

The Budimex Group

**Condensed consolidated financial statements**

**for I quarter of 2013**

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

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**Consolidated statement of financial position**

<b>ASSETS</b>	<b>31 March 2013</b>	<b>31 December 2012</b>
	(PLN thousands)	(PLN thousands)
<b>Non-current assets</b>		
Property, plant and equipment	116 634	111 192
Investment properties	23 444	3 256
Intangible assets	4 230	2 992
Goodwill	73 237	73 237
Equity accounted investments	7 252	16 966
Available-for-sale financial assets	7 633	17 135
Retentions for construction contracts	23 244	19 202
Long-term prepayments and deferred costs	4 181	4 176
Deferred tax asset	307 944	311 651
<b>Total non-current assets</b>	<b>567 799</b>	<b>559 807</b>
<b>Current assets</b>		
Inventories	855 222	876 206
Trade and other receivables	464 805	401 836
Retentions for construction contracts	51 196	49 419
Amounts due and receivable from customers (investors) under construction contracts	225 386	227 490
Current tax receivable	887	935
Derivative financial instruments	2 893	5 724
Cash and cash equivalents	850 917	1 317 733
Short-term prepayments and deferred costs	14 301	9 061
	<b>2 465 607</b>	<b>2 888 404</b>
Non-current assets classified as held for sale	-	-
<b>Total current assets</b>	<b>2 465 607</b>	<b>2 888 404</b>
<b>TOTAL ASSETS</b>	<b>3 033 406</b>	<b>3 448 211</b>

**Consolidated statement of financial position (cont.)**

<b>EQUITY AND LIABILITIES</b>	<b>31 March 2013</b>	<b>31 December 2012</b>
	(PLN thousands)	(PLN thousands)
<b>Shareholders' equity</b>		
<b>Shareholders' equity attributable to the shareholders of the Parent Company</b>		
Share capital	145 848	145 848
Share premium	234 799	234 799
Other reserves	2 705	2 705
Foreign exchange differences on translation of foreign operations	2 358	2 190
Retained earnings	82 554	47 588
<b>Total shareholders' equity attributable to the shareholders of the Parent Company</b>	<b>468 264</b>	<b>433 130</b>
Non-controlling interests	16 295	-
<b>Total shareholders' equity, incl. non-controlling interests</b>	<b>484 559</b>	<b>433 130</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Loans, borrowings and other external sources of finance	75 326	75 967
Retentions for construction contracts	155 387	161 143
Provision for long-term liabilities and other charges	144 963	141 521
Long-term retirement benefits and similar obligations	3 960	3 747
<b>Total non-current liabilities</b>	<b>379 636</b>	<b>382 378</b>
<b>Current liabilities</b>		
Loans, borrowings and other external sources of finance	17 864	17 718
Trade and other payables	962 377	1 287 594
Retentions for construction contracts	201 211	222 146
Amounts due and payable to customers (investors) under construction contracts	476 026	534 870
Prepayments received	235 116	274 050
Provision for short-term liabilities and other charges	109 531	116 060
Current tax payable	2 350	6 225
Short-term retirement benefits and similar obligations	1 052	1 036
Derivative financial instruments	105	257
Short-term accruals	155 400	161 608
Short-term deferred income	8 179	11 139
	<b>2 169 211</b>	<b>2 632 703</b>
Liabilities directly associated with the assets (disposal groups) classified as held for sale	-	-
<b>Total current liabilities</b>	<b>2 169 211</b>	<b>2 632 703</b>
<b>Total liabilities</b>	<b>2 548 847</b>	<b>3 015 081</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3 033 406</b>	<b>3 448 211</b>

## The BUDIMEX Group

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### Consolidated income statement

	3-month period ended 31 March	
	2013	2012
	(PLN thousands)	(PLN thousands)
<b>Continuing operations</b>		
Net sales of finished goods, goods for resale, raw materials and services	853 043	1 083 349
Cost of finished goods, goods for resale, raw materials and services sold	(769 565)	(1 005 570)
<b>Gross profit on sales</b>	<b>83 478</b>	<b>77 779</b>
Selling expenses	(6 325)	(5 651)
Administrative expenses	(38 380)	(43 991)
Other operating income	11 501	6 206
Other operating expenses	(6 498)	(3 958)
Gains/ (losses) on derivative financial instruments	(1 181)	6 840
<b>Operating profit</b>	<b>42 595</b>	<b>37 225</b>
Finance income	9 287	19 731
Finance costs	(7 815)	(8 578)
Share of results of equity accounted companies	(950)	11
<b>Profit before tax</b>	<b>43 117</b>	<b>48 389</b>
Income tax	(8 133)	(11 325)
<b>Net profit from continuing operations</b>	<b>34 984</b>	<b>37 064</b>
<b>Net profit for the period</b>	<b>34 984</b>	<b>37 064</b>
Of which:		
<b>Attributable to the shareholders of the Parent Company</b>	<b>34 966</b>	<b>37 064</b>
Attributable to non-controlling interests	18	-
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	1.37	1.45

**Consolidated statement of comprehensive income**

	<b>3-month period ended 31 March</b>	
	<b>2013</b>	<b>2012</b>
	(PLN thousands)	(PLN thousands)
<b>Net profit for the period</b>	<b>34 984</b>	<b>37 064</b>
<b>Other comprehensive income (loss) for the period, which:</b>		
<i>Will be subsequently reclassified to profit or loss:</i>		
Foreign exchange differences on translation of foreign operations	168	(473)
Deferred tax related to components of other comprehensive income which will be subsequently reclassified to profit or loss	-	-
<i>Will not be subsequently reclassified to profit or loss:</i>		
Actuarial gains/(losses)	-	-
Deferred tax related to components of other comprehensive income which will not be subsequently reclassified to profit or loss	-	-
<b>Other comprehensive income (loss), net of tax</b>	<b>168</b>	<b>(473)</b>
<b>Total comprehensive income for the period</b>	<b>35 152</b>	<b>36 591</b>
Of which:		
<b>Attributable to the shareholders of the Parent Company</b>	<b>35 134</b>	<b>36 591</b>
Attributable to non-controlling interests	18	-

