



**THE BUDIMEX GROUP**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**for 1 half of 2016**

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

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(all amounts are expressed in PLN thousand)

**Consolidated statement of financial position**

<b>ASSETS</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
<b>Non-currents (long-term) assets</b>		
Property, plant and equipment	94 447	83 248
Investment properties	63 184	63 410
Intangible assets	4 533	4 000
Goodwill of subordinated entities	73 237	73 237
Investments in equity accounted entities	45 238	45 762
Available-for-sale financial assets	9 396	9 247
Retentions for construction contracts	21 471	20 388
Trade and other receivables	37 618	34 909
Receivables from service concession agreement	45 889	45 688
Other financial assets	7 173	396
Deferred tax assets	444 225	440 922
<b>Total non-current (long-term) assets</b>	<b>846 411</b>	<b>821 207</b>
<b>Current (short-term) assets</b>		
Inventories	998 092	867 581
Trade and other receivables	750 890	420 558
Retentions for construction contracts	20 723	16 276
Amounts due and receivable from customers under construction contracts	374 063	171 763
Current tax assets	32	421
Other financial assets	901	2 432
Cash and cash equivalents	1 923 133	2 413 126
<b>Total current (short-term) assets</b>	<b>4 067 834</b>	<b>3 892 157</b>
<b>TOTAL ASSETS</b>	<b>4 914 245</b>	<b>4 713 364</b>

Warsaw, 25 August 2016

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(all amounts are expressed in PLN thousand)

**Consolidated statement of financial position (cont.)**

<b>EQUITY AND LIABILITIES</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
<b>Equity</b>		
Issued capital	145 848	145 848
Share premium	87 163	87 163
Other reserves	4 623	4 801
Foreign exchange differences on translation of foreign operations	5 462	5 425
Retained earnings	294 221	355 969
<b>Total shareholders' equity attributable to the shareholders of the Parent</b>	<b>537 317</b>	<b>599 206</b>
Equity attributable to non-controlling interests	4 369	3 918
<b>Total equity</b>	<b>541 686</b>	<b>603 124</b>
<b>Liabilities</b>		
<b>Non-current (long-term) liabilities</b>		
Loans, borrowings and other external sources of finance	49 218	44 563
Retentions for construction contracts	215 532	207 239
Provision for long-term liabilities and other charges	195 929	181 691
Retirement benefits and similar obligations	7 657	7 657
Other financial liabilities	3 188	3 076
<b>Total non-current (long-term) liabilities</b>	<b>471 524</b>	<b>444 226</b>
<b>Current (short-term) liabilities</b>		
Loans, borrowings and other external sources of finance	18 342	19 778
Trade and other payables	1 335 832	1 135 894
Retentions for construction contracts	153 619	168 033
Amounts due and payable to customers under construction contracts	1 225 422	1 239 940
Deferred income	998 335	896 448
Provision for short-term liabilities and other charges	137 038	135 565
Current tax liability	28 180	67 568
Retirement benefits and similar obligations	1 350	1 350
Other financial liabilities	2 917	1 438
<b>Total current (short-term) liabilities</b>	<b>3 901 035</b>	<b>3 666 014</b>
<b>Total liabilities</b>	<b>4 372 559</b>	<b>4 110 240</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 914 245</b>	<b>4 713 364</b>

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(all amounts are expressed in PLN thousand)

**Consolidated income statement**

	6-month period ended 30 June	
	2016	2015
<b>Continuing operations</b>		
Net sales of finished goods, goods for resale, raw materials and services	2 429 700	2 268 240
Cost of finished goods, goods for resale, raw materials and services sold	(2 129 426)	(2 054 178)
<b>Gross profit on sales</b>	<b>300 274</b>	<b>214 062</b>
Selling expenses	(14 747)	(13 897)
Administrative expenses	(99 261)	(91 538)
Other operating income	26 906	28 619
Other operating expenses	(34 902)	(8 470)
<b>Operating profit</b>	<b>178 270</b>	<b>128 776</b>
Finance income	23 674	21 824
Finance costs	(18 476)	(12 933)
Share in net (losses) of equity accounted subordinates	(524)	(3 068)
<b>Gross profit</b>	<b>182 944</b>	<b>134 599</b>
Income tax	(36 426)	(27 534)
<b>Net profit from continuing operations</b>	<b>146 518</b>	<b>107 065</b>
<b>Net profit for the period</b>	<b>146 518</b>	<b>107 065</b>
<i>of which:</i>		
<b>Attributable to the shareholders of the Parent</b>	<b>146 067</b>	<b>106 595</b>
<i>Attributable to non-controlling interests</i>	<i>451</i>	<i>470</i>
<i>Basic and diluted earnings per share attributable to the shareholders of the Parent (in PLN)</i>	<i>5.72</i>	<i>4.18</i>

