

The Budimex Group

Condensed consolidated financial statements

for III quarters of 2013

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

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Consolidated statement of financial position

ASSETS	30 September 2013	31 December 2012
	(PLN thousands)	(PLN thousands)
Non-current assets		
Property, plant and equipment	107 759	111 192
Investment properties	23 280	3 256
Intangible assets	4 389	2 992
Goodwill	73 237	73 237
Equity accounted investments	5 574	16 966
Available-for-sale financial assets	7 658	17 135
Retentions for construction contracts	23 067	19 202
Trade and other long-term receivables	15 612	-
Derivative financial instruments	366	-
Long-term prepayments and deferred costs	4 639	4 176
Deferred tax asset	312 790	311 651
Total non-current assets	578 371	559 807
Current assets		
Inventories	822 725	876 206
Loans granted and other financial assets	3 112	-
Trade and other receivables	697 993	401 836
Retentions for construction contracts	29 484	49 419
Amounts due and receivable from customers (investors) under construction contracts	284 028	227 490
Current tax receivable	2	935
Derivative financial instruments	769	5 724
Cash and cash equivalents	1 011 056	1 317 733
Short-term prepayments and deferred costs	23 193	9 061
	2 872 362	2 888 404
Non-current assets classified as held for sale	-	-
Total current assets	2 872 362	2 888 404
TOTAL ASSETS	3 450 733	3 448 211

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Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	30 September 2013	31 December 2012
	(PLN thousands)	(PLN thousands)
Shareholders' equity		
Shareholders' equity attributable to the shareholders of the Parent Company		
Share capital	145 848	145 848
Share premium	234 799	234 799
Other reserves	2 705	2 705
Foreign exchange differences on translation of foreign operations	1 997	2 190
Retained earnings/(losses)	46 494	47 588
Total shareholders' equity attributable to the shareholders of the Parent Company	431 843	433 130
Non-controlling interests	16 816	-
Total shareholders' equity, incl. non-controlling interests	448 659	433 130
Liabilities		
Non-current liabilities		
Loans, borrowings and other external sources of finance	31 137	75 967
Retentions for construction contracts	162 484	161 143
Provision for long-term liabilities and other charges	152 006	141 521
Long-term retirement benefits and similar obligations	3 960	3 747
Total non-current liabilities	349 587	382 378
Current liabilities		
Loans, borrowings and other external sources of finance	18 589	17 718
Trade and other payables	1 327 733	1 287 594
Retentions for construction contracts	191 389	222 146
Amounts due and payable to customers (investors) under construction contracts	461 045	534 870
Prepayments received	353 205	274 050
Provision for short-term liabilities and other charges	117 821	116 060
Current tax payable	14 451	6 225
Short-term retirement benefits and similar obligations	1 052	1 036
Derivative financial instruments	584	257
Short-term accruals	155 235	161 608
Short-term deferred income	11 383	11 139
	2 652 487	2 632 703
Liabilities directly associated with the assets (disposal groups) classified as held for sale	-	-
Total current liabilities	2 652 487	2 632 703
Total liabilities	3 002 074	3 015 081
TOTAL EQUITY AND LIABILITIES	3 450 733	3 448 211

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Consolidated income statement

	9-month period ended	3-month period ended	9-month period ended	3-month period ended
	30 September 2013	30 September 2013	30 September 2012	30 September 2012
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Continuing operations				
Net sales of finished goods, goods for resale, raw materials and services	3 455 217	1 367 552	4 580 432	1 696 667
Cost of finished goods, goods for resale, raw materials and services sold	(3 170 178)	(1 264 083)	(4 283 795)	(1 629 340)
Gross profit on sales	285 039	103 469	296 637	67 327
Selling expenses	(20 833)	(7 498)	(15 955)	(4 596)
Administrative expenses	(117 039)	(40 316)	(139 965)	(43 305)
Other operating income	32 898	11 806	52 996	34 201
Other operating expenses	(35 044)	(15 869)	(95 401)	(7 430)
Gains/ (losses) on derivative financial instruments	(1 294)	3 506	11 086	6 761
Operating profit	143 727	55 098	109 398	52 958
Finance income	21 485	6 260	56 758	31 589
Finance costs	(20 718)	(5 594)	(31 126)	(8 864)
Share of results of equity accounted companies	(2 628)	(1 111)	(729)	31
Profit before tax	141 866	54 653	134 301	75 714
Income tax	(30 344)	(10 982)	(57 662)	(21 162)
Net profit from continuing operations	111 522	43 671	76 639	54 552
Net profit for the period	111 522	43 671	76 639	54 552
Of which:				
Attributable to the shareholders of the Parent Company	110 983	43 182	76 639	54 552
Attributable to non-controlling interest	539	489	-	-
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	4.35	1.69	3.00	2.14

