

The Budimex Group

Condensed consolidated financial statements

**for the period of 6 months
from 1 January to 30 June 2011**

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

The BUDIMEX Group

Condensed consolidated financial statements for the 6-month period from 1 January to 30 June 2011

prepared in accordance with IFRS

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The BUDIMEX Group*Condensed consolidated financial statements for the 6-month period from 1 January to 30 June 2011**prepared in accordance with IFRS***Consolidated statement of financial position**

ASSETS	30 June 2011	31 December 2010	30 June 2010
	(PLN thousands)	(PLN thousands)	(PLN thousands)
Non-current assets			
Property, plant and equipment	112 997	106 593	90 722
Investment properties	3 343	3 383	3 453
Intangible assets	3 655	3 434	3 099
Goodwill	73 237	73 237	73 237
Equity accounted investments	13 694	16 040	16 953
Available-for-sale financial assets	11 842	23 955	23 965
Retentions for construction contracts	39 419	44 327	49 785
Long-term prepayments and deferred costs	5 533	4 539	3 481
Deferred tax asset	329 254	357 343	260 181
Total non-current assets	592 974	632 851	524 876
Current assets			
Inventories	1 011 313	991 387	1 035 146
Trade and other receivables	694 800	373 013	544 873
Retentions for construction contracts	22 338	24 586	22 585
Amounts due and receivable from customers (investors) under construction contracts	327 450	151 998	200 379
Current tax receivable	46	273	227
Derivative financial instruments	1 708	3 157	2 166
Other financial assets at fair value through profit or loss	-	14 017	-
Cash and cash equivalents	734 997	1 862 403	549 286
Short-term prepayments and deferred costs	14 876	7 646	7 155
	2 807 528	3 428 480	2 361 817
Non-current assets classified as held for sale	-	5 908	5 908
Total current assets	2 807 528	3 434 388	2 367 725
TOTAL ASSETS	3 400 502	4 067 239	2 892 601

Warsaw, 26 August 2011

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Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	30 June 2011	31 December 2010	30 June 2010
	(PLN thousands)	(PLN thousands)	(PLN thousands)
Shareholders' equity			
Shareholders' equity attributable to the shareholders of the Parent Company			
Share capital	145 848	145 848	145 848
Share premium	234 799	234 799	234 799
Other reserves	256	256	-
Foreign exchange differences on translation of foreign operations	1 529	1 611	1 897
Retained earnings	185 867	297 891	157 037
Total shareholders' equity attributable to the shareholders of the Parent Company	568 299	680 405	539 581
Non-controlling interests	-	-	-
Total shareholders' equity, incl. non-controlling interests	568 299	680 405	539 581
Liabilities			
Non-current liabilities			
Loans, borrowings and other external sources of finance	30 128	13 175	6 623
Retentions for construction contracts	132 397	135 545	108 304
Provision for long-term liabilities and other charges	110 257	102 082	87 825
Long-term retirement benefits and similar obligations	4 059	4 158	3 857
Total non-current liabilities	276 841	254 960	206 609
Current liabilities			
Loans, borrowings and other external sources of finance	20 903	17 544	19 114
Trade and other payables	1 211 756	1 270 662	934 114
Retentions for construction contracts	129 652	124 842	116 602
Amounts due and payable to customers (investors) under construction contracts	688 629	1 034 210	591 397
Prepayments received	233 356	225 828	192 292
Provision for short-term liabilities and other charges	107 729	110 490	118 518
Current tax payable	1 528	173 074	46 762
Short-term retirement benefits and similar obligations	1 651	1 651	1 665
Derivative financial instruments	652	460	6 084
Short-term accruals	149 671	166 560	114 844
Short-term deferred income	9 835	6 553	5 019
	2 555 362	3 131 874	2 146 411
Liabilities directly associated with the assets (disposal groups) classified as held for sale	-	-	-
Total current liabilities	2 555 362	3 131 874	2 146 411
Total liabilities	2 832 203	3 386 834	2 353 020
TOTAL EQUITY AND LIABILITIES	3 400 502	4 067 239	2 892 601

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Consolidated income statement

	6-month period ended 30 June	
	2011	2010
	(PLN thousands)	(PLN thousands)
Continuing operations		
Net sales of finished goods, goods for resale, raw materials and services	2 248 888	1 723 404
Cost of finished goods, goods for resale, raw materials and services sold	(2 044 596)	(1 513 845)
Gross profit on sales	204 292	209 559
Selling expenses	(10 990)	(11 061)
Administrative expenses	(68 438)	(55 601)
Other operating income	44 088	59 155
Other operating expenses	(24 075)	(41 244)
Gains/ (losses) on derivative financial instruments	545	2 071
Operating profit	145 422	162 879
Finance income	27 218	20 445
Finance costs	(22 135)	(24 946)
Share of results of equity accounted companies	(2 346)	(2 224)
Profit before tax	148 159	156 154
Income tax	(28 369)	(29 599)
Net profit from continuing operations	119 790	126 555
Net profit for the period	119 790	126 555
Of which:		
Attributable to the shareholders of the Parent Company	119 790	126 555
Attributable to non-controlling interests	-	-
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	4.69	4.96

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Consolidated statement of comprehensive income

	6-month period ended 30 June	
	2011 (PLN thousands)	2010 (PLN thousands)
Net profit for the period	119 790	126 555
Other comprehensive income (loss) for the period:		
Foreign exchange differences on translation of foreign operations	(82)	451
Deferred tax related to components of other comprehensive income	-	-
Other comprehensive income (loss), net of tax	(82)	451
Total comprehensive income for the period	119 708	127 006
Of which:		
Attributable to the shareholders of the Parent Company	119 708	127 006
Attributable to non-controlling interests	-	-

