

The Budimex Group

Condensed consolidated financial statements

for III quarters of 2012

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

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Consolidated statement of financial position

ASSETS	30 September 2012	31 December 2011
	(PLN thousands)	(PLN thousands)
Non-current assets		
Property, plant and equipment	234 809	274 001
Investment properties	3 121	3 278
Intangible assets	3 482	7 489
Goodwill	89 356	134 356
Equity accounted investments	12 753	13 503
Available-for-sale financial assets	11 898	12 146
Retentions for construction contracts	23 792	37 883
Other long-term receivables	-	24
Long-term prepayments and deferred costs	4 830	6 498
Deferred tax asset	259 865	312 032
Total non-current assets	643 906	801 210
Current assets		
Inventories	1 089 588	1 115 558
Trade and other receivables	660 917	511 961
Retentions for construction contracts	47 752	22 394
Amounts due and receivable from customers (investors) under construction contracts	477 132	229 762
Current tax receivable	184	5 985
Derivative financial instruments	4 541	141
Cash and cash equivalents	913 227	1 761 630
Short-term prepayments and deferred costs	14 053	13 919
	3 207 394	3 661 350
Non-current assets classified as held for sale	27 716	-
Total current assets	3 235 110	3 661 350
TOTAL ASSETS	3 879 016	4 462 560

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Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	30 September 2012	31 December 2011
	(PLN thousands)	(PLN thousands)
Shareholders' equity		
Shareholders' equity attributable to the shareholders of the Parent Company		
Share capital	145 848	145 848
Share premium	234 799	234 799
Other reserves	1 283	1 283
Foreign exchange differences on translation of foreign operations	3 113	2 229
Retained earnings/(losses)	(61 755)	141 671
Total shareholders' equity attributable to the shareholders of the Parent Company	323 288	525 830
Non-controlling interests	-	-
Total shareholders' equity, incl. non-controlling interests	323 288	525 830
Liabilities		
Non-current liabilities		
Loans, borrowings and other external sources of finance	81 781	73 981
Retentions for construction contracts	148 779	150 122
Provision for long-term liabilities and other charges	138 114	124 665
Long-term retirement benefits and similar obligations	11 385	11 385
Total non-current liabilities	380 059	360 153
Current liabilities		
Loans, borrowings and other external sources of finance	20 592	37 753
Trade and other payables	1 622 472	1 698 239
Retentions for construction contracts	214 946	153 436
Amounts due and payable to customers (investors) under construction contracts	640 154	1 037 987
Prepayments received	370 561	357 956
Provision for short-term liabilities and other charges	122 349	105 529
Current tax payable	771	-
Short-term retirement benefits and similar obligations	5 045	5 044
Derivative financial instruments	626	12 330
Short-term accruals	170 259	162 231
Short-term deferred income	7 894	6 072
	3 175 669	3 576 577
Liabilities directly associated with the assets (disposal groups) classified as held for sale	-	-
Total current liabilities	3 175 669	3 576 577
Total liabilities	3 555 728	3 936 730
TOTAL EQUITY AND LIABILITIES	3 879 016	4 462 560

Consolidated income statement

	9-month period ended	3-month period ended	9-month period ended	3-month period ended
	30 September 2012		30 September 2011	
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Continuing operations				
Net sales of finished goods, goods for resale, raw materials and services	4 580 432	1 696 667	3 822 674	1 573 786
Cost of finished goods, goods for resale, raw materials and services sold	(4 283 795)	(1 629 340)	(3 500 073)	(1 455 477)
Gross profit on sales	296 637	67 327	322 601	118 309
Selling expenses	(15 955)	(4 596)	(16 954)	(5 964)
Administrative expenses	(139 965)	(43 305)	(103 416)	(34 978)
Other operating income	52 996	34 201	67 048	22 960
Other operating expenses	(95 401)	(7 430)	(20 902)	3 173
Gains/ (losses) on derivative financial instruments	11 086	6 761	(11 416)	(11 961)
Operating profit	109 398	52 958	236 961	91 539
Finance income	56 758	31 589	40 389	13 171
Finance costs	(31 126)	(8 864)	(34 514)	(12 379)
Share of results of equity accounted companies	(729)	31	(2 170)	176
Profit before tax	134 301	75 714	240 666	92 507
Income tax	(57 662)	(21 162)	(46 775)	(18 406)
Net profit from continuing operations	76 639	54 552	193 891	74 101
Net profit for the period	76 639	54 552	193 891	74 101
Of which:				
Attributable to the shareholders of the Parent Company	76 639	54 552	193 891	74 101
Attributable to non-controlling interest	-	-	-	-
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	3.00	2.14	7.59	2.90

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Consolidated statement of comprehensive income

	9-month period ended	3-month period ended	9-month period ended	3-month period ended
	30 September 2012		30 September 2011	
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Net profit for the period	76 639	54 552	193 891	74 101
Other comprehensive income for the period:				
Foreign exchange differences on translation of foreign operations	884	1 027	789	871
Deferred tax related to components of other comprehensive income	-	-	-	-
Other comprehensive income, net of tax	884	1 027	789	871
Total comprehensive income for the period	77 523	55 579	194 680	74 972
Of which:				
Attributable to the shareholders of the Parent Company	77 523	55 579	194 680	74 972
Attributable to non-controlling interests	-	-	-	-

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Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves – share-based payments	Foreign exchange differences on translation of foreign operations	Retained earnings/ (losses)			
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Balance as at 1 January 2012	145 848	234 799	1 283	2 229	141 671	525 830	-	525 830
Profit for the period	-	-	-	-	76 639	76 639	-	76 639
Other comprehensive income	-	-	-	884	-	884	-	884
Total comprehensive income for the period	-	-	-	884	76 639	77 523	-	77 523
Dividends	-	-	-	-	(280 065)	(280 065)	-	(280 065)
Balance as at 30 September 2012	145 848	234 799	1 283	3 113	(61 755)	323 288	-	323 288

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Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves – share-based payments	Foreign exchange differences on translation of foreign operations	Retained earnings/ (losses)			
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)			
Balance as at 1 January 2011	145 848	234 799	256	1 611	297 891	680 405	-	680 405
Profit for the period	-	-	-	-	193 891	193 891	-	193 891
Other comprehensive income	-	-	-	789	-	789	-	789
Total comprehensive income for the period	-	-	-	789	193 891	194 680	-	194 680
Dividends	-	-	-	-	(231 814)	(231 814)	-	(231 814)
Balance as at 30 September 2011	145 848	234 799	256	2 400	259 968	643 271	-	643 271
Profit for the period	-	-	-	-	66 983	66 983	-	66 983
Provisional accounting adjustments	-	-	-	-	(5 263)	(5 263)	-	(5 263)
Impairment of goodwill	-	-	-	-	(180 017)	(180 017)	-	(180 017)
Other comprehensive income	-	-	-	(171)	-	(171)	-	(171)
Total comprehensive income for the period	-	-	-	(171)	(118 297)	(118 468)	-	(118 468)
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