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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			
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
<b>Balance as at 1 January 2013</b>	<b>145 848</b>	<b>234 799</b>	<b>2 705</b>	<b>2 190</b>	<b>47 588</b>	<b>433 130</b>	-	<b>433 130</b>
Profit for the period	-	-	-	-	34 966	34 966	18	<b>34 984</b>
Other comprehensive income	-	-	-	168	-	168	-	<b>168</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>168</b>	<b>34 966</b>	<b>35 134</b>	<b>18</b>	<b>35 152</b>
Change in the composition of the Group	-	-	-	-	-	-	16 277	<b>16 277</b>
<b>Balance as at 31 March 2013</b>	<b>145 848</b>	<b>234 799</b>	<b>2 705</b>	<b>2 358</b>	<b>82 554</b>	<b>468 264</b>	<b>16 295</b>	<b>484 559</b>

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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			
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)			
<b>Balance as at 1 January 2012</b>	<b>145 848</b>	<b>234 799</b>	<b>1 283</b>	<b>2 229</b>	<b>141 671</b>	<b>525 830</b>	-	<b>525 830</b>
Profit for the period	-	-	-	-	37 064	37 064	-	<b>37 064</b>
Other comprehensive income	-	-	-	(473)	-	(473)	-	<b>(473)</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>(473)</b>	<b>37 064</b>	<b>36 591</b>	-	<b>36 591</b>
<b>Balance as at 31 March 2012</b>	<b>145 848</b>	<b>234 799</b>	<b>1 283</b>	<b>1 756</b>	<b>178 735</b>	<b>562 421</b>	-	<b>562 421</b>
Profit for the period	-	-	-	-	148 918	148 918	-	<b>148 918</b>
Other comprehensive income	-	-	-	434	-	434	-	<b>434</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>434</b>	<b>148 918</b>	<b>149 352</b>	-	<b>149 352</b>
Dividends	-	-	-	-	(280 065)	(280 065)	-	<b>(280 065)</b>
Share-based payments	-	-	1 422	-	-	1 422	-	<b>1 422</b>
<b>Balance as at 31 December 2012</b>	<b>145 848</b>	<b>234 799</b>	<b>2 705</b>	<b>2 190</b>	<b>47 588</b>	<b>433 130</b>	-	<b>433 130</b>



**Consolidated statement of cash flow**

	<b>3-month period ended 31 March</b>	
	<b>2013</b>	<b>2012</b>
	(PLN thousands)	(PLN thousands)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit before tax</b>	<b>43 117</b>	<b>48 389</b>
<b>Adjustments for:</b>		
Depreciation/ amortization	7 189	13 193
Share of results of equity accounted companies	950	(11)
Foreign exchange (gains)/ losses	45	(2 158)
Interest and shares in profits (dividends)	552	1 498
(Profit)/ loss on disposal of investments	3 231	100
Change in valuation of derivative financial instruments	2 679	(8 307)
<b>Operating profit before changes in working capital</b>	<b>57 763</b>	<b>52 704</b>
Change in receivables and retentions for construction contracts	(40 329)	18 266
Change in inventories	24 918	(75 154)
Change in provisions and liabilities arising from retirement benefits and similar obligations	(4 253)	7 742
Change in retentions for construction contracts and in liabilities, except for loans and borrowings	(386 952)	(630 445)
Change in accruals and accrued income	(15 308)	(12 190)
Change in amounts due and receivable under construction contracts	(51 916)	(269 717)
Change in prepayments received	(38 984)	46 597
Change in cash and cash equivalents of restricted use	(3 741)	8 041
Other adjustments	373	(769)
<b>Cash generated from operations</b>	<b>(458 429)</b>	<b>(854 925)</b>
Income tax paid	(8 253)	(1 393)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(466 682)</b>	<b>(856 318)</b>

**Consolidated statement of cash flow (cont.)**

	<b>3-month period ended 31 March</b>	
	<b>2013</b>	<b>2012</b>
	(PLN thousands)	(PLN thousands)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of intangible assets and tangible fixed assets	1 233	242
Purchase of intangible assets and tangible fixed assets	(2 239)	(7 303)
Proceeds from disposal of financial assets in related entities	-	4 676
Purchases of shares in subsidiaries	(4 936)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(5 942)</b>	<b>(2 385)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Loans and borrowings taken out	1 284	30 493
Repayment of loans and borrowings	-	(28 635)
Payment of finance lease liabilities	(2 421)	(3 403)
Interest paid	(525)	(1 442)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(1 662)</b>	<b>(2 987)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(474 286)</b>	<b>(861 690)</b>
Foreign exchange differences, net	133	(5)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 3.4)</b>	<b>1 306 746</b>	<b>1 740 488</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 3.4)</b>	<b>832 593</b>	<b>878 793</b>

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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 31 March 2013, 31 December 2012 and 31 March 2012 the following companies were subject to consolidation:

Company name	Registered office	% in the share capital as at			Consolidation method
		31 March 2013	31 December 2012	31 March 2012	
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	Warsaw / Poland	100.00% <sup>1</sup>	100.00% <sup>1</sup>	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
Budimex Kolejnictwo SA	Warsaw / Poland	100.00%	100.00% <sup>2</sup>	100.00% <sup>2</sup>	full
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	100.00%	100.00% <sup>3</sup>	100.00% <sup>3</sup>	full
Elektromontaż Poznań SA Group	Poznań / Poland	50.66% <sup>4</sup>	30.78%	30.78%	full

<sup>1</sup>) The company was acquired on 16 November 2011. The court declared bankruptcy of the company with an arrangement option on 13 September 2012. The Budimex Group lost control over the company on 30 November 2012 as a result of removing the company's own management board and appointing a court administrator. As a result, the company was deconsolidated as of the date of losing control.

<sup>2</sup>) Company entered in the Register of Entrepreneurs on 10 May 2011 but due to immateriality of the data it was not consolidated. The Budimex Group started consolidating the company on 1 January 2013.

<sup>3</sup>) Company entered in the Register of Entrepreneurs on 10 February 2011 but due to immateriality of the data it was not consolidated. The Budimex Group started consolidating the company on 1 January 2013.

<sup>4</sup>) The controlling stake of shares of Elektromontaż Poznań SA was acquired on 4 January 2013, when the Budimex Group started consolidating the Elektromontaż Poznań Group.

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

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

Budimex SA acquired the controlling stake of ELPOZ to obtain control and to improve the effectiveness of the company's activity.

As at date of the financial statement the fair value of tangible fixed assets acquired, investments properties and assets and liabilities related to the valuation of long-term contracts were accounted for provisionally according to IFRS 3, par. 45.

