

The Budimex Group

Condensed consolidated financial statements

for III quarters of 2014

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

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Consolidated statement of financial position

ASSETS	30 September 2014	31 December 2013
	(PLN thousands)	(PLN thousands)
Non-current assets		
Property, plant and equipment	83 926	83 755
Investment properties	23 232	24 529
Intangible assets	4 494	4 106
Goodwill	73 237	73 237
Equity accounted investments	1 908	3 518
Available-for-sale financial assets	8 376	8 381
Retentions for construction contracts	26 361	24 804
Trade and other long-term receivables	22 540	20 703
Receivables from concession agreement	45 100	22 376
Derivative financial instruments	-	692
Long-term prepayments and deferred costs	5 730	4 793
Deferred tax asset	358 130	351 336
Total non-current assets	653 034	622 230
Current assets		
Inventories	633 583	697 046
Loans granted and other financial assets	13 380	3 164
Trade and other receivables	735 110	525 675
Retentions for construction contracts	8 835	18 217
Amounts due and receivable from customers (investors) under construction contracts	328 362	146 630
Current tax receivable	505	331
Derivative financial instruments	567	131
Cash and cash equivalents	1 285 765	1 658 783
Short-term prepayments and deferred costs	12 710	14 546
Total current assets	3 018 817	3 064 523
TOTAL ASSETS	3 671 851	3 686 753

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Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	30 September 2014	31 December 2013
	(PLN thousands)	(PLN thousands)
Shareholders' equity		
Shareholders' equity attributable to the shareholders of the Parent Company		
Share capital	145 848	145 848
Share premium	87 163	87 163
Other reserves	5 586	4 584
Foreign exchange differences on translation of foreign operations	5 199	5 101
Retained earnings/(losses)	215 898	383 627
Total shareholders' equity attributable to the shareholders of the Parent Company	459 694	626 323
Non-controlling interests	20 077	18 852
Total shareholders' equity, incl. non-controlling interests	479 771	645 175
Liabilities		
Non-current liabilities		
Loans, borrowings and other external sources of finance	46 895	34 355
Retentions for construction contracts	167 243	161 347
Provision for long-term liabilities and other charges	180 326	147 676
Long-term retirement benefits and similar obligations	4 381	4 381
Derivative financial instruments	2 235	226
Total non-current liabilities	401 080	347 985
Current liabilities		
Loans, borrowings and other external sources of finance	20 799	19 729
Trade and other payables	1 223 261	1 217 984
Retentions for construction contracts	197 874	189 466
Amounts due and payable to customers (investors) under construction contracts	715 559	689 915
Prepayments received	312 276	276 325
Provision for short-term liabilities and other charges	108 902	120 126
Current tax payable	9 941	16 147
Short-term retirement benefits and similar obligations	1 117	1 117
Derivative financial instruments	797	499
Short-term accruals	195 583	156 931
Short-term deferred income	4 891	5 354
Total current liabilities	2 791 000	2 693 593
Total liabilities	3 192 080	3 041 578
TOTAL EQUITY AND LIABILITIES	3 671 851	3 686 753

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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 2014		30 September 2013	
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Continuing operations				
Net sales of finished goods, goods for resale, raw materials and services	3 712 757	1 559 635	3 455 217	1 367 552
Cost of finished goods, goods for resale, raw materials and services sold	(3 400 506)	(1 456 713)	(3 170 178)	(1 264 083)
Gross profit on sales	312 251	102 922	285 039	103 469
Selling expenses	(19 872)	(7 734)	(20 833)	(7 498)
Administrative expenses	(128 104)	(41 827)	(117 039)	(40 316)
Other operating income	42 941	22 437	32 898	11 806
Other operating expenses	(30 982)	(9 547)	(35 044)	(15 869)
Gains/ (losses) on derivative financial instruments	91	83	(1 294)	3 506
Operating profit	176 325	66 334	143 727	55 098
Finance income	29 839	9 679	21 485	6 260
Finance costs	(29 000)	(12 601)	(20 718)	(5 594)
(Losses) on derivative financial instruments	(3 220)	(1 333)	-	-
Share of results of equity accounted companies	(1 683)	(8)	(2 628)	(1 111)
Profit before tax	172 261	62 071	141 866	54 653
Income tax	(36 233)	(13 483)	(30 344)	(10 982)
Net profit from continuing operations	136 028	48 588	111 522	43 671
Net profit for the period	136 028	48 588	111 522	43 671
Of which:				
Attributable to the shareholders of the Parent Company	134 803	47 891	110 983	43 182
Attributable to non-controlling interest	1 225	697	539	489
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	5.28	1.88	4.35	1.69

