

The Budimex Group

Condensed consolidated financial statements

for III quarters of 2011

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

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Consolidated statement of financial position

| ASSETS | 30 September 2011 | 31 December 2010 |
|--|----------------------|---------------------|
| | (PLN thousands) | (PLN thousands) |
| Non-current assets | | |
| Property, plant and equipment | 113 807 | 106 593 |
| Investment properties | 3 311 | 3 383 |
| Intangible assets | 3 726 | 3 434 |
| Goodwill | 73 237 | 73 237 |
| Equity accounted investments | 13 870 | 16 040 |
| Available-for-sale financial assets | 12 046 | 23 955 |
| Retentions for construction contracts | 35 466 | 44 327 |
| Long-term prepayments and deferred costs | 6 303 | 4 539 |
| Deferred tax asset | 313 221 | 357 343 |
| Total non-current assets | 574 987 | 632 851 |
| Current assets | | |
| Inventories | 1 074 920 | 991 387 |
| Trade and other receivables | 661 867 | 373 013 |
| Retentions for construction contracts | 22 770 | 24 586 |
| Amounts due and receivable from customers (investors) under construction contracts | 357 254 | 151 998 |
| Current tax receivable | 18 | 273 |
| Derivative financial instruments | 1 910 | 3 157 |
| Other financial assets at fair value through profit or loss | - | 14 017 |
| Cash and cash equivalents | 1 017 090 | 1 862 403 |
| Short-term prepayments and deferred costs | 18 307 | 7 646 |
| | 3 154 136 | 3 428 480 |
| Non-current assets classified as held for sale | - | 5 908 |
| Total current assets | 3 154 136 | 3 434 388 |
| TOTAL ASSETS | 3 729 123 | 4 067 239 |

The BUDIMEX Group*Condensed consolidated financial statements for III quarters of 2011 prepared in accordance with IFRS***Consolidated statement of financial position (cont.)**

| EQUITY AND LIABILITIES | 30 September 2011 | 31 December 2010 |
|--|------------------------------|-----------------------------|
| | (PLN thousands) | (PLN thousands) |
| Shareholders' equity | | |
| Shareholders' equity attributable to the shareholders of the Parent Company | | |
| Share capital | 145 848 | 145 848 |
| Share premium | 234 799 | 234 799 |
| Other reserves | 256 | 256 |
| Foreign exchange differences on translation of foreign operations | 2 400 | 1 611 |
| Retained earnings | 259 968 | 297 891 |
| Total shareholders' equity attributable to the shareholders of the Parent Company | 643 271 | 680 405 |
| Non-controlling interests | - | - |
| Total shareholders' equity, incl. non-controlling interests | 643 271 | 680 405 |
| Liabilities | | |
| Non-current liabilities | | |
| Loans, borrowings and other external sources of finance | 55 717 | 13 175 |
| Retentions for construction contracts | 140 963 | 135 545 |
| Provision for long-term liabilities and other charges | 117 830 | 102 082 |
| Long-term retirement benefits and similar obligations | 4 060 | 4 158 |
| Total non-current liabilities | 318 570 | 254 960 |
| Current liabilities | | |
| Loans, borrowings and other external sources of finance | 19 153 | 17 544 |
| Trade and other payables | 1 387 485 | 1 270 662 |
| Retentions for construction contracts | 140 569 | 124 842 |
| Amounts due and payable to customers (investors) under construction contracts | 611 317 | 1 034 210 |
| Prepayments received | 314 405 | 225 828 |
| Provision for short-term liabilities and other charges | 99 010 | 110 490 |
| Current tax payable | 555 | 173 074 |
| Short-term retirement benefits and similar obligations | 1 651 | 1 651 |
| Derivative financial instruments | 14 823 | 460 |
| Short-term accruals | 170 206 | 166 560 |
| Short-term deferred income | 8 108 | 6 553 |
| | 2 767 282 | 3 131 874 |
| Liabilities directly associated with the assets classified as held for sale | - | - |
| Total current liabilities | 2 767 282 | 3 131 874 |
| Total liabilities | 3 085 852 | 3 386 834 |
| TOTAL EQUITY AND LIABILITIES | 3 729 123 | 4 067 239 |

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Consolidated income statement

| | 9-month period ended | 3-month period ended | 9-month period ended | 3-month period ended |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | 30 September 2011 | | 30 September 2010 | |
| | (PLN thousands) | (PLN thousands) | (PLN thousands) | (PLN thousands) |
| Continuing operations | | | | |
| Net sales of finished goods, goods for resale, raw materials and services | 3 822 674 | 1 573 786 | 3 160 709 | 1 437 305 |
| Cost of finished goods, goods for resale, raw materials and services sold | (3 500 073) | (1 455 477) | (2 793 253) | (1 279 408) |
| Gross profit on sales | 322 601 | 118 309 | 367 456 | 157 897 |
| Selling expenses | (16 954) | (5 964) | (16 675) | (5 614) |
| Administrative expenses | (103 416) | (34 978) | (83 831) | (28 230) |
| Other operating income | 67 048 | 22 960 | 68 826 | 9 671 |
| Other operating expenses | (20 902) | 3 173 | (82 414) | (41 170) |
| Gains/ (losses) on derivative financial instruments | (11 416) | (11 961) | 6 015 | 3 944 |
| Operating profit | 236 961 | 91 539 | 259 377 | 96 498 |
| Finance income | 40 389 | 13 171 | 28 724 | 8 279 |
| Finance costs | (34 514) | (12 379) | (29 214) | (4 268) |
| Share of results of equity accounted companies | (2 170) | 176 | (3 006) | (782) |
| Profit before tax | 240 666 | 92 507 | 255 881 | 99 727 |
| Income tax | (46 775) | (18 406) | (48 567) | (18 968) |
| Net profit from continuing operations | 193 891 | 74 101 | 207 314 | 80 759 |
| Net profit for the period | 193 891 | 74 101 | 207 314 | 80 759 |
| Of which: | | | | |
| Attributable to the shareholders of the Parent Company | 193 891 | 74 101 | 207 314 | 80 759 |
| Attributable to non-controlling interest | - | - | - | - |
| Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN) | 7.59 | 2.90 | 8.12 | 3.16 |

Consolidated statement of comprehensive income

| | 9-month period ended | 3-month period ended | 9-month period ended | 3-month period ended |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 30 September 2011 | | 30 September 2010 | |
| | (PLN thousands) | (PLN thousands) | (PLN thousands) | (PLN thousands) |
| Net profit for the period | 193 891 | 74 101 | 207 314 | 80 759 |
| Other comprehensive income (loss) for the period: | | | | |
| Foreign exchange differences on translation of foreign operations | 789 | 871 | 206 | (245) |
| Deferred tax related to components of other comprehensive income | - | - | - | - |
| Other comprehensive income (loss), net of tax | 789 | 871 | 206 | (245) |
| Total comprehensive income for the period | 194 680 | 74 972 | 207 520 | 80 514 |
| Of which: | | | | |
| Attributable to the shareholders of the Parent Company | 194 680 | 74 972 | 207 520 | 80 514 |
| Attributable to non-controlling interests | - | - | - | - |