The fair values as at acquisition date and the provisionally accounted gain from bargain purchase are presented in the following table:

<b>Purchase consideration</b>	in PLN thousand
- cash paid as at acquisition date	6 559
- fair value of the previously held equity interest	10 154
<b>Total purchase consideration</b>	<b>16 713</b>
<b>Net assets identified in the acquiree</b>	
Cash and cash equivalents	5 219
Tangible fixed assets	12 095
Investment properties	20 232
Intangible assets	1 752
Available for sale financial assets	1
Inventories	3 934
Receivables and other assets	34 231
Deferred tax liability	(337)
Trade payables and other liabilities	(40 579)
<b>Total net assets at fair value</b>	<b>36 548</b>
Non-controlling interest as at acquisition date	16 277
Gain from bargain purchase	3 558
Purchase consideration in cash	(6 559)
Cash and cash equivalents in acquired entity at the acquisition date	5 219
Cash of restricted use at the acquisition date	(3 596)
<b>Cash outflow regarding acquisition</b>	<b>(4 936)</b>
Sales revenue for the period from the acquisition date to 31 March 2013	12 683
Net profit/ (loss) for the period from the acquisition date to 31 March 2013	36

Gross value of receivables as at acquisition date amounted to PLN 26 274 thousand, while the value of unrecoverable debts and fully provided for was PLN 390 thousand.

The gain from bargain purchase amounting to PLN 3 558 thousand was presented in the first quarter of 2013 in the line „other operating income” in the consolidated income statement. The reason for the

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gain from bargain purchase was a low unit price of the purchased shares which is a result of the restructuring of the investment portfolio by the seller.

The gain on the fair value valuation of the previously held equity interest amounts to PLN 1 390 thousand and was included to "other operating income" in the consolidated income statement in the first quarter of 2013.

The non-controlling interest was fair-valued. The fair value was the price Budimex SA paid for 1 share of ELPOZ.

Till the authorization date of these condensed financial statements no costs related to the acquisition of the controlling stake in ELPOZ have been incurred.

From 1 January 2013 the Budimex Group has also consolidated the following companies: Budimex Kolejnictwo SA and Budimex Parking Wrocław Sp. z o.o. Although both companies were registered in 2011, their previous financial data was not material.

In the 3-month period ended 31 March 2013, there were no other changes in the composition of the Group.

In the period covered by this report, no significant activities were discontinued and there were no plans to discontinue any significant activities in the future.

## 2. Shareholders of the Parent Company

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at 24 April 2013 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	2 561 102	10.03%	2 561 102	10.03%
Aviva OFE Aviva BZ WBK	ordinary	1 304 851	5.11%	1 304 851	5.11%
Other shareholders	ordinary	6 585 986	25.80%	6 585 986	25.80%
<b>Total</b>		<b>25 530 098</b>	<b>100.00%</b>	<b>25 530 098</b>	<b>100.00%</b>

From the date of publication of the annual report for the year ended 31 December 2012, i.e. 20 March 2013 the shareholding structure has been subject to the following changes: on 8 April 2013 the shareholder Aviva OFE Aviva BZ WBK purchased 45 424 shares and increased its share to 5.11% of the share capital.

## 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 financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and appropriate accounting standards applicable for preparation of the interim consolidated financial statements adopted by the European Union issued and effective when preparing the interim consolidated financial statements applying the same principles for the current and comparable period. Details of accounting policies adopted by the Group were described in the consolidated financial statements of the Group for the year ended 31 December 2012, published on 20 March 2013.

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

### **Standards and Interpretations effective in the current period**

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

- **IFRS 13 “Fair Value Measurement”**, adopted by the EU on 11 December 2012 (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, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 7 “Financial Instruments: Disclosures”** - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IAS 1 “Presentation of financial statements”** - Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),
- **Amendments to IAS 12 “Income Taxes”** - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IAS 19 “Employee Benefits”** - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 1 “First-time Adoption of IFRS”** - Government Loans (effective for annual periods beginning on or after 1 January 2013),
- **IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to various standards “Improvements to IFRSs (2012)”** resulting from the annual improvement project of IFRS adopted by the EU on 27 March 2013 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2013).

The adoption of these standards, amendments to the existing standards and interpretations has not led to any changes in the Group’s accounting policies, except for the impact described in the note 3.2.

### **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 and revisions adopted by the EU were in issue but not yet effective:

- **IFRS 10 “Consolidated Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 “Joint Arrangements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 12 “Disclosures of Interests in Other Entities”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 27 (revised in 2011) “Separate Financial Statements”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

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- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 32 "Financial instruments: presentation"** - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"** - Transition Guidance (effective for annual periods beginning on or after 1 January 2014).

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

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards and amendments to the existing standards, which were not endorsed for use as at 24 April 2013:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2015),
- **Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures"** - Mandatory Effective Date and Transition Disclosures,
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Investment Entities** (effective for annual periods beginning on or after 1 January 2014).

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

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

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

Starting from 1 January 2013, due to changes made to IAS 19 „Employee benefits“, the Group presents actuarial gains and losses in the statement of comprehensive income. Previously, as described in the consolidated financial statement of the Group for 2012, actuarial gains and losses were presented in the income statement. Due to immateriality of the cumulative actuarial gains/losses included in „retained earnings“ in the statement of changes in equity the value of this position has not been adjusted retrospectively.

### **3.3. Translation of selected financial data into euro**

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

- individual asset and liability items - using the average exchange rate prevailing as at 31 March 2013 - 4.1774 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the first quarter of 2013 - using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2013 to 31 March 2013 - 4.1738 PLN/EUR,

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- individual asset and liability items of comparative financial data for the year 2012 – using the average exchange rate prevailing as at 31 December 2012 – 4.0882 PLN/EUR,
- individual profit and loss account and statement of cash flow items of comparative financial data for the first quarter 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 31 March 2012 – 4.1750 PLN/EUR.

### 3.4. 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.

	<b>31 March 2013</b>	<b>31 December 2012</b>	<b>31 March 2012</b>
	(in PLN thousands)	(in PLN thousands)	(in PLN thousands)
<b>Cash recognised in the statement of financial position</b>	<b>850 917</b>	<b>1 317 733</b>	<b>891 894</b>
Cash and cash equivalents of restricted use	(18 324)*	(10 987)	(13 101)
<b>Cash recognised in the statement of cash flow</b>	<b>832 593</b>	<b>1 306 746</b>	<b>878 793</b>

\*PLN 3 596 thousand was excluded from the change in the statement of financial position of the cash and cash equivalents of restricted use due to change in the Group composition

## 4. Description of factors and events which had a material effect on a financial result of the Budimex Group for the first quarter of 2013

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 3-month period ended 31 March 2013, the Budimex Group earned sales revenue of PLN 853 043 thousand which means a 21.26% decrease on the corresponding period of 2012. The decrease in sales revenue was mainly due to termination of the infrastructure contracts related to EURO 2012 and due to deconsolidation of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. as of 30 November 2012.