Consolidated statement of comprehensive income

	9-month period ended	3-month period ended	9-month period ended	3-month period ended
	30 September 2014		30 September 2013	
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Net profit for the period	136 028	48 588	111 522	43 671
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	98	82	(193)	(418)
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	98	82	(193)	(418)
Total comprehensive income for the period	136 126	48 670	111 329	43 253
Of which:				
Attributable to the shareholders of the Parent Company	134 901	47 973	110 790	42 764
Attributable to non-controlling interests	1 225	697	539	489

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Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity	
	Share capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			Total
			Share-based payments	Actuarial gains/(losses)					
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	
Balance as at 1 January 2014	145 848	87 163	5 370	(786)	5 101	383 627	626 323	18 852	645 175
Profit for the period	-	-	-	-	-	134 803	134 803	1 225	136 028
Other comprehensive income	-	-	-	-	98	-	98	-	98
Total comprehensive income for the period	-	-	-	-	98	134 803	134 901	1 225	136 126
Dividends	-	-	-	-	-	(302 532)	(302 532)	-	(302 532)
Share based payments	-	-	1 002	-	-	-	1 002	-	1 002
Balance as at 30 September 2014	145 848	87 163	6 372	(786)	5 199	215 898	459 694	20 077	479 771

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Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity	
	Share capital	Share premium	Other reserves		Foreign exchange differences on translation of foreign operations	Retained earnings			Total
			Share-based payments	Actuarial gains/(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
Change in the Group composition	-	-	-	-	-	-	-	16 277	16 277
Dividends	-	-	-	-	-	(112 077)	(112 077)	-	(112 077)
Balance as at 30 September 2013	145 848	234 799	2 705	-	1 997	46 494	431 843	16 816	448 659
Profit for the period	-	-	-	-	-	189 497	189 497	281	189 778
Other comprehensive income	-	-	-	(786)	3 104	-	2 318	-	2 318
Total comprehensive income for the period	-	-	-	(786)	3 104	189 497	191 815	281	192 096
Loss coverage	-	(147 636)	-	-	-	147 636	-	-	-
Share based payments	-	-	2 665	-	-	-	2 665	-	2 665
Change in recognition method of non-controlling interest	-	-	-	-	-	-	-	1 755	1 755
Balance as at 31 December 2013	145 848	87 163	5 370	(786)	5 101	383 627	626 323	18 852	645 175

Consolidated statement of cash flow

	9-month period ended 30 September	
	2014	2013
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	172 261	141 866
Adjustments for:		
Depreciation/ amortization	17 331	22 068
Share of results of equity accounted companies	1 683	2 628
Foreign exchange (gains)/losses	(108)	340
Interest and shares in profits (dividends)	266	1 327
(Gain)/ Loss on disposal of investments	(1 391)	2 025
Change in valuation of derivative financial instruments	2 889	4 916
Operating profit before changes in working capital	192 931	175 170
Change in receivables and retentions for construction contracts	(226 261)	(265 684)
Change in inventories	63 463	57 415
Change in provisions and liabilities arising from retirement benefits and similar obligations	21 426	11 080
Change in retentions for construction contracts and in liabilities, except for loan and borrowings liabilities	18 168	(23 975)
Change in accruals and deferred income	39 088	(21 619)
Change in amounts due and receivable under construction contracts	(156 088)	(127 012)
Change in prepayments received	35 951	79 105
Change in cash and cash equivalents of restricted use	(317)	(7 692)
Other adjustments	1 803	390
Cash used in operations	(9 836)	(122 822)
Income tax paid	(49 424)	(22 324)
NET CASH USED IN OPERATING ACTIVITIES	(59 260)	(145 146)

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	9-month period ended 30 September	
	2014	2013
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of intangible assets and tangible fixed assets	1 219	1 508
Purchase of intangible assets and tangible fixed assets	(11 273)	(7 929)
Sale of investment property	1 530	-
Proceeds from disposal of subsidiaries	2 028	-
Purchase of available-for-sale financial assets	-	(100)
Purchase of shares in subsidiaries	-	(4 936)
Loans granted	(21 413)	(3 111)
Repayment of loans granted	8 820	-
Interest received	576	-
Dividends received	16	-
	(18 497)	(14 568)
CASH FLOW FROM FINANCING ACTIVITIES		
Loans and borrowings taken out	22 738	12 283
Repayment of loans and borrowings	(7 639)	(49 968)
Dividends paid	(302 530)	(112 077)
Payment of finance lease liabilities	(7 542)	(7 167)
Interest paid	(769)	(1 238)
	(295 742)	(158 167)
	(373 499)	(317 881)
Foreign exchange differences, net	164	(84)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 3.4)	1 625 694	1 306 746
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 3.4)	1 252 359	988 781

