



**THE BUDIMEX GROUP**

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**for 1 quarter of 2015**

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

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**Consolidated statement of financial position**

<b>ASSETS</b>	<b>31 March 2015</b>	<b>31 December 2014</b>
	(PLN thousands)	(PLN thousands)
<b>Non-currents assets (long-term)</b>		
Property, plant and equipment	76 549	79 513
Investment properties	24 960	24 994
Intangible assets	4 282	4 494
Goodwill	73 237	73 237
Equity accounted investments	5 414	7 539
Available-for-sale financial assets	8 376	8 376
Retentions for construction contracts	23 685	27 923
Trade and other receivables	31 205	29 945
Receivables from concession agreement	45 354	45 214
Other financial assets	16 616	-
Deferred tax asset	369 856	376 261
<b>Total non-current assets (long-term)</b>	<b>679 534</b>	<b>677 496</b>
<b>Current assets</b>		
Inventories	740 240	648 655
Trade and other receivables	455 114	495 364
Retentions for construction contracts	8 851	10 248
Amounts due and receivable from customers (investors) under construction contracts	215 732	172 548
Current tax receivable	6 151	265
Other financial assets	22 595	19 800
Cash and cash equivalents	1 867 993	1 831 652
	<b>3 316 676</b>	<b>3 178 532</b>
Assets held for sale (disposal groups)	-	2 181
<b>Total current assets (short-term)</b>	<b>3 316 676</b>	<b>3 180 713</b>
<b>TOTAL ASSETS</b>	<b>3 996 210</b>	<b>3 858 209</b>

**Consolidated statement of financial position (cont.)**

<b>EQUITY AND LIABILITIES</b>	<b>31 March 2015</b>	<b>31 December 2014</b>
	(PLN thousands)	(PLN thousands)
<b>Equity</b>		
<b>Shareholders' equity attributable to the shareholders of the Parent Company</b>		
Share capital	145 848	145 848
Share premium	87 163	87 163
Other reserves	5 060	4 816
Foreign exchange differences on translation of foreign operations	5 042	5 326
Retained earnings	313 451	276 112
<b>Total shareholders' equity attributable to the shareholders of the Parent Company</b>	<b>556 564</b>	<b>519 265</b>
Non-controlling interests	3 588	3 244
<b>Total equity</b>	<b>560 152</b>	<b>522 509</b>
<b>Liabilities</b>		
<b>Long-term liabilities</b>		
Loans, borrowings and other external sources of finance	44 088	46 298
Retentions for construction contracts	170 821	176 116
Provision for long-term liabilities and other charges	180 317	179 169
Long-term retirement benefits and similar obligations	6 121	6 121
Other financial liabilities	3 595	4 925
<b>Total long-term liabilities</b>	<b>404 942</b>	<b>412 629</b>
<b>Short-term liabilities</b>		
Loans, borrowings and other external sources of finance	20 824	21 402
Trade and other payables	1 156 098	1 117 743
Retentions for construction contracts	177 660	201 207
Amounts due and payable to customers (investors) under construction contracts	849 940	920 668
Deferred income	708 261	520 766
Provision for short-term liabilities and other charges	115 972	111 598
Current tax payable	149	26 291
Short-term retirement benefits and similar obligations	1 080	1 080
Other financial liabilities	1 132	2 316
<b>Total short-term liabilities</b>	<b>3 031 116</b>	<b>2 923 071</b>
<b>Total liabilities</b>	<b>3 436 058</b>	<b>3 335 700</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3 996 210</b>	<b>3 858 209</b>

**Consolidated income statement**

	3-month period ended 31 March	
	2015 (PLN thousands)	2014 (PLN thousands)
<b>Continuing operations</b>		
Net sales of finished goods, goods for resale, raw materials and services	846 416	834 047
Cost of finished goods, goods for resale, raw materials and services sold	(765 610)	(725 741)
<b>Gross profit on sales</b>	<b>80 806</b>	<b>108 306</b>
Selling expenses	(7 078)	(5 878)
Administrative expenses	(45 756)	(41 847)
Other operating income	23 446	7 958
Other operating expenses	(4 744)	(16 027)
<b>Operating profit</b>	<b>46 674</b>	<b>52 512</b>
Finance income	11 476	10 409
Finance costs	(8 192)	(7 160)
Share of results of equity accounted companies	(2 125)	(1 385)
<b>Profit before tax</b>	<b>47 833</b>	<b>54 376</b>
Income tax	(10 150)	(11 277)
<b>Net profit from continuing operations</b>	<b>37 683</b>	<b>43 099</b>
<b>Net profit for the period</b>	<b>37 683</b>	<b>43 099</b>
<i>Of which:</i>		
<b>Attributable to the shareholders of the Parent Company</b>	<b>37 339</b>	<b>42 753</b>
<i>Attributable to non-controlling interests</i>	<i>344</i>	<i>346</i>
<i>Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)</i>	<i>1.46</i>	<i>1.67</i>

