(PLN thousands)
Net profit for the period	87 440	67 851
Other comprehensive income for the period, which:		
<i>Will be subsequently reclassified to profit or loss:</i>		
Foreign exchange differences on translation of foreign operations	16	225
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	-	-
Other comprehensive income, net of tax	16	225
Total comprehensive income for the period	87 456	68 076
Of which:		
Attributable to the shareholders of the Parent Company	86 928	68 026
Attributable to non-controlling interests	528	50

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Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity	
	Share capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			Total
			Share-based payments	Actuarial gains/(losses)					
(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	
Balance as at 1 January 2014	145 848	87 163	5 370	(786)	5 101	383 627	626 323	18 852	645 175
Profit for the period	-	-	-	-	-	86 912	86 912	528	87 440
Other comprehensive income	-	-	-	-	16	-	16	-	16
Total comprehensive income for the period	-	-	-	-	16	86 912	86 928	528	87 456
Dividends	-	-	-	-	-	(302 532)	(302 532)	-	(302 532)
Balance as at 30 June 2014	145 848	87 163	5 370	(786)	5 117	168 007	410 719	19 380	430 099

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Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity	
	Share capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			Total
			Share-based payments	Actuarial gains/ (losses)					
(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	
Balance as at 1 January 2013	145 848	234 799	2 705	-	2 190	47 588	433 130	-	433 130
Profit for the period	-	-	-	-	-	67 801	67 801	50	67 851
Other comprehensive income	-	-	-	-	225	-	225	-	225
Total comprehensive income for the period	-	-	-	-	225	67 801	68 026	50	68 076
Change in the Group composition	-	-	-	-	-	-	-	16 277	16 277
Dividends	-	-	-	-	-	(112 077)	(112 077)	-	(112 077)
Balance as at 30 June 2013	145 848	234 799	2 705	-	2 415	3 312	389 079	16 327	405 406
Profit for the period	-	-	-	-	-	232 679	232 679	770	233 449
Other comprehensive income	-	-	-	(786)	2 686	-	1 900	-	1 900
Total comprehensive income for the period	-	-	-	(786)	2 686	232 679	234 579	770	235 349
Loss coverage	-	(147 636)	-	-	-	147 636	-	-	-
Share based payments	-	-	2 665	-	-	-	2 665	-	2 665
Change in recognition method of non-controlling interest	-	-	-	-	-	-	-	1 755	1 755
Balance as at 31 December 2013	145 848	87 163	5 370	(786)	5 101	383 627	626 323	18 852	645 175

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Consolidated statement of cash flow

	6-month period ended 30 June	
	2014	2013
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	110 190	87 213
Adjustments for:		
Depreciation/ amortization	11 709	14 873
Share of results of equity accounted companies	1 675	1 517
Foreign exchange (gains)/ losses	(150)	85
Interest and shares in profits (dividends)	284	984
(Profit)/ loss on disposal of investments	(3 122)	3 208
Change in valuation of derivative financial instruments	1 679	7 583
Operating profit before changes in working capital	122 265	115 463
Change in receivables and retentions for construction contracts	(222 653)	(70 251)
Change in inventories	69 945	42 066
Change in provisions and liabilities arising from retirement benefits and similar obligations	10 790	(4 074)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	(59 396)	(152 729)
Change in accruals, accrued income and deferred costs	2 677	(37 497)
Change in amounts due and receivable under construction contracts	(212 982)	(314 548)
Change in prepayments received	(25 220)	8 904
Change in cash and cash equivalents of restricted use	8 973	(11 542)
Other adjustments	(219)	34
Cash used in operations	(305 820)	(424 174)
Income tax paid	(24 986)	(17 674)
NET CASH USED IN OPERATING ACTIVITIES	(330 806)	(441 848)

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	6-month period ended 30 June	
	2014	2013
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of intangible assets and tangible fixed assets	538	1 310
Purchase of intangible assets and tangible fixed assets	(4 623)	(4 421)
Sale of investment property	1 530	-
Proceeds from disposal of subsidiaries	2 028	-
Purchases of shares in subsidiaries	-	(4 936)
Loans granted	(17 885)	-
Repayment of loans granted	8 820	-
Interest received	378	4
NET CASH USED IN INVESTING ACTIVITIES	(9 214)	(8 043)
CASH FLOW FROM FINANCING ACTIVITIES		
Loans and borrowings taken out	16 320	10 432
Repayment of loans and borrowings	(3 736)	-
Dividends paid	(302 530)	(112 077)
Payment of finance lease liabilities	(5 016)	(4 791)
Interest paid	(557)	(928)
NET CASH USED IN FINANCING ACTIVITIES	(295 519)	(107 364)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(635 539)	(557 255)
Foreign exchange differences, net	176	402
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 3.4)	1 625 694	1 306 746
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 3.4)	990 331	749 893

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1. Organization of the Budimex Group and changes in the Group structure

1.1. The Parent Company

The parent company of the Budimex Group is Budimex SA (the „Parent Company”), which main area of business is building and rendering of management and advisory services for the Budimex Group companies.

The main areas of the business activities of the Group are widely understood construction-assembly services realized in the system of general execution at home and abroad, developer activities, property management, and limited scope trading, production, transport and other business. Budimex SA serves in the Group as an advisory, management and financial centre. Realization of these three functions is to facilitate:

- efficient flow of information within Group structures,
- strengthening the efficiency of cash and financial management of individual Group companies,
- strengthening market position of the entire Group.

1.2. Entities subject to consolidation

As at 30 June 2014, 31 December 2013 and 30 June 2013 the following subsidiaries were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		30 June 2014	31 December 2013	30 June 2013
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	100.00%
Budimex Danwood Sp. z o.o. ¹	Bielsk Podlaski / Poland	-	-	100.00%
Budimex Bau GmbH	Cologne/ Germany	100.00%	100.00%	100.00%
Budimex Nieruchomości Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
SPV-BN 1 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
SPV-BN 2 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Kolejnictwo SA	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Elektromontaż Poznań SA Group	Poznań / Poland	50.66%	50.66%	50.66%
Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o. ²	Warsaw / Poland	100.00%	100.00%	-

¹⁾ The company was sold on 2 December 2013.

