

**BUDIMEX SA
WARSAW, UL. STAWKI 40**

**FINANCIAL STATEMENTS
FOR THE 2014 FINANCIAL YEAR**

**WITH
AUDITOR'S OPINION
AND
AUDIT REPORT**

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**FINANCIAL STATEMENTS OF THE COMPANY
FOR THE 2014 FINANCIAL YEAR**

1. Statement of Financial Position
2. Income Statement
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**REPORT ON THE ACTIVITIES OF THE COMPANY
FOR THE 2014 FINANCIAL YEAR**

AUDITOR'S OPINION

To the Shareholders and Supervisory Board of Budimex SA

We have audited the attached financial statements of Budimex SA with its registered office in Warsaw, ul. Stawki 40 (hereinafter: the "Company"), including statement of financial position prepared as of 31 December 2014, income statement and statement of comprehensive income, statement of changes in equity, statement of cash flows for the financial year from 1 January 2014 to 31 December 2014 and notes comprising a summary of significant accounting policies and other explanatory information as required by the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations.

Preparation of financial statements and a report on the activities in line with the law is the responsibility of the Management Board of the Company.

The Management Board of the Company and members of its Supervisory Board are obliged to ensure that the financial statements and the report on the activities meet the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2013 item 330, as amended), hereinafter referred to as the "Accounting Act".

Our responsibility was to audit and express an opinion on compliance of the financial statements with the accounting principles (policy) adopted by the Company and whether the financial statements give a true and fair view of the financial and economic position as well as the financial performance of the Company and on the correctness of the underlying accounting records.

Starting from 2014, pursuant to Article 45 of the Accounting Act, the Company prepares its financial statements in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations.

Our audit of the financial statements has been planned and performed in accordance with:

- section 7 of the Accounting Act,
- national auditing standards, issued by the National Council of Statutory Auditors in Poland.

We have planned and performed our audit of the financial statements in such a way as to obtain reasonable assurance to express an opinion on the financial statements. Our audit included, in particular, verification of the correctness of the accounting principles (policy) and material estimates applied by the Company, verification - largely on a test basis - of the accounting evidence and records supporting the amounts and disclosures in the financial statements, as well as overall evaluation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the audited financial statements in all material respects:

- give a true and fair view of the information material to evaluation of the economic and financial position of the Company as of 31 December 2014 as well as its financial performance in the financial year from 1 January 2014 to 31 December 2014,
- have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations and in all matters not regulated in the standards - in accordance with the provisions of the Accounting Act and its executory provisions and based on properly kept accounting records,
- comply with the provisions of law and the by-laws of the Company, which affect the contents of the financial statements.

The Report on the activities of the Company for the 2014 financial year is complete within the meaning of Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133) and consistent with underlying information disclosed in the audited financial statements.

Wojciech Kłys
Key certified auditor
conducting the audit
No. 11775

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Maria Rzepnikowska – Chairman of the Management Board of Deloitte Polska Sp. z o.o. – which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 11 March 2015

The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS
OF BUDIMEX SA
FOR THE 2014 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited Company

The Company operates under the business name Budimex SA (hereinafter: the "Company"). The Company's registered office is located in Warsaw, ul. Stawki 40.

The Company operates as a joint stock company. The Company is recorded in the Register of Entrepreneurs kept by the District Court, XII Business-Registry Division in Warsaw, under KRS number 0000001764.

The Company operates based on the provisions of the Code of Commercial Companies.

As of 31 December 2014, the Company's share capital equaled PLN 127,650,490 and was divided into 25,530,098 shares with a face value of PLN 5 each.

In the audited period, the Company conducted the following business activities: development of building projects, installation, assembly and construction as well as advisory, financial and management services for the Budimex Group companies.

Composition of the Management Board as of the date of the opinion:

- | | |
|------------------------------------|-------------------------------|
| – Dariusz Blocher | – Chairman of the Board; |
| – Fernando Luis Pascual Larragoiti | – Vice-Chairman of the Board; |
| – Jacek Daniewski | – Member of the Board; |
| – Henryk Urbański | – Member of the Board; |
| – Marcin Węglowski | – Member of the Board; |
| – Andrzej Artur Czynczyk | – Member of the Board. |

Changes in the composition of the Management Board during the audited period and until the date of the opinion:

- on 24 April 2014 Mr Ignacio Botella Rodriguez resigned the office of Vice-Chairman of the Management Board – his mandate was revoked the very same day,
- on 24 April 2014 the Supervisory Board appointed Mr Fernando Luis Pascual Larragoiti to hold the position of the Vice-Chairman of the Management Board.