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Consolidated statement of cash flow

	9-month period ended 30 September	
	2012	2011
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	134 301	240 666
Adjustments for:		
Depreciation/ amortization	40 218	21 278
Share of results of equity accounted companies	729	2 170
Impairment of goodwill	45 000	-
Foreign exchange (gains)/losses	(1 385)	496
Interest and shares in profits (dividends)	3 828	910
Loss on disposal of investments	3 625	2 413
Change in valuation of derivative financial instruments	(16 104)	15 610
Operating profit before changes in working capital	210 212	283 543
Change in receivables and retentions for construction contracts	(164 873)	(273 503)
Change in inventories	25 970	(83 533)
Change in provisions and liabilities arising from retirement benefits and similar obligations	30 270	4 170
Change in retentions for construction contracts and in liabilities, except for loan and borrowings liabilities	(13 733)	138 488
Change in accruals and accrued income	11 384	(7 224)
Change in amounts due and receivable under construction contracts	(645 203)	(628 149)
Change in prepayments received	12 605	88 577
Change in cash and cash equivalents of restricted use	16 084	(14 488)
Other adjustments	437	659
Cash generated from operations	(516 847)	(491 460)
Income tax paid	1 077	(174 917)
NET CASH USED IN OPERATING ACTIVITIES	(515 770)	(666 377)

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Consolidated statement of cash flow (cont.)

	9-month period ended 30 September	
	2012	2011
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of intangible assets and tangible fixed assets	1 980	12 745
Purchase of intangible assets and tangible fixed assets	(22 675)	(1 663)
Sale of financial assets in related entities	4 676	(1)
Purchase of available-for-sale financial assets	(4 668)	(312)
Sale of financial assets at fair value through profit or loss	-	14 013
Interest received	-	197
NET CASH FROM INVESTING ACTIVITIES	(20 687)	24 979
CASH FLOW FROM FINANCING ACTIVITIES		
Loans and borrowings taken out	48 397	26 038
Repayment of loans and borrowings	(49 204)	(2 947)
Dividends paid	(280 065)	(231 814)
Payment of finance lease liabilities	(11 392)	(9 074)
Interest paid	(3 659)	(973)
NET CASH USED IN FINANCING ACTIVITIES	(295 923)	(218 770)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(832 380)	(860 168)
Foreign exchange differences, net	61	367
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 3.5)	1 740 488	1 861 547
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 3.5)	908 169	1 001 746

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

1.1. The Parent Company

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

The main areas of the business activities of the Group are widely understood construction-assembly services realized in the system of general execution at home and abroad, developer activities, property management, and limited scope trading, production, transport and other business. Budimex SA serves in the Group as an advisory, management and financial centre. Realization of these three functions is to facilitate:

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

1.2. Entities subject to consolidation

As at 30 September 2012, 31 December 2011 and 30 September 2011 the following companies were subject to consolidation:

Company name	Registered office	% in the share capital as at			Consolidation method
		30 September 2012	31 December 2011	30 September 2011	
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	100.00%	full
Budimex Danwood Sp. z o.o.	Bielsk Podlaski / Poland	100.00%	100.00%	100.00%	full
Budimex Bau GmbH	Cologne / Germany	100.00%	100.00%	100.00%	full
Budimex Nieruchomości Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%	full
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%	full
Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. w upadłości układowej ¹	Warsaw / Poland	100.00%	100.00%	-	full
SPV-BN 1 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%	full
SPV-BN 2 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%	full
Budimex SA Ferrovial Agroman SA s.c.	Warsaw / Poland	99.98%	99.98%	99.98%	proportionate
Budimex SA Sygnity SA Sp. j.	Warsaw / Poland	67.00%	67.00%	67.00%	proportionate
Budimex SA Ferrovial Agroman SA Sp. j.	Warsaw / Poland	50.00%	50.00%	50.00%	proportionate
Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o.	Warsaw / Poland	30.00%	30.00%	30.00%	proportionate

¹) Company purchased by Budimex SA on 16 November 2011. The court declared the company to be bankrupt open to composition agreements on 13 September 2012.

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

In the 9-month period ended 30 September 2012, there were no changes in the composition of the Group nor were any significant activities discontinued.

There are no plans to discontinue any significant activities in the future, although the court declared Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. to be bankrupt open to composition agreements on 13 September 2012. The construction services in the railway sector are also rendered by other companies from the Group.

2. Shareholders of the Parent Company

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at the date of publication of the report was as follows:

Shareholder	Type of shares	Number of shares	% of the share capital	Number of votes	% of voting rights at the AGM
Valivala Holdings B.V. Amsterdam (Holland) – the Company from the Ferrovial SA Group (Spain)	ordinary	15 078 159	59.06%	15 078 159	59.06%
OFE PZU „Złota Jesień”	ordinary	1 900 000	7.44%	1 900 000	7.44%
Other shareholders	ordinary	8 551 939	33.50%	8 551 939	33.50%
Total		25 530 098	100.00%	25 530 098	100.00%

From the date of publication of the report for the half-year ended 30 June 2012, i.e. 31 August 2012, the shareholding structure has not changed.

3. Principles applied for the purpose of preparation of financial statements

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

These condensed consolidated financial statements were prepared in accordance with IAS 34 “Interim Financial Reporting” and appropriate accounting standards applicable for preparation of the interim consolidated financial statements adopted by the European Union issued and effective when preparing the interim consolidated financial statements applying the same principles for the current and comparable period. Details of the accounting policies adopted by the Group were described in the consolidated financial statements of the Group for the year ended 31 December 2011, published on 20 March 2012.

The consolidated financial statements were prepared on the assumption that the Parent Company and the entities included in the Budimex Group will be going concerns in the foreseeable future. On 13 September 2012 the court declared Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. to be bankrupt open to composition agreements. According to the Management Board of the Parent Company it has not influenced the basis of preparing these condensed interim consolidated financial statements nor does it constitute a prerequisite of a threat to the Group’s ability to continue as a going concern in the future.

Standards and Interpretations effective in the current period

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

- **Amendments to 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:

- **Amendments to IAS 1 “Presentation of financial statements”** - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),
- **Amendments to IAS 19 “Employee Benefits”** - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013).