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Consolidated statement of changes in equity

| | Equity attributable to the shareholders of the Parent Company | | | | | Non-controlling interests | Total equity | |
|---|---|-----------------|---------------------------------------|---|-------------------|---------------------------|--------------|-----------------|
| | Share capital | Share premium | Other reserves – share-based payments | Foreign exchange differences on translation of foreign operations | Retained earnings | | | Total |
| | (PLN thousands) | (PLN thousands) | (PLN thousands) | (PLN thousands) | (PLN thousands) | | | (PLN thousands) |
| Balance as at 1 January 2011 | 145 848 | 234 799 | 256 | 1 611 | 297 891 | 680 405 | - 680 405 | |
| Profit for the period | - | - | - | - | 193 891 | 193 891 | - 193 891 | |
| Other comprehensive income | - | - | - | 789 | - | 789 | - 789 | |
| Total comprehensive income for the period | - | - | - | 789 | 193 891 | 194 680 | - 194 680 | |
| Dividends | - | - | - | - | (231 814) | (231 814) | - (231 814) | |
| Balance as at 30 September 2011 | 145 848 | 234 799 | 256 | 2 400 | 259 968 | 643 271 | - 643 271 | |

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Consolidated statement of changes in equity (cont.)

| | Equity attributable to the shareholders of the Parent Company | | | | | | Non-controlling interests | Total equity |
|---|---|-----------------|---------------------------------------|---|-------------------|-----------------|---------------------------|--------------|
| | Share capital | Share premium | Other reserves – share-based payments | Foreign exchange differences on translation of foreign operations | Retained earnings | Total | | |
| | (PLN thousands) | (PLN thousands) | (PLN thousands) | (PLN thousands) | (PLN thousands) | (PLN thousands) | | |
| Balance as at 1 January 2010 | 145 848 | 234 799 | - | 1 446 | 204 087 | 586 180 | - | 586 180 |
| Profit for the period | - | - | - | - | 207 314 | 207 314 | - | 207 314 |
| Other comprehensive income | - | - | - | 206 | - | 206 | - | 206 |
| Total comprehensive income for the period | - | - | - | 206 | 207 314 | 207 520 | - | 207 520 |
| Dividends | - | - | - | - | (173 605) | (173 605) | - | (173 605) |
| Balance as at 30 September 2010 | 145 848 | 234 799 | - | 1 652 | 237 796 | 620 095 | - | 620 095 |
| Profit for the period | - | - | - | - | 60 095 | 60 095 | - | 60 095 |
| Other comprehensive income | - | - | - | (41) | - | (41) | - | (41) |
| Total comprehensive income for the period | - | - | - | (41) | 60 095 | 60 054 | - | 60 054 |
| Share-based payments | - | - | 256 | - | - | 256 | - | 256 |
| Balance as at 31 December 2010 | 145 848 | 234 799 | 256 | 1 611 | 297 891 | 680 405 | - | 680 405 |

Consolidated statement of cash flow

| | 9-month period ended 30 September | |
|--|--|-----------------|
| | 2011 | 2010 |
| | (PLN thousands) | (PLN thousands) |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net profit before tax | 240 666 | 255 881 |
| Adjustments for: | | |
| Depreciation/ amortization | 21 278 | 15 285 |
| Share of results of equity accounted companies | 2 170 | 3 006 |
| Foreign exchange (gains)/ losses | 496 | (525) |
| Interest and shares in profits (dividends) | 910 | 7 892 |
| (Profit)/ loss on disposal of investments | 2 413 | (6 422) |
| Change in valuation of derivative financial instruments | 15 610 | (9 414) |
| Operating profit before changes in working capital | 283 543 | 265 703 |
| Change in receivables and retentions for construction contracts | (273 503) | (191 235) |
| Change in inventories | (83 533) | 157 990 |
| Change in provisions and liabilities arising from retirement benefits and similar obligations | 4 170 | 31 251 |
| Change in retentions for construction contracts and in liabilities, except for loan and borrowings liabilities | 138 488 | 187 216 |
| Change in accruals and accrued income | (7 224) | 1 118 |
| Change in amounts due and receivable under construction contracts | (628 149) | (2 548) |
| Change in prepayments received | 88 577 | (192 939) |
| Change in cash and cash equivalents of restricted use | (14 488) | (353) |
| Other adjustments | 659 | 2 811 |
| Cash generated from / used in operations | (491 460) | 259 014 |
| Income tax paid | (174 917) | (97 949) |
| NET CASH FROM / USED IN OPERATING ACTIVITIES | (666 377) | 161 065 |

Consolidated statement of cash flow (cont.)

| | 9-month period ended 30 September | |
|--|--|------------------|
| | 2011 | 2010 |
| | (PLN thousands) | (PLN thousands) |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Sale of intangible assets and tangible fixed assets | 12 745 | 5 681 |
| Purchase of intangible assets and tangible fixed assets | (1 663) | (12 303) |
| Sale of investment properties | - | 3 800 |
| Purchase of investment properties | - | (220) |
| Sale of financial assets in related entities (note 3.5) | (1) | - |
| Purchase of available-for-sale financial assets | (312) | - |
| Sale / (purchase) of financial assets at fair value through profit or loss | 14 013 | 19 067 |
| Dividends received | - | 1 448 |
| Interest received | 197 | 933 |
| NET CASH FROM INVESTING ACTIVITIES | 24 979 | 18 406 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Loans and borrowings taken out | 26 038 | - |
| Repayment of loans and borrowings | (2 947) | (263 688) |
| Dividends paid | (231 814) | (173 605) |
| Payment of finance lease liabilities | (9 074) | (8 188) |
| Interest paid | (973) | (8 034) |
| NET CASH USED IN FINANCING ACTIVITIES | (218 770) | (453 515) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (860 168) | (274 044) |
| Foreign exchange differences, net | 367 | 300 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 3.5) | 1 861 547 | 1 130 289 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 3.5) | 1 001 746 | 856 545 |

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.

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, hotel 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 30 September 2011, 31 December 2010 and 30 September 2010 the following companies were subject to consolidation:

| Company name | Registered office | % in the share capital as at | | | Consolidation method |
|---|--------------------------|---------------------------------|------------------------|-------------------------|-------------------------|
| | | 30 September 2011 | 31 December 2010 | 30 September 2010 | |
| Mostostal Kraków SA | Cracow / Poland | 100.00% | 100.00% | 100.00% | full |
| Budimex Danwood Sp. z o.o. | Bielsk Podlaski / Poland | 100.00% | 100.00% | 100.00% | full |
| Budimex Bau GmbH | Cologne / Germany | 100.00% | 100.00% | 100.00% | full |
| Budimex Nieruchomości Sp. z o.o. | Warsaw / Poland | 100.00% | 100.00% | 100.00% | full |
| Budimex Budownictwo Sp. z o.o. | Warsaw / Poland | 100.00% | 100.00% | 100.00% | full |
| SPV-BN 1 Sp. z o.o. ¹ | Warsaw / Poland | 100.00% | - | - | full |
| SPV-BN 2 Sp. z o.o. ² | Warsaw / Poland | 100.00% | - | - | full |
| Budimex SA Ferrovial Agroman SA s.c. | Warsaw / Poland | 99.98% | 99.98% | 95.00% | proportionate |
| Budimex SA Sygnity SA Sp. j. | Warsaw / Poland | 67.00% | 67.00% | 67.00% | proportionate |
| Budimex SA Ferrovial Agroman SA Sp. j. | Warsaw / Poland | 50.00% | 50.00% | 50.00% | proportionate |
| Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. ³ | Warsaw / Poland | 30.00% | - | - | proportionate |
| Centrum Konferencyjne „Budimex” Sp. z o.o. ⁴ | Licheń / Poland | - | 100.00% | 100.00% | full |

¹⁾ Company entered in the Register of Entrepreneurs on 27 July 2011.