Consolidated statement of comprehensive income

	9-month period ended	3-month period ended	9-month period ended	3-month period ended
	30 September 2013		30 September 2012	
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Net profit for the period	111 522	43 671	76 639	54 552
Other comprehensive income/(loss) for the period, which:				
<i>Will be subsequently reclassified to profit or loss:</i>				
Foreign exchange differences on translation of foreign operations	(193)	(418)	884	1 027
Deferred tax related to components of other comprehensive income	-	-	-	-
<i>Will not be subsequently reclassified to profit or loss:</i>				
Actuarial gains/(losses)	-	-	-	-
Deferred tax related to components of other comprehensive income	-	-	-	-
Other comprehensive income/(loss), net of tax	(193)	(418)	884	1 027
Total comprehensive income for the period	111 329	43 253	77 523	55 579
Of which:				
Attributable to the shareholders of the Parent Company	110 790	42 764	77 523	55 579
Attributable to non-controlling interests	539	489	-	-

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Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves – share-based payments	Foreign exchange differences on translation of foreign operations	Retained earnings/ (losses)			
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Balance as at 1 January 2013	145 848	234 799	2 705	2 190	47 588	433 130	-	433 130
Profit for the period	-	-	-	-	110 983	110 983	539	111 522
Other comprehensive income	-	-	-	(193)	-	(193)	-	(193)
Total comprehensive income for the period	-	-	-	(193)	110 983	110 790	539	111 329
Dividends	-	-	-	-	(112 077)	(112 077)	-	(112 077)
Change in the composition of the Group	-	-	-	-	-	-	16 277	16 277
Balance as at 30 September 2013	145 848	234 799	2 705	1 997	46 494	431 843	16 816	448 659

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Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves – share-based payments	Foreign exchange differences on translation of foreign operations	Retained earnings/ (losses)			
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)			
Balance as at 1 January 2012	145 848	234 799	1 283	2 229	141 671	525 830	-	525 830
Profit for the period	-	-	-	-	76 639	76 639	-	76 639
Other comprehensive income	-	-	-	884	-	884	-	884
Total comprehensive income for the period	-	-	-	884	76 639	77 523	-	77 523
Dividends	-	-	-	-	(280 065)	(280 065)	-	(280 065)
Balance as at 30 September 2012	145 848	234 799	1 283	3 113	(61 755)	323 288	-	323 288
Profit for the period	-	-	-	-	109 343	109 343	-	109 343
Other comprehensive income	-	-	-	(923)	-	(923)	-	(923)
Total comprehensive income for the period	-	-	-	(923)	109 343	108 420	-	108 420
Share-based payments	-	-	1 422	-	-	1 422	-	1 422
Balance as at 31 December 2012	145 848	234 799	2 705	2 190	47 588	433 130	-	433 130

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Consolidated statement of cash flow

	9-month period ended 30 September	
	2013	2012
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	141 866	134 301
Adjustments for:		
Depreciation/ amortization	22 068	40 218
Share of results of equity accounted companies	2 628	729
Impairment of goodwill	-	45 000
Foreign exchange (gains)/losses	340	(1 385)
Interest and shares in profits (dividends)	1 327	3 828
Loss on disposal of investments	2 025	3 625
Change in valuation of derivative financial instruments	4 916	(16 104)
Operating profit before changes in working capital	175 170	210 212
Change in receivables and retentions for construction contracts	(265 684)	(164 873)
Change in inventories	57 415	25 970
Change in provisions and liabilities arising from retirement benefits and similar obligations	11 080	30 270
Change in retentions for construction contracts and in liabilities, except for loan and borrowings liabilities	(23 975)	(13 733)
Change in accruals and accrued income	(21 619)	11 384
Change in amounts due and receivable under construction contracts	(127 012)	(645 203)
Change in prepayments received	79 105	12 605
Change in cash and cash equivalents of restricted use	(7 692)	16 084
Other adjustments	390	437
Cash generated from operations	(122 822)	(516 847)
Income tax paid	(22 324)	1 077
NET CASH USED IN OPERATING ACTIVITIES	(145 146)	(515 770)

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Consolidated statement of cash flow (cont.)

	9-month period ended 30 September	
	2013	2012
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of intangible assets and tangible fixed assets	1 508	1 980
Purchase of intangible assets and tangible fixed assets	(7 929)	(22 675)
Sale of financial assets in related entities	-	4 676
Purchase of available-for-sale financial assets	(100)	(4 668)
Purchase of shares in subsidiaries	(4 936)	-
Loans granted	(3 111)	-
NET CASH FROM INVESTING ACTIVITIES	(14 568)	(20 687)
CASH FLOW FROM FINANCING ACTIVITIES		
Loans and borrowings taken out	12 283	48 397
Repayment of loans and borrowings	(49 968)	(49 204)
Dividends paid	(112 077)	(280 065)
Payment of finance lease liabilities	(7 167)	(11 392)
Interest paid	(1 238)	(3 659)
NET CASH USED IN FINANCING ACTIVITIES	(158 167)	(295 923)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(317 881)	(832 380)
Foreign exchange differences, net	(84)	61
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 3.4)	1 306 746	1 740 488
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 3.4)	988 781	908 169

