



**BUDIMEX SA**

**CONDENSED FINANCIAL STATEMENTS**

**for 1 half of 2015**

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

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**Statement of financial position**

<b>ASSETS</b>	<b>30 June 2015</b> (PLN thousands)	<b>31 December 2014</b> (PLN thousands)
<b>Non-currents assets (long-term)</b>		
Property, plant and equipment	53 151	58 028
Investment properties	3 898	3 963
Intangible assets	3 892	3 946
Investments in subsidiaries	708 041	712 940
Investments in associates	19 775	19 775
Investments in other entities	6 417	6 417
Other financial assets	20 442	5 908
Trade and other receivables	7 473	6 513
Retentions for construction contracts	30 783	35 616
Deferred tax asset	340 930	346 027
<b>Total non-current assets (long-term)</b>	<b>1 194 802</b>	<b>1 199 133</b>
<b>Current assets</b>		
Inventories	89 921	55 545
Trade and other receivables	620 181	433 519
Retentions for construction contracts	16 720	20 044
Amounts due and receivable from customers (investors) under construction contracts	418 103	165 648
Current tax receivable	3 909	-
Other financial assets	39 514	34 488
Cash and cash equivalents	1 209 202	1 403 970
	2 397 550	2 113 214
Assets held for sale (disposal groups)	-	2 181
<b>Total current assets (short-term)</b>	<b>2 397 550</b>	<b>2 115 395</b>
<b>TOTAL ASSETS</b>	<b>3 592 352</b>	<b>3 314 528</b>

Warsaw, 25 August 2015

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

<b>EQUITY AND LIABILITIES</b>	<b>30 June 2015</b> (PLN thousands)	<b>31 December 2014</b> (PLN thousands)
<b>Equity</b>		
<b>Shareholders' equity</b>		
Share capital	145 848	145 848
Share premium	80 199	80 199
Other reserves	54 141	59 520
Foreign exchange differences on translation of foreign operations	5 556	5 507
Retained earnings	98 679	150 926
<b>Total shareholders' equity</b>	<b>384 423</b>	<b>442 000</b>
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Loans, borrowings and other external sources of finance	8 661	12 313
Retentions for construction contracts	166 866	165 288
Provision for long-term liabilities and other charges	145 546	154 125
Long-term retirement benefits and similar obligations	4 407	4 407
Other financial liabilities	-	1 433
<b>Total long-term liabilities</b>	<b>325 480</b>	<b>337 566</b>
<b>Short-term liabilities</b>		
Loans, borrowings and other external sources of finance	19 513	20 401
Trade and other payables	1 260 515	1 030 106
Retentions for construction contracts	169 993	191 520
Amounts due and payable to customers (investors) under construction contracts	912 431	910 183
Deferred income	394 318	247 986
Provision for short-term liabilities and other charges	123 943	106 656
Current tax payable	-	25 556
Short-term retirement benefits and similar obligations	992	992
Other financial liabilities	744	1 562
<b>Total short-term liabilities</b>	<b>2 882 449</b>	<b>2 534 962</b>
<b>Total liabilities</b>	<b>3 207 929</b>	<b>2 872 528</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3 592 352</b>	<b>3 314 528</b>

Warsaw, 25 August 2015

**Income statement**

	6-month period ended 30 June	
	2015 (PLN thousands)	2014 (PLN thousands)
<b>Continuing operations</b>		
Net sales of finished goods, goods for resale, raw materials and services	2 100 422	1 879 993
Cost of finished goods, goods for resale, raw materials and services sold	(1 921 878)	(1 728 556)
<b>Gross profit on sales</b>	<b>178 544</b>	<b>151 437</b>
Selling expenses	(4 970)	(5 168)
Administrative expenses	(83 578)	(78 047)
Other operating income	27 872	18 555
Other operating expenses	(8 393)	(18 940)
<b>Operating profit</b>	<b>109 475</b>	<b>67 837</b>
Finance income	27 362	11 918
Finance costs	(15 934)	(14 414)
<b>Profit before tax</b>	<b>120 903</b>	<b>65 341</b>
Income tax	(22 969)	(14 121)
<b>Net profit from continuing operations</b>	<b>97 934</b>	<b>51 220</b>
<b>Net profit for the period</b>	<b>97 934</b>	<b>51 220</b>