In the first quarter of 2013 construction-assembly production in Poland expressed in fixed prices decreased by 15.1% compared to the corresponding period of the prior year, while sales of the construction segment of the Budimex Group on the home market were down 34.76% on the corresponding periods.

Gross profit on sales in the first quarter of 2013 was PLN 83 478 thousand, while in the corresponding period of the prior year it amounted to PLN 77 779 thousand. The gross sales profitability ratio was therefore 9.79% in the first quarter of 2013, while in the first quarter of 2012 was 7.18%.

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 31 March 2013, the balance of the provision for contract losses amounted to PLN 230 850 thousand. In the first quarter of 2013, the balance of provision for contract losses increased by PLN 2 411 thousand, which includes an increase of PLN 594 thousand due to changes in the Group composition.



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The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 31 March 2013 the provision for warranty amounted to PLN 165 969 thousand. In the 3-month period ended 31 March 2013 the balance of the provision for warranty decreased by PLN 4 656 thousand.

Selling expenses increased in the first quarter of 2013 by PLN 674 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 5 611 thousand lower than expenses incurred in the corresponding period of 2012. The share of selling and administrative expenses in total sales increased from 4.58% in the first quarter of 2012 to 5.24% in the first quarter of the current year.

Other operating income for the first quarter of 2013 was PLN 11 501 thousand and comprised gain from bargain purchase amounting to PLN 3 558 thousand, gain on the fair value valuation of the previously held equity interest in Elektromontaż Poznań SA in the amount of PLN 1 390 thousand, reversal of impairment write-downs against doubtful debts in the amount of PLN 2 118 thousand and income from compensations and contractual penalties in the amount of PLN 3 669 thousand.

Other operating expenses for the first quarter of 2013 amounted to PLN 6 498 thousand, of which PLN 2 086 thousand related to impairment write-downs against receivables, PLN 829 thousand related to provisions created for litigation proceedings and PLN 484 thousand related to costs of litigation proceedings. The value of compensations and contractual penalties charged to the Group result in the period discussed was PLN 2 797 thousand. Additionally, in the period of three months of 2013 Group companies disposed of tangible fixed assets and incurred a loss on sale of PLN 68 thousand. The net book value of the tangible fixed assets sold in the period of three months of 2013 amounted to PLN 1 304 thousand.

During the first quarter of 2013 the Group incurred losses 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 1 181 thousand, while in the corresponding period of the prior year it reported gains in the amount of PLN 6 840 thousand. The valued derivative financial instruments contracts were classified as level 2 in the fair value hierarchy.

The reported operating profit of the Group in the first quarter of 2013 was PLN 42 595 thousand, while in the first quarter of 2012 it amounted to PLN 37 225 thousand. The operating profit for the first quarter of 2013 represented 4.99% of sales revenue value, while for the corresponding period of the prior year – 3.44% of sales revenue.

In the 3-month period ended 31 March 2013 the Group generated a gain on financing activities in the amount of PLN 1 472 thousand while in the same period of the prior year – gain in the amount of PLN 11 153 thousand. Finance income in the first quarter of 2013 represented mainly interest of PLN 9 285 thousand (PLN 15 098 thousand for the corresponding period of the previous year). Finance costs in the first quarter of 2013 represented, among others, interest costs of PLN 1 269 thousand, bank commissions on guarantees and loans of PLN 3 243 thousand paid by Group companies, costs from discount of long-term retention receivables and liabilities of PLN 2 083 thousand and negative foreign exchange difference amounting to PLN 1 214 thousand (in the corresponding period of the previous year the Group reported positive exchange differences of PLN 4 618 thousand).

In the first quarter of 2013, the Group reported a gross profit of PLN 43 117 thousand, while in the corresponding period of the prior year – a gross profit of PLN 48 389 thousand.

Income tax for the 3-month period ended 31 March 2013 was PLN 8 133 thousand, of which:

- current tax was PLN 4 129 thousand,
- deferred tax in the amount of PLN 4 004 thousand.

As at 31 March 2013, the Group recognized a deferred tax asset in the amount of PLN 307 944 thousand, while as at 31 December 2012 – PLN 311 651 thousand. The reported statement of financial position items of deferred tax asset result mainly from a special method of settlement of construction contracts, under which the moment of recognition of costs as incurred and revenue as realized are different from the tax and accounting perspectives.

The net profit attributable to the shareholders of the Budimex Group for the first quarter of 2013 was PLN 34 966 thousand, while the net profit attributable to the shareholders of the Budimex Group for the corresponding period of 2012 was PLN 37 064 thousand.

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The net profit attributable to non-controlling interest for the first quarter of 2013 amounted to PLN 18 thousand. In the corresponding period of 2012, there was no net profit attributable to non-controlling interest.

In the first quarter of 2013, the Group purchased or started to lease property, plant and equipment and intangible assets with a total value of PLN 1 664 thousand, of which plant and machinery accounted for PLN 1 018 thousand.

### 5. Operating segments

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

- construction business
- developer and property management business.

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

- Budimex SA
- Mostostal Kraków SA
- Budimex Bau GmbH
- Budimex Budownictwo Sp. z o.o.
- Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o.
- Budimex Kolejnictwo SA
- Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (as a result of removing the company's own management on 30 November 2012, the Budimex Group lost control over the company and the company was excluded from consolidation as of that date).

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

- Budimex Nieruchomości Sp. z o.o.
- SPV-BN 1 Sp. z o.o.
- SPV-BN 2 Sp. z o.o.
- Budimex SA in a part relating to developer business, as a result of merger with Budimex Inwestycje Sp. z o.o. on 13 August 2009.