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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

Besides the Parent Company, the following companies were subject to consolidation as at 30 September 2014, 31 December 2013 and 30 September 2013:

Company name	Registered office	% in the share capital as at		
		30 September 2014	31 December 2013	30 September 2013
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	100.00%
Budimex Danwood Sp. z o.o. ¹	Bielsk Podlaski / Poland	-	-	100.00%
Budimex Bau GmbH	Cologne/ Germany	100.00%	100.00%	100.00%
Budimex Nieruchomości Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
SPV-BN 1 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
SPV-BN 2 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Kolejnictwo SA	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex B Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%
Elektromontaż Poznań SA Group	Poznań / Poland	50.66%	50.66%	50.66%
Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o. ²	Warsaw / Poland	100.00%	100.00%	-

¹) The company was sold on 2 December 2013.

²) The company was registered on 6 December 2013 and has been consolidated from 1 January 2014.

Stand-alone data of Budimex SA, which is a partner in consortiums (treated as joint operations according to IFRS 11), includes its share in assets, liabilities, revenue and expenses of the following joint operations:

Consortium name	Share
Budimex SA Ferrovia Agroman SA s.c.	99,98%
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.	99,98%
Budimex SA Sygnity SA Sp. j.	67,00%
Budimex SA Ferrovia Agroman SA Sp. j.	50,00%
Budimex SA Cadagua SA s.c.	50,00%
Budimex SA Cadagua SA 2 s.c.	50,00%

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Due to changes introduced by IFRS 11, from 1 January 2014 the Budimex Group has consolidated Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o., its joint venture in which it holds a 30% share, by equity method.

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

From 1 January 2014 the Budimex Group started to consolidate a newly formed company, Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o.

Due to changes introduced by IFRS 11, starting from 1 January 2014 the Group stopped to consolidate Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. by proportionate method and started to consolidate it by equity method.

In the 9-month period ended 30 September 2014, 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 the report date 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%
Aviva OFE Aviva BZ WBK	ordinary	1 820 426	7.13%	1 820 426	7.13%
Other shareholders	ordinary	8 631 513	33.81%	8 631 513	33.81%
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 2014, i.e. 29 August 2014, 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 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 2013, published on 12 March 2014.

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 and 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 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 IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosures of Interests in Other Entities” - Transition Guidance**, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 “Separate Financial Statements” - Investment Entities**, adopted by the EU on 20 November 2013 (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 IAS 36 “Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets”**, adopted by the EU on 19 December 2013 (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”**, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The adoption of these standards and amendments to the existing standards 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 interpretation issued by IASB and adopted by the EU was in issue but not yet effective:

- **IFRIC 21 “Levies”** adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

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 29 October 2014:

- **IFRS 9 “Financial Instruments” and subsequent amendments** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016),
- **IFRS 15 “Revenue from Contracts with Customers”** (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (effective for annual periods beginning on or after 1 January 2016),

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),
- **Amendments to IAS 27 "Separate Financial Statements"** – Equity method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and 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 2016).

The Group anticipates that the adoption of these standards and amendments to the standards would have no material impact on the financial statements of the Group if applied.

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

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

Starting from 1 January 2014, in relation to the newly binding IFRS 11 "Joint arrangements", the Group has started to consolidate the company Tecpresa - Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. using equity method. Previously, as described in the consolidated financial statements of the Group for 2013, the company was consolidated using proportionate method. Due to immateriality of the cumulative stand-alone data of the company, the consolidated financial statements have 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 2014 – 4.1755 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the 9-month period ended 30 September 2014 – 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 2014 to 30 September 2014 – 4.1803 PLN/EUR,
- individual asset and liability items of comparative financial data for the year 2013 – using the average exchange rate prevailing as at 31 December 2013 – 4.1472 PLN/EUR,

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- individual profit and loss account and statement of cash flow items of comparative financial data 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.

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 2014	31 December 2013	30 September 2013
	(in PLN thousands)	(in PLN thousands)	(in PLN thousands)
Cash recognised in the statement of financial position	1 285 765	1 658 783	1 011 056
Cash and cash equivalents of restricted use	(33 406)	(33 089)	(22 275)
Cash recognised in the statement of cash flow	1 252 359	1 625 694	988 781

4. Description of factors and events which had a material effect on a financial result of the Budimex Group for the three quarters of 2014

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 2014, the Budimex Group earned sales revenue of PLN 3 712 757 thousand which means a 7.45% increase on the corresponding period of 2013. In the third quarter of 2014 sales revenue of the Budimex Group amounted to PLN 1 559 635 thousand and was higher by PLN 725 588 thousand (87.00%) than sales revenue realised in the first quarter of 2014 and higher by PLN 240 560 thousand (18.24%) than sales revenue realised in the second quarter of 2014. Sales revenue recognised in the third quarter of the current year increased by PLN 192 083 thousand (14.05%) compared to the corresponding period of the prior year.

