

The Budimex Group

Condensed consolidated financial statements

for I quarter of 2014

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

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Consolidated statement of financial position

ASSETS	31 March 2014	31 December 2013
	(PLN thousands)	(PLN thousands)
Non-current assets		
Property, plant and equipment	80 924	83 755
Investment properties	23 301	24 529
Intangible assets	4 607	4 106
Goodwill	73 237	73 237
Equity accounted investments	2 222	3 518
Available-for-sale financial assets	8 376	8 381
Retentions for construction contracts	25 250	24 804
Trade and other receivables	20 996	20 703
Receivables from concession agreement	34 104	22 376
Derivative financial instruments	392	692
Long-term prepayments and deferred costs	4 648	4 793
Deferred tax asset	346 109	351 336
Total non-current assets	624 166	622 230
Current assets		
Inventories	644 951	697 046
Loans granted and other financial assets	9 482	3 164
Trade and other receivables	412 004	525 675
Retentions for construction contracts	17 180	18 217
Amounts due and receivable from customers (investors) under construction contracts	155 916	146 630
Current tax receivable	330	331
Derivative financial instruments	128	131
Cash and cash equivalents	1 396 064	1 658 783
Short-term prepayments and deferred costs	17 305	14 546
Total current assets	2 653 360	3 064 523
TOTAL ASSETS	3 277 526	3 686 753

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Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	31 March 2014	31 December 2013
	(PLN thousands)	(PLN thousands)
Shareholders' equity		
Shareholders' equity attributable to the shareholders of the Parent Company		
Share capital	145 848	145 848
Share premium	87 163	87 163
Other reserves	4 584	4 584
Foreign exchange differences on translation of foreign operations	5 165	5 101
Retained earnings	426 380	383 627
Total shareholders' equity attributable to the shareholders of the Parent Company	669 140	626 323
Non-controlling interests	19 198	18 852
Total shareholders' equity, incl. non-controlling interests	688 338	645 175
Liabilities		
Non-current liabilities		
Loans, borrowings and other external sources of finance	38 613	34 355
Retentions for construction contracts	159 456	161 347
Provision for long-term liabilities and other charges	149 196	147 676
Long-term retirement benefits and similar obligations	4 381	4 381
Derivative financial instruments	214	226
Total non-current liabilities	351 860	347 985
Current liabilities		
Loans, borrowings and other external sources of finance	21 103	19 729
Trade and other payables	904 835	1 217 984
Retentions for construction contracts	171 163	189 466
Amounts due and payable to customers (investors) under construction contracts	610 605	689 915
Prepayments received	215 750	276 325
Provision for short-term liabilities and other charges	134 258	120 126
Current tax payable	413	16 147
Short-term retirement benefits and similar obligations	1 117	1 117
Derivative financial instruments	450	499
Short-term accruals	173 799	156 931
Short-term deferred income	3 835	5 354
Total current liabilities	2 237 328	2 693 593
Total liabilities	2 589 188	3 041 578
TOTAL EQUITY AND LIABILITIES	3 277 526	3 686 753

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Consolidated income statement

	3-month period ended 31 March	
	2014	2013
	(PLN thousands)	(PLN thousands)
Continuing operations		
Net sales of finished goods, goods for resale, raw materials and services	834 047	853 043
Cost of finished goods, goods for resale, raw materials and services sold	(725 741)	(769 565)
Gross profit on sales	108 306	83 478
Selling expenses	(5 878)	(6 325)
Administrative expenses	(41 847)	(38 380)
Other operating income	7 924	11 501
Other operating expenses	(16 027)	(6 498)
Gains/ (losses) on derivative financial instruments	34	(1 181)
Operating profit	52 512	42 595
Finance income	10 409	9 287
Finance costs	(6 801)	(7 815)
(Losses) on derivative financial instruments	(359)	-
Share of results of equity accounted companies	(1 385)	(950)
Profit before tax	54 376	43 117
Income tax	(11 277)	(8 133)
Net profit from continuing operations	43 099	34 984
Net profit for the period	43 099	34 984
Of which:		
Attributable to the shareholders of the Parent Company	42 753	34 966
Attributable to non-controlling interests	346	18
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	1.67	1.37

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Consolidated statement of comprehensive income

	3-month period ended 31 March	
	2014	2013
	(PLN thousands)	(PLN thousands)
Net profit for the period	43 099	34 984
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	64	168
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	64	168
Total comprehensive income for the period	43 163	35 152
Of which:		
Attributable to the shareholders of the Parent Company	42 817	35 134
Attributable to non-controlling interests	346	18

