

Budimex SA

Condensed financial statements

for I quarter of 2014

prepared in accordance with
International Financial Reporting Standards

Statement of financial position

ASSETS	31 March 2014	31 December 2013	1 January 2013
	(PLN thousands)	(PLN thousands)	(PLN thousands)
Non-current assets			
Property, plant and equipment	58 383	62 713	84 079
Investment properties	1 898	3 124	3 368
Intangible assets	3 557	2 886	1 210
Investments in subsidiaries	712 940	712 940	763 401
Investments in associates	9 796	9 796	18 596
Other financial assets	8 470	8 445	21 498
Retentions for construction contracts	30 395	29 813	25 919
Long-term prepayments and deferred costs	4 379	4 392	4 096
Deferred tax asset	317 655	320 564	293 757
Total non-current assets	1 147 473	1 154 673	1 215 924
Current assets			
Inventories	111 042	84 850	118 793
Trade and other receivables	384 950	461 292	332 423
Retentions for construction contracts	27 213	29 850	67 211
Amounts due and receivable from customers (investors) under construction contracts	144 435	137 441	222 889
Current tax receivable	-	-	651
Derivative financial instruments	18	29	1 460
Investments in related parties	238 600	238 600	-
Other financial assets	9 482	3 164	-
Cash and cash equivalents	820 235	1 112 254	1 038 436
Short-term prepayments and deferred costs	13 645	12 820	8 255
Total current assets	1 749 620	2 080 300	1 790 118
TOTAL ASSETS	2 897 093	3 234 973	3 006 042

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EQUITY AND LIABILITIES	31 March 2014	31 December 2013	1 January 2013
	(PLN thousands)	(PLN thousands)	(PLN thousands)
Shareholders' equity			
Share capital	145 848	145 848	145 848
Share premium	80 199	80 199	227 835
Other reserves	58 867	58 867	56 899
Foreign exchange differences on translation of foreign operations	5 505	5 486	5 492
Retained earnings	313 935	297 435	(42 573)
Total shareholders' equity	604 354	587 835	393 501
Liabilities			
Non-current liabilities			
Loans, borrowings and other external sources of finance	14 531	17 044	27 740
Retentions for construction contracts	150 717	152 294	155 387
Provision for long-term liabilities and other charges	126 049	125 307	113 930
Long-term retirement benefits and similar obligations	3 264	3 264	2 542
Total non-current liabilities	294 561	297 909	299 599
Current liabilities			
Loans, borrowings and other external sources of finance	18 389	18 165	17 695
Trade and other payables	834 891	1 115 719	1 202 122
Retentions for construction contracts	162 980	179 697	218 454
Amounts due and payable to customers (investors) under construction contracts	610 902	688 159	549 447
Prepayments received	70 273	59 346	55 341
Provision for short-term liabilities and other charges	127 969	115 746	106 757
Current tax payable	-	15 478	-
Short-term retirement benefits and similar obligations	879	879	741
Derivative financial instruments	312	440	243
Short-term accruals	167 696	150 194	156 005
Short-term deferred income	3 887	5 406	6 137
	1 998 178	2 349 229	2 312 942
Total current liabilities	1 998 178	2 349 229	2 312 942
Total liabilities	2 292 739	2 647 138	2 612 541
TOTAL EQUITY AND LIABILITIES	2 897 093	3 234 973	3 006 042
Book value (in PLN thousands)	604 354	587 835	393 501
Number of shares	25 530 098	25 530 098	25 530 098
Book value per share (PLN)	23,67	23,03	15,41

BUDIMEX SA*Condensed financial statements for I quarter of 2014 prepared in accordance with IFRS***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	655 430	674 119
Cost of finished goods, goods for resale, raw materials and services sold	(585 204)	(622 784)
Gross profit on sales	70 226	51 335
Selling expenses	(2 555)	(2 431)
Administrative expenses	(38 015)	(34 037)
Other operating income	5 804	5 903
Other operating expenses	(13 954)	(5 306)
Gains/ (losses) on derivative financial instruments	(35)	(430)
Operating profit	21 471	15 034
Finance income	6 161	47 830
Finance costs	(5 853)	(6 178)
Profit before tax	21 779	56 686
Income tax	(5 279)	(3 810)
Net profit from continuing operations	16 500	52 876
Net profit for the period	16 500	52 876
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	0,65	2,07