Taken into consideration that the data for the 9-month period ended 30 September 2013 also included sales revenue of Budimex Danwood Sp. z o.o., which was sold and deconsolidated on 2 December 2013, then the increase in sales revenue would equal to 17.83%. The sales revenue of Budimex Danwood Sp. z o.o., included in the Group's sales for the 9-month period ended 30 September 2013, amounted to PLN 304 146 thousand, which was equal to 8.80% of the Group's sales revenue.

In the period of three quarters of 2014 construction-assembly production in Poland expressed in current prices increased by 4.4% compared to the corresponding period of the prior year (an increase by 5.5% in fixed prices), while sales of the construction segment of the Budimex Group on the home market were up by 18.00% on the corresponding periods.

Gross profit on sales in the 9-month period ended 30 September 2014 was PLN 312 251 thousand, while in the corresponding period of the prior year was PLN 285 039 thousand. The gross sales profitability ratio was therefore 8.41% for three quarters of 2014, while in the corresponding period of the prior year was 8.25%. The gross sales profitability ratio in the third quarter of 2014 amounted to 6.60%, while in the corresponding period of the prior year was 7.57%.

In the 9-month period ended 30 September 2014 gross profit on sales in the construction segment amounted to PLN 256 589 thousand and was higher by PLN 44 204 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 2014 was 7.31% (7.09% in the corresponding period of 2013). In turn, gross profit on sales in the developer segment in the 9-month period ended

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30 September 2014 was PLN 43 210 thousand, while in the corresponding period of the prior year it amounted to PLN 35 772 thousand. Gross sales profitability ratio of the developer segment decreased from 21.39% in the 9-month period ended 30 September 2013 to 20.51% 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“. As at 30 September 2014, the balance of the provision for contract losses amounted to PLN 353 199 thousand. In the 9-month period ended 30 September 2014, the balance of provision for contract losses increased by PLN 143 832 thousand. In the third quarter the balance of provision for contract losses increased by PLN 142 353 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 30 September 2014 the provision for warranty amounted to PLN 205 351 thousand. In the 9-month period ended 30 September 2014 the balance of the provision for warranty increased by PLN 32 501 thousand, while in the third quarter it increased by PLN 23 423 thousand.

Selling expenses decreased in the 9-month period ended 30 September 2014 by PLN 961 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 11 065 thousand higher than expenses incurred in the corresponding period of 2013. The share of selling and administrative expenses in total sales remained the same as in the period ended 30 September 2013 and was equal to 3.99%.

Other operating income for the 9-month period ended 30 September 2014 was PLN 42 941 thousand (PLN 32 898 thousand for the three quarters of 2013) and comprised reversal of provisions for lawsuits in the amount of PLN 11 805 thousand (of which PLN 11 036 thousand in the third quarter of 2014) and income from compensations and contractual penalties in the amount of PLN 14 635 thousand (of which PLN 9 565 thousand in the third quarter of 2014). Income from reversal of provisions for claims amounted to PLN 7 846 thousand (of which PLN 0 thousand in the third quarter of the current year) and income from the reversal of the impairment write-downs against doubtful debts in the amount of PLN 3 013 thousand (of which PLN 1 255 thousand in the third quarter of the current year). Gain on sale of a subsidiary amounted to PLN 1 759 thousand and was entirely made in the first quarter of 2014. Additionally, in the period of three quarters of 2014 Group companies disposed of tangible fixed assets and investment properties and earned profit on sale of PLN 1 299 thousand. The net book value of the tangible fixed assets and investment properties sold in the period of three quarters of 2014 was PLN 1 488 thousand.

Other operating expenses for the 9-month period ended 30 September 2014 amounted to PLN 30 982 thousand (PLN 35 044 thousand for the corresponding period of the prior year), of which PLN 8 360 thousand related to impairment write-downs against receivables (of which PLN 1 163 thousand for the third quarter of the current year). Other operating costs for the period of three quarters of 2014 included moreover PLN 3 528 thousand of provisions created for lawsuits (while in the third quarter of 2014 the related provisions were increased by PLN 4 thousand) and PLN 2 000 thousand of provisions created for other purposes (of which PLN 0 thousand was incurred in the third quarter of the current year). The value of compensations and contractual penalties paid in the period discussed was PLN 7 810 thousand, of which PLN 7 731 thousand in the third quarter of the current year. The costs of created provisions for compensations and contractual penalties amounted to PLN 7 021 thousand (of which PLN 167 thousand were created in the third quarter).