²⁾ The company was registered on 6 December 2013 and has been consolidated from 1 January 2014.

Stand-alone data of Budimex SA, which is a partner in consortiums (treated as joint operations according to IFRS 11), includes its share in assets, liabilities, revenue and expenses of the following joint operations:

Consortium name	Share
Budimex SA Ferrovial Agroman SA s.c.	99,98%
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.	99,98%
Budimex SA Sygnity SA Sp. j.	67,00%
Budimex SA Ferrovial Agroman SA Sp. j.	50,00%
Budimex SA Cadagua SA s.c.	50,00%
Budimex SA Cadagua SA 2 s.c.	50,00%

Due to changes introduced by IFRS 11, from 1 January 2014 the Budimex Group has consolidated Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o., its joint venture in which it holds a 30% share, by equity method.

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1.3. Description of changes in the composition of the Group together with indication of their consequences

From 1 January 2014 the Budimex Group started to consolidate a newly formed company, Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o.

Due to changes introduced by IFRS 11, starting from 1 January 2014 the Group stopped to consolidate Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. by proportionate method and started to consolidate it by equity method.

In the 6-month period ended 30 June 2014, there were no other changes in the composition of the Group.

In the period covered by this report, no significant activities were discontinued and there were no plans to discontinue any significant activities in the future.

2. Shareholders of the Parent Company

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at the report date was as follows:

Shareholder	Type of shares	Number of shares	% of the share capital	Number of votes	% of voting rights at the AGM
Valivala Holdings B.V. Amsterdam (Holland) – the Company from the Ferrovial SA Group (Spain)	ordinary	15 078 159	59.06%	15 078 159	59.06%
Aviva OFE Aviva BZ WBK	ordinary	1 820 426	7.13%	1 820 426	7.13%
Other shareholders	ordinary	8 631 513	33.81%	8 631 513	33.81%
Total		25 530 098	100.00%	25 530 098	100.00%

There have not been any changes in the shareholders' structure since the report for the first quarter of 2014 was published on 29 April 2014.

3. Principles applied for the purpose of preparation of financial statements

3.1. Accounting policies and basis of preparing the consolidated financial statements of the Budimex Group

These condensed financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and appropriate accounting standards applicable for preparation of the interim consolidated financial statements adopted by the European Union issued and effective when preparing the interim consolidated financial statements applying the same principles for the current and comparable period. Details of accounting policies adopted by the Group were described in the consolidated financial statements of the Group for the year ended 31 December 2013, published on 12 March 2014.

The consolidated financial statements were prepared on the assumption that the Parent Company and all entities included in the Budimex Group will be going concerns in the foreseeable future. In the reporting period and as at the date of preparation of these financial statements no circumstances have been noted that would indicate a threat to ability to continue as a going concern.

Standards and Interpretations effective in the current period

The following standards and amendments to the existing standards issued by the International Accounting Standards Board („IASB”) and adopted by the EU are effective for the current period:

- **IFRS 10 “Consolidated Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 “Joint Arrangements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 12 “Disclosures of Interests in Other Entities”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 27 (revised in 2011) “Separate Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” - Transition Guidance**, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 “Separate Financial Statements” - Investment Entities**, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 32 “Financial instruments: presentation” - Offsetting Financial Assets and Financial Liabilities**, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 36 “Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets”**, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 39 “Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting”**, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The adoption of these standards and amendments to the existing standards has not led to any changes in the Group’s accounting policies, except for the impact described in the note 3.2.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- **IFRIC 21 “Levies”** (effective for annual periods beginning on or after 17 June 2014).

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards and amendments to the existing standards, which were not endorsed for use as at 26 August 2014:

- **IFRS 9 “Financial Instruments” and subsequent amendments** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016),
- **IFRS 15 “Revenue from Contracts with Customers”** (effective for annual periods beginning on or after 1 January 2017),

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- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** – Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 "Employee Benefits"** – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- **Amendments to IAS 24 "Separate Financial Statements"** – Equity method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014).

The Group anticipates that the adoption of these standards and amendments to the standards would have no material impact on the financial statements of the Group if applied.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. According to the Group's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

3.2. Changes in accounting policies and the method of preparation of financial statements

Starting from 1 January 2014, in relation to the newly binding IFRS 11 "Joint arrangements", the Group has started to consolidate the company Tecpresa - Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. using equity method. Previously, as described in the consolidated financial statements of the Group for 2013, the company was consolidated using proportionate method. Due to immateriality of the cumulative stand-alone data of the company, the consolidated financial statements have not been adjusted retrospectively.

3.3. Translation of selected financial data into euro

Selected financial data was translated into euro in accordance with the following rules:

- individual asset and liability items – using the average exchange rate prevailing as at 30 June 2014 – 4.1609 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the first half of 2014 – using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2014 to 30 June 2014 – 4.1784 PLN/EUR,
- individual asset and liability items of comparative financial data for the year 2013 – using the average exchange rate prevailing as at 31 December 2013 – 4.1472 PLN/EUR,
- individual profit and loss account and statement of cash flow items of comparative financial data for the first half of 2013 – using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2013 to 30 June 2013 – 4.2140 PLN/EUR.

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3.4. Cash recognised in the statement of cash flow

In the statement of financial position the Group recognizes cash of restricted use (including mainly cash representing security for bank guarantees and funds kept in escrow by developer companies, provided their maturity does not exceed 3 months) 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.

	30 June 2014	31 December 2013	30 June 2013
	(in PLN thousands)	(in PLN thousands)	(in PLN thousands)
Cash recognised in the statement of financial position	1 014 447	1 658 783	776 018
Cash and cash equivalents of restricted use	(24 116)	(33 089)	(26 125)
Cash recognised in the statement of cash flow	990 331	1 625 694	749 893

4. Description of factors and events which had a material effect on the financial result of the Budimex Group for the first half of 2014

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 6-month period ended 30 June 2014, the Budimex Group earned sales revenue of PLN 2 153 122 thousand which means a 3.14% increase on the corresponding period of 2013. Taken into consideration that the data for the first half of 2013 also included sales revenue of Budimex Danwood Sp. z o.o., which was sold and deconsolidated on 2 December 2013, then the increase in sales revenue would equal to 13.42%. The sales revenue of Budimex Danwood Sp. z o.o., included in the Group's sales for the first half of 2013, amounted to PLN 189 287 thousand, which was equal to 9.07% of the Group's sales revenue.

