

THE BUDIMEX GROUP

**DIRECTORS' REPORT
ON THE ACTIVITIES OF THE BUDIMEX GROUP**

for the first half of 2014

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1. BUSINESS ENVIRONMENT

1.1 General market condition

The first half of 2014 years brought clear economic growth, which was in line with expectations. According to estimates by the Central Statistical Office, GDP growth in the first and second quarter of this year amounted to 3.4% and 3.2% compared to the corresponding quarter of the previous year.

The first half of 2014 compared with the same period of the previous year resulted in a significant improvement in growth of construction and assembly. The value of the construction output (in current prices) in the first mid-2014 was about 8.4% higher than a year earlier. The increase in production was mainly due to the increase in the value of production generated in the civil engineering and water construction segment (an increase of 15.5% compared to the first half of the previous year). The acceleration is mainly due to the increase in the scale of the investments in railway, hydro and transmission construction. Positive growth was also recorded in residential construction (growth by 3.7% compared to the same period in 2013). Sale of construction output fell slightly in the residential construction segment, which declined by 1.1% compared to the first half of 2013. Higher construction output in the first two quarters of 2014 years was accompanied by improvements in the overall business climate indicator in the construction industry, which in June 2014 stood at minus 5 points compared to minus 17 points a year earlier, and minus 14 points in June 2012.

In the first half of 2014 years there was an increase in new investments in the housing market. According to the data reported, the construction of 72,3 thousand apartments was started, which is 22.5% more than in the corresponding period of the previous year. After a steep decline in the first half of the last year, the increase in the number of apartments for which building permits were issued (76,5 thousand apartments, i.e. by 12.8% more than the year before). A boom in the development market is also confirmed by the number of units pre-sold within six months of the year by the largest developers, which recorded the best growth in excess of 50% compared to the same period last year.

1.2 Market development prospects

Most market forecasts predict that in 2014 the Polish economy will grow faster than last year, when GDP grew in real terms by 1.6%. The latest European Commission forecasts assume GDP growth at 3.2% in the current year and the acceleration of GDP growth to 3.4% in 2015. According to the draft state budget for 2015 GDP growth in 2014 is projected at 3.3%, in 2015 at 3.8%. Average annual inflation is estimated at 1.2% in 2014 and 2.3% in the following year. The projected unemployment rate is expected to fall to 12.8% at the end of 2014 and 12.2% at the end of the next year.

Prospects for the development of the construction market are good, but vary depending on the segment. The Ministry of Economy estimates that the value of production made by the sector in 2014 will increase by 5% compared to the previous year.

The first half of 2014 years was a period of stability and a strong deceleration of the downward trend of previous years. The main factor in improving the business climate in the construction industry are awarded to Poland resources from the EU budget under the new financial perspective 2014-2020, which will be the main source of funding for the development of the wider road and rail infrastructure in the coming years. Under the new financial perspective for the years 2014-2020, Poland will receive 82.5 billion euro, and the largest operational program remains Infrastructure and Environment Programme with allocation at the level of 27.4 billion euro.

Undoubtedly, further challenges, but also hopes are associated with the road segment. In the first mid-2014 only 22 tasks were opened and only two contracts from the expected total of more than 50 tenders for construction of roads and bypasses of significant value were signed. According to the project of the update of "National Road Construction Programme for 2011-2015", containing a list of investments planned for implementation in the new EU financial perspective 2014-2020, the total cost of the projects was admittedly increased, but a significant part of the expenditure was postponed for another year. The uncertainty associated with the prices of raw materials, construction materials and costs of subcontractors remains a risk factor. High price competition is also noticeable, in particular in the infrastructure construction market.

In subsequent years, investment in rail infrastructure will take on the dynamics. According to the updated assumptions contained in the Long Term Railway Investment Programme for 2015 prepared by the Ministry of Infrastructure and Development expenses of PKP PLK (the main investor in this sector) necessary for the implementation of 140 projects in 2013-2015 will amount to PLN 24.7 billion, of which in 2013 amounted to PLN 4 billion, in 2014 are expected to reach PLN 8.3 billion, and in 2015 it is assumed that they will reach a level of PLN 12.4 billion, and in subsequent years PLN 3.9 billion. PKP PLK assumes total expenditure on modernization and construction of new tracks and platforms in excess of PLN 50 billion in the 2014-2020, of which about PLN 40 billion will be EU funding. Settlement of tenders financed from the new financial perspective of the European Union is expected starting from 2015.