During the 9-month period ended 30 September 2014 the Group reported gains on valuation and realization of derivative financial instruments contracts (made with a view to limiting the FX risk on foreign currency construction contracts) in the amount of PLN 91 thousand (of which gains in the amount of PLN 83 thousand in the third quarter of the current year), while in the corresponding period of the prior year it incurred losses in the amount of PLN 1 294 thousand (of which gains in the amount of PLN 3 506 thousand in the third quarter of 2013). The valued derivative financial instruments contracts were classified as level 2 in the fair value hierarchy. During the 9 months ended 30 September 2014, 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 2014 was PLN 176 325 thousand, while in the period of three quarters of 2013 it was PLN 143 727 thousand (an increase by 22.68%). The operating profit for the third quarter of 2014 represented 4.25% of sales revenue value, while for the corresponding period of the prior year it constituted 4.03% of sales revenue.

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In the 9-month period ended 30 September 2014 the Group generated profit on financing activities in the amount of PLN 839 thousand, while in the same period of the prior year it reported a profit in the amount of PLN 767 thousand. Finance income for three quarters of 2014 represented interest of PLN 26 400 thousand (of which PLN 8 302 thousand gained in the third quarter only), reversal of discounting of long-term receivables in the amount of PLN 1 846 thousand (of which PLN 729 thousand in the third quarter of 2014) and valuation of concession receivables amounting to PLN 1 593 thousand (of which PLN 684 thousand in the third quarter of the current year). Finance costs in three quarters of 2014 represented, among others, interest costs of PLN 4 005 thousand (of which PLN 1 250 thousand of interest costs was incurred in the third quarter only), bank commissions on guarantees and loans of PLN 10 232 thousand paid by Group companies (of which commissions for the third quarter only amounted to PLN 3 451 thousand) and costs from discounting of long-term retention receivables and liabilities of PLN 12 316 thousand (of which PLN 5 453 thousand were incurred in the third quarter only). In the third quarter of 2014 impairment write down against financial assets was created and amounted to PLN 2 325 thousand.

During the 9-month period ended 30 September 2014 the Group incurred a loss on valuation of interest rate swap derivative instrument contracts (made with a view to limiting the interest risk) in the amount of PLN 3 220 thousand, of which only in the third quarter in the amount of PLN 1 333 thousand. The valued derivative instrument contracts were classified as level 2 in the fair value hierarchy. During the 9 months ended 30 September 2014, 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.

In the 9-month period ended 30 September 2014, the Group reported a gross profit of PLN 172 261 thousand, while in the corresponding period of the prior year – a gross profit of PLN 141 866 thousand (an increase by 21.43%).

Income tax for the 9-month period ended 30 September 2014 was PLN 36 233 thousand (PLN 30 344 thousand for the 9 months of 2013), of which:

- current tax was PLN 43 043 thousand,
- deferred tax was PLN (6 810) thousand.

As at 30 September 2014, the Group recognized a deferred tax asset in the amount of PLN 358 130 thousand, while as at 31 December 2013 – PLN 351 336 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 2014 was PLN 134 803 thousand, while the net profit attributable to the shareholders of the Budimex Group for the corresponding period of 2013 was PLN 110 983 thousand (an increase by 21.46%).

The net profit attributable to non-controlling interest for three quarters of 2014 amounted to PLN 1 225 thousand, while the net profit attributable to non-controlling interest for the third quarter only amounted to PLN 697 thousand. In the corresponding periods of 2013, the net profit attributable to non-controlling interest was equal to PLN 539 thousand and PLN 489 thousand, respectively.

In the 9-month period ended 30 September 2014, the Group purchased and started to lease property, plant and equipment and intangible assets with a total value of PLN 16 837 thousand (in the third quarter of 2014 – PLN 9 527 thousand), of which plant and machinery accounted for PLN 10 863 thousand (in the third quarter of 2014 – PLN 6 121 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.
- Budimex Kolejnictwo SA

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.
- Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik 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, trading activities or public-private partnerships.