Statement of comprehensive income

	3-month period ended 31 March	
	2014	2013
	(PLN thousands)	(PLN thousands)
Net profit for the period previously reported	16 500	53 291
MSSF adjustments	-	(415)
Net profit for the period acc MSSF	16 500	52 876
Other comprehensive income (loss) for the period, which:		
<i>Will be subsequently reclassified to profit or loss:</i>		
Foreign exchange differences on translation of foreign operations	19	51
Deferred tax related to components of other comprehensive income which will be subsequently reclassified to profit or loss	-	-
<i>Will not be subsequently reclassified to profit or loss:</i>		
Actuarial gains/(losses)	-	-
Deferred tax related to components of other comprehensive income which will not be subsequently reclassified to profit or loss	-	-
Other comprehensive income (loss), net of tax	19	51
Total comprehensive income for the period	16 519	52 927

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Statement of changes in equity

	Share capital	Share premium	Other reserves – share-based payments	Foreign exchange differences on translation of foreign operations	Retained earnings	Total
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Balance as at 1 January 2014 previously reported	127 650	78 119	60 096	5 486	302 599	573 950
MSSF adjustments	18 198	2 080	(1 229)	-	(5 164)	13 885
Balance as at 1 January 2014 acc MSSF	145 848	80 199	58 867	5 486	297 435	587 835
Profit for the period	-	-	-	-	16 500	16 500
Other comprehensive income	-	-	-	19	-	19
Total comprehensive income for the period	-	-	-	19	16 500	16 519
Balance as at 31 March 2014	145 848	80 199	58 867	5 505	313 935	604 354

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Statement of changes in equity (cont.)

	Share capital	Share premium	Other reserves – share-based payments	Foreign exchange differences on translation of foreign operations	Retained earnings	Total
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Balance as at 1 January 2013 previously reported	127 650	225 755	57 259	5 492	(35 387)	380 769
MSSF adjustments	18 198	2 080	(360)	-	(7 186)	12 732
Balance as at 1 January 2013 acc MSSF	145 848	227 835	56 899	5 492	(42 573)	393 501
Profit for the period	-	-	-	-	52 876	52 876
Other comprehensive income	-	-	-	51	-	51
Total comprehensive income for the period	-	-	-	51	52 876	52 927
Balance as at 31 March 2013	145 848	227 835	56 899	5 543	10 303	446 428
Profit for the period	-	-	-	-	251 573	251 573
Other comprehensive income	-	-	(697)	(57)	-	(754)
Total comprehensive income for the period	-	-	(697)	(57)	251 573	250 819
Dividends	-	-	-	-	(112 077)	(112 077)
Coverage of prior years' losses	-	(147 636)	-	-	147 636	-
Share-based payments	-	-	2 665	-	-	2 665
Balance as at 31 December 2013	145 848	80 199	58 867	5 486	297 435	587 835

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	21 779	56 686
Adjustments for:		
Depreciation/ amortization	5 492	6 263
Foreign exchange (gains)/ losses	(75)	41
Interest and shares in profits (dividends)	150	(40 950)
(Profit)/ loss on disposal of investments	(900)	55
Change in valuation of derivative financial instruments	(117)	694
Operating profit before changes in working capital	26 329	22 789
Change in receivables and retentions for construction contracts	80 070	(52 282)
Change in inventories	(26 192)	(15 191)
Change in provisions and liabilities arising from retirement benefits and similar obligations	12 965	(5 888)
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	(299 329)	(364 680)
Change in accruals and accrued income	15 171	(7 735)
Change in amounts due and receivable under construction contracts	(84 251)	(68 003)
Change in prepayments received	10 927	5 121
Change in cash and cash equivalents of restricted use	615	(912)
Other adjustments	19	(339)
Cash generated from operations	(263 676)	(487 120)
Income tax paid	(17 849)	(597)
NET CASH USED IN OPERATING ACTIVITIES	(281 525)	(487 717)

