THE BUDIMEX GROUP

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2012

Prepared in accordance with the International Financial Reporting Standards

Index to the consolidated financial statements

(All amounts are expressed in PLN thousand)

Consolidated statement of financial position

ASSETS	**Note**	**31 December 2012**	**31 December 2011**
Non-current assets			
Property, plant and equipment	11	111,192	274,001
Investment properties	12	3,256	3,278
Intangible assets	13	2,992	7,489
Goodwill of subordinates	14	73,237	134,356
Investments in equity accounted entities	16	16,966	13,503
Available-for-sale financial assets	17	17,135	12,146
Retentions for construction contracts	32	19,202	37,883
Other long-term receivables	20	-	24
Long-term prepayments and deferred costs		4,176	6,498
Deferred tax assets	27	311,651	312,032
Total non-current assets		**559,807**	**801,210**
Current assets			
Inventories	21	876,206	1,115,558
Trade and other receivables	20	401,836	511,961
Retentions for construction contracts	32	49,419	22,394
Amounts due and receivable from customers under construction contracts	30	227,490	229,762
Current tax assets		935	5,985
Derivative financial instruments	19	5,724	141
Cash and cash equivalents	22	1,317,733	1,761,630
Short-term prepayments and deferred costs		9,061	13,919
		2,888,404	**3,661,350**
Non-current assets (disposal groups) classified as held for sale		-	-
Current assets		**2,888,404**	**3,661,350**
TOTAL ASSETS		**3,448,211**	**4,462,560**

Warsaw, 15 March 2013

(All amounts are expressed in PLN thousand)

Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	Note	31 December 2012	31 December 2011
Equity			
Shareholders' equity attributable to the shareholders of the Parent Company			
Share capital	23	145,848	145,848
Share premium	23	234,799	234,799
Other reserves	45	2,705	1,283
Foreign exchange differences on translation of foreign operations		2,190	2,229
Retained earnings		47,588	141,671
Total shareholders' equity attributable to the shareholders of the Parent Company		**433,130**	**525,830**
Equity attributable to non-controlling interests		-	-
Total equity		**433,130**	**525,830**
Liabilities			
Non-current liabilities			
Loans, borrowings and other external sources of finance	24	75,967	73,981
Retentions for construction contracts	32	161,143	150,122
Provisions for non-current liabilities and other charges	29	141,521	124,665
Retirement benefits and similar obligations	28	3,747	11,385
Total non-current liabilities		**382,378**	**360,153**
Current liabilities			
Loans, borrowings and other external sources of finance	24	17,718	37,753
Trade and other liabilities	25	1,287,594	1,698,239
Retentions for construction contracts	32	222,146	153,436
Amounts due and payable to customers (investors) under construction contracts	30	534,870	1,037,987
Prepayments received	31	274,050	357,956
Provisions for current liabilities and other charges	29	116,060	105,529
Current tax liability		6,225	-
Retirement benefits and similar obligations	28	1,036	5,044
Derivative financial instruments	19	257	12,330
Short-term accruals	26	161,608	162,231
Short-term deferred income		11,139	6,072
		2,632,703	**3,576,577**
Liabilities relating directly to non-current assets (disposable groups) classified as held for sale		-	-
Total current liabilities		**2,632,703**	**3,576,577**
Total liabilities		**3,015,081**	**3,936,730**
TOTAL EQUITY AND LIABILITIES		**3,448,211**	**4,462,560**

Warsaw, 15 March 2013

(All amounts are expressed in PLN thousand)

Consolidated profit and loss account

	Note	Year ended 31 December 2012	Year ended 31 December 2011
Continuing operations			
Net revenue from sales of finished goods, services goods for resale and raw materials	33	6,077,660	5,516,487
Cost of finished goods, services, goods for resale and raw materials sold	34	(5,617,789)	(5,059,721)
Gross profit on sales		**459,871**	**456,766**
Selling expenses		(24,371)	(24,529)
Administrative expenses		(193,362)	(138,087)
Other operating income	36	65,780	86,338
Other operating expenses	36	(139,172)	(234,619)
Gains/ (losses) on derivative financial instruments	37	13,663	(11,218)
Operating profit		**182,409**	**134,651**
Finance income	38	67,063	54,457
Finance costs	38	(40,723)	(44,777)
Share in net (losses) of equity accounted subordinates	39	(6,121)	(2,537)
Gross profit		**202,628**	**141,794**
Income tax	40	(16,646)	(66,200)
Net profit from continuing operations		**185,982**	**75,594**
Net profit for the period		**185,982**	**75,594**
of which:			
Attributable to the shareholders of the Parent Company		**185,982**	**75,594**
Attributable to non-controlling interests		-	-
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	41	7.28	2.96

Warsaw, 15 March 2013

(All amounts are expressed in PLN thousand)

Consolidated statement of comprehensive income

	Year ended 31 December	
	2012	**2011**
Net profit for the period	**185,982**	**75,594**
Other comprehensive income (loss) for the period:		
Foreign exchange differences on translation of foreign operations	(39)	618
Deferred tax related to components of other comprehensive income	-	-
Other comprehensive income	**(39)**	**618**
Total comprehensive income for the period	**185,943**	**76,212**
of which:		
Attributable to the shareholders of the Parent Company	**185,943**	**76,212**
Attributable to non-controlling interests	**-**	**-**

Warsaw, 15 March 2013

(All amounts are expressed in PLN thousand)

Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves– share-based payments	Foreign exchange differences on translation of foreign operations	Retained earnings	Total		
Balance as at 1 January 2012	**145,848**	**234,799**	**1,283**	**2,229**	**141,671**	**525,830**	**-**	**525,830**
Profit for the period	-	-	-	-	185,982	185,982	**-**	**185,982**
Other comprehensive income	-	-	-	(39)	-	(39)	**-**	**(39)**
Total comprehensive income for the period	-	-	-	**(39)**	**185,982**	**185,943**	**-**	**185,943**
Dividends	-	-	-	-	(280,065)	(280,065)	-	**(280,065)**
Share-based payments	-	-	1,422	-	-	1,422	**-**	**1,422**
Balance as at 31 December 2012	**145,848**	**234,799**	**2,705**	**2,190**	**47,588**	**433,130**	**-**	**433,130**

Warsaw, 15 March 2013

(All amounts are expressed in PLN thousand)

Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves– share-based payments	Foreign exchange differences on translation of foreign operations	Retained earnings	Total		
Balance as at 1 January 2011	**145,848**	**234,799**	**256**	**1,611**	**297,891**	**680,405**	**-**	**680,405**
Profit for the period	-	-	-	-	260,874	260,874	**-**	**260,874**
Provisional settlement adjustments	-	-	-	-	(5,263)	(5,263)	**-**	**(5,263)**
Goodwill impairment	-	-	-	-	(180,017)	(180,017)	**-**	**(180,017)**
Other comprehensive income	-	-	-	618	-	618	**-**	**618**
Total comprehensive income for the period	-	-	-	**618**	**75,594**	**76,212**	**-**	**76,212**
Dividends	-	-	-	-	(231,814)	(231,814)	**-**	**(231,814)**
Share-based payments	-	-	1 027	-	-	1 027	**-**	**1 027**
Balance as at 31 December 2011	**145,848**	**234,799**	**1,283**	**2,229**	**141,671**	**525,830**	**-**	**525,830**

Warsaw, 15 March 2013

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Consolidated statement of cash flow

	Note	Year ended 31 December 2012	2011
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before tax		**202,628**	**141,794**
Adjustments for:			
Depreciation/ amortization	34	50,683	30,330
Share in net (profits) / losses of equity accounted subordinates	39	6,121	2,537
Goodwill impairment		45,000	180,017
Foreign exchange (gains)/ losses		(1,458)	2,998
Interest and shares in profits (dividends)		4,482	1,775
(Profit)/ loss on disposal of investments		3,179	651
Change in valuation of derivative financial instruments	37	(17,656)	14,886
Operating profit/ (loss) before changes in working capital		**292,979**	**374,988**
Change in receivables and retentions for construction contracts		(21,380)	52,428
Change in inventories		205,998	(77,804)
Change in provisions and liabilities arising from retirement benefits and similar obligations		36,676	13,981
Change in retentions for construction contracts and in liabilities except for loans and borrowings		(137,601)	310,121
Change in accruals and accrued income		11,274	(13,616)
Change in amounts due and receivable under construction contracts		(388,315)	(214,322)
Change in prepayments received		(49,025)	124,565
Change in cash and cash equivalents of restricted use	22	10,155	(20,286)
Other adjustments	43	82	1,024
Cash generated from operations		**(39,157)**	**551,079**
Income tax paid		(4,990)	(199,675)
NET CASH FROM OPERATING ACTIVITIES		**(44,147)**	**351,404**

Warsaw, 15 March 2013

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Consolidated statement of cash flow (cont.)

	Note	Year ended 31 December 2012	Year ended 31 December 2011
CASH FLOW FROM INVESTING ACTIVITIES			
Sale of intangible assets and property, plant and equipment		3,208	4,916
Purchase of intangible assets and property, plant and equipment		(24,118)	(15,600)
Sale of investments in property		-	8,899
Sale of financial assets in related parties		4,676	(1)
Purchase of shares in subsidiaries and associates		(82,510)	(224,092)
Sale / (purchase) of financial assets at fair value through profit or loss		-	14,013
Dividends received		21	-
Interest received		30	197
NET CASH USED IN INVESTING ACTIVITIES		**(98,693)**	**(211,668)**
CASH FLOW FROM FINANCING ACTIVITIES			
Loans and borrowings taken out		59,127	42,082
Repayment of loans and borrowings		(51,342)	(56,575)
Dividends paid		(280,065)	(231,814)
Payment of finance lease liabilities		(14,409)	(12,661)
Interest paid		(4,296)	(1,787)
NET CASH FROM/USED IN FINANCING ACTIVITIES		**(290,985)**	**(260,755)**
TOTAL NET CASH FLOW		**(433,825)**	**(121,019)**
Foreign exchange differences, net		83	(40)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**22**	**1,740,488**	**1,861,547**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**22**	**1,306,746**	**1,740,488**
Cash and cash equivalents of disposable groups		-	-
TOTAL CASH AND CASH EQUIVALENTS OF THE GROUP		**1,306,746**	**1,740,488**

Warsaw, 15 March 2013

Notes to the consolidated financial statements

1. General information

The parent company of the Budimex Group (hereinafter the "Group") is Budimex SA (the "Parent Company") with its registered office in Warsaw, ul. Stawki 40, entered in the Register of Entrepreneurs kept by the District Court for the capital city of Warsaw, 19th Commercial Department of the National Court Register, File No. WA.XIX NS REJ.KRS/12100/01/253, under KRS number 1764.

The main area of the business activities of the Parent Company are construction and assembly services and rendering of management and advisory services to Budimex Group companies. The industry branch in which the Parent Company operates was classified by the Stock Exchange in Warsaw as general construction and civil engineering business.

The main area of the business activities of the Group are broadly interpreted construction and assembly services under the system of general contracting at home and abroad, property development activities, property management, and limited scope trading, production, transport and other business. Budimex SA serves in the Group as an advisory, management and financial centre. These three functions are aimed to facilitate:

- efficient flow of information within Group structures,
- strengthening of the efficiency of cash and financial management of individual Group companies,
- strengthening of the market position of the Group as a whole.

The Parent Company and other Group companies have been established in perpetuity.

The Budimex Group operates as part of the Ferrovial Group with Ferrovial SA with its registered office in Madrid, Spain, as its parent company.

These consolidated financial statements were approved by the Management Board on 15 March 2013.

1.1 Going concern assumption

The consolidated financial statements of the Group for the year 2012 were prepared on the assumption that the Group companies will be going concerns in the foreseeable future. As at the date of signing the consolidated financial statements, the Management Board of the Parent Company is not aware of any facts or circumstances that would indicate any threat to the main Group companies' continued activities after the balance sheet date, due to an intended or compulsory withdrawal from or a significant limitation in their activities.

2. Accounting policies

The main accounting policies applied during the course of the preparation of these consolidated financial statements are presented below. These accounting policies were applied consistently in all the periods presented, unless stated otherwise.

2.1 Format and basis of preparation financial statements

These financial statements for the year ended 31 December 2012 were prepared in accordance with International Financial Reporting Standards („IFRS") approved by the European Union and prevailing as at the balance sheet date.

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Transfers of Financial Assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

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

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

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- IFRS 12 “Disclosures of Interests in Other Entities”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 13 “Fair Value Measurement”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- IAS 27 (revised in 2011) “Separate Financial Statements”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 1 “First-time Adoption of IFRS” - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 7 “Financial Instruments: Disclosures” - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 1 “Presentation of financial statements” -Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- Amendments to IAS 12 “Income Taxes” - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 19 “Employee Benefits” - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 32 “Financial instruments: presentation” - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 1 “First-time Adoption of IFRS” - Government Loans (effective for annual periods beginning on or after 1 January 2013),
- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The Group has elected not to take advantage of early adoption of the above standards, amendments to the standards and interpretations. The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 15 March 2013:

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2015),
- Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” – Mandatory Effective Date and Transition Disclosures,
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” - Transition Guidance (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 “Separate Financial Statements” - Investment Entities (effective for annual periods beginning on or after 1 January 2014),
- Amendments to various standards “Improvements to IFRSs (2012)” resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2013).

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

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

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

These consolidated financial statements were prepared under the historical cost convention, except for hyperinflation adjustments described in note 23.

2.2 The principles of consolidation

Subsidiary companies

The consolidated financial statements comprise the financial statements of the Parent Company and the financial statements of the entities controlled by the Parent Company (or subsidiaries of the Parent Company) prepared as at the balance sheet date. The control of an entity is ascertained if the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiary companies are subject to full consolidation from the date the Group assumes control over them until such time as the control ends.

The financial statements of subsidiary companies are prepared for the same reporting period as the financial statements of the Parent Company using similar accounting policies consistently.

Acquisitions of subsidiary companies by the Group, except for acquisition of entities under common control, are accounted for using the purchase method.

Acquisition of entities which are not under common control

As at the date of acquisition the aggregate of:

- the consideration transferred measured at acquisition-date fair value;
- contingent consideration, measured at acquisition-date fair value;
- the amount of any non-controlling interest in the acquiree measured either at its fair value or at its proportionate interest in the net identifiable assets;
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree;

over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured at fair value, apart from limited exceptions provided in IFRS 3 is recognized as goodwill.

Goodwill represents a payment made in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised.

The following were excluded from the consolidated financial statements:

- equity of subsidiary companies that arose prior to taking control over those entities,
- value of shares held by the Parent Company or other entities included in consolidation,
- mutual receivables and liabilities and other similar settlements with entities included in consolidation,
- revenues and costs arising from business operations between entities included in consolidation,
- unrealized, from the point of view of the Group, gains from operations between entities included in consolidation, and included in the value of consolidated assets and liabilities, as well as unrealized losses, unless the transaction proves the impairment of the asset acquired,
- dividends accrued or paid by subsidiary companies to the Parent Company or other entities included in consolidation.

Acquisition of entities under common control

Business combinations arising from transfers of interests in entities that are directly or indirectly under the control of the shareholder that controls the Budimex Group are accounted for using the pooling of interests method, i.e. as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, on the date that common control was established. The assets and liabilities acquired are recognized at their carrying amounts after the harmonization of accounting policies and appropriate consolidation adjustments. The amount of equity of the acquired entity and all differences between the carrying amount and purchase price is recognized directly in the consolidated equity as retained earnings. Intercompany receivables and liabilities, income and expenses realised between the companies, profits and losses realized before acquisition that are included in the value of consolidated assets and liabilities are excluded on consolidation. Expenses related to the acquisition of entities under common control are charged to other operating activities of the period in which they were incurred.

The following policies were observed while performing full consolidation:

- all appropriate items of assets and liabilities of subsidiary entities and the Parent Company were aggregated in full amounts irrespective of the share of the Parent Company in those assets and liabilities,
- consolidation adjustments and exclusions were made after aggregating the data,
- all appropriate items of revenues and expenses of subsidiaries and the Parent Company were aggregated in full irrespective of the ownership share of the Parent Company of the given subsidiary,
- consolidation adjustments and exclusions were made after aggregating the data.

The consolidated net result is allocated to the shareholders of the Parent Company and to non-controlling interests.

Transactions with non-controlling interests without control change effect

Transactions with non-controlling interests without control change effect are recorded in correspondence with equity.

Associates

An associate is an entity on which the Parent Company has significant influence but over which it does not exercise control by way of participating in governing the financial and operating policies.

Shares in associates are valued using the equity method, except where the investment is classified as held for trading. Investments in associates are stated at acquisition cost after considering changes in the share in net assets of the company that occurred until the balance sheet date, less impairment of individual investments. Losses of associates in excess of the Group's share in the investment in the associate are recognized, unless the Parent Company undertook to absorb losses or to make payment on behalf of the given associate.
Any excess of acquisition cost above the share in the fair value of identifiable net assets (inclusive of contingent liabilities) of an associate at acquisition date is recognized as goodwill, thus increasing the value of the investment in an associate. Where the acquisition cost is lower than the Group's share in the identifiable net assets (inclusive of contingent liabilities) of an associate at acquisition date, the difference is recognized as gain in the profit and loss account for the period in which the acquisition took place.

Joint ventures

The Group's/ Company's share in a joint venture is recognized in the following manner:

- for shares in jointly controlled business (contracts realized by consortia without setting up separate entities) – assets, liabilities, revenues and costs relating to a joint venture are recognized directly in the books of account of joint venture participants,
- for shares in jointly controlled entities (registered partnerships, other special purpose companies) – these entities are consolidated using the proportionate method, under which the proportionate share of the Group in assets, liabilities, revenues and costs of a joint venture is recognized on a line by line basis together with similar items in the consolidated financial statements.

2.3 Foreign currency transactions and valuation of foreign currency items

Functional and reporting currency

Items recognized in the financial statements of individual Group entities are valued using the currency of the main economic environment in which the company conducts its business ("functional currency"). The consolidated financial statements of the Group are presented in the Polish zloty, which is the functional and reporting currency of the Parent Company.

Transactions and balances

Foreign currency transactions are initially stated in the functional currencies; for translation of balances into the Polish zloty an exchange rate prevailing on the transaction date is used.

At each balance sheet date:

- foreign currency monetary items are translated using the closing rate,
- non-monetary items stated at historical cost expressed in foreign currencies are translated using the exchange rate prevailing on the transaction date,
- non-monetary items stated at fair value expressed in foreign currencies are translated using the exchange rates prevailing on the date on which the fair value was determined.

Foreign exchange differences relating to foreign currency assets and liabilities that arose on the date of assets and liabilities valuation and on settlement of foreign currency receivables and payables as well as on sale of currencies are included under finance income or finance costs, as appropriate.

Foreign operations

The financial result and assets and liabilities of foreign operations of the Group as well as those of the Group subsidiaries with a functional currency different from that of the Parent Company (with the provision that the functional currency of those entities is not the currency of a hyperinflationary economy) are translated into the Polish zloty as follows:

- assets and liabilities of branches and of each of the balance sheet presented (i.e. including the comparative data) are translated using the closing rate prevailing at the balance sheet date,
- revenues and costs are translated using the average exchange rate (unless application of the average exchange rate would materially differ from the values obtained using the exchange rate prevailing on the transaction date),
- all resultant exchange differences are recognized as a separate item of equity under "Foreign exchange differences on translation of foreign operations".

At the time of disposal of a foreign operation, the accumulated amount of deferred foreign exchange differences recognized as separate item of equity is recognized in the financial result upon recognition of profit or loss on disposal of this entity.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost or cost of production less accumulated depreciation and impairment losses. Land is stated at cost less impairment losses.

Property, plant and equipment, except for land, are depreciated using the straight line method in order to spread their initial cost reduced by the residual value, over the period of their estimated useful lives. Depreciation starts when a given item of property, plant and equipment is available for use. The Group's depreciation periods are as follows:

- perpetual usufruct 40 – 78 years
- buildings and constructions 10 – 50 years
- plant and machinery 2 – 25 years
- motor vehicles 3 – 10 years
- other 2 – 10 years

Any subsequent expenditure is included in the carrying amount of a given fixed asset or as a separate item provided that it is probable that an inflow of economic benefits will flow to the Group and the cost of the item may be reliably measured. Other costs incurred since the initial recognition such as costs of repair, maintenance or operating fees affect the financial result for the reporting period in which they were incurred, except for the significant costs of overhauls which are recognized in the carrying amount of the appropriate item of property, plant and equipment.

Verification of the recoverable value and useful lives of property, plant and equipment is performed at least once a year and, if necessary, their values are adjusted.

Where the carrying amount of a given item of property, plant and equipment exceeds its estimated recoverable value, the carrying amount is immediately reduced to asset recoverable value.

Gains and losses on disposal of an item of property, plant and equipment are determined by way of comparing sale proceeds with assets carrying amounts and are recognized in the profit and loss account.

Construction in progress (Assets under construction)

Construction in progress is stated at the amount of aggregate costs directly attributable to the acquisition or production of such assets, including finance costs, less any impairment losses. Construction in progress is not depreciated until completed and brought into use.

2.5 Investment properties

Investments in property (investment property) are initially valued at acquisition cost, after including transaction costs. After initial recognition, investment property, except for land, is depreciated on a straight-line basis over its estimated useful life and adjusted for impairment losses.

The useful lives of the Group's investment properties are as follows:

- perpetual usufruct 40 – 78 years
- buildings and constructions 10 – 50 years
- other investment properties 2 – 10 years

2.6 Intangible assets

Intangible assets are recognized if it is probable that the future economic benefits that are directly attributable to the assets will flow to the Company and that the acquisition cost or cost of development of an intangible asset can be reliably measured.

Initially, intangible assets are valued at acquisition cost or cost of production. Following initial recognition, intangible assets are valued at acquisition cost or cost of production less accumulated amortization and impairment losses.

Intangible assets are amortized using the straight line method over their estimated useful lives. The expected useful lives of the Group's intangible assets are as follows:

- Patents and licenses 5 – 15 years
- Software 1 – 5 years

2.7 Non-current assets (disposal groups) classified as held for sale

Included in this group are items of property, plant and equipment and investment property provided their carrying amount will be recovered in a disposal transaction rather than through further use of the asset.

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

2.8 Goodwill

Goodwill is the excess of the aggregate of:

- the consideration transferred measured at acquisition-date fair value;
- contingent consideration, measured at acquisition-date fair value;
- the amount of any non-controlling interest in the acquiree measured either at its fair value or at its proportionate interest in net identifiable assets;
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree;

over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured at fair value, apart from limited exceptions provided in IFRS 3.

Goodwill represents a payment made in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised.

Goodwill is recognized under assets and is not subject to amortization; it is, however, subject to impairment testing at least once a year. Any impairment loss is recognized directly in the profit and loss account and is not subject to reversal in subsequent reporting periods.

If the activities belonging to a cash generating unit to which the goodwill was allocated are to be sold, then the goodwill allocated to the activities sold will be accounted for during the course of determining gains or losses on sale.

Goodwill that arose prior to transitioning to the IFRS was recognized in the books of account in the value determined using the earlier recognized accounting policies and was subject to impairment testing as at the date of transitioning to the IFRS. In addition, goodwill is tested annually for impairment and is recognized in the balance sheet at cost less accumulated impairment losses. In order to conduct an impairment test, goodwill is allocated to a cash generating unit.

A cash generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

2.9 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Other borrowing costs are recognized as an expense in the period in which they are incurred.

The amount of borrowing costs eligible for capitalisation shall be determined in accordance with IAS 23.

At the Budimex Group, the qualifying assets are mainly inventories in developer companies as well as property, plant and equipment, investment properties and intangible assets.