In the first half of 2014 construction-assembly production in Poland expressed in current prices increased by 8.4% (an increase of 9.8% in fixed prices) compared to the corresponding period of the prior year, while sales of the construction segment of the Budimex Group on the home market were up 11.63% on the corresponding period.

Gross profit on sales in the first half of 2014 was PLN 209 329 thousand, while in the corresponding period of the prior year it amounted to PLN 181 570 thousand. The gross sales profitability ratio was therefore 9.72% in the first half of 2014, while in the first half of 2013 was 8.70%. In the first half of 2014 gross profit on sales in the construction segment amounted to PLN 158 862 thousand and was higher by PLN 31 567 thousand compared to the corresponding period of the prior year, albeit gross sales profitability ratio of construction segment for the first half of 2014 was 8.11% (7.21% in the first half of 2013). In turn, gross profit on sales in the developer segment in the 6-month period of 2014 was PLN 40 770 thousand, while in the corresponding period of the prior year it amounted to PLN 29 683 thousand. Gross sales profitability ratio of the developer segment increased slightly from 20.66% in the first half of 2013 to 20.68% in the corresponding period of the current year.

In accordance with the accounting policies adopted, when budgeted contract costs exceed the entire expected contract revenue, Group companies create provisions for expected contract losses and recognize them under „Amounts due and payable to customers under construction contracts“. As at 30 June 2014, the balance of the provision for contract losses amounted to PLN 210 846 thousand. In the first half of 2014, the balance of provision for contract losses increased by PLN 1 479 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 30 June 2014 the provision for warranty amounted to PLN 181 928 thousand. In the 6-month period ended 30 June 2014 the balance of the provision for warranty increased by PLN 9 078 thousand.

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Selling expenses decreased in the first half of 2014 by PLN 1 197 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 9 554 thousand higher than expenses incurred in the corresponding period of 2013. The share of selling and administrative expenses in total sales increased from 4.31% in the first half of 2013 to 4.57% in the first half of the current year.

Other operating income for the first half of 2014 was PLN 20 504 thousand (PLN 21 092 thousand for the first half of 2013) and comprised income from reversal of provisions for litigations in the amount of PLN 7 846 thousand, gain from adjustment of selling price of Budimex Danwood Sp. z o.o. amounting to PLN 1 759 thousand, income from compensations and contractual penalties in the amount of PLN 5 070 thousand and income from reversal of impairment write-downs against doubtful debts in the amount of PLN 1 758 thousand. Additionally, in the period of six months of 2014 Group companies disposed of property, plant and equipment and investment properties and reported a gain on sale of PLN 1 021 thousand. The net book value of the property, plant and equipment and investment properties sold in the period of six months of 2014 amounted to PLN 1 270 thousand.

Other operating expenses for the first half of 2014 amounted to PLN 21 435 thousand (PLN 19 175 thousand in the first half of 2013), of which PLN 7 197 thousand related to impairment write-downs against receivables and PLN 3 524 thousand related to provisions created for litigation proceedings. The value of provisions created for compensations and contractual penalties amounted to PLN 6 854 thousand. The cost of creating provisions for other liabilities amounted to PLN 2 000 thousand.

During the first half of 2014 the Group reported a gain on valuation and realization of FX forward derivative instrument contracts (made with a view to limiting the FX risk on foreign currency construction contracts) in the amount of PLN 8 thousand, while in the corresponding period of the prior year it incurred losses in the amount of PLN 4 800 thousand. The valued derivative financial instruments contracts were classified as level 2 in the fair value hierarchy. During the 6 months ended 30 June 2014, 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.

The reported operating profit of the Group in the first half of 2014 was PLN 109 991 thousand, while in the first half of 2013 it amounted to PLN 88 629 thousand (an increase of 24.10%). The operating profit for the first half of 2014 represented 5.11% of sales revenue value, while for the corresponding period of the prior year – 4.25% of sales revenue.

In the 6-month period ended 30 June 2014 the Group generated a gain on finance activities in the amount of PLN 3 761 thousand while in the same period of the prior year – gain in the amount of PLN 101 thousand. Finance income in the first half of 2014 represented mainly interest of PLN 18 098 thousand, reversal of discounting of long-term receivables in the amount of PLN 1 117 thousand and valuation of receivables from concession contracts of PLN 909 thousand. Finance costs in the first half of 2014 represented interest costs of PLN 2 755 thousand, bank commissions on guarantees and loans of PLN 6 781 thousand paid by Group companies, costs from discounting of long-term retention receivables and liabilities of PLN 6 863 thousand.

During the first half of 2014 the Group incurred a loss on valuation of interest rate swap derivative instrument contracts (made with a view to limiting the interest risk) in the amount of PLN 1 887 thousand. The valued derivative instrument contracts were classified as level 2 in the fair value hierarchy. During the 6 months ended 30 June 2014, 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 the first half of 2014, the Group reported a gross profit of PLN 110 190 thousand, while in the corresponding period of the prior year – a gross profit of PLN 87 213 thousand (an increase of 26.35%).

Income tax for the 6-month period ended 30 June 2014 was PLN 22 750 thousand (PLN 19 362 thousand for the 6-month period ended 30 June 2013), of which:

- current tax was PLN 9 140 thousand,
- deferred tax in the amount of PLN 13 610 thousand.

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As at 30 June 2014, the Group recognized a deferred tax asset in the amount of PLN 337 711 thousand, while as at 31 December 2013 – PLN 351 336 thousand. The reported statement of financial position items of deferred tax asset result mainly from a special method of settlement of construction contracts, under which the moment of recognition of costs as incurred and revenue as realized are different from the tax and accounting perspectives.

The net profit attributable to the shareholders of Budimex SA for the first half of 2014 was PLN 86 912 thousand, while the net profit attributable to the shareholders of Budimex SA for the corresponding period of 2013 was PLN 67 801 thousand (an increase of 28.19%).

The net profit attributable to non-controlling interest for the first half of 2014 amounted to PLN 528 thousand. In the corresponding period of 2013, the net profit attributable to non-controlling interest amounted to PLN 50 thousand.