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(all amounts are expressed in PLN thousand)

**Consolidated statement of comprehensive income**

	6-month period ended 30 June	
	2016	2015
<b>Net profit for the period</b>	<b>146 518</b>	<b>107 065</b>
<b>Other comprehensive income which:</b>		
<i>Items to be reclassified to profit or loss upon satisfaction of certain conditions:</i>		
Foreign exchange differences on translation of foreign operations	37	(32)
<b>Other comprehensive income</b>	<b>37</b>	<b>(32)</b>
<b>Total comprehensive income for the period</b>	<b>146 555</b>	<b>107 033</b>
<i>Of which:</i>		
<b>Attributable to the shareholders of the Parent</b>	<b>146 104</b>	<b>106 563</b>
<i>Attributable to non-controlling interests</i>	<i>451</i>	<i>470</i>

Warsaw, 25 August 2016

## The BUDIMEX Group

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(all amounts are expressed in PLN thousand)

### Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent						Non-controlling interests	Total equity	
	Issued capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			
			Share-based payments	Actuarial gains/(losses)					
							Total		
Balance as at 1 January 2016	145 848	87 163	7 349	(2 548)	5 425	355 969	599 206	3 918	603 124
Profit for the period	-	-	-	-	-	146 067	146 067	451	146 518
Other comprehensive income	-	-	-	-	37	-	37	-	37
Total comprehensive income for the period	-	-	-	-	37	146 067	146 104	451	146 555
Dividends	-	-	-	-	-	(207 815)	(207 815)	-	(207 815)
Share-based payment	-	-	(178)	-	-	-	(178)	-	(178)
Balance as at 30 June 2016	145 848	87 163	7 171	(2 548)	5 462	294 221	537 317	4 369	541 686

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(all amounts are expressed in PLN thousand)

**Consolidated statement of changes in equity (cont.)**

	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity	
	Issued capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			Total
			Share-based payments	Actuarial gains/(losses)					
Balance as at 1 January 2015	145 848	87 163	6 712	(1 896)	5 326	276 112	519 265	3 244	522 509
Profit for the period	-	-	-	-	-	106 595	106 595	470	107 065
Other comprehensive income	-	-	-	-	(32)	-	(32)	-	(32)
Total comprehensive income for the period	-	-	-	-	(32)	106 595	106 563	470	107 033
Dividends	-	-	-	-	-	(155 989)	(155 989)	-	(155 989)
Share-based payments	-	-	429	-	-	-	429	-	429
Balance as at 30 June 2015	145 848	87 163	7 141	(1 896)	5 294	226 718	470 268	3 714	473 982
Profit for the period	-	-	-	-	-	129 251	129 251	204	129 455
Other comprehensive income	-	-	-	(652)	131	-	(521)	-	(521)
Total comprehensive income for the period	-	-	-	(652)	131	129 251	128 730	204	128 934
Share-based payments	-	-	208	-	-	-	208	-	208
Balance as at 31 December 2015	145 848	87 163	7 349	(2 548)	5 425	355 969	599 206	3 918	603 124

Warsaw, 25 August 2016



**Consolidated statement of cash flows**

6-month period ended 30 June		
	2016	2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>182 944</b>	<b>134 599</b>
<b>Adjustments for:</b>		
Depreciation/ amortization	12 581	11 275
Share in net losses of equity accounted companies	524	3 068
Foreign exchange (gains)/ losses	(89)	(280)
Interest and shares in profits (dividends)	711	251
(Profit)/ loss on investing activities	(6)	(13 245)
Change in valuation of derivative financial instruments	1 500	(3 890)
Change in provisions and liabilities arising from retirement benefits and similar obligations	15 711	10 087
Other adjustments	(47)	461
<b>Operating profit/ (loss) before changes in working capital</b>	<b>213 829</b>	<b>142 326</b>
Change in receivables and retentions for construction contracts	(336 431)	(158 059)
Change in inventories	(130 511)	(139 756)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	190 777	210 490
Change in deferred income	101 887	216 534
Change in amounts due and receivable under construction contracts	(216 818)	(257 679)
Change in cash and cash equivalents of restricted use	63 027	(83 925)
<b>Cash flow used in operating activities</b>	<b>(114 240)</b>	<b>(70 069)</b>
Income tax paid	(79 209)	(50 806)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(193 449)</b>	<b>(120 875)</b>