2. Information on the financial statements for the previous financial year

Pursuant to Article 45 of the Accounting Act of 29 September 1994 (Journal of Laws of 2013 item 330, as amended), hereinafter referred to as the "Accounting Act", on 24 April 2014 the General Shareholders' Meeting adopted a resolution on preparation of separate financial statements in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations, hereinafter referred to as "IFRS", as of 1 January 2014. The financial statements for 2013 were the last financial statements to be prepared in accordance with the Accounting Act. Pursuant to IFRS 1 "First-time Adoption of International Financial Reporting Standards", the financial statements for 2013 were restated in accordance with the aforementioned regulations in order to correctly present the comparative information in the financial statements for 2014. The consequences of IFRS

restatement, including the impact on equity as of 1 January 2013 and 31 December 2013 and on the profit or loss for 2013, have been described in a note to the financial statements.

The activities of the Company in 2013 resulted in a net profit of PLN 302,599 thousand. The financial statements of the Company for the 2013 financial year were audited by a certified auditor. The audit was performed by authorized entity Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. On 7 March 2014 the certified auditor issued an unqualified opinion on those financial statements.

The General Shareholders' Meeting which approved the financial statements for the 2013 financial year was held on 24 April 2014. The General Shareholders' Meeting decided to distribute the net profit for 2013 in the following manner:

- dividends for shareholders – PLN 302,532 thousand;
- supplementary capital – PLN 67 thousand.

The financial statements for the 2013 financial year were submitted to the National Court Register (KRS) on 30 April 2014. The consolidated financial statements for the 2013 financial year were submitted to the National Court Register (KRS) on 30 April 2014.

3. Details of the authorized entity and the key certified auditor acting on its behalf

The entity authorized to audit the financial statements was appointed by the Supervisory Board. The audit of the financial statements was performed based on the agreement of 17 October 2014 concluded between the Company and Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the financial statements was conducted under the supervision of Wojciech Kłys, key certified auditor, (No. 11775), in the registered office of the Company from 20 to 31 October 2014, 19 January to 6 February 2015 and outside the Company's premises until the opinion date.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor conducting the audit confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act on statutory auditors and their self-governing body, auditing firms and on public oversight (Journal of Laws of 2009 No. 77, item 649 as amended) to express an unbiased and independent opinion on the financial statements of the Company.

4. Availability of data and management's representations

The scope of our audit was not limited.

During the audit necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the key certified auditor, as confirmed e.g. in the written representation of the Management Board of 11 March 2015.

II. ECONOMIC AND FINANCIAL POSITION OF THE COMPANY

Presented below are the main items from the income statement and statement of financial position as well as financial ratios describing the financial performance of the Company and its economic and financial position compared to the prior year. We would like to point out that the financial statements for 2014 have, for the first time, been prepared in accordance with the International Financial Reporting Standards, therefore comparative information for 2013 has been also restated.

| <u>Main items from the income statement (PLN '000)</u> | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|
| Sales revenue | 4,552,765 | 4,000,279 |
| Operating expenses | (4,372,832) | (3,858,479) |
| Operating profit (loss) | 201,570 | 130,390 |
| Net profit (loss) | 156,069 | 304,337 |

| <u>Main items from the statement of financial position (PLN '000)</u> | | |
|---|-----------|-----------|
| Inventory | 55,545 | 84,850 |
| Trade receivables | 369,191 | 432,839 |
| Current assets | 2,115,395 | 2,080,300 |
| Total assets | 3,314,528 | 3,234,973 |
| Equity | 442,000 | 587,835 |
| Short-term liabilities (including short-term provisions and accruals) | 2,534,962 | 2,349,229 |
| Trade liabilities | 259,054 | 473,674 |
| Total liabilities and provisions | 2,872,528 | 2,647,138 |

| <u>Profitability and efficiency ratios</u> | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|
| – return on sales | 4% | 3% |
| – net return on equity | 55% | 107% |
| – assets turnover ratio | 1.37 | 1.24 |
| – receivables turnover in days | 32 | 33 |
| – liabilities turnover in days | 30 | 48 |
| – inventory turnover in days | 6 | 10 |

Liquidity/Net working capital

| | | |
|----------------------------------|-----------|-----------|
| – debt ratio | 87% | 82% |
| – equity to fixed assets ratio | 13% | 18% |
| – net working capital (PLN '000) | (419,567) | (268,929) |
| – current ratio | 0.83 | 0.89 |
| – quick ratio | 0.81 | 0.85 |

An analysis of the above figures and ratios indicated the following trends in 2014:

- an increase of return on sales and a decrease of net return on equity;
- an increase of assets turnover ratio;
- a decrease of receivables, liabilities and inventory turnover ratios;
- an increase of debt ratio.