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Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity	
	Share capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			Total
			Share-based payments	Actuarial gains/(losses)					
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	
Balance as at 1 January 2014	145 848	87 163	5 370	(786)	5 101	383 627	626 323	18 852	645 175
Profit for the period	-	-	-	-	-	42 753	42 753	346	43 099
Other comprehensive income	-	-	-	-	64	-	64	-	64
Total comprehensive income for the period	-	-	-	-	64	42 753	42 817	346	43 163
Balance as at 31 March 2014	145 848	87 163	5 370	(786)	5 165	426 380	669 140	19 198	688 338

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Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity	
	Share capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			Total
			Share-based payments	Actuarial gains/(losses)					
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	
Balance as at 1 January 2013	145 848	234 799	2 705	-	2 190	47 588	433 130	-	433 130
Profit for the period	-	-	-	-	-	34 966	34 966	18	34 984
Other comprehensive income	-	-	-	-	168	-	168	-	168
Total comprehensive income for the period	-	-	-	-	168	34 966	35 134	18	35 152
Change in the Group composition	-	-	-	-	-	-	-	16 277	16 277
Balance as at 31 March 2013	145 848	234 799	2 705	-	2 358	82 554	468 264	16 295	484 559
Profit for the period	-	-	-	-	-	265 514	265 514	802	266 316
Other comprehensive income	-	-	-	(786)	2 743	-	1 957	-	1 957
Total comprehensive income for the period	-	-	-	(786)	2 743	265 514	267 471	802	268 273
Dividends	-	-	-	-	-	(112 077)	(112 077)	-	(112 077)
Loss coverage	-	(147 636)	-	-	-	147 636	-	-	-
Share based payments	-	-	2 665	-	-	-	2 665	-	2 665
Change in recognition method of non-controlling interest	-	-	-	-	-	-	-	1 755	1 755
Balance as at 31 December 2013	145 848	87 163	5 370	(786)	5 101	383 627	626 323	18 852	645 175

Consolidated statement of cash flow

	3-month period ended 31 March	
	2014	2013
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	54 376	43 117
Adjustments for:		
Depreciation/ amortization	6 060	7 189
Share of results of equity accounted companies	1 385	950
Foreign exchange (gains)/ losses	(110)	45
Interest and shares in profits (dividends)	173	552
(Profit)/ loss on disposal of investments	(3 049)	3 231
Change in valuation of derivative financial instruments	242	2 679
Operating profit before changes in working capital	59 077	57 763
Change in receivables and retentions for construction contracts	103 323	(40 329)
Change in inventories	52 095	24 918
Change in provisions and liabilities arising from retirement benefits and similar obligations	15 652	(4 253)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	(333 549)	(386 952)
Change in accruals, accrued income and deferred costs	12 735	(15 308)
Change in amounts due and receivable under construction contracts	(88 596)	(51 916)
Change in prepayments received	(60 575)	(38 984)
Change in cash and cash equivalents of restricted use	(18 920)	(3 741)
Other adjustments	66	373
Cash generated from operations	(258 692)	(458 429)
Income tax paid	(21 800)	(8 253)
NET CASH USED IN OPERATING ACTIVITIES	(280 492)	(466 682)

Consolidated statement of cash flow (cont.)

	3-month period ended 31 March	
	2014	2013
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of intangible assets and tangible fixed assets	435	1 233
Purchase of intangible assets and tangible fixed assets	(1 254)	(2 239)
Proceeds from disposal of subsidiaries	2 028	-
Purchases of shares in subsidiaries	-	(4 936)
Loans granted	(6 370)	-
Interest received	167	-
NET CASH USED IN INVESTING ACTIVITIES	(4 994)	(5 942)
CASH FLOW FROM FINANCING ACTIVITIES		
Loans and borrowings taken out	6 449	1 284
Payment of finance lease liabilities	(2 447)	(2 421)
Interest paid	(269)	(525)
Other finance expenses	(44)	-
NET CASH GENERATED FROM/ USED IN FINANCING ACTIVITIES	3 689	(1 662)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(281 797)	(474 286)
Foreign exchange differences, net	158	133
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 3.4)	1 625 694	1 306 746
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 3.4)	1 344 055	832 593

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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 31 March 2014, 31 December 2013 and 31 March 2013 the following subsidiaries were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		31 March 2014	31 December 2013	31 March 2013
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	100.00%
Budimex Danwood Sp. z o.o. ¹	Bielsk Podlaski / Poland	-	-	100.00%
Budimex Bau GmbH	Cologne/ Niemcy	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%
SPV-BN 1 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
SPV-BN 2 Sp. z o.o.	Warsaw / Poland	100.00%	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%
Grupa Elektromontaż Poznań SA	Poznań / Poland	50.66%	50.66%	50.66%
Przedsiębiorstwo Budownictwa Mieszkanowego Nadolnik Sp. z o.o. ²	Warsaw / Poland	100.00%	100.00%	-

¹) The company was sold on 2 December 2013.