2.10 Leases

Group companies are parties to lease agreements under which they use third-party fixed assets over an agreed period of time in return for payments.

In the case of a finance lease agreement, which transfers substantially all of the risks and rewards of ownership of an asset, the leased asset is recorded under fixed assets or investments at fair value or at the present value of the minimum lease payments at the inception of the lease term, if the present value is lower than asset fair value. Lease payments are apportioned between finance costs and reduction of the outstanding lease liability so as to produce a constant rate of interest on the outstanding lease liability.
Leased assets are depreciated over the shorter of the two periods: the asset's expected period of use or the lease term, if it is not certain that the lessee obtains ownership right to the asset prior to the end of the lease term.
Lease payments made under lease agreements which do not meet the criteria of finance leases are recognized as an expense in the profit and loss account over the lease term.

Finance costs are recognized directly in the profit and loss account in accordance with the policies described in note 2.9.

2.11 Impairment of non-financial assets

An assessment is made by Group companies at each balance sheet date to determine whether there is any objective evidence that an asset or a group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of impairment analysis, assets are grouped on the lowest possible level, on which identifiable cash flows occur (cash generating units). A cash generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment losses are recognized in the profit and loss account.

2.12 Prepayments for non-financial assets

Prepayments for property, plant and equipment, investment properties, intangible assets or inventories ("Prepayments made") are recognized under short-term receivables.

2.13 Inventories

Inventories comprise raw materials, goods for resale, work in progress and finished goods. In classifying inventory items to individual categories, the following policies are applied by the Group:

- Raw materials – represent items kept in warehouses or other places of storage that are to be used in production processes, especially to be consumed in construction activities.
- Work in progress – represents costs of uncompleted developer projects as well as general purpose and low processed inventory items which are stored on construction sites and which may be used, in a simple way and without incurring significant costs, for the realization of other contracts, or sold (if considered unnecessary for the realization of the given contract).
- Goods for resale – inventory items purchased with a view to re-selling, including land used in carrying out developer projects.
- Finished goods – internally developed goods for which the process of development was completed as well as flats, usable floor space and completed constructions ready for sale.

Excluded from inventories are items stored on construction sites which are to be used for a given construction project or processed either internally or externally by a subcontractor, which are not certain to be simply used for other contracts or sold. Such items are taken directly to the costs of the contract and thus are included in the percentage of completion valuation method.

Inventories are valued at the lower of acquisition cost or cost of production and net realizable value.

Net realizable value is the selling price achievable at the balance sheet date, net of VAT and excise taxes, less any rebates, discounts and other similar items, less the estimated costs to complete and costs to sell.

Raw materials are valued based on weighted average basis, goods for resale are valued on a "first in – first out" basis, while the work in progress and finished goods – at the cost of direct materials and labour and an appropriate proportion of manufacturing overheads based on normal operating capacity.

2.14 Cash and cash equivalents

Cash on hand and at bank is stated at nominal value.

Cash and cash equivalents presented in the cash flow statement comprise cash on hand and bank deposits which have a maturity period of 3 months or less and were not included under investing activities.

Included in cash of restricted use are mainly cash items representing:

- security for bank guarantees,
- amounts gathered on escrow accounts of development companies,

provided their maturity does not exceed 3 months.
The Group recognizes cash of restricted use in the balance sheet under cash and cash equivalents, while for the purpose of the cash flow statement – the balance of cash at the beginning and at the end of the financial year is reduced by cash of restricted use, and its balance sheet change is recognized under cash flow from operating activities.

2.15 Financial instruments

Financial assets and financial liabilities are recognized in the balance sheet of the Group when the Group becomes a party to a binding agreement. The financial instruments held are classified into the following balance sheet categories:

- Financial assets: financial assets available for sale, investments held to maturity, loans and receivables and financial assets at fair value through profit or loss (inclusive of derivative financial instruments);
- Financial liabilities and equity instruments: financial liabilities and equity instruments, bank loans and borrowings, trade payables, liabilities at fair value through profit or loss (inclusive of derivative financial instruments).

The above classification is based on the criterion of the purpose of the investment acquired or the liability incurred. The Management Board determines the classification of a given item upon item initial recognition, and subsequently verifies this initial classification at each balance sheet date. During the period covered by these financial statements, the Group did not hold any financial instruments classified as held to maturity.

Financial assets at fair value through profit or loss

This category covers the following two sub-categories:

- financial assets held for trading,
- financial assets classified upon initial recognition as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if it is:

- acquired or incurred with a view to selling or repurchasing in a near term,
- a derivative (except for a derivative that is designated as an effective hedging instrument).

Investment purchase or sale transactions are recognized as at the transaction date i.e. the date on which the Group commits to purchase or sell a given asset item. Investments are initially recognized at fair value increased by transaction costs.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Trade receivables relating to executed construction contracts or the prepayments made are classified as short-term receivables, if it is expected that these will be settled during the course of a normal operating cycle of the entity.

Receivables from retentions for construction contracts and loans with a maturity date falling below 12 months are recognized as short-term receivables. Long-term receivables from retentions for construction contracts are discounted to the present value using the effective interest rate.

Trade loans and receivables are initially stated at fair value and subsequently – at amortized cost less impairment losses. Impairment losses are recognized if objective evidence exists that the Group will not be able to recover all amounts due under original receivables' terms and conditions.

Investments held to maturity

Investments held to maturity are non-derivative financial assets that are not classified as financial assets held for trading or loans and receivables with determinable payments and fixed maturity that the Group's Management Board has the positive intention and ability to hold to maturity.

Investment purchase or sale transactions are recognized as at the transaction date i.e. the date on which the Group commits to purchase or sell a given asset item. Investments held to maturity are initially recorded at fair value increased by transaction costs, while in the subsequent periods – at adjusted purchase price (amortized cost).

Available-for-sale financial assets

Financial assets available for sale are financial instruments not classified in any of the remaining categories of financial instruments. These are recorded under non-current assets provided the Management Board does not intend to dispose of these investments within 12 months of the balance sheet date. Where the Management Board intends to dispose of them within 12 months from the balance sheet date, the assets are classified as held for trading and valued at fair value.

Asset purchase or sale transactions are recognized as at the transaction date i.e. the date on which the Group commits to purchase or sell a given asset. Assets are initially recognized at fair value increased by transaction costs. This policy relates to all assets not classified as at fair value through profit or loss. Financial assets available for sale are derecognized when the contractual rights to the cash flow from the asset expired or were transferred and the Group did not transfer substantially all of the risks and rewards attached to asset ownership.

Following initial recognition, financial assets available for sale for sale are recorded at fair value. If determining the fair value of available-for-sale financial assets with a specified maturity date is not possible, they are recorded at amortized cost; if, however, the maturity date was not specified – at acquisition cost.
Gains or losses arising from changes in asset fair value are recognized in the period in which they arose. Gains and loses arising from the difference between the fair value of available-for-sale assets (if there is a market price determined on the active market or whose fair value can be determined in another reliable manner) and their purchase price, less deferred tax, is recognised in revaluation reserve. Gains and loses arising from changes in the fair value of available-for-sale financial assets being monetary items that result from foreign exchange differences are recognized in the profit and loss account in the period in which they arose. Where the fair value is not determinable, financial assets available for sale representing non-monetary items are valued at acquisition cost less impairment losses, if any. In the case of disposal of available for sale financial assets classified as “available for sale” or in the case of their loss of value, total adjustments consisting in re-measurement to fair value recognized in equity are taken to the profit and loss account as gains/ losses on financial assets.

An assessment is made at each balance sheet date to determine whether there is any objective evidence that an item of financial assets or a group of financial assets may be impaired. In case of equity securities classified as “available for sale”, in the process of determining impairment losses a significant or extended loss of fair value below equity cost is taken into account. If such evidence exists for financial assets available for sale, total losses incurred to date calculated as the difference between acquisition cost and current fair value less probable impairment losses recognized previously in the profit and loss account are excluded from equity and recognized in the profit and loss account.

Trade liabilities and retentions for construction contracts

Initially, trade liabilities are recorded at the present value of the payment to be made, while in the subsequent reporting periods – at amortized cost.

Trade liabilities arising from the construction contracts in progress and from the prepayments received are classified as current liabilities as it is expected that they will be settled during the course of the normal operating cycle of the entity.

Liabilities arising from retentions for construction contracts with the settlement deadline of less than 12 months are recognized as current liabilities. Non-current liabilities arising from retentions for construction contracts are discounted to the present value using the effective interest rate. Short-term retentions for construction contracts are initially recorded at the present value of the anticipated payment and recognized in subsequent periods at amortized cost.

Loans and borrowings and other external sources of finance

Loans and borrowings and other external sources of finance are initially stated at fair value increased by transaction costs which may be directly attributed to acquisition or issue of the financial liabilities item. As at the balance sheet date, financial liabilities are recognized at amortized cost using the effective interest rate.

Derivative financial instruments

Group companies enter into forward transactions to hedge against foreign currency risk. Policies relating to the use of derivative financial instruments have been described in the risk management policy of the Group approved by the Management Board as described in detail in note 4 “Financial risk management”.

Derivative financial instruments are valued at the balance sheet date in a reliably determined fair value. Fair value of derivative financial instruments is assessed using the model, which is based, among others, on the average NBP rates prevailing at the balance sheet date and on differences in the levels of interest rates of the quotations and base currencies.

The effects of periodic valuation of derivative financial instruments as well as gains and losses determined at the date of settlement are reported in the profit and loss account under “Gains/ (losses) on derivative financial instruments” as part of operating business. Group companies do not apply hedge accounting.

As regards transactions on the money, equity or derivative financial instruments markets, Group companies cooperate with banks of good financial standing and thus do not contribute to significant credit risk concentration.

Fair value measurement

The Group classifies fair value measurements using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
- Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

2.16 Equity

Shareholders' equity

Share capital covers ordinary shares and is recorded in the nominal value (as presented in the Articles of Association of the Parent Company and recorded in the National Court Register) adjusted by the effects of hyperinflation for the period in which Polish economy was hyperinflationary.

Share premium represents a difference between the price for which the shares of the Parent Company were taken up and their nominal value. This was adjusted by the effects of hyperinflation for the period in which Polish economy was hyperinflationary.

Equity attributable to non-controlling interests

Non-controlling interest is the part of equity of subsidiary companies consolidated using the full method, which belongs to the shareholders other than those of the entities belonging to the Group.

Net profit (loss) of subsidiary companies in the part belonging to the shareholders other than those of the entities belonging to the Group represents non-controlling interests gain/ (loss).

2.17 Employee benefits

Group entities operate retirement benefits / pension plan programs and thus create provisions for their underlying liabilities. Payments under these programs are expensed to the profit and loss account so as to ensure the spread of the costs of those benefits over employees' entire working lives at the companies. The amount of the provision is determined by an independent actuary using the projected unit credit method.

The Group companies adopted the policy to recognize the actuarial gains and losses in the period in which they arose. All actuarial gains and losses are recognized in the profit and loss account.

Future benefits and allowances are not funded.

2.18 Share-based payments

Ferrovial SA operates its own equity-settled, share-based compensation plan under which employees of the Group render services to the Company and its subsidiaries as consideration for equity instruments of Ferrovial SA. In accordance with IFRS 2 "Share-based Payments", the fair value of the employee services received in exchange for the grant of the equity instruments of Ferrovial SA is recognised in these consolidated financial statements as an expense with a corresponding increase in equity, over the period in which the service conditions are fulfilled (vesting period). The fair value of the employee services received is measured by reference to the fair value of the equity instruments at the grant date. Vesting conditions, other than market conditions, were taken into account by adjusting the number of equity instruments included in the measurement of the transaction so that, ultimately, the expense recognised for services received is based on the number of equity instruments that are expected to vest.

2.19 Provisions

Group entities create provisions for future liabilities the maturity or amount of which are not certain. Provisions are created when:

- the company has a present obligation (legal or constructive) as a result of a past event,
- it is certain or highly probable that settlement of this obligation will result in an outflow of resources embodying economic benefits, and
- a reliable estimate can be made of the amount of obligation.

Group entities create provisions for costs of future warranty repairs as in the case of construction services they are required to provide warranty for their services. Warranty provision is connected with particular construction segments and amounts from 0.15% to 1.4% of total revenue from a given contract. This value is subject to individual analysis and in justified cases may be increased or reduced, as appropriate. Costs of future warranty repairs are accrued in proportion to the direct costs of contracts (cost of the finished goods sold).

2.20 Recognition of revenues and expenses

Sales revenue is stated at the fair value of payments received or receivable and represents receivables for finished goods, goods for resale and services provided as part of the regular business activities, less rebates, VAT and other sale-related taxes.

Revenue from sale of goods for resale is recognized when goods have been delivered and the significant risks and rewards of ownership have passed to the buyer.

Payments received for goods not delivered or services not completed are recognized in the balance sheet under prepayments received.

Revenue from realization of construction contracts is recognized in accordance with the accounting policies of the Group presented below.
Interest income is recorded on a cumulative basis with respect to the principal amount due, using the effective interest rate method.

Dividend income is recognized upon determining the right of the shareholders to receive payment.

In accordance with the accruals principle, the Group recognizes in the profit and loss account all costs relating to a given reporting period, irrespective of the period in which they were actually settled. Incurred costs that do not relate to a given reporting period are recognized under assets as prepayments, while the costs not incurred and relating to a given period – under accruals.

2.21 Construction contracts

Group companies recognize revenues from construction contracts using the percentage of completion method measured as the share of the costs incurred from the date of contract signing to the date of determining contract revenue in total service costs.

Where it is possible that total costs of contract realization exceed total revenues, expected loss (excess of cost over revenues) is taken to operating expenses.

If the result of the completion of construction contract cannot be determined in a reliable manner, revenues are recognized only to the amount of the incurred costs, the recovery of which is probable.

Included in assets are the amounts due and receivable from customers (investors) under all construction work in progress, for which the costs incurred increased by recognized profits (reduced by recognized losses) exceed the amounts calculated for the contract work performed. Outstanding invoiced amounts due and payable for the contract work performed are recognized under “Trade and other receivables”, while the amounts retained by contractors - under “Retentions for construction contracts”.

Included in liabilities are the amounts due and payable to investors under all construction work in progress, for which the amounts invoiced for the work performed as part of the contract exceed incurred costs increased by recognized gains (reduced by recognized losses). Outstanding amounts due and payable to suppliers, in respect of which the Group received invoices are recognized under “Trade and other payables”, while the amounts retained by suppliers - under “Retentions for construction contracts”.

2.22 Developer contracts

Revenue from developer activities is recognised at the moment when control and all significant risks and rewards arising from the possession of the property are transferred to the buyer. The Company considers that transfer of risks, control and rewards takes place when the notarial deed transferring the ownership right to the acquired property is signed.

Developer companies keep records that allow to determine the amount of costs relating to individual project elements which may be sold separately. Upon recognition of sales revenue, the Company recognizes the cost of construction of a given area by reducing finished goods by the share of the premises sold in the total area of a given type of premises.

2.23 Gross profit / (loss) on sale

Gross profit/ (loss) on sales is the difference between:

- the revenue from sale of ordinary production and other services rendered as part of ordinary business activities of the Group, from the sale of goods for resale and raw materials, and
- the cost of finished goods and services sold and the purchase cost of goods for resale and raw materials sold.

2.24 Profit (loss) from operating activities

Operating profit/ (loss) covers revenues and costs of operating activities without taking into account finance costs and finance income, which primarily include interest, foreign exchange gains and cost of commission and bank guarantees.

2.25 Taxation (including deferred tax)

Income tax on revenues earned in Poland is calculated in accordance with Polish tax regulations, while revenues of foreign operations are subject to local tax regulations, after considering the appropriate treaty on avoiding double taxation.

Due to the temporary differences between the carrying amount of assets and liabilities recognized in the books of account and their tax bases and due to the tax loss available for utilization in future years, Group companies recognize deferred tax liability and deferred tax assets in their financial statements.

Deferred tax liabilities are recognized in the amount of income tax to be paid in the future in respect of all taxable temporary differences i.e. differences that will cause an increase in taxable profit/ tax loss in the future.

Deferred tax assets are determined in the amount that is anticipated to be deducted from the income tax in connection with deductible temporary differences, which in the future will cause a decrease in taxable profit/ tax losses, and in the amount of carry-forward of unused tax losses.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and deferred tax liabilities are measured using the tax rates that are expected to apply in the period when the asset is realised and or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are netted off on a Group company level.

2.26 Operating segments

Group management and organization is based on segments.

The Budimex Group operates in the area of two main operating segments:

- construction business,
- developer and property management business.

Other business areas that do not meet the requirements to be classified as reporting segments relate to companies conducting, among others, production, service or trading activities.

The division of business into individual segments has been made based on the main statutory business activities or the importance of their business to the given segment. Such division reflects the spread of main business risks and returns on the expenditure made.

The Group applies uniform accounting policies for all segments. Transactions between individual segments are made at arm’s length.

Shares in equity accounted entities have been classified to the appropriate segment based on the type of business of the entity.

3. Changes in the principles of preparing financial statements and amendment of the previous reporting period

Since 1 January 2012, the Group has been depreciating the right of perpetual usufruct of land over the period corresponding to their estimated period of use. Before, as described in the consolidated financial statements of the Group for the year 2011, the right of perpetual usufruct of land was not depreciable. The aforementioned change of valuation methods has no significant impact on the carrying amount of the right of perpetual usufruct and the net result of the Group for the year ended 31 December 2012.

The consolidated statement of financial position as at 31 December 2011 changed due to a modification of the provisionally determined fair value of the net assets of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (in particular, assets and liabilities relating to long-term contracts) and goodwill impairment. The change did not affect prior reporting periods. Therefore, there was no need to present data for the year ended 31 December 2010.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Details of the above changes as at 31 December 2011 are contained in note 8 and in the table (unchanged items were omitted):

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**31 December 2011**		
	after changes	**before changes**	**change**
Non-current assets			**(68,579)**
Intangible assets	7,489	13,117	(5,628)
Goodwill of subordinates	134,356	183,031	(48,675)
Deferred tax assets	312,032	326,308	(14,276)
Current assets			**(19,975)**
Trade and other receivables	511,961	515,513	(3,552)
Amounts due and receivable from customers under construction contracts	229,762	246,187	(16,425)
Short-term prepayments and deferred costs	13,919	13,917	2
TOTAL ASSETS			**(88,554)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**31 December 2011**		
	after changes	**before changes**	**change**
Equity			**(185,280)**
Retained earnings	141,671	326,951	(185,280)
Current liabilities			**96,726**
Amounts due and payable to customers (investors) under construction contracts	1,037,987	941,261	96,726
TOTAL EQUITY AND LIABILITIES			**(88,554)**

	Year ended 31 December 2011		
CONSOLIDATED PROFIT AND LOSS ACCOUNT	**after changes**	**before changes**	**change**
Net sales of finished goods, services, goods for resale and raw materials	5,516,487	5,516,675	(188)
Cost of finished goods, services, goods for resale and raw materials sold	(5,059,721)	(5,055,141)	(4,580)
Gross profit on sales	**456,766**	**461,534**	**(4,768)**
Other operating expenses	(234,619)	(54,602)	(180,017)
Operating profit	**134,651**	**319,436**	**(184,785)**
Gross profit	**141,794**	**326,579**	**(184,785)**
Income tax	(66,200)	(65,705)	(495)
Net profit for the period	**75,594**	**260,874**	**(185,280)**
of which:			
Attributable to the shareholders of the Parent Company	**75,594**	**260,874**	**(185,280)**
Attributable to non-controlling interests	-	-	-
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	2.96	10.22	(7.26)

	Year ended 31 December 2011		
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**after changes**	**before changes**	**change**
Net profit for the period	**75,594**	**260,874**	**(185,280)**
Total comprehensive income for the period	**76,212**	**261,492**	**(185,280)**
of which:			
Attributable to the shareholders of the Parent Company	**76,212**	**261,492**	**(185,280)**
Attributable to non-controlling interests	-	-	-

4. Financial risk management

The main financial instruments used by the Budimex Group are:

- bank loans and borrowings, finance lease, bonds, the objective of which is to obtain resources to finance Group activities,
- trade receivables and liabilities and other receivables and liabilities as well as cash and short-term deposits that arise during the course of normal business activities of the Group,
- derivative financial instruments such as foreign currency forward contracts (currency forwards), the purpose of which is to manage currency risk arising from construction contracts in foreign currency.

During the course of its business activities, the Budimex Group is exposed to various types of financial risk: currency risk, interest rate risk, price risk, credit risk and risk of loss of liquidity. The Management Board verifies and determines risk management policies for each of the risk types identified.

Foreign currency risk

As part of its core business activities, Group companies enter into construction contracts denominated in foreign currencies and agreements with subcontractors and vendors. The foreign currency risk management policy adopted by the Management Board consists in hedging future cash flows on these contracts in order to limit the effect of volatility of currency exchange rates on the results of the Group. In accordance with this policy, Group companies hedge against foreign currency risk attached to each construction contract, on which net currency exposure is material. Hedging against foreign currency risk is made mainly using the derivative financial instruments, mainly currency contracts (fx forwards) and, if possible, using natural hedge mechanism, which consists in concluding agreements with subcontractors in the currency of the underlying contract and hence in transferring this risk to the subcontractors.

In accordance with the Group policy, foreign currency exposure is systematically measured both for individual construction contracts (analysis of foreign currency inflows and outflows for the purposes of contracts concluded in foreign currency with investors and foreign currency outflows for the purposes of contracts concluded in domestic currency) and for all contracts in aggregate (global currency exposure). It is the Management Board's policy to hedge against net foreign currency exposure on individual contracts. As at 31 December 2012, the Group had approx. 86% of its foreign currency exposure resulting from contracts concluded in foreign currency with investors and approx. 85% of its foreign currency exposure resulting from foreign currency outflows realised within contracts concluded in domestic currency hedges.

Group companies do not apply hedge accounting.

Foreign currency risk – sensitivity to changes

In order to conduct analysis of sensitivity to fluctuations in exchange rates, on the basis of historical changes in values and the Group's knowledge of and experience in the financial markets, „feasible and possible" fluctuations in exchange rates were assessed at -10% / +10% as at 31 December 2012 and as at 31 December 2011.

The table below shows sensitivity of the gross financial result to reasonably possible changes in foreign currency rates with other factors remaining unchanged (the effect on the result for the year and net assets is identical).

	Carrying amount at the balance sheet date	Sensitivity to fluctuations as at 31 December 2012	
		Depreciation	Appreciation
		of the Polish zloty against other currencies	
	(in thousands)	+10%	-10%
Forward contracts:			
– EUR	40,485	(12,274)	12,274
Financial instruments denominated in foreign currencies – net currency exposure:			
– EUR	6,305	2,578	(2,578)
– USD	(6)	(2)	2
– GBP	69	35	(35)
Effect on gross result for the period and net assets		**(9,663)**	**9,663**
Deferred tax		1,836	(1,836)
Total		**(7,827)**	**7,827**

	Carrying amount at the balance sheet date	Sensitivity to fluctuations as at 31 December 2011	
		Depreciation	Appreciation
		of the Polish zloty against other currencies	
	(in thousands)	**+10%**	**-10%**
Forward contracts:			
– EUR	43,044	(12,456)	12,456
Financial instruments denominated in foreign currencies – net currency exposure:			
– EUR	(3,993)	(1,764)	1,764
– USD	(23)	(8)	8
– GBP	40	21	(21)
– RUB	7,325	78	(78)
Effect on gross result for the period and net assets		**(14,129)**	**14,129**
Deferred tax		2,684	(2,684)
Total		**(11,445)**	**11,445**

Interest rate risk

Interest rate risk occurs mainly due to use by Group companies of bank loans, borrowings and finance lease. The above financial instruments are based on variable interest rates and expose the Group to fluctuations in cash flows.

