



BUDIMEX SA

CONDENSED FINANCIAL STATEMENTS

for III quarters of 2015

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

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Statement of financial position

ASSETS	30 September 2015	31 December 2014
	(PLN thousands)	(PLN thousands)
Non-currents assets (long-term)		
Property, plant and equipment	52 213	58 028
Investment properties	3 865	3 963
Intangible assets	3 622	3 946
Investments in subsidiaries	708 005	712 940
Investments in associates	19 775	19 775
Investments in other entities	6 417	6 417
Other financial assets	20 520	5 908
Trade and other receivables	7 986	6 513
Retentions for construction contracts	37 513	35 616
Deferred tax asset	371 176	346 027
Total non-current assets (long-term)	1 231 092	1 199 133
Current assets		
Inventories	92 377	55 545
Trade and other receivables	651 405	433 519
Retentions for construction contracts	20 510	20 044
Amounts due and receivable from customers (investors) under construction contracts	347 579	165 648
Current tax receivable	-	-
Other financial assets	43 292	34 488
Cash and cash equivalents	1 535 401	1 403 970
	2 690 564	2 113 214
Assets held for sale (disposal groups)	-	2 181
Total current assets (short-term)	2 690 564	2 115 395
TOTAL ASSETS	3 921 656	3 314 528

Statement of financial position (cont.)

EQUITY AND LIABILITIES	30 September 2015	31 December 2014
	(PLN thousands)	(PLN thousands)
Equity		
Shareholders' equity		
Share capital	145 848	145 848
Share premium	80 199	80 199
Other reserves	54 180	59 520
Foreign exchange differences on translation of foreign operations	5 603	5 507
Retained earnings	150 970	150 926
Total shareholders' equity	436 800	442 000
Liabilities		
Long-term liabilities		
Loans, borrowings and other external sources of finance	7 180	12 313
Retentions for construction contracts	177 024	165 288
Provision for long-term liabilities and other charges	155 849	154 125
Long-term retirement benefits and similar obligations	4 407	4 407
Other financial liabilities	-	1 433
Total long-term liabilities	344 460	337 566
Short-term liabilities		
Loans, borrowings and other external sources of finance	17 834	20 401
Trade and other payables	1 344 486	1 030 106
Retentions for construction contracts	171 065	191 520
Amounts due and payable to customers (investors) under construction contracts	1 028 247	910 183
Deferred income	406 610	247 986
Provision for short-term liabilities and other charges	143 689	106 656
Current tax payable	26 631	25 556
Short-term retirement benefits and similar obligations	992	992
Other financial liabilities	842	1 562
Total short-term liabilities	3 140 396	2 534 962
Total liabilities	3 484 856	2 872 528
TOTAL EQUITY AND LIABILITIES	3 921 656	3 314 528

Income statement

	9-month period ended 30 September		3-month period ended 30 September	
	2015 (PLN thousands)	2014 (PLN thousands)	2015 (PLN thousands)	2014 (PLN thousands)
Continuing operations				
Net sales of finished goods, goods for resale, raw materials and services	3 518 588	3 383 116	1 418 166	1 503 123
Cost of finished goods, goods for resale, raw materials and services sold	(3 210 534)	(3 133 562)	(1 288 656)	(1 405 006)
Gross profit on sales	308 054	249 554	129 510	98 117
Selling expenses	(7 596)	(7 793)	(2 626)	(2 625)
Administrative expenses	(121 943)	(116 383)	(38 365)	(38 336)
Other operating income	31 919	40 235	4 047	21 750
Other operating expenses	(34 951)	(27 943)	(26 558)	(9 073)
Operating profit	175 483	137 670	66 008	69 833
Finance income	36 026	17 922	8 664	6 004
Finance costs	(24 759)	(23 520)	(8 825)	(9 106)
Profit before tax	186 750	132 072	65 847	66 731
Income tax	(36 525)	(27 778)	(13 556)	(13 657)
Net profit from continuing operations	150 225	104 294	52 291	53 074
Net profit for the period	150 225	104 294	52 291	53 074
<i>Basic and diluted earnings per share attributable to the shareholders (in PLN)</i>	5.88	4.09	2.05	2.08