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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 – share-based payments	Foreign exchange differences on translation of foreign operations	Retained earnings			Total
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)			(PLN thousands)
Balance as at 1 January 2011	145 848	234 799	256	1 611	297 891	680 405	-	680 405
Profit for the period	-	-	-	-	119 790	119 790	-	119 790
Other comprehensive income	-	-	-	(82)	-	(82)	-	(82)
Total comprehensive income for the period	-	-	-	(82)	119 790	119 708	-	119 708
Dividends	-	-	-	-	(231 814)	(231 814)	-	(231 814)
Balance as at 30 June 2011	145 848	234 799	256	1 529	185 867	568 299	-	568 299

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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 – share-based payments	Foreign exchange differences on translation of foreign operations	Retained earnings	Total		
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)		
Balance as at 1 January 2010	145 848	234 799	-	1 446	204 087	586 180	-	586 180
Profit for the period	-	-	-	-	126 555	126 555	-	126 555
Other comprehensive income	-	-	-	451	-	451	-	451
Total comprehensive income for the period	-	-	-	451	126 555	127 006	-	127 006
Dividends	-	-	-	-	(173 605)	(173 605)	-	(173 605)
Balance as at 30 June 2010	145 848	234 799	-	1 897	157 037	539 581	-	539 581
Profit for the period	-	-	-	-	140 854	140 854	-	140 854
Other comprehensive income	-	-	-	(286)	-	(286)	-	(286)
Total comprehensive income for the period	-	-	-	(286)	140 854	140 568	-	140 568
Share-based payments	-	-	256	-	-	256	-	256
Balance as at 31 December 2010	145 848	234 799	256	1 611	297 891	680 405	-	680 405

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The BUDIMEX Group*Condensed consolidated financial statements for the 6-month period from 1 January to 30 June 2011**prepared in accordance with IFRS***Consolidated statement of cash flow**

	6-month period ended 30 June	
	2011	2010
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	148 159	156 154
Adjustments for:		
Depreciation/ amortization	13 638	10 108
Share of results of equity accounted companies	2 346	2 224
Foreign exchange (gains)/ losses	(42)	(228)
Interest and shares in profits (dividends)	403	7 691
(Profit)/ loss on disposal of investments	2 495	(4 876)
Change in valuation of derivative financial instruments	1 641	(3 542)
Operating profit before changes in working capital	168 640	167 531
Change in receivables and retentions for construction contracts	(309 958)	(143 024)
Change in inventories	(19 926)	93 488
Change in provisions and liabilities arising from retirement benefits and similar obligations	5 315	29 002
Change in retentions for construction contracts and in liabilities, except for loan and borrowings liabilities	(60 295)	23 405
Change in accruals and accrued income	(21 831)	(12 736)
Change in amounts due and receivable under construction contracts	(521 033)	(56 554)
Change in prepayments received	7 528	(163 280)
Change in cash and cash equivalents of restricted use	(15 949)	(32)
Other adjustments	44	(135)
Cash generated from operations	(767 465)	(62 335)
Income tax paid	(171 599)	(95 537)
NET CASH USED IN OPERATING ACTIVITIES	(939 064)	(157 872)

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The BUDIMEX Group*Condensed consolidated financial statements for the 6-month period from 1 January to 30 June 2011**prepared in accordance with IFRS***Consolidated statement of cash flow (cont.)**

	6-month period ended 30 June	
	2011	2010
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of intangible assets and tangible fixed assets	11 043	5 401
Purchase of intangible assets and tangible fixed assets	(5 983)	(6 021)
Sale of investment properties	-	3 800
Purchase of investment properties	-	(57)
Sale of financial assets in related entities (note 3.5)	(1)	-
Purchase of available-for-sale financial assets	(108)	(10)
Sale / (purchase) of financial assets at fair value through profit or loss	14 013	19 067
Interest received	197	933
NET CASH FROM INVESTING ACTIVITIES	19 161	23 113
CASH FLOW FROM FINANCING ACTIVITIES		
Loans and borrowings taken out	10 793	-
Repayment of loans and borrowings	-	(262 144)
Dividends paid	(227 964)	(171 030)
Payment of finance lease liabilities	(5 862)	(5 599)
Interest paid	(511)	(7 871)
NET CASH USED IN FINANCING ACTIVITIES	(223 544)	(446 644)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1 143 447)	(581 403)
Foreign exchange differences, net	92	300
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 3.5)	1 861 547	1 130 289
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 3.5)	718 192	549 186

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

1.1. The Parent Company

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

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

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

1.2. Entities subject to consolidation

As at 30 June 2011, 31 December 2010 and 30 June 2010 the following companies were subject to consolidation:

Company name	Registered office	% in the share capital as at			Consolidation method
		30 June 2011	31 December 2010	30 June 2010	
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
Budimex SA Ferrovia Agroman SA s.c. ¹	Warsaw / Poland	99.00%	99.00%	-	proportionate
Budimex SA Sygnity SA Sp. j.	Warsaw / Poland	67.00%	67.00%	67.00%	proportionate
Budimex SA Ferrovia Agroman SA Sp. j.	Warsaw / Poland	50.00%	50.00%	50.00%	proportionate
Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. ²	Warsaw / Poland	30.00%	-	-	proportionate
Centrum Konferencyjne „Budimex” Sp. z o.o. ³	Licheń / Poland	-	100.00%	100.00%	full

¹) Company entered in the Register of Entrepreneurs on 21 July 2010.

