

**THE BUDIMEX GROUP**

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

**for the first half of 2013**

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## **1. BUSINESS ENVIRONMENT**

### **1.1 General market condition**

The first half of 2013 brought further economic slowdown. The economic growth rate in Poland in 2012 fell down to 1.9%, while in 2011 it reported a growth of 4.5% (in constant average prices of the previous year). According to the estimations of the Main Statistical Office (GUS) the growth of GDP in the first and second quarter of the current year amounted to 0.5% and 0.8% accordingly in comparison to the analogical quarters of the previous year.

The first half of 2013 was marked by strong declines in output in the construction industry. The value of construction-assembly production (in current prices) was lower by 23.0% in the first half of 2013 than a year earlier. Limitation of production was mainly due to the decrease in the value of production generated in the infrastructure segment (a decrease of 30.7% compared to the first half of 2012). This decrease was due mainly to reduced scale of investment, in particular in the road segment, as well as due to adverse weather conditions. In 2012 the expenditures of the key customer in the road segment, the General Directorate for National Roads and Motorways, fell to PLN 22.6 billion (compared to PLN 26.4 billion spent in the record year of 2011). The planned expenditures for the current year are approximately PLN 18 billion. The fall in the general construction (residential and non-residential) was lower and amounted to 14.9%. Lower construction production in 2013 was accompanied by deterioration in the overall rate of investment climate in the construction industry, which in June 2013 reached the level of -17 points (historically low June reading) compared to -14 points last year and 4 points in June 2011.

In the first half of 2013 a further reduction in new investments in the housing market was observed. Developers started construction of 21 000 flats for sale, by 39.5% less compared to the same period last year. On the other hand, contrary to market expectations, despite the expiry of the "Rodzina na swoim" program, the number of the units pre-sold within six months of the current year by the largest development companies was higher than a year earlier.

### **1.2 Market development prospects**

The vast majority of the market forecasts say that in 2013 the Polish economy will grow more slowly than last year, when GDP growth was 1.9%. The European Commission's forecasts assume growth of 1.1% this year and an acceleration to 2.2% in 2014.

Prospects for the development of the construction market are varied, depending on the segment. The Ministry of Economy estimates that the production made by the sector in 2013 will drop by 9.5% compared to the previous year.

However, the first signs heralding improvements in the industry can be observed. While the past year was a period of limiting the scale of investment commenced by the General Directorate for National Roads and Motorways, this year it is planned to launch a number of tender procedures for the construction of highways. According to Annex 5 to Resolution No. 93/2013 of the Council of Ministers of 4 June 2013 (an updated National Road Construction Program for 2011-2015), till the end of 2013 the General Directorate for National Roads and Motorways plans to launch tender procedures of the estimated value of PLN 35.7 billion. The aim of the program is to continue building a modern road network, while maintaining the continuity of investments initiated in previous years. According to the program, it will enable to start the construction works already in 2014. According to the schedule, the expenditures on new roads will amount to PLN 5.2 billion in 2014, PLN 11.8 billion in 2015 and PLN 18.7 billion in subsequent years.

In the coming years a significant increase in investments in railway infrastructure is expected. According to the data contained in the "Long-term Rail Investment Program till the year 2015" prepared by the Ministry of Transport, Construction and Maritime Economy, the expenditures of PKP PLK (the main investor in the sector) in 2013 are expected to reach PLN 7.7 billion. In the year 2014 they are assumed to exceed the level of PLN 11 billion.

In the coming quarters further liquidity problems and a continuing high level of blockage of payments can be expected in the construction industry. Financial institutions still look very unfavorably on the construction sector, which increases the difficulties of the contractors. The difficult situation in the industry may be an opportunity for companies with strong fundamentals and a stable financial situation.

In the long term, a key driver of investment in construction industry will be aid funds of the European Union for Poland for the years 2014-2020. Under the future financial perspective Poland can expect an allocation of EUR 72.9 billion, more than the allocation for the period 2007-2013. A large part of the funds will be allocated for investment in infrastructure (preliminary estimates forecast an allocation at the level of EUR 21 billion), including the construction of roads and railways.

