

Budimex SA

Condensed financial statements
for III quarter of 2012

BUDIMEX SA
Condensed financial statements for III quarters of 2012
BALANCE SHEET

	As at 30.09.2012	As at 30.06.2012	As at 31.12.2011	As at 30.09.2011
	(PLN '000)	(PLN '000)	(PLN '000)	(PLN '000)
Assets				
I. Non-current assets	1 297 676	1 354 939	1 336 740	1 285 237
1. Intangible assets, including:	2 120	1 984	2 051	1 602
- goodwill	-	-	-	-
2. Tangible fixed assets	90 804	96 729	100 326	98 979
3. Long-term receivables	-	-	-	-
3.1. From related parties	-	-	-	-
3.2. From other entities	-	-	-	-
4. Long-term investments	796 209	795 770	840 142	795 071
4.1. Investment property	7 577	7 638	7 762	7 791
4.2. Intangible assets	-	-	-	-
4.3. Long-term financial assets	788 632	788 132	832 380	787 280
a) in related parties, including:	786 447	785 947	830 195	785 095
- shares in subordinate entities equity accounted	-	-	-	-
b) in other entities	2 185	2 185	2 185	2 185
4.4. Other long-term investments	-	-	-	-
5. Long-term deferred costs	408 543	460 456	394 221	389 585
5.1. Deferred tax assets	404 101	455 987	388 400	384 486
5.2. Other prepayments and deferred costs	4 442	4 469	5 821	5 099
II. Current assets	1 927 021	2 039 469	2 481 890	2 210 748
1. Inventories	185 785	250 559	263 347	274 979
2. Short-term receivables	593 089	895 955	439 156	706 533
2.1. From related parties	105 517	113 300	98 887	129 315
2.2. From other entities	487 572	782 655	340 269	577 218
3. Short-term investments	700 269	268 924	1 570 117	862 711
3.1. Short-term financial assets	700 269	268 924	1 570 117	862 711
a) in related parties	-	-	-	-
b) in other entities	1 322	268	122	1 679
c) cash and cash equivalents and other monetary assets	698 947	268 656	1 569 995	861 032
3.2. Other short-term investments	-	-	-	-
4. Short-term deferred costs	447 878	624 031	209 270	366 525
Total Assets	3 224 697	3 394 408	3 818 630	3 495 985
Liabilities and Shareholders' Equity				
I. Shareholders' equity	343 028	283 852	545 324	626 506
1. Share capital	127 650	127 650	127 650	127 650
2. Unpaid share capital (negative value)	-	-	-	-
3. Own shares purchased (negative value)	-	-	-	-
4. Reserve capital	281 148	281 148	280 845	279 818
5. Revaluation reserve	5 962	4 219	4 097	4 167
6. Other reserves	-	-	-	-
7. Accumulated profits (losses) from previous years	(147 636)	(147 636)	-	-
8. Net profit (loss) for the period	75 904	18 471	132 732	214 871
9. Deductions from profit for the period (negative value)	-	-	-	-
II. Liabilities and provisions	2 881 669	3 110 556	3 273 306	2 869 479
1. Provisions	311 909	342 034	255 239	275 147
1.1. Deferred tax liability	97 424	132 769	57 416	89 317
1.2. Provision for retirement bonuses and related obligations	3 364	3 364	3 364	2 911
a) long-term	2 637	2 637	2 637	1 554
b) short-term	727	727	727	1 357
1.3. Other provisions	211 121	205 901	194 459	182 919
a) long-term	110 973	111 113	99 362	94 218
b) short-term	100 148	94 788	95 097	88 701
2. Long-term liabilities	29 982	32 333	33 652	32 012
2.1. To related parties	-	-	-	-
2.2. To other entities	29 982	32 333	33 652	32 012
3. Short-term liabilities	1 804 736	1 777 945	1 792 443	1 630 586
3.1. To related parties	213 532	139 080	152 707	104 479
3.2. To other entities	1 585 133	1 631 973	1 635 429	1 520 431
3.3. Special funds	6 071	6 892	4 307	5 676
4. Accruals and deferred income	735 042	958 244	1 191 972	931 734
4.1. Negative goodwill	-	-	-	-
4.2. Other accruals and deferred income	735 042	958 244	1 191 972	931 734
a) long-term	5 048	5 082	5 150	5 150
b) short-term	729 994	953 162	1 186 822	926 584
Total Liabilities and Shareholders' Equity	3 224 697	3 394 408	3 818 630	3 495 985
Book value per share calculation	As at 30.09.2012	As at 30.06.2012	As at 31.12.2011	As at 30.09.2011
Net assets (PLN thd)	343 028	283 852	545 324	626 506
Number of shares	25 530 098	25 530 098	2 530 098	25 530 098
Book value per share (PLN)	13,44	11,12	21,36	24,54