The risk related to the current debt balances was assessed as immaterial from the point of view of the effect on the results of the Group and for this reason, interest rate risk management is currently limited to monitoring of market situation only. Should the Group's debt arising from bank's loans and borrowings increase, appropriate measures will be taken to hedge against fluctuations in interest rates.

Interest rate risk – sensitivity to changes

In order to conduct an analysis of sensitivity to fluctuations in interest rates, on the basis of historical changes in values and the Group's knowledge of and experience in the financial markets, "reasonably possible" fluctuations in interest rates were assessed as 31 December 2012 and 31 December 2011 at -1.0% / +1.0% for PLN and at -0.50% / +0.50% for EUR, USD and other currencies. At the same time, a parallel shift was assumed of interest rate curve for the purpose of calculation of sensitivity of discount to fluctuations in interest rates.

Presented below is the effect on the financial result for the year and net assets as at 31 December 2012 and 31 December 2011.

	Carrying amount at the balance sheet date	Sensitivity to fluctuations as at 31 December 2012	
		+100 pb (PLN) **+50 pb (EUR, USD, other)**	**-100 pb (PLN)** **-50 pb (EUR, USD, other)**
Long-term retentions for construction contracts (discount):		4,340	(4,442)
– recognized in assets (present value)	19,202		
– recognized in liabilities (present value)	161,143		
Cash at bank (nominal value / interest rate)	1,309,279	12,874	(12,874)
Bank loans and borrowings (nominal value / interest rate)	(56,262)	(522)	522
Finance lease liabilities (nominal value / interest rate)	(37,414)	(374)	374
Effect on gross result for the period and net assets		**16,318**	**(16,420)**
Deferred tax		(3,100)	3,120
Total		**13,218**	**(13,300)**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	Carrying amount at the balance sheet date	**Sensitivity to fluctuations as at 31 December 2011**	
		+100 pb (PLN) +50 pb (EUR, USD, other)	**-100 pb (PLN) -50 pb (EUR, USD, other)**
Long-term retentions for construction contracts (discount):		3,342	(3,266)
– recognized in assets (present value)	37,883		
– recognized in liabilities (present value)	150,122		
Cash at bank (nominal value / interest rate)	1,759,378	17,360	(17,360)
Bank loans and borrowings (nominal value / interest rate)	(48,892)	(446)	446
Finance lease liabilities (nominal value / interest rate)	(62,685)	(539)	539
Effect on gross result for the period and net assets		**19,717**	**(19,641)**
Deferred tax		(3,746)	3,732
Total		**15,971**	**(15,909)**

In the calculation of sensitivity to interest rates, cash on hand and other cash equivalents were omitted.

Valuation of forward contracts and options does not show sensitivity to parallel fluctuations in interest rates with the exchange rates remaining unchanged.

Price risk

The Group is exposed to the price risk relating to increases in prices of the most popular construction materials such as steel, concrete or crude oil derivatives such as petrol, diesel oil, asphalts or fuel. The price risk regarding materials purchased on the domestic market is estimated as moderate, while the price risk related to crude oil derivatives and steel is assessed as high. Increases in prices of construction materials and labour costs may, in turn, result in higher prices of services rendered by subcontractors. Prices set forth in contracts with investors remain fixed over the entire period of contract realization i.e. most often for the period of 6 – 36 months, while contracts with subcontractors are made at a later date, as work on individual contract progresses. The highest risk of raw material price volatility (increases) exists in the case of public procurements due to the lengthy process of selecting a General Contractor. This pertains to the period from placing a bid until the time the Group makes its selection and signs the contract, when further obligations cannot always be made and prices cannot always be secured.

In order to limit the price risk, prices of the most popular construction materials are monitored on an ongoing basis, while the construction contracts signed have the parameters relating, among others, to contract duration and value, appropriately matched with market situation. The Central Purchase Bureau operating within the structures of the Budimex Group negotiates framework agreements with suppliers of basic construction materials based on the construction works planned.

Credit risk

Group companies cooperate with financial institutions of high financial standing both in the cash and capital transactions without incurring material risk of credit concentration. At the same time, the Group applies the policy of limiting credit exposure to individual financial institutions and issuers of debt securities, which are acquired as investments for periodic cash surpluses.

The financial assets of the Group exposed to increased credit risk are trade receivables. The Budimex Group has applied the policy of credit risk assessment and verification in respect of all contracts, both at contract pre-tender and realization proper stage.

Prior to contract signing, each business partner is assessed for the capacity to discharge his financial liabilities. Signing contract with a party whose payment abilities were assessed negatively depends on establishing adequate financial and property collaterals and securities. In addition, clauses are included in investor contracts that provide for the right to stop any work if payments for the services already performed are delayed. Where possible, special contract provisions are made that tie payments to subcontractors with inflow of cash from the investor.

No significant credit risk concentration has been identified at the Group taking into consideration the fact that its main customer is a government agency (urząd administracji rządowej).

The Group is not exposed to significant credit risk to one business partner or a group of business partners with similar features. Credit risk relating to liquid assets and derivative financial instruments is limited as the Group business partners are banks with high credit ratings awarded by reputable international rating agencies.
Except for the data presented in note 53, the carrying amount of financial assets recognized in the financial statements without accounting for losses reflects the maximum credit exposure of the Group to the credit risk without the value of the collaterals/ securities established.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Liquidity loss risk

In order to limit the risk of loss of liquidity, Group companies hold appropriate amounts of cash and marketable securities, and enter into credit facilities contracts which serve as an additional safeguard against loss of liquidity. To finance its investment purchases, the Group uses own funds or long-term finance lease contracts that ensure appropriate stability of financing structure for this type of assets.

Liquidity management is supported by the obligatory system of reporting liquidity forecasts by Group companies.

The maturity structure of finance liabilities has been presented in notes 24. The current favourable financial situation of the Budimex Group as regards its liquidity and availability of external sources of finance does not create any threats to further financing of Group's activities.

5. Capital management

The main objective of capital management at the Group is to keep good credit rating and safe financial covenants that would support operating business of the Group and increase its value for the shareholders.

The Group manages its capital structure and modifies it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may return the equity to the shareholders, issue new shares or pay out dividend. In 2012 and 2011, no changes were made to process objectives and policies binding in this area.

The Group monitors the level of equity using the leverage ratio which is calculated as the ratio of net debt to total shareholders' equity increased by net debt. Net debt includes interest-bearing loans and borrowings and other external sources of finance, trade and other payables, retentions for construction contracts, amounts due and payable to customers (investors) under construction contracts, prepayments received and current tax payables decreased by cash and cash equivalents.

	31 December 2012	**31 December 2011**
Interest bearing bank borrowings and loans	93,685	111,734
Trade and other liabilities	2,486,028	3,397,740
Less cash and cash equivalents	(1,317,733)	(1,761,630)
Net debt	1,261,980	1,747,844
Equity	433,130	525,830
Equity and net debt	1,695,110	2,273,674
Gearing ratio	74.45%	76.87%

6. Key estimates and assumptions

Estimates and assumptions are verified on a regular basis. These result from to date experience and other factors, including forecast of future events, which are reasonable in the given circumstances.

6.1 Key accounting estimates

Estimates and assumptions regarding future are made which are reflected in these consolidated financial statements. The actual results may differ from these estimates. The estimates made relate, among others, to created provisions, valuation of construction contracts, impairment write-downs against property, plant and equipment, accruals or adopted depreciation rates. Material assumptions, not described in this point, and adopted in the estimate of above values have been described in note 2 "Key accounting policies".

Provisions for warranty repairs

The Budimex Group companies are required to issue a warranty for their construction services rendered. Warranty provision is connected with particular construction segments and amounts from 0.15% to 1.4% of total revenue from a given contract. This ratio is, however, analysed on an individual basis and in justified cases may be increased or reduced, as appropriate. The amounts of warranty provision have been presented in note 29.

Companies not engaged in construction business at the balance sheet date assess their risk of warranty for their products or services based on historical data and current estimates.

Uninvoiced subcontractor services

The majority of construction contracts are realized by Group companies as general contractors with extensive support from various subcontractors. Performed construction works are approved by the investor in the process of technical approval and acceptance on the basis of technical acceptance protocol and invoice. At each balance sheet date, a material part of completed, yet not accepted and uninvoiced by subcontractors, construction projects is recorded. In accordance with the accruals principle, these are recognized by Group companies as costs of contracts. The amount of subcontractor costs in respect of completed and uninvoiced projects is determined by technical surveyors on the basis of quantity survey and may be different from that determined in the formal process of technical acceptance of construction works.

Tax settlements

Polish law contains numerous regulations concerning VAT, excise tax, corporate profits tax and social security contributions, which are all subject to frequent changes. Regulations regarding these taxes are subject to frequent changes which cause these regulations to be unclear and inconsistent. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. Tax and other settlements (e.g. customs or foreign currency settlements) may become subject to inspection by tax authorities for a period of five years. Tax control bodies are authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. There is a risk that tax or other administrative bodies take view on certain matters different to that adopted by Group companies as regards interpretations of binding regulations. This, in turn, could have a significant impact on tax liabilities of the Group.

Provision for litigation

Group companies are parties to litigation proceedings. Legal departments and management boards of Group companies prepare detailed analyses of potential risks relating to the legal cases pending and, based on these, take decisions concerning the necessity to account for the effects of such proceedings in the company's books of account, or the amount of the provision.

6.2 Professional judgement in applying accounting policies

Recognition of sales revenue on construction contracts

Revenue from construction contracts during the period from the contract date to the balance sheet date, after deducting revenues that affected the financial result in the previous reporting periods, are determined in proportion to the percentage of construction contract completion, which is measured as the share of the costs incurred from the contract date to the date of determining contract revenue in total contract costs (contract budget). Budgets of individual contracts are subject to regular updates (revisions), based on the current information, four times a year and are approved by the Management Board. Where budget events are identified that materially affect contract result, total contract revenues or costs may be updated earlier i.e. prior to the regular scheduled contract update.

Where at the balance sheet date the percentage of construction contract completion cannot be determined in a reliable manner, contract revenue is determined at the amount of the costs incurred in the given period, not higher, however, than the amount of costs that can be covered by the investor in the future.

7. Discontinued operations

In 2012 and 2011, no operations were discontinued within the meaning of IFRS 5.

8. Changes to the provisionally determined fair value of net assets and goodwill impairment

On 16 November 2011, Budimex SA became the owner of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. ("PNI") and obtained control over that company.

As at 31 December 2011, the fair value of fixed assets acquired and assets and liabilities related to the valuation of long-term contracts were accounted for provisionally in accordance with IFRS 3, par 45.

By 16 November 2012, the fair value of assets and liabilities regarding measurement of long-term contracts and fixed assets had been finally determined and the appropriate adjustments had been made to the provisional settlement of the purchase transaction.

Fair values as at acquisition date and provisionally recognized goodwill as at 31 December 2011 and 16 November 2012 are presented in the table below (in PLN thousand):

	Fair value as at the acquisition date provisionally recognized as at	
	16 November 2012	**31 December 2011**
Purchase consideration		
- cash paid at acquisition date	225,017	225,017
Total purchase consideration	**225,017**	**225,017**
Net assets identified in the acquiree		
Cash and cash equivalents	1,338	1,338
Fixed assets	148,723	148,723
Intangible assets	3,689	9,317
- including fair value of the backlog identified at acquisition date	*3,218*	*8,846*
Deferred tax assets	0	13,803
Inventories	46,367	46,367
Receivables and other assets	236,482	214,734
Trade payables and other liabilities	(452,718)	(319,059)
Total net assets at fair values	**(16,119)**	**115,223**
Gross goodwill	**241,136**	**109,794**
Goodwill impairment recognized in 2011	(180,017)	-
Goodwill impairment recognized in 2012	(45,000)	-
Goodwill after impairment write-down	**16,119**	**109,794**

	Values at acquisition determined as at	
	16 November 2012	**31 December 2011**
Purchase consideration in cash	(225,017)	(225,017)
Cash and cash equivalents in acquired entity at the acquisition date	1,338	1,338
Cash outflow regarding acquisition	**(223,679)**	**(223,679)**

	Values at acquisition determined as at	
	16 November 2012	**31 December 2011**
Acquisition-related costs recognised in the consolidated income statement for the year 2011	4,544	4,544
- including civil law transaction tax	*2,250*	*2,250*
Sales revenue for the period from the acquisition date to 31 December 2011	62,947	63,135
Net profit (loss) for the period from the acquisition date to 31 December 2011	(4,010)	1,252

Gross value of receivables as at the acquisition date amounted to PLN 178,865 thousand, while the value of unrecoverable debts and fully provided for was PLN 478 thousand.

Until the date of completion of the provisional settlement, i.e. until 16 November 2012, the value of the backlog, identified as at the purchase of PNI at PLN 3,218 thousand, had been fully depreciated.

Alongside determining the final fair value of assets and liabilities under long-term contracts at the time of acquisition, losses on contracts concluded before the date of acquiring the shares, i.e. prior to 16 November 2011, were recognised, and their realization period was to end in 2014. On the basis of the measurement of the shares of PNI prepared by Budimex SA, it was resolved to recognise a goodwill impairment of PLN 180,017 thousand at share acquisition date, i.e. as at 16 November 2011. The write-down was recorded in Q4 2011, under “other operating expenses” in the consolidated profit and loss account and concerns the Construction business segment.

PNI was defined as an independent cash-generating unit. The recoverable amount of PNI as a cash-generating unit was determined on the basis of calculations of value in use. These calculations utilise cash flow projections over a nine-year period (until 2020), approved by the Management Board. The basis for making cash flow projections beyond a five-year period was the intention for the analysis to cover the entire new EU perspective regarding structural funds (2014-2020), which has a significant impact on capital expenditure regarding the core business of a cash-generating unit. The rate of growth used in the calculations did not exceed the average growth rate for the construction industry in which the cash generating unit operates. In the calculations, a gross margin for new contracts on the primary business of the cash-generating unit of 5-9% was adopted. The Management Board determined a budgeted gross margin for new contracts on the basis of historical data and its projections for market development. The discount rate was 11.1% (after gross-up). The applied discount rate is the rate before taxation that accounts for the specific threats of individual segments. Value-in-use, calculated on the basis of the above assumptions, was PLN 45,000 thousand.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

As at 30 June 2012, due to the motion to declare bankruptcy open to arrangements filed in August 2012 by the Management Board of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o., it was declared that the value in use of PNI Sp. z o.o. as a cash-generating unit is zero. Therefore, it was determined that the goodwill would be written down by a further PLN 45,000 thousand, i.e. to PLN 16,119 thousand. The write-down was recorded in Q2 2012, under “other operating expenses” in the consolidated profit and loss account and concerns the Construction business segment.

The motion was granted by the court, which, on 13 September 2012, issued a decision declaring bankruptcy open to arrangement of PNI.

On 30 November 2012, the District Court for Warszawa-Praga Północ in Warsaw, 9th Commercial Division for Bankruptcy and Corporate Recovery Matters, at the request of the company’s creditors, issued a decision recalling the management of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in bankruptcy open to arrangements and appointing a court administrator. Upon commencement of work by the court administrator, the Budimex Group lost the ability to control the company’s activities and access to financial information. Thus, the company was deconsolidated from the Budimex Group as of 30 November 2012.

As a result of deconsolidating the company, the value of the consolidated net assets of the company falling to the Budimex Group of PLN (96,592) thousand was excluded. The consolidated profit and loss account of the Group for the 12-month period of 2012 accounts for a consolidated net loss of PLN 92,582 thousand. The table below presents the effect of deconsolidation of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. on other operating activities:

consolidated net asset value of PNI	96,592
impairment write-down of the Group’s receivables from PNI	(47,085)
impairment write-down on the shares held by the Group in PNI	(63,000)
effect of deconsolidation of PNI on other operating activity (note 36)	**(13,493)**

Presented below are PNI’s assets and liabilities by major category, as at the date of loss of control.

Non-current assets	98,051
Current assets	220,177
Equity	(96,592)
Non-current liabilities	22,573
Current liabilities	392,247

The value of cash and cash equivalents in PNI as at the date of loss of control, i.e. 30 November 2012, was PLN 28,942 thousand.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

9. The Budimex Group Entities

Presented below is the list of subsidiaries and jointly controlled entities of the Budimex Group:

Company name	Registered office	Share in the share capital and the number of votes (%)	
		31 December 2012	31 December 2011
Mostostal Kraków SA	Kraków / Poland	100.00%	100.00%
Budimex Danwood Sp. z o.o.	Bielsk Podlaski / Poland	100.00%	100.00%
Budimex Bau GmbH	Cologne / Germany	100.00%	100.00%
PKZ Budimex GmbH	Cologne / Germany	50.00%	50.00%
MK Logistic Sp. z o.o. (in liquidation)	Zabrze / Poland	100.00%	100.00%
Budimex Nieruchomości Sp. z o.o.	Warsaw / Poland	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%
Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in bankruptcy open to arrangements	Warsaw / Poland	100.00%[1]	100.00%
SPV-BN 1 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%
SPV-BN 2 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%
Budimex Kolejnictwo SA [2]	Warsaw / Poland	100.00%	100.00%
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	100.00%	100.00%
Budimex Autostrada SA	Warsaw / Poland	100.00%	100.00%
Budimex Most Wschodni SA	Warsaw / Poland	100.00%	100.00%
Budimex Autostrada A-1 SA	Warsaw / Poland	100.00%	100.00%
Budimex SA Ferrovial Agroman SA s.c.	Warsaw / Poland	99.98%	99.98%
Dromex Oil Sp. z o.o. (in liquidation)	Warsaw / Poland	97.93%	97.93%
Budimex SA Sygnity SA Sp. j.	Warsaw / Poland	67.00%	67.00%
Budimex SA Ferrovial Agroman SA Sp. j.	Warsaw / Poland	50.00%	50.00%
Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o.	Warsaw / Poland	30.00%	30.00%
Budimex A Sp. z o.o. [3]	Warsaw / Poland	100.00%	-
Budimex B Sp. z o.o. [4]	Warsaw / Poland	100.00%	-
Budimex C Sp. z o.o. [5]	Warsaw / Poland	100.00%	-
Budimex D Sp. z o.o. [6]	Warsaw / Poland	100.00%	-
Budimex E Sp. z o.o. [7]	Warsaw / Poland	100.00%	-
Budimex PPP SA[8]	Warsaw / Poland	100.00%	-

[1]) The company was acquired on 16 November 2011. The court declared bankruptcy of the company with an arrangement option on 13 September 2012. The Budimex Group lost control over the company on 30 November 2012 as a result of removing the company's own management board and appointing a court administrator.

[2)] Previous name of the company: Budimex Serwis SA. The name change was entered in the Register of Entrepreneurs on 5 December 2012.

[3]) The company was entered in the Register of Entrepreneurs on 20 April 2012.

[4]) The company was entered in the Register of Entrepreneurs on 13 April 2012.

[5]) The company was entered in the Register of Entrepreneurs on 29 June 2012.

[6]) The company was entered in the Register of Entrepreneurs on 30 April 2012.

[7]) The company was entered in the Register of Entrepreneurs on 30 April 2012.

[8]) The company was entered in the Register of Entrepreneurs on 20 April 2012.

10. Operating segment information

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 and 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.
- Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o.
- Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in bankruptcy open to arrangements (company purchased by Budimex SA on 16 November 2011. As a result of removing the company's own management on 30 November 2012, the Budimex Group lost control over the company and the company was excluded from consolidation as of that date).

Development and property management services comprise preparation of land for investment, execution of investment projects in the field of residential building, sale of apartments and rental and management of property on own account. Included in this operating segment are the following Group companies:

- Budimex Nieruchomości Sp. z o.o.
- SPV-BN 1 Sp. z o.o.
- SPV-BN 2 Sp. z o.o.
- Budimex SA in the part relating to the development business, as a result of a 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 segments. Included in other business are entities that mainly conduct production, service or trading activities.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

The results of segments for **the year ended 31 December 2012** are presented in the table below:

	Construction business	Property management and development activities	Other business	Exclusions	Consolidated value
External sales	5,441,153	321,958	314,549	-	**6,077,660**
Inter-segment sales	164,840	462	-	(165,302)	**-**
Total sales revenue	**5,605,993**	**322,420**	**314,549**	**(165,302)**	**6,077,660**
Cost of finished goods, goods for resale and raw materials sold externally	(5,120,034)	(214,181)	(283,574)	-	**(5,617,789)**
Cost of finished goods, goods for resale and raw materials sold to other segments	(126,253)	(34,634)	-	160,887	**-**
Cost of finished goods, goods for resale and raw materials sold	**(5,246,287)**	**(248,815)**	**(283,574)**	**160,887**	**(5,617,789)**
Gross profit on sales	**359,706**	**73,605**	**30,975**	**(4,415)**	**459,871**
Selling expenses	(11,329)	(8,711)	(4,400)	69	**(24,371)**
Administrative expenses	(182,118)	(13,635)	(11,306)	13,697	**(193,362)**
Other operating income/ (expenses), net	(58,627)	(14,583)	(182)	-	**(73,392)**
Profits on derivative financial instruments	3,624	-	10,039	-	**13,663**
Operating profit	**111,256**	**36,676**	**25,126**	**9,351**	**182,409**
Finance income / (costs), net, of which:	15,510	6,194	4,636	-	**26,340**
- interest income	*55,747*	*7,015*	*2,014*	*(882)*	***63,894***
- interest expense	*(6,840)*	*(790)*	*(114)*	*882*	***(6,862)***
Shares in losses of equity accounted entities	-	-	(6,121)	-	**(6,121)**
Income tax	1,781	(8,248)	(8,404)	(1,775)	**(16,646)**
Net profit for the period	**128,547**	**34,622**	**15,237**	**7,576**	**185,982**

In 2012, sales revenue from one customer amounted to PLN 2,482,969 thousand and related entirely to the construction segment.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

The results of segments for year ended **31 December 2011** are presented in the table below:

	Construction business	**Property management and development activities**	**Other business**	**Exclusions**	**Consolidated value**
External sales	5,007,553	247,797	261,137	-	**5,516,487**
Inter-segment sales	185,235	425	-	(185,660)	**-**
Total sales revenue	**5,192,788**	**248,222**	**261,137**	**(185,660)**	**5,516,487**
Cost of finished goods, goods for resale and raw materials sold externally	(4,642,289)	(182,012)	(235,420)	-	**(5,059,721)**
Cost of finished goods, goods for resale and raw materials sold to other segments	(153,848)	(23,965)	-	177,813	**-**
Cost of finished goods, goods for resale and raw materials sold	**(4,796,137)**	**(205,977)**	**(235,420)**	**177,813**	**(5,059,721)**
Gross profit on sales	**396,651**	**42,245**	**25,717**	**(7,847)**	**456,766**
Selling expenses	(12,535)	(8,526)	(3,508)	40	**(24,529)**
Administrative expenses	(127,663)	(11,739)	(9,654)	10,969	**(138,087)**
Other operating income/ (expenses), net	(154,142)	6,506	(645)	-	**(148,281)**
Losses on derivative financial instruments	(2,981)	-	(8,237)	-	**(11,218)**
Operating profit	**99,330**	**28,486**	**3,673**	**3,162**	**134,651**
Finance income / (costs), net, of which:	6,929	4,040	(1,289)	-	**9,680**
- interest income	*48,927*	*4,506*	*715*	-	***54,148***
- interest expense	*(4,502)*	*(755)*	*(37)*	-	***(5,294)***
Shares in losses of equity accounted entities	-	-	(2,537)	-	**(2,537)**
Income tax	(56,685)	(5,994)	(2,919)	(602)	**(66,200)**
Net gains / (losses)	**49,574**	**26,532**	**(3,072)**	**2,560**	**75,594**

In 2011, sales revenue from one customer amounted to PLN 2,895,580 thousand and related entirely to the construction segment.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Other segment-related items recognized in the profit and loss account **for the year ended 31 December 2012** are as follows:

	Construction business	**Property management and development activities**	**Other business**	**Consolidated value**
Depreciation	(48,034)	(264)	(2,385)	**(50,683)**
(Recognition) / reversal of impairment write-downs against receivables*	(46,549)	34	(80)	**(46,595)**
(Recognition) / reversal of impairment write-downs against inventories	123	(13,197)	(49)	**(13,123)**
(Recognition) / reversal of other impairment write-downs**	(67,916)	-	-	**(67,916)**
Goodwill impairment write-down (recognition)	(45,000)	-	-	**(45,000)**
Other non-monetary income / (costs)***	97,365	(878)	(1,746)	**94,741**

Other segment-related items recognized in the profit and loss account **for the year ended 31 December 2011** are as follows:

	Construction business	**Property management and development activities**	**Other business**	**Consolidated value**
Depreciation	(27,681)	(532)	(2,117)	**(30,330)**
(Recognition) / reversal of impairment write-downs against receivables	452	(8)	(486)	**(42)**
(Recognition) / reversal of impairment write-downs against inventories	-	(404)	-	**(404)**
(Recognition) / reversal of other impairment write-downs	(7,489)	-	-	**(7,489)**
Goodwill impairment write-down (recognition)	(180,017)	-	-	**(180,017)**
Other non-monetary income / (costs)***	78,415	(1,456)	(4,496)	**72,463**

*) (Recognition) / reversal of receivables impairment write-downs also includes PLN (47,085) thousand presented in note 36 as “derecognition of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.” – details are set forth in note 8

**) (Recognition) / reversal of financial asset impairment write-downs also includes PLN (63,000) thousand presented in note 36 as “deconsolidation of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.” – details are set forth in note 8

***) Other non-monetary income / (costs) cover reversal / (creation) of provisions for contract losses and warranty repairs.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Segment assets and liabilities and capital (investment) expenditure **as at 31 December 2012** are presented in the table below:

	Construction business	**Property management and development activities**	**Other business**	**Exclusions**	**Consolidated value**
Segment assets	2,009,866	963,445	151,103	(5,755)	3,118,659
Investments in equity accounted entities	-	-	16,966	-	16,966
Unallocated segment assets					312,586
Total consolidated assets					**3,448,211**
Segment liabilities	2,620,307	229,495	115,195	(49,826)	2,915,171
Unallocated segment liabilities					99,910
Total consolidated liabilities					**3,015,081**
Capital expenditure	106,011	484	2,435	(26)	**108,904**

Segment assets comprise mainly property, plant and equipment, intangible assets, inventories, derivative financial instruments, receivables and cash from operating activities. They do not, however, comprise loans granted, deferred tax assets or current tax assets (receivables).

