



THE BUDIMEX GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for III quarters of 2015

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

Table of contents

Consolidated statement of financial position	2
Consolidated income statement	4
Consolidated statement of comprehensive income	5
Consolidated statement of changes in equity	6
Consolidated cash flow statement	8
1. Organization of the Budimex Group and changes in the Group structure	10
1.1. The Parent Company	10
1.2. Entities subject to consolidation	10
1.3. Description of the changes in the composition of the Group together with the indication of their consequences	11
2. Shareholders of the Parent Company	11
3. Principles applied for the purpose of preparation of this report	11
3.1. Accounting policies and basis of preparing the consolidated financial statements of the Budimex Group	11
3.2. Changes in accounting principles and the method of preparation of financial statements	13
3.3. Translation of selected financial data into euro	13
3.4. Cash recognised in the cash flow statement	13
4. Descriptions of factors and events which had a material effect on the financial result of the Budimex Group for the three quarters of 2015	13
5. Operating segments	16
6. Related party transactions	18
7. Factors which will affect results achieved by the Group in a period covering at least the next quarter	19
8. The main events in the third quarter of 2015 and significant events after 30 September 2015	19
9. Issue, redemption and repayment of debt and equity securities	21
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	21
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 2015	21
12. Proceedings pending as at 30 September 2015 before court, competent arbitration body or any public administration authority	21
13. Contingent receivables and contingent liabilities	24

Consolidated statement of financial position

ASSETS	30 September 2015 (PLN thousands)	31 December 2014 (PLN thousands)
Non-currents assets (long-term)		
Property, plant and equipment	73 681	79 513
Investment properties	63 571	24 994
Intangible assets	3 886	4 494
Goodwill	73 237	73 237
Equity accounted investments	4 668	7 539
Available-for-sale financial assets	8 565	8 376
Retentions for construction contracts	27 914	27 923
Trade and other receivables	31 585	29 945
Receivables from concession agreement	45 575	45 214
Other financial assets	14 322	-
Deferred tax asset	404 848	376 261
Total non-current assets (long-term)	751 852	677 496
Current assets		
Inventories	882 588	648 655
Trade and other receivables	682 978	495 364
Retentions for construction contracts	10 670	10 248
Amounts due and receivable from customers (investors) under construction contracts	364 018	172 548
Current tax receivable	80	265
Other financial assets	27 956	19 800
Cash and cash equivalents	1 950 550	1 831 652
	3 918 840	3 178 532
Assets held for sale (disposal groups)	-	2 181
Total current assets (short-term)	3 918 840	3 180 713
TOTAL ASSETS	4 670 692	3 858 209

Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	30 September 2015 (PLN thousands)	31 December 2014 (PLN thousands)
Equity		
Shareholders' equity attributable to the shareholders of the Parent Company		
Share capital	145 848	145 848
Share premium	87 163	87 163
Other reserves	5 283	4 816
Foreign exchange differences on translation of foreign operations	5 378	5 326
Retained earnings	281 278	276 112
Total shareholders' equity attributable to the shareholders of the Parent Company	524 950	519 265
Non-controlling interests	3 808	3 244
Total equity	528 758	522 509
Liabilities		
Long-term liabilities		
Loans, borrowings and other external sources of finance	40 524	46 298
Retentions for construction contracts	187 951	176 116
Provision for long-term liabilities and other charges	181 877	179 169
Long-term retirement benefits and similar obligations	6 121	6 121
Other financial liabilities	2 650	4 925
Total long-term liabilities	419 123	412 629
Short-term liabilities		
Loans, borrowings and other external sources of finance	19 202	21 402
Trade and other payables	1 447 623	1 117 743
Retentions for construction contracts	185 420	201 207
Amounts due and payable to customers (investors) under construction contracts	1 025 668	920 668
Deferred income	861 791	520 766
Provision for short-term liabilities and other charges	150 761	111 598
Current tax payable	29 753	26 291
Short-term retirement benefits and similar obligations	1 080	1 080
Other financial liabilities	1 513	2 316
Total short-term liabilities	3 722 811	2 923 071
Total liabilities	4 141 934	3 335 700
TOTAL EQUITY AND LIABILITIES	4 670 692	3 858 209

Consolidated income statement

	9-month period ended 30 September		3-month period ended 30 September	
	2015 (PLN thousands)	2014 (PLN thousands)	2015 (PLN thousands)	2014 (PLN thousands)
Continuing operations				
Net sales of finished goods, goods for resale, raw materials and services	3 743 040	3 712 757	1 474 800	1 559 635
Cost of finished goods, goods for resale, raw materials and services sold	(3 384 164)	(3 400 506)	(1 329 986)	(1 456 713)
Gross profit on sales	358 876	312 251	144 814	102 922
Selling expenses	(20 623)	(19 872)	(6 726)	(7 734)
Administrative expenses	(134 095)	(128 104)	(42 557)	(41 827)
Other operating income	32 612	43 032	3 993	22 520
Other operating expenses	(37 830)	(30 982)	(29 360)	(9 547)
Operating profit	198 940	176 325	70 164	66 334
Finance income	29 784	29 839	7 960	9 679
Finance costs	(22 568)	(32 220)	(9 635)	(13 934)
Share of results of equity accounted companies	(2 871)	(1 683)	197	(8)
Profit before tax	203 285	172 261	68 686	62 071
Income tax	(41 566)	(36 233)	(14 032)	(13 483)
Net profit from continuing operations	161 719	136 028	54 654	48 588
Net profit for the period	161 719	136 028	54 654	48 588
<i>Of which:</i>				
Attributable to the shareholders of the Parent Company	161 155	134 803	54 560	47 891
<i>Attributable to non-controlling interests</i>	<i>564</i>	<i>1 225</i>	<i>94</i>	<i>697</i>
<i>Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)</i>	<i>6.31</i>	<i>5.28</i>	<i>2.14</i>	<i>1.88</i>