²) The company was registered on 6 December 2013 and has been consolidated from 1 January 2014.

Stand-alone data of Budimex SA, which is a partner in consortiums (treated as joint operations according to IFRS 11), includes its share in assets, liabilities, revenue and expenses of the following joint operations:

Consortium name	Share
Budimex SA Ferroviał Agroman SA s.c.	99,98%
Budimex SA Sygnity SA Sp. j.	67,00%
Budimex SA Ferroviał Agroman SA Sp. j.	50,00%
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.	99,98%
Budimex SA Cadagua SA s.c.	50,00%
Budimex SA Cadagua SA 2 s.c.	50,00%

Due to changes introduced by IFRS 11, from 1 January 2014 the Budimex Group has consolidated Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o., its joint venture in which it holds a 30% share, by equity method.

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

From 1 January 2014 the Budimex Group started to consolidate a newly formed company, Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o.

Due to changes introduced by IFRS 11, starting from 1 January 2014 the Group stopped to consolidate Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. by proportionate method and started to consolidate it by equity method.

In the 3-month period ended 31 March 2014, there were no other changes in the composition of the Group.

In the period covered by this report, no significant activities were discontinued and there were no 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 29 April 2014 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 (Holland) – the Company from the Ferrovial SA Group (Spain)	ordinary	15 078 159	59.06%	15 078 159	59.06%
Aviva OFE Aviva BZ WBK	ordinary	1 820 426	7.13%	1 820 426	7.13%
Other shareholders	ordinary	8 631 513	33.81%	8 631 513	33.81%
Total		25 530 098	100.00%	25 530 098	100.00%

On 25 February 2014 the Management Board of Budimex SA was informed that OFE PZU „Złota Jesień” sold some of shares. As a result of this and the following transactions, OFE PZU „Złota Jesień” holds 1 100 000 shares of Budimex SA, which caused a decrease of its share in the share capital below 5% (down to 4.31%).

3. Principles applied for the purpose of preparation of financial statements

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 2013, published on 12 March 2014.

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.

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:

- **IFRS 10 “Consolidated Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 “Joint Arrangements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 12 “Disclosures of Interests in Other Entities”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 27 (revised in 2011) “Separate Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” - Transition Guidance**, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 “Separate Financial Statements” - Investment Entities**, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 32 “Financial instruments: presentation” - Offsetting Financial Assets and Financial Liabilities**, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 36 “Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets”**, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 39 “Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting”**, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The adoption of these standards and amendments to the existing standards has not led to any changes in the Group’s accounting policies, except for the impact described in the note 3.2.

Standards and Interpretations 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, amendments to the existing standards and interpretations, which were not endorsed for use as at 29 April 2014:

- **IFRS 9 “Financial Instruments” with further amendments** (effective date not determined yet),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 July 2016),
- **Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee contributions** (effective for annual periods beginning on or after 1 July 2014),
- **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 (effective for annual periods beginning on or after 1 July 2014),
- **Amendments to various standards “Improvements to IFRSs (2011-2013)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40)** primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 July 2014),
- **IFRIC 21 “Levies”** (effective for annual periods beginning on or after 1 January 2014).

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The Group anticipates that the adoption of these standards, amendments to the standards and interpretations would have no material impact on the financial statements of the Group 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 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 balance sheet date.

3.2. Changes in accounting policies and the method of preparation of financial statements

Starting from 1 January 2014, in relation to the newly binding IFRS 11 "Joint arrangements", the Group has started to consolidate the company Tecpresa - Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. using equity method. Previously, as described in the consolidated financial statements of the Group for 2013, the company was consolidated using proportionate method. Due to immateriality of the cumulative stand-alone data of the company, the consolidated financial statements have not been adjusted retrospectively.

3.3. Translation of selected financial data into euro

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

- individual asset and liability items – using the average exchange rate prevailing as at 31 March 2014 – 4.1713 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the first quarter 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 31 March 2014 – 4.1894 PLN/EUR,
- individual asset and liability items of comparative financial data for the year 2013 – using the average exchange rate prevailing as at 31 December 2013 – 4.1472 PLN/EUR,
- individual profit and loss account and statement of cash flow items of comparative financial data for the first quarter of 2013 - 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 2013 to 31 March 2013 – 4.1738 PLN/EUR.

3.4. Cash recognised in the statement of cash flow

The Group recognizes cash of restricted use (including mainly 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.

