

Budimex SA

Condensed financial statements

for III quarters of 2014

prepared in accordance with
International Financial Reporting Standards

Statement of financial position

ASSETS	30 September 2014	31 December 2013	1 January 2013
	(PLN thousands)	(PLN thousands)	(PLN thousands)
Non-current assets			
Property, plant and equipment	61 070	62 713	84 079
Investment properties	1 836	3 124	3 368
Intangible assets	3 782	2 886	1 210
Investments in subsidiaries	712 940	712 940	763 401
Investments in associates	9 796	9 796	18 596
Other financial assets	12 421	8 445	21 498
Retentions for construction contracts	32 844	29 813	25 919
Long-term prepayments and deferred costs	5 400	4 392	4 096
Deferred tax asset	329 829	320 564	293 757
Total non-current assets	1 169 918	1 154 673	1 215 924
Current assets			
Inventories	80 105	84 850	118 793
Trade and other receivables	696 381	461 292	332 423
Retentions for construction contracts	18 388	29 850	67 211
Amounts due and receivable from customers (investors) under construction contracts	322 990	137 441	222 889
Current tax receivable	-	-	651
Derivative financial instruments	477	29	1 460
Investments in related parties	-	238 600	-
Other financial assets	15 705	3 164	-
Cash and cash equivalents	883 260	1 112 254	1 038 436
Short-term prepayments and deferred costs	10 434	12 820	8 255
Total current assets	2 027 740	2 080 300	1 790 118
TOTAL ASSETS	3 197 658	3 234 973	3 006 042

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EQUITY AND LIABILITIES	30 September 2014	31 December 2013	1 January 2013
	(PLN thousands)	(PLN thousands)	(PLN thousands)
Shareholders' equity			
Share capital	145 848	145 848	145 848
Share premium	80 199	80 199	227 835
Other reserves	59 869	58 867	56 899
Foreign exchange differences on translation of foreign operations	5 486	5 486	5 492
Retained earnings	99 198	297 435	(42 573)
Total shareholders' equity	390 600	587 835	393 501
Liabilities			
Non-current liabilities			
Loans, borrowings and other external sources of finance	12 630	17 044	27 740
Retentions for construction contracts	156 570	152 294	155 387
Provision for long-term liabilities and other charges	156 031	125 307	113 930
Long-term retirement benefits and similar obligations	3 264	3 264	2 542
Total non-current liabilities	328 495	297 909	299 599
Current liabilities			
Loans, borrowings and other external sources of finance	19 601	18 165	17 695
Trade and other payables	1 158 139	1 115 719	1 202 122
Retentions for construction contracts	188 721	179 697	218 454
Amounts due and payable to customers (investors) under construction contracts	716 957	688 159	549 447
Prepayments received	90 538	59 346	55 341
Provision for short-term liabilities and other charges	103 257	115 746	106 757
Current tax payable	9 565	15 478	-
Short-term retirement benefits and similar obligations	879	879	741
Derivative financial instruments	216	440	243
Short-term accruals	185 747	150 194	156 005
Short-term deferred income	4 943	5 406	6 137
Total current liabilities	2 478 563	2 349 229	2 312 942
Total liabilities	2 807 058	2 647 138	2 612 541
TOTAL EQUITY AND LIABILITIES	3 197 658	3 234 973	3 006 042