The Group anticipates that the adoption of the amendments to the above mentioned standards will have no material impact on the financial statements of the Group.

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 29 October 2012:

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2015),
- **IFRS 10 “Consolidated Financial Statements”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 11 “Joint Arrangements”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 12 “Disclosures of Interests in Other Entities”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 13 “Fair Value Measurement”** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 27 (revised in 2011) “Separate Financial Statements”** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”** (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 1 “First-time Adoption of IFRS”** - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),
- **Amendments to IFRS 1 “First-time Adoption of IFRS”** - Government Loans (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 7 “Financial Instruments: Disclosures”** - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013),

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- **Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures”** – Mandatory Effective Date and Transition Disclosures,
- **Amendments to IAS 12 “Income Taxes”** - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),
- **Amendments to IAS 32 “Financial instruments: presentation”** - Offsetting Financial Assets and Financial Liabilities (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),
- **“Transition Guidance”** – amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 1 January 2013),
- **IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”** (effective for annual periods beginning on or after 1 January 2013).

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.

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

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

Starting from 1 January 2012, perpetual usufruct is depreciated over the period of its estimated useful life. Before, as described in the consolidated financial statements of the Group for the year 2011, perpetual usufruct was not depreciated. The aforementioned change of valuation method has no significant impact on the balance sheet value of perpetual usufruct and the amount of net result of the Group for the 9-month period of 2012.

3.3. Non-current assets classified as held for sale

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

Non-current assets classified as held for sale are valued at the lower of carrying amount and fair value less costs to sell.

Non-current assets classified as held for sale as at 30 September 2012 and 31 December 2011 are presented in the table below:

	30 September 2012	31 December 2011
	(in PLN thousands)	(in PLN thousands)
Non-current assets classified as held for sale, of which:	27 716	-
– <i>property, plant and equipment</i>	27 716	-
Total	27 716	-

3.4. Translation of selected financial data into euro

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

- individual asset and liability items – using the average exchange rate prevailing as at 30 September 2012 – 4.1138 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the 9-month period ended 30 September 2012 – using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2012 to 30 September 2012 – 4.1948 PLN/EUR,
- individual asset and liability items of comparative financial data for the year 2011 – using the average exchange rate prevailing as at 31 December 2011 – 4.4168 PLN/EUR,
- individual profit and loss account and statement of cash flow items of comparative financial data for the 9-month period ended 30 September 2011 - using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2011 to 30 September 2011 – 4.0413 PLN/EUR.

3.5. Cash recognised in the statement of cash flow

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

	30 September 2012	31 December 2011	30 September 2011
	(in PLN thousands)	(in PLN thousands)	(in PLN thousands)
Cash recognised in the statement of financial position	913 227	1 761 630	1 017 090
Cash and cash equivalents of restricted use	(5 058)	(21 142)	(15 344)
Cash recognised in the statement of cash flow	908 169	1 740 488	1 001 746

4. Description of factors and events which had a material effect on a financial result of the Budimex Group for the three quarters of 2012

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

In the 9-month period ended 30 September 2012, the Budimex Group earned sales revenue of PLN 4 580 432 thousand which means a 19.82% increase on the corresponding period of 2011. In the third quarter of 2012 sales revenue of the Budimex Group amounted to PLN 1 696 667 thousand and was higher by PLN 613 318 thousand (56.61%) than sales revenue realised in the first quarter of 2012 and lower by PLN 103 749 thousand (5.76%) than sales revenue realised in the second quarter of 2012. Sales revenue recognised in the third quarter of the current year increased by PLN 122 881 thousand (7.81%) compared to the corresponding period of the prior year.

In the period of three quarters of 2012 construction-assembly production in Poland expressed in current prices increased by 1.8% compared to the corresponding period of the prior year (an increase by 1.4% in fixed prices), while sales of the construction segment of the Budimex Group on the home market were up by 22.10% on the corresponding periods.

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Gross profit on sales in the 9-month period ended 30 September 2012 was PLN 296 637 thousand, while in the corresponding period of the prior year was PLN 322 601 thousand. The gross sales profitability ratio was therefore 6.48% for three quarters of 2012, while in the corresponding period of the prior year was 8.44%. The gross sales profitability ratio in the third quarter of 2012 amounted to 3.97%, while in the corresponding period of the prior year was 7.52%.

In the 9-month period ended 30 September 2012 gross profit on sales in the construction segment amounted to PLN 257 884 thousand and was lower by PLN 17 014 thousand compared to the corresponding period of the prior year and gross sales profitability ratio of construction segment for the 9-month period ended 30 September 2012 was 5.92% (7.69% in the corresponding period of 2011). In turn, gross profit on sales in the developer segment in the 9-month period ended 30 September 2012 was PLN 28 717 thousand, while in the corresponding period of the prior year it amounted to PLN 36 819 thousand. Gross sales profitability ratio of the developer segment increased from 17.74% in the 9-month period ended 30 September 2011 to 22.89% in the corresponding period of the current year.

In accordance with the accounting policies adopted, when budgeted contract costs exceed the entire expected contract revenue, Group companies create provisions for expected contract losses and recognize them under „Amounts due and payable to customers under construction contracts“. In the subsequent periods, a part of the created provision is released in proportion to the percentage of contract completion, after taking into account total negative margin on the entire contract. As at 30 September 2012, the balance of the provision for contract losses amounted to PLN 433 971 thousand. In the 9-month period ended 30 September 2012, the balance of provision for contract losses decreased by PLN 61 840 thousand, taking into account the provision accounting adjustment of net assets of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. The adjusted provision for contract losses as of 31 December 2011 amounted to PLN 495 811 thousand. In the third quarter the balance of provision for contract losses increased by PLN 8 594 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 30 September 2012 the provision for warranty amounted to PLN 171 218 thousand. In the 9-month period ended 30 September 2012 the balance of the provision for warranty increased by PLN 20 822 thousand, while in the third quarter it increased by PLN 4 006 thousand.

Selling expenses decreased in the 9-month period ended 30 September 2012 by PLN 999 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 36 549 thousand higher than expenses incurred in the corresponding period of 2011, out of which PLN 19 356 thousand refer to Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. The share of selling and administrative expenses in total sales increased from 3.15% in the period of three quarters of 2011 to 3.40% in corresponding period of the current year.