## 2. SIGNIFICANT DEVELOPMENTS IN THE FIRST HALF OF 2013

### 2.1 Major construction contracts concluded by the Budimex Group companies

Contract date	Contract value for the Budimex Group (in PLN '000)	Customer	Type of construction
2013-05-07	582 225	Pomorska Kolej Metropolitalna SA	Design and construction of Pomeranian Metropolitan Railway Stage I
2013-05-07	399 001	Generalna Dyrekcja Dróg Krajowych i Autostrad o. Kraków	Continuation of the construction of the Tarnów - Rzeszów part of the A4 motorway for the section between the Krzyż junction and the Dębica Pustynia junction, km 502+796.97 to approx. km 537+550
2013-02-01	149 569	Generalna Dyrekcja Dróg Krajowych i Autostrad o. Rzeszów	Continuation of the construction of the A4 motorway section between the Rzeszów Zachód interchange and the Rzeszów Centralny interchange
2013-02-11	137 754	Medical University in Białystok	Alteration and Extension of the Teaching Hospital of the Medical University in Białystok
2013-02-05	118 000	KGHM Polska Miedź SA	Development of a building complex consisting of electrical and energy building together with a supporting construction and installations
2013-04-05	106 920	Przedsiębiorstwo Państwowe „Porty Lotnicze”	Extension of a landing area for the Warsaw Chopin Airport in Warsaw
2013-04-05	88 930	Pro Urba Invest Sp. z o.o.	Construction of residential buildings located at Sienna/Kolejowa Street in Warsaw – II stage
2013-05-17	61 518	National Museum in Wrocław	Renewal and reconstruction of Four Domes Pavilion for exhibition purposes of the Wrocław National Museum
2013-04-30	42 981	Zakład Gospodarki Wodno-Kanalizacyjnej Sp. z o.o.	Modernisation of the Sewage Treatment Plant and Sewerage System Forming Part of the Agglomeration of Tomaszów Mazowiecki
2013-04-08	36 503	Celowy Związek Gmin Proekob w Bełżycach	Waste Management Plant in Bełżyce

### 2.2 Risk factors

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

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

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

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

and furthermore:

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

### 3. FINANCIAL SITUATION

#### 3.1 Key economic – financial data of the Budimex Group

##### Consolidated Statement of Financial Position

The main items of the consolidated statement of financial position of the Budimex Group as at 30 June 2013, compared to 31 December 2012, are presented in the table below:

	30.06.2013	31.12.2012	Change	% Change
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>569 538</b>	<b>559 807</b>	<b>9 731</b>	<b>1.7%</b>
Property, plant and equipment	111 602	111 192	410	0.4%
Investment properties	23 409	3 256	20 153	618.9%
Intangible assets	4 444	2 992	1 452	48.5%
Goodwill	73 237	73 237	-	0.0%
Equity accounted investments	6 685	16 966	(10 281)	(60.6%)
Available-for-sale financial assets	7 633	17 135	(9 502)	(55.5%)
Retentions for construction contracts	22 403	19 202	3 201	16.7%
Trade and other long-term receivables	8 945	-	8 945	100.0%
Long-term prepayments and deferred costs	5 238	4 176	1 062	25.4%
Deferred tax assets	305 942	311 651	(5 709)	(1.8%)
<b>Current assets</b>	<b>2 558 268</b>	<b>2 888 404</b>	<b>(330 136)</b>	<b>(11.4%)</b>
Inventories	838 074	876 206	(38 132)	(4.4%)
Trade and other receivables	497 158	401 836	95 322	23.7%
Retentions for construction contracts	40 644	49 419	(8 775)	(17.8%)
Amounts due and receivable from customers under construction contracts	391 208	227 490	163 718	72.0%
Current tax receivable	666	935	(269)	(28.8%)
Derivative financial instruments	1 028	5 724	(4 696)	(82.0%)
Cash and cash equivalents	776 018	1 317 733	(541 715)	(41.1%)
Short-term prepayments and deferred costs	13 472	9 061	4 411	48.7%
<b>TOTAL ASSETS</b>	<b>3 127 806</b>	<b>3 448 211</b>	<b>(320 405)</b>	<b>(9.3%)</b>