²) Company entered in the Register of Entrepreneurs on 17 March 2011.

³) Company sold on 31 May 2011.

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

On 17 March 2011 company Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. was entered in the Register of Entrepreneurs. Budimex SA holds 30% of the company's shares.

On 31 May 2011 Budimex SA sold 1 015 shares (100%) in the company Centrum Konferencyjne „Budimex” Sp. z o.o. for the price of PLN 102 thousand. The buyer of those shares was NORTHCAN Sp. z o.o. with its registered Office in Warsaw. At the transaction date, the consolidated net value of assets of this company attributable to the Budimex Group was PLN -205 thousand. The consolidated income statement of the Group for the 6-month period of 2011 accounts for sales revenue of this company in the amount of PLN 1 484 thousand and net loss of PLN 428 thousand.

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 date of publication of the report was as follows:

Shareholder	Type of shares	Number of shares	% of the share capital	Number of votes	% of voting rights at the AGM
Valivala Holdings B.V. Amsterdam (Holland) – the Company from the Ferrovial SA Group (Spain)	ordinary	15 078 159	59,06%	15 078 159	59,06%
OFE PZU „Złota Jesień”	ordinary	1 444 895	5,66%	1 444 895	5,66%
Other shareholders	ordinary	9 007 044	35,28%	9 007 044	35,28%
Total		25 530 098	100,00%	25 530 098	100,00%

From the date of publication of the quarterly report for the first quarter ended 31 March 2011, i.e. 27 April 2011 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 2010, published on 21 March 2011.

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:

- **Amendments to IAS 24 “Related Party Disclosures”** - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- **Amendments to IAS 32 “Financial Instruments: Presentation”** - Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 February 2010),
- **Amendments to IFRS 1 “First-time Adoption of IFRS”**- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, adopted by the EU on 30 June 2010 (effective for annual periods beginning on or after 1 July 2010),
- **Amendments to various standards and interpretations “Improvements to IFRSs (2010)”** resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 February 2011 (amendments are to be applied for annual periods beginning on or after 1 July 2010 or 1 January 2011 depending on standard/interpretation),
- **Amendments to IFRIC 14 “IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction”** - Prepayments of a Minimum Funding Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- **IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”**, adopted by the EU on 23 July 2010 (effective for annual periods beginning on or after 1 July 2010).

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

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

At the date of authorisation of these financial statements no standards, revisions and interpretations adopted by the EU were in issue but not yet effective.

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 26 August 2011:

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 10 “Consolidated Financial Statements”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 11 “Joint Arrangements”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 12 “Disclosures of Involvement with Other Entities”** (effective for annual periods beginning on or after 1 January 2013),

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- **IFRS 13 "Fair Value Measurement"** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 27 (revised in 2011) "Separate Financial Statements"** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"** (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 1 "First-time Adoption of IFRS"** - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),
- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011),
- **Amendments to IAS 1 "Presentation of financial statements"** - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),
- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),
- **Amendments to IAS 19 "Employee Benefits"** - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013).

The Group anticipates that the adoption of these standards, revisions 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 2011, raw materials are valued based on the purchase price established as a weighted average of the purchased material prices. Before, as described in the consolidated financial statements of the Group for the year 2010, raw materials were valued on a „first in – first out“ basis. The aforementioned change of valuation methods has no impact on the inventory value and the amount of net result of the Group for the 6-month period of 2011.

3.3. Non-current assets classified as held for sale

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

Non-current assets classified as held for sale are valued at the lower of carrying amount and fair value less selling expenses. The fair value of non-current assets classified as held for sale is the value determined in the preliminary agreement less selling expenses.

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Non-current assets classified as held for sale as at 30 June 2011, 31 December 2010 and 30 June 2010 are presented in the table below:

	30 June 2011	31 December 2010	30 June 2010
Non-current assets classified as held for sale, of which:	-	5 908	5 908
– fixed assets	-	5 908	5 908
Total	-	5 908	5 908

3.4. Translation of selected financial data into euro

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

- individual asset and liability items – using the average exchange rate prevailing as at 30 June 2011 – 3.9866 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the first half of 2011 – using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2011 to 30 June 2011 – 3.9673 PLN/EUR,
- individual asset and liability items of comparative financial data for the year 2010 – using the average exchange rate prevailing as at 31 December 2010 – 3.9603 PLN/EUR,
- individual profit and loss account and statement of cash flow items of comparative financial data for the first half of 2010 – 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 2010 to 30 June 2010 – 4.0042 PLN/EUR.

3.5. Cash recognised in the statement of cash flow

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

	30 June 2011 (in PLN thousands)	31 December 2010 (in PLN thousands)	30 June 2010 (in PLN thousands)
Cash recognised in the statement of financial position	734 997	1 862 403	549 286
Cash and cash equivalents of restricted use	(16 805)	(856)	(100)
Cash recognised in the statement of cash flow	718 192	1 861 547	549 186

Net cash and cash equivalents related to the sales of shares in the Centrum Konferencyjne „Budimex” Sp. z o.o. (see note 1.3), shown in the investing activities, in the amount of PLN -1 thousand include cash received as consideration for the sale of the company in the amount of PLN 102 thousand decreased by the value of cash and cash equivalents of the company in the amount of PLN 103 thousand at the transaction date. The value of the remaining net assets of the company decreased by the amount of its cash and cash equivalents at the sales transaction date was PLN -308 thousand.