Other operating income for the 9-month period ended 30 September 2012 was PLN 52 996 thousand (PLN 67 048 thousand for the three quarters of 2011) and comprised income from compensations and contractual penalties in the amount of PLN 35 403 thousand (of which PLN 26 632 thousand in the third quarter of the current year) reversal of impairment write-downs against doubtful debts in the amount of PLN 8 086 thousand (of which PLN 4 961 thousand in the third quarter of the current year). Additionally, in the period of three quarters of 2012 Group companies disposed of tangible fixed assets and investment properties and earned profit on sale of PLN 2 809 thousand. The net book value of the tangible fixed assets and investment properties sold in the period of three quarters of 2012 was PLN 119 thousand.

Other operating expenses for the 9-month period ended 30 September 2012 amounted to PLN 95 401 thousand (PLN 20 902 thousand for the corresponding period of the prior year), of which PLN 7 957 thousand related to impairment write-downs against receivables (of which PLN 2 030 thousand for the third quarter of the current year). Other operating costs for the period of three quarters of 2012 included moreover PLN 8 426 thousand regarding restructuring provisions (while in the third quarter of 2012 PLN 19 707 thousand of restructuring provisions were utilized), PLN 1 618 thousand of provisions created for legal proceedings (while in the third quarter of 2012 related costs were increased by PLN 420 thousand). The value of compensations and contractual penalties charged to the Group result in the period discussed was PLN 2 319 thousand, of which PLN 453 thousand in the third quarter of the current year. The Group also created an impairment write-down against goodwill recognized on the purchase of PNI Sp. z o.o. in amount of PLN 45 000 thousand, which was incurred in the second quarter of 2012.

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During the 9-month period ended 30 September 2012 the Group showed gains on valuation and realization of derivative financial instruments contracts (made with a view to limiting the FX risk on foreign currency construction contracts) in the amount of PLN 11 086 thousand (of which gains in the amount of PLN 6 761 thousand in the third quarter of the current year), while in the corresponding period of the prior year it incurred losses in the amount of PLN 11 416 thousand (of which losses in the amount of PLN 11 961 thousand in the third quarter of 2011).

The reported operating profit of the Group in the period of three quarters of 2012 was PLN 109 398 thousand, while in the period of three quarters of 2011 it was PLN 236 961 thousand (a decrease by 53.83%). The operating profit for the third quarter of 2012 represented 3.12% of sales revenue value, while for the corresponding period of the prior year it constituted 5.82% of sales revenue.

In the 9-month period ended 30 September 2012 the Group generated profit on financing activities in the amount of PLN 25 632 thousand, while in the same period of the prior year it reported a profit in the amount of PLN 5 875 thousand. Finance income for three quarters of 2012 represented mainly interest of PLN 54 018 thousand (of which PLN 30 490 thousand were interest for late payments gained in the 9-month period ended 30 September 2012 and PLN 25 330 thousand gained in the third quarter of 2012 only). Finance costs in three quarters of 2012 represented, among others, interest costs of PLN 6 267 thousand, bank commissions on guarantees and loans of PLN 10 557 thousand paid by Group companies, costs related to impairment write-downs against the value of shares in the company Autopistas del Levante S.L. in the amount of PLN 4 916 thousand and costs from discounting of long-term retention receivables and liabilities of PLN 9 355 thousand.

In the 9-month period ended 30 September 2012, the Group reported a gross profit of PLN 134 301 thousand, while in the corresponding period of the prior year – a gross profit of PLN 240 666 thousand (a decrease by 44.20%).

Income tax for the 9-month period ended 30 September 2012 was PLN 57 662 thousand (PLN 46 775 thousand for the 9 months of 2011), of which:

- current tax was PLN 4 421 thousand,
- deferred tax was PLN 53 241 thousand.

As at 30 September 2012, the Group recognized a deferred tax asset in the amount of PLN 259 865 thousand, while as at 31 December 2011 – PLN 312 032 thousand. The reported statement of financial position items of deferred tax asset result mainly from a special method of settlement of construction contracts, under which the moment of recognition of costs as incurred and revenue as realized are different from the tax and accounting perspectives. In the 9-month period ended 30 September 2012, due to a conservative estimate of the realisability of the temporary differences decreasing the income tax base in Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in the coming years, the Group did not recognize deferred tax assets amounting to PLN 15 603 thousand, which has a negative impact on the Group's net profit in the same amount.

The net profit attributable to the shareholders of the Budimex Group for three quarters of 2012 was PLN 76 639 thousand, while the net profit attributable to the shareholders of the Budimex Group for the corresponding period of 2011 was PLN 193 891 thousand (a decrease by 60.47%).

In the 9-month period ended 30 September 2012, the Group purchased and started to lease property, plant and equipment, intangible assets and investment properties with a total value of PLN 18 235 thousand (in the third quarter of 2012 – PLN 6 936 thousand), of which plant and machinery accounted for PLN 13 449 thousand (in the third quarter of 2012 – PLN 4 794 thousand).

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5. Operating segments

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

- construction business
- developer and property management business.

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

- Budimex SA
- Mostostal Kraków SA
- Budimex Bau GmbH
- Budimex Budownictwo Sp. z o.o.
- Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. (entered in the Register of Entrepreneurs on 17 March 2011).
- Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. w upadłości układowej (purchased by Budimex SA on 16 November 2011)

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

- Budimex Nieruchomości Sp. z o.o.
- Centrum Konferencyjne „Budimex” Sp. z o.o. (sold on 31 May 2011)
- SPV-BN 1 Sp. z o.o. (entered in the Register of Entrepreneurs on 27 July 2011)
- SPV-BN 2 Sp. z o.o. (entered in the Register of Entrepreneurs on 28 July 2011)
- Budimex SA in a part relating to developer business, as a result of merger with Budimex Inwestycje 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 a reportable segment. Included in other business are entities that mainly conduct production, service or trading activities.