As at 30 June 2013, total consolidated assets decreased by PLN 320 405 thousand compared to 31 December 2012, mainly due to a 11.4% (PLN 330 136 thousand) decrease in the current assets.

##### Non-current assets:

Change in the value of non-current assets at 30 June 2013 as compared to 31 December 2012 was caused mainly by the following:

- gaining control over Elektromontaż Poznań SA Group and therefore consolidation of investment property amounting to PLN 20 232 thousand and a decrease in the value of the equity accounted investments,
- recognition of other long-term receivables amounting to PLN 8 945 thousand related to the project carried out by Budimex Parking Wrocław Sp. z o.o.,
- decrease in value of available-for-sale financial assets due to addition of Budimex Kolejnictwo SA and Budimex Parking Wrocław Sp. z o.o. to the consolidation scope,
- decrease in the balance of deferred tax assets by PLN 5 709 thousand.

Current assets:

Current assets decreased by PLN 330 136 thousand due to the following:

- decrease in the balance of cash and cash equivalents by PLN 541 715 thousand, mainly due its use to finance the operating activities and payment of dividend,
- increase in the balance of trade and other receivables by PLN 95 322 thousand and
- increase in the balance of amounts due and receivable from customers under construction contracts (valuation of construction contracts) by PLN 163 718 thousand.

<b>EQUITY AND LIABILITIES</b>	<b>30.06.2013</b>	<b>31.12.2012</b>	<b>Change</b>	<b>% Change</b>
<b>Shareholders' equity attributable to the shareholders of the Parent Company</b>	<b>389 079</b>	<b>433 130</b>	<b>(44 051)</b>	<b>(10.2%)</b>
Share capital	145 848	145 848	-	0.0%
Share premium	234 799	234 799	-	0.0%
Other reserve	2 705	2 705	-	0.0%
FX differences on translation of foreign operations	2 415	2 190	225	10.3%
Retained earnings/ (losses)	3 312	47 588	(44 276)	(93.0%)
<b>Non-controlling interests</b>	<b>16 327</b>	<b>-</b>	<b>16 327</b>	<b>100.0%</b>
<b>Total shareholders' equity</b>	<b>405 406</b>	<b>433 130</b>	<b>(27 724)</b>	<b>(6.4%)</b>
<b>Liabilities</b>	<b>2 722 400</b>	<b>3 015 081</b>	<b>(292 681)</b>	<b>(9.7%)</b>
<b>Non-current liabilities</b>	<b>370 337</b>	<b>382 378</b>	<b>(12 041)</b>	<b>(3.1%)</b>
Loans, borrowings and other external sources of finance	68 796	75 967	(7 171)	(9.4%)
Retentions for construction contracts	152 827	161 143	(8 316)	(5.2%)
Provision for long-term liabilities and other charges	144 754	141 521	3 233	2.3%
Retirement benefits and similar obligations	3 960	3 747	213	5.7%
<b>Current liabilities</b>	<b>2 352 063</b>	<b>2 632 703</b>	<b>(280 640)</b>	<b>(10.7%)</b>
Loans, borrowings and other external sources of finance	31 637	17 718	13 919	78.6%
Trade and other liabilities	1 198 437	1 287 594	(89 157)	(6.9%)
Retentions for construction contracts	202 101	222 146	(20 045)	(9.0%)
Amounts due and payable to customers under construction contracts	379 216	534 870	(155 654)	(29.1%)
Prepayments received	283 004	274 050	8 954	3.3%
Provision for short-term liabilities and other charges	109 919	116 060	(6 141)	(5.3%)
Current tax payable	1 935	6 225	(4 290)	(68.9%)
Retirement benefits and similar obligations	1 052	1 036	16	1.5%
Derivative financial instruments	3 144	257	2 887	1123.3%
Short-term accruals	134 890	161 608	(26 718)	(16.5%)
Short-term deferred income	6 728	11 139	(4 411)	(39.6%)
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3 127 806</b>	<b>3 448 211</b>	<b>(320 405)</b>	<b>(9.3%)</b>