Consolidated statement of comprehensive income

	9-month period ended 30 September		3-month period ended 30 September	
	2015 (PLN thousands)	2014 (PLN thousands)	2015 (PLN thousands)	2014 (PLN thousands)
Net profit for the period	161 719	136 028	54 654	48 588
Other comprehensive income for the period, which:				
<i>Will be subsequently reclassified to profit or loss:</i>				
Foreign exchange differences on translation of foreign operations	52	98	84	82
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, net of tax	52	98	84	82
Total comprehensive income for the period	161 771	136 126	54 738	48 670
<i>Of which:</i>				
Attributable to the shareholders of the Parent Company	161 207	134 901	54 644	47 973
<i>Attributable to non-controlling interests</i>	<i>564</i>	<i>1 225</i>	<i>94</i>	<i>697</i>

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		Foreign exchange differences on translation of foreign operations	Retained earnings			
			Share-based payments	Actuarial gains/(losses)					
						Total			
	in PLN thousands								
Balance as at 1 January 2015	145 848	87 163	6 712	(1 896)	5 326	276 112	519 265	3 244	522 509
Profit for the period	-	-	-	-	-	161 155	161 155	564	161 719
Other comprehensive income	-	-	-	-	52	-	52	-	52
Total comprehensive income for the period	-	-	-	-	52	161 155	161 207	564	161 771
Dividends	-	-	-	-	-	(155 989)	(155 989)	-	(155 989)
Share-based payment	-	-	467	-	-	-	467	-	467
Balance as at 30 September 2015	145 848	87 163	7 179	(1 896)	5 378	281 278	524 950	3 808	528 758

Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			
			Share-based payments	Actuarial gains/(losses)					
in PLN thousands									
Balance as at 1 January 2014	145 848	87 163	5 370	(786)	5 101	383 627	626 323	18 852	645 175
Profit for the period	-	-	-	-	-	134 803	134 803	1 225	136 028
Other comprehensive income	-	-	-	-	98	-	98	-	98
Total comprehensive income for the period	-	-	-	-	98	134 803	134 901	1 225	136 126
Dividends	-	-	-	-	-	(302 532)	(302 532)	-	(302 532)
Share-based payment	-	-	1 002	-	-	-	1 002	-	1 002
Balance as at 30 September 2014	145 848	87 163	6 372	(786)	5 199	215 898	459 694	20 077	479 771
Profit for the period	-	-	-	-	-	57 170	57 170	740	57 910
Other comprehensive income	-	-	-	(1 110)	127	-	(983)	-	(983)
Total comprehensive income for the period	-	-	-	(1 110)	127	57 170	56 187	740	56 927
Share-based payment	-	-	340	-	-	-	340	-	340
Change in non-controlling interests	-	-	-	-	-	3 044	3 044	(17 573)	(14 529)
Balance as at 31 December 2014	145 848	87 163	6 712	(1 896)	5 326	276 112	519 265	3 244	522 509

Consolidated cash flow statement

	9-month period ended 30 September	
	2015 (PLN thousands)	2014 (PLN thousands)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	203 285	172 261
Adjustments for:		
Depreciation/ amortization	16 748	17 331
Share of results of equity accounted companies	2 871	1 683
Foreign exchange (gains)/ losses	(304)	(108)
Interest and shares in profits (dividends)	151	266
(Profit)/ loss on disposal of investments	(14 191)	(1 391)
Change in valuation of derivative financial instruments	(2 178)	2 889
Change in provisions and liabilities arising from retirement benefits and similar obligations	41 871	21 426
Other adjustments	460	1 803
Operating profit before changes in working capital	248 713	216 160
Change in receivables and retentions for construction contracts	(183 212)	(225 362)
Change in inventories	(233 933)	63 463
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	325 239	56 820
Change in deferred income	341 025	35 488
Change in amounts due and receivable under construction contracts	(86 470)	(156 088)
Change in cash and cash equivalents of restricted use	(178 980)	2 030
Cash used /from operations	232 382	(7 489)
Income tax paid	(66 506)	(49 424)
NET CASH GENERATED FROM / USED IN OPERATING ACTIVITIES	165 876	(56 913)

Consolidated cash flow statement (cont.)

	9-month period ended 30 September	
	2015 (PLN thousands)	2014 (PLN thousands)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of intangible assets and tangible fixed assets	1 325	1 219
Sale of investment property	-	1 530
Sale of assets held for sale	14 000	-
Purchase of intangible assets and tangible fixed assets	(13 749)	(11 273)
Purchase of investment properties	(38 788)	-
Sale of shares in subsidiaries	-	2 028
Purchase of shares in related entities	(188)	-
Loans granted	(21 260)	(21 413)
Loans repaid	-	8 820
Interest received	324	576
Dividends received	-	16
NET CASH USED IN INVESTING ACTIVITIES	(58 336)	(18 497)
CASH FLOW FROM FINANCING ACTIVITIES		
Loans and borrowings taken out	-	22 738
Loans and borrowings repaid	(370)	(7 639)
Dividends paid	(155 989)	(302 530)
Payment of finance lease liabilities	(9 600)	(7 542)
Interest paid	(1 455)	(769)
Other finance expenses	(465)	-
NET CASH USED IN FINANCING ACTIVITIES	(167 879)	(295 742)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(60 339)	(371 152)
Foreign exchange differences, net	257	164
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 3.4)	1 726 690	1 589 598
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 3.4)	1 666 608	1 218 610

1. Organization of the Budimex Group and changes in the Group structure

1.1. The Parent Company

The parent company of the Budimex Group is Budimex SA (the „Parent Company”), which main area of business is building, rendering of management and advisory services for the Budimex Group companies.