The second half of 2014 years will likely bring an increase in the number of investments in the housing market. Low interest rates leading to relatively cheap credit and the start of the government subsidy program to the first housing (Apartment for the Young) are likely to hold the good times of the first two quarters of 2014. In addition, launching of the fund of apartments for rent, managed by the National Economy Bank and the shrinking primary market offer, together with progressive economic acceleration are a good sign for the development industry for the coming years

2. SIGNIFICANT DEVELOPMENTS IN THE FIRST HALF OF 2014

2.1 Major construction contracts concluded by the Budimex Group companies

Contract date	Contract value for the Budimex Group (in PLN '000)	Customer	Type of construction
2014-01-22	44 114	Zarząd Dróg Wojewódzkich w Lublinie	Expansion of the provincial road no. 747 Iłża-Konopnica section Konopnica-Kamień
2014-02-07	61 127	Gmina Olsztyn	Design & build of the tram depot at Kołobrzaska Street 40, Olsztyn
2014-02-21	198 799	Generalna Dyrekcja Dróg Krajowych i Autostrad o. Poznań	Completion of the construction of the expressway Poznań (A-2 „Głuchowo” junction) – Wrocław (A-8 „Widawa” junction) section Kaczkowo - Korzeńsko
2014-03-03	87 696	Port Lotniczy Szczecin Goleniów Sp. z o.o.	Expansion and modernization of airport infrastructure at Szczecin Goleniów Airport
2014-03-12	89 723	Urząd Marszałkowski Województwa Lubelskiego	Construction of Lublin Conference Center and the headquarters of the Marshal's Office in Lublin
2014-04-18	58 231	Jeronimo Martins Polska SA	Construction and finishing works at Distribution Centre of JMP SA
2014-04-22	49 660	Generalna Dyrekcja Dróg Krajowych i Autostrad o. Łódź	Completion of construction of A1 Motorway section Sójki junction to Piątek junction
2014-04-25	88 944	Zarząd Infrastruktury Miejskiej w Słupsku	Execution of construction works within the project „New course of Highway no. 21 in Słupsk”
2014-05-28	120 741	Polskie Koleje Państwowe SA	Construction of integrated communication center in Bydgoszcz – Phase I – Railway Station Bydgoszcz Główna

2.2 Risk factors

The main type of business of Group companies, i.e. performance of construction contracts, is burdened with currency risk if contracts are denominated in foreign currencies. Group companies actively manage their foreign exchange risk by entering into appropriate contracts with subcontractors or financial institutions. Exchange rate fluctuations affect sales revenue, operating expenses or the result from valuation and settlement of currency derivative contracts.

An inherent risk of conducting business activities is the credit risk. Despite implementation of restrictive control procedures for evaluation and monitoring of the financial standing of contractors, the risk of investor insolvency still exists. Delays in timely payments by customers (investors) may have adverse effects on the financial result of the Group and result in the necessity to create impairment write-downs against receivables or to finance business from external debt.

The construction contracts are performed in specific technical and economic conditions which has effect on the level of margin. Budimex Group companies which render construction services monitor technical, organizational, legal and financial risks related to contract works planning and progress. Despite control and preventive measures undertaken with respect to general risks (credit, currency and third party liability risks), it is possible that certain factors may occur that will cause that contracts will be performed with a lower margin than initially planned. Such factors mainly concern:

- difficult financial situation of subcontractors, which may cause delays or increase in the project costs,
- increase in prices of construction materials, energy and oil-derivatives
- delays in timely performance or insufficient quality of subcontracted works,

and furthermore:

- increase in costs of subcontractor services,
- unfavourable weather or land conditions,
- increase in employment costs,
- delays in obtaining relevant administrative decisions,
- changes in the scope of work or technologies as agreed in the contracts.