Equity and liabilities:

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

- decrease in the balance of amounts due and payable to customers under construction contracts by PLN 155 654 thousand, related to re-valuation of construction contracts and a decrease in the balance of provisions for contract losses,
- decrease in the balance of short-term accruals by PLN 26 718 thousand,
- decrease in the value of short-term retentions for construction contracts by PLN 20 045 thousand,
- decrease in the value of short-term trade and other liabilities by PLN 89 157 thousand.

## Consolidated Profit and Loss Account

	01.01- 30.06.2013	01.01- 30.06.2012	Change	% Change
Net sales of finished goods, services, goods for resale and raw materials	2 087 665	2 883 765	(796 100)	(27.6%)
Cost of finished goods, services, goods for resale and raw materials sold	(1 906 095)	(2 654 455)	748 360	(28.2%)
<b>Gross profit on sales</b>	<b>181 570</b>	<b>229 310</b>	<b>(47 740)</b>	<b>(20.8%)</b>
Selling expenses	(13 335)	(11 359)	(1 976)	17.4%
Administrative expenses	(76 723)	(96 660)	19 937	(20.6%)
Other operating income	21 092	18 795	2 297	12.2%
Other operating expenses	(19 175)	(87 971)	68 796	(78.2%)
Gains/ (losses) on derivative financial instruments	(4 800)	4 325	(9 125)	(211.0%)
<b>Operating profit</b>	<b>88 629</b>	<b>56 440</b>	<b>32 189</b>	<b>57.0%</b>
Finance income	15 225	25 169	(9 944)	(39.5%)
Finance costs	(15 124)	(22 262)	7 138	(32.1%)
Share in net (losses) of equity accounted companies	(1 517)	(760)	(757)	99.6%
<b>Profit before tax</b>	<b>87 213</b>	<b>58 587</b>	<b>28 626</b>	<b>48.9%</b>
Income tax	(19 362)	(36 500)	17 138	(47.0%)
<b>Net profit for the period</b>	<b>67 851</b>	<b>22 087</b>	<b>45 764</b>	<b>207.2%</b>
<i>Of which:</i>				
<b>Attributable to the shareholders of the Parent Company</b>	<b>67 801</b>	<b>22 087</b>	<b>45 714</b>	<b>207.0%</b>
<i>non-controlling interests</i>	50	-	50	100.0%

In the 6-month period ended 30 June 2013, the Budimex Group earned sales revenue of PLN 2 087 665 thousand which means a 27.61% decrease compared to the corresponding period of 2012.

In the first half of 2013 construction-assembly production in Poland expressed in current prices decreased by 23.0% compared to the corresponding period of the prior year (a decrease by 21.5% in fixed prices), while sales of the construction segment of the Budimex Group on the home market were down 36.88% compared to the corresponding periods.

Gross profit on sales in the first half of 2013 was PLN 181 570 thousand, while in the corresponding period of the prior year it amounted to PLN 229 310 thousand. The gross sales profitability ratio was therefore 8.70% in the first half of 2013, while in the first half of 2012 it amounted to 7.95%. In the first half of 2013 gross profit on sales in the construction segment amounted to PLN 127 295 thousand and was lower by PLN 77 542 thousand compared to the corresponding period of the prior year, albeit gross sales profitability ratio of construction segment for the first half of 2013 was 7.21% (7.43% in the first half of 2012). In turn, gross profit on sales in the developer segment in the 6-month period of 2013 was PLN 29 683 thousand, while in the corresponding period of the prior year it amounted to PLN 19 036 thousand. Gross sales profitability ratio of the developer segment decreased from 22.84% in the first half of 2012 to 20.66% in the corresponding period of the current year.