**Consolidated statement of comprehensive income**

	3-month period ended 31 March	
	2015 (PLN thousands)	2014 (PLN thousands)
<b>Net profit for the period</b>	<b>37 683</b>	<b>43 099</b>
<b>Other comprehensive income for the period, which:</b>		
<i>Will be subsequently reclassified to profit or loss:</i>		
Foreign exchange differences on translation of foreign operations	(284)	64
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	-	-
<b>Other comprehensive income, net of tax</b>	<b>(284)</b>	<b>64</b>
<b>Total comprehensive income for the period</b>	<b>37 399</b>	<b>43 163</b>
<i>Of which:</i>		
<b>Attributable to the shareholders of the Parent Company</b>	<b>37 055</b>	<b>42 817</b>
<i>Attributable to non-controlling interests</i>	<i>344</i>	<i>346</i>

**Consolidated statement of changes in equity**

	Equity attributable to the shareholders of the Parent Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			
			Share-based payments	Actuarial gains/(losses)					
	in PLN thousands								
<b>Balance as at 1 January 2015</b>	145 848	87 163	6 712	(1 896)	5 326	276 112	519 265	3 244	522 509
Profit for the period	-	-	-	-	-	37 339	37 339	344	37 683
Other comprehensive income	-	-	-	-	(284)	-	(284)	-	(284)
<b>Total comprehensive income for the period</b>	-	-	-	-	(284)	37 339	37 055	344	37 399
Share-based payment	-	-	244	-	-	-	244	-	244
<b>Balance as at 31 March 2015</b>	145 848	87 163	6 956	(1 896)	5 042	313 451	556 564	3 588	560 152

**Consolidated statement of changes in equity (cont.)**

	Equity attributable to the shareholders of the Parent Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			
			Share-based payments	Actuarial gains/(losses)					
	in PLN thousands								
<b>Balance as at 1 January 2014</b>	<b>145 848</b>	<b>87 163</b>	<b>5 370</b>	<b>(786)</b>	<b>5 101</b>	<b>383 627</b>	<b>626 323</b>	<b>18 852</b>	<b>645 175</b>
Profit for the period	-	-	-	-	-	42 753	42 753	346	<b>43 099</b>
Other comprehensive income	-	-	-	-	64	-	64	-	<b>64</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64</b>	<b>42 753</b>	<b>42 817</b>	<b>346</b>	<b>43 163</b>
<b>Balance as at 31 March 2014</b>	<b>145 848</b>	<b>87 163</b>	<b>5 370</b>	<b>(786)</b>	<b>5 165</b>	<b>426 380</b>	<b>669 140</b>	<b>19 198</b>	<b>688 338</b>
Profit for the period	-	-	-	-	-	149 220	149 220	1 619	<b>150 839</b>
Other comprehensive income	-	-	-	(1 110)	161	-	(949)	-	<b>(949)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 110)</b>	<b>161</b>	<b>149 220</b>	<b>148 271</b>	<b>1 619</b>	<b>149 890</b>
Dividends	-	-	-	-	-	(302 532)	(302 532)	-	<b>(302 532)</b>
Share-based payment	-	-	1 342	-	-	-	1 342	-	<b>1 342</b>
Change in non-controlling interests	-	-	-	-	-	3 044	3 044	(17 573)	<b>(14 529)</b>
<b>Balance as at 31 December 2014</b>	<b>145 848</b>	<b>87 163</b>	<b>6 712</b>	<b>(1 896)</b>	<b>5 326</b>	<b>276 112</b>	<b>519 265</b>	<b>3 244</b>	<b>522 509</b>