Warsaw, 25 August 2016

**Consolidated cash flow statement (cont.)**

	<b>6-month period ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of intangible assets and property, plant and equipment	371	343
Proceeds from sale of non-current assets held for sale	-	14 000
Purchase of intangible assets and property, plant and equipment	(13 280)	(5 946)
Purchase of investment properties	-	(38 788)
Share capital increase in non-consolidated subsidiaries	(150)	(150)
Loans granted	(6 860)	(17 829)
Interest received	1 777	319
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(18 142)</b>	<b>(48 051)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of loans and borrowings	(450)	(185)
Dividends paid	(207 815)	(155 989)
Repayment of finance lease liabilities	(6 308)	(6 090)
Interest paid	(903)	(1 011)
Other finance expenditure	(326)	(302)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(215 802)</b>	<b>(163 577)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(427 393)</b>	<b>(332 503)</b>
Foreign exchange differences, net	427	143
<b>CASH AND CASH EQUIVALENTS - OPENING BALANCE (note 3.4)</b>	<b>2 184 077</b>	<b>1 726 690</b>
<b>CASH AND CASH EQUIVALENTS - CLOSING BALANCE (note 3.4)</b>	<b>1 757 111</b>	<b>1 394 330</b>

Warsaw, 25 August 2016

## **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, 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 2016, 31 December 2015 and 30 June 2015 the following subsidiaries were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		30 June 2016	31 December 2015	30 June 2015
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	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%
Budimex B Sp. z o.o. (in liquidation)	Warsaw / Poland	-	-	100.00%
SPV-BN 1 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Poznańskie Przedsiębiorstwo Inwestycyjne Sp. z o.o. *	Warsaw / Poland	-	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	92.31%	92.31%	92.31%

\* the company merged with Budimex Nieruchomości Sp. z o.o. on 14 April 2016.

Stand-alone data of Budimex SA and other Group companies, which are partners in consortiums (treated as joint operations according to IFRS 11), includes their share in assets, liabilities, revenue and expenses of the following joint operations:

Joint operation	share
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.	100.00%
Budimex SA Energetyka 1 Sp.j.	100.00%
Budimex SA Ferrovia Agroman SA s.c.	99.98%
Budimex SA Sygnity SA Sp. j.	67.00%
Budimex SA Cadagua SA III s.c.	60.00%
Budimex SA Ferrovia Agroman SA Sp. j.	50.00%
Budimex SA Cadagua SA s.c.	50.00%
Budimex SA Cadagua SA II s.c.	50.00%
Budimex SA Tecnicas Reunidas SA Turów s.c.	50.00%
Budimex SA Energetyka 2 Sp.j.	50.00%
Budimex SA Energetyka 3 Sp.j.	50.00%

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

In the 6-month period ended 30 June 2016 two new companies were created: Budimex SA Cadagua SA III s.c. and Budimex Inwestycje Grunwald SA. The financial data of the newly formed civil law partnership was included in the standalone data of Budimex SA. Budimex Inwestycje Grunwald SA was not included in the consolidation due to immateriality of its financial data.

Budimex SA Ferrovia Agroman (UK) Limited – Metro II Sp. j. was dissolved without liquidation and deleted from the National Court Register on 13 April 2016 due to lack of planned economic activity.

In the period covered by this report, no significant activities were discontinued and nor were there 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 (the Netherlands) - Ferrovia 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 the interim financial statements of the Group for the I quarter 2016 published on 27 April 2016.

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

### 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 2015, published on 14 March 2016.

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.

#### 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 Group'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 has suspended the endorsement process for an indefinite period of time),
- **Amendments to IFRS 10 „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 Group 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 Group's net result. The remaining standards and amendments or improvements would not have any material impact on the condensed consolidated financial statements, had these been used by the Group 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 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 reporting date.

### 3.2. 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 consolidated financial statements of the Budimex Group for the financial year 2015, published on 14 March 2016.

### 3.3. Translation of selected financial data into euro

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

- individual asset, liability and equity 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, liability and equity 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.

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

The Group recognizes cash of restricted use (including mainly cash of the consortia in the portion attributable to other consortium members, cash representing security for bank guarantees and funds kept in escrow by developer companies, provided their maturity does not exceed 3 months) 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
<b>Cash recognised in the statement of financial position</b>	<b>1 923 133</b>	<b>2 413 126</b>	<b>1 583 217</b>
Cash and cash equivalents of restricted use	(166 022)	(229 049)	(188 887)
<b>Cash recognised in the statement of cash flow</b>	<b>1 757 111</b>	<b>2 184 077</b>	<b>1 394 330</b>

## 4. Descriptions of factors and events which had a material effect on the financial result of the Budimex Group for the first 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 6-month period ended 30 June 2016, the Budimex Group earned sales revenue of PLN 2 429 700 thousand which means a 7.12% increase on the corresponding period of 2015.

In the first half of 2016 construction-assembly production in Poland expressed in current prices decreased by 12.5% (a decrease of 11.9% 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 9.55% on the corresponding period.

Gross profit on sales in the first half of 2016 was PLN 300 274 thousand, while in the corresponding period of the prior year it amounted to PLN 214 062 thousand. The gross sales profitability ratio was therefore 12.36% in the first half of 2016, while in the first half of 2015 was 9.44%.