In accordance with the accounting policies adopted, when budgeted contract costs exceed the entire expected contract revenue, Group companies create provisions for expected contract losses and recognize them under „Amounts due and payable to customers under construction contracts”. 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 30 June 2013, the balance of the provision for contract losses amounted to PLN 206 121 thousand. In the first half of 2013, the balance of provision for contract losses decreased by PLN 22 318 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 30 June 2013 the provision for warranty amounted to PLN 170 659 thousand. In the 6-month period ended 30 June 2013 the balance of the provision for warranty increased by PLN 34 thousand.

Selling expenses increased in the first half of 2013 by PLN 1 976 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 19 937 thousand lower than expenses incurred in the corresponding period of 2012. The share of selling and administrative expenses in total sales increased from 3.75% in the first half of 2012 to 4.31% in the first half of the current year.

Other operating income for the first half of 2013 was PLN 21 092 thousand (PLN 18 795 thousand for the first half of 2012) and comprised gain from bargain purchase amounting to PLN 3 558 thousand, gain on the fair value valuation of the previously held equity interest in Elektromontaż Poznań SA in the amount of PLN 1 390 thousand, reversal of impairment write-downs against doubtful debts in the amount of PLN 2 735 thousand and income from compensations and contractual penalties in the amount of PLN 7 517 thousand. Income from the reversal of restructuring provisions amounted to PLN 2 354 thousand and income the reversal of provisions for lawsuits amounted to PLN 1 960 thousand.

Other operating expenses for the first half of 2013 amounted to PLN 19 175 thousand (PLN 87 971 thousand for the first half of 2012), of which PLN 10 990 thousand related to impairment write-downs against receivables, PLN 2 188 thousand related to provisions created for legal proceedings and the costs of court fees, judicial execution and court proceedings amounted to PLN 769 thousand. The value of compensations and contractual penalties charged to the Group result in the period discussed was PLN 2 858 thousand. Additionally, in the period of six months of 2013 Group companies disposed of tangible fixed assets and incurred a loss on sale of PLN 45 thousand. The net book value of the tangible fixed assets sold in the period of six months of 2013 amounted to PLN 1 304 thousand.

During the first half of 2013 the Group incurred loss on valuation and realization of derivative financial instruments contracts (made with a view to limiting the FX risk on foreign currency construction contracts) in the amount of PLN 4 800 thousand, while in the corresponding period of the prior year it reported gain in the amount of PLN 4 325 thousand. The valued derivative financial instruments contracts were classified as level 2 in the fair value hierarchy. During the 6 months ended 30 June 2013, there was no transfer between Level 1 and Level 2 fair value measurements, and no transfer into and out of Level 3 fair value measurement.

The reported operating profit of the Group in the first half of 2013 was PLN 88 629 thousand, while in the first half of 2012 it amounted to PLN 56 440 thousand (increase by 57.03%). The operating profit for the first half of 2013 represented 4.25% of sales revenue value, while for the corresponding period of the prior year it represented 1.96% of sales revenue.

In the 6-month period ended 30 June 2013 the Group generated profit on financing activities in the amount of PLN 101 thousand, compared to a profit of PLN 2 907 thousand in the corresponding period of the prior year. Finance income in the first half of 2013 represented mainly interest of PLN 15 223 thousand. Finance costs in the first half of 2013 represented, among others, interest costs of PLN 2 688 thousand, bank commissions on guarantees and loans of PLN 6 575 thousand paid by Group companies, costs from discount of long-term retention receivables and liabilities of PLN 2 907 thousand and negative foreign exchange difference amounting to PLN 2 937 thousand (in the corresponding period of the previous year the Group reported positive exchange differences of PLN 1 768 thousand).