Basic and diluted earnings per share attributable to the shareholders (in PLN)

3.84

2.01

Warsaw, 25 August 2015

**Statement of comprehensive income**

	6-month period ended 30 June	
	2015 (PLN thousands)	2014 (PLN thousands)
<b>Net profit for the period</b>	<b>97 934</b>	<b>51 220</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 operations	49	(9)
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>49</b>	<b>(9)</b>
<b>Total comprehensive income for the period</b>	<b>97 983</b>	<b>51 211</b>

Warsaw, 25 August 2015

**Statement of changes in equity**

	Share capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign operations	Retained earnings	Total equity
in PLN thousands						
<b>Balance as at 1 January 2015</b>	<b>145 848</b>	<b>80 199</b>	<b>59 520</b>	<b>5 507</b>	<b>150 926</b>	<b>442 000</b>
Profit for the period	-	-	-	-	97 934	97 934
Other comprehensive income	-	-	-	49	-	49
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49</b>	<b>97 934</b>	<b>97 983</b>
Dividends	-	-	-	-	(155 989)	(155 989)
Share-based payment	-	-	429	-	-	429
Previous periods loss offset	-	-	(5 808)	-	5 808	-
<b>Balance as at 30 June 2015</b>	<b>145 848</b>	<b>80 199</b>	<b>54 141</b>	<b>5 556</b>	<b>98 679</b>	<b>384 423</b>

Warsaw, 25 August 2015

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

	Share capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign operations	Retained earnings	Total equity
in PLN thousands						
<b>Balance as at 1 January 2014</b>	<b>145 848</b>	<b>80 199</b>	<b>58 913</b>	<b>5 486</b>	<b>297 389</b>	<b>587 835</b>
Profit for the period	-	-	-	-	51 220	51 220
Other comprehensive income	-	-	-	(9)	-	(9)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9)</b>	<b>51 220</b>	<b>51 211</b>
Dividends	-	-	-	-	(302 532)	(302 532)
<b>Balance as at 30 June 2014</b>	<b>145 848</b>	<b>80 199</b>	<b>58 913</b>	<b>5 477</b>	<b>46 077</b>	<b>336 514</b>
Profit for the period	-	-	-	-	104 849	104 849
Other comprehensive income	-	-	(736)	30	-	(706)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(736)</b>	<b>30</b>	<b>104 849</b>	<b>104 143</b>
Dividends	-	-	-	-	-	-
Share-based payment	-	-	1 343	-	-	1 343
<b>Balance as at 31 December 2014</b>	<b>145 848</b>	<b>80 199</b>	<b>59 520</b>	<b>5 507</b>	<b>150 926</b>	<b>442 000</b>

Warsaw, 25 August 2015



**Cash flow statement**

	6-month period ended 30 June	
	2015 (PLN thousands)	2014 (PLN thousands)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>120 903</b>	<b>65 341</b>
<b>Adjustments for:</b>		
Depreciation/ amortization	9 930	10 468
Foreign exchange (gains)/ losses	(248)	(177)
Interest and shares in profits (dividends)	(12 308)	187
(Profit)/ loss on disposal of investments	(8 515)	(964)
Change in valuation of derivative financial instruments	(1 765)	(163)
Change in provisions and liabilities arising from retirement benefits and similar obligations	8 708	7 711
Other adjustments	514	(367)
<b>Operating profit before changes in working capital</b>	<b>117 219</b>	<b>82 036</b>
Change in receivables and retentions for construction contracts	(175 787)	(241 184)
Change in inventories	(34 376)	(20 119)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	210 217	(11 497)
Change in amounts due and receivable under construction contracts	(250 207)	(202 048)
Change in deferred income	146 332	23 805
Change in cash and cash equivalents of restricted use	8 149	3 967
<b>Cash used /from operations</b>	<b>21 547</b>	<b>(365 040)</b>
Income tax paid	(47 337)	(18 823)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(25 790)</b>	<b>(383 863)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of intangible assets and tangible fixed assets	341	481
Purchase of intangible assets and tangible fixed assets	(4 984)	(4 098)
Sale of investment property	-	1 530
Sale of assets held for sale	14 000	-
Share capital decrease in related entities	-	238 600
Purchase of related entities shares	(155)	-
Loans granted	(17 870)	(20 485)
Loans repaid	-	8 820
Dividend received	9 628	-
Interest received	299	351
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>1 259</b>	<b>225 199</b>