4. Description of factors and events which had a material effect on a financial result of the Budimex Group for the first half of 2011

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 third quarter, while the lowest – in the first quarter.

In the 6-month period ended 30 June 2011, the Budimex Group earned sales revenue of PLN 2 248 888 thousand which means a 30.49% increase on the corresponding period of 2010.

In the first half of 2011 construction-assembly production in Poland expressed in current prices increased by 21.4% compared to the corresponding period of the prior year (an increase by 20.8% in fixed prices), while sales of the construction segment of the Budimex Group on the home market were up 52.65% on the corresponding periods.

Gross profit on sales in the first half of 2011 was PLN 204 292 thousand, while in the corresponding period of the prior year it amounted to PLN 209 559 thousand. The gross sales profitability ratio was therefore 9.08% in the first half of 2011, while in the first half of 2010 it amounted to 12.16%. In the first half of 2011 gross profit on sales in the construction segment amounted to PLN 166 834 thousand and was higher by PLN 44 975 thousand compared to the corresponding period of the prior year, albeit gross sales profitability ratio of construction segment for the first half of 2011 was 8.10% (8.97% in the first half of 2010). In turn, gross profit on sales in the developer segment in the 6-month period of 2011 was PLN 32 888 thousand, while in the corresponding period of the prior year it amounted to PLN 68 955 thousand. Gross sales profitability ratio of the developer segment dropped from 21.01% in the first half of 2010 to 18.27% in the corresponding period of the current year.

In accordance with the accounting policies adopted, when budgeted contract costs exceed the entire expected contract revenue, Group companies create provisions for expected contract losses and recognize them under „Amounts due and payable to customers under construction contracts“. In the subsequent periods, a part of the created provision is released in proportion to the percentage of contract completion, after taking into account total negative margin on the entire contract. As at 30 June 2011, the balance of the provision for contract losses amounted to PLN 421 822 thousand. In the first half of 2011, the balance of provision for contract losses decreased by PLN 54 497 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 30 June 2011 the provision for warranty amounted to PLN 116 274 thousand. In the 6-month period ended 30 June 2011 the balance of the provision for warranty increased by PLN 11 911 thousand.

Selling expenses dropped in the first half of 2011 by PLN 71 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 12 837 thousand higher than expenses incurred in the corresponding period of 2010. The share of selling and administrative expenses in total sales decreased from 3.87% in the first half of 2010 to 3.53% in the first half of the current year.

Other operating income for the first half of 2011 was PLN 44 088 thousand (PLN 59 155 thousand for the first half of 2010) and comprised reversal of impairment write-downs against doubtful debts in the amount of PLN 11 707 thousand, income from compensations and contractual penalties in the amount of PLN 7 383 thousand and reversal of provision for liabilities in dispute in the amount of PLN 17 477 thousand. Additionally, in the period of six months of 2011 Group companies disposed of tangible fixed assets and investment properties and earned sales profit of PLN 4 685 thousand. The net book value of the tangible fixed assets and investment properties, inclusive of non-current assets classified as held for sale, sold in the first half of 2011 was PLN 6 016 thousand.

Other operating expenses for the first half of 2011 amounted to PLN 24 075 thousand (PLN 41 244 thousand for the first half of 2010), of which PLN 1 411 thousand related to impairment write-downs against receivables, PLN 973 thousand related to impairment write-downs against inventory, PLN 17 752 thousand related to provisions created for penalties and compensations and PLN 928 thousand related to provisions created for legal proceedings. The value of compensations and contractual penalties paid and charged to the Group result in the period discussed was PLN 1 627 thousand.

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During the first half of 2011 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 545 thousand, while in the corresponding period of the prior year – gain in the amount of PLN 2 071 thousand.

The reported operating profit of the Group in the first half of 2011 was PLN 145 422 thousand, while in the first half of 2010 it amounted to PLN 162 879 thousand (decrease by 10.72%). The operating profit for the first half of 2011 represented 6.47% of sales revenue value, while for the corresponding period of the prior year it represented 9.45% of sales revenue.

In the 6-month period ended 30 June 2011 the Group generated profit on financing activities in the amount of PLN 5 083 thousand while in the same period of the prior year it reported a loss in the amount of PLN 4 501 thousand. Finance income in the first half of 2011 represented mainly interest of PLN 26 794 thousand. Finance costs in the first half of 2011 represented, among others, interest costs of PLN 2 131 thousand, bank commissions on guarantees and loans of PLN 6 854 thousand paid by Group companies, costs relating to impairment write-downs against the value of shares in the company Autopistas del Levante S.L. in the amount of PLN 7 489 thousand and costs from discount of long-term retention receivables and liabilities of PLN 5 602 thousand.

In the first half of 2011, the Group reported a gross profit of PLN 148 159 thousand, while in the corresponding period of the prior year – a gross profit of PLN 156 154 thousand (decrease by 5.12%).

Income tax for the 6-month period ended 30 June 2011 was PLN 28 369 thousand (PLN 29 599 thousand for the 6-month period of 2010), of which:

- current tax was PLN 281 thousand,
- deferred tax – PLN 28 088 thousand.

As at 30 June 2011, the Group recognized a deferred tax asset in the amount of PLN 329 254 thousand, while as at 31 December 2010 – PLN 357 343 thousand. The reported statement of financial position items of deferred tax asset result mainly from a special method of settlement of construction contracts, under which the moment of recognition of costs as incurred and revenue as realized are different from the tax and accounting perspectives.