The results of segments for the 9-month period ended 30 September 2014 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	3 400 539	210 180	102 038	-	3 712 757
Inter-segment sales	110 515	476	18 270	(129 261)	-
Total sales of finished goods, goods for resale and raw materials	3 511 054	210 656	120 308	(129 261)	3 712 757
Gross profit on sales	256 589	43 210	11 054	1 398	312 251
Selling expenses	(7 920)	(8 346)	(3 641)	35	(19 872)
Administrative expenses	(118 680)	(10 448)	(4 225)	5 249	(128 104)
Other operating income, net	790	11 050	119	-	11 959
Gains on derivative financial instruments	91	-	-	-	91
Operating profit	130 870	35 466	3 307	6 682	176 325
Finance income/(expenses), net	(8 711)	6 440	3 110	-	839
(Losses) on derivative financial instruments	-	-	(3 220)	-	(3 220)
Shares in (losses) of equity accounted entities	(5)	-	(1 678)	-	(1 683)
Income tax expense	(26 481)	(8 080)	(404)	(1 268)	(36 233)
Net profit for the period	95 673	33 826	1 115	5 414	136 028

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The results of segments for the 9-month period ended 2013 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	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/(losses), 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

6. Related party transactions

Transactions with related parties made in the 9-month period ended 30 September 2014 and unsettled balances of receivables and liabilities as at 30 September 2014 are presented in the tables below:

	amounts in PLN thousands			
	Receivables		Liabilities	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
Parent Company and related parties (the Ferrovial Group)	21 199	47 259	91 396	99 370
Jointly-controlled entities	691	1 133	727	727
Associates	260	6 710	795	1 436
Other related parties*	139	140	32 504	28 744
Total settlements with related parties	22 289	55 242	125 422	130 277

	amounts in PLN thousands			
	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
Parent Company and related parties (the Ferrovial Group)	-	-	8 468	8 333
Jointly-controlled entities	-	-	-	-
Associates	13 380	3 164	-	-
Other related parties*	-	-	-	-
Total settlements with related parties	13 380	3 164	8 468	8 333

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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	
	2014	2013	2014	2013
Parent Company and related parties (the Ferrovial Group)	2 306	4 293	(25 999)	(27 770)
Jointly-controlled entities	1 017	398	(32)	(1 766)
Associates	447	261	(4 564)	(5 011)
Other related parties*	318	670	(30 766)	(17 435)
Total transactions with related parties	4 088	5 622	(61 361)	(51 982)

	amounts in PLN thousands			
	Financial income		Financial costs	
	9-month period ended 30 September		9-month period ended 30 September	
	2014	2013	2014	2013
Parent Company and related parties (the Ferrovial Group)	-	-	(237)	(141)
Jointly-controlled entities	-	-	-	-
Associates	523	1	-	-
Other related parties*	-	-	-	(2)
Total transactions with related parties	523	1	(237)	(143)

*) 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,
- level of competition in public tenders.

As at 30 September 2014 the backlog was PLN 4 700 031 thousand. The value of contracts signed between January and September 2014 (with annexes) was PLN 3 684 307 thousand. The number of pre-sold apartments in the period from January - September 2014 (without booking) is 1 031 units.

8. The main events in the third quarter of 2014 and significant events after 30 September 2014

In the third quarter of 2014 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 of the first current report	Customer	Contract value in PLN thousand	Description
4.08.2014	General Directorate for National Roads and Motorways	283 409 (269 239)*	Construction of the express highway S7 Jędrzejów – border of Świętokrzyskie and Małopolskie province section. The construction will be carried out by a consortium of Budimex SA (consortium leader with 95% of shares) and Ferrovia Agroman SA (consortium partner with 5% of shares). The contract was signed on 16 October 2014.
7.08.2014	General Directorate for National Roads and Motorways	584 956 (292 478)*	Work completion for the A4 motorway in the section from Rzeszów (Wschodni junction) to Jarosław (Wierzbna junction) together with necessary technical buildings and building equipment. The construction will be carried out by a consortium of Budimex SA (consortium leader with 50% of shares) and Strabag Sp. z o.o. (consortium partner with 50% of shares). The contract was signed on 16 September 2014.
11.08.2014	Gdynia Container Terminal SA	39 757 (37 769)*	Construction and shunting works on railway terminal and associated infrastructure performed within the project entitled "The third construction phase on the container terminal GCT in Gdynia Port - construction of infrastructure and purchase of equipment". The construction will be carried out by the consortium consisting of Budimex SA (consortium leader with 95% of shares) and Ferrovia Agroman SA (consortium partner with 5% of shares).
14.08.2014	Ferrero Polska Sp. z o.o.	Contract 1: 85 000 Contract 2: 68 700	Construction of workshop with adjacent infrastructure in Belsk Duży (contract no.1) and construction of warehouse with adjacent infrastructure in Belsk Duży (contract no.2).
29.08.2014	General Directorate for National Roads and Motorways	83 649 (79 467)*	Construction of the second roadway within Międzyrzecz bypass road along the S3 expressway. The construction will be carried out by the consortium of Budimex SA (consortium leader with 95% share) and Ferrovia Agroman SA (consortium partner with 5% share).
29.08.2014	General Directorate for National Roads and Motorways	265 888 (263 229)*	Continuation of the project and construction of the A1 motorway on the section from Stryków to Tuszyń junction, from km 295+850 to km 335+937.65 – Task III section from km 320+010 to km 335+937.65 (without the section from km 322+150 to km 324+950). The construction will be carried out by the consortium of Budimex SA (consortium leader, 99% share) and Strabag Sp. z o.o. (consortium partner, 1% share). The contract was signed on 30 September 2014.