3. FINANCIAL SITUATION

3.1 Key economic – financial data of the Budimex Group

Consolidated Statement of Financial Position

The main items of the consolidated statement of financial position of the Budimex Group as at 30 June 2014, compared to 31 December 2013, are presented in the table below:

	30.06.2014	31.12.2013	Change	% Change
ASSETS				
Non-current assets	621 706	622 230	(524)	(0.1%)
Property, plant and equipment	79 864	83 755	(3 891)	(4.6%)
Investment properties	23 265	24 529	(1 264)	(5.2%)
Intangible assets	4 571	4 106	465	11.3%
Goodwill	73 237	73 237	-	0.0%
Equity accounted investments	1 932	3 518	(1 586)	(45.1%)
Available-for-sale financial assets	8 376	8 381	(5)	(0.1%)
Retentions for construction contracts	23 878	24 804	(926)	(3.7%)
Derivative financial instruments	17	692	(675)	(97.5%)
Trade and other long-term receivables	21 284	20 703	581	2.8%
Receivables from concession agreement	42 614	22 376	20 238	90.4%
Long-term prepayments and deferred costs	4 957	4 793	164	3.4%
Deferred tax assets	337 711	351 336	(13 625)	(3.9%)
Current assets	2 697 990	3 064 523	(366 533)	(12.0%)
Inventories	627 101	697 046	(69 945)	(10.0%)
Loans granted and other financial assets	12 177	3 164	9 013	284.9%
Trade and other receivables	732 030	525 675	206 355	39.3%
Retentions for construction contracts	14 089	18 217	(4 128)	(22.7%)
Amounts due and receivable from customers under construction contracts	285 512	146 630	138 882	94.7%
Current tax receivable	44	331	(287)	(86.7%)
Derivative financial instruments	183	131	52	39.7%
Cash and cash equivalents	1 014 447	1 658 783	(644 336)	(38.8%)
Short-term prepayments and deferred costs	12 407	14 546	(2 139)	(14.7%)
TOTAL ASSETS	3 319 696	3 686 753	(367 057)	(10.0%)

As at 30 June 2014, total consolidated assets decreased by PLN 367 057 thousand compared to 31 December 2013, mainly due to a 12.0% (PLN 366 533 thousand) decrease in the current assets.

Non-current assets:

Change in the value of non-current assets at 30 June 2014 as compared to 31 December 2013 was caused mainly by the following:

- Increase in the receivables from concession agreements amounting to PLN 20 238 thousand related to the project carried out by Budimex Parking Wrocław Sp. z o.o.,
- decrease in the balance of deferred tax assets by PLN 13 625 thousand.

Current assets:

Current assets decreased by PLN 366 533 thousand due to the following:

- decrease in the balance of cash and cash equivalents by PLN 644 336 thousand, mainly due its use to finance the operating activities and payment of dividend,
- decrease in the balance of inventory by PLN 69 945 thousand, mainly due to higher sales realized by Budimex Nieruchomości Sp. z o.o. than the pace of the development of new projects,
- increase in the balance of trade and other receivables by PLN 206 355 thousand and
- increase in the balance of amounts due and receivable from customers under construction contracts (valuation of construction contracts) by PLN 138 882 thousand.

EQUITY AND LIABILITIES	30.06.2014	31.12.2013	Change	% Change
Shareholders' equity attributable to the shareholders of the Parent Company	410 719	626 323	(215 604)	(34.4%)
Share capital	145 848	145 848	-	0.0%
Share premium	87 163	87 163	-	0.0%
Other reserve	4 584	4 584	-	0.0%
FX differences on translation of foreign operations	5 117	5 101	16	0.3%
Retained earnings/ (losses)	168 007	383 627	(215 620)	(56.2%)
Non-controlling interests	19 380	18 852	528	2.8%
Total shareholders' equity	430 099	645 175	(215 076)	(33.3%)
Liabilities	2 889 597	3 041 578	(151 981)	(5.0%)
Non-current liabilities	362 182	347 985	14 197	4.1%
Loans, borrowings and other external sources of finance	43 000	34 355	8 645	25.2%
Retentions for construction contracts	165 206	161 347	3 859	2.4%
Provision for long-term liabilities and other charges	148 422	147 676	746	0.5%
Retirement benefits and similar obligations	4 381	4 381	-	0.0%
Derivative financial instruments	1 173	226	947	419.0%
Current liabilities	2 527 415	2 693 593	(166 178)	(6.2%)
Loans, borrowings and other external sources of finance	20 544	19 729	815	4.1%
Trade and other liabilities	1 162 542	1 217 984	(55 442)	(4.6%)
Retentions for construction contracts	182 511	189 466	(6 955)	(3.7%)
Amounts due and payable to customers under construction contracts	615 815	689 915	(74 100)	(10.7%)
Prepayments received	251 105	276 325	(25 220)	(9.1%)
Provision for short-term liabilities and other charges	130 170	120 126	10 044	8.4%
Current tax payable	16	16 147	(16 131)	(99.9%)
Retirement benefits and similar obligations	1 117	1 117	-	0.0%
Derivative financial instruments	608	499	109	21.8%
Short-term accruals	158 439	156 931	1 508	1.0%
Short-term deferred income	4 548	5 354	(806)	(15.1%)
TOTAL EQUITY AND LIABILITIES	3 319 696	3 686 753	(367 057)	(10.0%)