	31 March 2014	31 December 2013	31 March 2013
	(in PLN thousands)	(in PLN thousands)	(in PLN thousands)
Cash recognised in the statement of financial position	1 396 064	1 658 783	850 917
Cash and cash equivalents of restricted use	(52 009)	(33 089)	(18 324)
Cash recognised in the statement of cash flow	1 344 055	1 625 694	832 593

4. Description of factors and events which had a material effect on the financial result of the Budimex Group for the first quarter of 2014

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 3-month period ended 31 March 2014, the Budimex Group earned sales revenue of PLN 834 047 thousand which means a 2.23% decrease on the corresponding period of 2013. The decrease in sales revenue was mainly due to the sale of Budimex Danwood Sp. z o.o. and therefore its deconsolidation as at 2 December 2013. The sales revenue of Budimex Danwood Sp. z o.o., included in the Group's sales for the first quarter of 2013, amounted to PLN 83 514 thousand, which was equal to 9.79% of the Group's sales revenue.

In the first quarter of 2014 construction-assembly production in Poland expressed in current prices increased by 8.9% (an increase of 10.6% 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 0.51% on the corresponding period.

Gross profit on sales in the first quarter of 2014 was PLN 108 306 thousand, while in the corresponding period of the prior year it amounted to PLN 83 478 thousand. The gross sales profitability ratio was therefore 12.99% in the first quarter of 2014, while in the first quarter of 2013 was 9.79%.

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“. In the subsequent periods, a part of the created provision is released in proportion to the percentage of contract completion, after taking into account total negative margin on the entire contract. As at 31 March 2014, the balance of the provision for contract losses amounted to PLN 207 234 thousand. In the first quarter of 2014, the balance of provision for contract losses decreased by PLN 2 133 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 31 March 2014 the provision for warranty amounted to PLN 174 534 thousand. In the 3-month period ended 31 March 2014 the balance of the provision for warranty increased by PLN 1 684 thousand.

Selling expenses decreased in the first quarter of 2014 by PLN 447 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 3 467 thousand higher than expenses incurred in the corresponding period of 2013. The share of selling and administrative expenses in total sales increased slightly from 5.24% in the first quarter of 2013 to 5.72% in the first quarter of the current year.

Other operating income for the first quarter of 2014 was PLN 7 924 thousand and comprised gain from adjustment of selling price of Budimex Danwood Sp. z o.o. amounting to PLN 2 028 thousand, income from compensations and contractual penalties in the amount of PLN 2 312 thousand and income from reversal of impairment write-downs against doubtful debts in the amount of PLN 920 thousand. Additionally, in the period of three months of 2014 Group companies disposed of property, plant and equipment and investment properties and reported a gain on sale of PLN 945 thousand. The net book value of the property, plant and equipment and investment properties sold in the period of three months of 2014 amounted to PLN 1 193 thousand.

Other operating expenses for the first quarter of 2014 amounted to PLN 16 027 thousand, of which PLN 10 339 thousand related to creation of provisions for compensations and contractual penalties, PLN 961 thousand related to impairment write-downs against receivables and PLN 1 761 thousand related to provisions created for litigation proceedings. The cost of creating provisions for other liabilities amounted to PLN 2 000 thousand.

During the first quarter 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 34 thousand, while in the corresponding period of the prior year it incurred losses in the amount of PLN 1 181 thousand. The valued derivative financial

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instruments contracts were classified as level 2 in the fair value hierarchy. During the 3 months ended 31 March 2014, 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.

The reported operating profit of the Group in the first quarter of 2014 was PLN 52 512 thousand, while in the first quarter of 2013 it amounted to PLN 42 595 thousand. The operating profit for the first quarter of 2014 represented 6.30% of sales revenue value, while for the corresponding period of the prior year – 4.99% of sales revenue.

In the 3-month period ended 31 March 2014 the Group generated a gain on finance activities in the amount of PLN 3 608 thousand while in the same period of the prior year – gain in the amount of PLN 1 472 thousand. Finance income in the first quarter of 2014 represented mainly interest of PLN 9 799 thousand (PLN 9 285 thousand for the corresponding period of the previous year). Finance costs in the first quarter of 2014 represented, among others, interest costs of PLN 896 thousand, bank commissions on guarantees and loans of PLN 3 794 thousand paid by Group companies, costs from discount of long-term retention receivables and liabilities of PLN 2 026 thousand and negative foreign exchange difference amounting to PLN 85 thousand (in the corresponding period of the previous year the Group reported negative exchange differences of PLN 1 214 thousand).

During the first quarter 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 359 thousand. The valued derivative instrument contracts were classified as level 2 in the fair value hierarchy. During the 3 months ended 31 March 2014, 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 quarter of 2014, the Group reported a gross profit of PLN 54 376 thousand, while in the corresponding period of the prior year – a gross profit of PLN 43 117 thousand.

Income tax for the 3-month period ended 31 March 2014 was PLN 11 277 thousand, of which:

- current tax was PLN 6 063 thousand,
- deferred tax in the amount of PLN 5 214 thousand.