Statement of comprehensive income

	9-month period ended 30 September		3-month period ended 30 September	
	2015 (PLN thousands)	2014 (PLN thousands)	2015 (PLN thousands)	2014 (PLN thousands)
Net profit for the period	150 225	104 294	52 291	53 074
Other comprehensive income for the period, which:				
<i>Will be subsequently reclassified to profit or loss:</i>				
Foreign exchange differences on translation of foreign operations	96	0	47	9
Deferred tax related to components of other comprehensive income	-	-	-	-
<i>Will not be subsequently reclassified to profit or loss:</i>				
Actuarial gains/(losses)	-	-	-	-
Deferred tax related to components of other comprehensive income	-	-	-	-
Other comprehensive income, net of tax	96	0	47	9
Total comprehensive income for the period	150 321	104 294	52 338	53 083

Statement of changes in equity

	Share capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign operations	Retained earnings	Total equity
	PLN thousands					
Balance as at 1 January 2015	145 848	80 199	59 520	5 507	150 926	442 000
Profit for the period	-	-	-	-	150 225	150 225
Other comprehensive income	-	-	-	96	-	96
Total comprehensive income for the period	-	-	-	96	150 225	150 321
Dividends	-	-	-	-	(155 989)	(155 989)
Share-based payment	-	-	468	-	-	468
Previous periods loss offset	-	-	(5 808)	-	5 808	-
Balance as at 30 September 2015	145 848	80 199	54 180	5 603	150 970	436 800

Statement of changes in equity (cont.)

	Share capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign operations	Retained earnings	Total equity
	in PLN thousands					
Balance as at 1 January 2014	145 848	80 199	58 913	5 486	297 389	587 835
Zysk za okres	-	-	-	-	104 294	104 294
Inne całkowite dochody	-	-	-	0	-	-
Total comprehensive income for the period	-	-	-	-	104 294	104 294
Dividends	-	-	-	-	(302 532)	(302 532)
Share-based payment	-	-	1 002	-	-	1 002
Balance as at 30 September 2014	145 848	80 199	59 915	5 486	99 151	390 599
Profit for the period	-	-	-	-	51 775	51 775
Other comprehensive income	-	-	(736)	21	-	(715)
Total comprehensive income for the period	-	-	(736)	21	51 775	51 060
Dividends	-	-	-	-	-	-
Share-based payment	-	-	341	-	-	341
Balance as at 31 December 2014	145 848	80 199	59 520	5 507	150 926	442 000

Cash flow statement

	9-month period ended 30 September	
	2015 (PLN thousands)	2014 (PLN thousands)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	186 750	132 072
Adjustments for:		
Depreciation/ amortization	14 563	15 370
Foreign exchange (gains)/ losses	(114)	(122)
Interest and shares in profits (dividends)	(12 998)	102
(Profit)/ loss on disposal of investments	(11 444)	(1 231)
Change in valuation of derivative financial instruments	(1 237)	(346)
Change in provisions and liabilities arising from retirement benefits and similar obligations	38 757	18 235
Other adjustments	509	527
Operating profit before changes in working capital	214 787	164 607
Change in receivables and retentions for construction contracts	(213 375)	(225 700)
Change in inventories	(36 832)	4 745
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	304 936	90 462
Change in amounts due and receivable under construction contracts	(63 867)	(156 751)
Change in deferred income	158 624	30 729
Change in cash and cash equivalents of restricted use	(33 178)	2 104
Cash used /from operations	331 095	(89 804)
Income tax paid	(60 599)	(42 958)
NET CASH GENERATED FROM / USED IN OPERATING ACTIVITIES	270 496	(132 762)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of intangible assets and tangible fixed assets	1 310	1 112
Purchase of intangible assets and tangible fixed assets	(12 237)	(9 200)
Sale of investment property	-	1 530
Sale of assets held for sale	14 000	-
Share capital decrease in related entities	1 911	238 600
Purchase of related entities shares	(193)	-
Loans granted	(21 302)	(25 249)
Loans repaid	-	8 820
Dividend received	9 628	16
Interest received	299	576
NET CASH GENERATED FROM / USED IN INVESTING ACTIVITIES	(6 585)	216 205

Cash flow statement (cont.)