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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, services and production. Budimex SA serves in the Group as an advisory, management and financial centre. Realization of these three functions is to facilitate:

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

1.2. Entities subject to consolidation

As at 30 September 2013, 31 December 2012 and 30 September 2012 the following companies were subject to consolidation:

Company name	Registered office	% in the share capital as at			Consolidation method
		30 September 2013	31 December 2012	30 September 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% ¹	100.00% ¹	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 Ferroviol 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 Ferroviol 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% ²	100.00% ²	full
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	100.00%	100.00% ³	100.00% ³	full
Elektromontaż Poznań SA Group	Poznań / Poland	50.66% ⁴	30.78%	30.78%	full
Budimex - Budimex Budownictwo s.c.	Warsaw / Poland	100.00% ⁵	-	-	full
Budimex B Sp. z o.o.	Warsaw / Poland	100.00% ⁶	-	-	full

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

²) Company was 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.

³) Company was 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.

⁴) The controlling stake of shares of Elektromontaż Poznań SA was acquired on 4 January 2013, when the Budimex Group started consolidating the Elektromontaż Poznań SA Group. The following companies are consolidated within Elektromontaż Poznań SA Group: Elektromontaż Poznań SA (parent company), Elektromontaż Warszawa SA, Elektromontaż Import Sp. z o.o., Instal Polska Sp. z o.o. Elektromontaż Poznań SA owns 100.00% of shares in each of its subsidiaries.

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⁵⁾ The company was formed on 1 March 2013. Due to immateriality of the data the Budimex Group started consolidating the company on 1 April 2013.

⁶⁾ Company was entered in the Register of Entrepreneurs on 13 April 2012. Due to a contribution in-kind in form of 100% shares of Budimex Danwood Sp. z o.o. made by Budimex SA on 17 September 2013, the Budimex Group started consolidating the company on 1 September 2013.

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

On 4 January 2013 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.

As at date of the financial statements 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. In the 9-month period ended 30 September 2013 there have not been any changes in the provisionally accounted fair value of the acquired assets and liabilities. The final fair value calculation of the above mentioned balance sheet positions will take place till the end of 2013.

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.

From 1 April 2013 the Budimex Group has consolidated the newly created company Budimex – Budimex Budownictwo s.c.

From 1 September 2013 the Budimex Group has consolidated Budimex B Sp. z o.o. Although the company was registered in 2012, its previous financial data was not material. On 17 September 2013 Budimex SA made a contribution in-kind in form of 100% of shares of Budimex Danwood Sp. z o.o. to cover the share capital increase in Budimex B Sp. z o.o. The transaction was connected with the reorganization of the Group in the non-core segment.

In the 9-month period ended 30 September 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.

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2. Shareholders of the Parent Company

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

Shareholder	Type of shares	Number of shares	% of the share capital	Number of votes	% of voting rights at the AGM
Valivala Holdings B.V. Amsterdam (Holland) – the Company from the Ferrovial SA Group (Spain)	ordinary	15 078 159	59.06%	15 078 159	59.06%
OFE PZU „Złota Jesień”	ordinary	2 253 988	8.83%	2 253 988	8.83%
Aviva OFE Aviva BZ WBK	ordinary	1 304 851	5.11%	1 304 851	5.11%
Other shareholders	ordinary	6 893 100	27.00%	6 893 100	27.00%
Total		25 530 098	100.00%	25 530 098	100.00%

From the date of publication of the report for the half-year ended 30 June 2013, i.e. 30 August 2013, the shareholding structure has not changed.

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

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

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

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 amendments to the existing standards 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 1 “First-time Adoption of IFRS”** - Government Loans (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 7 “Financial Instruments: Disclosures”** - Offsetting Financial Assets and Financial Liabilities, 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),

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- **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 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),
- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The 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),
- **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, amendments to the existing standards and interpretations which were not endorsed for use as at 23 October 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,

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- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Investment Entities** (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 36 "Impairment of assets"** - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" - Novation of Derivatives and Continuation of Hedge Accounting** (effective for annual periods beginning on or after 1 January 2014),
- **IFRIC 21 "Levies"** (effective for annual periods beginning on or after 1 January 2014).

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

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

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 30 September 2013 – 4.2163 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the 9-month period ended 30 September 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 30 September 2013 – 4.2231 PLN/EUR,
- 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 9-month period ended 30 September 2012 - using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2012 to 30 September 2012 – 4.1948 PLN/EUR.

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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.