Segment liabilities comprise operating liabilities (including derivatives), and do not cover tax liabilities, loan liabilities, liabilities arising from external sources of finance and deferred tax liability.

Capital expenditure covers increases in property, plant and equipment, investment properties, intangible assets and financial non-current assets.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Segment assets and liabilities and capital (investment) expenditure **as at 31 December 2011** are presented in the table below:

	Construction business	**Property management and development activities**	**Other business**	**Exclusions**	**Consolidated value**
Segment assets	3,089,235	971,752	100,376	(30,323)	4,131,040
Investments in equity accounted entities	-	-	13,503	-	13,503
Unallocated segment assets					318,017
Total consolidated assets					**4,462,560**
Segment liabilities	3,551,004	265,015	93,071	(84,094)	3,824,996
Unallocated segment liabilities					111,734
Total consolidated liabilities					**3,936,730**
Capital expenditure	275,207	261	2,573	(612)	**277,429**

Segment assets comprise mainly property, plant and equipment, intangible assets, inventories, derivative financial instruments, receivables and cash from operating activities. They do not, however, comprise loans granted, deferred tax assets or current tax assets (receivables).

Segment liabilities comprise operating liabilities (including derivatives), and do not cover tax liabilities, loan liabilities, liabilities arising from external sources of finance and deferred tax liability.

Capital expenditure covers increases in property, plant and equipment, investment properties, intangible assets and financial non-current assets.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Geographical information

The Budimex Group conducts business in Poland and abroad.

Eastern markets include Ukraine and Estonia.

Other markets include the United Kingdom and Austria.

Revenue from sale of finished goods, goods for resale and raw materials

	2012	**2011**
Poland	5,591,887	5,120,326
Germany	440,027	372,910
Eastern markets	20,809	-
Other markets	24,937	23,251
Total	**6,077,660**	**5,516,487**

Non-current assets

	31 December 2012	**31 December 2011**
Poland	192,762	422,635
Germany	2,090	2,985
Eastern markets	-	-
Other markets	1	2
Total	**194,853**	**425,622**

Capital expenditure

	2012	**2011**
Poland	108,325	277,053
Germany	579	373
Eastern markets	-	-
Other markets	-	3
Total	**108,904**	**277,429**

The geographical split of sales revenue matches customer distribution and is consistent with the internal organizational structure of the Group and the system of internal financial reporting.

Non-current assets include property, plant and equipment, investment property, intangible assets, goodwill and long-term prepaid expenses.

The split of total assets and capital expenditure matches localization of branches and foreign operations included in the Budimex Group.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

11. Property, plant and equipment

	Land & perpetual usufruct	Buildings and constructions	Plant and machinery	Motor vehicles	Other [tangible] fixed assets	Assets under construction	Total
Gross book value as at 1 January 2012	**29,811**	**92,134**	**284,394**	**79,644**	**22,407**	**2,057**	**510,447**
Increases:	**-**	**1,929**	**17,769**	**4,847**	**1,553**	**120**	**26,218**
– purchase (including acceptance for use under lease contracts)	-	680	16,186	4,512	1,553	1,492	**24,423**
– transfer from construction in progress	-	1,164	1,399	125	-	(2,688)	**-**
– increase of construction in progress	-	-	-	-	-	1,316	**1,316**
– other increases	-	85	184	210	-	-	**479**
Decreases:	**(23,626)**	**(66,677)**	**(89,224)**	**(63,470)**	**(3,873)**	**(1,201)**	**(248,071)**
– sale	-	-	(3,300)	(2,796)	(310)	-	**(6,406)**
– liquidation, scrapping	-	(5)	(6,409)	(2,097)	(467)	-	**(8,978)**
– change in the composition of the Group	(23,582)	(66,250)	(79,330)	(58,525)	(3,021)	(1,168)	**(231,876)**
– foreign exchange differences	-	-	(62)	(48)	(75)	-	**(185)**
– other decreases	(44)	(422)	(123)	(4)	-	(33)	**(626)**
Gross book value as at 31 December 2012	**6,185**	**27,386**	**212,939**	**21,021**	**20,087**	**976**	**288,594**
Accumulated depreciation as at 1 January 2012	**-**	**(17,733)**	**(167,044)**	**(35,569)**	**(14,233)**	**-**	**(234,579)**
Movements for the period:	**-**	**8,575**	**28,815**	**21,576**	**78**	**-**	**59,044**
– current amortization (note 34)	(548)	(3,142)	(30,350)	(8,585)	(2,700)	-	**(45,325)**
– sale	-	-	3,382	2,506	203	-	**6,091**
– liquidation, scrapping	-	5	6,409	1,797	456	-	**8,667**
– change in the composition of the Group	540	11,400	49,006	25,613	2,072	-	**88,631**
– foreign exchange differences	-	-	49	36	47	-	**133**
- other	8	312	319	208	-	-	**847**
Accumulated depreciation as at 31 December 2012	**-**	**(9,158)**	**(138,229)**	**(13,993)**	**(14,155)**	**-**	**(175,535)**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	Land & perpetual usufruct	Buildings and constructions	Plant and machinery	Motor vehicles	Other [tangible] fixed assets	Assets under construction	Total
Impairment write-downs as at 1 January 2012	**-**	**(1,565)**	**-**	**-**	**(302)**	**-**	**(1,867)**
– increases/(decreases)	-	-	-	-	-	-	**-**
Impairment write-downs as at 31 December 2012	**-**	**(1,565)**	**-**	**-**	**(302)**	**-**	**(1,867)**
Net book value as at 1 January 2012	**29,811**	**72,836**	**117,350**	**44,075**	**7,872**	**2,057**	**274,001**
Net book value as at 31 December 2012	**6,185**	**16,663**	**74,710**	**7,028**	**5,630**	**976**	**111,192**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	Land & perpetual usufruct	Buildings and constructions	Plant and machinery	Motor vehicles	Other [tangible] fixed assets	Assets under construction	Total
Gross book value as at 1 January 2011	**6,229**	**25,623**	**176,840**	**23,835**	**17,730**	**602**	**250,859**
Increases:	**23,582**	**67,235**	**121,409**	**60,284**	**7,251**	**1,455**	**281,216**
– purchase (including acceptance for use under lease contracts)	-	218	41,917	2,597	4,111	1,041	**49,884**
– change in the composition of the Group	23,582	66,122	79,156	57,606	3,050	1,158	**230,674**
– transfer from construction in progress	-	895	249	-	-	(1,144)	**-**
– increase of construction in progress	-	-	-	-	-	400	**400**
– foreign exchange differences	-	-	75	81	90	-	**246**
– other increases	-	-	12	-	-	-	**12**
Decreases:	**-**	**(724)**	**(13,855)**	**(4,475)**	**(2,574)**	**-**	**(21,628)**
– sale	-	(723)	(11,237)	(4,348)	(815)	-	**(17,123)**
– liquidation, scrapping	-	-	(2,466)	(115)	(1,288)	-	**(3,869)**
– change in the composition of the Group	-	-	(152)	(12)	(471)	-	**(635)**
– other decreases	-	(1)	-	-	-	-	**(1)**
Gross book value as at 31 December 2011	**29,811**	**92,134**	**284,394**	**79,644**	**22,407**	**2,057**	**510,447**
Accumulated depreciation as at 1 January 2011	**-**	**(7,603)**	**(109,628)**	**(12,661)**	**(12,507)**	**-**	**(142,399)**
Movements for the period:	-	(10,130)	(57,416)	(22,908)	(1,726)	-	**(92,180)**
– current amortization (note 34)	-	(1,268)	(22,131)	(3,127)	(2,144)	-	**(28,670)**
– sale		279	11,079	2,200	810	-	**14,368**
– liquidation, scrapping		-	2,368	113	1,267	-	**3,748**
– change in the composition of the Group	-	(9,141)	(48,661)	(22,035)	(1,607)	-	**(81,444)**
– foreign exchange differences	-	-	(70)	(59)	(52)	-	**(181)**
- other	-	-	(1)	-	-	-	**(1)**
Accumulated depreciation as at 31 December 2011	**-**	**(17,733)**	**(167,044)**	**(35,569)**	**(14,233)**	**-**	**(234,579)**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	Land & perpetual usufruct	Buildings and constructions	Plant and machinery	Motor vehicles	Other [tangible] fixed assets	Assets under construction	Total
Impairment write-downs as at 1 January 2011	**-**	**(1,565)**	**-**	**-**	**(302)**	**-**	**(1,867)**
– increases/(decreases)	-	-	-	-	-	-	**-**
Impairment write-downs as at 31 December 2011	**-**	**(1,565)**	**-**	**-**	**(302)**	**-**	**(1,867)**
Net book value as at 1 January 2011	**6,229**	**16,455**	**67,212**	**11,174**	**4,921**	**602**	**106,593**
Net book value as at 31 December 2011	**29,811**	**72,836**	**117,350**	**44,075**	**7,872**	**2,057**	**274,001**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Depreciation of property, plant and equipment was recognized under the following items of the profit and loss account:

	2012	**2011**
Cost of finished goods and services sold	43,426	26,905
Administrative expenses	1,712	1,569
Other costs	187	196
Total	**45,325**	**28,670**

The Group as lessee uses the following fixed assets under finance lease contracts:

	31 December 2012		**31 December 2011**	
	Initial cost - capitalised finance lease	**Carrying amount net**	**Initial cost - capitalised finance lease**	**Carrying amount net**
Plant and machinery	48,722	35,865	81,605	67,533
Motor vehicles	1,158	849	13,145	11,030
Other fixed assets	214	151	208	187
Total	**50,094**	**36,865**	**94,958**	**78,750**

As at 31 December 2012, no pledges were established on the property, plant and equipment of Group entities, while as at 31 December 2011 – there were pledges with a value of PLN 51,000 thousand. The carrying amount of property, plant and equipment with a pledge established as at 31 December 2011 amounted to PLN 42,531 thousand.

The total value of received or receivable compensations in respect of the fixed assets that were impaired or lost in 2012 was PLN 0 thousand (in 2011: PLN 1,840 thousand).

12. Investment properties

	31 December 2012	**31 December 2011**
Buildings and constructions	3,209	3,224
Other	47	54
Total investment properties	**3,256**	**3,278**
Fair value of investment properties	*14,311*	*12,809*

Movements in the balance of investment properties during 2012 and 2011 were as follows:

	2012	**2011**
Balance at the beginning of the period		
Gross book value	5,816	5,792
Accumulated depreciation (incl. accumulated impairment losses)	(2,538)	(2,409)
Net book value at the beginning of the period	**3,278**	**3,383**
Movements for the period:		
Purchase	-	26
Disposal	-	(1)
Transfer of items of property, plant and equipment	125	-
Depreciation (note 34)	(266)	(163)
Other movements	119	33
Balance at the end of the period		
Gross book value	6,365	5,816
Accumulated depreciation (incl. accumulated impairment losses)	(3,109)	(2,538)
Net book value	**3,256**	**3,278**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

As at 31 December 2012 and 31 December 2011, Group entities did not report any significant legal or obligatory charges established on their investment properties.

Depreciation of investment properties for the year ended 31 December 2012 and 31 December 2011 was recognized in the profit and loss account under cost of finished goods and services sold.

As at 31 December 2012, the idea of commissioning evaluation of investment properties to independent experts was abandoned due to negligible price fluctuations on the market and thus minimum likelihood of impairment in the value of the investment properties held by the Group.

An independent surveyor performed valuation of the part of investment properties for the amount of PLN 7,320 thousand as of 31 December 2011. The valuations confirmed that investment properties held by the Group were not impaired.

Group companies recognized in their profit and loss accounts the following balances of income from and costs of investment property management:

	2012	**2011**
Rental charge income	3,055	3,156
Direct operating expenses (incl. costs of repair and maintenance) relating to investment properties that resulted in rental charge income	3,035	3,360
Direct operating expenses (incl. costs of repair and maintenance) relating to investment properties that did not result in rental charge income	-	-

13. Intangible assets

	Computer software	**Licenses and patents**	**Other**	**Total**
Gross book value as at 1 January 2012	**22,579**	**5,075**	**3,380**	**31,034**
Increases:	**1,018**	**1**	**-**	**1,019**
– purchase	654	1	-	**655**
– settlement of prepayments received	364	-	-	**364**
Decreases:	**(1,689)**	**(344)**	**(1)**	**(2,034)**
– change in the composition of the Group	(1,421)	-	-	**(1,421)**
– liquidation	(245)	(10)	-	**(255)**
– foreign exchange differences	(23)	(334)	(1)	**(358)**
Gross book value as at 31 December 2012	**21,908**	**4,732**	**3,379**	**30,019**
Accumulated depreciation as at 1 January 2012	**(20,160)**	**(3,231)**	**(154)**	**(23,545)**
Movements for the period:	(151)	(106)	(3,225)	**(3,482)**
– current amortization (note 34)	(1,529)	(337)	(3,226)	**(5,092)**
– change in the composition of the Group	1,120	-	-	**1,120**
– liquidation	245	10	-	**255**
– foreign exchange differences	13	221	1	**235**
Accumulated depreciation as at 31 December 2012	**(20,311)**	**(3,337)**	**(3,379)**	**(27,027)**
Net book value as at 1 January 2012	**2,419**	**1,844**	**3,226**	**7,489**
Net book value as at 31 December 2012	**1,597**	**1,395**	**-**	**2,992**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	Computer software	Licenses and patents	Other	Total
Gross book value as at 1 January 2011	**19,611**	**4,551**	**160**	**24,322**
Increases:	**3,069**	**524**	**3,220**	**6,813**
– change in the composition of the Group	1,422	-	3,218*	**4,640**
– purchase	787	60	-	**847**
– settlement of prepayments received	843	-	-	**843**
– foreign exchange differences	17	464	2	**483**
Decreases:	**(101)**	**-**	**-**	**(101)**
– change in the composition of the Group	(61)	-	-	**(61)**
– liquidation	(40)	-	-	**(40)**
Gross book value as at 31 December 2011	**22,579**	**5,075**	**3,380**	**31,034**
Accumulated depreciation as at 1 January 2011	**(18,150)**	**(2,597)**	**(141)**	**(20,888)**
Movements for the period:	(2,010)	(634)	(13)	**(2,657)**
– current amortization (note 34)	(1,138)	(348)	(11)	**(1,497)**
– change in the composition of the Group	(895)	-	-	**(895)**
– liquidation	40	-	-	**40**
– foreign exchange differences	(15)	(286)	(2)	**(303)**
- other	(2)	-	-	**(2)**
Accumulated depreciation as at 31 December 2011	**(20,160)**	**(3,231)**	**(154)**	**(23,545)**
Net book value as at 1 January 2011	**1,461**	**1,954**	**19**	**3,434**
Net book value as at 31 December 2011	**2,419**	**1,844**	**3,226**	**7,489**

*) fair value of backlog recognized at the acquisition date (see note 8)

Amortization of intangible assets was recognized under the following items of the profit and loss account:

	2012	2011
Cost of finished goods and services sold	4,020	644
Administrative expenses	1,051	848
Other costs	21	5
Total	**5,092**	**1,497**

The Group did not report any material intangible assets developed internally.

As at 31 December 2012 and 31 December 2011, Group companies did not report any material public or obligatory charges established on their intangible assets.

No impairment write-downs against intangible assets were made in the year 2012 or 2011.

14. Goodwill of subordinates

Goodwill recognised in the statement of financial position as at 31 December 2012 in the amount of PLN 73,237 thousand comprises goodwill entirely related to Budimex Dromex SA, which was merged with Budimex SA on 16 November 2009.

Goodwill as at 31 December 2011 in the amount of PLN 134,356 thousand comprises the goodwill of Budimex Dromex SA in the amount of PLN 73,237 thousand and the goodwill of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in the amount of PLN 61,119 thousand. The goodwill of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. as at 31 December 2011 changed due to the completion of the provisional settlement of the company's acquisition and as a result of an impairment write-down compared to the value disclosed in the consolidated financial statements for the year ended 31 December 2011 (note 3). In the second quarter of 2012, another goodwill impairment write-down was made against Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in the amount of PLN 45,000 thousand, and as of 30 November 2012, due to the loss of control over the company, the remaining goodwill attributable to the company was deconsolidated.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Goodwill impairment test

Goodwill is allocated to cash generating units at the Group. It is assumed that the cash generating unit for the goodwill that arose on acquisition of Budimex Dromex SA by Budimex SA is the part of the construction segment referring to domestic general construction and infrastructure.

The recoverable amount of the cash generating unit is determined on the basis of calculations of value in use. The calculations make use of the projections of five-year cash flows. Cash flows beyond the five-year period were assessed at fixed level. The rate of growth adopted does not exceed the average growth rate for the construction industry in which the cash generating unit operates. The calculations assumed the gross margin ranging from 6.2% to 7.5% and the discount rate of 10% (after grossing up). The Management Board determined budgeted gross margin on the basis of historical data and its projections for market development. Average weighted rates of growth are consistent with forecasts presented in industry reports. The applied discount rate is the rate before taxation that accounts for the specific threats of individual segments.

Based on the goodwill impairment test conducted as at 31 December 2012, the Management Board concluded that there was no need to recognize any impairment write-down.

15. Joint ventures

Jointly controlled entities

The Budimex Group has a 30% share in Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o.
The Budimex Group jointly controls Budimex SA Sygnity SA Sp. j., in which it has a 67% share. This is an SPE (special purpose entity) established to carry out the contract “Construction of the registered office of a Transmission System Operator together with external infrastructure in Bielawa near Warsaw” *(„Budowa siedziby Operatora Systemu Przesyłowego wraz z infrastrukturą zewnętrzną Bielawa k/Warszawy”).* In addition, the Budimex Group has 50% share in Budimex SA Ferrovial Agroman SA Sp. j. The company was established to carry out the contract for designing and constructing the section of the A1 highway between Stryków and Pyrzowice. On 21 July 2010, Budimex SA Ferrovial Agroman SA s.c. was established, in which the Budimex Group has a 99.98% share. The company was incorporated to carry out the contract for the reconstruction/modernisation of runway DS-1, taxi routes, patrolling routes and fire route in the Warsaw Frederic Chopin Airport (*„Przebudowa/ Modernizacja drogi startowej DS-1, dróg kołowania, drogi patrolowej i drogi p.poż w Porcie Lotniczym im.* F. Chopina w Warszawie”).

The following amounts represent the share of the Group in assets, liabilities, sales revenue, costs and the financial result of the jointly controlled companies.

	31 December 2012	**31 December 2011**
Non-current assets	0	41
Current assets	10,246	21,299
Total assets	**10,246**	**21,340**
Non-current liabilities	13,212	13,736
Current liabilities	12,345	15,695
Total liabilities	**25,557**	**29,431**
Net assets	**(15,311)**	**(8,091)**

	2012	**2011**
Total revenues	589	32,382
Total costs	(292)	(37,147)
Corporate income tax expense	-	-
Net profit/ (loss)	**297**	**(4,765)**

	31 December 2012	**31 December 2011**
Proportionate share in future liabilities of a joint venture	-	-
Proportionate share in contingent liabilities of a joint venture	-	865

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Jointly controlled business

As at 31 December 2012 and 31 December 2011, Group companies were parties to consortium agreements for the realization of construction contracts. Revenues and expenses, assets and liabilities relating to the realization of these contracts in the part allocated to Group companies were appropriately accounted for in the books of account of these companies. As at 31 December 2012 and 31 December 2011, the contingent liabilities underlying these projects include performance bonds, guarantees to return contract prepayments received and were included in the total balance of contingent liabilities recognized in the consolidated financial statements. No future investment commitments relating to these contracts were recorded.

The table below shows the Group’s share in jointly realized contracts:

	The Budimex Group’s share in the consortium	
Contract name	**31 December 2012**	**31 December 2011**
Consortia with Ferrovial Group companies:		
Construction of drier and sediment burning plant in Olsztyn	65%	65%
Construction of sewage treatment plant in Szczecinek	51%	51%
Modernization of sewage treatment plant in Klimzowiec	50%	50%
Sewage treatment plant in Wrocław	50%	50%
Biogas management and thermal drying of sediment in the Central Sewage Treatment Plant in Poznań	40%	40%
Development and modernization (together with full technical infrastructure) of the Warsaw Frederic Chopin Airport – Terminal II	37%	37%
Consortia with other entities:		
Modernization of hospital in Koszalin	96%	96%
Construction of a helipad - hospital in Bydgoszcz	80%	80%
Construction of the Voivodship Childrens’ Hospital in Bydgoszcz	51%	51%
Construction of the second passenger terminal for the Gdańsk Airport	51%	51%
Design and construction of modernization of the railway line Warszawa-Łódź stage II section Warszawa Zachodnia – Skierniewice*	-	64%
Primary railway construction works; section Wrocław – Grabiszyn - Skokowa and Żmigród – boundary of the Lower Silesian voivodship*	-	42%
Modernisation of railway line number 357 Sulechów – Luboń*	-	72%
Complex civil engineering works for a Gdańsk public transport project - stage III A*	-	78%
Modernization of a regional railway line 402 Goleniów - Kołobrzeg, together with the construction of a connecting line to the Szczecin Goleniów Airport*	-	69%
Modernisation of railway line E30, stage II, section: Krzeszowice - Kraków Główny Cargo*	-	63%
Construction of a border crossing station in Dołhobyczów	32%	-
VIP lounge design - Terminal T-2 at the Gdańsk Airport	37%	-
Construction of a Municipal Waste Processing Plant in Białystok	50%	-

* contracts realised by Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o., over which the Group lost control on 30 November 2012

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Presented below are selected financial data recognized in the books of account of the Budimex Group companies relating to contracts realized by the consortia listed above.