²⁾ Company entered in the Register of Entrepreneurs on 28 July 2011.

³⁾ Company entered in the Register of Entrepreneurs on 17 March 2011.

⁴⁾ Company sold on 31 May 2011.

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

On 17 March 2011 company Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. was entered in the Register of Entrepreneurs. Budimex SA holds 30% of the company's shares.

On 31 May 2011 Budimex SA sold 1 015 shares (100%) in the company Centrum Konferencyjne „Budimex” Sp. z o.o. for the price of PLN 102 thousand. The buyer of those shares was NORTHCAN Sp. z o.o. with its registered Office in Warsaw. At the transaction date, the consolidated net value of assets of this company attributable to the Budimex Group was PLN -205 thousand. The consolidated income statement of the Group for the 9-month period of 2011 accounts for sales revenue of this company in the amount of PLN 1 484 thousand and net loss of PLN 428 thousand.

On 27 July 2011 company SPV-BN 1 Sp. z o.o. was entered in the Register of Entrepreneurs. Budimex Nieruchomości Sp. z o.o. holds 100% of the company's shares.

On 28 July 2011 company SPV-BN 2 Sp. z o.o. was entered in the Register of Entrepreneurs. Budimex Nieruchomości Sp. z o.o. holds 100% of the company's shares.

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 the date of publication of the report was as follows:

| Shareholder | Type of shares | Number of shares | % of the share capital | Number of votes | % of voting rights at the AGM |
|--|----------------|-------------------|------------------------|-------------------|-------------------------------|
| Valivala Holdings B.V. Amsterdam (Holland) – the Company from the Ferrovial SA Group (Spain) | ordinary | 15 078 159 | 59.06% | 15 078 159 | 59.06% |
| OFE PZU „Złota Jesień” | ordinary | 1 444 895 | 5.66% | 1 444 895 | 5.66% |
| Other shareholders | ordinary | 9 007 044 | 35.28% | 9 007 044 | 35.28% |
| Total | | 25 530 098 | 100.00% | 25 530 098 | 100.00% |

From the date of publication of the report for the first half of 2011, i.e. 31 August 2011 the shareholding structure has not change.

3. Principles applied for the purpose of preparation of financial statements**3.1. Accounting policies and basis of preparing the consolidated financial statements of the Budimex Group**

These condensed financial statements were prepared in accordance with IAS 34 “Interim Financial Reporting” and appropriate accounting standards applicable for preparation of the interim consolidated financial statements adopted by the European Union issued and effective when preparing the interim consolidated financial statements applying the same principles for the current and comparable period. Details of accounting policies adopted by the Group were described in the consolidated financial statements of the Group for the year ended 31 December 2010, published on 21 March 2011.

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 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 IAS 24 “Related Party Disclosures”** - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- **Amendments to IAS 32 “Financial Instruments: Presentation”** – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 February 2010),
- **Amendments to IFRS 1 “First-time Adoption of IFRS”**- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, adopted by the EU on 30 June 2010 (effective for annual periods beginning on or after 1 July 2010),
- **Amendments to various standards and interpretations “Improvements to IFRSs (2010)”** resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 February 2011 (amendments are to be applied for annual periods beginning on or after 1 July 2010 or 1 January 2011 depending on standard/interpretation),
- **Amendments to IFRIC 14 “IAS 19 – The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction”** - Prepayments of a Minimum Funding Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- **IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”**, adopted by the EU on 23 July 2010 (effective for annual periods beginning on or after 1 July 2010).

The Group anticipates that the adoption of the remaining aforementioned standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

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

At the date of authorisation of these financial statements no standards, revisions and interpretations adopted by the EU were in issue but not yet effective.

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 26 October 2011:

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 10 “Consolidated Financial Statements”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 11 “Joint Arrangements”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 12 “Disclosures of Involvement with Other Entities”** (effective for annual periods beginning on or after 1 January 2013),

- **IFRS 13 "Fair Value Measurement"** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 27 (revised in 2011) "Separate Financial Statements"** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"** (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 1 "First-time Adoption of IFRS"** - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),
- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011),
- **Amendments to IAS 1 "Presentation of financial statements"** - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),
- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),
- **Amendments to IAS 19 "Employee Benefits"** - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013).

The Group anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

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 entity's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

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

Starting from 1 January 2011, raw materials are valued based on the purchase price established as a weighted average of the purchased material prices. Before, as described in the consolidated financial statements of the Group for the year 2010, raw materials were valued on a „first in – first out“ basis. The aforementioned change of valuation methods has no impact on the inventory value and the amount of net result of the Group for the 9-month period of 2011.

3.3. Non-current assets classified as held for sale

In accordance with International Financial Reporting Standard (IFRS 5) non-current assets classified as held for sale are presented separately from other assets in the statement of financial position as a part of current assets. Included in this group are items of non-current assets provided their carrying amount will be recovered in a disposal transaction rather than through asset further use.

Non-current assets classified as held for sale are valued at the lower of carrying amount and fair value less selling expenses. The fair value of non-current assets classified as held for sale is the value determined in the preliminary agreement less selling expenses.

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Non-current assets classified as held for sale as at 30 September 2011 and 31 December 2010 are presented in the table below:

| | 30 September 2011 | 31 December 2010 |
|---|----------------------|---------------------|
| Non-current assets classified as held for sale, of which: | - | 5 908 |
| – fixed assets | - | 5 908 |
| Total | - | 5 908 |

3.4. 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 30 September 2011 – 4.4112 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the 9-month period ended 30 September 2011 – 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 2011 to 30 September 2011 – 4.0413 PLN/EUR,
- individual asset and liability items of comparative financial data for the year 2010 – using the average exchange rate prevailing as at 31 December 2010 – 3.9603 PLN/EUR,
- individual profit and loss account and statement of cash flow items of comparative financial data for the 9-month period ended 30 September 2010 – 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 2010 to 30 September 2010 – 4.0027 PLN/EUR.

3.5. Cash recognised in the statement of cash flow

The Group recognizes cash of restricted use (including mainly cash representing security for bank guarantees and funds kept in escrow by developer companies, provided their maturity does not exceed 3 months) in the statement of financial position under cash and cash equivalents. For the purpose of the statement of cash flow – the balance of cash at the beginning and at the end of the reporting period is reduced by cash of restricted use, and its change in the statement of financial position is recognized under cash flow from operating activities.

| | 30 September 2011 (in PLN thousands) | 31 December 2010 (in PLN thousands) | 30 September 2010 (in PLN thousands) |
|---|---|--|---|
| Cash recognised in the statement of financial position | 1 017 090 | 1 862 403 | 856 966 |
| Cash and cash equivalents of restricted use | (15 344) | (856) | (421) |
| Cash recognised in the statement of cash flow | 1 001 746 | 1 861 547 | 856 545 |

Net cash and cash equivalents related to the sales of shares in the Centrum Konferencyjne „Budimex” Sp. z o.o. (see note 1.3), shown in the investing activities, in the amount of PLN -1 thousand include cash received as consideration for the sale of the company in the amount of PLN 102 thousand decreased by the value of cash and cash equivalents of the company in the amount of PLN 103 thousand at the transaction date. The value of the remaining net assets of the company decreased by the amount of its cash and cash equivalents at the sales transaction date was PLN -308 thousand.