	30 September 2013	31 December 2012	30 September 2012
	(in PLN thousands)	(in PLN thousands)	(in PLN thousands)
Cash recognised in the statement of financial position	1 011 056	1 317 733	913 227
Cash and cash equivalents of restricted use	(22 275)*	(10 987)	(5 058)
Cash recognised in the statement of cash flow	988 781	1 306 746	908 169

*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 three quarters 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 9-month period ended 30 September 2013, the Budimex Group earned sales revenue of PLN 3 455 217 thousand which means a 24.57% decrease on the corresponding period of 2012. In the third quarter of 2013 sales revenue of the Budimex Group amounted to PLN 1 367 552 thousand and was higher by PLN 514 509 thousand (60.31%) than sales revenue realised in the first quarter of 2013 and higher by PLN 132 930 thousand (10.77%) than sales revenue realised in the second quarter of 2013. Sales revenue recognised in the third quarter of the current year decreased by PLN 329 115 thousand (19.40%) compared to the corresponding period of the prior year.

In the period of three quarters of 2013 construction-assembly production in Poland expressed in current prices decreased by 17.2% compared to the corresponding period of the prior year (a decrease by 15.6% in fixed prices), while sales of the construction segment of the Budimex Group on the home market were down by 32.07% on the corresponding periods.

Gross profit on sales in the 9-month period ended 30 September 2013 was PLN 285 039 thousand, while in the corresponding period of the prior year was PLN 296 637 thousand. The gross sales profitability ratio was therefore 8.25% for three quarters of 2013, while in the corresponding period of the prior year was 6.48%. The gross sales profitability ratio in the third quarter of 2013 amounted to 7.57%, while in the corresponding period of the prior year was 3.97%.

In the 9-month period ended 30 September 2013 gross profit on sales in the construction segment amounted to PLN 212 385 thousand and was lower by PLN 45 499 thousand compared to the corresponding period of the prior year and gross sales profitability ratio of construction segment for the 9-month period ended 30 September 2013 was 7.09% (5.92% in the corresponding period of 2012). In turn, gross profit on sales in the developer segment in the 9-month period ended 30 September 2013 was PLN 35 772 thousand, while in the corresponding period of the prior year it amounted to PLN 28 717 thousand. Gross sales profitability ratio of the developer segment decreased from 22.89% in the 9-month period ended 30 September 2012 to 21.39% in the corresponding period of the current year.

In accordance with the accounting policies adopted, when budgeted contract costs exceed the entire expected contract revenue, Group companies create provisions for expected contract losses and recognize them under „Amounts due and payable to customers under construction contracts“. In the subsequent periods, a part of the created provision is released in proportion to the percentage of contract completion, after taking into account total negative margin on the entire contract. As at

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30 September 2013, the balance of the provision for contract losses amounted to PLN 211 568 thousand. In the 9-month period ended 30 September 2013, the balance of provision for contract losses decreased by PLN 16 871 thousand. In the third quarter the balance of provision for contract losses increased by PLN 5 447 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 30 September 2013 the provision for warranty amounted to PLN 179 222 thousand. In the 9-month period ended 30 September 2013 the balance of the provision for warranty increased by PLN 8 597 thousand, while in the third quarter it increased by PLN 8 563 thousand.

Selling expenses increased in the 9-month period ended 30 September 2013 by PLN 4 878 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 22 926 thousand lower than expenses incurred in the corresponding period of 2012. The share of selling and administrative expenses in total sales increased from 3.40% in the period of three quarters of 2012 to 3.99% in corresponding period of the current year.

Other operating income for the 9-month period ended 30 September 2013 was PLN 32 898 thousand (PLN 52 996 thousand for the three quarters of 2012) 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 3 401 thousand (of which PLN 630 thousand in the third quarter of the current year) and income from compensations and contractual penalties in the amount of PLN 14 006 thousand (of which PLN 6 489 thousand in the third quarter of the current year). Income from the reversal of restructuring provisions amounted to PLN 2 354 thousand (of which PLN 0 thousand in the third quarter of the current year), income from the reversal of provisions for lawsuits amounted to PLN 2 023 thousand (of which PLN 63 thousand in the third quarter of the current year) and income from the reversal of provisions for penalties amounted to PLN 1 213 thousand (all reversed in the third quarter of the current year). Income from the written-off liabilities amounted to PLN 2 078 thousand (of which PLN 2 071 thousand in the third quarter only). Additionally, in the period of three quarters of 2013 Group companies disposed of tangible fixed assets and investment properties and earned profit on sale of PLN 1 218 thousand. The net book value of the tangible fixed assets and investment properties sold in the period of three quarters of 2013 was PLN 1 503 thousand.

Other operating expenses for the 9-month period ended 30 September 2013 amounted to PLN 35 044 thousand (PLN 95 401 thousand for the corresponding period of the prior year), of which PLN 16 092 thousand related to impairment write-downs against receivables (of which PLN 5 102 thousand for the third quarter of the current year). Other operating costs for the period of three quarters of 2013 included moreover PLN 3 016 thousand of provisions created for lawsuits (while in the third quarter of 2013 the related provisions were increased by PLN 828 thousand) and PLN 1 291 thousand of costs of legal proceedings (of which PLN 522 thousand were incurred in the third quarter of 2013). The value of compensations and contractual penalties paid in the period discussed was PLN 4 594 thousand, of which PLN 1 736 thousand in the third quarter of the current year. The costs of created provisions for compensations and contractual penalties amounted to PLN 8 657 thousand (of which PLN 8 450 thousand were created in the third quarter).