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 2016, the balance of the provision for contract losses amounted to PLN 569 725 thousand. In the first half of 2016, the balance of provision for contract losses decreased by PLN 59 964 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 30 June 2016 the provision for warranty amounted to PLN 238 772 thousand. In the 6-month period ended 30 June 2016 the balance of the provision for warranty increased by PLN 12 869 thousand.

Selling expenses increased in the first half of 2016 by PLN 850 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 7 723 thousand higher than expenses incurred in the corresponding period of 2015. The share of selling and administrative expenses in total sales increased slightly from 4.65% in the first half of 2015 to 4.69% in the first half of the current year.

Other operating income for the first half of 2016 was PLN 26 906 thousand and comprised: income from compensations and contractual penalties in the amount of PLN 14 149 thousand, reversal of provision for penalties in the amount of PLN 5 510 thousand and reversal of provisions for lawsuits in the amount of PLN 2 611 thousand. Reversed write-off for receivables (due to repayment by debtors) and inventories amounted to PLN 2 379 thousand and PLN 893 thousand respectively. Additionally, in the period of six months of 2016 Group companies disposed of property, plant and equipment and reported a gain on sale of PLN 334 thousand. The net book value of the property, plant and equipment sold amounted to PLN 0 thousand and the net book value of the liquidated ones was PLN 37 thousand.

Other operating expenses for the first half of 2016 amounted to PLN 34 902 thousand, of which PLN 12 571 thousand related to creation of write-off for receivables, PLN 10 800 thousand to created provision for claims and penalties, PLN 5 717 thousand to compensations and contractual penalties paid out and PLN 3 512 thousand – to loss on realization and valuation of FX forward and FX option derivative instrument contracts (made with a view to limiting the FX risk on foreign currency construction contracts).

The reported operating profit of the Group in the first half of 2016 was PLN 178 270 thousand, while in the first half of 2015 it amounted to PLN 128 776 thousand. The operating profit for the first half of 2016 represented 7.34% of sales revenue value, while for the corresponding period of the prior year – 5.68% of sales revenue.

In the 6-month period ended 30 June 2016 the Group generated a gain on finance activities in the amount of PLN 5 198 thousand while in the same period of the prior year – gain in the amount of PLN 8 891 thousand. Finance income in the first half of 2016 represented mainly interest of PLN 21 365 thousand, valuation of receivables from service concession agreement of PLN 1 450 thousand, reversal of discount of long-term receivables in the amount of PLN 250 thousand and the surplus of positive exchange rate differences over negative differences in the amount of PLN 608 thousand.

Finance costs in the first half of 2016 represented, among others, interest costs of PLN 1 631 thousand, bank commissions on guarantees and loans of PLN 11 996 thousand paid by Group companies and costs from discount of long-term retention receivables and liabilities of PLN 4 379 thousand. During the first half of 2016 the Group incurred a loss on valuation and realization of interest rate swap derivative instrument in the amount of PLN 446 thousand (made with a view to limiting the interest risk).

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 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 the first half of 2016, the Group reported a gross profit of PLN 182 944 thousand, while in the corresponding period of the prior year – a gross profit of PLN 134 599 thousand.

Income tax for the 6-month period ended 30 June 2016 was PLN 36 426 thousand, of which:

- current tax was PLN 39 740 thousand,
- deferred tax in the amount of PLN (3 314) thousand.



As at 30 June 2016, the Group recognized a deferred tax asset in the amount of PLN 444 225 thousand, while as at 31 December 2015 – PLN 440 922 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 the Budimex SA for the first half of 2016 was PLN 146 067 thousand, while the net profit attributable to the shareholders of the Budimex SA for the corresponding period of 2015 was PLN 106 595 thousand, which constitutes an increase of 37.03%.

The net profit attributable to non-controlling interest for the first half of 2016 amounted to PLN 451 thousand. In the corresponding period of 2015, the net profit attributable to non-controlling interest amounted to PLN 470 thousand.

In the first half of 2016, the Group purchased or started to lease property, plant and equipment, intangible assets and investment property with a total value of PLN 26 635 thousand, of which plant and machinery accounted for PLN 17 559 thousand.