**Consolidated cash flow statement**

	3-month period ended 31 March	
	2015 (PLN thousands)	2014 (PLN thousands)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax	47 833	54 376
Adjustments for:		
Depreciation/ amortization	5 598	6 060
Share of results of equity accounted companies	2 125	1 385
Foreign exchange (gains)/ losses	(228)	(110)
Interest and shares in profits (dividends)	289	173
(Profit)/ loss on disposal of investments	(13 079)	(3 049)
Change in valuation of derivative financial instruments	(7 540)	242
Change in provisions and liabilities arising from retirement benefits and similar obligations	5 522	15 652
Other adjustments	298	66
<b>Operating profit before changes in working capital</b>	<b>40 818</b>	<b>74 795</b>
Change in receivables and retentions for construction contracts	45 607	100 709
Change in inventories	(91 585)	52 095
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	9 405	(316 681)
Change in deferred income	187 495	(62 094)
Change in amounts due and receivable under construction contracts	(113 912)	(88 596)
Change in cash and cash equivalents of restricted use	(73 722)	(18 306)
<b>Cash used /from operations</b>	<b>4 106</b>	<b>(258 078)</b>
Income tax paid	(35 773)	(21 800)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(31 667)</b>	<b>(279 878)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of intangible assets and tangible fixed assets	10	435
Sale of assets held for sale	14 000	-
Purchase of intangible assets and tangible fixed assets	(2 871)	(1 254)
Sale of shares in subsidiaries	-	2 028
Loans granted	(13 297)	(6 370)
Interest received	308	167
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1 850)</b>	<b>(4 994)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loans and borrowings taken out	-	6 449
Payment of finance lease liabilities	(3 030)	(2 447)
Interest paid	(574)	(269)
Other finance expenses	(135)	(44)
<b>NET CASH GENERATED FROM/ USED IN FINANCING ACTIVITIES</b>	<b>(3 739)</b>	<b>3 689</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(37 256)</b>	<b>(281 183)</b>
Foreign exchange differences, net	(125)	158
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 3.4)</b>	<b>1 726 690</b>	<b>1 589 598</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 3.4)</b>	<b>1 689 309</b>	<b>1 308 573</b>

## 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 2015, 31 December 2014 and 31 March 2014 the following subsidiaries were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		31 March 2015	31 December 2014	31 March 2014
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	100.00%
Budimex Bau GmbH	Cologne/ Germany	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%
Budimex B Sp. z o.o. (in liquidation)	Warsaw / Poland	100.00%	100.00%	100.00%
SPV-BN 1 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Poznańskie Przedsiębiorstwo Inwestycyjne 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%
Elektromontaż Poznań SA Group	Poznań / Poland	92.31%	92.31%	50.66%
Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%

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 Ferrovia Agroman SA s.c.	99,98%
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.	99,98%
Budimex SA Sygnity SA Sp. j.	67,00%
Budimex SA Ferrovia Agroman SA Sp. j.	50,00%
Budimex SA Cadagua SA s.c.	50,00%
Budimex SA Cadagua SA 2 s.c.	50,00%
Budimex SA Tecnicas Reunidas SA Turów s.c.	50,00%

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

In the 3-month period ended 31 March 2015, there were no 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 2015 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	1 280 000	5.01%	1 280 000	5.01%
Other shareholders	ordinary	9 171 939	35.93%	9 171 939	35.93%
<b>Total</b>		<b>25 530 098</b>	<b>100.00%</b>	<b>25 530 098</b>	<b>100.00%</b>

The above data present the shareholding structure as at the last annual general meeting of 28 April 2015. As at the annual general meeting of 24 April 2014, the shareholder Aviva OFE Aviva BZ WBK registered 1 820 426 shares, which accounted for 7.13% of the share capital and voting rights at the AGM.

## 3. Principles applied for the purpose of preparation of this report

### 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 2014, published on 16 March 2015.

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:

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

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

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

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

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

### **Standards and 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 and amendments to the existing standards, which were not endorsed for use as at 29 April 2015:

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 July 2016),
- **IFRS 15 “Revenue from contracts with customers”** (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in associates and joint ventures”** – Sale or contribution of assets between an investor and its associate or joint venture (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 28 “Investments in associates and joint ventures”** - Investment Entities: applying the consolidation exception (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 “Joint Arrangements”** - Accounting of acquisition of shares in joint operations (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 “Presentation of financial statements”** - Disclosure initiative (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible assets”** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” - Agriculture: bearer plants** (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 27 “Separate Financial Statements”** - 'Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards “Improvements to IFRSs (2012-2014)”** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2016).