4. Description of factors and events which had a material effect on a financial result of the Budimex Group for three quarters of 2011

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 third quarter, while the lowest – in the first quarter.

In the 9-month period ended 30 September 2011, the Budimex Group earned sales revenue of PLN 3 822 674 thousand which means a 20.94% increase on the corresponding period of 2010. In the third quarter of 2011 sales revenue of the Budimex Group amounted to PLN 1 573 786 thousand and was higher by PLN 775 968 thousand (97.26%) than sales revenue realised in the first quarter of 2011 and higher by PLN 122 716 thousand (8.46%) than sales revenue realised in the second quarter of 2011. Sales revenue recognised in the third quarter of the current year increased by PLN 136 481 thousand (9.50%) compared to the corresponding period of the prior year.

In the period of three quarters of 2011 construction-assembly production in Poland expressed in current prices increased by 19.2% compared to the corresponding period of the prior year (an increase by 18.2% in fixed prices), while sales of the construction segment of the Budimex Group on the home market were up by 36.12% on the corresponding periods.

Gross profit on sales in the 9-month period ended 30 September 2011 was PLN 322 601 thousand, while in the corresponding period of the prior year was PLN 367 456 thousand. The gross sales profitability ratio was therefore 8.44% for three quarters of 2011, while in the corresponding period of the prior year was 11.63%. The gross sales profitability ratio in the third quarter of 2011 amounted to 7.52%, while in the corresponding period of the prior year was 10.99%.

In the 9-month period ended 30 September 2011 gross profit on sales in the construction segment amounted to PLN 274 898 thousand and was higher by PLN 23 169 thousand compared to the corresponding period of the prior year, albeit gross sales profitability ratio of construction segment for the 9-month period ended 30 September 2011 was 7.69% (9.56% in the corresponding period of 2010). In turn, gross profit on sales in the developer segment in the 9-month period ended 30 September 2011 was PLN 36 819 thousand, while in the corresponding period of the prior year it amounted to PLN 83 240 thousand. Gross sales profitability ratio of the developer segment dropped from 18.42% in the 9-month period ended 30 September 2010 to 17.74% 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 September 2011, the balance of the provision for contract losses amounted to PLN 396 919 thousand. In the 9-month period ended 30 September 2011, the balance of provision for contract losses decreased by PLN 79 400 thousand, while in the third quarter it decreased by PLN 24 903 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 30 September 2011 the provision for warranty amounted to PLN 142 890 thousand. In the 9-month period ended 30 September 2011 the balance of the provision for warranty increased by PLN 38 527 thousand, while in the third quarter it increased by PLN 26 616 thousand.

Selling expenses increased insignificantly in the 9-month period ended 30 September 2011 by PLN 279 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 19 585 thousand higher than expenses incurred in the corresponding period of 2010. The share of selling and administrative expenses in total sales decreased insignificantly from 3.18% in the period of three quarters of 2010 to 3.15% in corresponding period of the current year.

Other operating income for the 9-month period ended 30 September 2011 was PLN 67 048 thousand (PLN 68 826 thousand for the three quarters of 2010) and comprised reversal of impairment write-downs against doubtful debts in the amount of PLN 13 406 thousand (of which PLN 1 699 thousand in the third quarter of the current year), income from compensations and contractual penalties in the amount of PLN 14 363 thousand (of which PLN 6 980 thousand in the third quarter of the current year) and reversal of provisions for liabilities in dispute in the amount of PLN 21 442 thousand (of which

PLN 3 965 thousand in the third quarter of the current year) and reversal of provision for litigation proceedings in the amount of PLN 7 494 thousand (of which in the third quarter of the current year in the amount of PLN 5 526 thousand). Additionally, in the period of three quarters of 2011 Group companies disposed of tangible fixed assets and investment properties and earned profit on sale of PLN 4 749 thousand. The net book value of the tangible fixed assets and investment properties, inclusive of non-current assets classified as held for sale, sold in the period of three quarters of 2011 was PLN 7 564 thousand.

Other operating expenses for the 9-month period ended 30 September 2011 amounted to PLN 20 902 thousand (PLN 82 414 thousand for the corresponding period of the prior year), of which PLN 5 528 thousand related to impairment write-downs against receivables (of which PLN 4 117 thousand for the third quarter of the current year). Other operating costs for the period of 3 quarters of 2011 included moreover PLN 6 849 thousand related to provisions created for penalties and compensations (while the reversal of provision in the amount of PLN 10 903 thousand in the third quarter of the current year) and PLN 1 461 thousand regarding provisions created for legal proceedings (while in the third quarter of 2011 related costs were increased by PLN 533 thousand). The value of compensations and contractual penalties charged to the Group result in the period discussed was PLN 4 228 thousand, of which PLN 2 601 thousand in the third quarter of the current year.

During the 9-month period ended 30 September 2011 the Group incurred losses 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 11 416 thousand (of which losses in the amount of PLN 11 961 thousand in the third quarter of the current year), while in the corresponding period of the prior year it recognised gains in the amount of PLN 6 015 thousand (of which gains in the amount of PLN 3 944 thousand in the third quarter of 2010).

The reported operating profit of the Group in the period of three quarters of 2011 was PLN 236 961 thousand, while in the period of three quarters of 2010 it was PLN 259 377 thousand (a decrease by 8.64%). The operating profit for the third quarter of 2011 amounted to PLN 91 539 thousand and represented 5.82% of sales revenue value, while for the corresponding period of the prior year it constituted 6.71% of sales revenue.

In the 9-month period ended 30 September 2011 the Group generated profit on financing activities in the amount of PLN 5 875 thousand, while in the same period of the prior year it reported a loss in the amount of PLN 490 thousand. Finance income for three quarters of 2011 represented mainly interest of PLN 40 082 thousand. Finance costs in three quarters of 2011 represented, among others, interest costs of PLN 3 666 thousand, bank commissions on guarantees and loans of PLN 10 188 thousand paid by Group companies, costs relating to impairment write-downs against the value of shares in the company Autopistas del Levante S.L. in the amount of PLN 7 489 thousand and costs from discount of long-term retention receivables and liabilities of PLN 9 577 thousand and excess of foreign exchange losses over foreign exchange gains in the amount of PLN 3 534 thousand.

In the 9-month period ended 30 September 2011, the Group reported a gross profit of PLN 240 666 thousand, while in the corresponding period of the prior year – a gross profit of PLN 255 881 thousand (a decrease by PLN 5.95%).

Income tax for the 9-month period ended 30 September 2011 was PLN 46 775 thousand (PLN 48 567 thousand for the 9 months of 2010), of which:

- current tax was PLN 2 785 thousand,
- deferred tax – PLN 43 990 thousand.

As at 30 September 2011, the Group recognized a deferred tax asset in the amount of PLN 313 221 thousand, while as at 31 December 2010 – PLN 357 343 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 Group for three quarters of 2011 was PLN 193 891 thousand, while the net profit attributable to the shareholders of the Budimex Group for the corresponding period of 2010 was PLN 207 314 thousand (an decrease by 6.47%).