During the 9-month period ended 30 September 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 1 294 thousand (of which gains in the amount of PLN 3 506 thousand in the third quarter of the current year), while in the corresponding period of the prior year it reported gains in the amount of PLN 11 086 thousand (of which gains in the amount of PLN 6 761 thousand in the third quarter of 2012). The valued derivative financial instruments contracts were classified as level 2 in the fair value hierarchy. During the 9 months ended 30 September 2013, there was no transfer between Level 1 and Level 2 of fair value measurements, and no transfer into and out of Level 3 of fair value measurement.

The reported operating profit of the Group in the period of three quarters of 2013 was PLN 143 727 thousand, while in the period of three quarters of 2012 it was PLN 109 398 thousand (an increase by 31.38%). The operating profit for the third quarter of 2013 represented 4.03% of sales revenue value, while for the corresponding period of the prior year it constituted 3.12% of sales revenue.

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In the 9-month period ended 30 September 2013 the Group generated profit on financing activities in the amount of PLN 767 thousand, while in the same period of the prior year it reported a profit in the amount of PLN 25 632 thousand. Finance income for three quarters of 2013 represented mainly interest of PLN 21 438 thousand (of which PLN 6 215 thousand gained in the third quarter only). Finance costs in three quarters of 2013 represented, among others, interest costs of PLN 3 809 thousand (of which PLN 1 121 thousand of interest costs was incurred in the third quarter only), bank commissions on guarantees and loans of PLN 10 499 thousand paid by Group companies (of which commissions for the third quarter only amounted to PLN 3 924 thousand) and costs from discounting of long-term retention receivables and liabilities of PLN 4 569 thousand (of which PLN 1 662 thousand were incurred in the third quarter only).

In the 9-month period ended 30 September 2013, the Group reported a gross profit of PLN 141 866 thousand, while in the corresponding period of the prior year – a gross profit of PLN 134 301 thousand (an increase by 5.63%).

Income tax for the 9-month period ended 30 September 2013 was PLN 30 344 thousand (PLN 57 662 thousand for the 9 months of 2012), of which:

- current tax was PLN 26 294 thousand,
- deferred tax was PLN 4 050 thousand.

As at 30 September 2013, the Group recognized a deferred tax asset in the amount of PLN 312 790 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 three quarters of 2013 was PLN 110 983 thousand, while the net profit attributable to the shareholders of the Budimex Group for the corresponding period of 2012 was PLN 76 639 thousand (an increase by 44.81%).

The net profit attributable to non-controlling interest for three quarters of 2013 amounted to PLN 539 thousand, while the net profit attributable to non-controlling interest for the third quarter only amounted to PLN 489 thousand. In the corresponding period of 2012, there was no net profit attributable to non-controlling interest.

In the 9-month period ended 30 September 2013, the Group purchased and started to lease property, plant and equipment and intangible assets with a total value of PLN 6 290 thousand (in the third quarter of 2013 – PLN 2 116 thousand), of which plant and machinery accounted for PLN 2 415 thousand (in the third quarter of 2013 – PLN 634 thousand).

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5. Operating segments

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

- construction business
- developer and property management business.

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

- Budimex SA
- Mostostal Kraków SA
- Budimex Bau GmbH
- Budimex Budownictwo Sp. z o.o.
- Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o.
- Budimex Kolejnictwo SA
- Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. w upadłości układowej (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 a reportable segment. Included in other business are entities that mainly conduct production, service or trading activities.

The results of segments for the 9-month period ended 30 September 2013 are presented in the table below:

Segment name	amounts in PLN thousands				
	Construction business	Property management and developer business	Other business	Eliminations	Consolidated value
External sales	2 890 781	166 798	397 638	-	3 455 217
Inter-segment sales	102 871	441	15 686	(118 998)	-
Total sales of finished goods, goods for resale and raw materials	2 993 652	167 239	413 324	(118 998)	3 455 217
Gross profit on sales	212 385	35 772	40 996	(4 114)	285 039
Selling expenses	(7 487)	(7 020)	(6 359)	33	(20 833)
Administrative expenses	(105 135)	(8 799)	(13 999)	10 894	(117 039)
Other operating income/ (expenses), net	(7 326)	933	(698)	4 945	(2 146)
(Losses) on derivative financial instruments	(733)	-	(561)	-	(1 294)
Operating profit	91 704	20 886	19 379	11 758	143 727
Finance income/(expenses), net	(2 652)	3 732	(313)	-	767
Shares in (losses) of equity accounted entities	-	-	(2 628)	-	(2 628)
Income tax expense	(20 977)	(4 728)	(3 344)	(1 295)	(30 344)
Net profit for the period	68 075	19 890	13 094	10 463	111 522