Income statement

	9-month period ended	3-month period ended	9-month period ended	3-month period ended
	30 September 2014		30 September 2013	
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Continuing operations				
Net sales of finished goods, goods for resale, raw materials and services	3 383 116	1 503 123	2 903 010	1 189 335
Cost of finished goods, goods for resale, raw materials and services sold	(3 133 562)	(1 405 006)	(2 694 042)	(1 107 586)
Gross profit on sales	249 554	98 117	208 968	81 749
Selling expenses	(7 793)	(2 625)	(7 356)	(2 687)
Administrative expenses	(116 383)	(38 336)	(102 848)	(35 658)
Other operating income	40 235	21 680	23 693	10 005
Other operating expenses	(27 762)	(9 073)	(30 487)	(14 505)
Gains/ (losses) on derivative financial instruments	(181)	70	(629)	8
Operating profit	137 670	69 833	91 341	38 912
Finance income	17 922	6 004	60 033	4 371
Finance costs	(23 520)	(9 106)	(16 771)	(6 047)
Profit before tax	132 072	66 731	134 603	37 236
Income tax	(27 778)	(13 657)	(20 498)	(7 993)
Net profit from continuing operations	104 294	53 074	114 105	29 243
Net profit	104 294	53 074	114 105	29 243
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	4,09	2,08	4,47	1,15

Statement of comprehensive income

	9-month period ended	3-month period ended	9-month period ended	3-month period ended
	30 September 2014		30 September 2013	
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Net profit for the period previously reported	104 294	53 074	113 059	28 693
IFRS adjustments	-	-	1 046	550
Net profit for the period according to IFRS	104 294	53 074	114 105	29 243
Other comprehensive income/(loss) for the period, which:				
<i>Will be subsequently reclassified to profit or loss:</i>				
Foreign exchange differences on translation of foreign operations	-	9	28	(58)
Deferred tax related to components of other comprehensive income	-	-	-	-
<i>Will not be subsequently reclassified to profit or loss:</i>				
Actuarial gains/(losses)	-	-	-	-
Deferred tax related to components of other comprehensive income	-	-	-	-
Other comprehensive income/(loss), net of tax	-	9	28	(58)
Total comprehensive income for the period	104 294	53 083	114 133	29 191

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Statement of changes in equity

	Share capital	Share premium	Other reserves – share-based payments	Foreign exchange differences on translation of foreign operations	Retained earnings	Total
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Balance as at 1 January 2014 previously reported	127 650	78 119	60 096	5 486	302 599	573 950
IFRS adjustments	18 198	2 080	(1 229)	-	(5 164)	13 885
Balance as at 1 January 2014 according to IFRS	145 848	80 199	58 867	5 486	297 435	587 835
Profit for the period	-	-	-	-	104 294	104 294
Total comprehensive income for the period	-	-	-	-	104 294	104 294
Dividends	-	-	-	-	(302 531)	(302 531)
Share-based payments	-	-	1 002	-	-	1 002
Balance as at 30 September 2014	145 848	80 199	59 869	5 486	99 198	390 600

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Statement of changes in equity (cont.)

	Share capital	Share premium	Other reserves – share-based payments	Foreign exchange differences on translation of foreign operations	Retained earnings	Total
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Balance as at 1 January 2013 previously reported	127 650	225 755	57 259	5 492	(35 387)	380 769
IFRS adjustments	18 198	2 080	(360)	-	(7 186)	12 732
Balance as at 1 January 2013 according to IFRS	145 848	227 835	56 899	5 492	(42 573)	393 501
Profit for the period	-	-	-	-	114 105	114 105
Other comprehensive income	-	-	-	28	-	28
Total comprehensive income for the period	-	-	-	28	114 105	114 133
Dividends	-	-	-	-	(112 077)	(112 077)
Coverage of prior years' losses	-	(147 636)	-	-	147 636	-
Balance as at 30 June 2013	145 848	80 199	56 899	5 520	107 091	395 557
Profit for the period	-	-	-	-	190 344	190 344
Other comprehensive income	-	-	(697)	(34)	-	(731)
Total comprehensive income for the period	-	-	(697)	(34)	190 244	189 613
Share-based payments	-	-	2 665	-	-	2 665
Balance as at 31 December 2013	145 848	80 199	58 867	5 486	297 435	587 835

