



**BUDIMEX SA**

**CONDENSED FINANCIAL STATEMENTS**

**for 1 half of 2016**

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

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**Statement of financial position**

<b>ASSETS</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
	(PLN thousands)	(PLN thousands)
<b>Non-currents assets (long-term)</b>		
Property, plant and equipment	73 461	61 821
Investment properties	3 831	3 888
Intangible assets	4 275	3 761
Investments in subsidiaries	724 473	724 323
Investments in associates	61 246	61 246
Investments in other entities	6 596	6 597
Other financial assets	13 589	6 666
Trade and other receivables	13 595	11 120
Retentions for construction contracts	37 934	35 404
Deferred tax asset	401 693	401 824
<b>Total non-current assets (long-term)</b>	<b>1 340 693</b>	<b>1 316 650</b>
<b>Current assets</b>		
Inventories	123 424	79 329
Trade and other receivables	716 310	379 325
Retentions for construction contracts	31 265	25 649
Amounts due and receivable from customers (investors) under construction contracts	355 055	155 241
Other financial assets	889	2 333
Cash and cash equivalents	1 473 995	1 983 136
<b>Total current assets (short-term)</b>	<b>2 700 938</b>	<b>2 625 013</b>
<b>TOTAL ASSETS</b>	<b>4 041 631</b>	<b>3 941 663</b>

Warsaw, 25 August 2016

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

<b>EQUITY AND LIABILITIES</b>	<b>30 June 2016</b> (PLN thousands)	<b>31 December 2015</b> (PLN thousands)
<b>Equity</b>		
<b>Shareholders' equity</b>		
Issued capital	145 848	145 848
Share premium	80 199	80 199
Other reserves	53 731	53 909
Foreign exchange differences on translation of foreign operations	5 622	5 630
Retained earnings	154 326	208 753
<b>Total shareholders' equity</b>	<b>439 726</b>	<b>494 339</b>
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Loans, borrowings and other external sources of finance	16 844	11 551
Retentions for construction contracts	204 523	196 185
Provision for long-term liabilities and other charges	169 244	153 495
Long-term retirement benefits and similar obligations	5 358	5 358
Other financial liabilities	59	5
<b>Total long-term liabilities</b>	<b>396 028</b>	<b>366 594</b>
<b>Short-term liabilities</b>		
Loans, borrowings and other external sources of finance	16 873	18 382
Trade and other payables	1 222 369	1 019 137
Retentions for construction contracts	143 610	158 641
Amounts due and payable to customers (investors) under construction contracts	1 220 704	1 229 015
Deferred income	443 768	464 616
Provision for short-term liabilities and other charges	132 252	130 964
Current tax payable	23 299	58 313
Short-term retirement benefits and similar obligations	926	926
Other financial liabilities	2 076	736
<b>Total short-term liabilities</b>	<b>3 205 877</b>	<b>3 080 730</b>
<b>Total liabilities</b>	<b>3 601 905</b>	<b>3 447 324</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 041 631</b>	<b>3 941 663</b>

Warsaw, 25 August 2016

**Income statement**

	6-month period ended 30 June	
	2016 (PLN thousands)	2015 (PLN thousands)
<b>Continuing operations</b>		
Net sales of finished goods, goods for resale, raw materials and services	2 267 289	2 100 422
Cost of finished goods, goods for resale, raw materials and services sold	(2 019 262)	(1 921 878)
<b>Gross profit on sales</b>	<b>248 027</b>	<b>178 544</b>
Selling expenses	(5 322)	(4 970)
Administrative expenses	(90 547)	(83 578)
Other operating income	25 780	27 872
Other operating expenses	(34 210)	(8 393)
<b>Operating profit</b>	<b>143 728</b>	<b>109 475</b>
Finance income	55 978	27 362
Finance costs	(16 623)	(15 934)
<b>Profit before tax</b>	<b>183 083</b>	<b>120 903</b>
Income tax	(29 695)	(22 969)
<b>Net profit from continuing operations</b>	<b>153 388</b>	<b>97 934</b>
<b>Net profit for the period</b>	<b>153 388</b>	<b>97 934</b>

<i>Basic and diluted earnings per share attributable to the shareholders (in PLN)</i>	<i>6,01</i>	<i>3,84</i>
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Warsaw, 25 August 2016