The Group anticipates that the adoption of these standards and amendments to the standards 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 principles and the method of preparation of financial statements**

In the reporting period there were no changes in the accounting principles and the method of preparation of financial statements compared to those disclosed in the consolidated financial statements of the Budimex Group for the financial year 2014, published on 16 March 2015. Comparative data was transformed in the consolidated income statement and consolidated cash flow statement. The way how the data was transformed and the causes of the transformation were explained in the consolidated financial statements for the financial year of 2014.

**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 2015 – 4.0890 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the first quarter of 2015 – using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2015 to 31 March 2015 – 4.1489 PLN/EUR,
- individual asset and liability items of comparative financial data for the year 2014 – using the average exchange rate prevailing as at 31 December 2014 – 4.2623 PLN/EUR,
- individual profit and loss account and statement of cash flow items of comparative financial data for 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.

**3.4. Cash recognised in the cash flow statement**

The Group recognizes cash of restricted use (including mainly cash of the consortia in the portion attributable to other consortium members, 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 2015	31 December 2014	31 March 2014
	in PLN thousand		
<b>Cash recognised in the statement of financial position</b>	<b>1 867 993</b>	<b>1 831 652</b>	<b>1 396 064</b>
Cash and cash equivalents of restricted use	(178 684)	(104 962)	(87 491)*
<b>Cash recognised in the statement of cash flow</b>	<b>1 689 309</b>	<b>1 726 690</b>	<b>1 308 573*</b>

\*in accordance with the changes in the classification made in the consolidated financial statements of the Budimex Group for 2014, cash of the consortia in the portion attributable to other consortium members were classified as cash of restricted use. PLN 35 482 thousand were therefore reclassified to cash of restricted use and adequate changes in the cash flow statement were made.

**4. Descriptions of factors and events which had a material effect on the financial result of the Budimex Group for the first quarter of 2015**

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

In the 3-month period ended 31 March 2015, the Budimex Group earned sales revenue of PLN 846 416 thousand which means a 1.48% increase on the corresponding period of 2014.

In the first quarter of 2015 construction-assembly production in Poland expressed in current prices increased by 3.3% (an increase of 3.5% 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 19.0% on the corresponding period.

Gross profit on sales in the first quarter of 2015 was PLN 80 806 thousand, while in the corresponding period of the prior year it amounted to PLN 108 306 thousand. The gross sales profitability ratio was therefore 9.55% in the first quarter of 2015, while in the first quarter of 2014 was 12.99%.

In accordance with the accounting policies adopted, when budgeted contract costs exceed the entire expected contract revenue, Group companies create provisions for expected contract losses and recognize them under „Amounts due and payable to customers under construction contracts”. As at 31 March 2015, the balance of the provision for contract losses amounted to PLN 513 437 thousand. In the first quarter of 2015, the balance of provision for contract losses increased by PLN 68 279 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 31 March 2015 the provision for warranty amounted to PLN 204 651 thousand. In the 3-month period ended 31 March 2015 the balance of the provision for warranty increased by PLN 1 313 thousand.

Selling expenses increased in the first quarter of 2015 by PLN 1 200 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 3 909 thousand higher than expenses incurred in the corresponding period of 2014. The share of selling and administrative expenses in total sales increased from 5.72% in the first quarter of 2014 to 6.24% in the first quarter of the current year.

Other operating income for the first quarter of 2015 was PLN 23 446 thousand and comprised: gain on valuation and realization of FX forward derivative instrument contracts (made with a view to limiting the FX risk on foreign currency construction contracts) in the amount of PLN 8 271 thousand, income from compensations and contractual penalties in the amount of PLN 1 679 thousand and write-off of redeemed and overdue liabilities in the amount of PLN 916 thousand. Additionally, in the period of three months of 2015 Group companies disposed of property, plant and equipment and investment properties and reported a gain on sale of PLN 11 825 thousand. The net book value of the property, plant and equipment and investment properties sold (presented as assets held for sale) in the period of three months of 2015 amounted to PLN 2 181 thousand. Assets held for sale comprised of a plot of land and accompanying buildings and were sold on 24 February 2015, which was disclosed as a post-balance sheet event in the consolidated financial statement for the financial year of 2014. The gain on the transaction amounted to PLN 11 819 thousand and was reported in the operating segment “Property management and developer business”.