The main areas of the business activities of the Group are construction-assembly services realized in the system of general execution at home and abroad, developer activities, property management, and limited scope trading, production and other services. 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 2015, 31 December 2014 and 30 September 2014 the following subsidiaries were subject to consolidation:

Company name	Registered office	% in the share capital as at		
		30 September 2015	31 December 2014	30 September 2014
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	100.00%
Budimex Bau GmbH	Cologne/ Germany	100.00%	100.00%	100.00%
Budimex Nieruchomości Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex B Sp. z o.o. (in liquidation)*	Warsaw / Poland	-	100.00%	100.00%
SPV-BN 1 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Poznańskie Przedsiębiorstwo Inwestycyjne Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Kolejnictwo SA	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Elektromontaż Poznań SA Group	Poznań / Poland	92.31%	92.31%	50.66%
Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o.**	Warsaw / Poland	-	100.00%	100.00%

*On 31 July 2015 a resolution was adopted to finally liquidate the company. It did not have any impact on the consolidated financial statements of the Budimex Group.

**Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o. merged with Budimex Nieruchomości Sp. z o.o. on 27 May 2015. The transaction did not have any impact on the consolidated financial statements of the Budimex Group.

Stand-alone data of Budimex SA, which is a partner in consortiums (treated as joint operations according to IFRS 11), includes its share in assets, liabilities, revenue and expenses of the following joint operations:

Consortium name	share
Budimex SA Ferrovial Agroman SA s.c.	99.98%
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.	99.98%
Budimex SA Sygnity SA Sp. j.	67.00%
Budimex SA Ferrovial Agroman SA Sp. j.	50.00%
Budimex SA Cadagua SA s.c.	50.00%
Budimex SA Cadagua SA 2 s.c.	50.00%
Budimex SA Tecnicas Reunidas SA Turów s.c.	50.00%
Budimex SA Energetyka 1 Sp.j.	50.00%
Budimex SA Energetyka 2 Sp.j.	50.00%

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

In the 9-month period ended 30 September 2015, Budimex B Sp. z o.o. was liquidated. It did not have any impact on the consolidated financial statements of the Group. In addition, Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o. merged with Budimex Nieruchomości Sp. z o.o., which did not have any impact on the consolidated financial statements of the Group either.

Two new partnerships were registered: Budimex SA Energetyka 1 Sp.j. and Budimex SA Energetyka 2 Sp.j. Budimex SA, in turn, repurchased from its subsidiary, Budimex PPP SA, 50% of shares in the company Budimex G Sp. z o.o. All newly created and repurchased companies were not consolidated due to their immateriality.

In the period covered by this report, no other 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 report date 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 (the Netherlands) - Ferrovial SA Group company (Spain)	ordinary	15 078 159	59.06%	15 078 159	59.06%
Aviva OFE Aviva BZ WBK	ordinary	1 280 000	5.01%	1 280 000	5.01%
Other shareholders	ordinary	9 171 939	35.93%	9 171 939	35.93%
Total		25 530 098	100.00%	25 530 098	100.00%

The shareholding structure has not changed since the publication date of the half-year report on 28 August 2015.

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

3.1. Accounting policies and basis of preparing the consolidated financial statements of the Budimex Group

These condensed financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and appropriate accounting standards applicable for preparation of the interim consolidated financial statements adopted by the European Union issued and effective when preparing the interim consolidated financial statements applying the same principles for the current and comparable period. Details of accounting policies adopted by the Group were described in the consolidated financial statements of the Group for the year ended 31 December 2014, published on 16 March 2015.

The consolidated financial statements were prepared on the assumption that the Parent Company and all entities included in the Budimex Group will be going concerns in the foreseeable future. In the reporting period and as at the date of preparation of these financial statements no circumstances have been noted that would indicate a threat to ability to continue as a going concern.

Amendments to standards and interpretations effective in the current period

The following amendments to the existing standards and an interpretation issued by the International Accounting Standards Board („IASB”) and adopted by the EU are effective for the current period:

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

- **IFRIC 21 “Levies”** adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

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

Amendments to standards issued by IASB and adopted by the EU but not yet effective

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

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

Standards and amendments to standards issued by IASB but not yet adopted by the EU

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

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

The Group anticipates that the adoption of these standards and amendments to the standards would have no material impact on the financial statements of the Group if applied.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. According to the Group’s estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: “Financial Instruments: Recognition and Measurement”, would not significantly impact the financial statements, if applied as at the balance sheet date.

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

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

3.3. Translation of selected financial data into euro

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

- individual asset and liability items – using the average exchange rate prevailing as at 30 September 2015 – 4.2386 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the period of 9 months of 2015 – using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2015 to 30 September 2015 – 4.1585 PLN/EUR,
- individual asset and liability items of comparative financial data for the year 2014 – using the average exchange rate prevailing as at 31 December 2014 – 4.2623 PLN/EUR,
- individual profit and loss account and statement of cash flow items of comparative financial data for the period of 9 months 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.

3.4. Cash recognised in the cash flow statement

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

	30 September 2015	31 December 2014	30 September 2014
	in PLN thousand		
Cash recognised in the statement of financial position	1 950 550	1 831 652	1 285 765
Cash and cash equivalents of restricted use	(283 942)	(104 962)	(67 155)*
Cash recognised in the statement of cash flow	1 666 608	1 726 690	1 218 610*

*in accordance with the changes in the classification made in the consolidated financial statements of the Budimex Group for 2014, cash of the consortia in the portion attributable to other consortium members were classified as cash of restricted use. PLN 33 749 thousand were therefore reclassified to cash of restricted use and adequate changes in the cash flow statement were made.

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

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

In the 9-month period ended 30 September 2015, the Budimex Group earned sales revenue of PLN 3 743 040 thousand which means a 0.82% increase on the corresponding period of 2014. The Budimex Group's sales revenue in the third quarter amounted to PLN 1 474 800 thousand and was higher by PLN 628 384 thousand (74.24%)

compared to the sales revenue earned in the first quarter of 2015 and higher by PLN 52 976 thousand (3.73%) compared to the sales revenue earned in the second quarter of 2015. Compared to the corresponding quarter of the previous year the sales revenue in the third quarter of the current year was lower by PLN 84 835 thousand (-5.44%).