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

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

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The results of segments for the first quarter of 2013 are presented in the table below:

Segment name	amounts in PLN thousands				
	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated value
External sales	667 930	90 776	94 337	-	<b>853 043</b>
Inter-segment sales	26 507	177	2 305	(28 989)	-
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>694 437</b>	<b>90 953</b>	<b>96 642</b>	<b>(28 989)</b>	<b>853 043</b>
<b>Gross profit</b>	<b>50 684</b>	<b>19 415</b>	<b>9 929</b>	<b>3 450</b>	<b>83 478</b>
Selling expenses	(2 453)	(2 203)	(1 679)	10	<b>(6 325)</b>
Administrative expenses	(34 637)	(3 495)	(3 802)	3 554	<b>(38 380)</b>
Other operating income/ (expenses), net	697	(722)	83	4 945	<b>5 003</b>
(Losses) on derivative financial instruments	(497)	-	(684)	-	<b>(1 181)</b>
<b>Operating profit</b>	<b>13 794</b>	<b>12 995</b>	<b>3 847</b>	<b>11 959</b>	<b>42 595</b>
Finance income / (costs), net	(14)	1 682	(196)	-	<b>1 472</b>
Shares in (losses) of equity accounted entities	-	-	(950)	-	<b>(950)</b>
Income tax expense	(3 643)	(2 807)	(352)	(1 331)	<b>(8 133)</b>
<b>Net profit for the period</b>	<b>10 137</b>	<b>11 870</b>	<b>2 349</b>	<b>10 628</b>	<b>34 984</b>

The results of segments for the first quarter of 2012 are presented in the table below:

Segment name	amounts in PLN thousands				
	Construction business	Property management and developer business	Other business	Consolidation adjustments	Consolidated value
External sales	992 999	31 699	58 651	-	<b>1 083 349</b>
Inter-segment sales	51 366	117	-	(51 483)	-
<b>Total sales of finished goods, goods for resale and raw materials</b>	<b>1 044 365</b>	<b>31 816</b>	<b>58 651</b>	<b>(51 483)</b>	<b>1 083 349</b>
<b>Gross profit</b>	<b>71 582</b>	<b>6 195</b>	<b>6 843</b>	<b>(6 841)</b>	<b>77 779</b>
Selling expenses	(2 907)	(1 894)	(865)	15	<b>(5 651)</b>
Administrative expenses	(41 392)	(2 081)	(2 457)	1 939	<b>(43 991)</b>
Other operating income/ (expenses), net	2 562	(337)	23	-	<b>2 248</b>
Gains on derivative financial instruments	785	-	6 055	-	<b>6 840</b>
<b>Operating profit</b>	<b>30 630</b>	<b>1 883</b>	<b>9 599</b>	<b>(4 887)</b>	<b>37 225</b>
Finance income, net	7 138	1 698	2 317	-	<b>11 153</b>
Shares in gains of equity accounted entities	-	-	11	-	<b>11</b>
Income tax expense	(8 658)	(710)	(2 887)	930	<b>(11 325)</b>
<b>Net profit for the period</b>	<b>29 110</b>	<b>2 871</b>	<b>9 040</b>	<b>(3 957)</b>	<b>37 064</b>

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### 6. Related party transaction

Transactions with related parties made in the first quarter of 2013 and in the first quarter of 2012 and unsettled balances of receivables and liabilities as at 31 March 2013 and 31 December 2012 are presented in the tables below:

	amounts in PLN thousands			
	Receivables		Liabilities	
	31 March 2013	31 December 2012	31 March 2013	31 December 2012
Parent Company and related parties (the Ferrovial Group)	54 507	54 408	139 994	132 397
Jointly-controlled entities	307	382	1 150	1 071
Associates	239	721	1 331	4 534
Other related parties*	565	1 760	24 423	18 803
<b>Total settlements with related parties</b>	<b>55 618</b>	<b>57 271</b>	<b>166 898</b>	<b>156 805</b>

	amounts in PLN thousands			
	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	31 March 2013	31 December 2012	31 March 2013	31 December 2012
Parent Company and related parties (the Ferrovial Group)	-	-	8 311	8 107
Jointly-controlled entities	-	-	-	-
Associates	-	-	-	-
Other related parties*	-	-	-	-
<b>Total settlements with related parties</b>	<b>-</b>	<b>-</b>	<b>8 311</b>	<b>8 107</b>

	amounts in PLN thousands			
	Sales of finished goods and services		Purchase of finished goods and services	
	3-month period ended 31 March		3-month period ended 31 March	
	2013	2012	2013	2012
Parent Company and related parties (the Ferrovial Group)	1 342	11 754	(8 321)	(15 798)
Jointly-controlled entities	99	45	(1 342)	(523)
Associates	19	17	(1 655)	(2 565)
Other related parties*	470	45	(7 575)	(1 460)
<b>Total settlements with related parties</b>	<b>1 930</b>	<b>11 861</b>	<b>(18 893)</b>	<b>(20 346)</b>

	amounts in PLN thousands			
	Financial income		Financial costs	
	3-month period ended 31 March		3-month period ended 31 March	
	2013	2012	2013	2012
Parent Company and related parties (the Ferrovial Group)	-	-	(29)	(63)
Jointly-controlled entities	-	-	-	-
Associates	-	-	-	-
Other related parties*	-	-	-	(1)
<b>Total settlements with related parties</b>	<b>-</b>	<b>-</b>	<b>(29)</b>	<b>(64)</b>

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

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

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

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

- instability on the financial markets,
- 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 12 to these consolidated financial statements,
- temporary decrease in the value of the announced public tenders in anticipation of the approval of the EU long-term financial perspective for the years 2014 – 2020.

As at 31 March 2013 the backlog was PLN 4 752 173 thousand. The value of contracts signed between January and March 2013 was PLN 479 562 thousand. The number of pre-sold apartments in the period from January - March 2013 (without booking) is 121 units.

### **8. The main events in the first quarter of 2013 and significant events after 31 March 2013**

#### ***Significant contracts:***

**On 2 January 2013** Budimex SA received from the Rzeszów division of the General Directorate for National Roads and Motorways a letter informing that the offer of Budimex SA was selected in the course of the open tender proceedings entitled "Continuation of the construction of the A4 motorway section between the Rzeszów Zachód interchange and the Rzeszów Centralny interchange." The contract value amounts to PLN 149 569 thousand. The contract was signed on 1 February 2013.

**On 5 February 2013** Budimex SA was notified by Mostostal Kraków SA (100% subsidiary of Budimex SA) on the conclusion on 5 February 2013 of a contract dated 31 January 2013 with KGHM Polska Miedź SA with its registered office in Lubin for "The development of a building complex consisting of suspension roaster, electric furnace, heat recovery steam generator, electrical and energy building, development of anode furnaces hall together with a supporting construction and installations". The contract value amounts to PLN 118 000 thousand.