Balance sheet data	**31 December 2012**	**31 December 2011**
Non-current assets	125	249
Current assets	321,988	377,445
Non-current liabilities	26,874	6,374
Current liabilities	202,452	414,049
Contingent liabilities	53,716	90,246

Profit and Loss Account	**2012**	**2011**
Total revenues	176,183	204,650
Total costs	(166,865)	(178,029)

Budimex SA has a 37% share in the consortium set up with Ferrovial Agroman SA and Estudio Lamela S.L. (the "Consortium") to perform a contract for developing and modernizing (together with full technical infrastructure) Warsaw Frederic Chopin Airport – Terminal II *(Międzynarodowy Port Lotniczy Warszawa Okęcie*) of an original value of USD 198,850 thousand and a completion date of 14 November 2005. In the first quarter of 2005, the investor extended the work completion deadline to 15 April 2006 due to a 5-month delay in the Consortium obtaining planning permission (for reasons independent of the Consortium). On 15 September 2006, the Consortium signed an Annex to the above contract with the airport managing company, Przedsiębiorstwo Państwowe Porty Lotnicze. Due to the scope of work being extended and taking into account compensation for the additional general costs incurred by the Consortium in the extended period, the total value of the contract increased to USD 247,687 thousand. The Parties agreed that the new work completion deadline would be 30 November 2007. The investor, Przedsiębiorstwo Państwowe Porty Lotnicze, also imposed on the Consortium liquidated damages (as provided for in the original contract) of USD 6,378 thousand for the delay in contract performance past the deadline of 15 April 2006.

On 12 October 2007, the Budimex SA received a statement from Przedsiębiorstwo Państwowe Porty Lotnicze ("PPPL") to the effect that it was rescinding the contract for the development of Warsaw Frederic Chopin Airport. On 29 October 2007, the Management Board of Budimex SA was informed by the company's banks that Przedsiębiorstwo Państwowe Porty Lotnicze had demanded payment from the bank guarantee of USD 8,665 thousand towards Budimex SA's share, as a member of the Consortium carrying out the development project at Warsaw Frederic Chopin Airport. In the period 2-9 November 2007, payments were made to PPPL under the bank guarantee in proportion to Budimex's share in the Consortium of a total amount of PLN 21,612 thousand. According to the Executive Consortium, the demands for payments from the bank guarantees were made in breach of the Contract and the Civil Code, which became the subject of litigation proceedings. On 23 August 2012, the Court of Appeals in Warsaw dismissed in its entirety PPPL's complaint seeking dismissal of the partial award of the Court of Arbitration. Thus, the claim granted by the court became due and payable, which together with statutory interest for late payment in the portion attributable to Budimex SA amounted to PLN 35,168 thousand (where PLN 21,612 thousand represented reimbursement of the performance bond). The amount was transferred into the bank account of Budimex SA on 28 September 2012, as described in more detail in note 51.

Income and expenses and assets and liabilities related to the realization of the contract in the part falling to Budimex SA were accounted for in the Company's books appropriately. As at 31 December 2012, there were no capital liabilities referring to the contract. Contingent liabilities resulting from counter-claim statements have been described in note 51.

According to the closest Management Board estimates, as at the date of these consolidated financial statements and having considered the risk relating to the above proceedings, the total loss incurred by Budimex on this contract (proportionate to Budimex's share in the Consortium), taking into account other operating costs/income and other finance costs/income (including the result on forward contracts entered into to minimize the foreign exchange risk) was PLN 99,870 thousand as at 31 December 2012 (as at 31 December 2011: PLN 98,258 thousand). Budimex's loss on the entire contract, without taking into account the result of other operating and financial activities was PLN 142,095 thousand as at 31 December 2012 (as at 31 December 2011: PLN 140,483 thousand). As the Consortium has not completed its financial settlements with PPPL and its subcontractors and due to the arbitration proceedings pending, the final result of the contract performance may change.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

16. Investments in equity accounted entities

	2012	2011
Balance at the beginning of the period	**13,503**	**16,040**
– of which goodwill	-	-
Acquisition of shares	9,605	-
Share in profits / (losses)* (note 39)	(6,121)	(2,537)
Dividend paid by associates	(21)	-
Balance at the end of the period	**16,966**	**13,503**
– of which goodwill	**-**	**-**

*) Shares in profits for the period also cover part of the prior year's result, which was not consolidated in the year to which it related. The consolidated financial statements of the Budimex Group was based on the preliminary financial data of companies for a given financial year, while the financial statements of equity accounted changed after publication of the consolidated financial statements of the Group. Share in the results of equity accounted companies for the year 2012 was adjusted by PLN (816) thousand and for the year 2011 by PLN 140 thousand.

The list of associates as at 31 December 2012 and 31 December 2011 is as follows:

Company name	Registered office	Share in the share capital and in the number of votes (%)	
		31 December 2012	31 December 2011
Elektromontaż Poznań SA	Poznań / Poland	30.78%	30.78%
PPHU Promos Sp. z o.o.	Kraków / Poland	25.53%	25.53%
FBSerwis SA	Warsaw / Poland	49.00%	-

Selected financial data of equity accounted entities are as follows:

Company name	Assets	Liabilities and provisions	Total revenue	Net profit/ (loss)
31 December 2012				
Elektromontaż Poznań SA	80,848	44,258	110,386	(6,916)
PPHU Promos Sp. z o.o.	9,670	2,592	9,834	215
FBSerwis SA	22,042	9,036	3,759	(6,594)
	112,560	**55,886**	**123,979**	**(13,295)**

Company name	Assets	Liabilities and provisions	Total revenue	Net profit/ (loss)
31 December 2011				
Elektromontaż Poznań SA	93,850	41,859	122,805	(8,907)
PPHU Promos Sp. z o.o.	10,756	4,359	15,644	250
FBSerwis SA	-	-	-	-
	104,606	**46,218**	**138,449**	**(8,657)**

The share of the Budimex Group in the contingent liabilities of associates as at 31 December 2012 was PLN 2,372 thousand and as at 31 December 2011 was PLN 25,698 thousand. The share of the Budimex Group in the contingent receivables of associates as at 31 December 2012 was PLN 803 thousand and as at 31 December 2011 was PLN 1,181 thousand.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

17. Available-for-sale financial assets

	2012	2011
Balance at the beginning of the period	**12,146**	**23,955**
Increases:	**9,905**	**412**
– purchase	9,905	412
Decreases:	**(4,916)**	**(12,221)**
– impairment write-downs (note 38)*	(4,916)	(7,489)
– liquidation	-	(56)
– other **	-	(4,676)
Balance at the end of the period	**17,135**	**12,146**
Of which:		
– non-current	**17,135**	**12,146**
– current	-	-

*) refers to Inversora de Autopistas del Levante S.L.
**) refers to decrease in share capital of Autostrada Południe SA as a result of redemption of shares

Available-for sale financial assets comprise solely shares in companies.

The fair value of short- and long-term financial assets available-for-sale as at 31 December 2012 and 31 December 2011 equated their acquisition cost. The fair value of these assets cannot be established as there is no active market for them.

During the period of the next 12 months, the Group does not intend to dispose any available-for-sale financial assets.

As at 31 December 2012 and 31 December 2011 no securities or collaterals were established on these assets.

18. Financial assets at fair value through profit or loss

	31 December 2012	31 December 2011
Derivative financial instruments (note 19)	5,724	141
Total	**5,724**	**141**

Other financial assets at fair value through profit or loss

	2012	2011
Balance at the beginning of the period	**-**	**14,017**
Disposal	-	(14,013)
Accrued interest adjustment	-	(4)
Balance at the end of the period	**-**	**-**
-- of which: in related parties	-	-

As at 31 December 2012 and as at 31 December 2011 the Group did not have any debt securities.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

19. Derivative financial instruments

Policies concerning use of derivative financial instruments are defined in the Group Risk Management Policy adopted by the Management Board.

Derivative financial instruments are valued at the balance sheet date in a reliably determined fair value. Fair value of derivative financial instruments is estimated using the model based, among others, on currency exchange rates (average NBP rates) prevailing on the balance sheet date and on differences in interest rates of the quotations and base currencies.

The effects of periodic valuation of derivative financial instruments are stated under operating result for the reporting period, in which gains or losses from investment re-valuation/ impairment were recognized. Gains or losses determined on the date of settlement are recognized in the profit and loss account under gains or losses on disposal of investment, as appropriate.

The fair value of transactions concluded by the Group and open as at 31 December 2012 and 31 December 2011 is presented in the table below:

	Financial assets on valuation derivative financial instruments		**Financial liabilities on valuation derivative financial instruments**	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
FX forward contracts	5,724	141	257	12,330

The total nominal value of FX forward contracts as at 31 December 2012 was EUR 40,485 thousand, while as at 31 December 2011 was EUR 43,044 thousand. As at 31 December 2012 and 31 December 2011 the Group did not hold any currency options.

Forward selling/ buying rate for EUR transactions open as at 31 December 2012 ranged EUR/ PLN 4.1070 – 4.5940 (as at 31 December 2011: EUR/ PLN 4.0379 – 4.5790). Forward transactions open as at 31 December 2012 are to be settled within 24-353 days (as at 31 December 2011, transaction settlement date was 26-423 days).

Financial assets at fair value through profit or loss

	31 December 2012	**31 December 2011**
Maturity analysis		
a) less than 1 year	5,724	141
b) 1-2 years	-	-
c) 2-5 years	-	-
– above 5 years	-	-
Total	**5,724**	**141**

Financial liabilities at fair value through profit or loss

	31 December 2012	**31 December 2011**
Maturity analysis		
a) less than 1 year	257	12,330
b) 1-2 years	-	-
c) 2-5 years	-	-
– above 5 years	-	-
Total	**257**	**12,330**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

20. Trade and other receivables

	31 December 2012	31 December 2011
Long-term trade and other receivables		
Other non-financial receivables	-	24
Long-term trade and other receivables, net	**-**	**24**
Receivables impairment write-down	98	96
Long-term trade and other receivables, gross	**98**	**120**
Short-term trade receivables and other receivables		
Trade receivables	335,926	449,963
Prepayments made	27,183	34,139
Taxation, subsidy, customs duty, social security, health insurance and other debtors	7,777	15,052
Other receivables	30,950	12,807
Short-term trade receivables and other receivables, net	**401,836**	**511,961**
Receivables impairment write-down	131,248	98,839
Short-term trade receivables and other receivables, gross	**533,084**	**610,800**
Total trade and other receivables, net	**401,836**	**511,985**

There is no credit risk concentration in respect of trade receivables taking into consideration the fact that the main customer of the Group is a government agency.

The fair value of trade and other receivables approximates their carrying amount.

As at 31 December 2012 and 31 December 2011 no securities or collaterals were established on these assets.

Impairment write-downs against long-term receivables and trade receivables and other short-term receivables

	2012	2011
Impairment write-downs against receivables at the beginning of the period	**98,935**	**102,176**
Charge to other operating expenses (note 36)*	60,279	14,105
Reversed to other operating income (note 36)	(13,541)	(14,063)
Reversed to other finance income (note 38)	(143)	-
Utilised	(10,040)	(5,016)
Foreign exchange differences	(841)	1,424
Change in the composition of the Group	(3,101)	311
Other	(202)	(2)
Impairment write-downs against receivables at the end of the period	**131,346**	**98,935**

* of which PLN 47,085 thousand in note 36 was recognised in item “deconsolidation of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.” – details set forth in note 8

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Maturity analysis of past-due trade receivables

The table below shows the maturity analysis of trade and other receivables, which are overdue but not impaired at the reporting date. As at 31 December 2012 and 31 December 2011 there were no overdue debts not impaired.

	31 December 2012	31 December 2011
Overdue trade receivables, outstanding for:		
– up to 1 month	26,532	49,656
– 1-3 months	5,750	33,080
– 3-6 months	6,312	2,038
– 6 months to 1 year	38,160	156
– above 1 year	5,245	1,728
Total overdue trade receivables	**81,999**	**86,658**

21. Inventories

	31 December 2012	31 December 2011
Raw materials	121,494	283,794
Semi-finished goods and work in progress	160,567	243,459
Finished goods	156,683	40,014
Goods for resale	437,462	548,291
Total inventories at the end of the period, net	**876,206**	**1,115,558**
Inventory impairment write-downs	23,543	12,489
Total inventories at the end of the period, gross	**899,749**	**1,128,047**

Impairment write-downs against inventories

	2012	2011
Inventory impairment write-downs at the beginning of the period	**12,489**	**12,792**
Charge to other operating expenses (note 36)	13,246	4,965
Reversed to other operating income (note 36)	(123)	(4,561)
Change in the composition of the Group	(269)	392
Utilised	(1,800)	(1,099)
Inventory impairment write-downs at the end of the period	**23,543**	**12,489**

Reasons for reversing inventory impairment write-downs have been presented in the table below:

	2012	2011
Disposal of inventories	-	20
Increase of the recoverable value	-	4,541
Inventory scrapping	123	-
Total	**123**	**4,561**

Securities were established on the inventories of Group companies at a value of PLN 72,515 thousand as at 31 December 2012, and PLN 365,273 thousand as at 31 December 2011. Carrying amount of inventories with collaterals established as at 31 December 2012 amounted to 117,318 thousand and 31 December 2011 amounted to PLN 366,619 thousand.

Total value of interest capitalised to the Group companies' inventories (developer companies) was PLN 2,046 thousand as at 31 December 2012 and PLN 1,677 thousand as at 31 December 2011. In 2012, the companies capitalised to inventories interest with a value of PLN 2,397 thousand, while in 2011, the companies capitalised to inventories interest with a value of PLN 925 thousand. Average interest rate of loans taken out to finance inventories in 2012 was 6.47% (in 2011: 6.56%).

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

The value of inventories to be utilised or sold in the period of more than 12 months as at 31 December 2012 is PLN 517,122 thousand and as at 31 December 2011 – PLN 626,633 thousand.
Inventories in the amount of PLN 697,044 thousand relate to investment expenditures incurred in respect of realized residential projects in order to sell the apartments subsequently. Due to the situation on the residential market the Group is subject to risk of decline in the prices of apartments and service premises. The risk of price decline was limited in respect of apartments that had been sold based on preliminary sales agreements. Regarding investment projects for which the construction phase did not start, the Group did not conclude the binding agreements for construction services.

In order to verify the market value of the assets held, the Management Board Board commissioned an external surveyor, Ernst & Young Real Estate Sp. z o.o., to perform an impairment test for a portion of the inventories. The market value of the inventories as at 31 December 2012 on the basis of the valuation made by the surveyor and on the basis of in-house valuations exceeds the carrying amount of the assets being measured. Based on the above valuations, the Management Board decided that no other impairment adjustment should be recognised except for those already recognised in the financial statements. However, taking into consideration the instability of the real estate market, it cannot be excluded that future sale prices can be significantly different from prices used by the Group and the independent surveyor for the impairment test purposes.

Up to the date of preparation the consolidated financial statements there were no events that should be reflected in the form of adjustment or disclosure in the consolidated financial statements.

22. Cash and cash equivalents

	31 December 2012	31 December 2011
Cash on hand	25	73
Cash at bank	1,309,279	1,759,378
- current accounts	40,713	14,108
- overnight (one-day) deposits	118,954	246,004
- other deposits	1,147,755	1,498,953
– deposits in developer entities on escrow accounts	1,857	313
Other cash	8,429	2,179
Total cash and cash equivalents	**1,317,733**	**1,761,630**
Cash and cash equivalents of restricted use	(10,987)	(21,142)
Cash recognized in the cash flow statement	**1,306,746**	**1,740,488**

The balance of cash and cash equivalents covers cash of consortia in the part attributable to the consortium members in the amount of PLN 34,098 thousand as at 31 December 2012 and PLN 71,469 thousand as at 31 December 2011.

Short-term bank deposits and investments with high liquidity included in cash and cash equivalents are mainly “overnight” deposits and short-term deposits with a maturity date of 2-61 days with an average effective interest rate as at 31 December 2012 of 4.27% per annum for deposits in PLN (as at 31 December 2011: 4.62% p.a. for deposits in PLN and 0.30% p.a. for deposits in EUR). The average maturity period for these deposits is 17 days (31 December 2011: 29 days).

Included in cash and cash equivalents of restricted use are the following:

	31 December 2012	31 December 2011
Escrow accounts of development companies	1,857	313
Locked-in development project bank accounts	8,981	20,811
Other	149	18
Total cash and cash equivalents of restricted use	**10,987**	**21,142**

In 2012, the Group obtained cash in the amount of PLN 6,707 thousand as a result of guarantee realization (in 2011: PLN 10,879 thousand).

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

23. Shareholders' equity

At the date of transition to IFRS, the Group 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 books of account and corporate records of the Parent Company as at 31 December 2012 with balances recognized in the financial statements were presented in the table below. These balances were identical as at 31 December 2012 and 31 December 2011.

	Ordinary shares	Share premium
Registered capital	**127,650**	**232,719**
Translation of capital due to hyperinflation	18,198	2,080
Value recognized in the financial statements	**145,848**	**234,799**

The value by which the share capital and share premium were adjusted in connection with hyperinflation was recognized in equity under "Accumulated profits/ (losses) from previous years".

Share capital of the Parent Company consists of 25,530,098 shares with a total value of PLN 127,650 thousand. The structure of the share capital of the Parent Company as at 31 December 2012 is as follows:

Share series/ issue	Type of shares	Type of preference	Type of limitations of rights to shares	Number of shares	Value of series/ issue at nominal value	Type of capital coverage	Registration date	Right to dividend (as of)
A	ordinary/ registered	None	None	2,470	14	1)	1994-08-05	1994-01-01
A	ordinary/bearer	None	None	2,997,530	14,986	1)	1994-08-05	1994-01-01
B	ordinary/bearer	None	None	2,000,000	10,000	cash	1994-11-13	1995-01-01
C	ordinary/bearer	None	None	1,900,285	9,501	cash	1995-03-07	1995-01-01
D	ordinary/bearer	None	None	1,725,072	8,625	cash	1996-04-25	1996-01-01
E	ordinary/bearer	None	None	2,000,000	10,001	2)	1997-08-05	1997-01-01
F	ordinary/bearer	None	None	5,312,678	26,563	cash	1998-05-05	1998-01-01
G	ordinary/bearer	None	None	2,217,549	11,088	3)	1999-11-02	1999-01-01
H	ordinary/bearer	None	None	1,448,554	7,243	3)	1999-11-02	1999-01-01
I	ordinary/bearer	None	None	186,250	931	3)	1999-11-02	1999-01-01
K	ordinary/bearer	None	None	1,484,693	7,423	4)	2000-07-13	2000-01-01
L	ordinary/bearer	None	None	4,255,017	21,275	cash	2000-12-18	2000-01-01
Total				**25,530,098**	**127,650**			

1) assets of the transformed company, Budimex Engineering and Construction Sp. z o.o.
2) assets of the acquired company, Budimex Trading SA
3) assets of the acquired companies, Budimex Poznań SA, Unibud SA and Budimex Warszawa SA
4) assets of the acquired company, Mostostal Kraków SA

The number of shares making up the approved share capital equates the number of the shares issued. The nominal value of one share in PLN 5.

The Parent Company does not hold treasury shares. Subsidiary and associated companies do not hold any shares in the Parent Company. No shares were reserved in connection with share issue for the realization of share options and sales agreements.

The amount of profit set aside for appropriation results from the financial statements of the Parent Company.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

24. Loans, borrowings and other external sources of finance

	31 December 2012	31 December 2011
	Carrying amount	**Carrying amount**
Non-current		
Bank loans and borrowings	48,164	25,075
Finance lease liabilities	27,803	48,906
	75,967	**73,981**
Current		
Overdrafts	-	-
Bank loans and borrowings	8,098	23,817
Finance lease liabilities	9,611	13,779
Interest accrued on long-term loans and borrowings	-	137
Interest accrued on short-term loans and borrowings	9	20
	17,718	**37,753**
Total	**93,685**	**111,734**

Maturity analysis of loans and borrowings based on undiscounted contractual cash flows is as follows:

	31 December 2012		31 December 2011	
	Carrying amount	**Undiscounted contractual cash flows***	**Carrying amount**	**Undiscounted contractual cash flows***
up to 1 year	8,107	11,310	23,974	27,021
– 1-3 years	48,164	51,128	25,075	27,494
– 3-5 years	-	-	-	-
– above 5 years	-	-	-	-
	56,271	**62,438**	**49,049**	**54,515**

*) includes both nominal and interest payments; as at 31 December 2012 and 31 December 2011 amounts in foreign currency were translated at the NBP period-end exchange rates and the interest payments were calculated using the latest interest rates fixed before 31 December 2012 and 31 December 2011.

Group companies are allowed to repay their loans and borrowing before the maturity date. No penalty clause for earlier loan repayment has been included in the loan agreements signed by Group companies.

In the period covered by the financial statements there were no problems with fulfilling the obligation of repayment of capital, interest, terms and conditions of escrow accounts and terms of redemption the liabilities arising from borrowings.

The Group companies did not breach or renegotiate the terms of bank loans and borrowings before the approval of the consolidated financial statements.

The carrying amount of long-term loans and borrowings approximates their fair value as interest rate terms and conditions set in the agreements are based on a variable interest rate.