BUDIMEX SA

Condensed financial statements for III quarters of 2009

OFF-BALANCE SHEET ITEMS

	Stan na 30.09.2012	Stan na 30.06.2012	Stan na 31.12.2011	Stan na 30.09.2011
	(PLN '000)	(PLN '000)	(PLN '000)	(PLN '000)
1. Contingent receivables	352 813	404 216	339 678	316 107
1.1. From related parties, of which:	7 770	7 445	6 493	4 562
- guarantees and suretyships received	5 934	5 609	5 190	3 259
- bills of exchange received as security	1 836	1 836	1 303	1 303
1.2. From other entities, of which:	342 043	393 771	330 185	311 545
- guarantees and suretyships received	340 516	392 776	324 806	300 879
- bills of exchange received as security	1 527	995	5 379	10 666
1.3. Other	3 000	3 000	3 000	-
- other contingent receivables	3 000	3 000	3 000	-
2. Contingent liabilities	1 624 175	1 692 357	1 755 356	1 791 604
2.1. To related parties, of which:	92 051	114 020	147 130	149 748
- guarantees and suretyships issued	92 051	114 020	147 130	149 748
- promissory notes issued as security	-	-	-	-
2.2. To other entities, of which:	1 532 124	1 578 337	1 608 226	1 641 856
- guarantees and suretyships issued	1 527 190	1 574 282	1 606 171	1 639 801
- promissory notes issued as security	4 934	4 055	2 055	2 055
3. Other	7 000	7 000	-	-
- other contingent liabilities	7 000	7 000	-	-
Total off-balance sheet items	(1 278 362)	(1 295 141)	(1 415 678)	(1 475 497)