BUDIMEX SA*Condensed financial statements for I quarter of 2014 prepared in accordance with IFRS***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	390	1 162
Purchase of intangible assets and tangible fixed assets	(1 488)	(1 679)
Purchases of shares in related entities	-	(6 559)
Loans granted	(6 370)	-
Dividends received	-	6 481
Other inflows from investing activities	167	-
NET CASH USED IN INVESTING ACTIVITIES	(7 301)	(595)
CASH FLOW FROM FINANCING ACTIVITIES		
Payment of finance lease liabilities	(2 438)	(2 410)
Interest paid	(263)	(521)
NET CASH USED IN FINANCING ACTIVITIES	(2 701)	(2 931)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(291 527)	(491 243)
Foreign exchange differences, net	123	136
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (point 1.5)	1 076 157	1 004 338
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (point 1.5)	784 753	513 231

1. Principles applied for the purpose of preparation of financial statements**1.1. Accounting policies applied**

The financial statements of Budimex SA I quarter of 2014 together with comparative data were prepared in accordance with IAS 34 "Interim Financial Reporting" and appropriate accounting standards applicable for preparation of the interim financial statements adopted by the European Union issued and effective when preparing the interim financial statements. The accounting policies adopted by the Company are the same like those adopted by the Group and were described in details in the consolidated financial statements of the Group for the year ended 31 December 2013, published on 12 March 2014.

The financial statements and the comparative data contain aggregate data of the reporting organizational branches acting as at 31 March 2014, 31 December 2013 and 1 January 2013, prepared in foreign currencies and translated into Polish zloty using the rate of exchange presented in the point 1.4 of herein condensed financial statements.

The financial statements and the comparative data contain also assets and liabilities corresponding to Budimex SA share in jointly controlled entities: Budimex SA Sygnity SA Sp. j., Budimex SA Ferroviar Agroman SA Sp. j. and Budimex SA Ferroviar Agroman SA S.C., Budimex SA – Budimex Budownictwo Sp. z o.o. SC, Budimex SA – Cadagua SA SC and Budimex SA – Cadagua II SC.

1.2. Changes in the method of preparation of financial statements

As at 24 April 2014 the Ordinary Shareholding Meeting of Budimex made the resolution on preparing of the separate financial statements of Budimex SA from 1 January 2014 in accordance with the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) and the related interpretations announced as the regulations of the European Commission.

The hereby condensed financial statement for I quarter of 2014 is the first separate financial statement prepared in accordance with the above described standards, hereinafter called "MSSF". Due to that the Company implemented regulations of MSSF 1 "First-time adoption of IFRSs" as well. Up to 31 December 2013, the financial statements of Budimex were prepared in accordance with Polish accounting standards based on the Polish Accounting Act, which are different than IFRS.

As at the date of transition to IFRS, e.i. 1 January 2013, the Company valued assets and liabilities in the amounts recognised in the consolidated financial statements of the Group, for which the transition date was 1 January 2004.

Below, there are described significant differences between IFRS and the Polish accounting standards.

a) Discount of non-current receivables and liabilities

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement" non-current receivables and liabilities which are free of interest are discounted and disclosed in the financial statements at current value. Sales revenue and operating expenses are adjusted by the differences arising in the period between nominal and current value of non-current receivables and non-current liabilities, respectively. The discount value which decreases the nominal value of non-current receivables and liabilities is settled against finance costs or income in the subsequent years.

Previously, the Company recognised receivables and liabilities related to retentions for construction contracts at amount due i.e. at nominal value.

b) Translation of non-current financial assets denominated in foreign currencies

In accordance with IAS 39, where fair value cannot be reliably estimated, available-for-sale financial assets are valued at historical costs.

Previously, the Company valued the non-current financial assets covering the shares in foreign operations and denominated in foreign currencies using the rate prevailing at the reporting date. Foreign exchange differences on the translation are appropriately allocated to equity (in case the value was higher than historical one) or to the financial result (in case the value was lower than historical one).

At the date of transition to IFRS, the Company recognised the shares in foreign currencies at historical value and differences on the translation were adjusted in equity.

c) Adjustment to equity due to hyperinflation

In accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies", for the period, in which economy is hyperinflationary, assets and liabilities should be valued in current prices as at the balance sheet date, being the basis for valuation in the following periods.

According to the Polish accounting standards, hyperinflationary effects are not recognised in the financial statements.

At the date of transition to IFRS, the Company adjusted shareholders' equity and share premium for the period, in which Polish economy was hyperinflationary. The effects of translation and reconciliation of balances shown in the corporate records of the Company to the amount recognised in the financial statements of the Budimex were presented in the table below.