**Statement of comprehensive income**

	6-month period ended 30 June	
	2016 (PLN thousands)	2015 (PLN thousands)
<b>Net profit for the period</b>	<b>153 388</b>	<b>97 934</b>
<b>Other comprehensive income for the period, which:</b>		
<i>Will be subsequently reclassified to profit or loss:</i>		
Foreign exchange differences on translation of foreign branch	(8)	49
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>(8)</b>	<b>49</b>
<b>Total comprehensive income for the period</b>	<b>153 380</b>	<b>97 983</b>

Warsaw, 25 August 2016

**Statement of changes in equity**

	Issued 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 2016</b>	<b>145 848</b>	<b>80 199</b>	<b>53 909</b>	<b>5 630</b>	<b>208 753</b>	<b>494 339</b>
Profit for the period	-	-	-	-	153 388	<b>153 388</b>
Other comprehensive income	-	-	-	(8)	-	<b>(8)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8)</b>	<b>153 388</b>	<b>153 380</b>
Dividend paid	-	-	-	-	(207 815)	<b>(207 815)</b>
Share-based payment	-	-	(178)	-	-	<b>(178)</b>
<b>Balance as at 30 June 2016</b>	<b>145 848</b>	<b>80 199</b>	<b>53 731</b>	<b>5 622</b>	<b>154 326</b>	<b>439 726</b>

Warsaw, 25 August 2016

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

	Issued 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	<b>97 934</b>
Other comprehensive income	-	-	-	49	-	<b>49</b>
<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)	<b>(155 989)</b>
Share-based payment	-	-	429	-	-	<b>429</b>
Previous periods loss offset	-	-	(5 808)	-	5 808	<b>-</b>
<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>
Profit for the period	-	-	-	-	110 074	110 074
Other comprehensive income	-	-	(441)	74	-	(367)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(441)</b>	<b>74</b>	<b>110 074</b>	<b>109 707</b>
Share-based payment	-	-	209	-	-	<b>209</b>
<b>Balance as at 31 December 2015</b>	<b>145 848</b>	<b>80 199</b>	<b>53 909</b>	<b>5 630</b>	<b>208 753</b>	<b>494 339</b>

Warsaw, 25 August 2016



**Cash flow statement**

	6-month period ended 30 June	
	2016 (PLN thousands)	2015 (PLN thousands)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>183 083</b>	<b>120 903</b>
<b>Adjustments for:</b>		
Depreciation/ amortization	11 243	9 930
Foreign exchange (gains)/ losses	117	(248)
Interest and shares in profits (dividends)	(36 477)	(12 308)
(Profit)/ loss on disposal of investments	(331)	(8 515)
Change in valuation of derivative financial instruments	1 219	(1 765)
Change in provisions and liabilities arising from retirement benefits and similar obligations	17 037	8 708
Other adjustments	(103)	514
<b>Operating profit before changes in working capital</b>	<b>175 788</b>	<b>117 219</b>
Change in receivables and retentions for construction contracts	(339 977)	(175 787)
Change in inventories	(44 095)	(34 376)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	192 953	210 217
Change in amounts due and receivable under construction contracts	(208 125)	(250 207)
Change in deferred income	(20 848)	146 332
Change in cash and cash equivalents of restricted use	(18 627)	8 149
<b>Cash used /from operations</b>	<b>(262 931)</b>	<b>21 547</b>
Income tax paid	(64 578)	(47 337)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(327 509)</b>	<b>(25 790)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of intangible assets and tangible fixed assets	369	341
Purchase of intangible assets and tangible fixed assets	(12 310)	(4 984)
Sale of assets held for sale	-	14 000
Issued capital increase in related entities	(150)	(155)
Loans granted	(6 860)	(17 870)
Dividend received	31 000	9 628
Interest received	1 703	299
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>13 752</b>	<b>1 259</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(207 815)	(155 989)
Payment of finance lease liabilities	(6 064)	(5 848)
Interest paid	(353)	(361)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(214 232)</b>	<b>(162 198)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(527 989)</b>	<b>(186 729)</b>
Foreign exchange differences, net	221	110
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 1.4)</b>	<b>1 935 366</b>	<b>1 361 934</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 1.4)</b>	<b>1 407 598</b>	<b>1 175 315</b>