In the first half of 2013, the Group reported a gross profit of PLN 87 213 thousand, while in the corresponding period of the prior year – a gross profit of PLN 58 587 thousand (increase by 48.86%).

Income tax for the 6-month period ended 30 June 2013 was PLN 19 362 thousand (PLN 36 500 thousand for the 6-month period of 2012), of which:

- current tax was PLN 8 749 thousand,
- deferred tax was PLN 10 613 thousand.

As at 30 June 2013, the Group recognized a deferred tax asset in the amount of PLN 305 942 thousand, while as at 31 December 2012 – PLN 311 651 thousand. The reported items of deferred tax asset in the statement of financial position 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 Group for the first half of 2013 was PLN 67 801 thousand, while the net profit attributable to the shareholders of the Budimex Group for the corresponding period of 2012 was PLN 22 087 thousand (increase by 206.97%).

The net profit attributable to non-controlling interest for the first half of 2013 amounted to PLN 50 thousand. In the corresponding period of 2012, there was no net profit attributable to non-controlling interest.

### **Statement of Cash Flow**

The Budimex Group entered the year 2013 with cash on hand and cash at bank amounting to a total of PLN 1 317 733 thousand. For the purpose of the Statement of Cash Flow this amount was reduced by the amount of cash of restricted use of PLN 10 987 thousand. Net cash flow for the first half of 2013 was negative and amounted to PLN 557 255 thousand. As at 30 June 2013, cash balance was PLN 776 018 thousand, of which cash of restricted use was PLN 26 125 thousand.

In the first half of 2013, the cash flows from operating activities showed a negative balance of PLN 441 848 thousand.

Cash flow from investing activities showed a negative balance of PLN 8 043 thousand that resulted mainly from the expenditures on the shares of Elektromontaż Poznań SA.

Cash flow from financing activities for the first half of 2013 showed a negative balance of PLN 107 364 thousand and was caused mainly by payment of dividends.

### **3.2 Managing of finance at the Budimex Group**

Cash flow from operating activities of the Budimex Group in the first half of 2013 were negative, which is due to the type of the business conducted, where significant cash inflows from operating activities are realized at the year-end, while in the first two quarters of the year cash is rather engaged in current operating activities. Negative cash flow from operating activities in the period of first half of 2013 mainly resulted from adjustments in the level of working capital in the first quarter of 2013, which were the consequence of significant cash surplus achieved in the fourth quarter of 2012 by construction business. Decrease in the balance of cash in the period of first half of 2013 was also caused by dividend payment amounting to PLN 112 077 thousand, which took place in May 2013.

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

At the same time, the Budimex Group reported an external debt regarding bank loans and borrowings and lease which as at 30 June 2013 was PLN 100 433 thousand and was PLN 6 748 thousand higher than as at 31 December 2012 (see table below). The indebtedness mainly comprised of: lease liabilities of Budimex SA (concluded in order to finance purchases of tangible fixed



assets – mainly plant and machinery for the purposes of road contracts realization), but also due to indebtedness of Budimex Parking Wrocław Sp. z o.o. concerning bank loan financing the investment carried out by the company and due to indebtedness of Budimex Nieruchomości Sp. z o.o. concerning bank loan financing the developer activities.

THE BUDIMEX GROUP	30.06.2013	31.12.2012	30.06.2012
Long-term bank loans and borrowings and other external sources of finance	68 796	75 967	76 487
Short-term bank loans and borrowings and other external sources of finance	31 637	17 718	33 286
<b>Total bank loans and borrowings and other external sources of finance</b>	<b>100 433</b>	<b>93 685</b>	<b>109 773</b>