In the first half of 2014, the Group purchased or started to lease property, plant and equipment and intangible assets with a total value of PLN 7 310 thousand, of which plant and machinery accounted for PLN 4 742 thousand.

Fair value of each category of financial assets and liabilities is approximately equal to their book value.

5. Operating segments

For the management purposes the Group has been divided into segments based on the products and services offered. The Group operates in the following two operating segments:

- construction business
- developer and property management business.

Construction business covers rendering of widely understood construction-assembly services at home and abroad and is realised by the following Group companies:

- Budimex SA
- Mostostal Kraków SA
- Budimex Bau GmbH
- Budimex Budownictwo Sp. z o.o.
- Budimex Kolejnictwo SA

Developer and property management segment covers preparation of land for investment projects, realization of investment projects in the field of housing construction industry, flat disposal and rental and servicing property on own account. The following Group entities were included in this segment:

- Budimex Nieruchomości Sp. z o.o.
- SPV-BN 1 Sp. z o.o.
- SPV-BN 2 Sp. z o.o.
- Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o.
- Budimex SA in a part relating to developer business, as a result of merger with Budimex Inwestycje Sp. z o.o. on 13 August 2009

Segment performance is evaluated based on sales revenue, gross profit (loss) on sales, operating profit (loss) and net profit (loss) for the period.

Other business conducted does not meet the requirements of a reportable segment. Included in other business are entities that mainly conduct production, service, trading activities or public-private partnerships.

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The results of segments for the first half of 2014 are presented in the table below:

Segment name	amounts in PLN thousands				Consolidated value
	Construction business	Property management and developer business	Other business	Consolidation adjustments	
External sales	1 888 644	196 750	67 728	-	2 153 122
Inter-segment sales	71 180	369	11 057	(82 606)	-
Total sales of finished goods, goods for resale and raw materials	1 959 824	197 119	78 785	(82 606)	2 153 122
Gross profit	158 862	40 770	6 087	3 610	209 329
Selling expenses	(5 228)	(4 836)	(2 097)	23	(12 138)
Administrative expenses	(80 307)	(7 939)	(2 582)	4 551	(86 277)
Other operating (expenses), net	(704)	(57)	(170)	-	(931)
Gains on derivative financial instruments	8	-	-	-	8
Operating profit	72 631	27 938	1 238	8 184	109 991
Finance income/(costs), net	(2 935)	3 929	2 767	-	3 761
(Losses) on derivative financial instruments	-	-	(1 887)	-	(1 887)
Shares in (losses) of equity accounted entities	(3)	-	(1 672)	-	(1 675)
Income tax expense	(14 918)	(6 130)	(145)	(1 557)	(22 750)
Net profit for the period	54 775	25 737	301	6 627	87 440

The results of segments for the first half of 2013 are presented in the table below:

Segment name	amounts in PLN thousands				Consolidated value
	Construction business	Property management and developer business	Other business	Consolidation adjustments	
External sales	1 696 943	143 383	247 339	-	2 087 665
Inter-segment sales	68 184	307	10 730	(79 221)	-
Total sales of finished goods, goods for resale and raw materials	1 765 127	143 690	258 069	(79 221)	2 087 665
Gross profit	127 295	29 683	24 833	(241)	181 570
Selling expenses	(4 722)	(4 542)	(4 092)	21	(13 335)
Administrative expenses	(68 595)	(6 647)	(9 113)	7 632	(76 723)
Other operating income/ (expenses), net	(2 152)	(432)	(444)	4 945	1 917
(Losses) on derivative financial instruments	(1 056)	-	(3 744)	-	(4 800)
Operating profit	50 770	18 062	7 440	12 357	88 629
Finance income/(costs), net	(1 049)	2 764	(1 614)	-	101
Shares in (losses) of equity accounted entities	-	-	(1 517)	-	(1 517)
Income tax expense	(12 334)	(3 993)	(1 771)	(1 264)	(19 362)
Net profit for the period	37 387	16 833	2 538	11 093	67 851

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6. Related party transaction

Transactions with related parties made in the first half of 2014 and in the first half of 2013 and unsettled balances of receivables and liabilities as at 30 June 2014 and 31 December 2013 are presented in the tables below:

amounts in PLN thousands				
	Receivables		Liabilities	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Parent Company and related parties (the Ferrovia Group)	21 509	47 259	88 923	99 370
Jointly-controlled entities	3 493	1 133	727	727
Associates	101	6 710	769	1 436
Other related parties*	87	140	36 995	28 744
Total settlements with related parties	25 190	55 242	127 414	130 277

amounts in PLN thousands				
	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Parent Company and related parties (the Ferrovia Group)	-	-	8 412	8 333
Jointly-controlled entities	-	-	-	-
Associates	12 177	3 164	-	-
Other related parties*	-	-	-	-
Total settlements with related parties	12 177	3 164	8 412	8 333

amounts in PLN thousands				
	Sales of finished goods and services		Purchase of finished goods and services	
	6-month period ended 30 June		6-month period ended 30 June	
	2014	2013	2014	2013
Parent Company and related parties (the Ferrovia Group)	2 071	1 457	(18 570)	(16 064)
Jointly-controlled entities	795	193	-	(1 766)
Associates	288	70	(2 786)	(3 321)
Other related parties*	174	600	(24 929)	(12 824)
Total settlements with related parties	3 328	2 320	(46 285)	(33 975)

amounts in PLN thousands				
	Financial income		Financial costs	
	6-month period ended 30 June		6-month period ended 30 June	
	2014	2013	2014	2013
Parent Company and related parties (the Ferrovia Group)	-	-	(154)	(73)
Jointly-controlled entities	-	-	-	-
Associates	298	-	-	-
Other related parties*	-	-	-	-
Total settlements with related parties	298	-	(154)	(73)

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*) Other related parties represent controlled or jointly controlled entities or entities, on which the key management person of the Parent Company or of the subsidiary of the Budimex Group or his close relative exercises significant influence, or has significant number of votes at the shareholders' meeting of this company.