	31 March 2014	1 January 2013
Ordinary shares		
Registered capital	127 650	127 650
Translation of capital due to hyperinflation	18 198	18 198
Value disclosed in the financial statements	145 848	145 848
Share premium		
Registered capital	78 119	225 755
Translation of capital due to hyperinflation	2 080	2 080
Value disclosed in the financial statements	80 199	227 835

The value by which the share capital and share premium were adjusted in connection with hyperinflation was recognised in equity under "Retained earnings" in the financial statements.

d) Employee benefits

In accordance with IAS 19 "Employee benefits", actuarial gains/losses are recognised in the statement of comprehensive income.

Previously, the Company recognised actuarial gains/losses in the income statement.

e) Perpetual usufruct

In accordance with IFRS, perpetual usufruct received from a community council should be recognised as an operating lease (IAS 17 "Leases") or as an investment property (IAS 40 "Investment property").

At the date of transition to IFRS, the Company classified the perpetual usufruct received from a community council as an operating lease and recognised it as the off – balance item.

Previously, the Company recognised the perpetual usufruct received from a community council as the investment property and accrued income.

f) Deferred tax

Differences in the accounting policies prevailing in Poland and IFRS have an impact on the deferred income tax computation.

Significant changes in preparing of the statement of cash flow

The most significant change in preparing of the statement of cash flow in accordance with IFRS comparing to previous rules was reducing the balance of cash at the beginning and at the end of the reporting period by the cash of restricted use. It was described in details in the point 1.5 hereinafter condensed financial statement.

1.3. Differences between current and comparative data reported in the herein condensed financial statements and the data contained in the prior period condensed financial statements

Due to changes in the method of preparation of financial statements described in point 1.2 the data as at the date of transition to IFRS, e. i. 1 January 2013 as well as the comparative data as at 31 December 2013 and 31 March 2013 was recognised in such way to reflect those changes. Below, it is presented impact of those changes on shareholders' equity and net result.

Shareholders' equity

	31 December 2013	31 March 2013	1 January 2013
Shareholders' equity according to PAS	573 950	434 111	380 769
Adjustments:			
Valuation of non-current financial assets	22	22	22
Discount of non-current receivables and liabilities	17 120	15 184	15 697
Deferred tax calculated on above adjustments	(3 257)	(2 889)	(2 987)
Shareholders' equity according to IFRS	587 835	446 428	393 501

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Net result

	2013	3-month period ended 31 March 2013
Net result according to PAS	302 599	53 291
Adjustments:		
Discount of non-current receivables and liabilities	1 423	(512)
Actuarial gains/losses*	860	-
Deferred tax calculated on above adjustments	(433)	97
Result according to IFRS	304 449	52 876

*the amount reducing by deferred tax was recognised in the statement of comprehensive income

1.4. The principles of 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 cash flow statement 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 cash flow statement 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.

1.5. Cash recognised in the statement of cash flow

The Company recognizes cash of restricted use, covers cash of consortia in the part attributable to the consortium members, in the statement of financial position under cash and cash equivalents. For the purpose of the statement of cash flow – the balance of cash at the beginning and at the end of the reporting period is reduced by cash of restricted use, and its change in the statement of financial position is recognized under cash flow from operating activities.

	31 March 2013	1 January 2014	31 March 2013	1 January 2013
	(in PLN thousands)	(in PLN thousands)	(in PLN thousands)	(in PLN thousands)
Cash recognised in the statement of financial position	820 235	1 112 254	548 241	1 038 436
Cash and cash equivalents of restricted use	(35 482)	(36 097)	(35 010)	(34 098)
Cash recognised in the statement of cash flow	784 753	1 076 157	513 231	1 004 338

1.6. Going concern

The financial statements of the Company were prepared on the assumption that the Company will be going concern during the period of 12 months from the balance sheet date, i.e. 31 March 2014 without a significant limitation in its activities. As at the date of signing the financial statements, the Management Board of the Company is not aware of any facts or circumstances that would indicate a threat to the Company's continued activities after the balance sheet date, due to an intended or compulsory withdrawal from or a significant limitation in its activities.