Statement of cash flow

	9-month period ended 30 September	
	2014	2013
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	132 072	134 603
Adjustments for:		
Depreciation/ amortization	15 370	18 274
Foreign exchange (gains)/ losses	(122)	342
Interest and shares in profits (dividends)	102	(44 132)
(Profit)/ loss on disposal of investments	(1 231)	(1 223)
Change in valuation of derivative financial instruments	(346)	1 240
Operating profit before changes in working capital	145 845	109 104
Change in receivables and retentions for construction contracts	(227 078)	(246 233)
Change in inventories	4 745	14 397
Change in provisions and liabilities arising from retirement benefits and similar obligations	18 235	7 519
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	54 909	(23 579)
Change in accruals and accrued income	36 468	(14 033)
Change in amounts due and receivable under construction contracts	(156 751)	(126 642)
Change in prepayments received	31 192	59 890
Change in cash and cash equivalents of restricted use	2 104	(440)
Other adjustments	527	621
Cash generated from operations	(89 804)	(219 396)
Income tax paid	(42 958)	(4 213)
NET CASH USED IN OPERATING ACTIVITIES	(132 762)	(223 609)

Statement of cash flow (cont.)

	9-month period ended 30 September	
	2014	2013
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of intangible assets and tangible fixed assets	1 112	1 344
Purchase of intangible assets and tangible fixed assets	(9 200)	(4 901)
Sale of investment properties	1 530	-
Proceeds from redemption of share capital in related entities	238 600	10 000
Purchases of shares in related entities	-	(10 809)
Loans granted	(25 249)	(4 911)
Loans repaid	8 820	-
Dividends received	16	44 428
Interests received	576	-
NET CASH USED IN INVESTING ACTIVITIES	216 205	35 151
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(302 530)	(112 077)
Payment of finance lease liabilities	(7 278)	(7 093)
Interest paid	(703)	(1 219)
NET CASH USED IN FINANCING ACTIVITIES	(310 511)	(120 389)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(227 068)	(308 847)
Foreign exchange differences, net	178	(88)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 1.5)	1 076 157	1 004 338
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 1.5)	849 267	695 403

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

The financial statements of Budimex SA for the 9-month period of 2014 together with comparative data were prepared in accordance with IAS 34 "Interim Financial Reporting" and appropriate accounting standards applicable for preparation of the interim financial statements adopted by the European Union issued and effective when preparing the interim financial statements. The accounting policies adopted by the Company are the same like those adopted by the Budimex Group and were described in details in the consolidated financial statements of the Group for the year ended 31 December 2013, published on 12 March 2014.

The consolidated financial statements of the Budimex Group for 9-month period of 2014 include additional information related to Budimex SA.

The financial statements and the comparative data contain aggregate data of the reporting organizational branches acting as at 30 September 2014, 31 December 2013 and 1 January 2013, prepared in foreign currencies and translated into Polish zloty using the rate of exchange presented in the note 1.4 of herein condensed financial statements.

The financial statements and the comparative data contain also assets, liabilities, revenue and costs corresponding to Budimex SA share in jointly controlled entities (treated as joint operations under IFRS 11): Budimex SA Sygnity SA Sp. j., Budimex SA Ferrovia Agroman SA Sp. j., Budimex SA Ferrovia Agroman SA S.C., Budimex SA – Budimex Budownictwo Sp. z o.o. SC, Budimex SA – Cadagua SA SC and Budimex SA – Cadagua II SC.

1.2. Changes in the method of preparation of financial statements

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

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

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

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

a) Discount of non-current receivables and liabilities

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

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

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

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

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

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

c) Adjustment to equity due to hyperinflation

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

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

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

	30 September 2014	1 January 2013
<u>Share capital</u>		
Registered capital	127 650	127 650
Translation of capital due to hyperinflation	18 198	18 198
Value disclosed in the financial statements	145 848	145 848
<u>Share premium</u>		
Registered capital	78 119	225 755
Translation of capital due to hyperinflation	2 080	2 080
Value disclosed in the financial statements	80 199	227 835

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

d) Employee benefits

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

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

e) Perpetual usufruct

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

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

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

f) Deferred tax

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

Significant changes in preparing of the statement of cash flow

The most significant change in preparation of the statement of cash flow in accordance with IFRS comparing to previous rules is the adjustment of cash balance at the beginning and at the end of the reporting period by cash of restricted use. It is described in details in the note 1.5 hereinafter condensed financial statements.