Equity and liabilities:

On the equity and liabilities' side, the main changes related to the following:

- decrease in the balance of amounts due and payable to customers under construction contracts by PLN 74 100 thousand, related to valuation of construction contracts; the balance of provisions for contract losses increased slightly,
- payment of dividend in the amount of PLN 302 530 thousand, which decreased the value of retained earnings,
- decrease in the value of short-term trade and other liabilities by PLN 55 442 thousand.

Consolidated Profit and Loss Account

	01.01- 30.06.2014	01.01- 30.06.2013	Change	% Change
Net sales of finished goods, services, goods for resale and raw materials	2 153 122	2 087 665	65 457	3.2%
Cost of finished goods, services, goods for resale and raw materials sold	(1 943 793)	(1 906 095)	(37 698)	2.0%
Gross profit on sales	209 329	181 570	27 759	15.3%
Selling expenses	(12 138)	(13 335)	1 197	(9.0%)
Administrative expenses	(86 277)	(76 723)	(9 554)	12.5%
Other operating income	20 504	21 092	(588)	(2.8%)
Other operating expenses	(21 435)	(19 175)	(2 260)	11.8%
Gains/ (losses) on derivative financial instruments	8	(4 800)	4 808	(100.2%)
Operating profit	109 991	88 629	21 362	24.1%
Finance income	20 160	15 225	4 935	32.4%
Finance costs	(16 399)	(15 124)	(1 275)	8.4%
(Losses) on derivative financial instruments	(1 887)	-	(1 887)	-
Share in net (losses) of equity accounted companies	(1 675)	(1 517)	(158)	10.4%
Profit before tax	110 190	87 213	22 977	26.4%
Income tax	(22 750)	(19 362)	(3 388)	17.5%
Net profit for the period	87 440	67 851	19 589	28.9%
<i>Of which:</i>				
Attributable to the shareholders of the Parent Company	86 912	67 801	19 111	28.2%
<i>non-controlling interests</i>	528	50	478	956.0%

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 2014, the Budimex Group earned sales revenue of PLN 2 153 122 thousand which means a 3.14% increase on the corresponding period of 2013. Taken into consideration that the data for the first half of 2013 also included sales revenue of Budimex Danwood Sp. z o.o., which was sold and deconsolidated on 2 December 2013, then the increase in sales revenue would equal to 13.42%. The sales revenue of Budimex Danwood Sp. z o.o., included in the Group's sales for the first half of 2013, amounted to PLN 189 287 thousand, which was equal to 9.07% of the Group's sales revenue.

In the first half of 2014 construction-assembly production in Poland expressed in current prices increased by 8.4% (an increase of 9.8% 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 11.63% on the corresponding period.

Gross profit on sales in the first half of 2014 was PLN 209 329 thousand, while in the corresponding period of the prior year it amounted to PLN 181 570 thousand. The gross sales profitability ratio was therefore 9.72% in the first half of 2014, while in the first half of 2013 was 8.70%. In the first half of 2014 gross profit on sales in the construction segment amounted to PLN 158 862 thousand and was higher by PLN 31 567 thousand compared to the corresponding period of the prior year, albeit gross sales profitability ratio of construction segment for the first half of 2014 was 8.11% (7.21% in the first half of 2013). In turn, gross profit on sales in the developer segment in the 6-month period of 2014 was PLN 40 770 thousand, while in the corresponding period of the prior year it amounted to PLN 29 683 thousand. Gross sales profitability ratio of the developer segment increased slightly from 20.66% in the first half of 2013 to 20.68% in the corresponding period of the current year.