PROFIT AND LOSS ACCOUNT

	III quarter, period from 01.07.12 to 30.09.12	3-quarter period from 01.01.12 to 30.09.12	III quarter, period from 01.07.11 to 30.09.11	3-quarter period from 01.01.11 to 30.09.11
	(PLN '000)	(PLN '000)	(PLN '000)	(PLN '000)
I. Sales of finished products, goods for resale and raw materials, including:	1 489 483	4 054 729	1 475 788	3 508 734
- to related parties	77 145	196 240	80 782	203 912
1. Sales of finished products	1 486 563	4 047 951	1 474 647	3 507 073
2. Sales of goods for resale and raw materials	2 920	6 778	1 141	1 661
II. Cost of finished products, goods for resale and raw materials, including:	(1 424 785)	(3 766 939)	(1 372 499)	(3 244 237)
- from related parties	(23 560)	(104 347)	(27 484)	(90 847)
1. Cost of finished products	(1 423 395)	(3 762 592)	(1 372 156)	(3 243 566)
2. Cost of goods for resale and raw materials sold	(1 390)	(4 347)	(343)	(671)
III. Gross profit (loss) on sales	64 698	287 790	103 289	264 497
IV. Selling expenses	(2 372)	(7 742)	(2 775)	(7 833)
V. General and administrative expenses	(36 355)	(115 860)	(31 661)	(93 761)
VI. Profit (loss) on sales	25 971	164 188	68 853	162 903
VII. Other operating revenue	30 997	46 748	29 944	61 891
1. Profits on the sale of non-financial fixed assets	-	809	15	5 162
2. Subsidies	-	-	-	-
3. Other	30 997	45 939	29 929	56 729
VIII. Other operating expenses	(8 820)	(52 207)	(6 887)	(18 027)
1. Losses on the sale of non-financial fixed assets	(10)	-	-	-
2. Revaluation of non-financial assets	(5 877)	(44 931)	(3 659)	(4 363)
3. Other	(2 933)	(7 276)	(3 228)	(13 664)
IX. Operating profit (loss)	48 148	158 729	91 910	206 767
X. Financial revenue	32 934	73 802	13 260	74 345
1. Dividends received and share in profits, including:	-	20 021	-	37 000
- from related parties	-	20 021	-	37 000
2. Interest revenue, including:	29 191	47 820	11 699	36 039
- from related parties	69	165	9	9
3. Profits on the sale of investments	-	-	1 561	1 306
4. Revaluation of investments	3 743	5 961	-	-
5. Other	-	-	-	-
XI. Financial expenses	(7 973)	(132 227)	(11 021)	(25 011)
1. Interest expenses, including:	(1 804)	(4 094)	(1 848)	(3 137)
- to related parties	(938)	(1 053)	(45)	(130)
2. Losses on the sale of investments	(1 207)	(3 355)	-	(29)
3. Revaluation of investments	-	(112 916)	(4 141)	(10 382)
4. Other	(4 962)	(11 862)	(5 032)	(11 463)
XII. Profit (loss) on operating activities	73 109	100 304	94 149	256 101
XIII. Extraordinary items	-	-	-	-
1. Extraordinary gains	-	-	-	-
2. Extraordinary losses	-	-	-	-
XIV. Gross profit (loss)	73 109	100 304	94 149	256 101
XV. Corporate income tax	(15 676)	(24 400)	(18 255)	(41 230)
a) current	866	(93)	(1 022)	3 255
b) deferred	(16 542)	(24 307)	(17 233)	(44 485)
XVI. Other obligatory charges	-	-	-	-
XVII. Profit (loss) on shares in subordinate entities equity accounted	-	-	-	-
XVIII. Net profit (loss)	57 433	75 904	75 894	214 871

Computation of profit (loss) per ordinary share

	3-quarter period from 01.01.12 to 30.09.12	3-quarter period from 01.01.11 to 30.09.11
Net profit (loss) for three quarters	75 904	214 871
Net profit (loss) (annualised)	(6 235)	272 830
Weighted average number of ordinary shares	25 530 098	25 530 098
Net profit (loss) for three quarters per ordinary share (PLN)	2,97	8,42
Net profit /(loss) annualised per ordinary share (PLN)	(0,24)	10,69