Long-term loans and borrowings as at 31 December 2012

Bank/ entity	Registered office	Amount of loan / borrowing as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/security
		PLN '000	Currency ('000)	PLN '000	Currency ('000)			
Caja de Ahorros y Pensiones de Barcelona "la Caixa"	Warsaw	15,000	PLN	0	PLN	WIBOR 1M + margin	30.04.2016	1. capped mortgage up to 150% of loan value (PLN 90,000 thousand) over the right of perpetual usufruct of the property 2. registered pledge on bank accounts 3. transfer of receivables under insurance contract, sales agreements and general contractor contract
Getin Noble Bank SA	Warsaw	39,500	PLN	38,493	PLN	WIBOR 1M + margin	31.12.2014	1. mortgage up to 150% of loan value (PLN 59,250 thousand) 2. transfer of rights under an insurance policy, sale agreements and general contractor contract 3. authorizations to bank accounts relating to the project
Getin Noble Bank SA	Warsaw	33,000	PLN	9,671	PLN	WIBOR 1M + margin	30.06.2014	1. mortgage up to 150% of loan value (PLN 49,500 thousand) 2. transfer of rights under an insurance policy, sale agreements and general contractor contract 3. authorizations to bank accounts relating to project
Getin Noble Bank SA	Warsaw	25,000	PLN	PLN	0	WIBOR 1M + margin	31.12.2014	1. mortgage up to 150% of loan value (PLN 37,500 thousand) 2. transfer of rights under an insurance policy, sale agreements and general contractor contract 3. authorizations to bank accounts relating to the project
				48,164				

Long-term loans and borrowings as at 31 December 2011

Bank/ entity	Registered office	Loan/ borrowing principal as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/security
		PLN '000	**Currency ('000)**	**PLN '000**	**Currency ('000)**			
Bank Millennium SA	Warsaw	31,000	PLN	2,542	PLN	WIBOR 1M + margin	30.11.2013	1. mortgage up to 170% of loan value (PLN 52,700 thousand) 2. transfer of rights under an insurance policy, sale agreements and general contractor contract 3. authorizations to escrow account in the amount of 150% of loan value
Pekao SA	Warsaw	87,870	PLN	10,079	PLN	WIBOR 1M + margin	31.01.2014	1. mortgage up to 150% of loan value (PLN 131,806 thousand) 2. authorization to bank accounts and registered pledge on rights under the bank account agreement 3. transfer of rights under insurance policy, sale agreements, general contractor contract, agreement for design and corporate guarantee
Getin Noble Bank SA	Warsaw	39,500	PLN	12,454	PLN	WIBOR 1M + margin	31.12.2014	1. mortgage up to 150% of loan value (PLN 59,250 thousand) 2. transfer of rights under an insurance policy, sale agreements and general contractor contract 3. authorizations to bank accounts relating to project
Caja de Ahorros y Pensiones de Barcelona "la Caixa"	Warsaw	23,100	PLN	-	PLN	WIBOR 1M + margin	31.12.2014	1. mortgage over the right of perpetual usufruct of the property up to PLN 90,000 thousand 2. registered pledge on bank accounts 3. transfer of receivables under insurance contract, sales agreements and general contractor contract
Caja de Ahorros y Pensiones de Barcelona "la Caixa"	Warsaw	15,000	PLN	-	PLN	WIBOR 1M + margin	30.04.2016	1. mortgage over the right of perpetual usufruct of the property up to PLN 90,000 thousand 2. registered pledge on bank accounts 3. transfer of receivables under insurance contract, sales agreements and general contractor contract
				25,075				

Short-term loans and borrowings as at 31 December 2012

Bank/ entity	Registered office	Loan/ borrowing principal as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/security
		PLN '000	Currency ('000)	PLN '000	Currency ('000)			
Overdrafts								
Bank Handlowy SA	Warsaw	40,000	PLN	-	PLN	1M WIBOR + margin	06.02.2013	none
Societe Generale SA	Warsaw	50,000	PLN	-	PLN	1M WIBOR + margin	27.11.2013	none
Other loans and borrowings								
Cintra Infraestructuras SA	Madrid	8,098	EUR 1,981	8,107 (includes interest accrued: 9)	EUR 1,983 (includes interest accrued: EUR 2)	12M EURIBOR + margin	01.12.2013	none
				8,107				

Short-term loans and borrowings as at 31 December 2011

Bank/ entity	Registered office	Loan/ borrowing principal as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/security
		PLN '000	Currency ('000)	PLN '000	Currency ('000)			
Overdrafts								
Bank Handlowy SA	Warsaw	40,000	PLN	-	PLN	WIBOR 1M + margin	07.02.2012	none
Pekao SA	Warsaw	60,000	PLN	-	PLN	WIBOR 1M + margin	31.05.2012	1. transfer of receivables under contract to the amount of PLN 65,000 thousand 2. joint mortgage over properties up to PLN 30,000 thousand 3. declaration on submission to enforcement 4. blank bill of exchange up to the amount of PLN 30,000 thousand 5. transfer of rights under an insurance policy over property being a loan security 6. authorization to bank accounts in Pekao SA
Other loans and borrowings								
Bank Millennium SA	Warsaw	31,000	PLN	1,779	PLN	WIBOR 1M + margin	in instalments to 30.11.2013	1. mortgage up to 170% of loan value (PLN 52,700 thousand) 2. transfer of rights under an insurance policy, sale agreements and general contractor contract 3. authorizations to escrow account in the amount of 150% of loan value
Pekao SA	Warsaw	87,870	PLN	1,057 (includes interest accrued: 62)	PLN	WIBOR 1M + margin	in instalments to 31.01.2014	1. mortgage up to 150% of loan value (PLN 131,806 thousand) 2. authorization to bank accounts and registered pledge on rights under the bank account agreement 3. transfer of rights under insurance policy, sale agreements, general contractor contract, agreement for design and corporate guarantee

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Bank/ entity	Registered office	Loan/ borrowing principal as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/security
		PLN '000	**Currency ('000)**	**PLN '000**	**Currency ('000)**			
Getin Noble Bank SA	Warsaw	39,500	PLN	5 (interest accrued)	PLN	WIBOR 1M + margin	in instalments to 31.12.2014	1. mortgage up to 150% of loan value (PLN 59,250 thousand) 2. transfer of rights under an insurance policy, sale agreements and general contractor contract 3. authorizations to bank accounts relating to project
PKO BP SA	Warsaw	77,500	PLN	12,602 (includes interest accrued: 70)	PLN	WIBOR 1M + margin	in instalments to 31.12.2014	1. mortgage up to 170% of loan value (PLN 131,750 thousand) 2. transfer of rights under an insurance policy, sale agreements and general contractor contract 3. authorizations to bank accounts relating to the project
HSBC Bank Polska SA	Warsaw	11,000	PLN	-	PLN	WIBOR 1M + margin	25.09.2012	1. transfer of receivables under contracts to the amount of PLN 21,000 thousand 2. joint mortgage up to PLN 21,000 thousand 3. transfer of rights under an insurance policy over a property being a loan security 4. declaration on submission to enforcement
Cintra Infraestructuras SA	Madrid	8,511	EUR 1,927	8,531 (includes interest accrued: 20)	EUR 1,931 (includes interest accrued: EUR 4)	12M EURIBOR + margin	01.12.2012	none
				23,974				

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Risk of interest rate fluctuations

The effective interest rates as at 31 December 2012 and 31 December 2011 were as follows:

	31 December 2012		31 December 2011	
	PLN	**EUR**	**PLN**	**EUR**
Bank loans and borrowings	6.11%	1.33%	6.32%	2.79%
Finance lease liabilities	6.04%	-	5.86%	4.55%

Finance lease liabilities

The Group companies signed with Millenium Leasing Sp. z o.o. and Konica Minolta Business Solutions Sp. z o.o. (the "Lessor") finance lease agreements for the use of construction machines, motor vehicles and other fixed assets. As at 31 December 2012, the net value of machines used under finance lease was PLN 35,865 thousand, of motor vehicles - PLN 849 thousand and other fixed assets – PLN 151 thousand (see note 11). Leased assets were made available for the period of 48 - 60 months. After the completion of the above lease terms and after discharging its liabilities towards the Lessors, Group companies will have the right to acquire the leased assets for the price equating their residual value. The performance bond in respect of part of contractual liabilities is the blank bill of exchange issued by the Lessee together with a written authorization for its drawing. Future minimum lease payments under the above lease agreements and the net present value of minimum lease payments as at 31 December 2012 are as follows:

	Minimum lease payments	**Present value of minimum lease payments**
– less than 1 year	11,469	9,611
– 1-5 years	30,035	27,803
– above 5 years	-	-
Total finance lease liabilities	**41,504**	**37,414**
of which: future finance costs under finance lease	(4,090)	-
Present value	**37,414**	**37,414**

The Group companies have the right to early repay the remaining amounts of finance lease liabilities. Lease contracts do not provide for a penalty for earlier repayment of lease liabilities.

25. Trade and other liabilities

	31 December 2012	**31 December 2011**
Long-term trade liabilities and other liabilities		
Trade liabilities	-	-
Other non-financial liabilities	-	-
Long-term trade liabilities and other liabilities, total	**-**	**-**
Short-term trade liabilities and other liabilities, total		
Trade liabilities	579,923	880,162
Uninvoiced costs	517,760	523,994
Taxation and social security creditors	140,985	204,027
Liabilities relating to settlement of consortia	36,834	62,791
Payroll	8,864	15,398
Other liabilities	3,228	11,867
Short-term trade liabilities and other liabilities, total	**1,287,594**	**1,698,239**
Total trade and other liabilities	**1,287,594**	**1,698,239**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

26. Short-term accrued expenses

	31 December 2012	31 December 2011
Unused annual leave	29,004	28,486
Employee bonus	121,597	127,005
Costs of contract completion	9,893	6,711
Other	1,114	29
Total	**161,608**	**162,231**

27. Deferred tax

	31 December 2012	31 December 2011
Deferred tax assets, of which:		
- to be realized after 12 months from the reporting date	217,051	233,240
- to be realized within 12 months of the reporting date	161,009	153,258
Total	**378,060**	**386,498**
Amount to be netted off	(66,409)	(74,466)
Deferred tax assets, of which: after netting off	**311,651**	**312,032**
Provision for deferred income tax		
– to be settled after 12 months from the reporting date	41,630	45,619
– to be settled within 12 months of the reporting date	24,779	28,847
Total	**66,409**	**74,466**
Amount to be netted off	(66,409)	(74,466)
Provision for deferred income tax after netting off	-	-

Movements in net deferred tax are as follows:

	2012	2011
Balance at the beginning of the year	**312,032**	**357,343**
Financial result credit / (charge) (note 40)	(3,138)	(45,156)
Other (inc. due to a change in Group composition)	2,757	(155)
Balance at the end of the year	**311,651**	**312,032**

Deferred tax assets and deferred tax liabilities are recognized in respect of taxable and deductible temporary differences relating to local items of assets and liabilities using the 19% tax rate, while in respect of temporary differences relating to the balance sheet items of foreign operations – using the local tax rates of the country representing the main economic environment in which the given entity conducts operations and pays corporate income tax.

As at 31 December 2012, deductible temporary differences and unused tax losses for which no deferred tax asset was recognized in the balance sheet amounted to PLN 3,990 thousand (as at 31 December 2011: PLN 44,791 thousand) and expire: PLN 1,473 thousand in 2013 and PLN 2,517 thousand in 2017. The reason for non-recognition of deferred tax asset is the remote probability of earning by certain Group entities of taxable profit against which the deductible temporary differences may be utilized.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Movements in the balance of deferred tax assets, by title (before netting off), are presented in the table below:

	Deferred tax assets as at 1 January 2011	**Deferred tax asset recognition / (utilization)**	**Assets as at 31 December 2011**	**Deferred tax asset recognition / (utilization)**	**Assets as at 31 December 2012**
Amounts due and payable to customers (investors) under construction contracts	202,830	3,512	206,342	(100,122)	106,220
Contract costs relating to accrued income	48,430	(13,862)	34,568	9,562	44,130
Liabilities – uninvoiced costs	48,827	4,110	52,937	(59)	52,878
Tax loss	4,630	4,466	9,096	49,152	58,248
Provisions for warranty repairs	18,609	7,546	26,155	3,410	29,565
Other provisions for liabilities	31,509	442	31,951	(2,935)	29,016
Receivables impairment write-downs	14,372	(479)	13,893	2,692	16,585
Employee bonus settlements	24,976	(1,223)	23,753	(1,013)	22,740
Liabilities - unused annual leave	3,567	1,630	5,197	114	5,311
Discount of retentions for construction contracts	1,154	(318)	836	(404)	432
Receivables/ Liabilities – unrealized FX losses	386	517	903	(773)	130
Forward contract valuation	87	2,256	2,343	(2,294)	49
Provision for jubilee bonuses and retirement benefits	1,104	5,013	6,117	(5,191)	926
Deferred tax assets – German market	3,639	-	3,639	(1,591)	2,048
Impairment write-down on long-term financial assets	1,614	(148)	1,466	934	2,400
Interest on liabilities	262	140	402	302	704
Other	8,736	15	8,751	(2,073)	6,678
Impairment write-down	-	(41,851)	(41,851)	41,851	-
Total	**414,732**	**(28,234)**	**386,498**	**(8,438)**	**378,060**
Amount to be netted off	(57,389)		(74,466)		(66,409)
After netting off (recognized in the statement of financial position)	**357,343**		**312,032**		**311,651**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Movements in the balance of deferred tax liability, by title (before netting off), are presented in the table below:

	Provisions as at 1 January 2011	**Provision recognition / (utilization)**	**Provisions as at 31 December 2011**	**Provision recognition / (utilization)**	**Provisions as at 31 December 2012**
Amounts due and receivable from customers under construction contracts	41,179	3,560	44,739	(10)	44,729
Forward contract valuation	600	(573)	27	1,061	1,088
Discount of retentions for construction contracts	4,333	9	4,342	(747)	3,595
Receivables/ Liabilities – unrealized FX gains	163	119	282	(105)	177
Receivables – accrued interest	449	147	596	74	670
In-kind contribution valuation	706	-	706	-	706
Deferred tax liability - German market	2,289	3,552	5,841	(662)	5,179
Difference between accounting and tax depreciation	109	1,306	1,415	(1,312)	103
Leases	7,236	6,428	13,664	(3,502)	10,162
Other	325	2,529	2,854	(2,854)	-
Total	**57,389**	**17,077**	**74,466**	**(8,057)**	**66,409**
Amount to be netted off	(57,389)		(74,466)		(66,409)
After netting off (recognized in the statement of financial position)	-		-		-

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

28. Liabilities arising from retirement benefits and similar obligations

As at 31 December 2012, the employees of Budimex Group companies enjoy only one type of employee benefits, i.e. retirement and pension benefits. As at 31 December 2011, the employees of selected Group companies were also eligible for jubilee bonuses and posthumous benefits.

Retirement and pension benefits are one-off payments upon retirement. The amount of the retirement benefit/ pension benefit due and payable is the product of the base of benefit calculation at the date of entitlement and the appropriate cumulative ratio (progressing in proportion to the years of service).

The table below shows the employee benefits recognized in the statement of financial position:

	31 December 2012	31 December 2011
Retirement/ pension benefits, of which:	**4,783**	**8,221**
– present value of the obligation at the balance sheet date	4,783	8,221
– actuarial gains/ (losses) not recognized at the balance sheet date	-	-
– past service costs not recognized at the balance sheet date	-	-
Jubilee bonuses, of which:	**-**	**7,534**
– present value of the obligation at the balance sheet date	-	7,534
– actuarial gains/ (losses) not recognized at the balance sheet date	-	-
– past service costs not recognized at the balance sheet date	-	-
Posthumous benefits, of which:	**-**	**674**
– present value of the obligation at the balance sheet date	-	674
– actuarial gains/ (losses) not recognized at the balance sheet date	-	-
– past service costs not recognized at the balance sheet date	-	-
Total liabilities arising from retirement benefits and similar obligations	**4,783**	**16,429**
of which:		
- long-term portion	3,747	11,385
- short-term portion	1,036	5,044

The table below shows main actuarial assumptions for valuations of the above benefits (i.e. range of individual rates adopted by actuary; these assumptions differ between Group companies and years):

	31 December 2012	31 December 2011
Discount rate	3.59% - 3.74%	4.8% - 4.9%
Forecast inflation rate	2.7%	3.0%
Forecast remuneration increase rate	1.9% - 3.9%	2.8% - 7.0%

The last actuarial valuation of employee benefits was made as at 31 December 2012.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Retirement and pension benefits

Changes in the balance of obligation under retirement and pension benefits are as follows:

	2012	2011
Present value of the obligation at the beginning of the period	**8,221**	**3,981**
Interest costs	238	159
Present service costs	555	484
Past service costs	-	-
Benefits paid	(307)	(423)
Actuarial (gains)/ losses	(421)	530
Change in the composition of the Group	(3,503)	3,490
Present value of the obligation at the end of the period	**4,783**	**8,221**

Costs of future employee benefits charged to the Profit and Loss Account are presented in the table below:

	2012	2011
Present service costs	555	484
Interest costs	238	159
Actuarial (gains)/ losses to be recognized in the period	(421)	530
Past service costs	-	-
Costs recognized in the Profit and Loss Account	**372**	**1,173**
costs of employee benefits recognised in profit or loss for:		
- cost of finished goods, goods for resale and raw materials sold	*264*	*404*
- administrative expenses	*108*	*769*

Jubilee bonuses

Changes in the balance of obligations under jubilee bonuses are as follows:

	2012	2011
Present value of the obligation at the beginning of the period	**7,534**	**1,828**
Interest costs	-	80
Present service costs	-	159
Past service costs	-	-
Allowances paid	-	(203)
Actuarial (gains)/ losses	-	-
Change in the composition of the Group	(7,534)	7,461
Limitation and settlement of the programme	-	(1,791)
Present value of the obligation at the end of the period	**-**	**7,534**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Costs of future employee benefits charged to the profit and loss account are presented in the table below:

	2012	2011
Present service costs	-	159
Interest costs	-	80
Actuarial (gains)/ losses to be recognized in the period	-	-
Past service costs	-	-
Limitation and settlement of the programme	-	(1,791)
Costs recognized in the profit and loss account	**-**	**(1,552)**
of which costs of employee benefits recognised in profit or loss for:		
- cost of finished goods, goods for resale and raw materials sold	-	*(1,552)*
- administrative expenses	-	-

Posthumous benefits

Changes in the balance of obligations under posthumous benefits are as follows:

	2012	2011
Present value of the obligation at the beginning of the period	**674**	**-**
Interest costs	-	-
Present service costs	-	-
Past service costs	-	-
Benefits paid	-	-
Actuarial (gains)/ losses	-	-
Change in the composition of the Group	(674)	674
Present value of the obligation at the end of the period	**-**	**674**

Analysis of sensitivity to fluctuations in interest rates

Increase in the assumed discount rate by 1 percentage point would result in an increase in the financial result and net assets of the Group by PLN 375 thousand, while the decrease in the assumed discount rate by 1 percentage point – a decrease in the financial result and net assets of the Group by PLN 449 thousand.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

29. Provisions for liabilities and other charges

	Litigation proceedings	Penalties and other sanctions	Warranty repairs	Restructuring	Total
Balance as at 1 January 2011	**45,341**	**62,199**	**104,363**	**669**	**212,572**
Creation of additional provisions (note 36)	2,728[1]	24,944[2]	59,729	-	87,401
Change in classification	-	-	845	-	845
Change in the composition of the Group	370	12	2,168	-	2,550
Reversal of unused provisions (note 36)	(7,309)	(28,439)[3]	(6,886)	(27)	(42,661)
Utilization of provisions	(6,221)	(14,236)	(9,823)	(233)	(30,513)
Balance as at 31 December 2011	**34,909**	**44,480**	**150,396**	**409**	**230,194**
Balance as at 1 January 2012	**34,909**	**44,480**	**150,396**	**409**	**230,194**
Creation of additional provisions (note 36)	3,782[4]	8,327[5]	44,671	36,096	92,876
Change in classification	-	-	-	-	-
Change in the composition of the Group	(379)	(3,172)	(1,664)	(4,008)	(9,223)
Reversal of unused provisions (note 36)	(2,054)[6]	(3,135)[7]	(9,385)	(158)	(14,732)
Utilization of provisions	(370)	(3,584)	(13,393)	(24,187)	(41,534)
Balance as at 31 December 2012	**35,888**	**42,916**	**170,625**	**8,152**	**257,581**

[1]) of which PLN 224 thousand recognised as costs of finished goods and services sold and PLN 379 thousand recognized as finance costs
[2]) of which PLN 1,485 thousand recognised as finance costs
[3]) of which PLN 1,138 thousand recognised as a decrease of finance costs
[4]) of which PLN 124 thousand recognised as finance costs and PLN 370 thousand recognized as costs of finished goods and services sold
[5]) of which PLN 1,091 thousand recognised as finance costs
[6]) of which PLN 462 thousand recognised as a decrease of finance costs
[7]) of which PLN 19 thousand recognised as a decrease of finance costs

Over the course of 2012, Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. created a provision of PLN 28,133 thousand for restructuring costs, of which PLN 24,125 thousand was paid out until the loss of control over the company. The balance of the additional restructuring provisions concerns Budimex SA in connection with the future situation on the construction market.

Creation / (reversal) of provisions for litigation proceedings, compensations and of restructuring provisions was recognized under other operating expenses (note 36), while creation / (reversal) of provisions for warranty repairs – under operating expenses.

The structure of total provisions is as follows:

	31 December 2012	31 December 2011
Long-term	141,521	124,665
Short-term	116,060	105,529
	257,581	**230,194**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

30. Long-term construction contracts

The tables below present data relating to construction contracts valued by Group companies in accordance with the percentage of completion method:

Selected consolidated data – statement of financial position

	31 December 2012	31 December 2011
Assets		
Amounts due and receivable from customers (investors) under construction contracts, of which:	227,490	229,762
- contract valuation	*227,490*	*229,762*
Liabilities		
Amounts due and payable to customers (investors) under construction contracts, of which:	534,870	1,037,987
- contract valuation	*306,431*	*542,176*
- provision for contract losses	*228,439*	*495,811*
Prepayments received for contracted construction works (note 31)	70,324	135,092

Selected consolidated data – profit and loss account

	2012	2011
Revenue from construction contracts	5,231,164	4,821,129
Cost of construction contracts	4,907,824	4,464,271
Gross profit	**323,340**	**356,858**

31. Prepayments received

Prepayments received by Group companies include:

	31 December 2012	31 December 2011
Prepayments for the construction contracts in progress (note 30)	70,324	135,092
Prepayments for flats in developer companies	130,227	172,300
Prepayments for houses prefabricated in Budimex Danwood Sp. z o.o.	73,499	50,564
Total	**274,050**	**357,956**

All prepayments received as at 31 December 2012 and 31 December 2011 were recognized under current liabilities as their settlement date does not exceed 12 months.

32. Retentions for construction contracts

	31 December 2012	31 December 2011
Kept by customers – to be returned after 12 months	19,202	37,883
Kept by customers – to be returned within 12 months	49,419	22,394
Total retentions for construction contracts kept by customers	**68,621**	**60,277**
Kept for suppliers – to be returned after 12 months	161,143	150,122
Kept for suppliers – to be returned within 12 months	222,146	153,436
Total retentions for construction contracts kept for suppliers	**383,289**	**303,558**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Retentions for construction contracts with a payment date of more than one year are discounted and are recognized in the statement of financial position at present value. The table below shows the results of discounting recognized in the balance sheets and profit and loss accounts of Group companies in individual periods. The amounts of discount reduce the nominal value of receivables from and liabilities under retentions for construction contracts. In addition, a deferred tax asset is recognized in the balance sheet on the amounts stated calculated using the tax rate prevailing in Poland, i.e. 19%, and on the effect of change in the value of discount in the profit and loss account.