Change in deferred income

**Cash flow statement (cont.)**

	6-month period ended 30 June	
	2015 (PLN thousands)	2014 (PLN thousands)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends	(155 989)	(302 530)
Payment of finance lease liabilities	(5 848)	(4 888)
Interest paid	(361)	(499)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(162 198)</b>	<b>(307 917)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(186 729)</b>	<b>(466 581)</b>
Foreign exchange differences, net	110	203
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 1.4)</b>	<b>1 361 934</b>	<b>1 076 157</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 1.4)</b>	<b>1 175 315</b>	<b>609 779</b>

Warsaw, 25 August 2015

## 1. Principles applied for the purpose of preparation of this report

### 1.1. 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 2014, published on 16 March 2015.

The financial statements and the comparative data contain data of the Company's German branch translated into Polish zloty using the rates of exchange presented in the point 1.3 of herein condensed financial statements.

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 Ferrovia Agroman SA Sp. j. and Budimex SA Ferrovia Agroman SA S.C., Budimex SA – Budimex Budownictwo Sp. z o.o. SC, Budimex SA – Cadagua SA SC and Budimex SA – Cadagua II SC, Budimex SA, Tecnicas Reunidas SA – Turów SC, Budimex SA Energetyka 1 Sp. j., Budimex SA Energetyka 2 Sp. j.

#### ***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:

- **Amendments to various standards “Improvements to IFRSs (2011-2013)”** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015),
- **IFRIC 21 “Levies”** adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Company's accounting policies.

#### ***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 interpretation issued by IASB and adopted by the EU was in issue but not yet effective:

- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards “Improvements to IFRSs (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 - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),

#### ***Standards and amendments to standards 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 report date:

- **IFRS 9 “Financial Instruments”** (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),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in associates and joint ventures”** – Sale or contribution of assets between an investor and its associate or joint venture (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 28 “Investments in associates and joint ventures”** - Investment Entities: applying the consolidation exception (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 “Joint Arrangements”** - Accounting of acquisition of shares in joint operations (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 “Presentation of financial statements”** - Disclosure initiative (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 27 “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 (2012-2014)”** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2016).

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

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

In the reporting period there were no 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 2014, published on 16 March 2015.

The statement of financial position as at 31 December 2014 and profit and loss account for the period of 12 months ended 31 December 2014 have been amended because of different aggregation of data in individual reporting lines. The way how the data was transformed and the causes of the transformation were explained in the financial statements for the financial year of 2014.

Due to the above, the comparative data of profit and loss account and cash flow statement as at 30 June 2014 were transformed relating to those published in the condensed financial statement for the first half of 2014.

## 1.3. Translation of selected financial data into euro

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

- individual asset, equity and liability items – using the average exchange rate prevailing as at 30 June 2015 – 4.1944 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the first half of 2015 – 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 2015 to 30 June 2015 – 4.1341 PLN/EUR,
- individual asset and liability items of comparative financial data for the year 2014 – using the average exchange rate prevailing as at 31 December 2014 – 4.2623 PLN/EUR,

- individual profit and loss account and statement of cash flow items of comparative financial data 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.

#### 1.4. Cash recognised in the cash flow statement

The Company recognises 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 recognised under cash flow from operating activities.