## **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.
- Poznańskie Przedsiębiorstwo Inwestycyjne Sp. z o.o. (until the merger with Budimex Nieruchomości Sp. z o.o. on 14 April 2016)
- Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o. (until the merger with Budimex Nieruchomości Sp. z o.o. on 27 May 2015)
- 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 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 2016 are presented in the table below:

Segment name	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated value
External sales	2 220 397	126 409	82 894	-	2 429 700
Inter-segment sales	151 379	535	4 825	(156 739)	-
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>2 371 776</b>	<b>126 944</b>	<b>87 719</b>	<b>(156 739)</b>	<b>2 429 700</b>
<b>Gross profit</b>	<b>258 256</b>	<b>33 477</b>	<b>12 574</b>	<b>(4 033)</b>	<b>300 274</b>
Selling expenses	(5 328)	(7 148)	(2 298)	27	(14 747)
Administrative expenses	(92 610)	(7 725)	(2 780)	3 854	(99 261)
Other operating income/(expenses), net	(8 835)	104	735	-	(7 996)
<b>Operating profit</b>	<b>151 483</b>	<b>18 708</b>	<b>8 231</b>	<b>(152)</b>	<b>178 270</b>
Finance income, net	2 767	2 326	105	-	5 198
Shares in (losses) of equity accounted subordinates	(4)	-	(520)	-	(524)
Income tax expense	(30 998)	(4 039)	(1 418)	29	(36 426)
<b>Net profit for the period</b>	<b>123 248</b>	<b>16 995</b>	<b>6 398</b>	<b>(123)</b>	<b>146 518</b>

The results of segments for the first half of 2015 are presented in the table below:

Segment name	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated value
External sales	2 059 464	138 553	70 223	-	2 268 240
Inter-segment sales	107 864	605	5 090	(113 559)	-
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>2 167 328</b>	<b>139 158</b>	<b>75 313</b>	<b>(113 559)</b>	<b>2 268 240</b>
<b>Gross profit</b>	<b>181 720</b>	<b>32 557</b>	<b>9 397</b>	<b>(9 612)</b>	<b>214 062</b>
Selling expenses	(5 031)	(6 796)	(2 094)	24	(13 897)
Administrative expenses	(85 677)	(6 918)	(2 421)	3 478	(91 538)
Other operating income, net	7 904	11 898	347	-	20 149
<b>Operating profit</b>	<b>98 916</b>	<b>30 741</b>	<b>5 229</b>	<b>(6 110)</b>	<b>128 776</b>
Finance income, net	4 372	2 320	2 199	-	8 891
Shares in (losses) of equity accounted subordinates	(4)	-	(3 064)	-	(3 068)
Income tax expense	(22 019)	(6 332)	(344)	1 161	(27 534)
<b>Net profit for the period</b>	<b>81 265</b>	<b>26 729</b>	<b>4 020</b>	<b>(4 949)</b>	<b>107 065</b>

## 6. 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 31 December 2015 are presented in the tables below:

	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
Jointly-controlled entities	888	1 321	660	882
Associates	186	212	853	1 236
Other related entities – non-consolidated subsidiaries*	22	20	702	746
Other related entities – other*	10	3	-	-
Other related entities – through key personnel*	-	-	-	-
<b>Total settlements with related parties</b>	<b>21 555</b>	<b>23 667</b>	<b>113 268</b>	<b>103 789</b>

	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Parent Company and related parties (the Ferrovial Group)	-	-	9 134	8 760
Jointly-controlled entities	-	-	-	-
Associates	6 860	1 549	-	-
Other related entities – non-consolidated subsidiaries*	-	-	-	-
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	-
<b>Total settlements with related parties</b>	<b>6 860</b>	<b>1 549</b>	<b>9 134</b>	<b>8 760</b>

	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)	(39 697)
Jointly-controlled entities	457	155	(89)	(34)
Associates	213	379	(3 060)	(3 058)
Other related entities – non-consolidated subsidiaries*	120	136	(1)	(3 947)
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	(15)	(8)
<b>Total transactions with related parties</b>	<b>6 594</b>	<b>24 833</b>	<b>(26 595)</b>	<b>(46 744)</b>

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	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)
Jointly-controlled entities	-	-	-	-
Associates	154	785	-	-
Other related entities – non-consolidated subsidiaries*	-	-	-	-
Other related entities – other*	-	-	-	-
Other related entities – through key personnel*	-	-	-	-
<b>Total transactions with related parties</b>	<b>154</b>	<b>785</b>	<b>(36)</b>	<b>(206)</b>

\*) 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,
- higher demand for subcontractors' services, which might have influence on quality and timeliness of the works performed,
- fluctuations of exchange rates, which have the impact on the sales revenue, operating costs and result of the valuation and realisation of derivative financial instrument contracts,
- price level of material and construction services affecting the amount of direct costs of realised 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 realised,
- results of the pending legal proceedings, described in more detail in note 12 to these consolidated financial statements,
- availability of qualified employees,
- level of competition in public tenders,
- legislative changes affecting the pace of spending of EU funds and the level of competitiveness of general contractors.

As at 30 June 2016 the backlog was PLN 9 265 907 thousand. The value of contracts signed (without annexes) between January and June 2016 was PLN 3 065 732 thousand. The number of pre-sold apartments in the period from January - June 2016 (without booking) is 712 units.