The net profit attributable to the shareholders of the Budimex Group for the first half of 2011 was PLN 119 790 thousand, while the net profit attributable to the shareholders of the Budimex Group for the corresponding period of 2010 was PLN 126 555 thousand (decrease by 5.35%).

In the first half of 2011, the Group purchased property, plant and equipment, intangible assets and investment properties with a total value of PLN 20 129 thousand, of which plant and machinery accounted for PLN 17 484 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
- Sprzęt Transport Sp. z o.o. in liquidation (liquidated on 31 May 2010)
- Mostostal Kraków SA
- Budimex Bau GmbH
- Budimex Budownictwo Sp. z o.o.
- Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. (company entered into the Register of Entrepreneurs on 17 March 2011).

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

- Budimex Nieruchomości Sp. z o.o.
- Centrum Konferencyjne „Budimex” Sp. z o.o. (sold on 31 May 2011)
- 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
- Auto-Park Bydgoszcz Sp. z o.o. (included in Budimex SA on 23 June 2010).

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

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

The results of segments for the first half of 2011 are presented in the table below:

Segment name	amounts in PLN thousands				Consolidated value
	Construction business	Property management and developer business	Other business	Eliminations	
External sales	1 970 161	179 769	98 958	-	2 248 888
Inter-segment sales	89 316	212	-	(89 528)	-
Total sales of finished goods, goods for resale and raw materials	2 059 477	179 981	98 958	(89 528)	2 248 888
Gross profit	166 834	32 888	7 007	(2 437)	204 292
Selling expenses	(5 476)	(3 813)	(1 718)	17	(10 990)
Administrative expenses	(63 343)	(6 765)	(4 128)	5 798	(68 438)
Other operating income/ (expenses), net	19 224	1 171	(382)	-	20 013
Gains / (losses) on derivative financial instruments	(339)	-	884	-	545
Operating profit	116 900	23 481	1 663	3 378	145 422
Finance income / (costs), net	3 435	1 596	52	-	5 083
Shares in gains/ (losses) of equity accounted entities	-	-	(2 346)	-	(2 346)
Income tax expense	(22 346)	(4 515)	(867)	(641)	(28 369)
Net profit (loss) for the period	97 989	20 562	(1 498)	2 737	119 790

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The results of segments for the first half of 2010 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	1 346 583	327 873	50 489	(1 541)	1 723 404
Inter-segment sales	11 757	283	-	(12 040)	-
Total sales of finished goods, goods for resale and raw materials	1 358 340	328 156	50 489	(13 581)	1 723 404
Gross profit	121 859	68 955	1 150	17 595	209 559
Selling expenses	(5 309)	(3 869)	(1 896)	13	(11 061)
Administrative expenses	(50 829)	(9 095)	(2 868)	7 191	(55 601)
Other operating income/ (expenses), net	4 649	11 597	459	1 206	17 911
Gains / (losses) on derivative financial instruments	2 165	-	(94)	-	2 071
Operating profit (loss)	72 535	67 588	(3 249)	26 005	162 879
Finance income / (costs), net	2 801	(7 368)	66	-	(4 501)
Shares in gains/ (losses) of equity accounted entities	-	-	(2 224)	-	(2 224)
Income tax expense	(13 772)	(11 553)	611	(4 885)	(29 599)
Net profit (loss) for the period	61 564	48 667	(4 796)	21 120	126 555

6. Related party transactions

Transactions with related parties made in the first half of 2011 and unsettled balances of receivables and liabilities as at 30 June 2011 are presented in the tables below:

	amounts in PLN thousands			
	Receivables		Liabilities	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Parent Company and related parties (the Ferrovial Group)	53 627	53 354	108 332	92 524
Jointly-controlled entities	205	233	97	132
Associates	10	12	3 979	3 779
Other related parties*	4 755	203	1 840	1 059
Total settlements with related parties	58 597	53 802	114 248	97 494

	amounts in PLN thousands			
	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	30 June 2011	31 December 2010	30 June 2011	31 December 2010
Parent Company and related parties (the Ferrovial Group)	-	-	7 610	7 475
Jointly-controlled entities	-	-	-	-
Associates	-	-	-	-
Other related parties*	-	-	-	-
Total settlements with related parties	-	-	7 610	7 475

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	amounts in PLN thousands			
	Sales of finished goods and services		Purchase of finished goods and services	
	6-month period ended 30 June		6-month period ended 30 June	
	2011	2010	2011	2010
Parent Company and related parties (the Ferrovial Group)	31 455	17 207	(44 800)	(24 389)
Jointly-controlled entities	292	1 634	(32)	-
Associates	32	22	(6 339)	(6 071)
Other related parties*	15	165	(2 836)	(226)
Total settlements with related parties	31 794	19 028	(54 007)	(30 686)

	amounts in PLN thousands			
	Financial income		Financial costs	
	6-month period ended 30 June		6-month period ended 30 June	
	2011	2010	2011	2010
Parent Company and related parties (the Ferrovial Group)	-	-	(263)	(73)
Jointly-controlled entities	-	-	-	-
Associates	-	-	-	-
Other related parties*	-	25	-	-
Total settlements with related parties	-	25	(263)	(73)

*) 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 half of the year

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

- instability on the financial markets,
- a tempo and directions of assistance funds utilization within the framework of programmes aimed at financing the adaptation of domestic infrastructure to the European Union standards,
- outcome of tenders in infrastructure segment scheduled for the current year,
- 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.