Other operating expenses for the first quarter of 2015 amounted to PLN 4 744 thousand, of which PLN 3 837 thousand related to creation of provisions for compensations and contractual penalties and PLN 355 thousand – to compensations and contractual penalties paid out.

The reported operating profit of the Group in the first quarter of 2015 was PLN 46 674 thousand, while in the first quarter of 2014 it amounted to PLN 52 512 thousand. The operating profit for the first quarter of 2015 represented 5.51% of sales revenue value, while for the corresponding period of the prior year – 6.30% of sales revenue.

In the 3-month period ended 31 March 2015 the Group generated a gain on finance activities in the amount of PLN 3 284 thousand while in the same period of the prior year – gain in the amount of PLN 3 249 thousand. Finance income in the first quarter of 2015 represented mainly interest of PLN 10 321 thousand, valuation of concession receivables of PLN 794 thousand and positive exchange differences amounting to PLN 191 thousand. Finance costs in the first quarter of 2015 represented, among others, interest costs of PLN 834 thousand, bank commissions on guarantees and loans of PLN 4 805 thousand paid by Group companies and costs from discount of long-term retention receivables and liabilities of PLN 1 930 thousand. During the first quarter of 2015 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 296 thousand.

All valued derivative instrument contracts (presented both in the operating and financing activity) were classified as level 2 in the fair value hierarchy. During the 3 months ended 31 March 2015, there was no transfer between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 of fair value measurement.

In the first quarter of 2015, the Group reported a gross profit of PLN 47 833 thousand, while in the corresponding period of the prior year – a gross profit of PLN 54 376 thousand.



Income tax for the 3-month period ended 31 March 2015 was PLN 10 150 thousand, of which:

- current tax was PLN 3 721 thousand,
- deferred tax in the amount of PLN 6 429 thousand.

As at 31 March 2015, the Group recognized a deferred tax asset in the amount of PLN 369 856 thousand, while as at 31 December 2014 – PLN 376 261 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 2015 was PLN 37 339 thousand, while the net profit attributable to the shareholders of the Budimex SA for the corresponding period of 2014 was PLN 42 753 thousand.

The net profit attributable to non-controlling interest for the first quarter of 2015 amounted to PLN 344 thousand. In the corresponding period of 2014, the net profit attributable to non-controlling interest amounted to PLN 346 thousand.

In the first quarter of 2015, the Group purchased or started to lease property, plant and equipment, intangible assets and investment property with a total value of PLN 3 025 thousand, of which plant and machinery accounted for PLN 1 705 thousand.

## **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.
- Poznańskie Przedsiębiorstwo Inwestycyjne 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 2015 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	778 978	33 916	33 522	-	846 416
Inter-segment sales	47 480	312	3 140	(50 932)	-
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>826 458</b>	<b>34 228</b>	<b>36 662</b>	<b>(50 932)</b>	<b>846 416</b>
<b>Gross profit</b>	<b>72 693</b>	<b>8 789</b>	<b>4 972</b>	<b>(5 648)</b>	<b>80 806</b>
Selling expenses	(2 570)	(3 531)	(984)	7	(7 078)
Administrative expenses	(43 026)	(2 518)	(1 104)	892	(45 756)
Other operating income, net	5 636	11 863	1 203	-	18 702
<b>Operating profit</b>	<b>32 733</b>	<b>14 603</b>	<b>4 087</b>	<b>(4 749)</b>	<b>46 674</b>
Finance income, net	1 600	1 675	9	-	3 284
Shares in (losses) of equity accounted entities	(2)	-	(2 123)	-	(2 125)
Income tax expense	(7 276)	(3 121)	(654)	901	(10 150)
<b>Net profit for the period</b>	<b>27 055</b>	<b>13 157</b>	<b>1 319</b>	<b>(3 848)</b>	<b>37 683</b>