The results of segments for the 9-month period ended 30 September 2012 are presented in the table below:

Segment name	amounts in PLN thousands				
	Construction business	Property management and developer business	Other business	Eliminations	Consolidated value
External sales	4 223 037	125 090	232 305	-	4 580 432
Inter-segment sales	133 620	343	-	(133 963)	-
Total sales of finished goods, goods for resale and raw materials	4 356 657	125 433	232 305	(133 963)	4 580 432
Gross profit on sales	257 884	28 717	25 307	(15 271)	296 637
Selling expenses	(7 860)	(5 376)	(2 761)	42	(15 955)
Administrative expenses	(132 148)	(7 287)	(8 365)	7 835	(139 965)
Other operating income/ (expenses), net	(40 419)	(2 161)	175	-	(42 405)
Gains on derivative financial instruments	2 625	-	8 461	-	11 086
Operating profit	80 082	13 893	22 817	(7 394)	109 398
Finance income, net	17 320	4 533	3 779	-	25 632
Shares in (losses) of equity accounted entities	-	-	(729)	-	(729)
Income tax expense	(48 035)	(3 570)	(7 463)	1 406	(57 662)
Net profit for the period	49 367	14 856	18 404	(5 988)	76 639

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

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

6. Related party transactions

Transactions with related parties made in the 9-month period ended 30 September 2012 and unsettled balances of receivables and liabilities as at 30 September 2012 are presented in the tables below:

	amounts in PLN thousands			
	Receivables		Liabilities	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011
Parent Company and related parties (the Ferrovial Group)	54 298	54 103	189 584	133 056
Jointly-controlled entities	428	1 298	1 701	1 918
Associates	27	19	6 858	7 410
Other related parties*	400	4 926	322	1 361
Total settlements with related parties	55 153	60 346	198 465	143 745

	amounts in PLN thousands			
	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011
Parent Company and related parties (the Ferrovial Group)	-	-	8 113	8 531
Jointly-controlled entities	-	-	-	-
Associates	-	-	-	-
Other related parties*	-	-	-	-
Total settlements with related parties	-	-	8 113	8 531

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	amounts in PLN thousands			
	Sales of finished goods and services		Purchase of finished goods and services	
	9-month period ended 30 September		9-month period ended 30 September	
	2012	2011	2012	2011
Parent Company and related parties (the Ferrovia Group)	37 988	60 347	(61 519)	(72 881)
Jointly-controlled entities	609	394	(7 360)	(929)
Associates	67	45	(18 509)	(8 792)
Other related parties*	184	27	(1 977)	(5 030)
Total transactions with related parties	38 848	60 813	(89 365)	(87 632)

	amounts in PLN thousands			
	Financial income		Financial costs	
	9-month period ended 30 September		9-month period ended 30 September	
	2012	2011	2012	2011
Parent Company and related parties (the Ferrovia Group)	-	-	(249)	(363)
Jointly-controlled entities	-	-	-	-
Associates	-	-	-	-
Other related parties*	-	-	(2)	-
Total transactions with related parties	-	-	(251)	(363)

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

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

7. Changes to the provisionally estimated fair value of net assets

On 16 November 2011 Budimex SA became an owner of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. and gained control over the company.

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

In the 9-month period of 2012 the fair value of assets and liabilities related to the valuation of long-term contracts was finally calculated and appropriate adjustments to the provisional accounting were made. The final calculation of the tangible fixed assets' fair value will be made till the end of the one-year period after the acquisition of PNI, i.e. till 16 November 2012.

During the 9-month period of 2012 the fair value of backlog amounting to PLN 3 218 identified at acquisition date was fully depreciated.

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

The main factors that may affect the financial situation of the Group in the next half of the year include:

- instability on the financial markets,
- limited bank financing resulting from aversion to the sector,
- deterioration in subcontractors financial standing which may compromise the quality and timeliness of works performed,
- fluctuations of exchange rates, which have the impact on the sales revenue, operating costs and result of the valuation and realization of derivative financial instrument contracts,
- price level of material and construction services affecting the amount of direct costs of realized contracts,
- intensification of actions aimed at recovery of overdue debts, which were provided for and strengthening the operational and financial control in respect of contracts realized,
- results of the pending legal proceedings, described in more detail in note 13 to these consolidated financial statements,
- outcome of the pending negotiations held by Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. w upadłości układowej with its creditors

As at 30 September 2012 the backlog was PLN 6 355 779 thousand. The value of contracts signed between January and September 2012 (without annexes) was PLN 1 961 627 thousand. The number of pre-sold apartments in the period from January - September 2012 (without booking) is 322 units.

9. The main events in the third quarter of 2012 and significant events after 30 September 2012

Significant contracts:

On 4 July 2012 Budimex SA received a letter announcing that the offer by Budimex SA had been selected by the Road and Bridge Board of Lublin in the proceedings for public procurement in the form of an open tender for the construction of an access road to the "Dąbrowica" junction of the Lublin ring road on the route of express roads S12, S17 and S19. The value of the offer is PLN 259 600 thousand. The contract was signed on 21 August 2012.

On 4 July 2012 Budimex SA was informed by Krakowski Holding Komunalny about the offer by Budimex SA (consortium leader, 56.25%), Keppel Seghers Belgium N.V. and Cespa Compania Espanola de Servicios Publicos Auxiliares SA being selected under the proceedings for public procurement with respect to the construction of a Thermal Waste Treatment Plant in Cracow. The value of the offer is PLN 604 475 thousand.

On 28 August 2012 Budimex SA received a letter informing of the selection of the offer made by the consortium of Budimex SA (leader) and Ferrovial Agroman SA (partner) by Zarząd Morskich Portów Szczecin i Świnoujście SA in the public procurement procedure in the form of an open tender for the "Port infrastructure expansion in the southern part of the Świnoujście port – construction of ferry quay no. 1". The value of the offer is PLN 68 526 thousand.

On 31 August 2012 a consortium of Budimex SA (leader, 50.4%), Keppel Seghers Belgium N.V. and Cespa Compania Espanola de Servicios Publicos Auxiliares SA concluded with Przedsiębiorstwo Handlowo-Uługowo-Produkcyjne "LECH" of Białystok a contract for the design and construction of a Municipal Waste Neutralisation Plant in Białystok. The value of the contract is PLN 332 958 thousand.

On 31 August 2012 Budimex SA received a letter informing about the offer by the consortium of Budimex SA (leader) and Ferrovial Agroman SA (partner) having been selected by the Marshal's Office of the Lubelskie Voivodeship in the proceedings in the form of an open tender for the construction works consisting in carrying out two separate investment tasks: "Construction of the Meeting Centre of Cultures in Lublin" and "Modernisation of the Musical Theatre in Lublin and the H. Wieniawski Concert Hall in Lublin", and the production of design documentation and carrying out of construction works for the "Construction of the Theatre Square in Lublin" investment project. The value of the offer is PLN 163 695 thousand. The contract was signed on 15 October 2012.

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On 3 September 2012 Budimex SA signed a contract with Zarząd Infrastruktury Komunalnej i Transportu w Krakowie (the Municipal Infrastructure and Transport Authority in Cracow) for the reconstruction of the tramway line section from Rondo Mogilskie through Aleja Jana Pawła II to Plac Centralny with the traffic control system in Cracow. The contract is worth PLN 113 367 thousand.