As at 30 June 2011 the backlog was PLN 7 922 038 thousand. The value of contracts signed between January and June 2011 was PLN 2 918 512 thousand. The number of pre-sold apartments in the period from January - June 2011 (without booking) is 405 units.

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8. The main events in the first half of 2011 and significant events after 30 June 2011

Significant contracts:

On 3 February 2011 Budimex SA signed a contract with Toya Sp. z o.o. with its registered office in Łódź for construction of an office and hotel building – as regards building the shell, high-efficiency electrical installations and sanitary installations. Net contract value is PLN 64 429 thousand.

On 11 March 2011 Budimex SA signed a contract with the General Directorate for National Roads and Motorways, Branch in Białystok, for the "Design and construction of the Augustów ring road on national road no. 8 (section from the interchange of Augustów to Szkocja interchange) and express road S61 (section from Szkocja interchange to Lotnisko interchange)". Net contract value is PLN 535 999 thousand.

On 1 April 2011 Budimex SA signed a contract with 2Build Sp. z o.o. for building an office and commercial facility at 182-196 Grunwaldzka Street in Poznań along with the necessary infrastructure. Net contract value is PLN 73 600 thousand.

On 5 April 2011 a consortium of companies comprising: Budimex SA (the leader), P.B.U. Budopol SA with its registered office in Bydgoszcz, P.W. EBUD-Przemysłówka Sp. z o.o. with its registered office in Bydgoszcz and P.W. "LECH" Sp. z o.o. with its registered office in Bydgoszcz executed an agreement with Kujawsko-Pomorskie Medical Investments Sp. z o.o. with its registered office in Toruń concerning the reconstruction and extension of the J. Brudziński Voivodship Hospital for Children in Bydgoszcz. It is the second contract executed with the same ordering party. On 4 April 2011 Budimex SA executed an agreement worth PLN 32 500 thousand concerning the reconstruction of the Park of Active Rehabilitation and Sport within the complex of buildings of the Centre of Oncology in Bydgoszcz. Net contract value is PLN 98 943 thousand.

On 28 April 2011 the consortium Budimex SA (leader) and Ferrovia Agroman SA signed the contract with the Medical University in Białystok on the outward extension and alteration along with internal installations and non-medical equipment of the buildings G and H as well as an upward extension of the building F of the Teaching Hospital of the Medical University in Białystok. Net contract value is PLN 119 700 thousand.

On 27 May 2011 the consortium composed of Budimex SA (leader, 99.8%), Tchas Polska Sp. z o.o. (partner, 0.1%) and Eiffage Budownictwo Mitex SA (partner, 0.1%) signed with PKP Polskie Linie Kolejowa SA (Polish Railway) in Warsaw, the contract on "Performing construction work connected with modernisation of line 9, within the area managed by the Local Management Centre in Iława". Net contract value is PLN 697 884 thousand.

On 7 June 2011 the consortium of Budimex SA (leader, 95%) and Ferrovia Agroman SA (partner, 5%) signed a contract with the Silesian Museum in Katowice on "Construction of a new home for the Silesian Museum in Katowice". Net contract value is PLN 168 975 thousand.

On 9 June 2011 the consortium of Budimex SA (leader) and Ferrovia Agroman SA signed a contract with the Lublin Division of the General Directorate for National Roads and Motorways for the "Construction of the S-17 express road on the Kurów – Lublin – Piaski section, task no. 2: the section between the Bogucin interchange and the Dąbrowica interchange together with the interchange itself, task no. 2a: construction of a GP class national road on the section between the Dąbrowica interchange and the administrative border of the city of Lublin". Net contract value is PLN 337 497 thousand.

On 22 June 2011 Budimex SA signed a contract with Gdansk City Gmina, represented by Gdansk Municipal Investments Sp. z o.o. with its registered office in Gdansk, on the execution of works under the project "Connection of national roads - Trasa Sucharskiego". Task I. Section: southern Gdańsk ring road – Elbląska junction. Net contract value is PLN 137 150 thousand.

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On 6 July 2011 Budimex SA signed an agreement with MDI Sp. z o.o. with its registered office in Warsaw on the construction of 7 residential buildings - the Słoneczny Dom housing estate in Lublin, implemented in 6 stages. Net contract value is PLN 73 340 thousand.

On 15 July 2011 the consortium of Budimex SA (leader) and Ferrovial Agroman SA signed a contract with the company New Regional Hospital Sp. z o.o. with its registered office in Wrocław on "Construction of a new regional hospital in Wrocław - Task 2: construction of the hospital along with land development and construction of a helicopter landing". Net contract value is PLN 158 453 thousand.

On 15 July 2011 Budimex SA signed a contract with the National Treasury - General Director for National Roads and Motorways, represented by the General Directorate for National and Motorways with the branch in Łódź on "Construction of S8 expressway on the section: Walichnowy interchange - Łódź (A1), section 1 (Walichnowy interchange)". Net contract value is PLN 95 738 thousand.

On 15 July 2011 Budimex SA received from the City Office of Lublin notification on the selection of the offer by Budimex SA as the most favourable in the proceedings of public procurement in an open tender for the development of design documentation and construction of the city stadium in Lublin along with the land development of the adjacent area, installations and connections. Net value of the offer is PLN 110 738 thousand.

On 29 July 2011 Budimex signed with the Adam Mickiewicz University in Poznań a contract on construction of the Department of Chemistry - finishing works Stage I Task 2 segment G. The net value of the contract is PLN 23 118 thousand. This is another agreement signed in last 12 months with the same entity. On 2 June 2011 the contract was signed on construction of the Centre of Advanced Technologies of Wielkopolska: Building A, A-1 Greenhouse, A-2 Animal house, along with the accompanying technical infrastructure. Net contract value is PLN 50 173 thousand. In addition, on 8 April 2011 Budimex SA concluded a contract of net value PLN 19 978 thousand with the same Ordering Authority.