	9-month period ended 30 September	
	2015 (PLN thousands)	2014 (PLN thousands)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends	(155 989)	(302 530)
Payment of finance lease liabilities	(9 219)	(7 278)
Interest paid	(517)	(703)
NET CASH USED IN FINANCING ACTIVITIES	(165 725)	(310 511)
NET CHANGE IN CASH AND CASH EQUIVALENTS	98 186	(227 068)
Foreign exchange differences, net	67	178
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 1.4)	1 361 934	1 076 157
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 1.4)	1 460 187	849 267

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

1.1. **Accounting policies and basis of preparing the financial statements of the Company**

These condensed financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and appropriate accounting standards applicable for preparation of the interim financial statements adopted by the European Union issued and effective when preparing the interim financial statements applying the same principles for the current and comparable period. Details of accounting policies adopted by the Company were described in the financial statements of the Company for the year ended 31 December 2014, published on 16 March 2015.

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

The financial statements and the comparative data contain also attributable to Budimex SA share in jointly controlled entities that constitute joint operations as per IFRS 11: Budimex SA Sygnity SA Sp. j., Budimex SA Ferrovia Agroman SA Sp. j. and Budimex SA Ferrovia Agroman SA S.C., Budimex SA – Budimex Budownictwo Sp. z o.o. SC, Budimex SA – Cadagua SA SC and Budimex SA – Cadagua II SC, Budimex SA, Tecnicas Reunidas SA – Turów SC, Budimex SA Energetyka 1 Sp. j., Budimex SA Energetyka 2 Sp. j.

Standards and Interpretations effective in the current period

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

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

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

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

At the date of authorisation of these financial statements the following interpretation issued by IASB and adopted by the EU was in issue but not yet effective:

- **Amendments to IAS 19 “Employee Benefits”** - Defined Benefit Plans: Employee contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards “Improvements to IFRSs (2010-2012)”** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),

Standards and amendments to standards issued by IASB but not yet adopted by the EU

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

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016),
- **IFRS 15 “Revenue from contracts with customers”** including **amendments to IFRS 15: “Effective date of IFRS 15”** (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 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 28 “Investments in associates and joint ventures”** - Investment Entities: applying the consolidation exception (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 “Joint Arrangements”** - Accounting of acquisition of shares in joint operations (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 “Presentation of financial statements”** - Disclosure initiative (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible assets”** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” - Agriculture: bearer plants** (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 27 “Separate Financial Statements”** - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards “Improvements to IFRSs (2012-2014)”** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2016).

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

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

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

In the reporting period there were no changes in the accounting principles and the method of preparation of financial statements compared to those disclosed in the financial statements of the Company for the financial year 2014, published on 16 March 2015.

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

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

1.3. Translation of selected financial data into euro

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

- individual asset, equity and liability items – using the average exchange rate prevailing as at 30 September 2015 – 4.2386 PLN/EUR,
- individual profit and loss account and statement of cash flow items for nine months 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 September 2015 – 4.1585 PLN/EUR,
- individual asset and liability items of comparative financial data for the year 2014 – using the average exchange rate prevailing as at 31 December 2014 – 4.2623 PLN/EUR,
- individual profit and loss account and statement of cash flow items of comparative financial data for nine months of 2014 - using the exchange rate being an arithmetic average of average exchange rates established by the

National Bank of Poland for the last day of each ended month for the period from 1 January 2014 to 30 September 2014 – 4.1803 PLN/EUR.

1.4. Cash recognised in the cash flow statement

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

	30 September 2015	31 December 2014	30 September 2014
	PLN thousands		
Cash recognised in the statement of financial position	1 535 401	1 403 970	883 260
Cash and cash equivalents of restricted use	(75 214)	(42 036)	(33 993)
Cash recognised in the statement of cash flow	1 460 187	1 361 934	849 267

1.5. Going concern

The financial statements of the Company were prepared on the assumption that the Company will be going concern during the period of 12 months from the reporting date, i.e. 30 September 2016 without a significant limitation in its activities. As at the date of signing the financial statements, the Management Board of the Company is not aware of any facts or circumstances that would indicate a threat to the Company's continued activities after the reporting date, due to an intended or compulsory withdrawal from or a significant limitation in its activities.