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	III quarter, period from 01.07.12 to 30.09.12	3-quarter period from 01.01.12 to 30.09.12	2011	3-quarter period from 01.01.11 to 30.09.11
	(PLN '000)	(PLN '000)	(PLN '000)	(PLN '000)
I. Shareholders' equity at the beginning of the period	283 852	692 960	642 735	642 735
a) changes in accounting policies	-	-	-	-
b) adjustments due to errors	-	(147 636)	-	-
I.a. Shareholders' equity at the beginning of the period, restated	283 852	545 324	642 735	642 735
I. Share capital at the beginning of the period	127 650	127 650	127 650	127 650
a) changes in accounting policies	-	-	-	-
b) adjustments due to errors	-	-	-	-
b) decreases	-	-	-	-
1.2. Share capital at the end of the period	127 650	127 650	127 650	127 650
2. Unpaid share capital at the beginning of the period	-	-	-	-
2.1. Changes in unpaid share capital	-	-	-	-
a) increases	-	-	-	-
b) decreases	-	-	-	-
2.2. Unpaid share capital at the end of the period	-	-	-	-
3. Own shares purchased at the beginning of the period	-	-	-	-
3.1. Changes in own shares purchased	-	-	-	-
a) increases	-	-	-	-
b) decreases	-	-	-	-
3.2. Own shares purchased at the end of the period	-	-	-	-
4. Reserve capital at the beginning of the period	281 148	280 845	285 349	285 349
4.1. Changes in reserve capital	-	303	(4 504)	(5 531)
a) increases	-	303	1 027	-
- profit distribution (in excess of statutory requirements)	-	303	-	-
- the fair value of rights to shares granted to employees of the parent company	-	-	1 027	-
b) decreases	-	-	(5 531)	(5 531)
- dividend payment	-	-	(5 531)	(5 531)
4.2. Reserve capital at the end of the period	281 148	281 148	280 845	279 818
5. Revaluation reserve at the beginning of the period	4 219	4 097	3 453	3 453
5.1. Changes in revaluation reserve	1 743	1 865	644	714
a) increases	1 777	1 865	644	714
- exchange differences on revaluation of foreign entities	-	88	644	714
- transfer of the exchange differences on revaluation liquidated foreign entities to the profit of the period	1 777	1 777	-	-
b) decreases	(34)	-	-	-
- exchange differences on revaluation of foreign entities	(34)	-	-	-
5.2. Revaluation reserve at the end of the period	5 962	5 962	4 097	4 167
6. Accumulated profit (loss) from previous years at the beginning of the period	18 471	132 732	226 283	226 283
6.1. Accumulated profit from previous years at the beginning of the period	18 471	280 368	226 283	226 283
a) changes in accounting policies	-	-	-	-
b) adjustments due to fundamental errors	-	-	-	-
6.2. Accumulated profit from previous years at the beginning of the period, restated	18 471	280 368	226 283	226 283
a) increases	-	-	-	-
b) decreases	-	(280 368)	(226 283)	(226 283)
- distribution of profit to reserve capital	-	(303)	-	-
- dividend payment	-	(280 065)	(226 283)	(226 283)
6.3. Accumulated profit from previous years at the end of the period	-	-	-	-
6.4. Accumulated loss from previous years at the beginning of the period	(147 636)	-	-	-
a) changes in accounting policies	-	-	-	-
b) adjustments due to errors	-	(147 636)	-	-
6.5. Accumulated loss from previous years at the beginning of the period, restated	(147 636)	(147 636)	-	-
a) increases	-	-	-	-
b) decreases	-	-	-	-
6.6. Accumulated loss from previous years at the end of the period	(147 636)	(147 636)	-	-
6.7. Accumulated profit (loss) from previous years at the end of the period	(129 165)	(147 636)	-	-
7. Net profit	57 433	75 904	132 732	214 871
a) net profit	57 433	75 904	132 732	214 871
b) net loss	-	-	-	-
c) net profit distribution	-	-	-	-
II. Shareholders' equity at the end of the period	343 028	343 028	545 324	626 506
III. Shareholders' equity at the end of the period, after proposed profit distribution / loss absorption	343 028	343 028	545 324	626 506