On 3 September 2012 Budimex SA received a letter announcing that the offer by Budimex SA had been selected by the Voivodeship Roads Board of Podkarpacie in Rzeszów in the proceedings for public procurement in the form of an open tender for the "Development of voivodeship road no. 892: Zagórz-Komańcza". The value of the offer is PLN 96 863 thousand. The contract was signed on 21 September 2012.

On 10 September 2012 Budimex SA was informed that on 7 September 2012 the company received a letter announcing the selection of the offer submitted by a consortium including Budimex SA (leader) and T4B from Lubelski Zarząd Obsługi Przejść Granicznych (the Lublin Executive Board for Border Crossings) based in Chełm, in public procurement proceedings conducted by open tender for the construction of a border crossing in Dołhobyczów - stage I, part IV. The value of the offer is PLN 34 440 thousand.

On 17 September 2012 Budimex SA was informed about the entry into force on 15 September 2012 of a contract concluded on 31 July 2012 by and between Budimex SA and BPTO Infra Sp. z o.o. with its registered office in Gdańsk for the construction of Nowa Wałowa Street in Gdańsk. The contract is worth PLN 58 500 thousand.

On 4 October 2012 Budimex SA received a letter concerning the selection of Budimex SA's bid in the limited tender procedure for the "Building works involving the construction of a new runway and the necessary infrastructure at the International Katowice Airport in Pyrzowice, executed as part of the task Airport in Katowice: expansion and modernisation of the airport infrastructure". The value of the contract is PLN 121 626 thousand.

On 5 October 2012 a consortium consisting of Budimex Budownictwo Sp. z o.o. (leader, a 100% subsidiary of Budimex SA) and Ferrovial Servicios SA (partner), and the General Directorate of National Roads and Motorways, Katowice Branch, entered into an agreement for the maintenance of the A1 motorway section between Sośnica junction (excluding the junction itself) and the state border with the Czech Republic in Gorzyczki, totalling 47.849 km, under the "maintain the standard" system. The contract is worth PLN 41 919 thousand.

On 18 October 2012 Budimex SA received a letter from the Voivodeship Road Authority in Zielona Góra regarding the selection of the offer by Budimex Budownictwo Sp. z o.o. (a company 100% subordinate to Budimex S.A.) in a tender procedure limited to "Construction of the Nowa Sól ring road - Stage I - task co-financed with the resources of the Operational Programme for the Lubuskie Region for 2007-2012". The value of the contract is PLN 34 718 thousand.

On 18 October 2012 Budimex SA received a letter from the Maritime Office in Gdynia concerning the selection of the offer of the consortium: Budimex SA (leader) and Ferrovial Agroman SA (partner) in a procedure for awarding a public procurement contract in the form of an open tender for "Sheeting of Płonie Canal banks at Martwa Wisła in Gdańsk" under the project "Modernisation of the entry to the internal port (in Gdańsk). Stage II - Reconstruction of the waterway on Martwa Wisła and Motława". The value of the contract is PLN 38 115 thousand.

On 26 October 2012 Budimex SA received a signed agreement dated 22 October 2012 between Budimex SA and Jeronimo Martins Polska SA concerning the construction of distribution center of JMP SA in Gdańsk. The value of the contract is PLN 59 850 thousand.

Other significant agreements and events:

On 3 July 2012 Budimex SA received from Bank PEKAO SA information on the signing of an annex to the credit contract of 12 August 2008. Pursuant to the Annex Budimex Budownictwo Sp. z o.o. (a company wholly owned by Budimex SA) becomes a party to the credit contract enabled to issue bank guarantees up to PLN 50 000 thousand. The deadline when Budimex SA and Budimex Budownictwo Sp. z o.o. may order the Bank to issue bank guarantees was also prolonged until 30 June 2013. The remaining conditions of the agreement were not altered.

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On 9 July 2012 Budimex SA was informed by Bank Ochrony Środowiska SA about the conclusion of an annex to the agreement on the establishment of an engagement limit in the form of a renewable line on the bank guarantee. Under the document the new expiry date of the agreement is 8 August 2012. The remaining conditions of the Agreement were not altered.

On 1 August 2012 Budimex SA signed an amendment to the Guarantee Line Agreement of 25 April 2008 with BNP Paribas Bank Polska. Pursuant to this document, BNP Paribas Bank Polska SA made available a guarantee line of up to PLN 176 333 thousand to Budimex and extended its validity until 1 September 2012.

On 2 August 2012 Budimex SA received from the Polish Division of Banco Espirito Santo de Investimento SA a copy of a credit facility agreement signed by the bank and by Budimex. Under this credit facility agreement, Budimex may order the bank to issue bank guarantees of up to a total sum of PLN 80 000 thousand. The agreement was concluded for the period up to 10 July 2013. As security of Budimex performing its obligations under the credit facility agreement, Budimex made a representation on submission to bank enforcement under the provisions of the Polish Banking Law Act. The other terms and conditions were standard for this type of agreement.

On 13 August 2012 Budimex SA signed the Annex of 18 July 2012 to the Contract Guarantee Grant within the renewable line of 28 August 2008, concluded with Euler Hermes SA Insurance Company. The contractual line limit is PLN 50 000 thousand. Pursuant to the Annex, the deadline when Budimex SA may order the Insurance Company to issue contract insurance guarantees was extended until 31 August 2013. Other provisions of the contract remained unchanged.

On 24 August 2012 Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o., a subsidiary of Budimex SA, filed an application for declaration of bankruptcy open to composition agreements. This application was filed with the District Court for Warszawa Praga-Północ in Warsaw, 9th Commercial Department for Bankruptcy and Reorganization. On 13 September 2012 the court endorsed the application filed by the Management Board of the applicant and issued a decision to declare the bankruptcy open to composition agreements of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.

On 4 September 2012 Budimex SA signed with BNP Paribas Bank Polska SA an amendment to the Guarantee Line Agreement of 25 April 2008. Pursuant to this document, BNP Paribas Bank Polska SA extended a guarantee line, valid until 30 October 2012. The other provisions of the agreement remained unchanged.

On 5 September 2012 Budimex SA received from Credit Agricole Corporate & Investment Bank a signed annex to the credit agreement. The annex specifies the new expiry date for the Agreement to be 30 August 2013. The other provisions of the agreement remained unchanged.