In the period of three quarters of 2015 construction-assembly production in Poland expressed in current prices increased by 1.6% compared to the corresponding period of the prior year (an increase by 2.0% in fixed prices), while sales of the construction segment of the Budimex Group on the home market were up by 3.43% on the corresponding periods.

Gross profit on sales in the 9-month period ended 30 September 2015 was PLN 358 876 thousand, while in the corresponding period of the prior year was PLN 312 251 thousand. The gross sales profitability ratio was therefore 9.59% for three quarters of 2015, while in the corresponding period of the prior year was 8.41%. The gross sales profitability ratio in the third quarter of 2015 amounted to 9.82%, while in the corresponding period of the prior year was 6.60%.

In the 9-month period ended 30 September 2015 gross profit on sales in the construction segment amounted to PLN 317 021 thousand and was higher by PLN 60 432 thousand compared to the corresponding period of the prior year and gross sales profitability ratio of construction segment for the 9-month period ended 30 September 2015 was 8.71% (7.31% in the corresponding period of 2014). In turn, gross profit on sales in the developer segment in the 9-month period ended 30 September 2015 was PLN 40 181 thousand, while in the corresponding period of the prior year it amounted to PLN 43 210 thousand. Gross sales profitability ratio of the developer segment increased from 20,51% in the 9-month period ended 30 September 2014 to 24,80% 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”. As at 30 September 2015, the balance of the provision for contract losses amounted to PLN 665 738 thousand. In the 9-month period ended 30 September 2015, the balance of provision for contract losses increased by PLN 220 580 thousand. In the third quarter the balance of provision for contract losses increased by PLN 94 565 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 30 September 2015 the provision for warranty amounted to PLN 221 554 thousand. In the 9-month period ended 30 September 2015 the balance of the provision for warranty increased by PLN 18 216 thousand, while in the third quarter it increased by PLN 10 331 thousand.

Selling expenses increased in the 9-month period ended 30 September 2015 by PLN 751 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 5 991 thousand higher than expenses incurred in the corresponding period of 2014. The share of selling and administrative expenses in total sales increased from 3.99% for the period of 9 months of 2014 up to 4.13% for the period of 9 months of 2015.

Other operating income for the 9-month period ended 30 September 2015 was PLN 32 612 thousand (PLN 43 032 thousand for the three quarters of 2014) and comprised: gain on valuation and realization of FX forward and FX option derivative instrument contracts (made with a view to limiting the FX risk on foreign currency construction contracts) in the amount of 2 572 PLN thousand (of which minus PLN 413 thousand in the third quarter), income from reversal of provisions for claims amounted to PLN 3 635 thousand (of which PLN 787 thousand in the third quarter), income from compensations and contractual penalties received in the amount of PLN 7 682 thousand (of which PLN 1 294 thousand in the third quarter) and income from the reversal of the impairment write-downs against doubtful debts in the amount of PLN 1 788 thousand (of which PLN 51 thousand in the third quarter). Income from write-off of overdue liabilities amounted to PLN 1 129 thousand (of which PLN 108 thousand in the third quarter). Additionally, in the period of three quarters of 2015 Group companies disposed of tangible fixed assets and investment properties and earned profit on sale of PLN 13 827 thousand (of which PLN 1 674 thousand in the third quarter). The net book value of the tangible fixed assets and investment properties sold in the period of three quarters of 2015 was PLN 2 666 thousand (of which PLN 478 thousand in the third quarter) - including assets held for sale amounting to PLN 2 181 thousand). Assets held for sale comprised of a plot of land and accompanying buildings and were sold on 24 February 2015, which was disclosed as a post-balance sheet event in the consolidated financial statement for the financial year of 2014. The gain on the transaction amounted to PLN 11 819 thousand and was reported in the operating segment “Property management and developer business”.

Other operating expenses for the 9-month period ended 30 September 2015 amounted to PLN 37 830 thousand (PLN 30 982 thousand for the corresponding period of the prior year), of which PLN 28 219 thousand related to the costs of

created provisions for compensations and contractual penalties (of which PLN 23 160 thousand in the third quarter) and PLN 4 225 thousand – the value of compensations and contractual penalties paid (of which PLN 3 686 thousand in the third quarter). The provisions created for lawsuits amounted to PLN 783 thousand (of which PLN 384 thousand in the third quarter), litigation costs and judicial fees – PLN 944 thousand (of which PLN 489 thousand in the third quarter) and impairment write-downs against receivables – PLN 3 134 thousand (of which PLN 1 460 thousand in the third quarter).

The reported operating profit of the Group in the period of three quarters of 2015 was PLN 198 940 thousand, while in the period of three quarters of 2014 it was PLN 176 325 thousand (an increase by 12.83%). The operating profit for the third quarter of 2015 represented 4.76% of sales revenue value, while for the corresponding period of the prior year it constituted 4.25% of sales revenue.

In the 9-month period ended 30 September 2015 the Group generated profit on financing activities in the amount of PLN 7 216 thousand, while in the same period of the prior year it incurred a loss in the amount of PLN 2 381 thousand. Finance income for three quarters of 2015 represented interest of PLN 26 047 thousand (of which PLN 7 810 thousand gained in the third quarter only), a gain on valuation of interest rate swap derivative instrument contracts (made with a view to limiting the interest risk) in the amount of PLN 799 thousand (of which minus PLN 972 thousand in the third quarter), reversal of discounting of long-term receivables in the amount of PLN 304 thousand (of which PLN 506 thousand in the third quarter) and valuation of concession receivables amounting to PLN 2 233 thousand (of which PLN 720 thousand in the third quarter).

Finance costs in three quarters of 2015 represented, among others, interest costs of PLN 2 754 thousand (of which PLN 882 thousand of interest costs was incurred in the third quarter only), bank commissions on guarantees and loans of PLN 15 176 thousand paid by Group companies (of which commissions for the third quarter only amounted to PLN 5 479 thousand), costs from discounting of long-term retention receivables and liabilities of PLN 3 924 thousand (of which PLN 3 358 thousand were incurred in the third quarter only) and losses incurred on realization of interest rate swap derivative instrument contracts in the amount of PLN 465 thousand (of which PLN 163 thousand in the third quarter).