Warsaw, 25 August 2016

## **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 2015, published on 14 March 2016.

The financial statements and the comparative data contain aggregate data of the Company's German branch translated into Polish zloty using the rate 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., Budimex SA Ferrovia Agroman SA S.C., Budimex SA Budimex Budownictwo Sp. z o.o. S.C., Budimex SA Cadagua SA S.C., Budimex SA Cadagua SA II S.C., Budimex SA Tecnicas Reunidas SA – Turów S.C., Budimex SA Ferrovia Agroman (UK) Limited - Metro II Sp.j (dissolved in 2016), Budimex SA Energetyka 1 Sp. j., Budimex SA Energetyka 2 Sp. j., Budimex SA Energetyka 3 Sp. j. and Budimex SA Cadagua SA III s.c. (established in 2016).

### **Amendments to standards effective in the current period**

The following 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 IFRS 11 „Joint Arrangements”** – Accounting for Acquisitions of Interests in Joint Operations, endorsed in the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 „Presentation of Financial Statements”** – Disclosure Initiative, endorsed in the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 „Property, plant and equipment” and IAS 41 „Agriculture”** – Bearer Plants, endorsed in the EU on 23 November 2015 (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 Amortization, endorsed in the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to 19 „Employee Benefits”** – Defined Benefit Plans: Employee Contributions, endorsed in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to 27 „Separate Financial Statements”** – Equity Method in Separate Financial Statements, endorsed in the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Annual Improvements to IFRSs (Cycle 2010-2012)** – improvements to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38, mainly with a view to removing inconsistencies and ensuring wording clarification; endorsed in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **„Annual Improvements to IFRSs (Cycle 2012-2014)”** – improvements to IFRS 5, IFRS 7, IAS 19 and IAS 34, mainly with a view to removing inconsistencies and ensuring wording clarification, endorsed in the EU on 15 December 2015 (effective for annual periods beginning on or after 1 January 2016).

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

### **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 the report date:

- **IFRS 9 „Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 „Regulatory Deferral Accounts”** (the EU has decided to suspend the endorsement process),

- **IFRS 15 „Revenue from Contracts with Customers”** and **Amendments to IFRS 15** - Effective date of IFRS 15 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 16 „Leases”** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”** (effective for annual periods beginning on or after 1 January 2018),
- **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 (the EU suspended the endorsement process for an indefinite period of time),
- **Amendments to IFRS „Consolidated Financial Statements”, IFRS 12 „Disclosure 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 IAS 7 „Statement of Cash Flows”** – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 „Income Taxes”** – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- **Clarifications to IFRS 15 „Revenue from Contracts with Customers”** effective for annual periods beginning on or after 1 January 2018).

The Company estimates that the application of IFRS 16 „Leases” may, to some extent, increase both its non-current assets and its financial liabilities. At the same time, positive impact on operating result and negative impact on the result from financing activities are expected. These changes are, however, to offset so that the implementation of IFRS 16 will not bear any material impact on Company's net result. The remaining standards and amendments or improvements would not have any material impact on the condensed financial statements, had these been used by the Company at the reporting date.

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 2015, published on 14 March 2016.

## 1.3. 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 2016 – 4,4255 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the first half of 2016 – 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 2016 to 30 June 2016 – 4,3805 PLN/EUR,
- individual asset and liability items of comparative financial data for the year 2015 – using the average exchange rate prevailing as at 31 December 2015 – 4,2615 PLN/EUR,
- individual profit and loss account and statement of cash flow items of comparative financial data 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.

## 1.4. Cash recognized in the cash flow statement

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

	30 June 2016	31 December 2015	30 June 2015
	in PLN thousand		
<b>Cash recognised in the statement of financial position</b>	<b>1 473 995</b>	<b>1 983 136</b>	<b>1 209 202</b>
Cash and cash equivalents of restricted use	(66 397)	(47 770)	(33 887)
<b>Cash recognised in the statement of cash flow</b>	<b>1 407 598</b>	<b>1 935 366</b>	<b>1 175 315</b>

### 1.5. Going concern

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

As at 30 June 2016 the excess of the current liabilities over the current assets amounted to PLN 504 939 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 2016 amounted to PLN 166 799 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 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 issued capital	Number of votes	% of voting rights at the AGM
Valivala Holdings B.V. Amsterdam (the Netherlands) - Ferrovial SA Group company (Spain)	ordinary	15 078 159	59.06%	15 078 159	59.06%
Aviva OFE Aviva BZ WBK	ordinary	1 720 000	6.74%	1 720 000	6.74%
Other shareholders	ordinary	8 731 939	34.20%	8 731 939	34.20%
<b>Total</b>		<b>25 530 098</b>	<b>100,00%</b>	<b>25 530 098</b>	<b>100,00%</b>

The above presented data has not changed in comparison to the status presented in financial statements published on 27 April 2016.