III. DETAILED INFORMATION

1. Evaluation of the accounting system

The Company has valid documentation describing the adopted accounting principles, complying in all material respects with Article 10 of the Accounting Act. Due to the fact that the financial statements for 2014 have been prepared in accordance with the International Financial Reporting Standards for the first time, the data for 2013 have been restated to ensure comparability in line with IFRS. Differences arising from the implementation of IFRS have been correctly disclosed in the explanatory notes.

The Company performed a physical count of assets and liabilities within the scope necessary to confirm the existence of the presented assets and liabilities.

2. Information identifying the audited financial statements

The audited financial statements were prepared as of 31 December 2014 and include:

- statement of financial position prepared as of 31 December 2014, with total assets and equity plus liabilities of PLN 3,314,528 thousand,
- income statement for the period from 1 January 2014 to 31 December 2014, with a net profit of PLN 159,069 thousand,
- statement of comprehensive income for the period from 1 January 2014 to 31 December 2014 with a total comprehensive income of PLN 155,354 thousand,
- statement of changes in equity for the period from 1 January 2014 to 31 December 2014, disclosing a decrease in equity of PLN 145,835 thousand,
- statement of cash flows for the period from 1 January 2014 to 31 December 2014, showing a cash inflow of PLN 285,577 thousand,
- notes, comprising a summary of significant accounting policies and other explanatory information.

3. Information about selected material items of the financial statements

The structure of assets and liabilities as well as items affecting the financial result have been presented in the financial statements.

Property, plant and equipment

Tangible fixed assets in the Company include:

- fixed assets of PLN 57,801 thousand,
- fixed assets under construction of PLN 227 thousand.

The notes to the financial statements correctly describe changes in fixed assets and fixed assets under construction and disclose any revaluation write-downs on such assets.

Long-term investments

The Company's long-term investments include:

- shares in subsidiaries in the amount of PLN 712,940 thousand,
- shares in affiliates in the amount of PLN 19,775 thousand,
- shares in other entities in the amount of PLN 6,417 thousand,
- loans granted in the amount of PLN 5,908 thousand,

- investment property in the amount of PLN 3,963 thousand.

The notes to the financial statements correctly describe changes in investments during the financial year.

Inventory

The inventory includes:

- materials in the amount of PLN 55,179 thousand,
- semi-finished products and work in progress of PLN 366 thousand.

Receivables

Ageing of trade receivables has been correctly presented in the respective explanatory note to the statement of financial position, together with related impairment losses.

Liabilities

Key items of the Company's liabilities include:

- trade liabilities and other payables in the amount of PLN 1,030,106 thousand,
- amounts due to customers under construction contracts in the amount of PLN 910,183 thousand,
- deferred income in the amount of PLN 247,986 thousand.

Prepayments, accruals and provisions for liabilities

The structure of prepayments, accruals and provisions for liabilities is presented in notes.

4. Completeness and correctness of drawing up the notes and explanations and the report on the activities of the Company

The Company confirmed the validity of the going concern principle in the preparation of the financial statements. The notes and explanations give a correct and complete description of measurement principles regarding assets and equity plus liabilities, financial result and principles of preparation of the financial statements.

The notes to the financial statements give a correct and complete description of the reporting items and clearly present other information required under IFRS.

The financial statements have been supplemented with the Management Board's report on the activities of the Company in the 2014 financial year. The report contains information required under Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (Journal of Laws of 2014 item 133). We have audited the report with respect to the disclosed information derived directly from the audited financial statements.

IV. FINAL NOTES

Management Board's Representations

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. and the key certified auditor received a representation letter from the Company's Management Board, in which the Board stated that the Company complied with the laws in force.

Wojciech Kłys
Key certified auditor
conducting the audit
No. 11775

On behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. – entity authorized to audit financial statements entered under number 73 on the list kept by the National Council of Statutory Auditors:

Maria Rzepnikowska – Chairman of the Management Board of Deloitte Polska Sp. z o.o. – which is the General Partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Warsaw, 11 March 2015