On 21 September 2012 the Court of Appeal in Warsaw, VI Civil Division, dismissed the appeals brought by Budimex SA and the General Directorate for National Roads and Motorways (GDDKiA) on the claim regarding the construction of the Augustów bypass along national road No. 8 for the payment of the contractual penalty. Thus, the judgement of the first instance court, i.e. the District Court in Warsaw, has become final. In accordance with this judgement, GDDKiA was obliged to pay to Budimex the amount of PLN 21 948 thousand (constituting half of the amount in dispute) with interest at the statutory rate as calculated from 28 February 2009 to the date of payment.

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

In the third quarter of 2012 Budimex SA and Group companies did not issue, redeem or repay equity securities outside Budimex Group.

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

Budimex SA did not publish any forecasts.

12. Statement of ownership of shares of Budimex SA or rights to such shares (options) held by the managing or supervisory persons of Budimex SA as at the date of publication of this report together with indication of changes in the ownership in the third quarter of 2012

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

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

Above mentioned persons do not own share options of the company. As at the date of publication of this report other managing and supervisory persons of Budimex SA do not hold its shares or share options. There was no change in the status of ownership from the date of publication of the semi-annual report, i.e. 31 August 2012.

13. Proceedings pending as at 30 September 2012 before court, competent arbitration body or any public administration authority

The total value of legal proceedings in progress in respect of liabilities and receivables as at 30 September 2012 was PLN 517 472 thousand and exceeded 10% of the equity of Budimex SA, which amounts to PLN 343 028 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 21 684 thousand.

In accordance with information in the possession of Budimex SA, the total value of legal proceedings in progress in respect of liabilities of Budimex SA and its subsidiaries as at 30 September 2012 was PLN 269 578 thousand. These proceedings involve the Group companies' operating activity.

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

In the course of the case PPL filed a counter-claim of a total amount of PLN 135 719 thousand, covering claims for the redress of damage, including lost benefits, return of unjust enrichment and liquidated damages. On 31 July and 26 October 2009 PPL filed to the Arbitration Court the next written statements of claim including extension of counter-claim, changing the original amount of counter-claim from PLN 135 719 thousand to PLN 280 894 thousand. In the course of further court proceedings in August 2012 the PPL's claim was increased to the amount of PLN 298 892 thousand. According to the Consortium FBL contract, the risk of Budimex SA does not exceed the amount of PLN 119 556 thousand.

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

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

On 27 May 2010 the Arbitration Court made a decision, based on which the evidence from the expert's opinion regarding the evaluation of reasonableness of the PPL claims was accepted (at this stage

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without taking into consideration the height of the claimed amounts). The expert appointed by the Arbitration Court – the BS Consulting Group started to work at the end of 2010. During the works performed by the expert there were several meetings with proxies of parties and the expert and there was an inspection of the airport objects with the participation of the aforementioned expert in March 2011. Technical opinion prepared by the expert, that was delivered to proxies of both parties on 29 July 2011, represented the result of his work. The parties made comments, remarks, details questions to the opinion prepared, which were considered by the expert for the purposes of preparation of the supplementary opinion at the end of March 2012. The assessment derived from the opinion was favorable to the Consortium FBL, as it confirmed that the Consortium FBL had the right to prolong the period of time necessary for the works completion.

Due to finalization of the expert's opinion, which assessed the legitimacy of PPL's claims, the Court obliged both parties to calculate the value of their claims, taking into consideration the conclusions made by the expert. As a result, PPL extended its claim to the amount of PLN 298 892 thousand, as mentioned above. The value of the claim made by the Consortium FBL remained the same. It might be expected that the next step to be taken by the Court will be appointing an expert who will prepare an opinion regarding the legitimacy of the amounts claimed by both parties.

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

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

Having received the reason for the partial judgement from the Arbitration Court, the Consortium FBL filed in the common court a motion on ascertainment of executability of the verdict of the Arbitration Court thorough giving an enforcement clause. On 8 May 2009 PPL filed a claim to dismiss the partial verdict and simultaneously to defer the verdict executability of the Arbitration Court. On 31 May 2010 the District Court in Warsaw quashed the partial verdict of the Arbitration Court, claiming that the appealed sentence of the Arbitration Court violates the public order rules with regard to adjudging the compensation jointly in favour of three entities in case the benefit is divisible. The verdict was issued with regard to the company Budimex SA, which was considered by the District Court to be the only legitimated passively in the case and at the same time deciding that the partial verdict cannot have been issued against Ferrovial Agroman SA – Branch in Poland and Estudio Lamela SL – Branch in Poland, as the branches of these entrepreneurs have no legal personality separate from the company. Therefore, in the verdict issued by the District Court, the proceedings against these parties were cancelled and the complaint filed in this respect was rejected. All three parties of the FBL Consortium filed the appeal against the sentence of the District Court. Companies Ferrovial Agroman and Estudio Lamela filed a complaint against the decision regarding the abolition of proceedings against them. The complaints were considered and were in total allowed for by the Appeal Court. The Appeal Court reconsidering the complaints quashed the complained sentenced and agreed with the statements of Ferrovial Agroman and Estudio Lamela that as foreign entrepreneurs (and not as their branches in Poland) had legitimacy to act as a party in the trial and that the partial verdict issued by the Arbitration Court was correctly issued in this respect. The complaints were considered and were in total allowed for by the Appeal Court. The Appeal Court reconsidering the complaints quashed the complained sentenced and agreed with the statements of Ferrovial Agroman and Estudio Lamela that as foreign entrepreneurs (and not as their branches in Poland) had legitimacy to act as a party in the trial and that the partial verdict issued by the Arbitration Court was correctly issued in this respect. Due to the above decision of the Appeal Court, on 4 January 2012 the District Court in Warsaw amended the decision issued on 31 May 2010 quashing the verdict of the Arbitration Court – also in respect of Ferrovial Agroman SA Branch in Poland and Etudio Lamela SL, which then appealed this decision.

On 23 August 2012, after hearing the appeal lodged by all three consortium partners, the Appeal Court in Warsaw announced a verdict, in which it changed the District Court's verdicts from May 2010 and from January 2012, by dismissing the PPL's complaint regarding the overturning of the Arbitration Court's partial verdict. It means that the Appeal Court recognized the verdict reached by the Arbitration Court to be issued correctly and according to the legal regulations. This resolution was legally valid and although the counterparty has right to lodge a complaint against it to the Supreme Court, this verdict was a basis for the resumption of the proceedings for the declaration of

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enforceability of the verdict passed by the Arbitration Court through giving it an enforcement clause. The total value of the claim awarded by the verdict together with the value of the statutory interest amounted to PLN 87 920 thousand (Budimex SA's share amounted to PLN 35 168 thousand, out of which PLN 21 612 thousand related to the return of the performance guarantee). The amount was transferred by the court executive officer to the bank account on 28 September 2012.