On 1 August 2011 Budimex SA received from the Łódź Branch of the General Directorate of Roads and Motorways the notice about the selection of the Budimex SA bid as the most favourable in the procedure for granting the public procurement by way of a limited tender to carry out construction works as part of the project: "The Construction of the S8 Expressway on the Walichnowy Junction - Wrocław Junction (A1), Section 8 (Róża - Wrocław)". Net contract value is PLN 689 244 thousand.

On 4 August 2011 Budimex SA signed a contract with Gdansk City Gmina, represented by Gdansk Municipal Investments Sp. z o.o. with its registered office in Gdansk, on the execution of works under the project "Connection of Airport with Seaport - Słowacki Route". Task III. Section - Aleja Gen. Józefa Hallera - Marynarki Polskiej Interchange. Net contract value is PLN 109 748 thousand.

On 23 August 2011 Budimex SA received a notification from the Municipality of Krakow on the selection of the bid by the consortium of Budimex SA (leader) and Ferrovial Agroman SA (partner) as the most favourable bid in the proceedings concerning the public tender procedure known as: "The construction of a building known as the Congress Centre (Rondo Grunwaldzkie) in Krakow - two stages of completion." Net contract value is PLN 257 994 thousand.

Other significant agreements and events:

On 4 January 2011 Budimex SA concluded an addendum to the agreement with regard to establishing, within the guarantee limit granted as of 18 May 2009, insurance guarantees concluded with Sopockie Towarzystwo Ubezpieczeń Ergo Hestia SA, residing in Sopot. The total amount of all guarantees established under the agreement shall not exceed PLN 72 000 thousand. The performance of the agreement shall be ensured by means of 10 blank bills of exchange with promissory note declarations issued by Budimex SA. The remaining financial terms and conditions are standard for this type of agreement.

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On 20 January 2011 Budimex SA concluded the agreement on the multi-purpose overdraft facility with EFG Eurobank Ergasias SA, Branch in Poland. Pursuant to the agreement, the company may, until 30 December 2011, commission the bank to issue bank guarantees up to the total amount of PLN 200 000 thousand. The collateral established under the agreement consists of the company's statement of execution and an authorisation to access bank accounts kept with the bank.

On 24 January 2011 Budimex SA signed an annexe no. 6 for commission contract for periodic contract insurance guarantee of 8 May 2007. Pursuant to the annexe the limit of PLN 69 500 thousand has been established to which PZU SA may issue contract guarantees and the contract was renewed by 23 January 2012. Other provisions of the contract remain unchanged.

On 10 March 2011 Budimex SA was informed by Societe Generale SA Branch in Poland about signing an addendum to the contract on bank guarantees of 2 March 2010. The addendum extends the term of the contract until 29 April 2011. Other provisions of the contract remain unchanged.

On 22 March 2011 Budimex SA signed with Sopockie Towarzystwo Ubezpieczeń Ergo Hestia SA with its registered office in Sopot another annexe to the co-operation agreement for granting insurance warranty within the established warranty limit of 18 May 2009. The annexe stipulates that the aggregated warranty sum of all warranties issued pursuant to the agreement shall not exceed the sum of PLN 100 000 thousand. The remaining conditions of the agreement are not altered.

On 22 March 2011 Budimex Nieruchomości Sp. z o.o. (subsidiary company 100% associated with Budimex SA) signed with PKO BP SA with its registered office in Warsaw a credit agreement to co-finance and rollover the realisation costs of the Stage III of the housing project in Warsaw at ul. Inflancka called "Apartamenty Murano". Credit sum is PLN 77 500 thousand. Final credit balance is 31 December 2014.

On 4 May 2011 Budimex SA received a signed agreement concerning bank guarantees from the Polish branch of Societe General SA. Pursuant to the agreement, Budimex SA may place instructions at the bank for furnishing bank guarantees totalling PLN 150 000 thousand. Validity period of the agreement is 30 April 2012. The agreement does not provide for establishing securities. The financial terms and conditions are standard for this type of agreement.

On 19 May 2010 the Ordinary General Shareholders' Meeting of Budimex S.A. passed Resolution concerning dividend payout in the gross amount of PLN 9,08 per share, i.e. PLN 231 813 thousand. According to the passed resolution, net profit for the period between January 1st, 2010 and December 31st, 2010 amounting to PLN 226 283 thousand, increased by supplementary capital in the portion formed by profits from the previous years, amounting to PLN 5 531 thousand, was earmarked for dividend payout. The dividend was paid on 20 June 2011.

On 30 May 2011 Budimex SA signed an annex to the Bank Guarantee Line Contract dated 31 July 2009 with Bank Millennium SA. Pursuant to the annex the deadline when the Company may order the bank to issue bank guarantees has been prolonged until 29 May 2012. Other provisions of the contract remain unchanged.

On 7 June 2011 Budimex SA received from the bank Credit Agricole Corporate & Investment Bank (formerly Calyon SA Oddział w Polsce) a signed annex to the Credit Contract of 13 October 2008. The annex specifies a new expiry date of the contract of 31 May 2012. Other provisions of the contract remain unchanged.