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

Due to changes in the method of preparation of financial statements described in the note 1.2 the data as at the date of transition to IFRS, i.e. 1 January 2013 as well as the comparative data as at 31 December 2013 and 30 September 2013 was converted in such a way to reflect those changes. Below, it is presented impact of those changes on shareholders' equity and net result.

Shareholders' equity

	31 December 2013	30 September 2013	1 January 2013
Shareholders' equity according to PAS	573 950	381 779	380 769
Adjustments:			
Valuation of non-current financial assets	22	22	22
Discount of non-current receivables and liabilities	17 120	16 988	15 697
Deferred tax calculated on above adjustments	(3 257)	(3 232)	(2 987)
Shareholders' equity according to IFRS	587 835	395 557	393 501

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Net result

	2013	9-month period ended 30 September 2013
Net result according to PAS	302 599	113 059
Adjustments:		
Discount of non-current receivables and liabilities	1 423	1 291
Actuarial gains/losses*	860	-
Deferred tax calculated on above adjustments	(433)	(245)
Result according to IFRS	304 449	114 105

*the amount presented in the statement of comprehensive income is reduced by deferred tax

1.4. The principles of translation of selected financial data into euro

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

- individual asset and liability items – using the average exchange rate prevailing as at 30 September 2014 – 4.1755 PLN/EUR,
- individual profit and loss account and cash flow statement items for III quarters 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 30 September 2014 – 4.1803 PLN/EUR,
- individual asset and liability items of comparative financial data for the year 2013 – using the average exchange rate prevailing as at 31 December 2013 – 4.1472 PLN/EUR
- individual profit and loss account and cash flow statement items of comparative financial data for III quarters of 2013 - using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2013 to 30 September 2013 – 4.1784 PLN/EUR.

1.5. Cash recognised in the statement of cash flow

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

	30 Sept 2014	1 January 2014	30 Sept 2013	1 January 2013
	(in PLN thousands)	(in PLN thousands)	(in PLN thousands)	(in PLN thousands)
Cash presented in the statement of financial position	883 260	1 112 254	729 941	1 038 436
Cash and cash equivalents of restricted use	(33 993)	(36 097)	(34 538)	(34 098)
Cash presented in the statement of cash flow	849 267	1 076 157	695 403	1 004 338

1.6. Going concern

These financial statements were prepared on the assumption that the Company will be going concern during the period of 12 months from 30 September 2014 without a significant limitation in its activities. As at the date of signing the financial statements, the Management Board of the Company is not aware of any facts or circumstances that would indicate a threat to the Company's continued activities after 30 September 2014, due to an intended or compulsory withdrawal from or a significant limitation in its activities.

As at 30 September 2014 the excess of the current liabilities over the current assets amounted to PLN 450 823 thousand. Taking into consideration very good financial position of the Budimex Group in terms of liquidity, of which the excess of current assets over current liabilities as at 30 September 2014 amounted to PLN 227 817 thousand, the Company's Management Board does not state as at the date of signing the financial statements any threat to Company's ability to continue as a going concern.

2. Shareholding structure

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at the moment of issuing the hereinafter condensed financial statements 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 Ferrovia SA (Hiszpania)	ordinary	15 078 159	59,06%	15 078 159	59,06%
Aviva OFE Aviva BZ WBK	ordinary	1 820 426	7,13%	1 820 426	7,13%
Other shareholders	ordinary	8 631 513	33,81%	8 631 513	33,81%
Total		25 530 098	100,00%	25 530 098	100,00%

There have not been any changes in the shareholders' structure since the report for the first half of 2014 was published on 29 August 2014.