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### 8. The main events in the first half of 2016 and significant events after 30 June 2016

In the first half of 2016 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	Description
19.01.2016	Generalna Dyrekcja Dróg Krajowych i Autostrad Branch in Rzeszów	801 390 (400 695)*	The Consortium of Budimex SA (Consortium leader with 50% of shares) and Strabag sp. z o.o. (Consortium partner with 50% of shares) signed an annex to the contract for "Continuation of the construction of the A4 motorway at the section Rzeszów (Eastern junction) – Jarosław (Wierzbo junction) from km 581+263.44 to km 622+463.44". The annex increased the maximum value of construction works from the net amount of PLN 625 903 thousand to the net amount of PLN 801 390 thousand.
21.01.2016	Vistal Gdynia SA	58 223	Subcontract signed by the Budimex SA consortium (consortium leader with 95% of shares) and Ferrovial Agroman SA (consortium partner with 5% of shares) with Vistal Gdynia SA for the construction of a load-carrying structure for structure MS-4 as part the project: "Construction of express road S7 at Miłomłyn – Olsztynek section, Ostróda Północ – Ostróda Południe subsection along the S7 road, and construction of the Ostróda ring road along the national road No 16 (subsection "B")".
27.01.2016	Generalna Dyrekcja Dróg Krajowych i Autostrad Branch in Lublin	235 750	Signature of the contract for the design and construction of the S17 express road Warsaw (Zakręt junction) – Garwolin at the section of "Lubelska" junction (without the junction) – Garwolin (start of the ring road), divided into three parts: Part No 3: at the section from Kołbiel (end of the ring road) to Garwolin (start of the ring road), from approx. km 27+900 to approx. km 40+915, with a length of approx. 13.015 km.
4.02.2016	Generalna Dyrekcja Dróg Krajowych i Autostrad Branch in Poznań	292 102	Selection of the Budimex SA bid for the design and construction of the S5 Poznań-Wrocław express road at the Wronczyn-Kościół South section. The contract was signed on 13 April 2016.
5.02.2016	Generalna Dyrekcja Dróg Krajowych i Autostrad Branch in Zielona Góra	153 224	The Consortium of Budimex SA (Consortium leader with 95% share) and Ferrovial Agroman SA (partner with 5% share) signed a contract for construction of the second carriageway of express road S3 at Sulechów–Nowa Sól section – third section from km 299+350 to km 316+640.
11.02.2016	Generalna Dyrekcja Dróg Krajowych i Autostrad Branch in Poznań	189 145	Selection of the Budimex SA bid in the tender procedure for the construction of the S5 Poznań-Wrocław express road at the Radomicko-Kaczkowo section, stage II of the Leszno Płd. (with junction) – Kaczkowo section. The contract was signed on 5 May 2016.
4.03.2016	NP. 7 SA (SPV of NEXITY Polska)	52 930 (total value of 2 contracts)	Budimex SA signed another contract within the last 12 months with NP. 7 SA (SPV of NEXITY Polska) for the construction of SKYLIFE residential complex Stage 2 at ul. Jana Kazimierza in Warsaw. This was a conditional contract which became effective on 21 April 2016.
9.03.2016	Hamon Polska Sp. z o.o.	82 745	Budimex SA signed a contract for the design and construction of a cooling tower in the "turnkey" formula in relation to the performance of the contract for the construction of a new power unit at the Turów Power Plant in Bogatynia.