## 3. Descriptions of factors and events which had a material effect on the financial result of the Company for the first half of 2016

### 3.1. Business operation of the Company in the I half of 2016

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 2016 Budimex SA earned sales revenue in the amount of PLN 2 267 289 thousand, mainly related to sales of construction services amounted to PLN 2 249 400 thousand.

In the comparative period of the year 2015, sales revenue amounted to PLN 2 100 422 thousand, mainly related to sales of construction services amounted to PLN 2 089 393 thousand.

Gross profit on sales for the 6-month period of 2016 amounted to PLN 248 027 thousand and was by PLN 69 483 thousand (38.92%) higher than in the comparative period of the previous year.

Total amount of administrative and selling expenses in I half of 2016 was PLN 95 869 thousand, while in I half of 2015 amounted to PLN 88 548 thousand. The share of selling and administrative expenses in total sales was equal to 4.23% (in the first half of 2015 to 4.22%).

In I half of 2016, the result from the other operating activity, including financial result from derivative instruments, was negative and amounted to PLN 8 430 thousand (in I half of 2015 it was positive and amounted to PLN 19 479 thousand). Other operating income comprised mainly: revenue from received penalties and fines in the amount of PLN 13 492 thousand, released provisions for penalties and legal proceedings in the amount of PLN 5 510 thousand and PLN 2 611 thousand accordingly, reversal of receivable and inventory impairment write-downs in the amount of PLN 2 008 thousand and PLN 894 thousand accordingly. Other operating expenses comprised mainly: impairment write-downs against doubtful debts in the amount of PLN 12 391 thousand, provisions for compensation payments and contractual penalties of PLN 10 800 thousand, penalties and fines paid in the amount of PLN 5 640 thousand and loss on valuation and realization of derivative instrument contracts of PLN 3 440 thousand.

All valued derivative instrument contracts were classified as level 2 in the fair value hierarchy. During the 6 months period ended 30 June 2016, there was no transfer between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 of fair value measurement.

In I half of 2016 the operating profit amounted to PLN 143 728 thousand and was higher by PLN 34 253 thousand (31.29%) compared to the comparative period of the year 2015. In I half of 2016, the operating margin was equal to 6.34%, while in the comparative period of 2015 was equal to 5.21%.

In I half of 2016, the result from financial activity was positive and amounted to PLN 39 355 thousand mainly due to dividends received from related entities. In the comparative period of 2015 the result was lower by PLN 27 927 thousand.

Financial income, besides dividend income from related entities in the amount of PLN 36 564 thousand, comprised also interest of PLN 18 518 thousand. Financial expenses comprised mainly costs of bank guarantees and commissions in the amount of PLN 11 652 thousand, costs of long-term retention receivables and liabilities discounting of PLN 4 185 thousand and interest costs in the amount of PLN 763 thousand.

Profit before tax for the period of 6-months of 2016 amounted to PLN 183 083 thousand, while in the comparative period of 2015 amounted to PLN 120 903 thousand.

In the period of six months of 2016 the Company reported a net profit of PLN 153 388 thousand gaining net profit margin of 6.77% while in the same period of 2015 net profit margin was equal to 4.66%.

In the first half of 2016, the Company purchased or started to lease property, plant and equipment, intangible assets and investment property with a total value of PLN 25 532 thousand, of which machinery and equipment accounted for PLN 16 739 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 2016, the balance of the provision for contract losses amounted to PLN 569 679 thousand, while as at 31 December 2015 amounted to PLN 629 426 thousand. Due to that, in the 6-month period of 2016 the balance of provision decreased by PLN 59 747 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 2016, the balance of the provision in this respect amounted to PLN 23 479 thousand, while as at 31 December 2015 amounted to PLN 26 090 thousand. Due to that, in the 6-month period of 2016 the balance of provision decreased by PLN 2 611 thousand.