3. Transactions with related parties

The Company has not concluded transactions with related entities on the basis other than arms' length.

	Receivables as at 30 Sept 2014	Liabilities as at 30 Sept 2014	Revenue on sales of products in 2014	Purchases of finished goods and services in 2014	Financial income in 2014	Financial cost in 2014
The parent company and related entities of the parent	21 199	99 864	2 306	25 999	-	237
Budimex Nieruchomości Sp. z o.o.	37 071	683	87 979	1 246	-	-
Budimex Budownictwo Sp. z o.o.	5 262	560	107 524	1 273	-	120
Mostostal Kraków SA	30 940	9 749	39 108	18 096	-	-
FBSerwis SA	255	80	426	-	523	-
Budimex SA Ferrovia Agroman SA S. j.	230	67	419	-	-	-
Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o.	2	-	20	-	-	-
Budimex Kolejnictwo SA	5	230	28	2 064	-	-
Budimex SA Sygnity SA Sp. j	61	660	45	-	-	-
Elektromontaż Poznań SA	3	7 680	10	19 840	-	-
Budimex A Sp. z o.o.	2	-	20	-	-	-
Budimex B Sp. z o.o.	2	-	20	-	-	-
Budimex C Sp. z o.o.	2	-	20	-	-	-
Budimex D Sp. z o.o.	2	-	20	-	-	-
Budimex F Sp. z o.o.	2	-	10	-	-	-
Budimex G Sp. z o.o.	2	-	10	-	-	-
FB Serwis A Sp. z o.o.	2	-	20	-	-	-

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	Receivables as at 30 June 2014	Liabilities as at 30 June 2014	Revenue on sales of products in 2014	Purchases of finished goods and services in 2014	Financial income in 2014	Financial cost in 2014
FB Serwis B Sp. z o.o.	2	-	6	-	-	-
Budimex PPP SA	2	-	22	-	-	-
Budimex Autostrada SA	2	-	22	-	-	-
Budimex Most Wschodni SA	2	-	22	-	-	-
Budimex Parking Wrocław Sp. z o.o.	98	1	20 672	147	148	-
Budimex Autostrada 1 SA	2	-	22	-	-	-
Budimex Bau GmbH	4	-	-	-	-	-
Autostrada Południe SA	53	-	-	-	-	-
PPHU Promos Sp. z o.o.	-	-	-	123	16	-
SPV-BN 1 Sp. z o.o.	-	-	2	-	-	-
SPV-BN 2 Sp. z o.o.	-	-	2	-	-	-
PMB Nadolnik Sp. z o.o.	-	-	3	-	-	-
Budimex SA – Cadagua SA S.C.	33	-	-	-	-	-
Budimex SA – Cadagua SA II S.C.	367	-	534	-	-	-
Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in bankruptcy open to arrangements	58	27 917	124	13 922	-	-
Total transactions with related entities	95 665	147 491	259 416	82 710	687	357
transactions with other related parties	(10)	4 587	-	16 844	-	-
Total transactions with related parties	95 655	152 078	259 416	99 554	687	357

In the table above, included under "Parent company and related entities of the parent" there is financial data relating to transactions with the companies of Ferrovial Group including with Ferrovial Agroman SA Oddział w Polsce [Branch in Poland], Cintra Infraestructuras SA, Tecpresa SA, Cadagua SA and Cadagua SA Oddział w Polsce [Branch in Poland]. The amount of liabilities includes the liability under loan agreement from Ferrovial Infraestructuras SA in the amount of PLN 8 468 thousand. The above transactions were described in detail in the financial statements of the Company for the year 2013.