	31 December 2012	**31 December 2011**
Discount of long-term retentions for construction contracts kept by customers	2,272	4,402
Discount of long-term retentions for construction contracts kept for suppliers	18,919	22,852

Amount of discount recognized in the profit and loss account:

	2012	**2011**
Decrease in sales revenue	(2,024)	(2,004)
Reduction in the cost of services sold	15,212	15,997
Total adjustment to gross margin	**13,188**	**13,993**
Adjustment to finance income / (costs) (note 38)	(14,991)	(12,270)
Deferred tax on above adjustments	343	(327)
Net effect on the profit and loss account	**(1,460)**	**1,396**

Maturity analysis of overdue retentions for construction contracts (nominal value before discounting)

The table below shows the maturity analysis of retentions for construction contracts which are overdue, but not impaired at the reporting date:

	31 December 2012	**31 December 2011**
Retentions for construction contracts overdue for the period of:		
– up to 1 month	1,082	345
– 1-3 months	1,345	787
– 3-6 months	7,024	266
– 6 months to 1 year	40	264
– above 1 year	317	323
Total overdue retentions for construction contracts	**9,808**	**1,985**

Risk of interest rate fluctuations

The effective interest rates as at 31 December 2012 and 31 December 2011 applied in the process of discounting of retentions for construction contracts are presented in the table below:

	31 December 2012			**31 December 2011**		
	PLN	**USD**	**EUR**	**PLN**	**USD**	**EUR**
Receivables	3.31%	0.93%	0.80%	4.76%	1.25%	1.75%
Liabilities	3.51%	1.13%	1.00%	4.96%	1.45%	1.95%

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

33. Sales revenue

	2012	2011
Sales of construction and assembly services	5,393,654	4,978,472
Revenue from sale of prefabricated houses	311,622	258,442
Sales of other services	25,698	27,644
Sales of finished goods	326,654	218,974
Sales of goods for resale and raw materials	20,032	32,955
	6,077,660	**5,516,487**

34. Costs by type

	2012	2011
Depreciation/ Amortization, of which:	50,683	30,330
– property, plant and equipment (note 11)	*45,325*	*28,670*
– investment properties (note 12)	*266*	*163*
– intangible assets (note 13)	*5,092*	*1,497*
Costs of employee benefits (note 35)	713,761	625,281
Materials and energy	2,165,095	2,155,602
External services	2,817,529	2,421,384
Taxes and charges	15,088	11,064
Advertising and representation expenses	11,555	10,539
Life and non-life (property) insurance	15,208	9,558
Change in the balance of the provision for contract losses (note 30)	(130,027)**	(125,305)*
Other costs by type	95,091	89,914
Selling expenses (negative value)	(24,371)	(24,529)
Administrative expenses (negative value)	(193,362)	(138,087)
Change in the balance of finished goods and work in progress	63,717	(27,902)
Cost of goods produced for the entity's own use (negative value)	(95)	(21)
Cost of finished goods and services sold	**5,599,872**	**5,037,828**
Cost of goods for resale and raw materials sold	17,917	21,893
Cost of finished goods, services, goods for resale and raw materials sold	**5,617,789**	**5,059,721**

*) the 2011 balance sheet change includes PLN 144,797 thousand pertaining to the change in the Group composition
**) the 2012 balance sheet change includes PLN 137,345 thousand pertaining to the change in the Group composition

35. Costs of employee benefits

	2012	2011
Costs of remuneration, of which, among others:	**608,746**	**528,253**
- retirement and pension benefits and jubilee bonuses (note 28)	*372*	*(379)*
- post-employment benefits	*266*	*13*
- termination benefits	*4,642*	*2,016*
Costs of social security benefits and other allowances, of which, among others:	**105,015**	**97,028**
- social security	*64,018*	*57,161*
- other post-employment benefits	*-*	*-*
- termination benefits	*638*	*340*
Total cost of employee benefits recognized in costs by type (note 34)	**713,761**	**625,281**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

36. Other operating income and other operating expenses

Other operating income

	2012	2011
Gains on the sale of non-financial long-term assets	4,042	5,206
Reversal of impairment write-downs, of which against:	13,664	18,624
– receivables (following debtor repayment of the amounts due) (note 20)	*13,541*	*14,063*
– inventories (following inventory sale and increase in the recoverable value) (note 21)	*123*	*4,561*
Reversal of provisions, of which for:	4,866	34,637
– litigation proceedings and compensations (note 29)	*1,592*	*7,309*
– penalties and sanctions (note 29)	*3,116*	*27,301*
– restructuring (note 29)	*158*	*27*
Penalties/ compensations received	39,996	25,012
Write-off of overdue liabilities	1,178	1,819
Other	2,034	1,040
Total	**65,780**	**86,338**

Other operating expenses

	2012	2011
Recognition of impairment write-downs, of which against	71,440	199,087
– receivables (note 20)	*13,194*	*14,105*
– inventories (note 21)	*13,246*	*4,965*
– goodwill (note 8)	*45,000*	*180,017*
Recognition of provisions, of which for:	46,620	25,584
– litigation proceedings (note 29)	*3,288*	*2,125*
– for penalties and compensations (note 29)	*7,236*	*23,459*
– restructuring (note 29)	*36,096*	*-*
Compensations and liquidated damages paid	3,373	5,521
Court charges and executions, costs of litigation proceedings	2,095	1,148
Civil law transaction tax related to the acquisition of shares in Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.	-	2,250
Deconsolidation of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (note 8)	13,493	-
Other	2,151	1,029
Total	**139,172**	**234,619**

37. Gains / (losses) on derivative financial instruments

	2012	2011
Gains/ (losses) on the valuation of derivative financial instruments	17,656	(14,886)
Gains/ (losses) on realization of derivative financial instruments	(3,993)	3,668
Total	**13,663**	**(11,218)**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

38. Finance income and finance costs

Finance income

	2012	2011
Interest earned on financial instruments, of which:	31,528	41,308
– interest on bank deposits and cash on bank accounts	*31,495*	*41,115*
– interest on securities purchased	-	*193*
– on loans granted	*33*	-
Other interest income, of which:	32,366	12,840
– interest on discounts received and penalty interest	*31,161*	*12,017*
– other	*1,205*	*823*
Gains from sale of financial assets	-	307
Release of the provision for consortium financing costs (note 20)	143	-
Foreign exchange gains	3,026	-
Other	-	2
Total	**67,063**	**54,457**

Gains from financial assets recognised in 2011 referred to sales of 100% of shares in Centrum Konferencyjne "Budimex" Sp. z o.o. for the price of PLN 102 thousand. The value of consolidated net assets of the company falling to the Budimex Group as at the transaction date was PLN -205 thousand.

Finance costs

	2012	2011
Interest expensed in respect of financial instruments, of which:	4,600	2,010
– interest on loans and borrowings and other external sources of finance taken out	*1,411*	*455*
– interest on lease contracts	*3,188*	*1,555*
– other	*1*	-
Other interest expense, of which:	2,262	3,284
– penalty interest paid to suppliers and interest on discounts	*1,084*	*2,158*
– other interest	*1,178*	*1,126*
Impairment of financial assets, of which:	4,916	7,489
– financial assets available for sale (note 17)	*4,916*	*7,489*
FX losses	-	5,945
Discount of retentions for construction contracts (note 32)	14,991	12,270
Cost of bank commissions and guarantees	13,906	13,719
Other	48	60
Total	**40,723**	**44,777**

39. Shares of profits / (losses) of equity accounted entities

	2012	2011
Shares in profits of associates	208	106
Shares in losses of associates	(6,329)	(2,643)
Total (note 16)	**(6,121)**	**(2,537)**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

40. Income tax

	2012	2011
Current tax	15,229	21,691
Deferred tax (note 27)	3,138	45,156
Adjustment of current income tax for previous periods	(1,721)	(647)
Charge on / (credit to) the financial result	**16,646**	**66,200**

The reconciliation of the accounting gross profit of the Group to the theoretical amount that would be recognized if the weighted average rate of tax were applied to the profits of consolidated companies is as follows:

	2012	2011
Gross profit/ (loss)	**202,628**	**141,794**
Shares in (profits)/ losses of equity accounted entities	6,121	2,537
Pre-tax profit/ (loss)	**208,749**	**144,331**
Tax calculated using national tax rates	39,662	27,423
Differences in taxation of revenues of foreign operations	(181)	612
Adjustment of current income tax for previous periods	(1,721)	(647)
Tax effects of permanent differences between gross profit and taxable income	1,624	35,921
Utilization of tax losses or deductible temporary differences not recognized previously	(37,495)	(1,362)
Deductible temporary differences, unsettled tax losses, unused tax reliefs for which no deferred tax assets were recognized in the balance sheet	12,166	4,341
Charge on / (credit to) the financial result on account of business activity tax and solidarity tax in Germany	2,591	(224)
Write-off of prior year deferred tax assets / (reversal of prior year deferred tax liability)	-	136
Income tax charge on / (credit to) the financial result	**16,646**	**66,200**
Effective tax rate	*7.97%*	*45.87%*

41. Earnings per share

Basic earnings per share

Basic earnings (loss) per share are calculated as the quotient of profit/ (loss) attributable to the shareholders of the Parent Company and the weighted average number of ordinary shares outstanding during the year (note 23).

	2012	2011
Profit / (loss) attributable to the shareholders of the Parent Company	185,982	75,594
Weighted average number of ordinary shares	25,530,098	25,530,098
Basic earnings / (loss) per share (in PLN per share)	**7.28**	**2.96**

Diluted earnings per share

Diluted earnings / (loss) per share equated basic earnings per share for both periods.

42. Dividend per share

On 30 May 2012, Budimex SA paid out a dividend in the amount of PLN 280,065 thousand, for which the separate net profit for the period from 1 January 2011 until 31 December 2011 was allocated, i.e. the gross amount of PLN 10.97 per one share.

Until the date of preparation of these consolidated financial statements for the year ended 31 December 2012, the Management Board of Budimex SA has not made a resolution in respect of profit appropriation for the year 2012.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

43. Statement of cash flow

Other adjustments to the operating activities section of the statement of cash flow cover the following items:

	2012	2011
FX differences on translation of foreign operations	(39)	618
Share-based payments	1,422	1,027
Other	(1,301)	(621)
Total	**82**	**1,024**

Non-monetary transactions

In 2012, non-monetary transactions relating to investing and financing activities not recognized in the statement of cash flow related solely to the acquisition of property, plant and equipment with a value of PLN 3,467 thousand under finance lease contracts.

In 2011, non-monetary transactions relating to investing and financing activities not recognized in the statement of cash flow related solely to the acquisition of property, plant and equipment with a value of PLN 35,390 thousand under finance lease contracts.

44. Changes in the composition of the Group

In 2012, the following changes occurred in the structure of the Budimex Group:

On 13 April 2012, Budimex B Sp. z o.o. was entered in the Register of Entrepreneurs. Budimex SA holds 100% of the shares in this company.

On 20 April 2012, Budimex A Sp. z o.o. was entered in the Register of Entrepreneurs. Budimex SA holds 100% of shares in this company.

On 20 April 2012, Budimex PPP SA was entered in the Register of Entrepreneurs. Budimex SA holds 100% of the shares in this company.

On 30 April 2012, Budimex D Sp. z o.o. was entered in the Register of Entrepreneurs. Budimex PPP SA holds 100% of the shares in this company.

On 30 April 2012, Budimex E Sp. z o.o. was entered in the Register of Entrepreneurs. Budimex PPP SA holds 100% of the shares in this company.

On 16 May 2012, FBSerwis SA was entered in the Register of Entrepreneurs. Budimex SA holds 49% of the shares in this company.

On 29 June 2012, Budimex C Sp. z o.o. was entered in the Register of Entrepreneurs. Budimex PPP SA holds 100% of the shares in this company.

On 30 November 2012, the court issued a decision recalling the management of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in bankruptcy open to arrangements and appointing a court administrator. Thus, the Budimex Group lost control over the company and deconsolidated it. The value of consolidated net assets of the company falling to the Budimex Group as at the loss of control date was PLN (96,592) thousand. The consolidated profit and loss account of the Group for the 12-month period of 2012 accounts for a consolidated net loss of the company of PLN 92,582 thousand. Details of the deconsolidation are set forth in note 8.

In the period covered by the report, no significant activities were discontinued and are were no formal plans to discontinue any significant activities.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

45. Share-based payments

In 2010, Ferrovial SA established a performance share plan, which is classified as a share-based payment transaction settled in equity.

In 2010, under the plan 41,800 shares were offered to management board members and executives of the Group. The grant date was established as 31 March 2010, which is the date when the main terms and conditions of the plan were announced to employees. The fair value of the shares at grant date was PLN 24.47 per share. In 2011, 50,900 shares were awarded under the scheme. The grant date was established as 28 February 2011, which is the date when the terms and conditions of the plan were announced to employees. The fair value of shares at grant date was PLN 33.98 per share. In 2012, 55,650 shares were awarded under the scheme. The fair value of shares as at 12 February 2012 (grant date) was PLN 38.84 per share.

The vesting period of the performance share plan is 3 years and the shares are granted every year. Shares are awarded on the following terms:

- beneficiaries must be contractually employed by company for the 3-year period after the vesting date, except for the special situations given,
- achievement of specified cash-flow ratios and relation between gross operating profit and production net assets,
- the level of ratios required for being granted the total or a proportionate number of shares is set every year.

The key assumptions used in calculation of the fair value of equity instruments granted by Ferrovial SA to the Group employees in 2011 were as follows:
- price of the underlying at the grant date: PLN 34.67
- financial target achievement: 100%
- discount rate: 5%,

while for the tranche of shares granted in 2012 they were as follows:
- price of the underlying at the grant date: PLN 38.84
- financial target achievement: 100%
- discount rate: 5%,

During the 12 months ended 31 December 2012, the fair value of services received, recognised in accordance with IFRS 2 "Share-based Payments" in labour expenses and equity, amounted to PLN 1,422 thousand.

During the 12 months ended 31 December 2011, the fair value of services received, recognised in accordance with IFRS 2 "Share-based Payments" in labour expenses and equity, amounted to PLN 1,027 thousand.

46. Related party transactions

Transactions with related parties made in 2012 and 2011 and unsettled balances of receivables and liabilities as at 31 December 2012 and 31 December 2011 are presented in the tables below:

	Receivables		**Liabilities**	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
Parent Company and related parties (the Ferrovial Group)	54,408	54,103	132,397	133,056
Jointly-controlled entities	382	1,298	1,071	1,918
Associates	721	19	4,534	7,410
Other related parties*	1,760	4,926	18,803	1,361
Total settlements with related parties	**57,271**	**60,346**	**156,805**	**143,745**

	Sales revenue finished goods and services and other operating income		**Purchase of finished goods and services**	
	2012	**2011**	**2012**	**2011**
Parent Company and related parties (the Ferrovial Group)	38,931	86,758	76,109	94,278
Jointly-controlled entities	715	520	7,889	1,926
Associates	234	78	19,655	15,501
Other related parties*	3,922	111	5,834	2,699
Total settlements with related parties	**43,802**	**87,467**	**109,487**	**114,404**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	Loans granted / (taken out); acquired / (issued) debt securities		Finance revenue / (costs)	
	31 December 2012	31 December 2011	2012	2011
Parent Company and related parties (the Ferrovial Group)	(8,107)	(8,531)	(335)	(620)
Jointly-controlled entities	-	-	-	-
Associates	-	-	30	-
Other related parties*	-	-	-	-
Total settlements with related parties	**(8,107)**	**(8,531)**	**(305)**	**(620)**

*) 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 a significant number of votes at the shareholders' meeting of this company.

In the table above, included under "Parent company and related parties (the Ferrovial Group)" are the financial data relating to transactions with Ferrovial Agroman SA (the sole owner of the Parent Company of Budimex SA, i.e. Valivala Holdings BV), including with Ferrovial Agroman SA Oddział w Polsce [Branch in Poland] and other Ferrovial Group companies: Cintra Infraestructuras SA, Tecpresa SA, Cadagua SA and Cadagua SA Oddział w Polsce [Branch in Poland].

<u>Sales income/ purchase of finished goods and services</u>

Sales income and selling expenses related mainly to the performance of contracts described in note 15 "Joint ventures".

In 2010, Budimex SA signed two agreements with Ferrovial Agroman SA under which Ferrovial renders to the Company services relating to maintenance and development of IT and staff secondment. The costs of these agreements incurred by Budimex SA in 2012 were PLN 1,669 thousand and PLN 5,482 thousand, respectively, and in 2011: PLN 2,678 thousand and PLN 5,903 thousand, respectively.

On 29 October 2012, Budimex SA concluded with Ferrovial Agroman SA a conditional agreement for operational know-how support, streamlining processes and procedures in key areas of construction, investment and management activity. The remuneration under the agreement was agreed as 0.5% of the value of the annual sales revenue of the Budimex Group, less the sales revenue of Budimex Nieruchomości Sp. z o.o., with the stipulation that until the measurement of the transaction price is approved by Polish and Spanish tax authorities, Budimex SA will be remitting to Ferrovial Agroman SA payments reduced by 25%. The agreement covers the period from 1 January 2012 to 31 December 2016. Furthermore, on 3 December 2012, Budimex SA renewed for 2011 the existing agreement in the above respect, which had expired on 31 December 2010. The costs of these agreements incurred by Budimex SA in 2012 amounted to a total of PLN 32,845 thousand.

<u>Loans and borrowings/ debt securities</u>

Based on the agreement dated 1 December 2004, Budimex SA took out from Ferrovial Infraestructuras SA (now Cintra Infraestructuras SA) a loan in the amount of EUR 1,500 thousand, which was granted for the increase in the share capital of Inversora de Autopistas del Levante, S.L. The company Inversora de Autopistas del Levante, S.L. was incorporated on 23 June 2004 as the sole shareholder of Autopista Madrid Levante Concesionaria Española, SA. The main area of business activities of this company is highway building, maintenance and operating the paid for highway Ocaña – La Roda and the free of charge dual carriageway, A–42, section N301, Atalaya del Cañavate. Under the agreement, the loan was granted for the term of 12 months from the date of its conclusion, with an option to extend. If the shares in Inversora de Autopistas del Levante, S.L. are sold, loan will become immediately due and payable. After the maturity date, the loan will be repaid together with interest calculated based on the 1Y EURIBOR+0.75%. On 1 December 2012, the repayment date was extended for one more year and the loan value was increased by the amount of interest accrued as at that date.

Transactions with related parties are made on an arm's length basis.

46.1Remuneration of key members of management

The total value of remuneration, bonuses and awards for the members of the Management Board of Budimex SA in 2012 amounted to PLN 8,406 thousand (of which PLN 2,311 thousand represented performance bonuses for completing the 2011 bonus tasks), of which PLN 6,270 thousand was entered as a cost of Budimex SA. The remaining balance was entered as a cost of its subsidiaries. In 2011, the total value of remuneration of key management personnel was PLN 6,076 thousand, of which PLN 2,171 thousand represented performance bonuses for the completed bonus tasks for the year 2010.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Remuneration of the members of the Management Board in 2012 was as follows:

Dariusz Blocher	PLN 1,760 thousand
Ignacio Botella Rodriguez	PLN 1,510 thousand
Henryk Urbański	PLN 1,141 thousand
Marcin Węgłowski	PLN 1,046 thousand
Jacek Daniewski	PLN 1,052 thousand
Joanna Makowiecka	PLN 1,365 thousand (for the period from 1 January to 31 May 2012)*
Andrzej Artur Czynczyk	PLN 532 thousand (for the period from 14 May to 31 December 2012)

*of which PLN 810 thousand represented non-compete compensation until the end of 2012 and severance payments and unused holiday leave allowances

Additionally, apart from the amounts presented above, in the 12-month period ended 31 December 2012, the estimated costs of share-based payments under Ferrovial SA incentives programmes allocated to the Company's Management Board amounted to PLN 988 thousand and were as follows:

Dariusz Blocher	PLN 357 thousand
Ignacio Botella Rodriguez	PLN 180 thousand
Henryk Urbański	PLN 179 thousand
Marcin Węgłowski	PLN 117 thousand
Jacek Daniewski	PLN 115 thousand
Andrzej Artur Czynczyk	PLN 40 thousand

The total value of remuneration paid to proxies of Budimex SA in 2012 was PLN 1,898 thousand, while in 2011 – EUR 505 thousand and PLN 1,883 thousand.

Individual remuneration of proxies in 2012 was as follows:

Jaime Rontome Pérez	PLN 985 thousand
Jose Emilio Pont Pérez	PLN 913 thousand

The total value of remuneration paid to members of the Supervisory Board in 2012 amounted to PLN 921 thousand (PLN 891 thousand in 2011).

Remunerations of members of the Supervisory Board of Budimex SA in 2012 were as follows:

Marek Michałowski	PLN 151 thousand
Igor Chalupec	PLN 89 thousand
Tomasz Sielicki	PLN 98 thousand
Javier Galindo Hernandez	PLN 89 thousand
Jose Carlos Garrido-Lestache Rodriguez	PLN 89 thousand
Marzenna Anna Weresa	PLN 125 thousand
Piotr Kamiński	PLN 89 thousand
Maciej Stańczuk	PLN 89 thousand
Alejandro de la Joya Ruiz de Velasco	PLN 102 thousand

46.2 Advance payments, loans, guarantees and suretyships and other agreements with Members of the Management or Supervisory Boards

As at 31 December 2012 and 31 December 2011, Members of the Management or Supervisory Boards of the Parent Company, their spouses, direct relatives or persons who are connected by a guardianship or wardship relationship and other persons who are related to them in person did not have any unpaid loans or borrowings or guarantees issued by Budimex SA or its subsidiaries, jointly controlled entities or associates.

As at 31 December 2012 and 31 December 2011, Members of the Management or Supervisory Boards of the subsidiary companies did not have any unpaid loans or borrowings or guarantees issued by those companies and were not parties to any agreements obligating them to provide services to Group companies.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

47. Capital expenditure incurred and planned

Capital expenditure incurred in 2012 amounted to PLN 108,904 thousand, of which PLN 82,510 thousand was allocated to the financial long-term assets and the remaining part was allocated to non-financial long-term assets. Capital expenditure incurred in 2011 amounted to PLN 277,429 thousand, of which PLN 225,429 thousand was allocated to the financial long-term assets and the remaining part was allocated to non-financial long-term assets.

Capital expenditure planned to be incurred in 2013 for non-financial long-term assets amount to PLN 19,000 thousand.

In 2012 and in 2011, Group companies did not incur any environmental protection expenditure and have no plans to incur any such expenditure in the 12-month period after the balance sheet date.

48. Off-balance sheet investment expenditure

As at 31 December 2012, committed investment expenditures amounted to PLN 6,559 thousand and related to the purchase of the shares of Elektromontaż Poznań SA - details of the transaction are set forth in note 52. As at 31 December 2011, there was no committed investment expenditure.

49. Future liabilities under rental or operating lease agreements

Liabilities under rental or operating lease agreements relate mainly to car or office space rental agreements.

Group companies use motor vehicles based on long-term lease contracts. Lease terms vary for individual vehicles from 3 to 5 years. As at 31 December 2012 and 31 December 2011, the value of leased cars recognized in off-balance sheet records was PLN 43,268 thousand and PLN 46,177 thousand, respectively.

Apart from the lease contracts referred to above, Group companies recognize leased trucks under off-balance sheet fixed assets. As at 31 December 2012, the value of leased trucks was PLN 4,593 thousand and as at 31 December 2011: PLN 3,651 thousand.

Budimex SA, Budimex Nieruchomości Sp. z o.o., Budimex Budownictwo Sp. z o.o. and Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. use office space with a usable floor space of 5,156 sq. m located at ul. Stawki 40 in Warsaw under a lease agreement dated 29 October 2002 concluded with Silesian Properties Sp. z o.o. The agreement was concluded until 31 August 2015. The estimated value of the usable floor space used determined based on the value of total minimum lease payments was recognized under off-balance sheet fixed assets and amounted as at 31 December 2012 and 31 December 2011 to EUR 4,561 thousand (PLN 18,647 thousand) and EUR 4,700 thousand (PLN 20,757 thousand), respectively.

The estimated value of space rented by other Group companies was PLN 470 thousand as at 31 December 2012 and PLN 1,660 thousand as at 31 December 2011.