CASH FLOW STATEMENT

	III quarter, period from 01.07.12 to 30.09.12 (PLN '000)	3-quarter period from 01.01.12 to 30.09.12 (PLN '000)	III quarter, period from 01.07.11 to 30.09.11 (PLN '000)	3-quarter period from 01.01.11 to 30.09.11 (PLN '000)
A. Cash flows from operating activities				
I. Net profit (loss) for the period	57 433	75 904	75 894	214 871
II. Adjustments for:	360 812	(598 035)	203 866	(887 547)
1. Depreciation and amortisation	7 649	22 947	6 734	18 755
2. Foreign exchange (gains)/losses	(310)	(699)	538	496
3. Interest and dividends	1 578	(17 026)	507	(36 090)
4. (Profit) / loss on investing activities	1 217	115 462	(1 575)	(356)
5. Change in provisions	(30 125)	56 670	4 550	43 476
6. Change in inventories	64 774	77 562	5 583	(37 400)
7. Change in receivables	282 594	(158 697)	69 944	(250 898)
8. Change in short-term liabilities and special funds (excluding loans and borrowings)	30 767	20 305	164 760	(54 398)
9. Change in accruals and deferred income / costs	4 864	(709 860)	(52 154)	(575 925)
10. Other	(2 196)	(4 699)	4 979	4 793
III. Net cash flows from operating activities	418 245	(522 131)	279 760	(672 676)
B. Cash flows from investing activities				
I. Inflows	20 227	25 680	3 196	29 562
1. Sale of intangible assets and tangible fixed assets	227	1 004	1 636	12 646
2. Sale of investments in property and intangible assets	-	-	-	-
3. From financial assets, including:	20 000	24 676	-	15 610
a) in related parties	20 000	24 676	-	1 400
- sale of financial assets	-	4 676	-	1 400
- dividends received and share in profits	20 000	20 000	-	-
- repayment of long-term loans granted	-	-	-	-
- interest received	-	-	-	-
- other inflows from financial assets	-	-	-	-
b) in other entities	-	-	-	14 210
- sale of financial assets	-	-	-	14 013
- dividends received and share in profits	-	-	-	-
- repayment of long-term loans granted	-	-	-	-
- interest received	-	-	-	197
- other inflows from financial assets	-	-	-	-
4. Other investment inflows	-	-	1 560	1 306
II. Outflows	(4 083)	(83 140)	(2 978)	(9 655)
1. Purchase of intangible assets and tangible fixed assets	(2 376)	(10 617)	(2 774)	(7 434)
2. Purchase of investments in property and intangible assets	-	-	-	-
3. From financial assets, including:	(500)	(69 168)	(204)	(2 221)
a) in related parties	(500)	(69 168)	(204)	(2 221)
- purchase of financial assets	(500)	(69 168)	(204)	(2 221)
- long-term loans granted	-	-	-	-
b) in other entities	-	-	-	-
- purchase of financial assets	-	-	-	-
- long-term loans granted	-	-	-	-
4. Other investment outflows	(1 207)	(3 355)	-	-
III. Net cash flows from investing activities	16 144	(57 460)	218	19 907
C. Cash flows from financing activities				
I. Inflows	85 000	85 000	-	-
1. Issuance of shares and capital contributions and additional payments to capital	-	-	-	-
2. Proceeds from bank loans and borrowings	-	-	-	-
3. Issuance of bonds and other securities	85 000	85 000	-	-
4. Other financing inflows	-	-	-	-
II. Outflows	(89 118)	(376 567)	(7 425)	(241 565)
1. Purchase of own shares	-	-	-	-
2. Dividends and other payments to shareholders	-	(280 065)	(3 850)	(231 814)
3. Other payments relating to distribution of profit (excluding payments to shareholders)	-	-	-	-
4. Repayment of bank loans and borrowings	-	-	-	-
5. Redemption of debt securities	(85 000)	(85 000)	-	-
6. Other financial liabilities payments	-	-	-	-
7. Finance lease payments	(2 596)	(8 676)	(3 113)	(8 778)
8. Interest paid	(1 522)	(2 826)	(462)	(973)
9. Other financing outflows	-	-	-	-
III. Net cash flows from financing activities	(4 118)	(291 567)	(7 425)	(241 565)
D. Net cash flows	430 271	(871 158)	272 553	(894 334)
E. Change in cash and cash equivalents	430 291	(871 048)	272 828	(893 967)
- changes in cash and cash equivalents arising from foreign exchange gains/losses	20	110	275	367
F. Cash and cash equivalents at the beginning of the period	268 656	1 569 995	588 204	1 754 999
G. Cash and cash equivalents at the end of the period	698 947	698 947	861 032	861 032
- including restricted cash	98 354	98 354	57 037	57 037

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

The financial statements of Budimex SA for the 9-month period of 2012 together with comparative data were prepared in accordance with Polish accounting regulations, described in the introduction to the financial statements of the Company for the year 2011, except for the change of valuation of perpetual usufruct, described below.

Starting from 1 January 2012, the Company has changed an accounting policy related to depreciation of perpetual usufruct, which is currently depreciated over the period of its estimated useful life. Previously, as described in the financial statements for the year 2011, perpetual usufruct was not depreciated. The above change in valuation method has no significant influence on the amount of net profit for three quarters of 2012.