Other related parties comprise: members of the management or supervisory bodies of the Company or the Company's affiliates, their spouses or life partners, direct relatives or persons who are relations by marriage or who are connected by a guardianship, adoption or wardship relationship with a person who is a member of managing or supervisory bodies of the Company, controlled or jointly controlled companies, or other entities on which the persons listed above have direct or indirect significant influence or hold significant amount of votes.

4. Description of factors and events which had a material effect on a financial result of Budimex SA

4.1. Business operation of the Company in the period of III quarters of 2014

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

In the period of nine months of 2014 Budimex SA earned sales revenue in the amount of PLN 3 383 116 thousand (in third quarter amounted to PLN 1 503 123 thousand), mainly related to sales of construction services (99.21%) amounted to PLN 3 356 343 thousand.

In the comparative period of the year 2013, sales revenue amounted to PLN 2 903 010 thousand (in third quarter amounted to PLN 1 189 335 thousand), mainly related to sales of construction services (98.99%) amounted to PLN 2 873 860 thousand. The difference in the amount of sales revenue recognised in the condensed financial statements for III quarters of 2013 related to adjustment of discounted retentions for construction contracts.

Gross profit on sales for the 9-month period of 2014 amounted to PLN 249 554 thousand (in third quarter amounted to PLN 98 117 thousand) and was higher by PLN 40 586 thousand (19.42%) than in the comparative period of the previous year.

Total amount of administrative and selling expenses for the 9-month period of 2014 amounted to PLN 124 176 thousand (in third quarter amounted to PLN 40 961 thousand), while for the 9-month period of 2013 amounted to PLN 110 204 thousand (in third quarter amounted to PLN 38 345 thousand). The share of selling and administrative expenses in total sales was equal to 3.67% (in the comparative period of 2013 to 3.80%).

For the 9-month period of 2014, the result from the other operating activity was positive and amounted to PLN 12 292 thousand, including profit for third quarter amounted to PLN 12 677 thousand (in the comparative period of 2013 it was negative and amounted to PLN 7 423 thousand). The above profit in the third quarter of 2014 was related mainly to reversal of provisions for legal proceedings in the amount of PLN 11 036 thousand, revenue from penalties and fines received in the amount to PLN 9 539 thousand and penalties and fines paid in the amount of PLN 7 784 thousand.

In the period of III quarters of 2014 the operating profit amounted to PLN 137 670 thousand (in third quarter amounted to PLN 69 833 thousand) and was higher of PLN 46 329 thousand (50.72%) compared to the same period of the year 2013. The operating margin was equal to 4.07%, while in the comparative period of 2013 was equal to 3.15%.

In the period of III quarters of 2014, the result from financial activity was negative and amounted to PLN 5 598 thousand, including loss for the third quarter amounted to PLN 3 102 thousand, mainly due to excess of receivables and liabilities discounting costs in the amount of PLN 5 076 thousand and guarantee costs in the amount of PLN 3 304 thousand over interest revenue in net amount of PLN 5 419 thousand. In the comparative period of 2013, the result was positive and amounted to PLN 43 262 thousand mainly due to dividends received in that period.

Profit before tax for the period of 9-month of 2014 amounted to PLN 132 072 thousand, while in the comparative period of 2013 amounted to PLN 134 603 thousand.

In the period of nine months of 2014 the Company reported a net profit of PLN 104 294 thousand gaining net profit margin of 3.08%.

4.2. Changes of estimates

Provisions for expected contract losses

In accordance with accounting policies adopted, the Company creates provisions for expected contract losses if budgeted contract costs exceed the entire expected contract revenue. As at 30 September 2014, the balance of the provision for contract losses amounted to PLN 352 613 thousand, while as at 30 September 2013 amounted to PLN 211 014 thousand. In the 9-month period of 2014 the balance of provision increased by PLN 143 588 thousand, of which in the third quarter of 2014 increased by PLN 141 946 thousand.