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

7. Factors which will affect results achieved by the Group in a period covering at least the next half year

The main factors that may affect the financial situation of the Group at least in the next half year include:

- instability on the financial markets,
- limited bank financing resulting from aversion to the sector,
- deterioration in subcontractors financial standing which may compromise the quality and timeliness of works performed,
- fluctuations of exchange rates, which have the impact on the sales revenue, operating costs and result of the valuation and realization of derivative financial instrument contracts,
- price level of material and construction services affecting the amount of direct costs of realized contracts,
- intensification of actions aimed at recovery of overdue debts, which were provided for and strengthening the operational and financial control in respect of contracts realized,
- results of the pending legal proceedings, described in more detail in note 12 to these consolidated financial statements,
- level of competition in public tenders.

As at 30 June 2014 the backlog was PLN 3 931 871 thousand. The value of contracts signed between January and June 2014 was PLN 1 406 994 thousand (with annexes). The number of pre-sold apartments in the period from January - June 2014 (without booking) is 553 units.

8. The main events in the first half of 2014 and significant events after 30 June 2014

In the first half of 2014 the Budimex Group companies were notified about the selection of their offer or entered into the following contracts, whose value exceeds 10% of the equity of Budimex SA:

Significant contracts:

Date of the first current report	Customer	Contract value in PLN thousand	Description
7.01.2014	General Directorate for National Roads and Motorways, Branch in Poznań	198 799	Construction of the S5 expressway, Poznań section (A2, Głuchowo junction), Wrocław (A-8, Widawa junction), Kaczkowo - Korzeńsko section (Bojanów and Rawicz ring road) - completion of works. The contract was signed on 21 February 2014.
13.01.2014	Gmina Olsztyn	72 228 (61 127)*	Design and build a tram depot at ul. Kołobrzeska 40 in Olsztyn. The construction works will be carried out by the consortium composed of Budimex SA (leader, 84.63%) and KZN Rail Sp. z o.o. (partner, 15.37%). The contract was signed on 7 February 2014.

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Date of the first current report	Customer	Contract value in PLN thousand	Description
21.01.2014	Marszałek Województwa Lubelskiego	89 723	Construction of Lublin Conference Centre and the Construction of the Marshall's Office Building in Lublin with the required technical infrastructure. The contract was signed on 12 March 2014.
22.01.2014	Voivodeship Roads Board in Lublin	44 114	Development of voivodeship road no. 747: Iłża-Konopnica for the section between Konopnica and Kamień. The contract was signed on 22 January 2014.
6.02.2014	Town Infrastructure Managing Authority in Słupsk	88 944	Construction works as part of the Project: New Route for National Road no. 21 in Słupsk. The contract was signed on 25 April 2014.
26.02.2014	General Directorate for National Roads and Motorways, Branch in Łódź	49 660	Work completion for the A1 motorway in the section from the Kujawsko-Pomorskie/Łódzkie voivodeship border to Stryków junction – Task 2 from km 230+817 to km 295+850. Section 2 from Sójki junction to Piątek junction (incl. junction) from km 245+800 to km 273+400, section 1 from km 245+800 to km 261+000. The contract was signed on 22 April 2014.
3.03.2014	Port Lotniczy Szczecin Goleniów Sp. z o.o. in Goleniów	87 696	Expansion and modernisation of the airfield and airport infrastructure at Szczecin-Goleniów Airport. The contract was signed on 3 March 2014.
6.03.2014	Bouygues Immobilier Polska Sp. z o.o.	Contract 1: 33 700 Contract 2: 21 780	Two contracts for the construction of the ARTE NOVA residential complex, stage B1+B3 ("Contract 1") and stage B2 ("Contract 2"), at ul. Jana Kazimierza in Warsaw.
18.03.2014	PGE Górnictwo i Energetyka Konwencjonalna SA	3 250 000 (725 075)*	Construction of a new power unit at Turów power plant. The construction works will be carried out by the consortium of Hitachi Power Europe GmbH and MHPS Europe GmbH (leader, 55.38%), Budimex SA (partner, 22.31%) as well as Tecnicas Reunidas SA (partner, 22.31%). The contract was signed on 10 July 2014.
25.03.2014	Polskie Koleje Państwowe SA	133 993 (120 741)*	Execution of construction and installation works to perform the investment project – Construction of an integrated transport centre in Bydgoszcz – Stage 1 Bydgoszcz Główna Railway Centre. The construction works will be carried out by the consortium of Budimex SA (consortium leader, 90.11%) and Przedsiębiorstwo Wielobranżowe LECH Sp. z o.o. with its registered office in Bydgoszcz (consortium partner, 9.89%). The contract was signed on 28 May 2014.
18.04.2014	Jeronimo Martins Polska SA	58 231	Construction and finishing works in "Distribution centre JMP SA". The contract was signed on 18 April 2014.

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Date of the first current report	Customer	Contract value in PLN thousand	Description
27.05.2014	General Directorate for National Roads and Motorways	468 500 (234 250)*	Design & build of the express highway S5 Poznań – Wrocław section Korzeńsko (without junction) – junction Widawa Wrocław section from Korzeńsko (km 108+758) to km 123+700. The construction will be carried out by a consortium of Budimex SA (consortium leader with 50% of shares) and Heilit+Woerner Sp. z o.o. (consortium partner with 50% of shares). The contract was signed on 31 July 2014.
2.06.2014	Warmia i Mazury Sp. z o.o.	89 941	Construction of the apron area together with a guardhouse and design & build of overground radio navigation ILS/DME on the premises of the „Mazury” Airport in Szymany. The contract was signed on 8 July 2014.
4.08.2014	General Directorate for National Roads and Motorways	283 409 (269 239)*	Construction of the express highway S7 Jędrzejów – border of Świętokrzyskie and Małopolskie province section. The construction will be carried out by a consortium of Budimex SA (consortium leader with 95% of shares) and Ferrovial Agroman SA (consortium partner with 5% of shares).
7.08.2014	General Directorate for National Roads and Motorways	584 956 (292 478)*	Work completion for the A4 motorway in the section from Rzeszów (Wschodni junction) to Jarosław (Wierzbna junction) together with necessary technical buildings and building equipment. The construction will be carried out by a consortium of Budimex SA (consortium leader with 50% of shares) and Strabag Sp. z o.o. (consortium partner with 50% of shares).
11.08.2014	Gdynia Container Terminal SA	39 757 (37 769)*	Construction and shunting works on railway terminal and associated infrastructure performed within the project entitled "The third construction phase on the container terminal GCT in Gdynia Port - construction of infrastructure and purchase of equipment". The construction will be carried out by the consortium consisting of Budimex SA (consortium leader with 95% of shares) and Ferrovial Agroman SA (consortium partner with 5% of shares).
14.08.2014	Ferrero Polska Sp. z o.o.	Contract 1: 85 000 Contract 2: 68 700	Construction of workshop with adjacent infrastructure in Belsk Duży (contract no.1) and construction of warehouse with adjacent infrastructure in Belsk Duży (contract no.2).