	30 June 2015	31 December 2014	30 June 2014
	in PLN thousand		
<b>Cash recognised in the statement of financial position</b>	<b>1 209 202</b>	<b>1 403 970</b>	<b>641 909</b>
Cash and cash equivalents of restricted use	(33 887)	(42 036)	(32 130)
<b>Cash recognised in the statement of cash flow</b>	<b>1 175 315</b>	<b>1 361 934</b>	<b>609 779</b>

#### 1.5. Going concern

The financial statements of the Company were prepared on the assumption that the Company will be going concern during the period of 12 months from the reporting date, i.e. 30 June 2016 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 30 June 2015 the excess of the current liabilities over the current assets amounted to PLN 484 899 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 30 June 2015 amounted to PLN 157 790 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.

## 2. Shareholders of the Company

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at date of this financial statements release is 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 (the Netherlands) - the Company from the Ferrovial Group (Spain)	ordinary	15 078 159	59.06%	15 078 159	59.06%
Aviva OFE Aviva BZ WBK	ordinary	1 280 000	5.01%	1 280 000	5.01%
Other shareholders	ordinary	9 171 939	35.93%	9 171 939	35.93%
<b>Total</b>		<b>25 530 098</b>	<b>100.00%</b>	<b>25 530 098</b>	<b>100.00%</b>

### **3. Descriptions of factors and events which had a material effect on the financial result of the Company for the first half of 2015**

#### **3.1. Business operation of the Company in the first half of 2015**

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 six months of 2015 Budimex SA earned sales revenue in the amount of PLN 2 100 422 thousand, mainly related to sales of construction services amounting to PLN 2 089 393 thousand.

In the comparative period of the year 2014, sales revenue amounted to PLN 1 879 993 thousand, mainly related to sales of construction services amounting to PLN 1 861 749 thousand.

Gross profit on sales for the 6-month period of 2015 amounted to PLN 178 544 thousand and was PLN 27 107 thousand (17.90%) higher than in the comparative period of the previous year.

Total amount of administrative and selling expenses in the first half of 2015 was PLN 88 548 thousand, while in the first half of 2014 amounted to PLN 83 215 thousand. The share of selling and administrative expenses in total sales was equal to 4.22% (in the first half of 2014 to 4.43%).

In the first half of 2015, the result from the other operating activity including financial result from derivative instruments was positive and amounted to PLN 19 479 thousand (in the first half of 2014 it was negative and amounted to PLN 385 thousand). Other operating income comprised mainly: profit on disposal of a plot together with buildings located in Warsaw in the amount of PLN 11 819 thousand (presented as assets held for sale as at 31 December 2014), gain on valuation and realisation of derivative instrument contracts in the amount of PLN 2 464 thousand, revenue from received penalties and fines in the amount PLN 6 296 thousand and reversal of impairment write-downs against doubtful debts in the amount of PLN 2 090 thousand. Other operating expenses cover mainly: both paid amounts and provisions for compensation payments and contractual penalties of PLN 5 557 thousand, impairment write-downs against doubtful debts of 1 665 thousand and provisions for legal proceedings amounting to 395 thousand.

All valued derivative instrument contracts (presented both in the operating and financing activity) were classified as level 2 in the fair value hierarchy. During the 6 months ended 30 June 2015, 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 2015 the operating profit amounted to PLN 109 475 thousand and was higher by PLN 41 638 thousand (61.38%) compared to the similar period of the year 2014. In the first half of 2015, the operating margin was equal to 5.21%, while in the comparative period of 2014 was equal to 3.61%.

In the first half of 2015, the result from financial activity was positive and amounted to PLN 11 428 thousand due to dividends received in that period. In the comparative period of 2014 the result was lower by PLN 13 924 thousand.

Financial income, besides received dividends in the amount of 11 326 thousand, comprised interest amounting to PLN 15 498 thousand while financial expenses comprised mainly interest in the amount of PLN 938 thousand. Moreover, in the second quarter of 2015 the Company recognised impairment write-down against shares of related entity Budimex Kolejnictwo SA – the owner of the entity Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. – in relation to the court decision on changing the method of conducting the bankruptcy proceedings from the bankruptcy proceedings with an arrangement option to the bankruptcy proceedings involving liquidation of assets. Above mentioned impairment write-down amounted to PLN 5 054 thousand.