As at 30 September 2015 the excess of the current liabilities over the current assets amounted to PLN 449 832 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 September 2015 amounted to PLN 196 029 thousand, the Company's Management Board does not state as at the date of signing the financial statements any threat to Company's ability to continue as a going concern.

2. Shareholders of the Company

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

Shareholder	Type of shares	Number of shares	% of the share capital	Number of votes	% of voting rights at the AGM
Valivala Holdings B.V. Amsterdam (the Netherlands) - the Company from the Ferroviol Group (Spain)	ordinary	15 078 159	59.06%	15 078 159	59.06%
Aviva OFE Aviva BZ WBK	ordinary	1 280 000	5.01%	1 280 000	5.01%
Other shareholders	ordinary	9 171 939	35.93%	9 171 939	35.93%
Total		25 530 098	100.00%	25 530 098	100.00%

The shareholding structure has not changed since the publication date of the half-year report on 28 August 2015.

3. Descriptions of factors and events which had a material effect on the financial result of the Company for three quarters of 2015

3.1. Business operation of the Company for three quarters of 2015

Sale of construction-assembly services in Poland is characterized by seasonality mainly connected with atmosphere conditions and the highest revenues are usually achieved in the second and third quarter, while the lowest – in the first quarter.

In the period of nine months of 2015 Budimex SA earned sales revenue in the amount of PLN 3 518 588 thousand (in the third quarter PLN 1 418 166 thousand), mainly related to sales of construction services amounting to PLN 3 510 196 thousand.

In the comparative period of the year 2014, sales revenue amounted to PLN 3 383 116 thousand (in the third quarter PLN 1 503 123 thousand), mainly related to sales of construction services amounting to PLN 3 356 343 thousand.

Gross profit on sales for the 9-month period of 2015 amounted to PLN 308 054 thousand and was PLN 58 500 thousand (23.44%) higher than in the comparative period of the previous year.

Total amount of administrative and selling expenses for three quarters of 2015 was PLN 129 539 thousand, while in corresponding period of 2014 amounted to PLN 124 176 thousand. The share of selling and administrative expenses in total sales was equal to 3.68% (for three quarters of 2014 to 3.67%).

For the 9-month period of 2015, the result from the other operating activity including financial result from derivative instruments was negative and amounted to PLN 3 032 thousand (in the same period of 2014 it was positive and amounted to PLN 12 292 thousand). Other operating income comprised mainly: profit on disposal of a plot together with buildings located in Warsaw in the amount of PLN 11 819 thousand (presented as assets held for sale as at 31 December 2014), profit on other fixed assets sale in the amount of PLN 1 990 thousand, gain on valuation and realisation of derivative instrument contracts in the amount of PLN 2 286 thousand, revenue from received penalties and fines in the amount PLN 7 510 thousand, released provision for penalties in the amount of PLN 3 612 thousand and reversal of impairment write-downs against doubtful debts in the amount of PLN 2 252 thousand. Other operating expenses cover mainly: both paid amounts and provisions for compensation payments and contractual penalties of PLN 29 737 thousand, impairment write-downs against doubtful debts of PLN 3 111 thousand and provisions for legal proceedings amounting to PLN 780 thousand.

All valued derivative instrument contracts were classified as level 2 in the fair value hierarchy. During nine months ended 30 September 2015, there was no transfer between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 of fair value measurement.

For three quarters of 2015 the operating profit amounted to PLN 175 483 thousand and was higher by PLN 37 813 thousand (27.47%) compared to the similar period of the year 2014. The operating margin for three quarters of 2015 was equal to 4.99%, while in the comparative period of 2014 was equal to 4.07%.

In the 9-month period of 2015, the result from financial activity was positive and amounted to PLN 11 267 thousand due to dividends received in that period. In the comparative period of 2014 the result was lower by PLN 16 865 thousand.