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Date of the first current report	Customer	Contract value in PLN thousand	Description
2.09.2014	IKEA Property Poland Sp. z o.o.	34 609	General construction works connected with building an IKEA store in Bydgoszcz and coordination of other construction works. The contract was signed on 1 September 2014.
22.09.2014	General Directorate for National Roads and Motorways branch in Olsztyn	237 636 (225 754)*	Construction of S7 express road section Miłomłyn-Olsztynek, subsection Miłomłyn-Ostróda Północ (subsection "A"). The construction will be carried out by the consortium of Budimex SA (consortium leader with 95% share) and Ferrovial Agroman SA (consortium partner with 5% share).
3.10.2014	General Directorate for National Roads and Motorways branch in Lublin	344 618	Construction of the S19 expressway Lubartów-Kraśnik at the section from Dąbrowica junction (without the junction) to Konopnica junction (with the junction) and connection with existing national road no. 19 together with relocating a section of provincial road no. 747 at the section from Konopnica junction to national road no. 19.
8.10.2014	General Directorate for National Roads and Motorways branch in Poznań	238 533	Construction of Jarocin ring road in the area of the S11 road.
24.10.2014	General Directorate for National Roads and Motorways branch in Poznań	387 272 (367 908)*	Construction of the S5 expressway Żnin – Gniezno, at the section from „Mielno” junction Gniezno junction, from km 0 + 000 to km 18 + 330,21. The construction will be carried out by the consortium of Budimex SA (consortium leader with 95% share) and Ferrovial Agroman SA (consortium partner with 5% share).

*contracts in consortiums. The value in the brackets is the share of the Budimex Group.

Bank and guarantee agreements:

Date	Business partner	Contract value in PLN thousand	Description
15.07.2014	Bank PEKAO SA	n/a	Annex to credit agreement of 12 August 2008, pursuant to which the agreement was extended until 30 June 2015. Other provisions of the agreement remained unchanged.
31.07.2014	Credit Agricole Bank Polska SA	200 000	Annex to credit agreement which extended the agreement until 31 August 2015 and increased the available limit to PLN 200 000 thousand. Other provisions of the agreement remained unchanged.
7.08.2014	Alior Bank SA	n/a	Annex to bank guarantee agreement which extended the agreement until 20 August 2015. Other provisions of the agreement remained unchanged.
8.08.2014	Bank Millennium SA	n/a	Annex to bank guarantee agreement which extended the agreement until 29 May 2015. The remaining provisions of the agreement remained unchanged.
28.08.2014	Bank Handlowy w Warszawie SA and BNP Paribas Bank Polska SA	n/a	Annex to the bank guarantee agreement, pursuant to which the deadline by which Budimex SA may order the banks to issue an advance payment refund guarantee was prolonged to 31 January 2015. Other terms of the agreement remained unchanged.

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Date	Business partner	Contract value in PLN thousand	Description
28.08.2014	BNP Paribas Bank Polska SA	n/a	Annex to the Guarantee Line Agreement, pursuant to which the validity of that line was prolonged until 15 February 2015. Other terms of the agreement remained unchanged.

Significant contracts:

On 27 October 2014 SPV-BN 2 Sp. z o.o. changed its name to Poznańskie Przedsiębiorstwo Inwestycyjne Sp. z o.o.

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

In the third quarter of 2014 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 2014

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 report for the half-year of 2014, i.e. 29 August 2014.

12. Proceedings pending as at 30 September 2014 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 2014 was PLN 506 088 thousand and exceeded 10% of the equity of Budimex SA, which amounts to PLN 390 600 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 66 290 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 2014 was PLN 286 189 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. The claim was finally settled in the verdict of the Arbitration Court in Warsaw of 23 August 2012. 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. After the Supreme Court dismissed the appeal filed by PPL, the execution carried out became final and PPL can no longer require from the FBL Consortium the repayment of the amounts awarded in a partial verdict.

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. The court already heard all the witnesses summoned by the plaintiff and the mutual plaintiff on the circumstances contained in the counter-claim of PPL. The last remaining motion as to evidence in respect of that part of the proceedings is an expert's opinion. However, this proof can be performed only when the court closes the hearing of evidence on the plaintiff's claims. The findings of an expert opinion regarding the claims of the FBL Consortium will in fact influence the scope of the PPL's claims and, consequently, the extent of the evidence in support of them.