**On 6 February 2013** Budimex SA received a notification from the Teaching Hospital of the Medical University in Białystok on the selection of the bid by the consortium of Budimex SA (leader) and Ferrovial Agroman SA (partner) as the most favourable bid in the proceedings carried out as a limited tender procedure for building and assembly works with internal installations of buildings A, B, C, D and E, upward extension D1 and E1, allocation of clinics and construction of P2 car park within the project "Alteration and Extension of the Teaching Hospital of the Medical University in Białystok". The contract value amounts to PLN 137 753 thousand. The contract was signed on 11 February 2013.

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**On 21 February 2013** Budimex SA received information from the Water and Sewage Management Facilities in Tomaszów Mazowiecki about the selection of the bid by the consortium of Budimex SA (leader: 50% share in the consortium) and Cadagua SA (partner: 50% in the consortium) as being the most favourable one in the procedure for awarding a public procurement contract for "Modernisation of the Sewage Treatment Plant and Sewerage System Forming Part of the Agglomeration of Tomaszów Mazowiecki". The contract value amounts to PLN 85 963 thousand.

**On 28 February 2013** Budimex SA was notified by Przedsiębiorstwo Państwowe "Porty Lotnicze" in Warsaw on the selection of the tender submitted jointly by Budimex S.A. and Budimex Budownictwo Sp. z o.o (a wholly-owned subsidiary of Budimex S.A.) as the most advantageous tender in the public contract award for: "The extension of a landing area for the Warsaw Chopin Airport in Warsaw - redevelopment and extension of aprons no. 2, 4 and 6 (along with DK D1) as well as redevelopment of Runway RWY3 and extension of taxiways". The Contract value amounts to PLN 106 920 thousand. The contract was signed on 5 April 2013.

**On 8 March 2013** Budimex SA was informed by Pomorska Kolej Metropolitalna SA, with its registered office in Gdańsk, about the selection of the bid of the consortium composed of Budimex SA (leader: 95% share in the consortium) and Ferroviaria Agroman SA (partner: 5% in the consortium) as the best bid in the limited public procurement procedure for the Design and construction of Pomeranian Metropolitan Railway, Stage I - revitalisation of Kolej Kokoszkowska. The contract value amounts to PLN 582 225 thousand.

**On 14 March 2013** Budimex SA was informed by Celowy Związek Gmin "PROEKOB", based in Bełżyce, that the Budimex SA tender had been chosen as the best one in the open tender public procurement procedure for "Construction of the Waste Management Plant in Bełżyce for Celowy Związek Gmin "PROEKOB", based in Bełżyce" The contract value amounts to PLN 36 503 thousand. The contract was signed on 8 April 2013.

**On 15 March 2013** Budimex SA was informed by the Wrocław National Museum that the Budimex SA tender had been chosen as the best one in the open tender public procurement procedure for "Carrying out construction works for implementation of the project entitled "Renewal and reconstruction of Four Domes Pavilion for exhibition purposes of the Wrocław National Museum." The contract value amounts to PLN 61 518 thousand.

**On 26 March 2013** Budimex SA was informed by the Rzeszów Division of the General Directorate for National Roads and Motorways about the selection of the bid by the consortium of Heilit Woerner Sp. z o.o. (leader, 50%) and Budimex SA (partner, 50%) as the most most favourable bid in the proceedings for awarding a contract under an open tender procedure for the "Continuation of the construction of the Tarnów - Rzeszów part of the A4 motorway for the section between the Krzyż junction and the Dębica Pustynia junction, km 502+796.97 to approx. km 537+550". The contract value amounts to PLN 798 002 thousand.

**On 5 April 2013** Budimex SA signed a contract for the construction of two multi-family residential buildings, F and G, with services, an underground garage, parking lots, a transport network and development of land, located at Kolejowa Street in Warsaw, with PRO-URBA INVEST Sp. z o.o. with its registered office in Warsaw (second stage of the "19th District" Residential Complex). The contract value amounts to PLN 88 930 thousand.

### **Other significant agreements and events:**

**On 28 January 2013** Budimex SA was informed that an addendum was signed to the credit agreement entered into by Bank Handlowy w Warszawie SA and Budimex SA on 8 February 2011. Under the aforementioned addendum the bank made the promised standby overdraft up to PLN 50 000 thousand available to Budimex until 5 February 2014. For use of the credit facility, the Company will pay to the bank interest calculated as per the WIBOR 1M base rate increased by the amount of the margin. As security for repayment of the amounts due to the bank under the above contract, Budimex granted the bank a power of attorney to administer the Company's account maintained by the bank and made a representation regarding voluntary submission to bank enforcement under provisions of the Polish Banking Law Act.

**On 19 February 2013** Budimex SA was informed by ING Bank Śląski SA about the signing of the confirmed short-term loan agreement. Under the aforementioned agreement, the Bank made the promised standby overdraft of up to PLN 25 000 thousand available to Budimex until 18 February 2014. On account of using the overdraft facility, the Company will pay to the bank the interest calculated as per the WIBOR 1M base rate increased by the amount of the margin. As security for the repayment of the amounts due to the bank under the above-mentioned agreement, Budimex made a representation on voluntary submission to bank enforcement under the provisions of the Banking Law Act. The above-mentioned agreement has been concluded as part of the overdraft facility of PLN 201 000 thousand already available to the Company, which had been previously used by Budimex to instruct the bank to issue bank guarantees. Therefore, the Bank and the Company also concluded an addendum to the Framework Agreement regarding bank guarantees which specified the new limit of bank guarantees to be PLN 176 000 thousand.

**On 26 February 2013** Budimex SA received from Bank Zachodni WBK SA (previously Kredyt Bank SA, of which Bank Zachodni WBK SA is the legal successor) a signed addendum to the bank guarantee limit agreement of 2 March 2012. Pursuant to the addendum, the Company may, until 31 May 2013, request that the Bank issue bank guarantees of up to the total amount of PLN 116 000 thousand. Other provisions of the agreement remain unchanged.

**On 4 March 2013** a standby overdraft agreement was concluded with Bank Zachodni SA. Under the above agreement the bank made available to Budimex a promised standby overdraft up to the amount of PLN 50 000 thousand until 3 March 2014. On account of using the overdraft facility, the Company will pay to the bank interest calculated as per the WIBOR 1M base rate increased by the amount of the margin. As security for repayment of the amounts due to the bank under the above agreement, Budimex granted the bank a power of attorney to administer the Company's account maintained by the bank and made a representation regarding voluntary submission to bank enforcement under provisions of the Polish Banking Law Act. Simultaneously, considering the fact that the above contract was entered into as part of the current credit limit, which had been used so far by Budimex to order the Bank to issue bank guarantees, the bank and the Company signed an annex to the bank guarantee limit agreement, in which a new limit was established with regard to the issuance of bank guarantees at PLN 100 000 thousand.