As at 31 March 2014, the Group recognized a deferred tax asset in the amount of PLN 346 109 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 the Budimex SA for the first quarter of 2014 was PLN 42 753 thousand, while the net profit attributable to the shareholders of the Budimex SA for the corresponding period of 2013 was PLN 34 966 thousand.

The net profit attributable to non-controlling interest for the first quarter of 2014 amounted to PLN 346 thousand. In the corresponding period of 2013, the net profit attributable to non-controlling interest amounted to PLN 18 thousand.

In the first quarter of 2014, the Group purchased or started to lease property, plant and equipment and intangible assets with a total value of PLN 1 482 thousand, of which plant and machinery accounted for PLN 707 thousand.

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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.
- SPV-BN 2 Sp. z o.o.
- Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o.
- 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.

The results of segments for the first quarter of 2014 are presented in the table below:

Segment name	amounts in PLN thousands				
	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated value
External sales	660 418	138 615	35 014	-	834 047
Inter-segment sales	35 136	172	3 051	(38 359)	-
Total sales of finished goods, goods for resale and raw materials	695 554	138 787	38 065	(38 359)	834 047
Gross profit	73 435	28 346	3 257	3 268	108 306
Selling expenses	(2 591)	(2 216)	(1 083)	12	(5 878)
Administrative expenses	(38 800)	(4 546)	(1 450)	2 949	(41 847)
Other operating income/ (expenses), net	(8 100)	(40)	37	-	(8 103)
Gains on derivative financial instruments	34	-	-	-	34
Operating profit	23 978	21 544	761	6 229	52 512
Finance income, net	77	1 632	1 899	-	3 608
(Losses) on derivative financial instruments	-	-	(359)	-	(359)
Shares in (losses) of equity accounted entities	(1)	-	(1 384)	-	(1 385)
Income tax expense	(5 507)	(4 450)	(136)	(1 184)	(11 277)
Net profit for the period	18 547	18 726	781	5 045	43 099

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The results of segments for the first quarter of 2013 are presented in the table below:

Segment name	amounts in PLN thousands				Consolidated value
	Construction business	Property management and developer business	Other business	Consolidation adjustments	
External sales	667 930	90 776	94 337	-	853 043
Inter-segment sales	26 507	177	2 305	(28 989)	-
Total sales of finished goods, goods for resale and raw materials	694 437	90 953	96 642	(28 989)	853 043
Gross profit	50 684	19 415	9 929	3 450	83 478
Selling expenses	(2 453)	(2 203)	(1 679)	10	(6 325)
Administrative expenses	(34 637)	(3 495)	(3 802)	3 554	(38 380)
Other operating income/ (expenses), net	697	(722)	83	4 945	5 003
(Losses) on derivative financial instruments	(497)	-	(684)	-	(1 181)
Operating profit	13 794	12 995	3 847	11 959	42 595
Finance income/(costs), net	(14)	1 682	(196)	-	1 472
Shares in (losses) of equity accounted entities	-	-	(950)	-	(950)
Income tax expense	(3 643)	(2 807)	(352)	(1 331)	(8 133)
Net profit for the period	10 137	11 870	2 349	10 628	34 984

6. Related party transaction

Transactions with related parties made in the first quarter of 2014 and in the first quarter of 2013 and unsettled balances of receivables and liabilities as at 31 March 2014 and 31 December 2013 are presented in the tables below:

	amounts in PLN thousands			
	Receivables		Liabilities	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Parent Company and related parties (the Ferrovial Group)	21 332	47 259	92 839	99 370
Jointly-controlled entities	3 521	1 133	727	727
Associates	755	6 710	801	1 436
Other related parties*	131	140	30 872	28 744
Total settlements with related parties	25 739	55 242	125 239	130 277

	amounts in PLN thousands			
	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Parent Company and related parties (the Ferrovial Group)	-	-	8 407	8 333
Jointly-controlled entities	-	-	-	-
Associates	9 482	3 164	-	-
Other related parties*	-	-	-	-
Total settlements with related parties	9 482	3 164	8 407	8 333

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	amounts in PLN thousands			
	Sales of finished goods and services		Purchase of finished goods and services	
	3-month period ended 31 March		3-month period ended 31 March	
	2014	2013	2014	2013
Parent Company and related parties (the Ferrovial Group)	658	1 342	(8 287)	(8 321)
Jointly-controlled entities	417	99	-	(1 342)
Associates	143	19	(1 105)	(1 655)
Other related parties*	63	470	(11 064)	(7 575)
Total settlements with related parties	1 281	1 930	(20 456)	(18 893)

	amounts in PLN thousands			
	Financial income		Financial costs	
	3-month period ended 31 March		3-month period ended 31 March	
	2014	2013	2014	2013
Parent Company and related parties (the Ferrovial Group)	-	-	(111)	(29)
Jointly-controlled entities	-	-	-	-
Associates	114	-	-	-
Other related parties*	-	-	-	-
Total settlements with related parties	114	-	(111)	(29)

*) 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 quarter

The main factors that may affect the financial situation of the Group at least in the next quarter include:

- instability on the financial markets,
- limited bank financing resulting from aversion to the sector,
- deterioration in subcontractors financial standing which may compromise the quality and timeliness of works performed,
- fluctuations of exchange rates, which have the impact on the sales revenue, operating costs and result of the valuation and realization of derivative financial instrument contracts,
- price level of material and construction services affecting the amount of direct costs of realized 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 realized,
- results of the pending legal proceedings, described in more detail in note 12 to these consolidated financial statements,
- level of competition in public tenders.