Provision for legal proceedings

The Company recognises provisions for legal proceedings when it is suited and the probability of an unfavourable court judgement is higher than the probability of a favourable one. An estimation of that result is made on the basis of analysis of a legal proceedings progress as well as lawyers' opinions. As at 30 September 2014, the balance of the provision in this respect amounted to PLN 25 690 thousand, while as at 30 September 2013 amounted to PLN 35 354 thousand. In the 9-month period of 2014 the balance of provision decreased by 10 013 thousand, of which in the third quarter of 2014 decreased by PLN 12 550 thousand.

Provision for penalties

The Company recognises provisions for penalties related to the realization of construction contracts. A provision is recognised only when the Company has a present obligation as a result of past event, the settlement of that obligation is highly probable and a reliable estimate can be made of the amount of the obligation. As at 30 September 2014, the balance of the provision in this respect amounted to PLN 35 169 thousand, while as at 30 September 2013 amounted to PLN 33 670 thousand. In the 9-

month period of 2014 the balance of provision decreased by PLN 3 836 thousand, of which in the third quarter of 2014 decreased by PLN 449 thousand.

Costs of future warranty repairs

The Company is required to issue guarantees for its construction services. It is accepted that the provision between 0.15%-1.4% of revenue from the given contract is made what depends on particular construction segment. This general value is assessed on an individual basis and may be increased or reduced, as appropriate. As at 30 September 2014, the balance of the provision in this respect amounted to PLN 195 660 thousand, while as at 30 September 2013 amounted to PLN 156 129 thousand. In the 9-month period of 2014 the balance of provision increased by PLN 32 084 thousand, of which in the third quarter of 2014 increased by PLN 23 523 thousand.

Deferred tax asset and liability

As at 30 September 2014, the balance of deferred tax asset (reduced by deferred tax liability) amounted to PLN 329 829 thousand, while as at 30 September 2013 amounted to PLN 289 781 thousand. In the 9-month period of 2014 the balance of deferred tax asset increased by PLN 9 265 thousand, of which in the third quarter of 2014 increased by PLN 20 042 thousand.

Impairment write-downs against receivables

As at 30 September 2014, the balance of recognized impairment write-downs against receivables amounted to PLN 137 825 thousand, while as at 30 September 2013 amounted to PLN 136 676 thousand. In the 9-month period of 2014 the Company recognized impairment write-downs in the amount of PLN 7 354 thousand and reversed it in the amount of PLN 4 028 thousand. The difference to the amount presented in the condensed financial statements for the period of III quarters of 2013 relates to impairment of prepayment in the amount of PLN 30 050 thousand recognised previously as "Inventory" and impairment of prepayment for fixed assets in the amount of PLN 5 500 thousand recognised previously as "Tangible fixed assets".

Impairment write-downs against inventory

As at 30 September 2014 and 30 September 2013, the balance of recognised impairment write-downs against inventory amounted to PLN 385 thousand. In the 9-month period of 2014 the balance of recognised impairment write-downs remained unchanged.

4.3. Material changes of the legal proceedings pending in 1st half of 2014

As at 30 September 2014, the total value of the proceedings relating to the Company's liabilities and claims accordingly amounted to PLN 283 631 thousand and PLN 216 177 thousand, and as at 30 June 2014 accordingly PLN 279 726 thousand and PLN 236 929 thousand.

On 10 March 2009, the District Court in Cracow issued a verdict regarding the claim filed by Budimex Dromex SA against the Municipal Commune of Kraków, awarding the payment of PLN 20 708 thousand together with statutory interest. The claim filed by Budimex Dromex related to the refund of the amount drawn by the Municipal Commune of Kraków in 2007 from the bank guarantee provided by Budimex Dromex SA as the performance bond for the contract for engineering, design and execution of a sports and show hall in Kraków – Czyżyny concluded in 2005 between the Consortium of Budimex Dromex SA, Ferrovial Agroman SA and Decathlon SA, and the Municipal Commune of Kraków. On 28 July 2014 Budimex SA and the Municipality of Kraków concluded a court settlement under which the Municipality of Kraków agreed to pay to Budimex the amount of PLN 3 451 thousand within 60 days from the date of the settlement. The amount includes the principal and the interest to the date of the settlement. The parties mutually abolished the process costs. Any costs of the experts, uncovered at the settlement date, will be paid by the parties in half. The parties waived any mutual further claims.