All valued derivative instrument contracts (presented both in the operating and financing activity) were classified as level 2 in the fair value hierarchy. During the 9 months ended 30 September 2015, there was no transfer between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 of fair value measurement.

In the 9-month period ended 30 September 2015, the Group reported a gross profit of PLN 203 285 thousand, while in the corresponding period of the prior year – a gross profit of PLN 172 261 thousand (an increase by 18.01%).

Income tax for the 9-month period ended 30 September 2015 was PLN 41 566 thousand (PLN 36 233 thousand for the 9 months of 2014), of which:

- current tax was PLN 70 152 thousand,
- deferred tax was PLN (28 586) thousand.

As at 30 September 2015, the Group recognized a deferred tax asset in the amount of PLN 404 848 thousand, while as at 31 December 2014 – PLN 376 261 thousand. The reported statement of financial position items of deferred tax asset result mainly from a special method of settlement of construction contracts, under which the moment of recognition of costs as incurred and revenue as realized are different from the tax and accounting perspectives.

The net profit attributable to the shareholders of the Budimex Group for three quarters of 2015 was PLN 161 155 thousand, while the net profit attributable to the shareholders of the Budimex Group for the corresponding period of 2014 was PLN 134 803 thousand (an increase by 19.55%).

The net profit attributable to non-controlling interest for three quarters of 2015 amounted to PLN 564 thousand, while the net profit attributable to non-controlling interest for the third quarter only amounted to PLN 94 thousand. In the corresponding periods of 2014, the net profit attributable to non-controlling interest was equal to PLN 1 225 thousand and PLN 697 thousand, respectively.

In the 9-month period ended 30 September 2015, the Group purchased and started to lease property, plant and equipment, investment property and intangible assets with a total value of PLN 56 011 thousand (in the third quarter

of 2015 – PLN 9 424 thousand), of which plant and machinery accounted for PLN 8 442 thousand (in the third quarter of 2015 – PLN 4 034 thousand).

5. Operating segments

For the management purposes the Group has been divided into segments based on the products and services offered. The Group operates in the following two operating segments:

- construction business
- developer and property management business.

Construction business covers rendering of widely understood construction-assembly services at home and abroad and is realised by the following Group companies:

- Budimex SA
- Mostostal Kraków SA
- Budimex Bau GmbH
- Budimex Budownictwo Sp. z o.o.
- Budimex Kolejnictwo SA

Developer and property management segment covers preparation of land for investment projects, realization of investment projects in the field of housing construction industry, flat disposal and rental and servicing property on own account. The following Group entities were included in this segment:

- Budimex Nieruchomości Sp. z o.o.
- SPV-BN 1 Sp. z o.o.
- Poznańskie Przedsiębiorstwo Inwestycyjne Sp. z o.o.
- Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o. (the company merged with Budimex Nieruchomości on 27 May 2015),
- Budimex SA in a part relating to developer business, as a result of merger with Budimex Inwestycje Sp. z o.o. on 13 August 2009

Segment performance is evaluated based on sales revenue, gross profit (loss) on sales, operating profit (loss) and net profit (loss) for the period.

Other business conducted does not meet the requirements of reportable segment. Included in other business are entities that mainly conduct production, service, trading activities or public-private partnerships.

The results of segments for the 9-month period of 2015 are presented in the table below:

Segment name	amounts in PLN thousands				Consolidated value
	Construction business	Property management and developer business	Other business	Consolidation adjustments	
External sales	3 460 162	161 091	121 787	-	3 743 040
Inter-segment sales	179 218	903	7 376	(187 497)	-
Total sales of finished goods, goods for resale and raw materials	3 639 380	161 994	129 163	(187 497)	3 743 040
Gross profit	317 021	40 181	16 467	(14 793)	358 876
Selling expenses	(7 683)	(9 864)	(3 112)	36	(20 623)
Administrative expenses	(125 070)	(9 767)	(3 733)	4 475	(134 095)
Other operating income/(expenses), net	(14 621)	11 963	(2 560)	-	(5 218)
Operating profit	169 647	32 513	7 062	(10 282)	198 940
Finance income, net	1 978	3 810	1 428	-	7 216
Shares in (losses) of equity accounted entities	(6)	-	(2 865)	-	(2 871)
Income tax expense	(36 408)	(6 978)	(131)	1 951	(41 566)
Net profit for the period	135 211	29 345	5 494	(8 331)	161 719

The results of segments for the 9-month period of 2014 are presented in the table below:

Segment name	amounts in PLN thousands				Consolidated value
	Construction business	Property management and developer business	Other business	Consolidation adjustments	
External sales	3 400 539	210 180	102 038	-	3 712 757
Inter-segment sales	110 515	476	18 270	(129 261)	-
Total sales of finished goods, goods for resale and raw materials	3 511 054	210 656	120 308	(129 261)	3 712 757
Gross profit	256 589	43 210	11 054	1 398	312 251
Selling expenses	(7 920)	(8 346)	(3 641)	35	(19 872)
Administrative expenses	(118 680)	(10 448)	(4 225)	5 249	(128 104)
Other operating income, net	881	11 050	119	-	12 050
Operating profit	130 870	35 466	3 307	6 682	176 325
Finance income(expense), net	(8 711)	6 440	(110)	-	(2 381)
Shares in (losses) of equity accounted entities	(5)	-	(1 678)	-	(1 683)
Income tax expense	(26 481)	(8 080)	(404)	(1 268)	(36 233)
Net profit for the period	95 673	33 826	1 115	5 414	136 028