As at 31 March 2014 the backlog was PLN 4 542 211 thousand. The value of contracts signed between January and March 2014 was PLN 809 833 thousand. The number of pre-sold apartments in the period from January - March 2014 (without booking) is 275 units.

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8. The main events in the first quarter of 2014 and significant events after 31 March 2014

In the first quarter of 2014 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	Customer	Contract value in PLN thousand	Description
7.01.2014	General Directorate for National Roads and Motorways, Branch in Poznań	198 799	Construction of the S5 expressway, Poznań section (A2, Głuchowo junction), Wrocław (A-8, Widawa junction), Kaczkowo - Korzeńsko section (Bojanów and Rawicz ring road) - completion of works". The contract was signed on 21 February 2014.
13.01.2014	Gmina Olsztyn	72 228 (61 127)*	Design and build a tram depot at ul. Kołobrzeska 40 in Olsztyn. The construction works will be carried out by the consortium composed of Budimex SA (leader, 84.63%) and KZN Rail Sp. z o.o. (partner, 15.37%). The contract was signed on 7 February 2014.
21.01.2014	Marszałek Województwa Lubelskiego	89 723	Construction of Lublin Conference Centre and the Construction of the Marshall's Office Building in Lublin with the required technical infrastructure. The contract was signed on 12 March 2014.
22.01.2014	Voivodeship Roads Board in Lublin	44 114	Development of voivodeship road no. 747: Iłża-Konopnica for the section between Konopnica and Kamień.
6.02.2014	Town Infrastructure Managing Authority in Słupsk	88 944	Construction works as part of the Project: New Route for National Road no. 21 in Słupsk. The contract was signed on 25 April 2014.
26.02.2014	General Directorate for National Roads and Motorways, Branch in Łódź	49 660	Work completion for the A1 motorway in the section from the Kujawsko-Pomorskie/Łódzkie voivodeship border to Stryków junction – Task 2 from km 230+817 to km 295+850. Section 2 from Sójki junction to Piątek junction (incl. junction) from km 245+800 to km 273+400, section 1 from km 245+800 to km 261+000. The contract was signed on 22 April 2014.
3.03.2014	Port Lotniczy Szczecin Goleniów Sp. z o.o. in Goleniów	87 696	Expansion and modernisation of the airfield and airport infrastructure at Szczecin-Goleniów Airport.
6.03.2014	Bouygues Immobilier Polska Sp. z o.o.	Contract 1: 33 700 Contract 2: 21 780	Two contracts for the construction of the ARTE NOVA residential complex, stage B1+B3 ("Contract 1") and stage B2 ("Contract 2"), at ul. Jana Kazimierza in Warsaw. These were not the only contracts entered into with the same party in the last 12 months. On 6 December 2013 the Company concluded a contract worth PLN 19 600 thousand.
18.03.2014	PGE Górnictwo i Energetyka Konwencjonalna SA	3 250 000 (725 075)*	Construction of a new power unit at Turów power plant. The construction works will be carried out by the consortium of Hitachi Power Europe GmbH and MHPS Europe GmbH (leader, 55.38%), Budimex SA (partner, 22.31%) as well as Tecnicas Reunidas SA (partner, 22.31%).

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Date	Customer	Contract value in PLN thousand	Description
25.03.2014	Polskie Koleje Państwowe SA	133 993 (120 741)*	Execution of construction and installation works to perform the investment project – Construction of an integrated transport centre in Bydgoszcz – Stage 1 Bydgoszcz Główna Railway Centre. The construction works will be carried out by the consortium of Budimex SA (consortium leader, 90.11%) and Przedsiębiorstwo Wielobranżowe LECH Sp. z o.o. with its registered office in Bydgoszcz (consortium partner, 9.89%).
18.04.2014	Jeronimo Martins Polska SA	58 231	Construction and finishing works in "Distribution centre JMP SA".