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

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

6. Related party transactions

Transactions with related parties made in the 9-month period ended 30 September 2013 and unsettled balances of receivables and liabilities as at 30 September 2013 are presented in the tables below:

	amounts in PLN thousands			
	Receivables		Liabilities	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
Parent Company and related parties (the Ferrovial Group)	54 751	54 408	142 880	132 397
Jointly-controlled entities	390	382	737	1 071
Associates	1 535	721	1 561	4 534
Other related parties*	112	1 760	26 516	18 803
Total settlements with related parties	56 788	57 271	171 694	156 805

	amounts in PLN thousands			
	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
Parent Company and related parties (the Ferrovial Group)	-	-	8 444	8 107
Jointly-controlled entities	-	-	-	-
Associates	3 112	-	-	-
Other related parties*	-	-	-	-
Total settlements with related parties	3 112	-	8 444	8 107

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	amounts in PLN thousands			
	Sales of finished goods and services		Purchase of finished goods and services	
	9-month period ended 30 September		9-month period ended 30 September	
	2013	2012	2013	2012
Parent Company and related parties (the Ferrovia Group)	4 293	37 988	(27 770)	(61 519)
Jointly-controlled entities	398	609	(1 766)	(7 360)
Associates	261	67	(5 011)	(18 509)
Other related parties*	670	184	(17 435)	(1 977)
Total transactions with related parties	5 622	38 848	(51 982)	(89 365)

	amounts in PLN thousands			
	Financial income		Financial costs	
	9-month period ended 30 September		9-month period ended 30 September	
	2013	2012	2013	2012
Parent Company and related parties (the Ferrovia Group)	-	-	(141)	(249)
Jointly-controlled entities	-	-	-	-
Associates	1	-	-	-
Other related parties*	-	-	(2)	(2)
Total transactions with related parties	1	-	(143)	(251)

*) 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 in the next quarter of the year include:

- instability on the financial markets,
- limited bank financing resulting from aversion to the sector,
- deterioration in subcontractors financial standing which may compromise the quality and timeliness of works performed,
- fluctuations of exchange rates, which have the impact on the sales revenue, operating costs and result of the valuation and realization of derivative financial instrument contracts,
- price level of material and construction services affecting the amount of direct costs of realized contracts,
- intensification of actions aimed at recovery of overdue debts, which were provided for and strengthening the operational and financial control in respect of contracts realized,
- results of the pending legal proceedings, described in more detail in note 12 to these consolidated financial statements,
- increase in competition, which influences the effectiveness of acquiring new contracts.

As at 30 September 2013 the backlog was PLN 4 830 877 thousand. The value of contracts signed between January and September 2013 (without annexes) was PLN 2 635 916 thousand. The number of pre-sold apartments in the period from January - September 2013 (without booking) is 494 units.

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8. The main events in the third quarter of 2013 and significant events after 30 September 2013

In the third quarter of 2013 the Budimex Group companies were notified about the selection of their offer or entered into the following contracts, whose value exceeds 10% of the equity of Budimex SA:

Significant contracts:

Date	Customer	Contract value in PLN thousand	Description
1.07.2013	Warsaw University of Technology	43 860	Implementation of the Centre for Management of Innovation and Technology Transfer at the Warsaw University of Technology project. The contract was signed on 19 September 2013.
18.07.2013	Jagiellonian University in Cracow	130 857	Construction of the new building for the Chemistry Faculty of Jagiellonian University in Cracow.
23.07.2013	LC Corp Invest XII Sp. z o.o.	59 900	Construction of Building A as part of the first stage of the office and service investments in Katowice.
23.08.2013	LEK SA	88 475	Annex with a value of PLN 56 830 thousand to the contract of 3 June 2013, the net value of which amounted to PLN 31 645 thousand regarding the development of working designs and performance of installations as part of the 1st stage of the investment entitled Extension of the Manufacturing and Logistics Centre LEK SA in Stryków – Construction of Packing Centre LEK SA in Stryków.
30.08.2013	State Treasury – Sea Authority in Słupsk	40 546	Construction of the protection of the sea coast within the limits of the Central Air Force Training Area Wicko Morskie.
2.09.2013	University of Nicolaus Copernicus in Toruń, L. Rydygier Medical College in Bydgoszcz	61 116	Construction of a facility on the premises of University Hospital No. 1 in Bydgoszcz. The contract was signed on 17 September 2013.
8.10.2013	Jagiellonian University in Cracow	37 584+ 1 521	Construction and assembly works at the Paderevianum building (contract no. 1) and construction, assembly and installation works at the Biotechnology Centre of the Jagiellonian University (contract no. 2).