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

Ratio	30.06.2013	31.12.2012	30.06.2012
<b>Equity to assets ratio:</b> (shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)	0.12	0.13	0.07
<b>Equity to non-current assets ratio:</b> (shareholders' equity attributable to the shareholders of the Parent Company) / (non-current assets)	0.68	0.77	0.39
<b>Debt ratio:</b> (total assets - shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)	0.88	0.87	0.93
<b>Assets to equity ratio:</b> (total assets - shareholders' equity attributable to the shareholders of the Parent Company) / (shareholders' equity attributable to the shareholders of the Parent Company)	7.04	6.96	13.62

The finance structure ratios as at 30 June 2013 did not change significantly compared to the values as at 31 December 2012, but showed significant improvement compared to the values as at 30 June 2012. The 27.6% decrease of the sales revenue of the Group in the first half of 2013 compared to the first half of 2012 contributed to the decline in the value of total assets in the consolidated financial statements of the Group as at 30 June 2013. The decrease, however, was less proportionate and amounted to 20.1% compared to the total assets as at 30 June 2012. At the same time, equity increased as at 30 June 2013 compared to the values as at 30 June 2012. As a result, the assets to equity ratio and the debt ratio decreased as at 30 June 2013 compared to the values as at 30 June 2012 and the equity to assets ratio and the equity to non-current assets ratio increased.

Ratio	30.06.2013	31.12.2012	30.06.2012
Current Ratio (current assets)/(current liabilities)	1.09	1.10	0.99
Quick Ratio (or Acid Test) (current assets - inventory)/(current liabilities)	0.73	0.76	0.63

The liquidity ratios as of 30 June 2013 have similar values to their values as of 31 December 2012 and at the same time show an increase compared to the values as at 30 June 2012.

The current good financial standing of the Budimex Group as regards its liquidity and access to external sources of finance does not indicate any threat to its ability to finance business activities in the second half of 2013.

### 3.3 Off-balance sheet items of the Budimex Group

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

	30.06.2013	31.12.2012	30.06.2012
<b>Contingent receivables</b>			
<b>From related parties, of which:</b>			
– guarantees and suretyships received	-	2 372	-
– bills of exchange received as security	-	-	-
<b>From related parties, total</b>	<b>-</b>	<b>2 372</b>	<b>-</b>
<b>From other entities</b>			
– guarantees and suretyships received	365 845	349 791	426 403
– bills of exchange received as security	14 825	14 195	17 293
<b>From other entities, total</b>	<b>380 670</b>	<b>363 986</b>	<b>443 696</b>
Other contingent receivables	3 000	3 000	3 000
<b>Total contingent receivables</b>	<b>383 670</b>	<b>369 358</b>	<b>446 696</b>
<b>Contingent liabilities</b>			
<b>To related parties, of which:</b>			
– guarantees and suretyships issued	2 847	803	332
– promissory notes issued as security	-	-	-
<b>To related parties, total</b>	<b>2 847</b>	<b>803</b>	<b>332</b>
<b>To other entities, of which:</b>			
– guarantees and suretyships issued	1 553 909	1 423 993	1 854 916
– promissory notes issued as security	71 571	5 732	32 088
<b>To other entities, total</b>	<b>1 625 480</b>	<b>1 429 725</b>	<b>1 887 004</b>
Other contingent liabilities	202 040	143 180	152 269*
<b>Total contingent liabilities</b>	<b>1 830 367</b>	<b>1 573 708</b>	<b>2 039 605</b>
<b>Total off-balance sheet items</b>	<b>(1 446 697)</b>	<b>(1 204 350)</b>	<b>(1 592 909)</b>

\*The data as at 30 June 2012 include recently disclosed contingent liabilities

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 promissory notes 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.