*share of the Budimex Group

Bank and guarantee agreements:

Date	Business partner	Contract value in PLN thousand	Description
24.01.2014	Towarzystwo Ubezpieczeń Euler Hermes SA	50 000	Annex to the Contract Guarantee Agreement within the renewable limit of 28 August 2008 Pursuant to the annex, the deadline within which Budimex SA may order the Insurance Company to issue contract insurance guarantees was prolonged until 22 December 2014. Other provisions of the agreement remain unchanged.
5.02.2014	Bank Handlowy w Warszawie SA	50 000	Promised standby overdraft of up to PLN 50 000 thousand until 4 February 2015. Interest will amount to WIBOR 1M plus margin.
10.02.2014	Bank Societe Generale SA Polish branch	165 000	Annex to the bank guarantee agreement. Pursuant to the annex, the limit up to which Budimex may order the Bank to issue guarantees was increased to PLN 165 000 thousand and the agreement was extended until 28 November 2014. Other provisions of the agreement remained unchanged.
19.02.2014	ING Bank Śląski SA	n/a	Annex to the confirmed short-term loan agreement, in which the bank has extended the agreement until 18 February 2015. Other provisions of the agreement remained unchanged.
27.02.2014	Credit Agricole Bank Polska SA	152 000	Annex to the bank guarantee agreement which specifies the new expiry date for the agreement as 29 August 2014 and increases the amount of the available guarantee limit to PLN 152 000 thousand. Other provisions of the agreement remained unchanged.
12.03.2014	Bank Zachodni WBK SA	n/a	Annex to the standby overdraft agreement, which extended the agreement until 3 March 2015. Other provisions of the agreement remained unchanged.
13.03.2014	Bank Zachodni WBK SA	316 000	Annex to the bank guarantee limit agreement, according to which the bank increased the bank guarantee limit by PLN 100 000 thousand i.e. up to PLN 316 000 thousand. Other provisions of the agreement remained unchanged.

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Other events:

On 21 February 2014 the final selling price of the shares in Danwood Sp. z o.o. with its registered office in Bielsk Podlaski was fixed at PLN 240 628 thousand. Thus, the adjustment of the selling price of Danwood shares calculated by the buyer Barwick Investments Sp. z o.o. amounted to PLN 2 028 thousand in favour of the seller, i.e. Budimex B Sp. z o.o.

On 24 April 2014 the Ordinary General Meeting of Budimex SA adopted resolution on dividend payout. Pursuant to the resolution, net profit for the period from 1 January 2013 to 31 December 2013 in the amount of PLN 302 532 thousand has been allocated to the dividend payout in the amount of PLN 11.85 gross per share. The dividend payout will cover all Budimex SA shares, i.e. 25 530 098 shares. The dividend day is on 6 May 2014. The dividend will be paid on 21 May 2014.

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

In the first quarter of 2014 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 quarterly 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 quarter of 2014

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 annual report for the year 2013, i.e. 12 March 2014.

12. Proceedings pending as at 31 March 2014 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 31 March 2014 was PLN 518 395 thousand and exceeded 10% of the equity of Budimex SA, which amounts to PLN 604 354 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 84 189 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 31 March 2014 was PLN 301 292 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 Ferrovia 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.

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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 warranty for a total amount of PLN 54 382 thousand. The claim was finally settled in the verdict of the Arbitration Court in Warsaw of 23 August 2012. The total value of the claim awarded under the verdict 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 Budimex SA's bank account indicated on 28 September 2012. After the Supreme Court dismissed the appeal filed by PPL, the execution carried out became final and PPL can no longer require from the FBL Consortium the repayment of the amounts awarded in a partial verdict.

In the course of the case at the Arbitration Court 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 subsequent statements of claim including extension of the counter-claim, amending the original amount of the 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.

In the opinion of Budimex SA, all the claims under the counter-suit are groundless. Consequently, on 21 October 2008, the FBL Consortium filed a response to the counterclaim, which contained a motion to dismiss the action in its entirety, together with the statement on the groundlessness of PPL's claims. To date, there have been a dozen or so trials during which witnesses for the claimant and the counter-claimant have been examined with respect to the circumstances included in PPL's counter-claim.

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 made 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 indicated in the opinion was favourable for 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 Arbitration Court 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. Since the expert did not draft the opinion on time, at the hearing held on 20 December 2013 the Arbitration Court made a decision on appointment of a new expert. At present, the parties are awaiting the Court's decision regarding the appointment of a new expert selected among proposals submitted.

The Management Board is of the opinion that the final verdict of the Court of Arbitration 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

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, who should evaluate the reasonableness of the claims. Until the date this report was drafted, the expert's opinion has not been drafted yet.

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 contractor costs incurred by the investor when the consortium rescinded the contract. The share of the companies in the consortium was 90 per cent, therefore the value of the claim for which the Company 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. Currently, the expert's opinion is being prepared and should be ready by the end of the second quarter of 2014.

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

Total value of legal proceedings in respect of receivables due to Budimex SA and its subsidiaries as at 31 March 2014 amounted to PLN 217 103 thousand. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of construction work performed.