Bank and guarantee agreements:

Date	Business partner	Contract value in PLN thousand	Description
5.07.2013	Bank Millennium SA	100 000	Addendum to the facility agreement for bank guarantees, under which the sum of all guarantees issued pursuant to the agreement shall not exceed PLN 100 000 thousand. The term of the agreement was extended to 29 May 2014.

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Date	Business partner	Contract value in PLN thousand	Description
8.07.2013	Bank PEKAO SA	n/a	Annex to the credit facility agreement, under which the term of the agreement was extended to 30 June 2014.
23.07.2013	TUiR Allianz Polska SA	50 000	Annex to the agreement for the provision of contract guarantees, under which the term of the agreement was extended to 30 June 2014. Under this agreement, Budimex SA may order TUiR Allianz Polska SA to issue contract insurance guarantees of up to a total sum of PLN 50 000 thousand.
22.08.2013	Alior Bank SA	100 000	Agreement for the limit for guarantee products. Under the agreement, Budimex SA may order the bank to issue bank guarantees up to the total value of PLN 100 000 thousand. The agreement was concluded up to a period of 20 August 2014.
29.08.2013	Credit Agricole Bank Polska SA	n/a	Annex to the credit agreement, which specifies the new expiry date for the agreement to be 30 August 2014.
30.09.2013	The Polish branch of Societe Generale SA	n/a	Annex to the Bank Guarantee Agreement, which specifies the new expiry date for the agreement to be 31 December 2013.

Other events:

On 5 July 2013 the condition was fulfilled, precedent for the agreement with Ferrovial Agroman SA, with its registered office in Madrid (a construction company belonging to the Ferrovial Group), on the provision of support to Budimex by the strategic investor in the area of operational know-how, rationalising processes and procedures in the key areas of construction and investment activities, cost control methods, budgeting, financial models, technical references, branding, corporate identity, long-term employee training programs and the internal corporate communication system. The condition precedent for the agreement was that both parties must request the Finance Ministers of Poland and Spain to recognize the correctness of the selection and application of the transactional price (Bilateral APA). Since both parties submitted the said requests, the agreement came into effect as of 5 July 2013.

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

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

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 held by the managing or supervisory persons of Budimex SA as at the date of publication of this report together with indication of changes in the ownership in the third quarter of 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

Budimex SA did not issue any instruments giving right to the Company's shares. There was no change in the status of ownership from the date of publication of the half-year report, i.e. 30 August 2013.

12. Proceedings pending as at 30 September 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 30 September 2013 was PLN 563 901 thousand and exceeded 10% of the equity of Budimex SA, which amounts to PLN 381 779 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 17 673 thousand.

In accordance with information in the possession of Budimex SA, the total value of legal proceedings in progress in respect of liabilities of Budimex SA and its subsidiaries as at 30 September 2013 was PLN 290 787 thousand. These proceedings involve the Group companies' operating activity.

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

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

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).

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. On 11 October 2013 the Supreme Court decided that none of the grounds of the appeal filed by PPL deserved to be upheld. The result of the settlement of the Supreme Court is that the execution carried out is final and PPL can no longer require from the FBL Consortium the repayment of the amounts awarded in a partial verdict.

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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. There were several meetings with proxies of parties and the expert and there was an inspection of the airport objects with the participation of the aforementioned expert in March 2011. Technical opinion prepared by the expert, that was delivered to proxies of both parties on 29 July 2011, represented the result of his work. The parties made comments, remarks and detailed questions to the opinion prepared by the expert. Upon taking these into consideration, the expert prepared his final supplementary opinion at the end of March 2012. The assessment indicated in the opinion was favourable for the FBL Consortium as it, among other things, confirmed that the FBL Consortium was entitled to postpone the work completion deadline.

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

Based on the decision of Arbitration Court of 28 January 2013 and based on the local inspection carried out in July 2013 the expert (BS Consulting Group) is currently preparing an opinion on the assessment of the amount of claims submitted by the FBL Consortium in the extension of the lawsuit. The opinion is to be a response to the questions raised by the parties in the pleadings submitted earlier in 2012. Expected date of completion of this part of works was postponed to October 2013. Then the expert will assess the amounts of the claims raised by the FBL Consortium. To date, the Court of Arbitration has not commissioned the expert to start working on the amounts of the claims raised by PPL in the counterclaim. The parties have already finished exchanging the pleadings regarding the legitimacy of PPL to make a claim for the lost profits and the amount of the claim. On 15 October 2013 the FBL Consortium submitted a further pleading with the attached private financial and economic expertise, which showed that both assumptions and presented calculations of the profits lost by PPL are incorrect and not supported by the facts and law. As a result, the FBL Consortium also submitted an application to limit the future expert's opinion and to exclude the claims for lost profits from it.

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

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the value of the agreement - has not been taken into account, and the defect is not material). To date, there have been eleven hearings during which witnesses for the claimant and defendant were examined. After hearing the parties, the court has to decide on the proposals of the parties as to the admission of evidence from experts. Currently, the case was adjourned without appointing another term.