*contracts in consortiums. The value in the brackets is the share of the Budimex Group.

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Date	Business partner	Contract value in PLN thousand	Description
24.01.2014	Towarzystwo Ubezpieczeń Euler Hermes SA	50 000	Annex to the Contract Guarantee Agreement within the renewable limit of 28 August 2008 Pursuant to the annex, the deadline within which Budimex SA may order the Insurance Company to issue contract insurance guarantees was prolonged until 22 December 2014. Other provisions of the agreement remain unchanged.
5.02.2014	Bank Handlowy w Warszawie SA	50 000	Promised standby overdraft of up to PLN 50 000 thousand until 4 February 2015. Interest will amount to WIBOR 1M plus margin.
10.02.2014	Bank Societe Generale SA Polish branch	165 000	Annex to the bank guarantee agreement. Pursuant to the annex, the limit up to which Budimex may order the Bank to issue guarantees was increased from PLN 115 000 thousand to PLN 165 000 thousand and the agreement was extended until 28 November 2014. Other provisions of the agreement remained unchanged.
19.02.2014	ING Bank Śląski SA	n/a	Annex to the confirmed short-term loan agreement, in which the bank has extended the agreement until 18 February 2015. Other provisions of the agreement remained unchanged.
27.02.2014	Credit Agricole Bank Polska SA	152 000	Annex to the bank guarantee agreement which specifies the new expiry date for the agreement as 29 August 2014 and increases the amount of the available guarantee limit to PLN 152 000 thousand. Other provisions of the agreement remained unchanged.
12.03.2014	Bank Zachodni WBK SA	n/a	Annex to the standby overdraft agreement, which extended the agreement until 3 March 2015. Other provisions of the agreement remained unchanged.
13.03.2014	Bank Zachodni WBK SA	316 000	Annex to the bank guarantee limit agreement, according to which the bank increased the bank guarantee limit by PLN 100 000 thousand i.e. up to PLN 316 000 thousand. Other provisions of the agreement remained unchanged.
5.06.2014	Bank Zachodni WBK SA	n/a	Annex to the bank guarantee limit agreement, in which the bank extended the agreement until 31 March 2015. Other provisions of the agreement remained unchanged.
9.06.2014	ING Bank Śląski SA	256 000	Annex to the framework bank guarantee agreement, pursuant to which the available guarantee limit was increased from PLN 176 000 thousand to PLN 256 000 thousand. Other provisions of the agreement remained unchanged.
13.06.2014	Bank Handlowy w Warszawie SA & BNP Paribas Bank Polska SA	180 000	Bank guarantee agreement, based on which till 29 August 2014 performance bonds and guarantees of prepayment return might be issued up to the total amount of PLN 180 000 thousand.

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Date	Business partner	Contract value in PLN thousand	Description
26.06.2014	Banco Espirito Santo de Investimento SA Polish Branch	n/a	Annex to credit agreement, destined for issuing bank guarantees. Pursuant to the annex the agreement was extended till 20 June 2015. Other provisions of the agreement remained unchanged.
30.06.2014	Towarzystwo Ubezpieczeń i Reasekuracji WARTA SA	80 000	Annex to the insurance guarantee agreement, pursuant to which the limit of insurance guarantees was increased from PLN 40 000 thousand to PLN 80 000 thousand.
30.06.2014	Bank Gospodarstwa Krajowego SA	200 000	Bank guarantee agreement, pursuant to which bank guarantees might be issued up to the total amount of PLN 200 000 thousand. The agreement was concluded until 29 June 2015.
15.07.2014	Bank PEKAO SA	n/a	Annex to credit agreement of 12 August 2008, pursuant to which the agreement was extended until 30 June 2015. Other provisions of the agreement remained unchanged.
31.07.2014	Credit Agricole Bank Polska SA	200 000	Annex to credit agreement which extended the agreement until 31 August 2015 and increased the available limit to PLN 200 000 thousand. Other provisions of the agreement remained unchanged.
7.08.2014	Alior Bank SA	n/a	Annex to bank guarantee agreement which extended the agreement until 20 August 2015. Other provisions of the agreement remained unchanged.
8.08.2014	Bank Millennium SA	n/a	Annex to bank guarantee agreement which extended the agreement until 29 May 2015. The remaining provisions of the agreement remained unchanged.

Other events:

On 21 February 2014 the final selling price of the shares in Danwood Sp. z o.o. with its registered office in Bielsk Podlaski was fixed at PLN 240 628 thousand. Thus, the adjustment of the selling price of Danwood shares calculated by the buyer Barwick Investments Sp. z o.o. amounted to PLN 2 028 thousand in favour of the seller, i.e. Budimex B Sp. z o.o.

On 24 April 2014 the Ordinary General Meeting of Budimex SA adopted resolution on dividend payout. Pursuant to the resolution, net profit for the period from 1 January 2013 to 31 December 2013 in the amount of PLN 302 532 thousand was allocated to the dividend payout in the amount of PLN 11.85 gross per share. The dividend payout covered all Budimex SA shares, i.e. 25 530 098 shares. The dividend day was on 6 May 2014. The dividend was paid out on 21 May 2014.

9. Issue, redemption and repayment of debt and equity securities

In the first half of 2014 Budimex SA and Group companies did not issue, redeem or repay debt or equity securities.

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10. The Management Board's position on the feasibility of results stated in the financial forecasts published earlier for the year in view of the financial results presented in the semi-annual report in relation to the projected results

Budimex SA did not publish any forecasts.