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

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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.

Pursuant to a decision of the Arbitration Court dated 28 January 2013 and based on a site inspection performed in July 2013, the expert, i.e. Grupa BS Consulting was to draft an opinion on assessment on value of claims submitted by the FBL Consortium in the extended claim by the end of October 2013. Since the expert did not draft the opinion on time, at the hearing held on 20 December 2013 the Arbitration Court made a decision on appointment of a new expert. Currently, the parties are awaiting the Court's decision on the appointment of a new expert from the applications received. It is anticipated that the selection process of an expert will be completed by the end of the year.

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 activity as a civil law partnership under the name Cerrys s.c., with its registered office 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 agreement concluded on 19 May 2003 with the value of the agreement amounting to PLN 4 189 thousand. The value of the subject matter of the lawsuit is PLN 90 000 thousand including contractual interest calculated from 19 October 2006 until the day of payment. In the opinion of Budimex SA, the claim constituting the subject matter of the argument is absolutely groundless and there is no basis, either formal or factual, for considering it (the deadline for submitting the claims in question expired, the limit concerning contractual penalties - i.e. up to 15 per cent of the value of the agreement - has not been taken into account, and the defect is not material). To date, there have been several hearings during which witnesses for the claimant and defendant were examined. Having heard the parties, on 19 December 2013, the Court issued a decision, in which it accepted evidence from an expert's opinion, who should evaluate the reasonableness of the claims. In June 2014 the building was viewed. Until the date this report the expert's opinion has not been drafted yet.

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 share of the companies in the consortium was 90 per cent, therefore the value of the claim for which the Company is presently liable is PLN 22 727 thousand. The court ended examination of witnesses of both parties, and then heard the parties. On 6 February 2014, the court accepted evidence from the construction expert opinion with regard, inter alia, to: assessment of quality and value of works completed by the defendant, the scope and completeness of works to be performed as well as value of corrections. The expert opinion was made and according to the defendant it is beneficial for him. This assessment is confirmed by the plaintiff's action, who filed for the appointment of a new expert. Currently the parties are waiting for the Court to examine the plaintiff's application and to set the next hearing date.

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 2014 amounted to PLN 219 899 thousand. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of construction work performed. Apart from the above described case filed by FBL Consortium against PPL, there are no other proceedings whose value would be higher than 10% of the equity of Budimex SA. As at the date of this report their final outcome is not known.

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13. Contingent liabilities and contingent receivables

	30 September 2014	31 December 2013
	(in PLN thousands)	(in PLN thousands)
Contingent receivables		
From related parties, of which:		
– guarantees and suretyships received	-	-
– bills of exchange received as security	-	-
From related parties, total	-	-
From other entities		
– guarantees and suretyships received	347 805	353 159
– bills of exchange received as security	9 112	13 074
From other entities, total	356 917	366 233
Other contingent receivables	-	-
Total contingent receivables	356 917	366 233
Contingent liabilities		
To related parties, of which:		
– guarantees and suretyships issued	5 488	3 566
– bills of exchange issued as performance bond	-	-
To related parties, total	5 488	3 566
To other entities, of which:		
– guarantees and suretyships issued	1 676 418	1 497 507
– bills of exchange issued as performance bond	5 814	8 733
To other entities, total	1 682 232	1 506 240
Other contingent liabilities	135 010	143 180
Total contingent liabilities	1 822 730	1 652 986
Total off-balance sheet items	(1 465 813)	(1 286 753)

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.

Other contingent liabilities include among others voluntary acceptance of enforcement constituting a security of payment up to the amount of PLN 135 010 thousand due and payable in the case of improper performance of obligations by Budimex SA under the acquisition agreement concerning shares of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.

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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 2014:

Name of the company which issued a guarantee or suretyship for a bank loan or borrowings	Name of the (company) entity which received suretyships or guarantees	Total value of bank loans and borrowings, for which guarantee or suretyship was issued for the full amount or defined part (in PLN thousand)	Period of guarantees or suretyships issuance	Financial conditions in respect of guarantees and suretyships issued	Type of relations between Budimex SA and the entity which took out a bank loan or borrowings
Budimex SA	Mostostal Kraków SA	77 282	2021-10-31	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	27 798	2017-07-15	free of charge	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	42 432	2023-01-31	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	81	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	4 225	2021-06-16	free of charge	associate
Budimex Budownictwo Sp. z o.o.	FBSerwis SA	1 263	2018-11-16	free of charge	associate
TOTAL		155 140			

President of the Management Board

Management Board Member

Dariusz Blocher

Marcin Węglowski

Warsaw, 29 October 2014