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 2013, other hearings were held before the common court, at which the court finished the examination of the claimant's witnesses and started to examine the defendant's witnesses. In 2013, another hearing will be held, at which the defendant's witnesses will be examined.

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 30 September 2013 amounted to PLN 273 114 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, Ferroviol Agroman SA and Decathlon SA, and the Municipal Commune of Kraków. The commune drew this amount for the stipulated penalty provided by the contract after previous declaration of withdrawal from the contract and associated imposing of a stipulated penalty despite the fact that Budimex Dromex SA put the legitimacy of imposing of this penalty in question. On 15 July 2009, the Court of Appeals in Kraków, acting as the court of second instance in the proceedings described above, handed down a verdict amending the verdict of the Court of first instance, ordering payment by the Municipal Commune of Kraków to Budimex Dromex SA of the amount of PLN 6 903 thousand together with statutory interest calculated starting on 20 November 2007 until the date of payment and reimbursement of court fees in the amount of PLN 20 thousand. The Court of Appeals dismissed the remainder of the appeal of the Municipal Commune of Kraków and ordered the payment by Budimex Dromex SA to the Municipal Commune of the amount of PLN 70 thousand as the cost of the appellate proceedings. Budimex Dromex SA appealed to the Supreme Court for cassation of this verdict. On 20 October 2010, the Supreme Court granted the cassation and referred the matter for review by the Court of Appeals. In its verdict of 17 February 2011, the Court of Appeals in Kraków, having re-examined the appeal of the Urban Municipality of Kraków against the decision of the Regional Court in Kraków of 10 March 2008, reversed the decision of the Regional Court in Kraków of 10 March 2008 in the part regarding the claim for the amount exceeding PLN 6 903 thousand (i.e. the amount of PLN 13 805 thousand) and referred the case to the Regional Court in Kraków for re-examination and adjudication on legal costs. The case brought by Budimex SA (as a general successor of Budimex Dromex SA) against the Urban Municipality of Kraków for the payment of PLN 20 708 thousand has become final with regard to the amount of PLN 6 903 thousand plus statutory interest calculated from 20 November 2007, having been adjudicated to be paid by the Urban Municipality of Kraków to Budimex SA. The remaining elements of the claim currently are being re-examined by the Regional Court in Kraków. The court accepted as evidence the documents and expert's opinions submitted by Budimex SA. After the expert prepared its opinion, it was addressed by the parties in their pleadings. A supplementary expert's opinion was prepared and later one more supplementary opinion. At the hearing on 14 October 2013 the court ordered a second opinion by a new expert.

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

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13. Contingent liabilities and contingent receivables

	30 September 2013	31 December 2012
	(in PLN thousands)	(in PLN thousands)
Contingent receivables		
From related parties, of which:		
– guarantees and suretyships received	-	2 372
– bills of exchange received as security	-	-
From related parties, total	-	2 372
From other entities		
– guarantees and suretyships received	345 186	349 791
– bills of exchange received as security	14 329	14 195
From other entities, total	359 515	363 986
Other contingent receivables	-	3 000
Total contingent receivables	359 515	369 358
Contingent liabilities		
To related parties, of which:		
– guarantees and suretyships issued	4 060	803
– bills of exchange issued as performance bond	-	-
To related parties, total	4 060	803
To other entities, of which:		
– guarantees and suretyships issued	1 545 971	1 423 993
– bills of exchange issued as performance bond	70 916	5 732
To other entities, total	1 616 887	1 429 725
Other contingent liabilities	202 040	143 180
Total contingent liabilities	1 822 987	1 573 708
Total off-balance sheet items	(1 463 472)	(1 204 350)

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

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

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

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Guarantees for bank loans and borrowings in favour of the related parties issued by Budimex SA and its subsidiaries as at 30 September 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 (in PLN thousand)	Period of guarantees or suretyships issuance	Financial conditions in respect of guarantees and suretyships issued	Type of relations between Budimex SA and the entity which took out a bank loan or borrowings
Budimex SA	Budimex Danwood Sp. z o.o.	60	2015-12-21	free of charge	subsidiary
Budimex SA	Mostostal Kraków SA	72 673	2021-10-31	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	14 888	2017-07-15	free of charge	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	34 872	2018-11-16	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	118	2015-06-30	free of charge	subsidiary
Budimex SA	Budimex Parking Wrocław Sp. z o.o.	2 059	2017-08-31	free of charge	subsidiary
Budimex SA	FBSerwis SA	2 797	2020-10-30	free of charge	associate
Budimex Budownictwo Sp. z o.o.	FBSerwis SA	1 263	2018-11-16	free of charge	associate
TOTAL		128 730			

President of the Management Board

Management Board Member

Dariusz Blocher

Marcin Węglowski

Warsaw, 23 October 2013