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Date of the first current report	Customer	Contract value	Description
18.03.2016	Comarch SA	69 704 (contract no. 1) 4 350 (contract no. 2)	Budimex SA signed two contracts : the first contract concerns the construction of the SSE7 office building in Kraków, with an underground garage, along with roads, footpaths and parking places, landscaping features, networks and systems. The second one concerns the reconstruction and conversion of the manner of use of a part of the Comarch SSE6 (Studio 1) office and retail building, from warehousing to production.
29.03.2016	Generalna Dyrekcja Dróg Krajowych i Autostrad Branch in Olsztyn	742 291	Budimex SA signed a contract for the construction of the S51 road from Olsztyn to Olsztynek at the section from Olsztyn-Wschód to Olsztyn-Południe (formerly: Construction of the Olsztyn ring road as part of the national road No 16 — Task No 2: from approx. km 10+000 to the end of the prepared area on approx. km 24+701 (behind the Olsztyn-Wschód junction)).
4.05.2016	Municipality of Lublin	69 634 (total value of 2 contracts)	Budimex SA signed a contract for the reconstruction of the athletics stadium at al. J. Piłsudskiego 22 in Lublin (value: 29 947 PLN thousand). Earlier Budimex SA signed a contract for reconstruction of Litewski Square (value: 39 687 PLN thousand).
6.05.2016	Gdańsk Medical University	285 924	Construction of the Non-Invasive Medicine Centre in Gdańsk – stage 1. The contract was signed on 6 June 2016.
10.05.2016	Cemex Polska Sp. z o.o.	83 080 (total value of contracts signed during 12 months)	Budimex SA concluded a subsequent contract on the delivery of concrete mixtures during the past 12 months.
1.06.2016	BZ WBK LEASING SA	81 800	Budimex SA signed a contract for the construction of office building in Wrocław, at ul. Robotnicza 11.
6.06.2016	Mondelez International RD&Q Sp. z o.o.	61 096 (total value of contracts concluded during 12 months)	Budimex SA concluded a subsequent contract during the past 12 months on the construction of a research and development centre.
7.06.2016	IKEA Centres Polska SA	76 999	Budimex SA signed a contract for the construction of a Convenience Center with offices and an underground garage within the Retail Park Franowo in Poznań.
10.06.2016	Lidl Sp. z o.o Sp. k.	118 907	Budimex SA signed a contract for the construction of Będzin Distribution Centre
14.06.2016	Dairy Cooperative "MLEKPOL"	118 000	Budimex SA signed a contract for the construction of a group of production facilities for assembly of installations for milk and whey drying and storage.
12.07.2016	JSC "Vilniaus kogeneracine jėgainė"	178 291 EUR thousand (86 400)* EUR thousand	The tender offer of the consortium consisting of Steinmüller Babcock Environment GmbH (leader of the consortium with 39.26% of the participation shares), Budimex SA (partner of the consortium with 48.46% of the participation shares) and UAB Kauno dujotiekio statyba (partner of the consortium with 12.28% of the participation shares) was selected for the construction of a new combined heat and power plant in Vilnius and the construction of the CHP plant aid systems.
14.07.2016	LC Corp Invest XVII Sp. z o.o. Projekt 21 Sp. k.	89 936 (maximum remuneration)	Construction of „Retro Office House” commercial and service facilities including internal and external infrastructure in Wrocław. The remuneration for the contracts is divided into a fixed lump-sum, which is not higher than 58 985 PLN thousand, and a variable amount of 30 951 PLN thousand should the Investor order the contractor to perform fit-out works.

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Date of the first current report	Customer	Contract value	Description
26.07.2016	Olsztyn City Hall	83 787 (79 598)*	The tender offer of the consortium consisting of Budimex SA (leader of the consortium with 95% of the participation shares) and Ferrovial Agroman SA (partner of the consortium with 5% of the participation shares) was selected for the construction of Towarowa street in Olsztyn.

\* share of the Budimex Group

### **Other events:**

**On 26 April 2016** the Ordinary General Meeting of Budimex SA adopted a 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.

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

In the first half of 2016 Budimex SA and Group companies did not issue, redeem or repay debt or equity securities.

### **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 I half of 2016**

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 2016, i.e. 27 April 2016.

### **12. Proceedings pending as at 30 June 2016 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 2016 was PLN 471 844 thousand and exceeded 10% of the equity of Budimex SA, which amounts to PLN 439 726 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 113 220 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 2016 was PLN 292 532 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 bond for a total amount of PLN 54 382 thousand. That case has been finally resolved by judgment of the Court of Appeal in Warsaw of 23 August 2012. The total value of the awarded claim and the amount of statutory interest for late payment was PLN 87 920 thousand (the amount attributable to Budimex SA was PLN 35 168 thousand, of which PLN 21 612 thousand as reimbursement of the performance bond). The court enforcement officer transferred that amount to the bank account of Budimex SA on 28 September 2012. After the cassation appeal of PPL was dismissed by the Supreme Court, the enforcement proceedings became final and PPL cannot submit any further claims against the FBL Consortium regarding reimbursement of the amounts adjudicated in the partial judgment.

In the course of the proceedings before the Court of Arbitration, PPL filed a counter-claim of a total amount of PLN 135 719 thousand, covering claims for the redress of damage, including lost benefits, return of unjust enrichment and liquidated damages. On 31 July and 26 October 2009 PPL filed to the Court of Arbitration further written statements of claim including extension of counter-claim, changing the original amount of counter-claim from PLN 135 719 thousand to PLN 280 894 thousand. As a result of subsequent procedural steps, in August 2012, 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.

According to Budimex SA, all the claims under the counter-suit are groundless. Consequently, on 21 October 2008, the FBL Consortium filed a response to the counter-claim, which contained a motion to dismiss the action in its entirety, together with the statement on the groundlessness of PPL's claims. The court has already heard all witnesses for the claimant and the counter-claimant with respect to the circumstances included in PPL's counter-claim. The evidence in the form of an expert opinion is the last to be considered with respect to this part of the dispute. This, however, may be done only after the court has completed the evidence proceedings concerning the claims of the claimant. The determinations made in the expert opinion concerning the claims of the FBL Consortium will affect the scope of claims of PPL and, consequently, the scope of evidence taken in order to prove them.