The results of segments for the first quarter of 2014 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	660 418	138 615	35 014	-	834 047
Inter-segment sales	35 136	172	3 051	(38 359)	-
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>695 554</b>	<b>138 787</b>	<b>38 065</b>	<b>(38 359)</b>	<b>834 047</b>
<b>Gross profit</b>	<b>73 435</b>	<b>28 346</b>	<b>3 257</b>	<b>3 268</b>	<b>108 306</b>
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	(8 066)	(40)	37	-	(8 069)
<b>Operating profit</b>	<b>23 978</b>	<b>21 544</b>	<b>761</b>	<b>6 229</b>	<b>52 512</b>
Finance income, net	77	1 632	1 540	-	3 249
Shares in (losses) of equity accounted entities	(1)	-	(1 384)	-	(1 385)
Income tax expense	(5 507)	(4 450)	(136)	(1 184)	(11 277)
<b>Net profit for the period</b>	<b>18 547</b>	<b>18 726</b>	<b>781</b>	<b>5 045</b>	<b>43 099</b>



## 6. Related party transactions

Transactions with related parties made in the first quarter of 2015 and in the first quarter of 2014 and unsettled balances of receivables and liabilities as at 31 March 2015 and 31 December 2014 are presented in the tables below:

	amounts in PLN thousands			
	Receivables		Liabilities	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Parent Company and related parties (the Ferrovial Group)	21 958	23 989	98 596	99 770
Jointly-controlled entities	722	959	727	727
Associates	753	738	813	1 525
Other related parties*	58	64	9 282	8 128
<b>Total settlements with related parties</b>	<b>23 491</b>	<b>25 750</b>	<b>109 418</b>	<b>110 150</b>

	amounts in PLN thousands			
	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Parent Company and related parties (the Ferrovial Group)	-	-	8 339	8 670
Jointly-controlled entities	-	-	-	-
Associates	32 285	18 988	-	-
Other related parties*	-	-	-	-
<b>Total settlements with related parties</b>	<b>32 285</b>	<b>18 988</b>	<b>8 339</b>	<b>8 670</b>

	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	
	2015	2014	2015	2014
Parent Company and related parties (the Ferrovial Group)	12 102	658	(14 928)	(8 287)
Jointly-controlled entities	47	417	-	-
Associates	294	143	(1 217)	(1 105)
Other related parties*	66	63	(2 305)	(11 064)
<b>Total transactions with related parties</b>	<b>12 509</b>	<b>1 281</b>	<b>(18 450)</b>	<b>(20 456)</b>

	amounts in PLN thousands			
	Finance income		Finance costs	
	3-month period ended 31 March		3-month period ended 31 March	
	2015	2014	2015	2014
Parent Company and related parties (the Ferrovial Group)	-	-	(138)	(111)
Jointly-controlled entities	-	-	-	-
Associates	299	114	-	-
Other related parties*	-	-	-	-
<b>Total transactions with related parties</b>	<b>299</b>	<b>114</b>	<b>(138)</b>	<b>(111)</b>

\*) 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 2015 the backlog was PLN 6 390 996 thousand. The value of contracts signed between January and March 2015 was PLN 1 041 438 thousand. The number of pre-sold apartments in the period from January - March 2015 (without booking) is 499 units.

## 8. The main events in the first quarter of 2015 and significant events after 31 March 2015

In the first quarter of 2015 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 thousands	Description
9.01.2015	PGNiG Termika SA	62 950 (32 105)*	The delivery and assembly of the denitrification plant and the modernization of the desulfurization plant for the K2 boiler at EC Siekierki. The construction will be carried out in the consortium with Andritz Energy & Environment GmbH (the consortium's leader, with 49% of shares).
24.02.2015	Mazowiecki Szpital Wojewódzki Drewnica Sp. z o.o.	96 477	Construction of the Mazovian Provincial Hospital Drewnica.
27.02.2015	Generalna Dyrekcja Dróg Krajowych i Autostrad Oddział we Wrocławiu	638 664 (606 731)*	Design and construction of express road S3 between Nowa Sól and Legnica (A4), task V from the Lubin Południe node (excl. the node) to the Legnica II node (A4). The construction will be carried out in the consortium with Ferrovial Agroman SA (consortium partner with 5% share).
17.03.2015	Generalna Dyrekcja Dróg Krajowych i Autostrad Oddział w Olsztynie	1 071 708 (1 018 123)*	Construction of express road S7 at Miłomłyn – Olsztynek section, Ostróda Północ – Ostróda Południe subsection along the S7 road and construction of the Ostróda ring road along the national road No. 16 (subsection "B"). The construction will be carried out in the consortium with Ferrovial Agroman SA (consortium partner with 5% share).
1.04.2015	EMH Verwaltungs GmbH A2 S.K.A.	46 400	Budimex Nieruchomości Sp. z o.o. signed a notarial deed concerning an acquisition of a plot of land with an area of 51 216 square meters located in Gdańsk at ul. Jana Pawła II (district Zaspą – Młyniec).