In the 9-month period ended 30 September 2011, the Group purchased property, plant and equipment, intangible assets and investment properties with a total value of PLN 30 134 thousand (in

the third quarter of 2011 – PLN 10 005 thousand), of which plant and machinery accounted for PLN 23 613 thousand (in the third quarter of 2011 – PLN 6 129 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
- Sprzęt Transport Sp. z o.o. in liquidation (liquidated on 31 May 2010)
- Mostostal Kraków SA
- Budimex Bau GmbH
- Budimex Budownictwo Sp. z o.o.
- Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. (company entered into the Register of Entrepreneurs on 17 March 2011).

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. (company entered into the Register of Entrepreneurs on 27 July 2011)
- SPV-BN 2 Sp. z o.o. (company entered into the Register of Entrepreneurs on 28 July 2011)
- Centrum Konferencyjne „Budimex” Sp. z o.o. (sold on 31 May 2011)
- 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
- Budimex Auto-Park Bydgoszcz Sp. z o.o. (included in Budimex SA on 23 June 2010).

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 or trading activities.

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The results of segments for 9-month period ended 30 September 2011 are presented in the table below:

| Segment name | amounts in PLN thousands | | | | Consolidated value |
|--|--------------------------|--|----------------|------------------|--------------------|
| | Construction business | Property management and developer business | Other business | Eliminations | |
| External sales | 3 439 663 | 207 200 | 175 811 | - | 3 822 674 |
| Inter-segment sales | 136 786 | 318 | - | (137 104) | - |
| Total sales of finished goods, goods for resale and raw materials | 3 576 449 | 207 518 | 175 811 | (137 104) | 3 822 674 |
| Gross profit | 274 898 | 36 819 | 15 605 | (4 721) | 322 601 |
| Selling expenses | (8 492) | (6 043) | (2 447) | 28 | (16 954) |
| Administrative expenses | (95 698) | (9 001) | (6 790) | 8 073 | (103 416) |
| Other operating income/ (expenses), net | 41 944 | 4 531 | (329) | - | 46 146 |
| Gains / (losses) on derivative financial instruments | (2 949) | - | (8 467) | - | (11 416) |
| Operating profit (loss) | 209 703 | 26 306 | (2 428) | 3 380 | 236 961 |
| Finance income / (costs), net | 4 219 | 3 161 | (1 505) | - | 5 875 |
| Shares in gains/ (losses) of equity accounted entities | - | - | (2 170) | - | (2 170) |
| Income tax expense | (40 513) | (5 363) | (258) | (641) | (46 775) |
| Net profit (loss) for the period | 173 409 | 24 104 | (6 361) | 2 739 | 193 891 |

The results of segments for 9-month period ended 30 September 2010 are presented in the table below:

| Segment name | amounts in PLN thousands | | | | Consolidated value |
|--|--------------------------|--|----------------|-----------------|--------------------|
| | Construction business | Property management and developer business | Other business | Eliminations | |
| External sales | 2 615 990 | 451 510 | 94 750 | (1 541) | 3 160 709 |
| Inter-segment sales | 18 123 | 334 | - | (18 457) | - |
| Total sales of finished goods, goods for resale and raw materials | 2 634 113 | 451 844 | 94 750 | (19 998) | 3 160 709 |
| Gross profit | 251 729 | 83 240 | 6 663 | 25 824 | 367 456 |
| Selling expenses | (7 964) | (5 975) | (2 755) | 19 | (16 675) |
| Administrative expenses | (76 666) | (13 233) | (4 687) | 10 755 | (83 831) |
| Other operating income/ (expenses), net | (26 741) | 11 458 | 489 | 1 206 | (13 588) |
| Gains / (losses) on derivative financial instruments | 2 257 | - | 3 758 | - | 6 015 |
| Operating profit | 142 615 | 75 490 | 3 468 | 37 804 | 259 377 |
| Finance income / (costs), net | 6 917 | (7 136) | (268) | (3) | (490) |
| Shares in gains/ (losses) of equity accounted entities | - | - | (3 006) | - | (3 006) |
| Income tax expense | (27 352) | (13 121) | (968) | (7 126) | (48 567) |
| Net profit (loss) for the period | 122 180 | 55 233 | (774) | 30 675 | 207 314 |

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6. Related party transactions

Transactions with related parties made in the 9-month period ended 30 September 2011 and unsettled balances of receivables and liabilities as at 30 September 2011 are presented in the tables below:

| | amounts in PLN thousands | | | |
|--|--------------------------|------------------|-------------------|------------------|
| | Receivables | | Liabilities | |
| | 30 September 2011 | 31 December 2010 | 30 September 2011 | 31 December 2010 |
| Parent Company and related parties (the Ferrovial Group) | 53 818 | 53 354 | 108 606 | 92 524 |
| Jointly-controlled entities | 1 624 | 233 | 874 | 132 |
| Associates | 23 | 12 | 2 759 | 3 779 |
| Other related parties* | 4 862 | 203 | 1 849 | 1 059 |
| Total settlements with related parties | 60 327 | 53 802 | 114 088 | 97 494 |

| | amounts in PLN thousands | | | |
|--|--|------------------|--|------------------|
| | Loans granted / acquired debt securities | | Loans taken out / issued debt securities | |
| | 30 September 2011 | 31 December 2010 | 30 September 2011 | 31 December 2010 |
| Parent Company and related parties (the Ferrovial Group) | - | - | 8 468 | 7 475 |
| Jointly-controlled entities | - | - | - | - |
| Associates | - | - | - | - |
| Other related parties* | - | - | - | - |
| Total settlements with related parties | - | - | 8 468 | 7 475 |

| | amounts in PLN thousands | | | |
|--|--------------------------------------|---------------|---|-----------------|
| | Sales of finished goods and services | | Purchase of finished goods and services | |
| | 9-month period ended 30 September | | 9-month period ended 30 September | |
| | 2011 | 2010 | 2011 | 2010 |
| Parent Company and related parties (the Ferrovial Group) | 60 347 | 41 991 | (72 881) | (57 096) |
| Jointly-controlled entities | 394 | 1 886 | (929) | - |
| Associates | 45 | 41 | (8 792) | (8 641) |
| Other related parties* | 27 | 110 | (5 030) | (1 287) |
| Total settlements with related parties | 60 813 | 44 028 | (87 632) | (67 024) |

| | amounts in PLN thousands | | | |
|--|-----------------------------------|----------|-----------------------------------|--------------|
| | Financial income | | Financial costs | |
| | 9-month period ended 30 September | | 9-month period ended 30 September | |
| | 2011 | 2010 | 2011 | 2010 |
| Parent Company and related parties (the Ferrovial Group) | - | - | (363) | (353) |
| Jointly-controlled entities | - | - | - | - |
| Associates | - | - | - | - |
| Other related parties* | - | - | - | - |
| Total settlements with related parties | - | - | (363) | (353) |

*) 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 in the next quarter include:

- instability on the financial markets,
- a tempo and directions of assistance funds utilization within the framework of programmes aimed at financing the adaptation of domestic infrastructure to the European Union standards,
- outcome of tenders in infrastructure segment scheduled for the current year,
- 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.