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 2014, the balance of the provision for contract losses amounted to PLN 210 846 thousand. In the first half of 2014, the balance of provision for contract losses increased by PLN 1 479 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 30 June 2014 the provision for warranty amounted to PLN 181 928 thousand. In the 6-month period ended 30 June 2014 the balance of the provision for warranty increased by PLN 9 078 thousand.

Selling expenses decreased in the first half of 2014 by PLN 1 197 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 9 554 thousand higher than expenses incurred in the corresponding period of 2013. The share of selling and administrative expenses in total sales increased from 4.31% in the first half of 2013 to 4.57% in the first half of the current year.

Other operating income for the first half of 2014 was PLN 20 504 thousand (PLN 21 092 thousand for the first half of 2013) and comprised income from reversal of provisions for litigations in the amount of PLN 7 846 thousand, gain from adjustment of selling price of Budimex Danwood Sp. z o.o. amounting to PLN 1 759 thousand, income from compensations and contractual penalties in the amount of PLN 5 070 thousand and income from reversal of impairment write-downs against doubtful debts in the amount of PLN 1 758 thousand. Additionally, in the period of six months of 2014 Group companies disposed of property, plant and

equipment and investment properties and reported a gain on sale of PLN 1 021 thousand. The net book value of the property, plant and equipment and investment properties sold in the period of six months of 2014 amounted to PLN 1 270 thousand.

Other operating expenses for the first half of 2014 amounted to PLN 21 435 thousand (PLN 19 175 thousand in the first half of 2013), of which PLN 7 197 thousand related to impairment write-downs against receivables and PLN 3 524 thousand related to provisions created for litigation proceedings. The value of provisions created for compensations and contractual penalties amounted to PLN 6 854 thousand. The cost of creating provisions for other liabilities amounted to PLN 2 000 thousand.

During the first half of 2014 the Group reported a gain on valuation and realization of FX forward derivative instrument contracts (made with a view to limiting the FX risk on foreign currency construction contracts) in the amount of PLN 8 thousand, while in the corresponding period of the prior year it incurred losses in the amount of PLN 4 800 thousand.

The reported operating profit of the Group in the first half of 2014 was PLN 109 991 thousand, while in the first half of 2013 it amounted to PLN 88 629 thousand (an increase of 24.10%). The operating profit for the first half of 2014 represented 5.11% of sales revenue value, while for the corresponding period of the prior year – 4.25% of sales revenue.

In the 6-month period ended 30 June 2014 the Group generated a gain on finance activities in the amount of PLN 3 761 thousand while in the same period of the prior year – gain in the amount of PLN 101 thousand. Finance income in the first half of 2014 represented mainly interest of PLN 18 098 thousand, reversal of discounting of long-term receivables in the amount of PLN 1 117 thousand and valuation of receivables from concession contracts of PLN 909 thousand. Finance costs in the first half of 2014 represented interest costs of PLN 2 755 thousand, bank commissions on guarantees and loans of PLN 6 781 thousand paid by Group companies, costs from discounting of long-term retention receivables and liabilities of PLN 6 863 thousand.

During the first half of 2014 the Group incurred a loss on valuation of interest rate swap derivative instrument contracts (made with a view to limiting the interest risk) in the amount of PLN 1 887 thousand.

In the first half of 2014, the Group reported a gross profit of PLN 110 190 thousand, while in the corresponding period of the prior year – a gross profit of PLN 87 213 thousand (an increase of 26.35%).

Income tax for the 6-month period ended 30 June 2014 was PLN 22 750 thousand (PLN 19 362 thousand for the 6-month period ended 30 June 2013), of which:

- current tax was PLN 9 140 thousand,
- deferred tax in the amount of PLN 13 610 thousand.