Date	Customer	Contract value in PLN thousands	Description
10.04.2015	LC Corp Invest XVII Sp. z o.o. Projekt 20 Sp. k.	61 500	Construction of the stage II (building B) of office complex „Roździeńskiego” in Katowice at Al. Roździeńskiego together with internal infrastructure.

\* share of the Budimex Group

**Bank and guarantee agreements:**

Date	Business partner	Description
4.02.2015	Bank Handlowy w Warszawie SA	Annex to the credit agreement, pursuant to which the validity term of the agreement has been extended until 3 April 2015 and the form of the credit has been changed from promised to non-promised. Other terms and conditions remained unchanged.
9.02.2015	Bank Societe Generale SA Oddział w Polsce	Annex to the agreement on bank guarantees, pursuant to which the term of the agreement has been extended to 31 December 2015. Other provisions of the agreement remained unchanged.
11.02.2015	La Caixa Bank SA Oddział w Polsce	Annex to the agreement on bank guarantees, pursuant to which the limit amount for the bank guarantees that can be issued by the bank was increased from PLN 100 000 thousand to PLN 121 000 thousand. Other provisions of the agreement remained unchanged. On 20 April 2015 further annex was signed, pursuant to which the limit was increased to PLN 150 000 thousand.
16.02.2015	ING Bank Śląski SA	Annex to the loan agreement, pursuant to which the term of the agreement was extended until 30 April 2015 and the form of the loan was altered from a promised loan to non-promised loan. All other terms and conditions of the agreement remained unchanged.
16.02.2015	BNP Paribas Bank Polska SA	Annex to the bank guarantee facility agreement of 25 April 2008, pursuant to which the bank extended the limit to which Budimex SA may order the issuance of bank guarantee facilities up to the amount of PLN 205 000 thousand. The term of the Agreement was extended until 15 February 2016. All other terms and conditions of the agreement remained unchanged.
20.02.2015	KUKE SA	Annex to the General Contract on granting insurance guarantees dated 5 February 2014. By virtue of that document KUKE SA increased the value of the limit to which Budimex SA may order issuing of insurance guarantees up to PLN 45 000 thousand and extended the validity of the contract until 31 January 2016. The other terms and conditions of the contract remained unchanged.
2.03.2015	TU Euler Hermes SA	Annex to the agreement on granting contractual guarantees under the revolving limit of 28 August 2008, pursuant to which the limit to which Budimex SA may instruct Euler Hermes SA to issue contractual guarantees was raised to PLN 70 000 thousand and it was agreed that the agreement is concluded for an indefinite time. Any other provisions of the agreement remained unchanged.
8.04.2015	Powszechna Kasa Oszczędności Bank Polski SA	Agreement on granting bank guarantees, under which Budimex SA may instruct the bank to issue bank guarantees up to the total value of PLN 200 000 thousand. The agreement was concluded until 31 March 2016.

**Other events:**

**On 28 April 2015** the Ordinary General Meeting of Budimex SA adopted resolution on dividend payout. Pursuant to the resolution, net profit for the period from 1 January 2014 to 31 December 2014 in the amount of PLN 155 989 thousand has been allocated to the dividend payout in the amount of PLN 6.11 gross per share. The dividend payout will cover all Budimex SA shares, i.e. 25 530 098 shares. The dividend day is on 8 May 2015. The dividend will be paid on 25 May 2015.

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

In the first quarter of 2015 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 1 quarter of 2015**

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 2014, i.e. 16 March 2015.

## **12. Proceedings pending as at 31 March 2015 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 2015 was PLN 515 931 thousand and exceeded 10% of the equity of Budimex SA, which amounts to PLN 491 450 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 63 773 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 2015 was PLN 289 852 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 Ferrovial 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.

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.