Total minimum lease payments under irrevocable lease agreements amount to the following:

	31 December 2012	31 December 2011
– up to 1 year	22,718	30,311
– 1-5 years	28,203	53,832
– above 5 years	-	11,331
Total	**50,921**	**95,474**

	2012	2011
Lease payments taken to costs	35,223	30,355

In addition, the Group uses land under perpetual usufruct which it received based on an administrative decision. Estimated future payments for the perpetual usufruct were as follows:

	31 December 2012	31 December 2011
– up to 1 year	296	441
– 1-5 years	1,179	1,815
– above 5 years	12,839	13,860
Total	**14,314**	**16,116**

	2012	2011
Fee for perpetual usufruct taken to costs	2,112	2,449

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

50. Financial instruments

50.1 Statement of financial position

The tables below present the carrying amounts of all financial instruments of the Group, divided into classes and categories of assets and liabilities:

Balance as at 31 December 2012

Classes of financial instruments	**Available-for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortised cost**	**Total**
Available-for-sale financial assets	17,135	-	-	-	-	**17,135**
Retentions for construction contracts	-	-	68,621	-	(383,289)	**(314,668)**
Trade and other receivables*	-	-	374,653	-	-	**374,653**
Amounts due and receivable from customers under construction contracts	-	-	227,490	-	-	**227,490**
Derivative financial instruments	-	5,724	-	(257)	-	**5,467**
Cash and cash equivalents	-	1,317,733	-	-	-	**1,317,733**
Loans, borrowings and other external sources of finance	-	-	-	-	(93,685)	**(93,685)**
Amounts due and payable to customers (investors) under construction contracts	-	-	-	-	(534,870)	**(534,870)**
Trade and other liabilities	-	-	-	-	(1,287,594)	**(1,287,594)**
Total	**17,135**	**1,323,457**	**670,764**	**(257)**	**(2,299,438)**	**(288,339)**

*) prepayments made excluded

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Balance as at 31 December 2011

Classes of financial instruments	**Available-for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortised cost**	**Total**
Available-for-sale financial assets	12,146	-	-	-	-	**12,146**
Retentions for construction contracts	-	-	60,277	-	(303,558)	**(243,281)**
Trade and other receivables*	-	-	477,846	-	-	**477,846**
Amounts due and receivable from customers under construction contracts	-	-	229,762	-	-	**229,762**
Derivative financial instruments	-	141	-	(12,330)	-	**(12,189)**
Cash and cash equivalents	-	1,761,630	-	-	-	**1,761,630**
Loans, borrowings and other external sources of finance	-	-	-	-	(111,734)	**(111,734)**
Amounts due and payable to customers (investors) under construction contracts	-	-	-	-	(1,037,987)	**(1,037,987)**
Trade and other liabilities	-	-	-	-	(1,698,239)	**(1,698,239)**
Total	**12,146**	**1,761,771**	**767,885**	**(12,330)**	**(3,151,518)**	**(622,046)**

*) prepayments made excluded

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

50.2 Income, costs, gains and losses recognized in the profit and loss account classified into financial instrument categories

For the period from 1 January 2012 to 31 December 2012

	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Interest income/ (expense)	-	31,528	26,156	-	(679)	**57,005**
Foreign exchange gains/ (losses)	-	(1,769)	(4,045)	-	8,840	**3,026**
Reversal / (creation) of impairment write-offs	(4,916)	-	(46,595)*	-	1,178	**(50,333)**
Valuation gains/ (losses)	-	17,694	-	(38)	(14,991)	**2,665**
Gains /(losses) from disposal /realization of financial instruments	-	(459)	-	(3,534)	-	**(3,993)**
Total	**(4,916)**	**46,994**	**(24,484)**	**(3,572)**	**(5,652)**	**8,370**

* of which PLN 47,085 thousand in note 36 was recognised in item “deconsolidation of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.” – details set forth in note 8

For the period from 1 January 2011 to 31 December 2011

	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Interest income/ (expense)	-	41,308	2,485	-	5,364	**49,157**
Foreign exchange gains/ (losses)	-	388	9,212	-	(15,545)	**(5,945)**
Reversal / (creation) of impairment write-offs	(7,489)	-	(42)	-	1,819	**(5,712)**
Valuation gains/ (losses)	-	(9,764)	-	(5,122)	(12,270)	**(27,156)**
Gains /(losses) from disposal /realization of financial instruments	-	2,813	-	855	-	**3,668**
Total	**(7,489)**	**34,745**	**11,655**	**(4,267)**	**(20,632)**	**14,012**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

50.3 Financial assets and liabilities measured at fair value

The following tables provide an analysis of the Group's financial assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable (see note 2.15)

	31 December 2012			
	Fair value measurement			
Financial assets at fair value through profit or loss	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments	-	5,724	-	**5,724**
Cash and cash equivalents	-	1,317,733		**1,317,733**
Total	**-**	**1,323,457**	**-**	**1,323,457**

	31 December 2012			
	Fair value measurement			
Financial liabilities at fair value through profit or loss	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments	-	257	-	**257**
Total	**-**	**257**	**-**	**257**

During the 12 months ended 31 December 2012, there was no transfer between Level 1 and Level 2 fair value measurements, and no transfer into and out of Level 3 fair value measurement.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	31 December 2011			
	Fair value measurement			
Financial assets at fair value through profit or loss	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments	-	141	-	**141**
Cash and cash equivalents	-	1,761,630		**1,761,630**
Total	**-**	**1,761,771**	**-**	**1,761,771**

	31 December 2011			
	Fair value measurement			
Financial liabilities at fair value through profit or loss	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments	-	12,330	-	**12,330**
Total	**-**	**12,330**	**-**	**12,330**

During the 12 months ended 31 December 2011, there was no transfer between Level 1 and Level 2 fair value measurements, and no transfer into and out of Level 3 fair value measurement.

51. Legal proceedings pending as at 31 December 2012

The total value of the legal proceedings in respect of the liabilities of Budimex SA and its subsidiaries as at 31 December 2012 amounts to PLN 277,913 thousand. The proceedings involving Budimex SA and its subsidiaries concern 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.

In the course of the case PPL filed a counter-claim of a total amount of PLN 135,719 thousand, covering claims for the redress of damage, including lost benefits, return of unjust enrichment and liquidated damages. On 31 July and 26 October 2009, PPL filed to the 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.

In the opinion of Budimex SA, all the claims under the counter-suit are groundless. Consequently, on 21 October 2008, the FBL Consortium filed a response to the counterclaim, which contained a motion to dismiss the action in its entirety, together with the statement on the groundlessness of PPL's claims. To date, there have been a dozen or so trials during which witnesses for the claimant and the counter-claimant have been examined with respect to the circumstances included in PPL's counter-claim.

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. To date, there have been several meetings with proxies of parties and the expert and there was an inspection of the airport objects with the participation of the aforementioned expert in March 2011. Technical opinion prepared by the expert, that was delivered to proxies of both parties on 29 July 2011, represented the result of his work. The 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.

On 28 January 2013, the court issued a decision, in which it accepted the offer of the previous expert Grupa BS Consulting for the preparation of an opinion regarding the amount of the extended claims made by the FBL Consortium. Due to the contents of the expert's first opinion the FBL Consortium filed an application for setting a hearing date in order to assess the validity of issuing an opinion by the expert in respect of PPL's claims, because according to the FBL Consortium it was stated in the first opinion that PPL's claims are unjustified and there is no need to commission the expert with work regarding the amount of the claims. As at the date of this report, the FBL Consortium's application has not been examined yet.

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

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

Having received the reason for the partial judgement from the Arbitration Court, the consortium filed, in the common court, a motion on ascertainment of enforceability of the verdict of the Court of Arbitration through giving an enforcement clause. On 8 May 2009 PPL filed a claim to dismiss the partial verdict and simultaneously to defer the verdict's enforceability of the Court of Arbitration. On 31 May 2010, the Regional Court in Warsaw quashed the partial verdict of the Court of Arbitration, claiming that the appealed sentence of the Court of Arbitration violates the public order rules with regard to adjudicating the compensation jointly in favour of three entities. The verdict was issued with regard to Budimex SA, which the Regional Court considered to be the only party subject to the proceedings in the case, at the same time finding that a partial verdict could not be issued against Ferrovial Agroman SA – Branch in Poland and Estudio Lamela SL – Branch in Poland, as the branches of these companies have no legal personality separate from the company. Therefore, in the verdict issued by the Regional Court, the proceedings against these parties were cancelled and the complaint filed in this respect (with regard to those parties) was rejected. All three consortium members filed an appeal with the Court of Appeals against the above ruling of the Regional Court. Ferrovial Agroman and Estudio Lamela filed a complaint against the decision regarding the abolition of proceedings against them. The complaints were considered and were in total allowed for by the Court of Appeals. The Court of Appeals reconsidering the complaints quashed the complained sentenced and agreed with the statements of Ferrovial Agroman and Estudio Lamela that as foreign entrepreneurs (and not as their branches in Poland) had legitimacy to act as a party in the trial and that the partial verdict issued by the Arbitration Court was correctly issued in this respect. In connection with the above ruling of the Court of Appeals of 4 January 2012, the Regional Court in Warsaw amended the ruling issued on 31 May 2010, by appealing in its entirety the award of the Court of Arbitration, also with respect to Ferrovial Agroman SA Oddział w Polsce [Branch in Poland] and Estudio Lamela SL. Ferrrovial and Lamela filed an appeal against that ruling, which was the same as the appeal filed by Budimex SA.

On 23 August 2012, upon jointly considering the appeals brought by all three consortium members, the Court of Appeals in Warsaw issued a verdict that amended the verdicts of the Regional Court of May 2010 and January 2012 by dismissing in its entirety PPL's complaint seeking repeal of the partial award of the Court of Arbitration. This means that the Court of Appeals found that the verdict issued by the Court of Arbitration had been issued validly in accordance with the public policy clause. The ruling was final and even though it was eligible for a cassation appeal with the Supreme Court, the verdict provided the grounds for the FBL Consortium reinstating the proceedings to declare enforceable the verdict of the Court of Arbitration by giving it an enforcement clause. 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. On 3 December 2012, PPL filed a cassation appeal to the Supreme Court. The FBL Consortium filed a response to the appeal on 21 December 2012. In the filed response the FBL Consortium applied for a refusal to accept the cassation appeal to be examined or for a dismissal of the cassation appeal. The decision regarding the acceptance of the cassation appeal to be examined should be made in the first half of 2013. The Supreme Court ruling may affect the effectiveness of the enforcement.

On 16 December 2010, Tomasz Ryskalok and Rafał Ryskalok, conducting business as a civil law partnership under the name Cerrys S.C., residing 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 the agreement concluded on 19 May 2003 with a value of 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 date of payment. In the opinion of Budimex SA, the claim constituting the subject matter of the argument is absolutely groundless and there is no basis, either formal or factual, for considering it (the deadline for submitting the claims in question expired, the limit concerning contractual penalties - i.e. up to 15% of the value of the agreement - has not been taken into account, and the defect is not material). To date, there have been seven hearings during which witnesses for the claimant and defendant were examined. The next hearing has been scheduled for 26 March 2013 and is to include subsequent witness testimonies.

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 contractor costs incurred by the investor when the consortium rescinded the contract. The Budimex Group's share in consortium was 90%, therefore the value of the claim for which the Budimex SA is liable is PLN 22,727 thousand. In 2012, three hearings were held before the common court, during which witnesses of the claimant were examined. The expert then prepared an opinion to which the parties responded. The next trials in 2013 will be dedicated to examination of the remaining witnesses of the claimant.

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

The total value of the legal proceedings in respect of the receivables due to Budimex SA and its subsidiaries as at 31 December 2012 amounts to PLN 278,271 thousand. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed.

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 calculated for the period from 5 November 2007 and reimbursement of court fees in the amount of PLN 143 thousand. The claim filed by Budimex Dromex related to the refund of the amount drawn by the Municipal Commune of Kraków on 5 November 2007 from the bank guarantee provided by Budimex Dromex SA as the performance bond for the contract for engineering, design and execution of a sports and show hall in Kraków – Czyżyny concluded on 20 December 2005 between the Consortium of Budimex Dromex SA, Ferrovial Agroman SA and Decathlon SA, and the Municipal Commune of Kraków. The commune drew this amount for the stipulated penalty provided by the contract after previous declaration of withdrawal from the contract and associated imposing of a stipulated penalty despite the fact that Budimex Dromex SA put the legitimacy of imposing of this penalty in question. On 15 July 2009, the Court of Appeals in Kraków, acting as the court of second instance in the proceedings described above, handed down a verdict amending the verdict of the Court of first instance, ordering payment by the Municipal Commune of Kraków to Budimex Dromex SA of the amount of PLN 6,903 thousand together with statutory interest calculated starting on 20 November 2007 until the date of payment and reimbursement of court fees in the amount of PLN 20 thousand. The Court of Appeals dismissed the remainder of the appeal of the Municipal Commune of Kraków and ordered the payment by Budimex Dromex SA to the Municipal Commune of the amount of PLN 70 thousand as the cost of the appellate proceedings. Budimex Dromex SA appealed to the Supreme Court for cassation of this verdict. On 20 October 2010, the Supreme Court granted the cassation and referred the matter for review by the Court of Appeals. In its verdict of

17 February 2011, the Court of Appeals in Kraków, having re-examined the appeal of the Urban Municipality of Kraków against the decision of the Regional Court in Kraków of 10 March 2008, reversed the decision of the Regional Court in Kraków of 10 March 2008 in the part regarding the claim for the amount exceeding PLN 6,903 thousand (i.e. the amount of PLN 13,805 thousand) and referred the case to the Regional Court in Kraków for re-examination and adjudication on legal costs. The case brought by Budimex SA (as a general successor of Budimex Dromex SA) against the Urban Municipality of Kraków for the payment of PLN 20,708 thousand has become final with regard to the amount of PLN 6,903 thousand plus statutory interest calculated from 20 November 2007, having been adjudicated to be paid by the Urban Municipality of Kraków to Budimex SA. The remaining elements of the claim currently are being re-examined by the Regional Court in Kraków. The court accepted as evidence the documents and expert's opinions submitted by Budimex SA. After the expert prepared its opinion, it was addressed by the parties in their pleadings. The next hearing is scheduled for May 2013.

On 7 July 2009, Budimex SA filed with the Regional Court in Białystok, 1st Civil Division, a motion against the General Directorate for National Roads and Highways for payment of a contractual penalty for rescinding the construction works agreement regarding a bypass for the city of Augustów along national road number 8 (Polish border – Wrocław – Białystok – Suwałki – Polish border). On 10 November 2011, the Regional Court issued a non-final verdict in which it awarded to Budimex SA 50% of the contractual penalty being pursued, finding it to be reasonable, i.e. PLN 21,948 thousand together with statutory interest as of 27 February 2009. In January 2012, appeals were filed with regard to the amount of the dismissed claim, both by Budimex SA and by the State Treasury. On 21 September 2012, the Court of Appeals dismissed both appeals and waived the cost of the proceedings. The verdict is currently in force. On 27 September 2012, GDDKIA paid Budimex SA the amount awarded together with interest, i.e. a total of PLN 32,223 thousand.

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

52. Events after the balance sheet date

On 4 January 2013 the condition of obtaining the legally required permit of the President of the Office for Competition and Consumer Protection for the concentration was met. Consequently, a payment of PLN 6,559 thousand was made for 19.88% of the shares in the company under the name of Elektromontaż Poznań SA (ELSA). Upon crediting the bank account of Bank Handlowy w Warszawie SA and upon the Bank's statement of transferring shares to Budimex SA on 4 January 2013, Budimex SA became the owner of 50.66% shares of ELSA and obtained control over the company and companies forming part of the Elektromontaż Poznań SA Group. As at 31 December 2012, Budimex SA held 30.78% of the shares in ELSA, which was its associate at that time.

As at the authorization date of these statements for publication, the preliminary settlement of the takeover is not complete. This stems from the fact that the audit of the consolidated financial statements of the Elektromontaż SA Group has not been completed yet, which means that the data to be used for the settlement are not available.

Until the date of publication of these consolidated financial statements, there were no other significant events that should be disclosed.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

53. Contingent liabilities and contingent receivables

	31 December 2012	31 December 2011*
Contingent receivables		
From related parties, of which:		
– guarantees and suretyships received	2,372	-
– bills of exchange received as security	-	-
From related parties, total	**2,372**	**-**
From other entities		
– guarantees and suretyships received	349,791	358,041
– bills of exchange received as security	14,195	20,228
From other entities, total	**363,986**	**378,269**
Other contingent receivables	3,000	-
Total contingent receivables	**369,358**	**378,269**
Contingent liabilities		
To related parties, of which:		
– guarantees and suretyships issued	803	503
– bills of exchange issued as performance bond	-	-
To related parties, total	**803**	**503**
To other entities, of which:		
– guarantees and suretyships issued	1,423,993	1,801,518
– bills of exchange issued as performance bond	5,732	30,613
To other entities, total	**1,429,725**	**1,832,131**
Other contingent liabilities	143,180	138,719
Total contingent liabilities	**1,573,708**	**1,971,353**
Total off-balance sheet liabilities	**(1,204,350)**	**(1,593,084)**

*the 2011 data include the recently disclosed contingent liabilities

Contingent receivables arising from guarantees and suretyships represent guarantees issued by banks or other entities in favour of Budimex Group companies serving as security for the Group's claims against business partners in connection with executed construction contracts.

Contingent liabilities arising from guarantees and suretyships represent guarantees issued by banks to business partners of Group companies to secure their claims against Group companies that may arise on the grounds of executed construction contracts. The banks are entitled to recourse claims against Group companies under these guarantees. Guarantees issued to the investors of the Group represent an alternative, to the retentions held, method of securing potential investor claims relating to construction contracts. At the same time, the risk relating to warranty repairs assessed by the Management Board of the Group as probable was appropriately reflected in the warranty repair reserves, as described in note 29 to these consolidated financial statements.

The promissory notes issued represent a security for the settlement of liabilities towards 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 investors of the amounts due to the Group.

54. Employment structure

Employee group	**Number of employees as at 31 December**	
	2012	**2011**
Blue collar employees	2,685	4,263
White collar employees	2,362	2,807
Total	**5,047**	**7,070**

55. Significant events with an impact on the Group financial situation

Budimex SA has a 37% share in the consortium set up with Ferrovial Agroman SA and Estudio Lamela S.L. (the "Consortium") to perform a contract for developing and modernizing (together with full technical infrastructure) Warsaw Frederic Chopin Airport – Terminal II *(Międzynarodowy Port Lotniczy Warszawa Okęcie*) of an original value of USD 198,850 thousand and a completion date of 14 November 2005. In the first quarter of 2005, the investor extended the work completion deadline to 15 April 2006 due to a 5-month delay in the Consortium obtaining planning permission (for reasons independent of the Consortium). On 15 September 2006, the Consortium signed an Annex to the above contract with the airport managing company, Przedsiębiorstwo Państwowe Porty Lotnicze. Due to the scope of work being extended and taking into account compensation for the additional general costs incurred by the Consortium in the extended period, the total value of the contract increased to USD 247,687 thousand. The Parties agreed that the new work completion deadline would be 30 November 2007. The investor, Przedsiębiorstwo Państwowe Porty Lotnicze, also imposed on the Consortium liquidated damages (as provided for in the original contract) of USD 6,378 thousand for the delay in contract performance past the deadline of 15 April 2006.

On 12 October 2007, Budimex SA received a statement from Przedsiębiorstwo Państwowe Porty Lotnicze ("PPL") to the effect that it was rescinding the contract for the development of the Warsaw Frederic Chopin Airport. On 29 October 2007, the Management Board of Budimex SA was informed by the company's banks that Przedsiębiorstwo Państwowe Porty Lotnicze had demanded payment from the bank guarantee of USD 8,665 thousand towards Budimex SA's share, as a member of the Consortium carrying out the development project at the Warsaw Frederic Chopin Airport. In the period 2-9 November 2007, payments were made to PPL under the bank guarantee in proportion to Budimex's share in the Consortium of a total amount of PLN 21,612 thousand. According to the Consortium, the demands for payments from the bank guarantees were made in breach of the Contract and the Civil Code, which became the subject of litigation proceedings, further described in note 51. On 23 August 2012, the Court of Appeals in Warsaw dismissed in its entirety PPL's complaint seeking dismissal of the partial award of the Court of Arbitration. Thus, the claim granted by the court became due and payable, which together with statutory interest for late payment in the portion attributable to Budimex SA amounted to PLN 35,168 thousand (where PLN 21,612 thousand represented reimbursement of the performance bond). The amount was transferred to the bank account of Budimex SA on 28 September 2012.

Income and expenses and assets and liabilities related to the realization of the contract in the part falling to Budimex SA were accounted for in the Company's books accordingly. As at 31 December 2012, there were no capital liabilities regarding the contract. Contingent liabilities resulting from counter-claim statements have been described in note 51.

According to the Management Board's best estimates, as at the date of these financial statements, the total loss incurred by Budimex on this contract (proportionate to Budimex's share in the Consortium), taking into account other operating costs/income and other finance costs/income (including the result on forward contracts entered into to minimize foreign exchange risk) was PLN 99,870 thousand as at 31 December 2012 (as at 31 December 2011: PLN 98,258 thousand). Budimex's loss on the entire contract, without taking into account the result of other operating and financial activities, was PLN 142,095 thousand as at 31 December 2012 (as at 31 December 2011: PLN 140,483 thousand). As the Consortium has not completed its financial settlements with PPPL and its subcontractors and due to the arbitration proceedings pending, the final result of the contract performance may change.

On 23 January 2010, the Management Board of Budimex SA learned that the condition concerning the construction and operation of the A1 highway between Stryków and Pyrzowice in the concession system in accordance with the agreement signed on 22 January 2009 between Autostrada Południe SA and the State Treasury had not been fulfilled. Due to the above, Phase II (referring to construction work) of the agreement concluded on 19 January 2010 by and between Budimex SA Ferrovial Agroman SA Sp. J. (formerly: Budimex Dromex SA Ferrovial Agroman SA Sp. J.) and Autostrada Południe SA for the design and construction of the section of the A1 highway between Stryków and Pyrzowice did not become effective. Phase I covered design work with a value of PLN 180,000 thousand, which commenced in 2009 pursuant to the preliminary agreement concluded by Autostrada Południe SA, Budimex Dromex SA and Ferrovial Agroman SA on 30 May 2008.

In March 2010, the Management Board of Budimex SA learned that the Ministry of Infrastructure did not approve the project documentation prepared by the company in favour of Autostrada Południe SA. Due to the above, there is a risk that the full amount of contract costs incurred by Budimex Spółka Akcyjna Ferrovial Agroman Spółka Akcyjna Spółka Jawna (in which Budimex SA holds 50% shares) will not be recovered from Autostrada Południe SA unless it is proved that the lack of payments in favour of Autostrada Południe SA from the State Treasury does not result form the defect of the project delivered by Budimex Spółka Akcyjna Ferrovial Agroman Spółka Akcyjna Spółka Jawna or the defects are the consequence of the requirements of Autostrada Południe SA, different from the requirements of the State Treasury as an investor.

On 21 December 2011 Autostrada Południe SA filed a claim to the court against the State Treasury represented by the Ministry of Transportation, Construction and Naval Economy, calling for payment of PLN 176,855 thousand regarding design works, for which the contractor was Budimex Spółka Akcyjna Ferrovial Agroman Spółka Akcyjna Spółka Jawna. In 2012, partial evidentiary proceedings and witness interrogation took place. Due to the need to examine evidence in the form of an expert's opinion, decisions are still pending as to its appointment. Therefore, as at the date of these financial statements, the date of the next hearing is not yet known.

Sales revenue arising from realised design work, taking into consideration the anticipated risks, recognised in the prior years by Budimex Spółka Akcyjna Ferrovial Agroman Spółka Akcyjna Spółka Jawna falling to Budimex SA amounted to PLN 72,505 thousand. Budimex Spółka Akcyjna Ferrovial Agroman Spółka Akcyjna Spółka Jawna made an impairment write-down against receivables due from Autostrada Południe SA, of which PLN 39,850 thousand was attributable to Budimex SA, and recognized a provision for liability regarding compensations in favour of Autostrada Południe SA, of which PLN 12,655 thousand was attributable to Budimex SA.

Dariusz Blocher	President of the Management Board	....	Henryk Urbański	Member of the Management Board	....
Name and surname	Position	Signature	Name and surname	Position	Signature
Ignacio Botella Rodriguez	Vice-President of the Management Board	....	Marcin Węgłowski	Member of the Management Board	....
Name and surname	Position	Signature	Name and surname	Position	Signature
Jacek Daniewski	Member of the Management Board	....	Grzegorz Fąfara	Chief Accountant	....
Name and surname	Position	Signature	Name and surname	Position	Signature
Andrzej Artur Czynczyk	Member of the Management Board	....			
Name and surname	Position	Signature		Warsaw, 15 March 2013	