4.4. Contingent liabilities and contingent receivables

	30 September 2014	31 December 2013
	(in PLN thousands)	(in PLN thousands)
Contingent receivables		
From related parties, of which:		
– guarantees and suretyships received	880	880
– bills of exchange received as security	2 964	1 092
– other	10 638	10 793
From related parties, total	14 482	12 765
From other entities		
– guarantees and suretyships received	330 512	338 524
– bills of exchange received as security	2 018	1 978
From other entities, total	332 530	340 502
– other contingent receivables	-	-
Total contingent receivables	347 012	353 267
To related parties, of which:		
– guarantees and suretyships issued	153 876	138 657
To related parties, total	153 876	138 657
To other entities, of which:		
– guarantees and suretyships issued	1 523 162	1 348 669
– bills of exchange issued as performance bond	2 985	5 905
To other entities, total	1 526 147	1 354 574
Other contingent liabilities	135 010	143 180
Total contingent liabilities	1 680 023	1 493 231
Total off-balance sheet items	(1 468 021)	(1 283 144)

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

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

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

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.

4.5. Bank guarantees and insurance agreements signed in the third quarter of 2014

Date	Business partner	Contract value in PLN thousand	Description
15.07.2014	Bank PEKAO SA	n/a	Annex to credit agreement of 12 August 2008, pursuant to which the agreement was extended until 30 June 2015. Other provisions of the agreement remained unchanged.
31.07.2014	Credit Agricole Bank Polska SA	200 000	Annex to credit agreement which extended the agreement until 31 August 2015 and increased the available limit to PLN 200 000 thousand. Other provisions of the agreement remained unchanged.
7.08.2014	Alior Bank SA	n/a	Annex to bank guarantee agreement which extended the agreement until 20 August 2015. Other provisions of the agreement remained unchanged.
8.08.2014	Bank Millennium SA	n/a	Annex to bank guarantee agreement which extended the agreement until 29 May 2015. The remaining provisions of the agreement remained unchanged.
28.08.2014	Bank Handlowy w Warszawie SA and BNP Paribas Bank Polska SA	n/a	Annex to the bank guarantee agreement, pursuant to which the deadline by which Budimex SA may order the banks to issue an advance payment refund guarantee was prolonged to 31 January 2015. Other terms of the agreement remained unchanged.
28.08.2014	BNP Paribas Bank Polska SA	n/a	Annex to the Guarantee Line Agreement, pursuant to which the validity of that line was prolonged until 15 February 2015. Other terms of the agreement remained unchanged.

4.6. Other material events in the third quarter of 2014

On 24 July 2014 and 18 August 2014 another tranches of the loan were provided by Budimex SA to Budimex Parking Wrocław Sp. z o. o. (a subsidiary of Budimex SA) accordingly in the amount of PLN 300 thousand and PLN 936 thousand on the base of the loan agreement signed on 19 December 2012. The loan interest was agreed as 1-m WIBOR + margin. The loan repayment period is 20 years.

On 2 September 2014 another tranche of the loan were provided by Budimex SA to FB Serwis SA (an associate of Budimex SA) in the amount of PLN 3 528 thousand on the base of the loan agreement signed on 24 September 2013. In accordance to that agreement the loan was granted by Budimex to FB Serwis SA in the amount up to PLN 19 600 thousand. The loan interest was agreed as 3-m WIBOR + margin. On 15 May 2014 the above agreement was extended to 24 September 2015.