Profit before tax for the period of 6-months of 2015 amounted to PLN 120 903 thousand, while in the comparative period of 2014 amounted to PLN 65 341 thousand

In the period of six months of 2015 the Company reported a net profit of PLN 97 934 thousand gaining net profit margin of 4.66%.

In the first half of 2015, the Company purchased or started to lease property, plant and equipment, intangible assets and investment property with a total value of PLN 6 385 thousand, of which plant and machinery accounted for PLN 3 419 thousand.

### **3.2. 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 30 June 2015, the balance of the provision for contract losses amounted to PLN 571 172 thousand, while as at 31 December 2014 amounted to PLN 446 996 thousand. Due to that, in the 6-month period of 2015 the balance of provision increased by PLN 124 176 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 30 June 2015, the balance of the provision in this respect amounted to PLN 25 907 thousand, while as at 31 December 2014 amounted to PLN 25 629 thousand. Due to that, in the 6-month period of 2015 the balance of provision increased by 278 thousand.

#### **Provision for penalties**

The Company recognises provisions for penalties related to the realisation 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 30 June 2015, the balance of the provision in this respect amounted to PLN 40 314 thousand, while as at 31 December 2014 amounted to PLN 38 683 thousand. Due to that, in the 6-month period of 2015 the balance of provision increased by PLN 1 631 thousand.

#### **Costs of future warranty repairs**

The Company is required to issue guarantees for its construction services. It is accepted that the provision between 0.15%-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 30 June 2015, the balance of the provision in this respect amounted to PLN 200 499 thousand, while as at 31 December 2014 amounted to PLN 193 700 thousand. Due to that, in the 6-month period of 2015 the balance of provision increased by PLN 6 799 thousand.

#### **Deferred tax asset and liability**

As at 30 June 2015, the balance of deferred tax asset (reduced by deferred tax liability) amounted to PLN 340 930 thousand, while as at 31 December 2014 amounted to PLN 346 027 thousand. Due to that, in the 6-month period of 2015 the balance of deferred tax asset decreased by PLN 5 097 thousand.

#### **Impairment write-downs against receivables**

As at 30 June 2015, the balance of recognised impairment write-downs against receivables amounted to PLN 130 700 thousand, while as at 31 December 2014 amounted to PLN 133 242 thousand. In the 6-month period of 2015 the Company recognised impairment write-downs in the amount of PLN 1 665 thousand and reversed it in the amount of PLN 4 207 increasing other operating expenses by PLN 2 090.

#### **Impairment write-downs against inventory**

As at 30 June 2015 and 31 December 2014, the balance of recognised impairment write-downs against inventory amounted to PLN 385 thousand. Due to that, in the 6-month period of 2015 the balance of recognised impairment write-downs has not changed.

### **3.3. Material changes of the legal proceedings pending in the first half of 2015**

As at 30 June 2015, the total value of the proceedings relating to the Company's liabilities and claims amounted to PLN 289 892 thousand and PLN 222 418 thousand accordingly, and as at 31 December 2014 PLN 286 250 thousand and PLN 222 646 thousand accordingly.



**4. Other events for the first half of 2015 and significant events after 30 June 2015**

**On 25 March 2015** amount of PLN 13 297 thousand was paid as a tranche of the loan granted by Budimex SA to FB Serwis SA (an associate of Budimex SA) based on the loan agreement dated 24 March 2015. According to that agreement the loan amount is up to PLN 17 689 thousand. The loan interest was agreed as 3-m WIBOR + margin.

**On 28 April 2015** the Ordinary General Meeting of Budimex SA adopted resolution on dividend payout. Pursuant to the resolution, net profit for the period from 1 January 2014 to 31 December 2014 in the amount of PLN 155 989 thousand has been allocated to the dividend payout in the amount of PLN 6.11 gross per share. The dividend payout will cover all Budimex SA shares, i.e. 25 530 098 shares. The dividend day is on 8 May 2015. The dividend was paid on 25 May 2015.