The financial statements and the comparative data comprise aggregate data of the reporting organizational branches as at 30 September 2012, 30 June 2012, 31 December 2011 and 30 September 2011, prepared in foreign currencies and translated into Polish zloty using the rate of exchange presented in the point 1.4 of herein condensed financial statements.

The financial statements and the comparative data contain also data corresponding to Budimex SA share in jointly controlled entities: Budimex SA Sygnity SA Sp. j., Budimex SA Ferrovia Agroman SA Sp. j. and Budimex SA Ferrovia Agroman SA S.C. that were aggregated using the proportionate method pursuant to Art. 61 of the Accounting Act.

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

In the third quarter of 2012 there were not any events required adjusting data of previously published condensed financial statements.

1.3. Changes in the method of preparation of financial statements

Apart from the changes described in the point 1.1. of the herein condensed financial statements, there were not any other significant changes introduced in the preparation of financial statements.

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

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

- individual asset and liability items – using the average exchange rate prevailing as at 30 September 2012 – 4.1138 PLN/EUR,
- individual profit and loss account and cash flow statement items for three quarters of 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 cash flow statement items of comparative financial data for three quarters of 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.

1.5. Going concern

The financial statements of the Company were prepared on the assumption that the Company will be going concern during the period of 12 months from the balance sheet date, i.e. 30 September 2012 without a significant limitation in its activities. As at the date of signing the financial statements, the Management Board of the Company is not aware of any facts or circumstances that would indicate a threat to the Company's continued activities after the balance sheet date, due to an intended or compulsory withdrawal from or a significant limitation in its activities.

As at 30 September 2012 the excess of the current liabilities, provisions and short-term accruals (excluding sales revenue adjustments which are result of a contract valuation) over the current assets except guarantee provisions kept or granted by Budimex of due date above 12 months amounted to PLN 378 703 thousand (as at 31 December 2011 the excess of current assets over current liabilities according to above method amounted to PLN 58 290 thousand).

As at 30 September 2012 the excess of current assets over current liabilities excluding sales revenue adjustments which are result of a contract valuation in consolidated financial statements of Budimex Group amounted to PLN 232 850 thousand. A net treasury position of Budimex Group including cash, cash equivalents and short-term securities reducing by external financing amounted to PLN 717 647 thousand as at 30 September 2012.

Taking into account the above, the Company's Management Board does not state as at the date of signing the financial statements any threat to Company's ability to continue as a going concern.

2. Changes in the shareholding structure

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 (The Netherlands) – the company of Ferrovial 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%

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

3.1. Business operation of the Company in the period of III quarters of 2012

In the period of three quarters of 2012 Budimex SA earned sales revenue in the amount of PLN 4 054 729 thousand (in the third quarter – 1 489 483 thousand), of which 99% related to sales of construction services amounted to PLN 4 014 309 thousand.

In the comparative period of the year 2011, sales revenue amounted to PLN 3 508 734 thousand (in the third quarter – 1 475 788 thousand), of which 98.85% related to sales of construction services amounted to PLN 3 468 487 thousand.

The sales of construction services increased by about 15.74% in the period of three quarters of 2012 in relation to the comparative period of the year 2011. In the period of three quarters of 2012 the sales revenue from development projects was immaterial in relation to the total sales revenue of the Company due to settlement of real estate projects taken over on merger with Budimex Inwestycje Sp. z o.o. in 2009.

Gross profit on sales for the 9-month period of 2012 amounted to PLN 164 188 thousand and was higher by PLN 1 285 thousand than in the comparative period of the previous year.

Otherwise, the operating profit for the period of nine months of 2012 amounted to PLN 158 729 thousand and in the comparative period of 2011 amounted to PLN 206 767 thousand. In the third quarter of 2012, the operating profit amounted to PLN 22 177 thousand, mainly due to claim received related to contract "Budowa Obwodnicy Augustowa" in the amount of PLN 21 948 thousand (what was described in details in the point 3.3 of herein condensed financial statements).