6. Related party transactions

Transactions with related parties made in the 9-month periods ended 30 September 2015 and 30 September 2014 and unsettled balances of receivables and liabilities as at 30 September 2015 and 31 December 2014 are presented in the tables below:

	amounts in PLN thousands			
	Receivables		Liabilities	
	30 September 2015	31 December 2014	30 September 2015	31 December 2014
Parent Company and related parties (the Ferrovia Group)	21 930	23 989	89 997	99 770
Jointly-controlled entities	389	959	675	727
Associates	440	738	889	1 525
Other related parties*	27	64	745	8 128
Total settlements with related parties	22 786	25 750	92 306	110 150

	amounts in PLN thousands			
	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	30 September 2015	31 December 2014	30 September 2015	31 December 2014
Parent Company and related parties (the Ferrovia Group)	-	-	8 691	8 670
Jointly-controlled entities	-	-	-	-
Associates	41 295	18 988	-	-
Other related parties*	-	-	-	-
Total settlements with related parties	41 295	18 988	8 691	8 670

	amounts in PLN thousands			
	Sales of finished goods and services		Purchase of finished goods and services	
	9-month period ended		9-month period ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Parent Company and related parties (the Ferrovia Group)	47 449	2 306	(69 837)	(25 999)
Jointly-controlled entities	535	1 017	-	(32)
Associates	512	447	(4 955)	(4 564)
Other related parties*	272	318	(1 912)	(30 766)
Total transactions with related parties	48 768	4 088	(76 704)	(61 361)

	amounts in PLN thousands			
	Finance income		Finance costs	
	9-month period ended		9-month period ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Parent Company and related parties (the Ferrovia Group)	-	-	(297)	(237)
Jointly-controlled entities	-	-	-	-
Associates	1 347	523	-	-
Other related parties*	-	-	-	-
Total transactions with related parties	1 347	523	(297)	(237)

*) Other related parties represent controlled or jointly controlled entities or entities, on which the key management person of the Parent Company or of the subsidiary of the Budimex Group or his close relative exercises significant influence, or has significant number of votes at the shareholders' meeting of this company.

Inter-Group transactions are made on an arm's length basis.

7. Factors which will affect results achieved by the Group in a period covering at least the next quarter

The main factors that may affect the financial situation of the Group at least in the next quarter include:

- instability on the financial markets,
- higher demand for subcontractors' services, which might have influence on quality and timeliness of the works performed,
- fluctuations of exchange rates, which have the impact on the sales revenue, operating costs and result of the valuation and realisation of derivative financial instrument contracts,
- price level of material and construction services affecting the amount of direct costs of realised 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 realised,
- results of the pending legal proceedings, described in more detail in note 12 to these consolidated financial statements,
- availability of qualified employees,
- level of competition in public tenders.

As at 30 September 2015 the backlog was PLN 7 426 773 thousand. The value of contracts signed between January and September 2015 was PLN 4 787 586 thousand. The number of pre-sold apartments in the period from January - September 2015 (without booking) is 1 437 units.

8. The main events in the third quarter of 2015 and significant events after 30 September 2015

In the third quarter of 2015 the Budimex Group companies were notified about the selection of their offer or entered into the following contracts, whose value exceeds 10% of the equity of Budimex SA:

Significant contracts:

Date of the first current report	Customer	Contract value in PLN thousands	Description
6.07.2015	mLocum SA	61 000	Construction of a residential estate at 23/25 Łąkowa street in Łódź.
10.07.2015	Alstom Power Sp. z o.o.	28 200	Manufacturing of steel constructions in buildings – the gas desulphurisation plants in the Opole power plant. The total value of the contracts concluded with the business partner during past 12 months amounted to PLN 84 364 thousand.
13.07.2015	Generalna Dyrekcja Dróg Krajowych i Autostrad Oddział w Zielonej Górze	157 962	Construction of the second carriageway of express road S3 at Sulechów – Nowa Sól section: second section from km 286+043 to km 299+350. The contract was signed on 20 October 2015.
21.07.2015	Generalna Dyrekcja Dróg Krajowych i Autostrad Oddział w Szczecinie	279 602	Design and construction of S6 road at Goleniów – Nowogard section (S3, “Goleniów Północ” junction/with junction/ – start of the ring road for the city of Nowogard). The contract was signed on 29 September 2015.
23.07.2015	Generalna Dyrekcja Dróg Krajowych i Autostrad Oddział w Szczecinie	206 500	Design construction of S6 road at the section from the end of the Płoty bypass to the “Kielpino” junction (with the junction). The contract was signed on 5 October 2015.
27.07.2015	Multidruk SA	33 109	Construction of the first stage of Wiktoryn residential estate in Lublin. The contract was signed on 22 October 2014. The total value of the contracts concluded with the business partner in the past 12 months amounted to PLN 53 578 thousand.