Financial income, besides received dividends in the amount of 11 326 thousand, comprised interest amounting to PLN 22 154 thousand and profit on dissolution of subsidiary Budimex B Sp. z o.o. amounted to PLN 1 836 thousand. Financial expenses comprised mainly costs of bank guarantees and commissions in the amount of 14 426, recognised impairment write-down against financial assets in the amount of PLN 5 054 thousand, costs of long-term retention receivables and liabilities discounting of PLN 3 592 thousand, costs of interest in the amount of PLN 1 351 thousand.

Profit before tax for the period of nine months of 2015 amounted to PLN 186 750 thousand, while in the comparative period of 2014 amounted to PLN 132 072 thousand

In the period of nine months of 2015 the Company reported net profit of PLN 150 225 thousand gaining net profit margin of 4.27%.

In the period of three quarters of 2015, the Company purchased or started to lease property, plant and equipment, intangible assets and investment property with a total value of PLN 15 253 thousand, of which plant and machinery accounted for PLN 7 032 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 September 2015, the balance of the provision for contract losses amounted to PLN 665 738 thousand, while as at 31 December 2014 amounted to PLN 446 996 thousand. Due to that, in the 9-month period of 2015 the balance of provision increased by PLN 218 742 thousand and increase of PLN 94 566 thousand was reported in the third quarter.

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 September 2015, the balance of the provision in this respect amounted to PLN 26 090 thousand, while as at 31 December 2014 amounted to PLN 25 629 thousand. Due to that, in the 9-month period of 2015 the balance of provision increased by 461 thousand and increase of PLN 183 thousand was reported in the third quarter.

Provision for penalties

The Company recognises provisions for penalties related to the realisation of construction contracts. A provision is recognised only when the Company has a present obligation as a result of past event, the settlement of that obligation is highly probable and a reliable estimate can be made of the amount of the obligation. As at 30 September 2015, the balance of the provision in this respect amounted to PLN 59 998 thousand, while as at 31 December 2014 amounted to PLN 38 683 thousand. Due to that, in the 9-month period of 2015 the balance of provision increased by PLN 21 315 thousand and increase of PLN 19 684 thousand was reported in the third quarter.

Costs of future warranty repairs

The Company is required to issue guarantees for its construction services. It is accepted that the provision between 0.15%-1.4% of revenue from the given contract is made what depends on particular construction segment. This general value is assessed on an individual basis and may be increased or reduced, as appropriate. As at 30 September 2015, the balance of the provision in this respect amounted to PLN 210 681 thousand, while as at 31 December 2014 amounted to PLN 193 700 thousand. Due to that, in the 9-month period of 2015 the balance of provision increased by PLN 16 981 thousand and increase of PLN 10 182 thousand was reported in the third quarter.

Deferred tax asset and liability

As at 30 September 2015, the balance of deferred tax asset (reduced by deferred tax liability) amounted to PLN 371 176 thousand, while as at 31 December 2014 amounted to PLN 346 027 thousand. Due to that, in the 9-month period of 2015 the balance of deferred tax asset increased by PLN 25 149 thousand and only in the third quarter it increased by PLN 30 246 thousand.

Impairment write-downs against receivables

As at 30 September 2015, the balance of recognised impairment write-downs against receivables and retentions amounted to PLN 131 681 thousand, while as at 31 December 2014 amounted to PLN 133 242 thousand. In the 9-month period of 2015 the Company recognised impairment write-downs in the amount of PLN 3 111 thousand, reversed it in the amount of PLN 2 252 increasing other operating income and in the same time the Company used impairment write-downs in the amount of 2 420. In the third quarter of 2015 the Company recognised impairment write-downs in the amount of PLN 1 446 thousand, reversed it in the amount of PLN 52 thousand and used it in the amount of PLN 413 thousand.

Impairment write-downs against inventory

As at 30 September 2015 and 31 December 2014, the balance of recognised impairment write-downs against inventory amounted to PLN 385 thousand. Due to that, in the 9-month period of 2015 the balance of recognised impairment write-downs has not changed.