In the period of three quarters of 2012, Budimex showed a negative result from financial activity in the amount of PLN 58 425 thousand. However in the III quarter of 2012 the result was positive and amounted to PLN 24 961 thousand, mainly due to interests received on the base of court decisions relating to construction contracts "Developing and modernizing Warsaw Frederic Chopin Airport – Terminal II" and "Budowa Obwodnicy Augustowa" in total amount of PLN 23 640 thousand.

Due to above, in the period of nine months of 2012 the Company reported a gross profit of PLN 100 304 thousand and in the comparative period of the year 2011 amounted to PLN 256 101 thousand.

In the period of three quarters of 2012 net profit amounted to PLN 75 904 thousand and in the third quarter amounted to PLN 57 433 thousand.

3.2. Changes of estimates

Provisions for expected contract losses

In accordance with accounting policies adopted, the Company creates provisions for expected contract losses if budgeted contract costs exceed the entire expected contract revenue. 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 295 427 thousand, while as at 30 September 2011 amounted to PLN 396 818 thousand. In the 9-month period of 2012 the balance of provision decreased by PLN 52 579 thousand, of which in the third quarter of 2012 increased by PLN 11 242 thousand.

Provision for legal proceedings

The Company recognises provisions for legal proceedings when it is suited and the probability of an unfavourable court judgement is higher than the probability of a favourable one. An estimation of that result is made on the basis of analysis of a legal proceedings progress as well as lawyers' opinions. As at 30 September 2012, the balance of the provision in this respect amounted to PLN 32 999 thousand, while as at 30 September 2011 amounted to PLN 31 974 thousand. In the 9-month period of 2012 the balance of provision increased by PLN 764 thousand, of which in the third quarter of 2012 increased by PLN 405 thousand.

Provision for penalties

The Company recognises provisions for penalties related to the realisation of construction contracts. A provision is recognised only when the Company has a present obligation as a result of past event, the settlement of that obligation is highly probable and a reliable estimate can be made of the amount of the obligation. As at 30 September 2012, the balance of the provision in this respect amounted to PLN 27 221 thousand, while as at 30 September 2011 amounted to PLN 23 523 thousand. In the 9-month period of 2012 the balance of provision decreased by PLN 3 313 thousand, of which in the third quarter of 2012 increased by PLN 1 606 thousand.

Costs of future warranty repairs

The Company is required to issue guarantees for its construction services. It is accepted that the provision between 0.3%-1.4% of revenue from the given contract is made what depends on particular construction segment. This general value is assessed on an individual basis and may be increased or reduced, as appropriate. As at 30 September 2012, the balance of the provision in this respect amounted to PLN 150 901 thousand, while as at 30 September 2011 amounted to PLN 127 240 thousand. In the 9-month period of 2012 the balance of provision increased by PLN 19 369 thousand, of which in the third quarter of 2012 increased by PLN 3 209 thousand.

Deferred tax asset and liability

During the 9-month period of 2012 deferred tax asset increased by PLN 15 701 thousand (a decrease by PLN 51 886 thousand compared to the amount recognized as at 30 June 2012), while deferred tax liability increased by PLN 40 008 thousand (a decrease by PLN 35 345 thousand compared to the amount recognized as at 30 June 2012).

Impairment write-downs against receivables

As at 30 September 2012, the balance of recognized impairment write-downs against receivables amounted to PLN 83 475 thousand, while as at 30 September 2011 amounted to PLN 82 547 thousand. In the 9-month period of 2012 the Company recognized impairment write-downs in the amount of PLN 14 881 thousand (of which in the third quarter of 2012 in the amount of PLN 6 545 thousand) and reversed it in the amount of PLN 17 075 thousand (of which in the third quarter of 2012 in the amount of PLN 5 128 thousand).

Impairment write-downs against inventory

As at 30 September 2012, the balance of recognised impairment write-downs against inventory amounted to PLN 30 435 thousand, while as at 30 September 2011 amounted to PLN 1 205 thousand. In the 9-month period of 2012 the Company recognised impairment write-downs against advance payments due the company Przedsiębiorstwo Napraw Infrastruktury in the amount of PLN 30 050 thousand (in the third quarter of 2012 reversed its in the amount of PLN 668 thousand) and reversed provisions for finished products and goods for resale in the amount of PLN 744 thousand (in the third quarter of 2012 reversed its in the amount of PLN 39 thousand).