Date of the first current report	Customer	Contract value in PLN thousands	Description
3.08.2015	Polskie Koleje Państwowe SA	209 739	Construction of the Kraków Zabłocie – Kraków Krzemionki railway connection. The contract was signed on 16 September 2015.
7.08.2015	Generalna Dyrekcja Dróg Krajowych i Autostrad Oddział w Łodzi	1 281 621	Construction of the road S7 Gdańsk (A1) – Elbląg (S22) section Koszwały (National Road No 7, in Koszwały) – Elbląg (with junction Kazimierzowo). Task 2: Nowy Dwór Gdański-Kazimierzowo. The contract was signed on 9 October 2015.
12.08.2015	Generalna Dyrekcja Dróg Krajowych i Autostrad Oddział w Białymstoku	243 459	Design and construction of the Suwałki ring road – part of the expressway S61- Section A and Section B. The contract was signed on 29 September 2015.
21.08.2015	Generalna Dyrekcja Dróg Krajowych i Autostrad Oddział w Lublinie	254 980	Design and construction of S17 express road Garwolin – Kurów, section Garwolin (ring road end) – Mazowieckie and Lubelskie provinces boarder, part 2 Gończyce (ring road end) - Mazowieckie and Lubelskie provinces boarder from km 62+200 to km 75+212, length of ca. 13,012 km. The contract was signed on 22 September 2015.
21.08.2015	Generalna Dyrekcja Dróg Krajowych i Autostrad Oddział w Lublinie	234 616	Design and construction of S17 express road Garwolin – Kurów, section Garwolin (ring road end) – Mazowieckie and Lubelskie provinces boarder, part 1: Garwolin (ring road end) - Gończyce (ring road end) from km 49+973 to km 62+200, length of ca. 12,227 km. The contract was signed on 22 September 2015.
4.09.2015	Generalna Dyrekcja Dróg Krajowych i Autostrad Oddział w Opolu	53 677	Construction of the Kępno ring road in the area of the S11 expressway – Section I. The contract was signed on 7 October 2015.
10.09.2015	Equilibrium Sp. z o.o.	56 493	Construction of the Equilibrium office building with its external infrastructure at Jana Kazimierza street in Warsaw.
15.09.2015	Sąd Okręgowy w Zamościu	44 212	Completion of the construction of the building of the Regional and District Courts in Zamość.
24.09.2015	1. Wojskowy Szpital Kliniczny z Polikliniką SP ZOZ w Lublinie	46 967	Construction of a new hospital building and extension of the main hospital building.
6.10.2015	Grupa Womak Holding Sp. z o.o.	37 199 (Contract 1) 12 859 (Contract 2)	Expansion of commercial and service facilities at Grabiszyńska street in Wrocław (Contract 1). Construction of a shopping centre and a commercial and office building at Pilczycka street in Wrocław (Contract 2).
19.10.2015	Generalna Dyrekcja Dróg Krajowych i Autostrad Oddział w Zielonej Górze	153 224	Construction of the second carriageway of express road S3 at Sulechów–Nowa Sól section – third section from km 299+350 to km 316+640.

Other events:

On 31 July 2015 the General Shareholders' Meeting of Budimex B Sp. z o.o. decided to finally liquidate the company.

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

In the third quarter of 2015 Budimex SA and Group companies did not issue, redeem or repay debt or equity securities.

10. The Management Board's position on the feasibility of results stated in the financial forecasts published earlier for the year in view of the financial results presented in the quarterly report in relation to the projected results

Budimex SA did not publish any forecasts.

11. Statement of ownership of shares of Budimex SA or rights to such shares (options) held by the managing or supervisory persons of Budimex SA as at the date of publication of this report together with indication of changes in the ownership in the third quarter of 2015

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

Marcin Węglowski	(Management Board member)	2 830 shares
Marek Michałowski	(chairman of the Supervisory Board)	3 900 shares

Above mentioned members of the Management Board and Supervisory Board do not own share options of the company. As at the date of publication of this report other managing and supervisory persons of Budimex SA do not hold its shares or share options. There was no change in the status of ownership from the date of publication of the half-year report of 2015, i.e. 28 August 2015.

12. Proceedings pending as at 30 September 2015 before court, competent arbitration body or any public administration authority

The total value of legal proceedings in progress in respect of liabilities and receivables as at 30 September 2015 was PLN 513 511 thousand and exceeded 10% of the equity of Budimex SA, which amounts to PLN 436 800 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 59 085 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 2015 was PLN 286 298 thousand. These proceedings involve the Group companies' operating activity.

The proceedings in the highest value case are pending before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw, which involve the Ferrovial Agroman SA consortium members: Budimex SA and Estudio Lamela S.L. (FBL Consortium) and Przedsiębiorstwo Państwowe "Porty Lotnicze" (PPL). The litigation is the result of PPL serving a notice rescinding the contract for the development and modernization of Terminal 2 of the Warsaw Frederic Chopin International Airport.

Initially, the proceedings related solely to the claim filed on 24 January 2008 by the FBL Consortium, in relation to bank guarantees realised by PPL groundlessly, which were given as a performance warranty for a total amount of PLN 54 382 thousand. The claim was finally settled in the verdict of the Arbitration Court in Warsaw of 23 August 2012. The total value of the claim awarded under the verdict and the amount of statutory interest for late payment was PLN 87 920 thousand (the amount attributable to Budimex SA was PLN 35 168 thousand, of which PLN 21 612 thousand as reimbursement of the performance bond). The court enforcement officer transferred that amount to the Budimex SA's bank account indicated on 28 September 2012. After the Supreme Court dismissed the appeal filed by PPL, the execution carried out became final and PPL can no longer require from the FBL Consortium the repayment of the amounts awarded in a partial verdict.

In the course of the case at the Arbitration Court PPL filed a counter-claim of a total amount of PLN 135 719 thousand, covering claims for the redress of damage, including lost benefits, return of unjust enrichment and

liquidated damages. On 31 July and 26 October 2009, PPL filed to the Court of Arbitration subsequent statements of claim including extension of the counter-claim, amending the original amount of the counter-claim from PLN 135 719 thousand to PLN 280 894 thousand. As a result of subsequent procedural steps, in August 2012, PPL's claim was raised to PLN 298 892 thousand. According to the value of the shares set forth in the consortium agreement, the risk allocated to Budimex SA does not exceed the total of PLN 119 556 thousand.

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

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

On 27 May 2010, the Court of Arbitration issued a decision under which the evidence from the expert's opinion regarding the evaluation of reasonableness of the PPL claims was accepted (except for any amounts sought at that stage). The expert appointed by the Court of Arbitration, Grupa BS Consulting, started to work at the end of 2010. There were several meetings with proxies of parties and the expert and there was an inspection of the airport objects with the participation of the aforementioned expert in March 2011. Technical opinion prepared by the expert, that was delivered to proxies of both parties on 29 July 2011, represented the result of his work. The parties made comments, remarks and detailed questions to the opinion prepared by the expert. Upon taking these into consideration, the expert prepared his final supplementary opinion at the end of March 2012. The assessment indicated in the opinion was favourable for the FBL Consortium as it, among other things, confirmed that the FBL Consortium was entitled to postpone the work completion deadline.

Due to completion by the expert of work on the assessment of the validity of PPL's claims, the court ordered both parties to present final calculations of their claims, taking into account the expert's views expressed in the opinion. As a result, PPL extended the claim as stated above to PLN 298 892 thousand, and the value of the FBL Consortium's claim remained unchanged.