11. Statement of ownership of shares of Budimex SA or rights to such shares (options) held by the managing or supervisory persons of Budimex SA as at the date of publication of this report together with indication of changes in the ownership in the first half of 2014

As at the date of publication of the report members of the Management Board and Supervisory Board of Budimex SA held the following number of shares:

Marcin Węglowski	(Management Board member)	2 830 shares
Marek Michałowski	(chairman of the Supervisory Board)	3 900 shares

Above mentioned members of the Management Board and Supervisory Board do not own share options of the company. As at the date of publication of this report other managing and supervisory persons of Budimex SA do not hold its shares or share options. There was no change in the status of ownership from the date of publication of the report for the first quarter of 2014, i.e. 29 April 2014.

12. Proceedings pending as at 30 June 2014 before court, competent arbitration body or any public administration authority

The total value of legal proceedings in progress in respect of liabilities and receivables as at 30 June 2014 was PLN 522 909 thousand and exceeded 10% of the equity of Budimex SA, which amounts to PLN 336 515 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 41 607 thousand.

In accordance with information in the possession of Budimex SA, the total value of legal proceedings in progress in respect of liabilities of Budimex SA and its subsidiaries as at 30 June 2014 was PLN 282 258 thousand. These proceedings involve the Group companies' operating activity.

The proceedings in the highest value case are pending before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw, which involve the Ferrovial Agroman SA consortium members: Budimex SA and Estudio Lamela S.L. (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 Frederic Chopin International 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 warranty for a total amount of PLN 54 382 thousand. The claim was finally settled in the verdict of the Arbitration Court in Warsaw of 23 August 2012. The total value of the claim awarded under the verdict 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 Budimex SA's bank account indicated on 28 September 2012. After the Supreme Court dismissed the appeal filed by PPL, the execution carried out became final and PPL can no longer require from the FBL Consortium the repayment of the amounts awarded in a partial verdict.

In the course of the case at the Arbitration Court 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 subsequent statements of claim including extension of the counter-claim, amending the original amount of the counter-claim from PLN 135 719 thousand to PLN 280 894 thousand. As a result of subsequent procedural steps, in August 2012, 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.

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In the opinion of Budimex SA, all the claims under the counter-suit are groundless. Consequently, on 21 October 2008, the FBL Consortium filed a response to the counterclaim, which contained a motion to dismiss the action in its entirety, together with the statement on the groundlessness of PPL's claims. Until date of this report, there have been a dozen or so trials during which witnesses for the claimant and the counter-claimant have been examined with respect to the circumstances included in PPL's counter-claim.

Regardless of PPL's counter-claim and in accordance with former announcements, on 27 February 2009 the Consortium FBL 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 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 the claim amounts to PLN 86 583 thousand.

On 27 May 2010, the Court of Arbitration issued a decision under which the evidence from the expert's opinion regarding the evaluation of reasonableness of the PPL claims was accepted (except for any amounts sought at that stage). The expert appointed by the Court of Arbitration, Grupa BS Consulting, started to work at the end of 2010. There were several meetings with proxies of parties and the expert and there was an inspection of the airport objects with the participation of the aforementioned expert in March 2011. Technical opinion prepared by the expert, that was delivered to proxies of both parties on 29 July 2011, represented the result of his work. The parties made comments, remarks and detailed questions to the opinion prepared by the expert. Upon taking these into consideration, the expert prepared his final supplementary opinion at the end of March 2012. The assessment indicated in the opinion was favourable for the FBL Consortium as it, among other things, confirmed that the FBL Consortium was entitled to postpone the work completion deadline.

Due to completion by the expert of work on the assessment of the validity of PPL's claims, the court ordered both parties to present final calculations of their claims, taking into account the expert's views expressed in the opinion. As a result, PPL extended the claim as stated above to PLN 298 892 thousand, and the value of the FBL Consortium's claim remained unchanged.

Pursuant to a decision of the Arbitration Court dated 28 January 2013 and based on a site inspection performed in July 2013, the expert, i.e. Grupa BS Consulting was to draft an opinion on assessment on value of claims submitted by the FBL Consortium in the extended claim by the end of October 2013. Since the expert did not draft the opinion on time, at the hearing held on 20 December 2013 the Arbitration Court made a decision on appointment of a new expert. At present, the parties are awaiting the Court's decision regarding the appointment of a new expert selected among proposals submitted.

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

On 16 December 2010, Tomasz Ryskalok and Rafał Ryskalok, conducting business activity as a civil law partnership under the name Cerrys s.c., with its registered office in Wykroty, filed a lawsuit against Budimex SA for payment of a contractual penalty for delay in the removal of defects identified during the warranty period. The lawsuit concerns the construction of a concrete plant in line with agreement concluded on 19 May 2003 with the value of the agreement amounting to PLN 4 189 thousand. The value of the subject matter of the lawsuit is PLN 90 000 thousand including contractual interest calculated from 19 October 2006 until the day of payment. In the opinion of Budimex SA, the claim constituting the subject matter of the argument is absolutely groundless and there is no basis, either formal or factual, for considering it (the deadline for submitting the claims in question expired, the limit concerning contractual penalties - i.e. up to 15 per cent of the value of the agreement - has not been taken into account, and the defect is not material). To date, there have been several hearings during which witnesses for the claimant and defendant were examined. Having heard the parties, on 19 December 2013, the Court issued a decision, in which it accepted evidence from an expert's opinion, who should evaluate the reasonableness of the claims. In June 2014 the building was viewed. Until the date this report was drafted, the expert's opinion has not been drafted yet.

Another material in value legal proceedings relate to the claim filed on 5 March 2008 by Miejskie Wodociągi i Kanalizacja w Bydgoszczy 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 contractor costs incurred by the investor

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when the consortium rescinded the contract. The share of the companies in the consortium was 90 per cent, therefore the value of the claim for which the Company is presently liable is PLN 22 727 thousand. The court ended examination of witnesses of both parties, and then heard the parties. On 6 February 2014, the court accepted evidence from the construction expert opinion with regard, *inter alia*, to: assessment of quality and value of works completed by the defendant, the scope and completeness of works to be performed as well as value of corrections. Currently, the expert's opinion is being prepared and should be ready by the end of the third quarter of 2014.