As at 30 June 2014, the Group recognized a deferred tax asset in the amount of PLN 337 711 thousand, while as at 31 December 2013 – PLN 351 336 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 Budimex SA for the first half of 2014 was PLN 86 912 thousand, while the net profit attributable to the shareholders of Budimex SA for the corresponding period of 2013 was PLN 67 801 thousand (an increase of 28.19%).

The net profit attributable to non-controlling interest for the first half of 2014 amounted to PLN 528 thousand. In the corresponding period of 2013, the net profit attributable to non-controlling interest amounted to PLN 50 thousand.

Statement of Cash Flow

The Budimex Group entered the year 2014 with cash on hand and cash at bank amounting to a total of PLN 1 658 783 thousand. For the purpose of the Statement of Cash Flow this amount was reduced by the amount of cash of restricted use of PLN 33 089 thousand. Net cash flow for the first half of 2014 was negative and amounted to PLN 635 539 thousand. As at 30 June 2014, cash balance was PLN 1 014 447 thousand, of which cash of restricted use was PLN 24 116 thousand.

In the first half of 2014, the cash flows from operating activities showed a negative balance of PLN 330 806 thousand.

Cash flow from investing activities showed a negative balance of PLN 9 214 thousand that resulted mainly from the loan given to an associate.

Cash flow from financing activities for the first half of 2014 showed a negative balance of PLN 295 519 thousand and was caused mainly by payment of dividends.

3.2 Managing of finance at the Budimex Group

Cash flow from operating activities of the Budimex Group in the first half of 2014 were negative, which is due to the type of the business conducted, where significant cash inflows from operating activities are realized at the year-end, while in the first two quarters of the year cash is rather engaged in current operating activities. Negative cash flow from operating activities in the period of first half of 2014 mainly resulted from adjustments in the level of working capital in the first quarter of 2014, which were the consequence of significant cash surplus achieved in the fourth quarter of 2013 by construction business. Decrease in the balance of cash in the period of first half of 2014 was also caused by dividend payment amounting to PLN 302 530 thousand, which took place in May 2014.

In accordance with the Group policy, any periodic surpluses of cash were invested mainly in bank deposits in banks of high financial rating. In addition, Budimex SA used cash surpluses to finance its suppliers of services and raw materials. This had a positive effect on the financial liquidity of these suppliers, and generated extra finance income (discounting) for Budimex SA.

At the same time, the Budimex Group reported an external debt regarding bank loans and borrowings and lease which as at 30 June 2014 was PLN 63 544 thousand and was PLN 9 460 thousand higher than as at 31 December 2013 (see table below). The indebtedness mainly comprised of: lease liabilities of Budimex SA and of Mostostal Kraków SA (concluded in order to finance purchases of tangible fixed assets – in case of Budimex SA mainly plant and machinery for the purposes of road contracts realization), but also due to indebtedness of Budimex Parking Wrocław Sp. z o.o. concerning bank loan financing the investment carried out by the company.

THE BUDIMEX GROUP	30.06.2014	31.12.2013	30.06.2013
Long-term bank loans and borrowings and other external sources of finance	43 000	34 355	68 796
Short-term bank loans and borrowings and other external sources of finance	20 544	19 729	31 637
Total bank loans and borrowings and other external sources of finance	63 544	54 084	100 433

The following ratios show the structure of finance at the Budimex Group:

Ratio	30.06.2014	31.12.2013	30.06.2013
Equity to assets ratio: <i>(shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)</i>	0.12	0.17	0.12
Equity to non-current assets ratio: <i>(shareholders' equity attributable to the shareholders of the Parent Company) / (non-current assets)</i>	0.66	1.01	0.68
Debt ratio: <i>(total assets - shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)</i>	0.88	0.83	0.88
Assets to equity ratio: <i>(total assets - shareholders' equity attributable to the shareholders of the Parent Company) / (shareholders' equity attributable to the shareholders of the Parent Company)</i>	7.08	4.89	7.04

The finance structure ratios as at 30 June 2014 did not change significantly compared to the values as at 30 June 2013, while in comparison to the values as at 31 December 2013 the change was considerable, mainly caused by the payment of dividends. As a result, the assets to equity ratio and the debt ratio increased as at 30 June 2014 compared to the values as at 31 December 2013 and the equity to assets ratio and the equity to non-current assets ratio decreased.