On 10 March 2009, the District Court in Cracow issued a verdict regarding the claim filed by Budimex Dromex SA against the Municipal Commune of Kraków, awarding the payment of PLN 20 708 thousand together with statutory interest calculated for the period from 5 November 2007 and reimbursement of court fees in the amount of PLN 143 thousand. The claim filed by Budimex Dromex related to the refund of the amount drawn by the Municipal Commune of Kraków on 5 November 2007 from the bank guarantee provided by Budimex Dromex SA as the performance bond for the contract for engineering, design and execution of a sports and show hall in Kraków – Czyżyny concluded on 20 December 2005 between the Consortium of Budimex Dromex SA, Ferrovial Agroman SA and Decathlon SA, and the Municipal Commune of Kraków. The commune drew this amount for the stipulated penalty provided by the contract after previous declaration of withdrawal from the contract and associated imposing of a stipulated penalty despite the fact that Budimex Dromex SA put the legitimacy of imposing of this penalty in question. On 15 July 2009, the Court of Appeals in Kraków, acting as the court of second instance in the proceedings described above, handed down a verdict amending the verdict of the Court of first instance, ordering payment by the Municipal Commune of Kraków to Budimex Dromex SA of the amount of PLN 6 903 thousand together with statutory interest calculated starting on 20 November 2007 until the date of payment and reimbursement of court fees in the amount of PLN 20 thousand. The Court of Appeals dismissed the remainder of the appeal of the Municipal Commune of Kraków and ordered the payment by Budimex Dromex SA to the Municipal Commune of the amount of PLN 70 thousand as the cost of the appellate proceedings. Budimex Dromex SA appealed to the Supreme Court for cassation of this verdict. On 20 October 2010, the Supreme Court granted the cassation and referred the matter for review by the Court of Appeals. In its verdict of 17 February 2011, the Court of Appeals in Kraków, having re-examined the appeal of the Urban Municipality of Kraków against the decision of the Regional Court in Kraków of 10 March 2008, reversed the decision of the Regional Court in Kraków of 10 March 2008 in the part regarding the claim for the amount exceeding PLN 6 903 thousand (i.e. the amount of PLN 13 805 thousand) and referred the case to the Regional Court in Kraków for re-examination and adjudication on legal costs. The case brought by Budimex SA (as a general successor of Budimex Dromex SA) against the Urban Municipality of Kraków for the payment of PLN 20 708 thousand has become final with regard to the amount of PLN 6 903 thousand plus statutory interest calculated from 20 November 2007, having been adjudicated to be paid by the Urban Municipality of Kraków to Budimex SA. The remaining elements of the claim currently are being re-examined by the Regional Court in Kraków. The court accepted as evidence the documents and expert's opinions submitted by Budimex SA. After the expert prepared its opinion, it was addressed by the parties in their pleadings. A supplementary expert's

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opinion was drafted, and later on an additional supplementary opinion. At the hearing held on 14 October 2013, the court asked for a yet another opinion to be drafted by a new expert.

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

13. Contingent liabilities and contingent receivables

	31 March 2014	31 December 2013
	(in PLN thousands)	(in PLN thousands)
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	336 527	353 159
– bills of exchange received as security	12 728	13 074
From other entities, total	349 255	366 233
Other contingent receivables	-	-
Total contingent receivables	349 255	366 233
Contingent liabilities		
To related parties, of which:		
– guarantees and suretyships issued	4 843	3 566
– bills of exchange issued as performance bond	-	-
To related parties, total	4 843	3 566
To other entities, of which:		
– guarantees and suretyships issued	1 524 589	1 497 507
– bills of exchange issued as performance bond	7 815	8 733
To other entities, total	1 532 404	1 506 240
Other contingent liabilities	135 480	143 180
Total contingent liabilities	1 672 727	1 652 986
Total off-balance sheet items	(1 323 472)	(1 286 753)

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 BUDIMEX Group

Condensed consolidated financial statements for I quarter of 2014 prepared in accordance with IFRS

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 31 March 2014:

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
(in PLN thousand)					
Budimex SA	Mostostal Kraków SA	91 497	2021-10-31	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	17 088	2017-07-15	free of charge	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	31 179	2023-01-31	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	117	2015-06-30	free of charge	subsidiary
Budimex SA	Budimex Parking Wrocław Sp. z o.o.	2 059	2017-08-31	free of charge	subsidiary
Budimex SA	FBSerwis SA	3 580	2020-10-30	free of charge	associate
Budimex Budownictwo Sp. z o.o.	FBSerwis SA	1 263	2018-11-16	free of charge	associate
TOTAL		146 783			

President of the Management Board

Dariusz Blocher

Management Board Member

Marcin Węglowski

Warsaw, 29 April 2014