### **Provision for penalties**

The Company recognises provisions for penalties related to the realization of construction contracts. A provision is recognised only when the Company has a present obligation as a result of past event, the settlement of that

obligation is highly probable and a reliable estimate can be made of the amount of the obligation. As at 30 June 2016, the balance of the provision in this respect amounted to PLN 50 845 thousand, while as at 31 December 2015 amounted to PLN 45 555 thousand. Due to that, in the 6-month period of 2016 the balance of provision increased by PLN 5 290 thousand.

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

The Company is required to issue guarantees for its construction services. It is accepted that the provision between 0.3%-1.4% of revenue from the given contract is made what depends on particular construction segment. This general value is assessed on an individual basis and may be increased or reduced, as appropriate. As at 30 June 2016, the balance of the provision in this respect amounted to PLN 227 172 thousand, while as at 31 December 2015 amounted to PLN 212 814 thousand. Due to that, in the 6-month period of 2016 the balance of provision increased by PLN 14 358 thousand.

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

As at 30 June 2016, the balance of deferred tax asset (reducing by deferred tax liability) amounted to PLN 401 693 thousand, while as at 31 December 2015 amounted to PLN 401 824 thousand. Due to that, in the 6-month period of 2016 the balance of deferred tax asset decreased by PLN 131 thousand.

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

As at 30 June 2016, the balance of recognised impairment write-downs against receivables and retentions amounted to PLN 132 005 thousand, while as at 31 December 2015 amounted to PLN 123 503 thousand. In the 6-month period of 2016 the Company recognized impairment write-downs in the amount of PLN 12 391 thousand and reversed it increasing operating income in the amount of PLN 2 008 thousand and in the same time the Company utilized impairment write-downs in the amount of PLN 2 256 thousand and amount of PLN 375 thousand represented exchange differences.

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

As at 30 June 2016 the balance of recognised impairment write-downs against inventory amounted to PLN 1 001 thousand while as at 31 December 2015 it equaled 1 717 thousand. In the 6-month period of 2016 the Company recognised impairment write-downs against inventory in the amount of PLN 178 thousand and in the same period reversed it by PLN 894 thousand.

### **3.3. Material changes of the legal proceedings pending in I half of 2016**

As at 30 June 2016, the total value of the proceedings relating to the Company's liabilities and claims accordingly amounted to PLN 288 718 thousand and PLN 178 316 thousand, and as at 31 December 2015 accordingly PLN 292 791 thousand and PLN 210 823 thousand. In the period of six months of 2016 there was no significant outcome of the proceedings that could have material impact on the financial situation of the Company.

## **4. Other events for the I half of 2016**

**On 7 January 2016 and on 2 March 2016**, another tranches of the loan were provided by Budimex SA to FB Serwis SA (an associate of Budimex SA) in the amount of PLN 2 940 thousand and PLN 3 920 thousand accordingly based on the loan agreement dated 4 January 2016. In accordance to that agreement the loan was granted by Budimex to FBSerwis SA in the amount up to PLN 13 720 thousand. The loan interest was agreed as 3-m WIBOR plus margin.

**On 20 January 2016**, the Shareholders' Meeting of Budimex A Sp. z o.o. (a subsidiary of Budimex SA) resolved to increase the company's issued capital by PLN 50 thousand, i.e. from PLN 175 thousand to PLN 225 thousand by creating 1000 shares of a nominal value of PLN 50, which were acquired entirely by Budimex SA. The above issued capital increase was registered in the National Court Register on 24 February 2016.

**On 25 February 2016**, the company Budimex Inwestycje "Grunwald" SA was registered in the National Court Register. Budimex SA is the owner of 100 per cent of its shares.



**On 26 April 2016** the Ordinary General Meeting of Budimex SA adopted resolution on dividend payout. Pursuant to the resolution, net profit for the period from 1 January 2015 to 31 December 2015 in the amount of PLN 207 815 thousand has been allocated to the dividend payout in the amount of PLN 8.14 gross per share. The dividend payout covered all Budimex SA shares, i.e. 25 530 098 shares. The dividend day was on 6 May 2016. The dividend was paid on 24 May 2016.

**On 1 August 2016** a new civil law partnership was formed: Budimex SA Cadagua SA IV s.c. Budimex SA holds 60% of shares in the company.