As at 30 September 2011 the backlog was PLN 7 662 849 thousand (of which increase by PLN 259 189 thousand in the third quarter of the current year). The value of contracts signed between January and September 2011 was PLN 4 203 422 thousand (of which PLN 1 284 910 thousand in the third quarter of the current year). The number of pre-sold apartments in the period from January - September 2011 (without booking) is 550 units (of which 145 units in the third quarter of the current year).

8. The main events in the third quarter of 2011 and significant events after 30 September 2011

Significant contracts:

On 6 July 2011 Budimex SA signed an agreement with MDI Sp. z o.o. with its registered office in Warsaw on the construction of 7 residential buildings - the Słoneczny Dom housing estate in Lublin, implemented in 6 stages. Net contract value is PLN 73 340 thousand.

On 15 July 2011 the consortium of Budimex SA (leader) and Ferrovial Agroman SA signed a contract with the company New Regional Hospital Sp. z o.o. with its registered office in Wrocław on "Construction of a new regional hospital in Wrocław - Task 2: construction of the hospital along with land development and construction of a helicopter landing". Net contract value is PLN 158 453 thousand.

On 15 July 2011 Budimex SA signed a contract with the National Treasury - General Director for National Roads and Motorways, represented by the General Directorate for National and Motorways with the branch in Łódź on "Construction of S8 expressway on the section: Walichnowy interchange - Łódź (A1), section 1 (Walichnowy interchange)". Net contract value is PLN 95 738 thousand.

On 29 July 2011 Budimex signed with the Adam Mickiewicz University in Poznań a contract on construction of the Department of Chemistry - finishing works Stage I Task 2 segment G. The net value of the contract is PLN 23 118 thousand. This is another agreement signed in last 12 months with the same entity. On 2 June 2011 the contract was signed on construction of the Centre of Advanced Technologies of Wielkopolska: Building A, A-1 Greenhouse, A-2 Animal house, along with the

accompanying technical infrastructure. Net contract value is PLN 50 173 thousand. In addition, on 8 April 2011 Budimex SA concluded a contract of net value PLN 19 978 thousand with the same Ordering Authority.

On 4 August 2011 Budimex SA signed a contract with Gdańsk City Gmina, represented by Gdansk Municipal Investments Sp. z o.o. with its registered office in Gdańsk, on the execution of works under the project "Connection of Airport with Seaport - Słowacki Route". Task III. Section - Aleja Gen. Józefa Hallera - Marynarki Polskiej Interchange. Net contract value is PLN 109 748 thousand.

On 1 September 2011, Budimex SA signed an agreement with the company Warszawa Przyokopowa Sp. z o.o. in Wrocław, to build an office complex with facilities in Warsaw at ul. Przyokopowa 85A. Net contract value is PLN 170 000 thousand.

On 2 September 2011 Budimex SA signed a contract with the City Office of Lublin on the development of design documentation and construction of the city stadium in Lublin along with the land development of the adjacent area, installations and connections, located in the vicinity of ul. Krochmalna, where the settlings of the former sugar plant in Lublin once were, under the project "Construction of the city stadium in Lublin together with the land development of the adjacent area" financed by the European Regional Development Fund under the Regional Operational Programme of the Lublin Province 2007 - 2013. Net contract value is PLN 110 738 thousand.

On 5 September 2011 Budimex SA signed an agreement with Neinver Annapol Sp. z o.o. with its registered office in Warsaw on the construction of a Shopping Centre FACTORY Annapol. Net contract value is PLN 61 600 thousand.

On 20 September 2011 the consortium of Budimex SA (leader) and Ferrovia Agroman SA (partner) signed a contract with the Municipality of Cracow on the construction of the Congress Centre (Rondo Grunwaldzkie) in Cracow - second stage of completion. Net contract value is PLN 257 994 thousand.

On 5 October 2011 Budimex SA signed an agreement with Generalna Dyrekcja Dróg Krajowych i Autostrad Branch in Łódź on „Construction of express road S8; section from the interchange of Walichnowy to Wrocław (A1) interchange, section 8 from the interchange of Róża – Wrocław interchanges”. Net contract value is PLN 689 244 thousand.

On 5 October 2011 Port Lotniczy Lublin SA notified Budimex SA that in the proceedings of public procurement in an open tender for „Construction of passenger terminal together with technical building, technical-garage building, airport fire station and preparation of working plans and specifications regarding wiring, plumbing, heating, air-conditioning, ventilation for the aforementioned objects within the task concerning the extension of the Regional Airport: Port Lotniczy Lublin SA (Świdnik)” the offer made by the consortium of Budimex SA (leader) and Ferrovia Agroman SA (partner) was selected as the most favourable. Net contract value is PLN 66 799 thousand.

On 6 October 2011 Budimex SA signed a contract with GSG Towers Sp. z o.o. on „Complex construction of a production hall with social building together with building installations for Wind Power Plant”. It is a conditional agreement. It will come into force when 3 following conditions are met: advance payment (1 working day after the guarantee for advance return is provided), submission of statement of bank regarding obtaining a bank loan and meeting the condition for loan payment (till 30 October 2011) and submission of signed agreement for financing of the investment from EU funds (till 30 November 2011). Net contract value is PLN 96 340 thousand.

Other significant agreements and events:

On 4 July 2011 Budimex Nieruchomości Sp. z o.o. signed a credit agreement with Bank Pekao SA with its registered office in Warsaw to co-finance and refinance the costs connected with execution of a real property development project. Credit amount is PLN 87 870 thousand. Final credit repayment date is 31 January 2014.

On 11 July 2011 Budimex SA was informed by Bank Ochrony Środowiska SA about the conclusion of an annex to the agreement on the establishment of an engagement limit in the form of a renewable line on bank guarantee. Pursuant to the annex the following amendments were introduced: the amount of guarantee limit was increased from PLN 100 000 thousand to PLN 150 000 thousand

not later than until 8 July 2012. As security for the guarantee limit, the Company grants the bank a power of attorney to administer the Company's bank account maintained by the bank. Moreover, to each guarantee issued by the Bank within the line, the Company will submit a declaration on submission to bank execution concerning liabilities resulting from the guarantee. The remaining conditions of the agreement remain unchanged.

On 26 July 2011 Budimex SA received information on signing the Changes no. 9 of 25 July 2011 to the Multi-purpose Line-of-Credit Agreement of 25 April 2008 document by Fortis Bank Polska SA. Under the document the new expiry date of the contract is 1 August 2012. Other provisions of the contract remain unchanged.

On 2 August 2011 Budimex SA received from the Polish branch of Bank Societe Generale SA a signed annex to the Bank Guarantee Agreement of 4 May 2011. Pursuant to the annex: the guarantee limit to which the Company may order the bank to issue bank guarantees has increased from PLN 150 000 thousand to PLN 165 000 thousand. Other provisions of the contract remain unchanged.

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

In the third quarter of 2011 Budimex SA and Group companies did not issue, redeem or repay 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 third quarter of 2011

As at the date of publication the report members of the Management Board and Supervisory Board of Budimex SA held the following number of shares:

| | | |
|-------------------|-------------------------------------|--------------|
| Dariusz Blocher | (president of the Management Board) | 3 500 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 has been no change in the status of ownership from the date of publication of the report for the first half of 2011, i.e. 31 August 2011.