According to Budimex SA, all the claims under the counter-suit are groundless. Consequently, on 21 October 2008, the FBL Consortium filed a response to the counter-claim, which contained a motion to dismiss the action in its entirety, together with the statement on the groundlessness of PPL's claims. The court has already heard all witnesses for the claimant and the counter-claimant with respect to the circumstances included in PPL's counter-claim. The evidence in the form of an expert opinion is the last to be considered with respect to this part of the dispute. This, however, may be done only after the court has completed the evidence proceedings concerning the claims of the claimant. The determinations made in the expert opinion concerning the claims of the FBL Consortium will affect the scope of claims of PPL and, consequently, on the scope of evidence taken in order to prove them.

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. In March 2015 a provisional team of experts and the principles of cooperation were agreed. It is expected that the final team of experts and other rules of experts' opinion will eventually be completed in the second quarter of 2015.

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 regarding the evaluation of reasonableness of the PPL claims was accepted. The inspection of the facility was carried out in June 2014. In October 2014, the court delivered the opinion of the

construction expert. Upon a request of Budimex, the court commissioned the drafting of a supplementary opinion, which is now awaited by the parties.

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 of contractor costs incurred by the investor when the consortium rescinded the contract. The share of the companies in the consortium was 90%, therefore the value of the claim for which Budimex SA 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. The expert drafted an opinion which the defendant considers to be in its favour. This assessment is confirmed by the actions of the claimant who submitted a request for appointment of a new expert. The court dismissed the plaintiff's application in this regard and only allowed to add to the protocol supplementary oral expert's opinion, which was submitted at the hearing on 21 April 2015. The court set another hearing for June 2015, when witnesses of the defendant are to be heard.

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

The total value of legal proceedings pending in respect of claims of Budimex SA and its subsidiaries amounted to PLN 226 079 thousand as at 31 March 2015. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed. Aside from the case brought to court by the FBL Consortium against PPL, the value of no other proceedings concerning claims exceeds 10% of the shareholders' equity of Budimex SA. As at the date of this report, the final outcome of the proceedings is not known.



**13. Contingent receivables and contingent liabilities**

	31 March 2015 (in PLN thousands)	31 December 2014 (in PLN thousands)
<b>Contingent receivables</b>		
<b>From related parties, of which:</b>		
– guarantees and suretyships received	-	-
– bills of exchange received as security	-	-
<b>From related parties, total</b>	<b>-</b>	<b>-</b>
<b>From other entities</b>		
– guarantees and suretyships received	321 355	316 777
– bills of exchange received as security	8 057	8 519
<b>From other entities, total</b>	<b>329 412</b>	<b>325 296</b>
Other contingent receivables	-	86
<b>Total contingent receivables</b>	<b>329 412</b>	<b>325 382</b>
<b>Contingent liabilities</b>		
<b>To related parties, of which:</b>		
– guarantees and suretyships issued	5 360	5 456
– bills of exchange issued as performance bond	-	-
<b>To related parties, total</b>	<b>5 360</b>	<b>5 456</b>
<b>To other entities, of which:</b>		
– guarantees and suretyships issued	2 111 047	2 035 036
– bills of exchange issued as performance bond	6 027	6 746
<b>To other entities, total</b>	<b>2 117 074</b>	<b>2 041 782</b>
Other contingent liabilities	135 480	135 480
<b>Total contingent liabilities</b>	<b>2 257 914</b>	<b>2 182 718</b>
<b>Total off-balance sheet items</b>	<b>(1 928 502)</b>	<b>(1 857 336)</b>

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

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

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

Other contingent liabilities include among others voluntary acceptance of enforcement constituting a security of payment up to the amount of PLN 135 010 thousand due and payable in the case of improper performance of obligations by Budimex SA under the acquisition agreement concerning shares of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.

Guarantees for bank loans and borrowings issued by Budimex SA and its subsidiaries as at 31 March 2015:

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	81 369	2018-11-13	against payment	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	55 456	2024-02-28	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	24 950	2017-07-15	free of charge	subsidiary
Budimex SA	Budimex Parking Wrocław Sp. z o.o.	206	2017-08-31	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	79	2015-06-30	free of charge	subsidiary
Budimex SA	FBSerwis SA	4 097	2021-06-16	against payment	associate
Budimex Budownictwo Sp. z o.o.	FBSerwis SA	1 263	2018-11-16	against payment	associate
<b>TOTAL</b>		<b>167 420</b>			

President of the Management Board

Management Board Member

Dariusz Blocher

Marcin Węglowski

Warsaw, 29 April 2015