As at 31 March 2014 the excess of the current liabilities over the current assets amounted to PLN 248 558 thousand. Taking into consideration very good financial position of Budimex Group related to liquidity, of which the excess of current assets over current liabilities as at 31 March 2014 amounted to PLN 416 032 thousand, the Company's Management Board does not state as at the date of signing the financial statements any threat to Company's ability to continue as a going concern.

2. Changes in the shareholding structure

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 (Holandia) - Spółka z Grupy Ferrovial SA (Hiszpania)	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 was notified of the sale of the Company shares by OFE PZU "Złota Jesień". The respective share of this shareholder was decreased to 4.31% of the total number of votes. Before the change, OFE PZU held 1 100 000 shares.

3. Description of factors and events which had a material effect on a financial result of Budimex SA**3.1. Business operation of the Company in the I 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 period of three months of 2014 Budimex SA earned sales revenue in the amount of PLN 655 430 thousand, mainly related to sales of construction services (98,80%) amounted to PLN 647 548 thousand.

In the comparative period of the year 2013, sales revenue amounted to PLN 674 119 thousand, mainly related to sales of construction services (99,43%) amounted to PLN 670 253 thousand. The difference in the amount of sales revenue recognised in the condensed financial statements for I quarter of 2013 related to adjustment of discounted retentions for construction contracts.

Gross profit on sales for the 3-month period of 2014 amounted to PLN 70 226 thousand and was PLN 18 891 thousand (36.80%) higher than in the comparative period of the previous year.

Total amount of administrative and selling expenses in I quarter of 2014 was PLN 40 570 thousand, while in I quarter of 2013 amounted to PLN 36 468 thousand. The share of selling and administrative expenses in total sales was equal to 6.19% (in the first quarter of 2013 to 5.41%).

In I quarter of 2014, the result from the other operating activity was negative and amounted to PLN 8 185 thousand (in I quarter of 2013 it was positive and amounted to PLN 167 thousand). The above was related mainly to recognition of provisions for penalties and legal proceedings accordingly in the amounts of PLN 10 339 thousand and 1 761 thousand as well as revenue from penalties and fines received in the amount to PLN 2 263 thousand and profit on sales of fixed assets and property investment in the amount of PLN 900 thousand.

In I quarter of 2014 the operating profit amounted to PLN 21 471 thousand and was higher of PLN 6 437 thousand (42.82%) compared to the comparative period of the year 2013. In I quarter of 2014, the operating margin was equal to 3.28%, while in the comparative period of 2013 was equal to 2.23%.

In I quarter of 2014, the result from financial activity was positive and amounted to PLN 308 thousand. In the comparative period of 2013, the result was higher of PLN 41 652 thousand due to dividends received in that period.

Profit before tax for the period of 3-months of 2014 amounted to PLN 21 779 thousand, while in the comparative period of 2013 amounted to PLN 56 686 thousand

In the period of three months of 2014 the Company reported a net profit of PLN 16 500 thousand gaining net profit margin of 2.52%.

3.2. Changes of estimates

Provisions for expected contract losses

In accordance with accounting policies adopted, the Company creates provisions for expected contract losses if budgeted contract costs exceed the entire expected contract revenue. 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 206 895 thousand, while as at 31 December 2013 amounted to PLN 209 025 thousand. Due to that, in the 3-month period of 2014 the balance of provision decreased by PLN 2 130 thousand.

Provision for legal proceedings

The Company recognises provisions for legal proceedings when it is suited and the probability of an unfavourable court judgement is higher than the probability of a favourable one. An estimation of that result is made on the basis of analysis of a legal proceedings progress as well as lawyers' opinions. As at 31 March 2014, the balance of the provision in this respect amounted to PLN 37 206 thousand, while as at 31 December 2013 amounted to PLN 35 703 thousand. Due to that, in the 3-month period of 2014 the balance of provision increased by 1 503 thousand.

Provision for penalties

The Company recognises provisions for penalties related to the realization of construction contracts. A provision is recognised only when the Company has a present obligation as a result of past event, the settlement of that obligation is highly probable and a reliable estimate can be made of the amount of the obligation. As at 31 March 2014, the balance of the provision in this respect amounted to PLN 49 189 thousand, while as at 31 December 2013 amounted to PLN 39 005 thousand. Due to that, in the 3-month period of 2014 the balance of provision increased by PLN 10 184 thousand.