On 16 December 2010 Tomasz Ryskalok and Rafał Ryskalok, pursuing a business activity as a civil law partnership under the name Cerrys S.C., residing in Wykroty, filing a lawsuit against Budimex SA with regard to the payment of a contractual penalty for delay in the removal of defects identified within the effective period of the guarantee. The lawsuit concerns the construction of a concrete plant in line with agreement concluded on 19 May 2003 with the value of the agreement amounting to PLN 4 189 thousand. The value of the subject matter of the lawsuit is PLN 90 000 thousand including contractual interest calculated from 19 October 2006 until the day of payment. In the opinion of Budimex SA, the claim constituting the subject matter of the argument is absolutely groundless and there is no basis, either formal or factual, for considering it (the deadline for submitting the claims in question expired, the limit concerning contractual penalties - i.e. up to 15% of the value of the agreement - has not been taken into account, and the defect is not material). To date, there have been five trials during which witnesses of the plaintiff and of the defendant have been examined. During the next trial on 30 October 2012 further witnesses will be examined.

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 a contract. The Budimex Group's share in consortium was 90%, therefore the value of the claim for which the Company is liable is PLN 22 727 thousand. In 2012 there have been three court hearings before the common court, during which witnesses of the plaintiff have been examined. The next sessions in 2013 will be dedicated to examination of the remaining witnesses of the plaintiff.

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

Total value of legal proceedings in respect of receivables due to Budimex SA and its subsidiaries as at 30 September 2012 amounted to PLN 247 894 thousand. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of construction work performed.

On 10 March 2009 the District Court in Cracow issued the verdict regarding the claim filed by Budimex Dromex SA against Municipal Commune of Cracow, adjudging the payment of PLN 20 708 thousand together with statutory interest calculated for the period from 5 November 2007 and return of court fees in the amount of PLN 143 thousand. The claimed filed by Budimex Dromex related to the refund of the amount drawn by the Municipal Commune of Cracow on 5 November 2007 from the bank guarantee provided by Budimex Dromex SA as the performance bond for the contract for engineering, design and execution of a sports and show hall in Cracow – Czyżyny concluded on 20 December 2005 between the Consortium of Budimex Dromex SA, Ferrovial Agroman SA and Decathlon SA, and the Municipal Commune of Cracow. The commune drew this amount for the stipulated penalty provided by the contract after previous declaration of withdrawal from the contract and associated imposing of a stipulated penalty despite the fact that Budimex Dromex SA put the legitimacy of imposing of this penalty in question. On 15 July 2009 the Court of Appeal in Cracow, acting as the court of second resort in the proceedings described above, brought the verdict changing the verdict of the Court of first resort, adjudged the payment by the Municipal Commune of Cracow to Budimex Dromex SA of the amount of PLN 6 903 thousand including statutory interest calculated starting on 20 November 2007 until the date of payment and payment of the court fees in the amount of PLN 20 thousand. The Court rejected the rest of the appeal of the Municipal Commune of Cracow and adjudged the payment by Budimex Dromex SA to the Municipal Commune of the amount of PLN 70 thousand as the appeal trial fees. Budimex Dromex SA appealed to the Supreme Court for cassation of this verdict. On 20 October 2010 the Supreme Court provided for cassation and the case was considered again by the Appeal Court in Cracow. On 17 February 2011 Budimex SA received information on the decision of the Appeal Court in Cracow, which, having re-examined – as a result of the Supreme Court reversing the previous decision of the Appeal Court in Cracow in the part regarding the dismissal of the claim and adjudication on legal costs – the appeal of the Urban Municipality of Cracow against the decision of the District Court in Cracow of 10 March 2008, reversed the decision of the District Court in Cracow of 10 March 2008 in the part regarding the claim for the amount exceeding PLN 6 903 thousand (i.e. to the amount of PLN 13 805 thousand) and referred the case to

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the District Court in Cracow for re-examination and adjudication on legal costs. The case brought by Budimex SA against the Urban Municipality of Cracow for the payment of PLN 20 708 thousand has become final with regard to the amount of PLN 6 903 thousand plus statutory interest calculated from 20 November 2007, having been adjudicated to be paid by the Urban Municipality of Cracow to Budimex SA. The remaining elements of the claim currently are being re-examined by the District Court in Cracow. The court accepted as evidence documents and expert's opinions submitted by Budimex SA. After the expert's opinion has been prepared, both parties referred to it in their pleadings.

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

14. Contingent liabilities and contingent receivables

	30 September 2012	31 December 2011
	(in PLN thousands)	(in PLN thousands)
Contingent receivables		
From related parties, of which:		
– guarantees and suretyships received	5 934	-
– bills of exchange received as security	-	-
From related parties, total	5 934	-
From other entities		
– guarantees and suretyships received	372 276	358 041
– bills of exchange received as security	15 700	20 228
From other entities, total	387 976	378 269
Other contingent receivables	3 000	-
Total contingent receivables	396 910	378 269
Contingent liabilities		
To related parties, of which:		
– guarantees and suretyships issued	-	503
– bills of exchange issued as performance bond	-	-
To related parties, total	-	503
To other entities, of which:		
– guarantees and suretyships issued	1 710 044	1 801 518
– bills of exchange issued as performance bond	35 130	30 613
To other entities, total	1 745 174	1 832 131
Other contingent liabilities	17 238	3 709
Total contingent liabilities	1 762 412	1 836 343
Total off-balance sheet items	(1 365 502)	(1 458 074)

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

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

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

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Guarantees for bank loans and borrowings in favour of the related parties issued by Budimex SA and its subsidiaries as at 30 September 2012:

Name of the company which issued a guarantee or suretyship for a bank loan or borrowings	Name of the (company) entity which received suretyships or guarantees	Total value of bank loans and borrowings, for which guarantee or suretyship was issued for the full amount or defined part (in PLN thousand)	Period of guarantees or suretyships issuance	Financial conditions in respect of guarantees and suretyships issued	Type of relations between Budimex SA and the entity which took out a bank loan or borrowings
Budimex SA	Mostostal Kraków SA	44 619	2018-11-13	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	11 816	2017-07-15	free of charge	subsidiary
Budimex SA	Budimex Danwood SA	23 630	2015-12-31	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	243	2016-12-13	free of charge	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	11 742	2020-02-12	free of charge	subsidiary
TOTAL		92 050			

President of the Management Board

Management Board Member

Dariusz Blocher

Marcin Węglowski

Warsaw, 29 October 2012