**On 25 March 2013** Budimex SA signed with Towarzystwo Ubezpieczeń Ergo Hestia SA, located in Sopot, an annex to the agreement concerning cooperation in providing insurance guarantees within the granted guarantee limit of 18 May 2009. Pursuant to the annex it was agreed that the total amount of all guarantees established under the agreement shall not exceed PLN 100 000 thousand.

**On 26 March 2013** the Managing Board of Budimex SA decided to recommend that the 2013 Ordinary General Meeting makes the decision to pay a dividend with a gross value of PLN 4.39 per single share. The Managing Board of Budimex SA proposes allocating almost the whole net profit for the period from 1 January 2012 to 31 December 2012, that is PLN 112 077 thousand for the dividend, devoting the remaining part of the individual profit, that is PLN 172 thousand to supplementary capital. 7 May 2013 is proposed as the dividend record date, i.e. the date on which the list of shareholders entitled to the dividend for the year 2012 will be established. 22 May 2013 is proposed as the dividend payment date.

**On 17 April 2013** Budimex SA received an information from Bank PEKAO SA that an amendment to the credit facility agreement of 12 August 2008 had been signed. Under the aforementioned amendment a credit limit of PLN 523 000 thousand hitherto utilized by Budimex SA to commission the bank for the issuance of bank guarantees, was divided into a limit of PLN 473 000 thousand to be used for the issuance of bank guarantees and into a limit of PLN 50 000 thousand to be used by Budimex SA as a standby credit facility tied to the current account. In consideration of the overdraft facility, the Company shall pay to the bank interest calculated according to WIBOR 1M plus margin. As security for the repayment of the amounts due to the bank for the use of the aforementioned loan products, Budimex SA has granted to the bank a power of attorney to manage the Company's account maintained by the bank and has made a representation on voluntary submission to the bank enforcement under relevant provisions of the Polish Banking Law Act. The remaining provisions of the agreement shall remain unchanged.

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

In the first quarter of 2013 Budimex SA and Group companies did not issue, redeem or repay equity securities.

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

Budimex SA did not publish any forecasts.

**11. Statement of ownership of shares of Budimex SA or rights to such shares (options) held by the managing or supervisory persons of Budimex SA as at the date of publication of this report together with indication of changes in the ownership in the I quarter of 2013**

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

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

Above mentioned members of the Management Board and Supervisory Board do not own share options of the company. As at the date of publication of this report other managing and supervisory persons of Budimex SA do not hold its shares or share options. There was no change in the status of ownership from the date of publication of the annual report for the year 2012, i.e. 20 March 2013.

**12. Proceedings pending as at 31 March 2013 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 31 March 2013 was PLN 587 008 thousand and exceeded 10% of the equity of Budimex SA, which amounts to PLN 434 111 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 53 584 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 31 March 2013 was PLN 320 296 thousand. These proceedings involve the Group companies' operating activity.

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

Initially, the proceedings related solely to the claim filed on 24 January 2008 by the FBL Consortium, in relation to bank guarantees realised by PPL groundlessly, which were given as a performance warranty for a total amount of PLN 54 382 thousand.

On 23 March 2009, the Court of Arbitration issued a partial verdict covering the decision in this respect. Based on the verdict, the Court of Arbitration awarded from PPL to the FBL Consortium a total of PLN 54 382 thousand together with statutory interest for the period from 9 November 2007 (as of the verdict date the value of the accrued interest amounted to PLN 8 805 thousand).



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Having received the reason for the partial judgement from the Arbitration Court, the consortium filed, in the common court, a motion on ascertainment of enforceability of the verdict of the Court of Arbitration through giving an enforcement clause. Simultaneously, on 8 May 2009 PPL filed a claim to dismiss the partial verdict and simultaneously to defer the verdict's enforceability of the Court of Arbitration. The PPL's claim was finally dismissed in the verdict of the Arbitration Court in Warsaw of 23 August 2012. The ruling was final and even though it was eligible for a cassation appeal with the Supreme Court, the verdict provided the grounds for the FBL Consortium reinstating the proceedings to declare enforceable the verdict of the Court of Arbitration by giving it an enforcement clause. The total value of the claim awarded under the verdict and the amount of statutory interest for late payment was PLN 87 920 thousand (the amount attributable to Budimex SA was PLN 35 168 thousand, of which PLN 21 612 thousand as reimbursement of the performance bond). The court enforcement officer transferred that amount to the Budimex SA's bank account indicated on 28 September 2012. On 3 December 2012, PPL filed a cassation appeal to the Supreme Court. The FBL Consortium filed a response to the appeal on 21 December 2012. In the filed response the FBL Consortium applied for a refusal to accept the cassation appeal to be examined or for a dismissal of the cassation appeal. The decision regarding the acceptance of the cassation appeal to be examined should be made in the first half of 2013. The Supreme Court ruling may affect the effectiveness of the enforcement.

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

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

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

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

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

On 28 January 2013, the court issued a decision, in which it accepted the offer of the previous expert Grupa BS Consulting for the preparation of an opinion regarding the amount of the extended claims made by the FBL Consortium. At the hearing on 18 April 2013 the court set a deadline for PPL till the end of May 2013, when PPL has right to respond to the claims made by FBL Consortium. The claims made by the Consortium FBL referred to the fact that the documents previously presented by PPL do not prove either legitimacy or the amount of the PPL's claims – neither for the lost profit nor for the

actual loss. In the same deadline PPL has to take a position and prove in respect to all the claims that the conditions described in the contract, which would make the provision to exclude the counterclaims for the lost profit inapplicable, are met. Having received the position of PPL, the FBL Consortium has to submit its reply. After the pleadings have been exchanged, the expert will start working on the opinion regarding the evaluation of the claims' amount.