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 submitted 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 presented in the opinion was favourable to 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 Court of Arbitration 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. Due to the fact that the expert opinion had not been prepared on time, at the hearing on 20 December 2013 the Court of Arbitration took the decision on the appointment of a new expert. In 2015, the final scope of the new expert's opinion was determined as well as the composition of a new team of experts who will be required to prepare the opinion within 5 months counting from the beginning of September 2015. According to the latest information from the experts the opinion is expected in the fourth quarter of 2016.

The Management Board is of the opinion that the final judgement of the Arbitration Court 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 the 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 under which the evidence from the expert's opinion regarding the evaluation of reasonableness of the PPL claims was accepted. The inspection of the facility was carried out in June 2014. In October 2014, the court delivered the opinion of the construction expert. At the request of Budimex, the court ordered preparation of a supplementary opinion, to which the parties submitted comments. Despite oral explanations provided by expert during the course of court hearing in November 2015, a request was filed for another supplementary opinion. In July 2016 the court obliged the expert to prepare it. The next hearing was set for October 2016.

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 of contractor costs incurred by the investor when the consortium rescinded the contract. The share of the companies in the consortium was 90%, therefore the value of the claim for which Budimex SA is presently liable is PLN 22 727 thousand. 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. The expert drafted an opinion which the defendant considers to be in its favour. This assessment is confirmed by the actions of the claimant who submitted a request for appointment of a new expert. The court did not consider the request of the claimant in this matter and allowed to include in the court protocol only oral supplementary opinion of the expert, which was duly provided during the court hearing on 21 April 2015. The claimant filed another request for appointment of a new expert; this request was rejected by the court during the hearing in December 2015. At the same time, the court allowed preparation of a supplementary opinion, which was delivered to the parties in June 2016. The defendant maintained its previous position in relation to the content of supplementary opinion. According to the defendant the supplementary opinion is favourable for him.

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

The total value of legal proceedings pending in respect of claims of Budimex SA and its subsidiaries amounted to PLN 179 312 thousand as at 30 June 2016. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed. Apart from the case brought to court by the FBL Consortium against PPL, the value of no other proceedings concerning claims exceeds 10% of the shareholders' equity of Budimex SA. As at the date of this report, the final outcome of the proceedings is not known.



### 13. Contingent assets and contingent liabilities

	30 June 2016	31 December 2015
<b><u>Contingent assets</u></b>		
<b>From related parties, of which:</b>		
– guarantees and sureties received	-	-
– bills of exchange received as security	-	-
<b>From related parties, total</b>	-	-
<b>From other entities</b>		
– guarantees and sureties received	407 788	348 558
– bills of exchange received as security	12 930	5 478
<b>From other entities, total</b>	<b>420 718</b>	<b>354 036</b>
<b>Other contingent assets</b>	<b>3 152</b>	<b>1 350</b>
<b>Total contingent assets</b>	<b>423 870</b>	<b>355 386</b>
<b><u>Contingent liabilities</u></b>		
<b>To related parties, of which:</b>		
– guarantees and sureties issued	5 139	5 286
– bills of exchange issued as performance bond	-	-
<b>To related parties, total</b>	<b>5 139</b>	<b>5 286</b>
<b>To other entities, of which:</b>		
– guarantees and sureties issued	2 884 506	2 722 682
– bills of exchange issued as performance bond	2 031	2 610
<b>To other entities, total</b>	<b>2 886 537</b>	<b>2 725 292</b>
<b>Other contingent liabilities</b>	<b>133 554</b>	<b>133 554</b>
<b>Total contingent liabilities</b>	<b>3 025 230</b>	<b>2 864 132</b>
<b>Total contingent items</b>	<b>(2 601 360)</b>	<b>(2 508 746)</b>

Contingent assets 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 sureties 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 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 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.

## The BUDIMEX Group

The condensed consolidated financial statements for I half of 2016  
prepared in accordance with International Financial Reporting Standards

**budimex**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Guarantees for bank loans and borrowings issued by Budimex SA and its subsidiaries as at 30 June 2016:

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
Budimex SA	Mostostal Kraków SA	67 396	2019-09-30 against payment		subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	20 453	2024-03-31 free of charge		subsidiary
Budimex SA	Budimex Parking Wrocław Sp. z o.o.	206	2017-08-31 free of charge		subsidiary
Budimex SA	Budimex Bau GmbH	86	2016-08-31 free of charge		subsidiary
Budimex SA	FBSerwis SA	3 875	2021-06-16 against payment		associate
Budimex Budownictwo Sp. z o.o.	FBSerwis SA	1 264	2018-11-16 against payment		associate
<b>TOTAL</b>		<b>93 280</b>			

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 consolidated financial statements originally issued in Polish. In case of any inconsistencies between the Polish and English version, the Polish version shall prevail.*