Costs of future warranty repairs

The Company is required to issue guarantees for its construction services. It is accepted that the provision between 0.15%-1.4% of revenue from the given contract is made what depends on particular construction segment. This general value is assessed on an individual basis and may be increased or reduced, as appropriate. As at 31 March 2014, the balance of the provision in this respect amounted to PLN 164 854 thousand, while as at 31 December 2013 amounted to PLN 163 576 thousand. Due to that, in the 3-month period of 2014 the balance of provision increased by PLN 1 278 thousand.

Deferred tax asset and liability

As at 31 March 2014, the balance of deferred tax asset (reducing by deferred tax liability) amounted to PLN 317 655 thousand, while as at 31 December 2013 amounted to PLN 320 564 thousand. Due to that, in the 3-month period of 2014 the balance of deferred tax asset decreased by PLN 2 909 thousand.

Impairment write-downs against receivables

As at 31 March 2014, the balance of recognized impairment write-downs against receivables amounted to PLN 129 068 thousand, while as at 31 December 2013 amounted to PLN 128 999 thousand. In the 3-month period of 2014 the Company recognized impairment write-downs in the amount of PLN 953 thousand and reversed it in the amount of PLN 884 thousand. The difference to the amount presented in the Financial statements for the year 2013 of PLN 30 058 thousand relates to impairment of prepayment recognised previously as "Inventory".

Impairment write-downs against inventory

As at 31 March 2014 and 31 December 2013, the balance of recognised impairment write-downs against inventory amounted to PLN 385 thousand. Due to that, in the 3-month period of 2014 the balance of recognised impairment write-downs was not change.

3.3. Material changes of the legal proceedings pending in I quarter of 2014

As at 31 March 2014, the total value of the proceedings relating to the Company's liabilities and claims accordingly amounted to PLN 299 023 thousand and PLN 214 089 thousand, and as at 31 December 2013 accordingly PLN 295 277 thousand and PLN 203 854 thousand.

3.4. Contingent liabilities and contingent receivables

	31 March 2014	31 December 2013
	(in PLN thousands)	(in PLN thousands)
<u>Contingent receivables</u>		
From related parties, of which:		
– guarantees and suretyships received	880	880
– bills of exchange received as security	2 964	1 092
– other	10 793	10 793
From related parties, total	14 637	12 765
From other entities		
– guarantees and suretyships received	319 435	338 524
– bills of exchange received as security	2 018	1 978
From other entities, total	321 453	340 502
Total contingent receivables	336 090	353 267
<u>Contingent liabilities</u>		
To related parties, of which:		
– guarantees and suretyships issued	145 520	138 657
– bills of exchange issued as performance bond	-	-
To related parties, total	145 520	138 657
To other entities, of which:		
– guarantees and suretyships issued	1 381 585	1 348 669
– bills of exchange issued as performance bond	4 985	5 905
To other entities, total	1 386 570	1 354 574
Other contingent liabilities	135 480	143 180
Total contingent liabilities	1 667 570	1 636 411
Total off-balance sheet items	(1 331 480)	(1 283 144)

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

Contingent liabilities represent guarantees and suretyships issued by banks to business partners of the Company as security for the potential claims they may be filed against the Company in respect of the construction contracts in progress. Banks are entitled to recourse the underlying claims to the Company.

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

3.5. Bank guarantees and insurance agreements signed in I quarter 2014

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 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 credit facility 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.

3.6. Other material events in I quarter of 2014

On 12 March 2014 the Management Board of Budimex SA recommend taking the decision to pay out a dividend of PLN 11.85 gross per one share to the Ordinary General Meeting in 2014. It is suggested to reserve unit net profit for the period from 1 January 2013 to 31 December 2013 in the amount of PLN 302 532 thousand for the dividend. Dividend day, i.e. the day of establishing the list of shareholders entitled to dividend for 2013, is suggested to be set for 6 May 2014. Deadline for payment of dividend is proposed to be set for 21 May 2014.

On 24 April 2014 the Ordinary Shareholding Meeting made a resolution on payment of dividend according to the Board recommendation.

**President
of the Management Board**

**Member
of the Management Board**

Dariusz Blocher

Marcin Węglowski

Warsaw, 29 April 2014