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

On 16 December 2010, Tomasz Ryskalok and Rafał Ryskalok, conducting business as a civil law partnership under the name Cerrys S.C., residing in Wykroty, filed a lawsuit against Budimex SA for payment of a contractual penalty for delay in the removal of defects identified during the warranty period. The lawsuit concerns the construction of a concrete plant in line with the agreement concluded on 19 May 2003 with a value of PLN 4 189 thousand. The value of the subject matter of the lawsuit is PLN 90 000 thousand including contractual interest calculated from 19 October 2006 until the date of payment. In the opinion of Budimex SA, the claim constituting the subject matter of the argument is absolutely groundless and there is no basis, either formal or factual, for considering it (the deadline for submitting the claims in question expired, the limit concerning contractual penalties - i.e. up to 15% of the value of the agreement - has not been taken into account, and the defect is not material). To date, there have been nine hearings during which witnesses for the claimant and defendant were examined. The next hearing has been scheduled for 11 June 2013 and is to include subsequent witness testimonies.

Another material in value legal proceedings relate to the claim filed on 5 March 2008 by Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. requesting that the amount of PLN 25 252 thousand be awarded jointly and severally against the consortium to which the Budimex SA and Budimex Dromex SA belonged. The claim relates to the replacement contractor costs incurred by the investor when the consortium rescinded the contract. The Budimex Group's share in consortium was 90%, therefore the value of the claim for which the Budimex SA is liable is PLN 22 727 thousand. In 2012, three hearings were held before the common court, during which witnesses of the claimant were examined. The next trials in 2013 will be dedicated to examination of the remaining witnesses of the claimant.

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

Total value of legal proceedings in respect of receivables due to Budimex SA and its subsidiaries as at 31 March 2013 amounted to PLN 266 712 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 a verdict regarding the claim filed by Budimex Dromex SA against the Municipal Commune of Kraków, awarding the payment of PLN 20 708 thousand together with statutory interest calculated for the period from 5 November 2007 and reimbursement of court fees in the amount of PLN 143 thousand. The claim filed by Budimex Dromex related to the refund of the amount drawn by the Municipal Commune of Kraków on 5 November 2007 from the bank guarantee provided by Budimex Dromex SA as the performance bond for the contract for engineering, design and execution of a sports and show hall in Kraków – Czyżyny concluded on 20 December 2005 between the Consortium of Budimex Dromex SA, Ferrovial Agroman SA and Decathlon SA, and the Municipal Commune of Kraków. The commune drew this amount for the stipulated penalty provided by the contract after previous declaration of withdrawal from the contract and associated imposing of a stipulated penalty despite the fact that Budimex Dromex SA put the legitimacy of imposing of this penalty in question. On 15 July 2009, the Court of Appeals in Kraków, acting as the court of second instance in the proceedings described above, handed down a verdict amending the verdict of the Court of first instance, ordering payment by the Municipal Commune of Kraków to Budimex Dromex SA of the amount of PLN 6 903 thousand together with statutory interest calculated starting on 20 November 2007 until the date of payment and reimbursement of court fees in the amount of PLN 20 thousand. The Court of Appeals dismissed the remainder of the appeal of the Municipal Commune of Kraków and ordered the payment by Budimex Dromex SA to the Municipal Commune of the amount of PLN 70 thousand as the cost of the appellate proceedings. Budimex Dromex SA appealed to the Supreme Court for cassation of this verdict. On 20 October 2010, the Supreme Court granted the cassation and referred the matter for review by the Court of Appeals. In its verdict of 17 February 2011, the Court of Appeals in Kraków, having re-examined the appeal of the Urban Municipality of Kraków against the decision of the Regional Court in Kraków of 10 March 2008, reversed the decision of the Regional Court in Kraków of 10 March 2008 in the part regarding the claim for the amount exceeding PLN 6 903 thousand (i.e. the amount of PLN 13 805 thousand) and

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

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

### 13. Contingent liabilities and contingent receivables

	<b>31 March 2013</b>	<b>31 December 2012</b>
	(in PLN thousands)	(in PLN thousands)
<b>Contingent receivables</b>		
<b>From related parties, of which:</b>		
– guarantees and suretyships received	-	2 372
– bills of exchange received as security	-	-
<b>From related parties, total</b>	<b>-</b>	<b>2 372</b>
<b>From other entities</b>		
– guarantees and suretyships received	358 413	349 791
– bills of exchange received as security	14 121	14 195
<b>From other entities, total</b>	<b>372 534</b>	<b>363 986</b>
Other contingent receivables	3 000	3 000
<b>Total contingent receivables</b>	<b>375 534</b>	<b>369 358</b>
<b>Contingent liabilities</b>		
<b>To related parties, of which:</b>		
– guarantees and suretyships issued	1 797	803
– bills of exchange issued as performance bond	-	-
<b>To related parties, total</b>	<b>1 797</b>	<b>803</b>
<b>To other entities, of which:</b>		
– guarantees and suretyships issued	1 402 376	1 423 993
– bills of exchange issued as performance bond	5 776	5 732
<b>To other entities, total</b>	<b>1 408 152</b>	<b>1 429 725</b>
Other contingent liabilities	143 180	143 180
<b>Total contingent liabilities</b>	<b>1 553 129</b>	<b>1 573 708</b>
<b>Total off-balance sheet items</b>	<b>(1 177 595)</b>	<b>(1 204 350)</b>

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.

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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.

Guarantees for bank loans and borrowings issued by Budimex SA and its subsidiaries as at 31 March 2013:

Name of the company which issued a guarantee or suretyship for a bank loan or borrowings	Name of the (company) entity which received suretyships or guarantees	Total value of bank loans and borrowings, for which guarantee or suretyship was issued for the full amount or defined part	Period of guarantees or suretyships issuance	Financial conditions in respect of guarantees and suretyships issued	Type of relations between Budimex SA and the entity which took out a bank loan or borrowings
(in PLN thousand)					
Budimex SA	Budimex Danwood Sp. z o.o.	15 515	2015-12-21	free of charge	subsidiary
Budimex SA	Mostostal Kraków SA	79 469	2021-10-31	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	9 096	2017-07-15	free of charge	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	22 952	2018-11-16	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	140	2015-06-30	free of charge	subsidiary
Budimex SA	Budimex Parking Wrocław Sp. z o.o.	2 059	2017-04-30	free of charge	subsidiary
Budimex SA	FBSerwis SA	534	2017-11-01	free of charge	associate
Budimex Budownictwo Sp. z o.o.	FBSerwis SA	1 263	2018-11-16	free of charge	associate
<b>TOTAL</b>		<b>131 028</b>			

**President of the Management Board**

**Dariusz Blocher**

**Management Board Member**

**Marcin Węglowski**

Warsaw, 24 April 2013