**On 7 May 2015, 21 May 2015**, another tranches of the loan were provided by Budimex SA to FB Serwis SA (an associate of Budimex SA) in the amount of PLN 613 thousand, PLN 3 920 thousand accordingly based on the loan agreement dated 24 September 2013. In accordance to that agreement the loan was granted by Budimex to FB Serwis SA in the amount up to PLN 19 600 thousand. The loan interest was agreed as 3-m WIBOR + margin.

**On 31 July 2015** the General Shareholders' Meeting of Budimex B Sp. z o.o. (the subsidiary of Budimex SA) decided to finally liquidate the company.

**5. Related party transactions**

Transactions with related parties made in the first half of 2015 and in the first half of 2014 and unsettled balances of receivables and liabilities as at 30 June 2015 and 31 December 2014 are presented in the tables below:

	amounts in PLN thousands			
	Receivables		Liabilities	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Parent Company and related parties (the Ferrovial Group)	21 806	23 989	(92 950)	(99 649)
Subsidiary companies	58 101	58 467	(16 482)	(8 090)
Associates	543	730	(98)	(98)
Jointly controlled entities	761	959	(726)	(727)
Other related parties*	6	34	-	(8 128)
<b>Total settlements with related parties</b>	<b>81 217</b>	<b>84 179</b>	<b>(110 256)</b>	<b>(116 692)</b>

	amounts in PLN thousands			
	Loans granted		Loans taken out	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Parent Company and related parties (the Ferrovial Group)	-	-	(8 577)	(8 670)
Subsidiary companies	21 268	20 623	-	-
Associates	37 303	18 988	-	-
<b>Total settlements with related parties</b>	<b>58 571</b>	<b>39 611</b>	<b>(8 577)</b>	<b>(8 670)</b>



	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	
	2015	2014	2015	2014
Parent Company and related parties (the Ferrovial Group)	24 163	2 071	(39 631)	(18 570)
Subsidiary companies	164 221	105 784	(12 423)	(36 243)
Associates	155	782	(34)	-
Jointly controlled entities	355	275	(102)	(78)
Other related parties*	-	-	-	(16 069)
<b>Total transactions with related parties</b>	<b>188 894</b>	<b>108 912</b>	<b>(52 190)</b>	<b>(70 960)</b>

	amounts in PLN thousands			
	Finance income		Finance costs	
	6-month period ended 30 June		6-month period ended 30 June	
	2015	2014	2015	2014
Parent Company and related parties (the Ferrovial Group)	-	-	(206)	(154)
Subsidiary companies	11 929	74	(183)	(32)
Jointly controlled entities	-	-	-	-
Associates	785	298	-	-
<b>Total transactions with related parties</b>	<b>12 714</b>	<b>372</b>	<b>(389)</b>	<b>(186)</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.

## 6. Contingent receivables and contingent liabilities

	30 June 2015 (in PLN thousands)	31 December 2014 (in PLN thousands)
<b><u>Contingent receivables</u></b>		
<b>From related parties, of which:</b>	<b>13 949</b>	<b>14 482</b>
– guarantees and suretyships received	880	880
– bills of exchange received as security	2 431	2 964
– other contingent receivables	10 638	10 638
<b>From other entities</b>	<b>302 804</b>	<b>296 465</b>
– guarantees and suretyships received	301 761	295 422
– bills of exchange received as security	1 043	1 043
<b>Total contingent receivables</b>	<b>316 753</b>	<b>310 947</b>
<b><u>Contingent liabilities</u></b>		
<b>To related parties, of which:</b>	<b>125 378</b>	<b>157 953</b>
– guarantees and suretyships issued	125 378	157 953
<b>To other entities, of which:</b>	<b>2 175 947</b>	<b>1 880 706</b>
– guarantees and suretyships issued	2 174 750	1 877 637
– bills of exchange issued as performance bond	1 197	3 069
<b>Other contingent liabilities</b>	<b>135 480</b>	<b>135 480</b>

<b>Total contingent liabilities</b>	<b>2 436 805</b>	<b>2 174 139</b>
<b>Total off-balance sheet items</b>	<b>(2 120 052)</b>	<b>(1 863 192)</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 recognised 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 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.

Warsaw, 25 August 2015