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

As at 30 September 2015, the total value of the proceedings relating to the Company's liabilities and claims amounted to PLN 284 278 thousand and PLN 223 001 thousand accordingly, and as at 30 June 2015 PLN 289 892 thousand and PLN 222 418 thousand accordingly. In the period of three quarters of 2015 there was no significant outcome of the proceedings that could have material impact on the financial situation of the Company.

4. Other events for III quarters of 2015 and significant events after 30 September 2015

On 6 August 2015 another tranche of the loan were provided by Budimex SA to FB Serwis SA (an associate of Budimex SA) in the amount of PLN 3 430 thousand based on the loan agreement dated 24 September 2013. In accordance to that agreement the loan was granted by Budimex to FBSerwis SA in the amount up to PLN 19 600 thousand. The loan interest was agreed as 3-m WIBOR + margin.

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

5. Related party transactions

Transactions with related parties made in the 9-month period of 2015 and 2014 and unsettled balances of receivables and liabilities as at 30 September 2015 and 31 December 2014 are presented in the tables below:

	amounts in PLN thousands			
	Receivables		Liabilities	
	30 September 2015	31 December 2014	30 September 2015	31 December 2014
Parent Company and related parties (the Ferrovial Group)	21 930	23 989	(89 997)	(99 649)
Subsidiary companies	99 740	58 467	(19 642)	(8 090)
Associates	430	730	(174)	(98)
Jointly controlled entities	370	959	(725)	(727)
Other related parties*	6	34	-	(8 128)
Total settlements with related parties	122 476	84 179	(110 538)	(116 692)

	amounts in PLN thousands			
	Loans granted		Loans taken out	
	30 September 2015	31 December 2014	30 September 2015	31 December 2014
Parent Company and related parties (the Ferrovial Group)	-	-	(8 691)	(8 670)
Subsidiary companies	21 576	20 623	-	-
Associates	41 295	18 988	-	-
Total settlements with related parties	62 871	39 611	(8 691)	(8 670)

	amounts in PLN thousands			
	Sales of finished goods and services		Purchase of finished goods and services	
	9-month period ended 30 September		9-month period ended 30 September	
	2015	2014	2015	2014
Parent Company and related parties (the Ferrovial Group)	47 449	2 306	(69 591)	(25 999)
Subsidiary companies	323 286	255 666	(23 625)	(56 588)
Associates	535	998	-	-
Jointly controlled entities	494	446	(224)	(123)
Other related parties*	-	-	-	(16 844)
Total transactions with related parties	371 764	259 416	(93 440)	(99 554)

	amounts in PLN thousands			
	Finance income		Finance costs	
	9-month period ended 30 September		9-month period ended 30 September	
	2015	2014	2015	2014
Parent Company and related parties (the Ferrovial Group)	-	-	(297)	(237)
Subsidiary companies	12 236	148	(256)	(120)
Jointly controlled entities	-	-	-	-
Associates	1 347	539	-	-
Total transactions with related parties	13 583	687	(553)	(357)

*) 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 September 2015 (in PLN thousands)	31 December 2014 (in PLN thousands)
<u>Contingent receivables</u>		
From related parties, of which:	12 077	14 482
– guarantees and suretyships received	880	880
– bills of exchange received as security	559	2 964
– other contingent receivables	10 638	10 638
From other entities	324 705	296 465
– guarantees and suretyships received	323 450	295 422
– bills of exchange received as security	1 255	1 043
Other	235	-
– other contingent receivables	235	-
Total contingent receivables	337 017	310 947

Contingent liabilities

To related parties, of which:	144 931	157 953
– guarantees and suretyships issued	144 931	157 953
To other entities, of which:	2 322 213	1 880 706
– guarantees and suretyships issued	2 321 033	1 877 637
– bills of exchange issued as performance bond	1 180	3 069
Other contingent liabilities	134 024	135 480
Total contingent liabilities	2 601 168	2 174 139
Total off-balance sheet items	(2 264 151)	(1 863 192)

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

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

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

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

President of the Management Board**Management Board Member****Dariusz Blocher****Marcin Węglowski**

Warsaw, 28 October 2015