Ratio	30.06.2014	31.12.2013	30.06.2013
Current Ratio <i>(current assets)/(current liabilities)</i>	1.07	1.14	1.09
Quick Ratio (or Acid Test) <i>(current assets - inventory)/(current liabilities)</i>	0.82	0.88	0.73

The liquidity ratios as of 30 June 2014 show a slight decrease compared to their values as of 31 December 2013 and at the same time remain almost the same compared to the values as at 30 June 2013.

The current good financial standing of the Budimex Group as regards its liquidity and access to external sources of finance does not indicate any threat to its ability to finance business activities in the second half of 2014.

3.3 Off-balance sheet items of the Budimex Group

The table below shows guarantees, suretyships and other contingent liabilities of the Budimex Group:

	30.06.2014	31.12.2013	30.06.2013
Contingent receivables			
From related parties, of which:			
– guarantees and suretyships received	-	-	-
– bills of exchange received as security	-	-	-
From related parties, total	-	-	-
From other entities			
– guarantees and suretyships received	340 058	353 159	365 845
– bills of exchange received as security	12 070	13 074	14 825
From other entities, total	352 128	366 233	380 670
Other contingent receivables	-	-	3 000
Total contingent receivables	352 128	366 233	383 670
Contingent liabilities			
To related parties, of which:			
– guarantees and suretyships issued	6 770	3 566	2 847
– promissory notes issued as security	-	-	-
To related parties, total	6 770	3 566	2 847
To other entities, of which:			
– guarantees and suretyships issued	1 523 793	1 497 507	1 553 909
– promissory notes issued as security	5 854	8 733	71 571
To other entities, total	1 529 647	1 506 240	1 625 480
Other contingent liabilities	135 480	143 180	202 040
Total contingent liabilities	1 671 897	1 652 986	1 830 367
Total off-balance sheet items	(1 319 769)	(1 286 753)	(1 446 697)

Contingent receivables 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 suretyships 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 (receivables) 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 135 010 thousand due and payable in the case of improper performance of obligations by Budimex SA under the acquisition agreement concerning shares of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.

Guarantees for bank loans and borrowings issued by Budimex SA and its subsidiaries as at 30 June 2014:

As at 30 June 2014, the Supervisory Board of Budimex SA consisted of the following persons:

- Marek Michałowski Chairman of the Supervisory Board
- Alejandro de la Joya Ruiz de Velasco Vice-Chairman of the Supervisory Board
- Igor Adam Chalupec Secretary of the Supervisory Board
- Marzenna Anna Weresa Member of the Supervisory Board
- Ignacio Clopes Estela Member of the Supervisory Board
- Janusz Dedo Member of the Supervisory Board
- Javier Galindo Hernandez Member of the Supervisory Board
- Jose Carlos Garrido-Lestache Rodriguez Member of the Supervisory Board
- Piotr Kamiński Member of the Supervisory Board

Composition of the Supervisory Board in the period from 1 January 2014 to 30 June 2014 was subject to the following changes:

- On 7 January 2014 (effectiveness date of the resignation) Mr. Tomasz Sielicki handed in his resignation from the function of the Supervisory Board Member,
- On 29 January 2014, the Supervisory Board decided to co-opt Mr. Janusz Dedo to the Supervisory Board for the period of the 8th office. Mr. Janusz Dedo as the Supervisory Board Member was accepted by the General Shareholders' Meeting of Budimex SA on 24 April 2014,
- On 29 January 2014 the Supervisory Board entrusted the function of the Secretary of the Supervisory Board to Mr. Maciej Stańczuk,
- On 7 February 2014 (effectiveness date of the resignation) Mr. Maciej Stańczuk handed in his resignation from the function of the Supervisory Board Member,
- On 12 March 2014 the Supervisory Board entrusted the function of the Secretary of the Supervisory Board to Mr. Igor Chalupec,
- On 24 April 2014 the Ordinary Shareholders' Meeting of Budimex SA appointed Mr. Ignacio Clopes Estela as the Supervisory Board Member from 1 May 2014.

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
Andrzej Artur Czynczyk	Board Member	.....	Jacek Daniewski	Board Member	.....
name and surname	position	signature	name and surname	position	signature

Warsaw, 26 August 2014