12. Proceedings pending as at 30 September 2011 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 30 September 2011 was PLN 546 541 thousand and exceeded 10% of the equity of Budimex SA, which amounts to PLN 626 506 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 42 039 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 30 September 2011 was PLN 294 290 thousand. These proceedings involve the Group companies' operating activity.

The proceedings in the highest value case, relating both to receivables and liabilities due from Budimex SA, is pending before Arbitration Court at the National Chamber of Commerce in Warsaw, which involve the consortium Ferrovial Agroman SA, Budimex SA and Estudio Lamela S.L. (Consortium FBL) and Przedsiębiorstwo Państwowe "Porty Lotnicze" (PPL). The litigation is the result of rescinding the contract for developing and modernizing Warsaw Frederic Chopin Airport – Terminal II by the Investor PPL. Initially, the proceedings related to the claim filed by the Consortium FBL, in relation to bank guarantees realised by PPL groundlessly, which were given as a performance warranty of a total amount of PLN 54 382 thousand. The claim in this respect was filed on 24 January 2008.

In the course of the case 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 Arbitration Court the next written statements of claim including extension of counter-claim, changing the original amount of counter-claim from PLN 135 719 thousand to PLN 280 894 thousand (risk of Budimex SA does not exceed the amount of PLN 112 358 thousand).

In the opinion of Budimex SA, the main claims under the counter-suit are groundless.

The response to the counter-claim, including the motion to dismiss the claim entirely, and therefore supporting the statement that claims filed by PPL are unjustified, was filed on 21 October 2008. To date, there have been fourteen trials during which witnesses for the plaintiff and the counter-defendant have been examined for the circumstances included in the counter-claim.

On 27 May 2010 the Arbitration Court made a decision, based on which the evidence from the expert's opinion regarding the evaluation of reasonableness of the PPL claims was accepted. The expert appointed by the Arbitration Court – the BS Consulting Group started to work at the end of 2010. To date, there have been 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. Currently, works regarding its detailed analysis and preliminary assessment are being performed.

Regardless of the counter-claim of PPL and in accordance with former announcements, on 27 February 2009 the Consortium FBL submitted a written statement of claim including the extension of the main claim by the amount of PLN 216 458 thousand, covering: the remuneration for works performed, but not paid by Investor, the remuneration for additional works, the return of the retained amounts and the interest on late payments. According to the consortium contract the share of Budimex SA in the claim amounts to PLN 86 583 thousand.

The Management Board is of the opinion that the final arbitration court verdict will be favourable to the Consortium FBL.

The response to the counter-claim, including the motion to dismiss the claim entirely, and therefore supporting the statement that claims filed by PPL are unjustified, was filed on 21 October 2008. To date, there have been several trials during which witnesses for the plaintiff and the counter-defendant have been examined for the circumstances included in the counter-claim.

On 27 May 2010 the Arbitration Court made a decision, based on which the evidence from the expert's opinion regarding the evaluation of reasonableness of the PPL claims was accepted. The expert appointed by the Arbitration Court – the BS Consulting Group started to work at the end of 2010. To

date, there have been 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 Arbitration Court fixed the date of next session on 27 October 2011.

Regardless of the counter-claim of PPL and in accordance with former announcements, on 27 February 2009 the Consortium FBL submitted a written statement of claim including the extension of the main claim by the amount of PLN 216 458 thousand, covering: the remuneration for works performed, but not paid by Investor, the remuneration for additional works, the return of the retained amounts and the interest on late payments. According to the consortium contract the share of Budimex SA in the claim amounts to PLN 86 583 thousand.

The Management Board is of the opinion that the final arbitration court verdict will be favourable to the Consortium FBL.

On 23 March 2009 the Arbitration Court issued a partial verdict covering the decision in respect of bank guarantees. Based on the verdict, the Arbitration Court adjudged the total amount of PLN 54 382 thousand together with statutory interest for the period from 9 November 2007 (at the date of issuing the verdict the amount of interest was PLN 8 805 thousand). According to the consortium contract the portion falling to Budimex SA is 40%, i.e. PLN 21 753 thousand and PLN 3 522 thousand referring to interest.

Having received the reason for the partial judgement from the Arbitration Court, the Consortium filed, in the Common Court, a motion on ascertainment of executability of the verdict of the Arbitration Court thorough giving an enforcement clause. On 8 May 2009 PPL filed a claim to dismiss the partial verdict and simultaneously to defer the verdict executability of the Arbitration Court. On 31 May 2010 the District Court in Warsaw quashed the partial verdict of the Arbitration Court, claiming that the appealed sentence of the Arbitration Court violates the public order rules with regard to adjudging the compensation jointly in favour of three entities in case the benefit is divisible. The verdict was issued with regard to the company Budimex SA, which was considered by the District Court to be the only legitimated passively in the case and at the same time deciding that the partial verdict cannot have been issued against Ferrovial Agroman SA – Branch in Poland and Estudio Lamela SL – Branch in Poland, as the branches of these entrepreneurs have no legal personality separate from the company. Therefore, in the verdict issued by the District Court, the proceedings against these parties were canceled and the complaint filed in this respect was rejected. All three parties of the consortium filed the appeal against the sentence of the District Court. Companies Ferrovial Agroman and Estudio Lamela filed a complaint against the decision regarding the abolition of proceedings against them. The complaints were considered and were in total allowed for by the Appeal Court. The Appeal Court reconsidering the complaints quashed the complained sentenced and agreed with the statements of Ferrovial Agroman and Estudio Lamela that as foreign entrepreneurs (and not as their branches in Poland) had legitimacy to act as a party in the trial and that the partial verdict issued by the Arbitration Court was correctly issued in this respect. On 13 July 2010 Budimex SA appealed against the verdict of the District Court in Warsaw but it has not been considered by the Appeal Court till the date of publication of this report.

In the opinion of the Management Board the settlement of the appeal against sentence filed by Budimex SA (and in the aftermath of aforementioned events also appeal filed by Ferrovial Agroman SA and Estudio Lamela SL) should be favourable to the company and in consequence it should enable the company to receive the enforcement clause for the partial verdict issued by the Arbitration Court, allowing for the verdict execution. The Management Board is also in the opinion that the final verdict of the Arbitration Court will be favourable to the remaining claims filed by the consortium.

On 16 December 2010 Tomasz Ryskalok and Rafał Ryskalok, pursuing a business activity as a civil law partnership under the name Cerrys S.C., residing in Wykroty, filing a lawsuit against Budimex SA with regard to the payment of a contractual penalty for delay in the removal of defects identified within the effective period of the guarantee. 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% of the value of the agreement - has not been taken into account, and the defect is not material). The date of the first trial has been fixed on 8 November 2011.

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 (the company merged with Budimex SA in 2009) belonged. The claim relates to the replacement contractor costs incurred by the investor when the consortium rescinded a contract. The Budimex Group's share in consortium was 90%, therefore the value of the claim for which the Company is liable is PLN 22 727 thousand. The first trial devoted to content-related claim recognition (previous trials only related to the issue of the court jurisdiction) took place on 28 September 2011 and was in total dedicated to the examination of a witness. The next trial date has been fixed on 13 December 2011 and during this period it will probably be continued the evidence proceedings regarding examination of witnesses.