Pursuant to a decision of the Arbitration Court dated 28 January 2013 and based on a site inspection performed in July 2013, the expert, i.e. Grupa BS Consulting was to draft an opinion on assessment on value of claims submitted by the FBL Consortium in the extended claim by the end of October 2013. Since the expert did not draft the opinion on time, at the hearing held on 20 December 2013 the Arbitration Court made a decision on appointment of a new expert. In the period of 9 months of 2015 the final range of the expert's opinion and the composition of a new team of experts were agreed. From the beginning of September 2015 the experts have 5 months to prepare the opinion. However, taking into account the additional issues that need clarification, this opinion should be expected at the turn of the first and second quarter of 2016.

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

On 16 December 2010, Tomasz Ryskalok and Rafał Ryskalok, conducting business activity as a civil law partnership under the name Cerrys S.C., with its registered office in Wykroty, filed a lawsuit against Budimex SA for payment of a contractual penalty for delay in the removal of defects identified during the warranty period. The lawsuit concerns the construction of a concrete plant in line with agreement concluded on 19 May 2003 with the value of the agreement amounting to PLN 4 189 thousand. The value of the subject matter of the lawsuit is PLN 90 000 thousand including contractual interest calculated from 19 October 2006 until the day of payment. In the opinion of Budimex SA, the claim constituting the subject matter of the argument is absolutely groundless and there is no basis, either formal or factual, for considering it (the deadline for submitting the claims in question expired, the limit concerning contractual penalties - i.e. up to 15 per cent of the value of the agreement - has not been taken into account, and the defect is not material). To date, there have been several hearings during which witnesses for the claimant and defendant were examined. Having heard the parties, on 19 December 2013, the Court issued a decision under which

the evidence from the expert's opinion regarding the evaluation of reasonableness and the amounts of claims was accepted. The inspection of the facility was carried out in June 2014. In October 2014, the court delivered the opinion of the construction expert. Upon a request of Budimex, the court commissioned the drafting of a supplementary opinion, which is now awaited by the parties. The next hearing involving the expert is to be held in November 2015.

Another material in value legal proceedings relate to the claim filed on 5 March 2008 by Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. requesting that the amount of PLN 25 252 thousand be awarded jointly and severally against the consortium to which the Budimex SA and Budimex Dromex SA belonged. The claim relates to the replacement of contractor costs incurred by the investor when the consortium rescinded the contract. The share of the companies in the consortium was 90%, therefore the value of the claim for which Budimex SA is presently liable is PLN 22 727 thousand. The court ended examination of witnesses of both parties, and then heard the parties. On 6 February 2014, the court accepted evidence from the construction expert opinion with regard, inter alia, to: assessment of quality and value of works completed by the defendant, the scope and completeness of works to be performed as well as value of corrections. The expert drafted an opinion which the defendant considers to be in its favour. This assessment is confirmed by the actions of the claimant who submitted a request for appointment of a new expert. The court dismissed the plaintiff's application in this regard and only allowed to add to the protocol supplementary oral expert's opinion, which was submitted at the hearing on 21 April 2015. The plaintiff again proposed to appoint a new expert and the application will be considered at a closed session scheduled for December 2015.

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

The total value of legal proceedings pending in respect of claims of Budimex SA and its subsidiaries amounted to PLN 227 213 thousand as at 30 September 2015. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed. Aside from the case brought to court by the FBL Consortium against PPL, the value of no other proceedings concerning claims exceeds 10% of the shareholders' equity of Budimex SA. As at the date of this report, the final outcome of the proceedings is not known.

13. Contingent receivables and contingent liabilities

	30 September 2015	31 December 2014
	(in PLN thousands)	(in PLN thousands)
<u>Contingent receivables</u>		
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	345 701	316 777
– bills of exchange received as security	7 433	8 519
From other entities, total	353 134	325 296
Other contingent receivables	235	86
Total contingent receivables	353 369	325 382
<u>Contingent liabilities</u>		
To related parties, of which:		
– guarantees and suretyships issued	5 317	5 456
– bills of exchange issued as performance bond	-	-
To related parties, total	5 317	5 456
To other entities, of which:		
– guarantees and suretyships issued	2 507 061	2 035 036
– bills of exchange issued as performance bond	2 195	6 746
To other entities, total	2 509 256	2 041 782
Other contingent liabilities	134 024	135 480
Total contingent liabilities	2 648 597	2 182 718
Total off-balance sheet items	(2 295 228)	(1 857 336)

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

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

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

Other contingent liabilities include among others voluntary acceptance of enforcement constituting a security of payment up to the amount of PLN 133 554 thousand due and payable in the case of improper performance of obligations by Budimex SA under the acquisition agreement concerning shares of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.

Guarantees for bank loans and borrowings issued by Budimex SA and its subsidiaries as at 30 September 2015:

Name of the company which issued a guarantee or suretyship for a bank loan or borrowings	Name of the (company) entity which received suretyships or guarantees	Total value of bank loans and borrowings, for which guarantee or suretyship was issued for the full amount or defined part	Period of guarantees or suretyships issuance	Financial conditions in respect of guarantees and suretyships issued	Type of relations between Budimex SA and the entity which took out a bank loan or borrowings
(in PLN thousand)					
Budimex SA	Mostostal Kraków SA	96 199	2018-11-13	against payment	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	44 390	2024-02-28	free of charge	subsidiary
Budimex SA	Budimex Parking Wrocław Sp. z o.o.	206	2017-08-31	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	82	2016-02-28	free of charge	subsidiary
Budimex SA	FBSerwis SA	4 053	2021-06-16	against payment	associate
Budimex Budownictwo Sp. z o.o.	FBSerwis SA	1 264	2018-11-16	against payment	associate
TOTAL		146 194			

President of the Management Board

Management Board Member

Dariusz Blocher

Marcin Węglowski

Warsaw, 28 October 2015