## 5. Related party transactions

Transactions with related parties made in the first half of 2016 and in the first half of 2015 and unsettled balances of receivables and liabilities as at 30 June 2016 and 30 June 2015 are presented in the tables below:

	amounts in PLN thousands			
	Receivables		Liabilities	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Parent Company and related parties (the Ferrovial Group)	20 449	22 111	111 053	100 925
Subsidiary companies	72 225	62 763	15 652	19 013
Associates	179	210	142	118
Jointly controlled entities	890	1 197	660	833
Other related parties*	10	3	-	-
<b>Total settlements with related parties</b>	<b>93 753</b>	<b>86 284</b>	<b>127 507</b>	<b>120 889</b>

	amounts in PLN thousands			
	Loans granted		Loans taken out	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Parent Company and related parties (the Ferrovial Group)	-	-	9 134	8 760
Subsidiary companies	6 418	6 270	-	-
Associates	6 860	1 549	-	-
<b>Total settlements with related parties</b>	<b>13 278</b>	<b>7 819</b>	<b>9 134</b>	<b>8 760</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	
	2016	2015	2016	2015
Parent Company and related parties (the Ferrovial Group)	5 804	24 163	23 430	39 631
Subsidiary companies	151 277	164 221	20 031	12 423
Associates	329	155	150	34
Jointly controlled entities	323	355	-	102
Other related parties*	-	-	15	-
<b>Total transactions with related parties</b>	<b>157 733</b>	<b>188 894</b>	<b>43 626</b>	<b>52 190</b>

	amounts in PLN thousands			
	Finance income		Finance costs	
	6-month period ended 30 June		6-month period ended 30 June	
	2016	2015	2016	2015
Parent Company and related parties (the Ferrovial Group)	-	-	36	206
Subsidiary companies	36 712	11 929	-	183
Associates	154	785	-	-
<b>Total transactions with related parties</b>	<b>36 866</b>	<b>12 714</b>	<b>36</b>	<b>389</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 2016 (in PLN thousands)	31 December 2015 (in PLN thousands)
<b><u>Contingent receivables</u></b>		
<b>From related parties, of which:</b>	<b>15 654</b>	<b>12 128</b>
– guarantees and suretyships received	-	-
– bills of exchange received as security	5 016	1 490
– other contingent receivables	10 638	10 638
<b>From other entities, of which:</b>	<b>393 693</b>	<b>328 443</b>
– guarantees and suretyships received	385 207	327 738
– bills of exchange received as security	8 486	705
<b>Other contingent receivables</b>	<b>3 152</b>	<b>1 350</b>
<b>Total contingent receivables</b>	<b>412 499</b>	<b>341 921</b>
<b><u>Contingent liabilities</u></b>		
<b>To related parties, of which:</b>	<b>92 017</b>	<b>117 435</b>
– guarantees and suretyships issued	92 017	117 435
<b>To other entities, of which:</b>	<b>2 765 434</b>	<b>2 564 147</b>
– guarantees and suretyships issued	2 763 447	2 562 552
– bills of exchange issued as performance bond	1 987	1 595
<b>Other contingent liabilities</b>	<b>133 554</b>	<b>133 554</b>
<b>Total contingent liabilities</b>	<b>2 991 005</b>	<b>2 815 136</b>
<b>Total off-balance sheet items</b>	<b>(2 578 506)</b>	<b>(2 473 215)</b>

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

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



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

Other contingent liabilities include among others voluntary acceptance of enforcement constituting a security of payment up to the amount of PLN 133 554 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.

Dariusz Blocher	President of the Management Board	.....	Henryk Urbański	Board Member	.....
name and surname	position	signature	name and surname	position	signature
Fernando Luis Pascual Larragoiti	Vice-President of the Management Board	.....	Marcin Węglowski	Board Member	.....
name and surname	position	signature	name and surname	position	signature
Jacek Daniewski	Board Member	.....	Artur Popko	Board Member	.....
name and surname	position	signature	name and surname	position	signature
Cezary Mączka	Board Member	.....	Radosław Górski	Board Member	.....
name and surname	position	signature	name and surname	position	signature
			Grzegorz Fąfara	Chief Accountant	.....
			name and surname	position	signature
Warsaw, 25 August 2016					

*This is a translation of condensed financial statements originally issued in Polish. In case of any inconsistencies between the Polish and English version, the Polish version shall prevail.*