Budimex Dromex SA (the company merged with Budimex SA in 2009) as a legal successor of Dromex SA on 8 February 2005 received a statement of claim, directed by Federal Republic of Germany, next represented by federal country Brandenburg, represented by Ministry of cities, housing and communication development ("the Claimer") to the following companies:

- Budimex Dromex SA,
- VHV Deutsche Kautionsversicherung AG, Hannover,
- Deutsche Bank AG, Frankfurt/Main,
- Allgemeine Kreditversicherung Coface AG, Mainz

for return of overpaid remuneration for work and settlement of a warranty liability in the total amount of EUR 2 583 thousand.

Dromex SA and Philipp Holzmann AG were shareholders in the company "ARGE Oderbrücke Philipp Holzmann AG/Dromex" (the "Consortium"). In the years 1993-1997, the companies built a bridge comprising the motorway over the Odra River near Frankfurt. According to the claimant, the fee received by the Consortium for this work was overstated by EUR 2 509 thousand, while Budimex Dromex SA is required to make a prepayment of EUR 74 thousand towards the costs of removing construction faults. The companies VHV Deutsche Kautionsversicherung AG and Allgemeine Kreditversicherung Coface AG incur liability as guarantors for both the prepayment and the return of the overpaid amount. Following payment by certain guarantors of part of the contractual liabilities, the total value of claim was reduced to EUR 1 697 thousand.

During the trial, which took place on 31 May 2011 before the National Court in Neuruppin the compromise was reached, based on which Budimex SA is obliged to pay the amount of EUR 1 million, comprising of EUR 600 thousand regarding the main claim and EUR 400 thousand of interest, in favour for Federal Republic of Germany. The parties decided that proceedings and compromise related costs would be netted off. Additionally, the parties established that in the 3-month period starting from the compromise date, i.e. in the period until 31 August 2011 the parties can withdraw the declaration of will filed with regard to this compromise. The parties did not withdraw the declaration of will, therefore the compromise became valid on 1 September 2011 and on 14 September 2011, according to the compromise reached, Budimex SA paid EUR 1 million in favour of the plaintiff. The case was finished by the valid court decision.

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

Total value of legal proceedings in respect of receivables due to Budimex SA and its subsidiaries as at 30 September 2011 amounted to PLN 252 251 thousand. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of construction work performed.

On 10 March 2009 the District Court in Cracow issued the verdict regarding the claim filed by Budimex Dromex SA against Municipal Commune of Cracow, adjudging the payment of PLN 20 708 thousand together with statutory interest calculated for the period from 5 November 2007 and return of court fees in the amount of PLN 143 thousand. The claimed filed by Budimex Dromex related to the refund of the amount drawn by the Municipal Commune of Cracow on 5 November 2007 from the bank guarantee provided by Budimex Dromex SA as the performance bond for the contract for engineering, design and execution of a sports and show hall in Cracow – Czyżyny concluded on 20 December 2005 between the Consortium of Budimex Dromex SA, Ferrovial Agroman SA and Decathlon SA, and the Municipal Commune of Cracow. The commune drew this amount for the stipulated penalty provided by the contract after previous declaration of withdrawal from the contract and associated imposing of a stipulated penalty despite the fact that Budimex Dromex SA put the legitimacy of imposing of this penalty in question. On 15 July 2009 the Court of Appeal in Cracow, acting as the court of second resort in the proceedings described above, brought the verdict changing

the verdict of the Court of first resort, adjudged the payment by the Municipal Commune of Cracow to Budimex Dromex SA of the amount of PLN 6 903 thousand including statutory interest calculated starting on 20 November 2007 until the date of payment and payment of the court fees in the amount of PLN 20 thousand. The Court rejected the rest of the appeal of the Municipal Commune of Cracow and adjudged the payment by Budimex Dromex SA to the Municipal Commune of the amount of PLN 70 thousand as the appeal trial fees. Budimex Dromex SA appealed to the Supreme Court for cassation of this verdict. On 20 October 2010 the Supreme Court provided for cassation and the case will be considered again by the Appeal Court in Cracow. On 17 February 2011 Budimex SA received information on the decision of the Appellate Court in Cracow, which, having re-examined – as a result of the Supreme Court reversing the previous decision of the Appellate Court in Cracow in the part regarding the dismissal of the claim and adjudication on legal costs – the appeal of the Urban Municipality of Cracow against the decision of the District Court in Cracow of 10 March 2008, reversed the decision of the District Court in Cracow of 10 March 2008 in the part regarding the claim for the amount exceeding PLN 6 903 thousand (i.e. to the amount of PLN 13 805 thousand) and referred the case to the District Court in Cracow for re-examination and adjudication on legal costs. The case brought by Budimex SA (as a general successor of Budimex Dromex SA) against the Urban Municipality of Cracow for the payment of PLN 20 708 thousand has become final with regard to the amount of PLN 6 903 thousand plus statutory interest calculated from 20 November 2007, having been adjudicated to be paid by the Urban Municipality of Cracow to Budimex SA. The remaining elements of the claim currently are being re-examined by the District Court in Cracow. The court accepted as evidence documents and expert's opinions submitted by Budimex SA, the case was postponed till the expert's opinion is prepared.

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

13. Contingent liabilities and contingent receivables

| | 30 September 2011 | 31 December 2010 |
|--|------------------------------|-----------------------------|
| | (in PLN thousands) | (in PLN thousands) |
| Contingent receivables | | |
| From related parties, of which: | | |
| – guarantees and suretyships received | - | - |
| – bills of exchange received as security | - | - |
| From related parties, total | - | - |
| From other entities | | |
| – guarantees and suretyships received | 310 598 | 277 344 |
| – bills of exchange received as security | 21 887 | 19 978 |
| From other entities, total | 332 485 | 297 322 |
| Total contingent receivables | 332 485 | 297 322 |
| Contingent liabilities | | |
| To related parties, of which: | | |
| – guarantees and suretyships issued | 523 | 602 |
| – bills of exchange issued as performance bond | - | - |
| To related parties, total | 523 | 602 |
| To other entities, of which: | | |
| – guarantees and suretyships issued | 1 688 583 | 1 361 935 |
| – bills of exchange issued as performance bond | 13 763 | 4 464 |
| To other entities, total | 1 702 346 | 1 366 399 |
| Other contingent liabilities | - | - |
| Total contingent liabilities | 1 702 869 | 1 367 001 |
| Total off-balance sheet items | (1 370 384) | (1 069 679) |

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.

The BUDIMEX Group

Condensed consolidated financial statements for III quarters of 2011 prepared in accordance with IFRS

Guarantees for bank loans and borrowings issued by Budimex SA and its subsidiaries as at 30 September 2011:

| 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 (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 borrowings |
|--|---|---|--|--|--|
| Budimex SA | Mostostal Kraków SA | 37 483 | 2016-10-04 | free of charge | subsidiary |
| Budimex SA | Budimex Nieruchomości Sp. z o.o. | 7 336 | 2016-08-16 | free of charge | subsidiary |
| Budimex SA | Budimex Danwood SA | 102 933 | 2014-06-30 | free of charge | subsidiary |
| Budimex SA | Budimex Bau GmbH | 523 | 2015-06-30 | free of charge | subsidiary |
| Budimex SA | Budimex Budownictwo Sp. z o.o. | 1 473 | 2017-03-31 | free of charge | subsidiary |
| TOTAL | | 149 748 | | | |

President of the Management Board

Management Board Member

Dariusz Blocher

Marcin Węglowski

Warsaw, 26 October 2011