As at the date of this report the final outcome of other proceedings is not known.

Total value of legal proceedings in respect of receivables due to Budimex SA and its subsidiaries as at 30 June 2014 amounted to PLN 240 651 thousand. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of construction work performed.

On 10 March 2009, the District Court in Cracow issued a verdict regarding the claim filed by Budimex Dromex SA against the Municipal Commune of Kraków, awarding the payment of PLN 20 708 thousand together with statutory interest. The claim filed by Budimex Dromex related to the refund of the amount drawn by the Municipal Commune of Kraków in 2007 from the bank guarantee provided by Budimex Dromex SA as the performance bond for the contract for engineering, design and execution of a sports and show hall in Kraków – Czyżyny concluded in 2005 between the Consortium of Budimex Dromex SA, Ferrovial Agroman SA and Decathlon SA, and the Municipal Commune of Kraków. The commune drew this amount for the stipulated penalty provided by the contract after previous declaration of withdrawal from the contract and associated imposing of a stipulated penalty despite the fact that Budimex Dromex SA put the legitimacy of imposing of this penalty in question. On 15 July 2009, the Court of Appeals in Kraków handed down a verdict amending the verdict of the Court of first instance, ordering payment by the Municipal Commune of Kraków to Budimex Dromex SA of the amount of PLN 6 903 thousand together with statutory interest. The Court of Appeals dismissed the remainder of the appeal of the Municipal Commune of Kraków. Budimex Dromex SA appealed to the Supreme Court for cassation of this verdict, which granted the cassation and referred the matter for review by the Court of Appeals. In its verdict of 17 February 2011, the Court of Appeals in Kraków, having re-examined the appeal of the Urban Municipality of Kraków against the decision of the Regional Court in Kraków of 10 March 2008, reversed the decision of the Regional Court in Kraków of 10 March 2009 in the part regarding the claim for the amount exceeding PLN 6 903 thousand (i.e. the amount of PLN 13 805 thousand) and referred the case to the Regional Court in Kraków for re-examination and adjudication on legal costs. The case brought by Budimex SA (as a general successor of Budimex Dromex SA) against the Urban Municipality of Kraków for the payment of PLN 20 708 thousand has become final with regard to the amount of PLN 6 903 thousand plus statutory interest calculated from 20 November 2007, having been adjudicated to be paid by the Urban Municipality of Kraków to Budimex SA. The remaining elements of the claim currently are being re-examined by the Regional Court in Kraków. The court accepted as evidence the documents and expert's opinions submitted by Budimex SA. After the expert prepared its opinion, it was addressed by the parties in their pleadings. A supplementary expert's opinion was drafted, and later on an additional supplementary opinion. At the hearing held on 14 October 2013, the court asked for a yet another opinion to be drafted by a new expert. At the hearing on 28 July 2014 Budimex SA and the Municipality of Kraków concluded a court settlement under which the Municipality of Kraków agreed to pay to Budimex the amount of PLN 3 451 thousand within 60 days from the date of the settlement. The amount includes the principal and the interest to the date of the settlement. The parties mutually abolished the process costs. Any costs of the experts, uncovered at the settlement date, will be paid by the parties in half. The parties waived any mutual further claims related with the contract concluded by the parties in 2005 and its termination.

As at the date of this report the final outcome of other proceedings is not known.

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13. Contingent liabilities and contingent receivables

	30 June 2014	31 December 2013	30 June 2013
	(in PLN thousands)	(in PLN thousands)	(in PLN thousands)
Contingent receivables			
From related parties, of which:			
– guarantees and suretyships received	-	-	-
– bills of exchange received as security	-	-	-
From related parties, total	-	-	-
From other entities			
– guarantees and suretyships received	340 058	353 159	365 845
– bills of exchange received as security	12 070	13 074	14 825
From other entities, total	352 128	366 233	380 670
Other contingent receivables	-	-	3 000
Total contingent receivables	352 128	366 233	383 670
Contingent liabilities			
To related parties, of which:			
– guarantees and suretyships issued	6 770	3 566	2 847
– bills of exchange issued as performance bond	-	-	-
To related parties, total	6 770	3 566	2 847
To other entities, of which:			
– guarantees and suretyships issued	1 523 793	1 497 507	1 553 909
– bills of exchange issued as performance bond	5 854	8 733	71 571
To other entities, total	1 529 647	1 506 240	1 625 480
Other contingent liabilities	135 480	143 180	202 040
Total contingent liabilities	1 671 897	1 652 986	1 830 367
Total off-balance sheet items	(1 319 769)	(1 286 753)	(1 446 697)

Contingent receivables represent guarantees issued by banks and other financial institutions to the companies of the Budimex Group as security for the potential claims the Group 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 Group as security for the potential claims they may be filed against the Group in respect of the construction contracts in progress. Banks are entitled to recourse the underlying claims to Group companies. Guarantees issued to the Group'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 Group, while the bills of exchange received and recognized under contingent assets (receivables) represent security for the repayment by the Group customers of the amounts due to the Group.

Other contingent liabilities include among others voluntary acceptance of enforcement constituting a security of payment up to the amount of PLN 135 010 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.

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Guarantees for bank loans and borrowings issued by Budimex SA and its subsidiaries as at 30 June 2014:

Name of the company which issued a guarantee or suretyship for a bank loan or borrowings	Name of the (company) entity which received suretyships or guarantees	Total value of bank loans and borrowings, for which guarantee or suretyship was issued for the full amount or defined part	Period of guarantees or suretyships issuance	Financial conditions in respect of guarantees and suretyships issued	Type of relations between Budimex SA and the entity which took out a bank loan or borrowings
(in PLN thousand)					
Budimex SA	Mostostal Kraków SA	88 700	2021-10-31	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	20 301	2017-07-15	free of charge	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	46 949	2023-01-23	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	117	2015-06-30	free of charge	subsidiary
Budimex SA	Budimex Parking Wrocław Sp. z o.o.	2 059	2017-08-31	free of charge	subsidiary
Budimex SA	FBSerwis SA	5 507	2021-06-16	free of charge	associate
Budimex Budownictwo Sp. z o.o.	FBSerwis SA	1 263	2018-11-16	free of charge	associate
TOTAL		164 896			