3.3. Material changes of the legal proceedings pending in the III quarter of 2012

As at 30 September 2012, the value of the proceedings relating to the liabilities against the Company and claims filed by the Company amounted accordingly to PLN 266 870 thousand and PLN 241 846 thousand and as at 30 June 2012 accordingly to PLN 268 271 thousand and PLN 245 232 thousand.

Due to the proceedings, which involve the consortium Ferrovial Agroman SA, Budimex SA and Estudio Lamela S.L. (Consortium FBL) and Przedsiębiorstwo Państwowe "Porty Lotnicze" (PPL), being the result of rescinding the contract for developing and modernizing Warsaw Frederic Chopin Airport – Terminal II by the Investor PPL (which is described in details in the financial statements of the Company for the year 2011), 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. Total value of the claim awarded by the verdict and the value of the statutory interest amounted to PLN 87 920 thousand (Budimex SA's share amounted to PLN 35 168 thousand, of which the amount PLN 21 612 thousand related to a bank guarantee repayment). The amount was received by the Company on 28 September 2012.

Moreover, 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 (the state border – Wrocław – Białystok – Suwałki – the state border) 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. The amount of PLN 32 223 thousand was received by the Company on 27 September 2012.

3.4. Bank guarantees and insurance agreements signed in the III quarter of 2012

On 6 July 2012 Budimex SA signed with Bank Ochrony Środowiska SA an annex to the Bank Guarantee Agreement dated 9 July 2010. By the power of the Annex, the line term was extended to 8 August 2012. The other conditions were not changed.

On 18 July 2012 Budimex SA signed with Towarzystwo Ubezpieczeń Euler Hermes SA annex to the Contract Insurance Guarantee Agreement dated 28 August 2008. Pursuant to the Contract, the Company may commission the Bank to issue bank guarantees up to the total amount of PLN 50 000 thousand. By the power of the annex, the line term was extended to 31 August 2013. The other conditions were not changed.

On 19 July 2012 Budimex SA signed with Banco Espirito Santo de Investimento SA Branch in Poland the Bank Guarantee Agreement. Pursuant to the agreement the Company may commission the Bank to issue bank guarantees up to the total amount of PLN 80 000 thousand. The agreement was signed up to 10 July 2013. The collateral established under the Agreement consists of the Company's statement of execution. The other conditions are equal to those type of agreements.

On 1 August 2012 Budimex SA signed with BNP Paribas Bank Polska SA an annex to the Bank Guarantee Agreement dated 25 April 2008. The Company may commission the Bank to issue bank guarantees up to the total amount of PLN 176 333 thousand and the line term was extended to 1 September 2012.

On 1 September 2012 Budimex SA signed with Credit Agricole Corporate & Investment Bank an annex to the Bank Guarantee Agreement dated 13 October 2008. By the power of the Annex, the line term was extended to 30 August 2013. The other conditions were not changed.

On 4 September 2012 Budimex SA signed with BNP Paribas Bank Polska SA an annex to the Bank Guarantee Agreement dated 25 April 2008. By the power of the Annex, the line term was extended to 30 October 2012. The other conditions were not changed.

3.5. Other material events in the III quarter of 2012

On 5 July 2012 Budimex SA issued short-term bonds taken by subsidiaries of the Company, i.e. Budimex Danwood Sp. z o.o. in the amount of PLN 20 000 thousand and Budimex Nieruchomości Sp. z o.o. in the amount of PLN 65 000 thousand. An interest rate was determined as WIBOR 1M+margin. A redemption day was 11 September 2012.

On 13 August 2012 the Extraordinary General Meeting of the company Budimex Parking Sp. z o. o. (the 100% subsidiary of Budimex SA) made the resolution on increasing the capital in the amount of PLN 500 thousand, i.e. to the amount of 1 500 thousand. The total amount 10 000 new shares of nominal value PLN 50 each was taken by Budimex SA. The increase of capital was registered on 29 August 2012.