Guarantees for bank loans and borrowings issued by Budimex SA and its subsidiaries as at 30 June 2013:

Name of the company which issued a guarantee or suretyship for a bank loan or a borrowing	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 (in PLN thousand)	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 a borrowing
Budimex SA	Budimex Danwood Sp. z o.o.	8 720	2015-12-21	free of charge	subsidiary
Budimex SA	Mostostal Kraków SA	77 112	2021-10-31	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	14 888	2017-07-15	free of charge	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	29 079	2018-11-16	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	145	2015-06-30	free of charge	subsidiary
Budimex SA	Budimex Parking Wrocław Sp. z o.o.	2 059	2017-04-30	free of charge	subsidiary
Budimex SA	FBSerwis SA	1 584	2020-02-14	free of charge	associate
Budimex Budownictwo Sp. z o.o.	FBSerwis SA	1 263	2018-11-16	free of charge	associate
<b>TOTAL</b>		<b>134 850</b>			

#### 4. OTHER INFORMATION

##### 4.1 The shareholding structure

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at 30 June 2013 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) – a company of Grupo Ferrovial SA (Spain)	ordinary	15 078 159	59.06%	15 078 159	59.06%
OFE PZU „Złota Jesień”	ordinary	2 253 988	8.83%	2 253 988	8.83%
Aviva OFE Aviva BZ WBK SA	ordinary	1 304 851	5.11%	1 304 851	5.11%
Other shareholders	ordinary	6 893 100	27.00%	6 893 100	27.00%
<b>Total</b>		<b>25 530 098</b>	<b>100.00%</b>	<b>25 530 098</b>	<b>100.00%</b>

##### 4.2 The Management and Supervisory Boards

As at 30 June 2013, the Management Board of Budimex SA consisted of the following persons:

- Dariusz Jacek Blocher President of the Management Board, Chief Executive Officer
- Ignacio Botella Rodriguez Vice-President of the Management Board
- Andrzej Artur Czynczyk Board Member, Chief HR Officer
- Jacek Daniewski Board Member, Chief Legal Officer
- Henryk Urbański Board Member, Chief Property Officer
- Marcin Węglowski Board Member, Chief Financial Officer

Composition of the Management Board in the period from 1 January 2013 to 30 June 2013 was not subject to any changes.

Rules of appointing and recalling members of the Management Board, and their rights, in particular the right to resolve about the issue or buyout of shares, included in the Company's statute, did not change during 2013.

As at 30 June 2013, the Supervisory Board of Budimex SA consisted of the following persons:

- Marek Michałowski Chairman of the Supervisory Board
- Alejandro de la Joya Ruiz de Velasco Vice-Chairman of the Supervisory Board
- Tomasz Paweł Sielicki Secretary of the Supervisory Board
- Marzenna Anna Weresa Member of the Supervisory Board
- Igor Adam Chalupiec Member of the Supervisory Board
- Javier Galindo Hernandez Member of the Supervisory Board
- Jose Carlos Garrido-Lestache Rodriguez Member of the Supervisory Board
- Piotr Kamiński Member of the Supervisory Board
- Maciej Stańczuk Member of the Supervisory Board.

Composition of the Supervisory Board in the period from 1 January 2013 to 30 June 2013 did not change in any way personal, with the proviso that:

- On 24 April 2013 Annual General Meeting of Budimex SA appointed the above mentioned persons with the resolutions No.192 to 200 to the composition of the eighth joint three-year term.
- On 24 April 2013, the Supervisory Board of Budimex SA of the eighth term, by Resolution No. 210, was constituted by selecting the same persons for the functions of chairman, vice-chairman and secretary, who performed these functions in the course of the seventh term.

As at 30 June 2013, the following persons of the key management and supervisory personnel held shares in Budimex SA:

Marcin Węglowski	2 830 shares
Marek Michałowski	3 900 shares

Budimex SA did not issue any instruments giving right to the Company's shares.

Dariusz Blocher	President of the Management Board	.....	Henryk Urbański	Board Member	.....
name and surname	position	signature	name and surname	position	signature
Ignacio Botella Rodriguez	Vice-President	.....	Marcin Węglowski	Board Member	.....
name and surname	position	signature	name and surname	position	signature
Andrzej Artur Czynczyk	Board Member	.....	Jacek Daniewski	Board Member	.....
name and surname	position	signature	name and surname	position	signature
Warsaw, 27 August 2013					