On 17 June 2011 Budimex SA received from Bank PEKAO SA information on the signing of an annex to credit contract of 12 August 2008. Pursuant to the annex the following amendments to the contract were introduced: the credit limit was increased from PLN 473 000 thousand to PLN 699 000 thousand. Under the credit limit, Budimex SA is given an overdraft limit of up to PLN 200 000 thousand until 31 December 2011 and may order the bank to issue bank guarantees up to PLN 523 000 thousand until 30 May 2012. The remaining conditions of the agreement are not altered.

On 29 June 2011 Budimex SA received information from Bank Ochrony Środowiska SA about signing a receivables purchase agreement without the right of recourse. Under the contract the Company is entitled to sell to the bank the receivables, entitled to the Company and selected by it, arising under contracts for public works. The limit amount which the Company may reach when selling to the bank the above mentioned receivables is PLN 200 000 thousand. The limit is renewable. The bank will

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charge payment for the purchased receivables: discount interest calculated on the basis of WIBOR1M rate, increased by a margin and an operating commission. The contract has been concluded for the period until 31 December 2011. As a performance guarantee to the Company's contractual obligations toward the bank, the Company has granted the bank a power of attorney for the Company's bank account held by the bank. Other terms of the contract do not differ from terms commonly applied to this type of agreements.

On 4 July 2011 Budimex Nieruchomości Sp. z o.o. signed a credit agreement with Bank Pekao SA with its registered office in Warsaw to co-finance and refinance the costs connected with execution of a real property development project. Credit amount is PLN 87 870 thousand. Final credit repayment date is 31 January 2014.

On 11 July 2011 Budimex SA was informed by Bank Ochrony Środowiska SA about the conclusion of an annex to the agreement on the establishment of an engagement limit in the form of a renewable line on bank guarantee. Pursuant to the annex the following amendments were introduced: the amount of guarantee limit was increased from PLN 100 000 thousand to PLN 150 000 thousand not later than until 8 July 2012. As security for the guarantee limit, the Company grants the bank a power of attorney to administer the Company's bank account maintained by the bank. Moreover, to each guarantee issued by the Bank within the line, the Company will submit a declaration on submission to bank execution concerning liabilities resulting from the guarantee. The remaining conditions of the agreement remain unchanged.

On 26 July 2011 Budimex SA received information on signing the Changes no. 9 of 25 July 2011 to the Multi-purpose Line-of-Credit Agreement of 25 April 2008 document by Fortis Bank Polska SA. Under the document the new expiry date of the contract is 1 August 2012. Other provisions of the contract remain unchanged.

On 2 August 2011 Budimex SA received from the Polish branch of Bank Societe Generale SA a signed annex to the Bank Guarantee Agreement of 4 May 2011. Pursuant to the annex: the guarantee limit to which the Company may order the bank to issue bank guarantees has increased from PLN 150 000 thousand to PLN 165 000 thousand. Other provisions of the contract remain unchanged.

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

In the first half of 2011 Budimex SA and Group companies did not issue, redeem or repay equity securities.

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

Budimex SA did not publish any forecasts.

11. Statement of ownership of shares of Budimex SA or rights to such shares (options) held by the managing or supervisory persons of Budimex SA as at the date of publication of this report together with indication of changes in the ownership in the first half of 2011

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:

Dariusz Blocher	(president of the Management Board)	3 500 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 quarterly report for the first quarter of 2011, i.e. 27 April 2011.

12. Proceedings pending as at 30 June 2011 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 June 2011 was PLN 543 989 thousand and exceeded 10% of the equity of Budimex SA, which amounts to PLN 549 795 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 71 783 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 June 2011 was PLN 307 931 thousand. These proceedings involve the Group companies' operating activity.

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

In the course of the case PPL filed a counter-claim of a total amount of PLN 135 719 thousand, covering claims for the redress of damage, including lost benefits, return of unjust enrichment and liquidated damages. On 31 July and 26 October 2009 PPL filed to the Arbitration Court the next written statements of claim including extension of counter-claim, changing the original amount of counter-claim from PLN 135 719 thousand to PLN 280 894 thousand (risk of Budimex SA does not exceed the amount of PLN 112 358 thousand).

In the opinion of Budimex SA, the main claims under the counter-suit are groundless.

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

On 27 May 2010 the Arbitration Court made a decision, based on which the evidence from the expert's opinion regarding the evaluation of reasonableness of the PPL claims was accepted. The expert appointed by the Arbitration Court – the BS Consulting Group started to work at the end of 2010. To date, there have been several meetings with proxies of parties and the expert and there was an inspection of the airport objects with the participation of the aforementioned expert in March 2011. Technical opinion prepared by the expert, that was delivered to proxies of both parties on 29 July 2011, represented the result of his work. Currently, works regarding its detailed analysis and preliminary assessment are being performed.

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

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

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

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Having received the reason for the partial judgement from the Arbitration Court, the Consortium filed, in the Common Court, a motion on ascertainment of executability of the verdict of the Arbitration Court thorough giving an enforcement clause. On 8 May 2009 PPL filed a claim to dismiss the partial verdict and simultaneously to defer the verdict executability of the Arbitration Court. On 31 May 2010 the District Court in Warsaw quashed the partial verdict of the Arbitration Court, claiming that the appealed sentence of the Arbitration Court violates the public order rules with regard to adjudging the compensation jointly in favour of three entities in case the benefit is divisible. The verdict was issued with regard to the company Budimex SA, which was considered by the District Court to be the only legitimated passively in the case and at the same time deciding that the partial verdict cannot have been issued against Ferrovial Agroman SA – Branch in Poland and Estudio Lamela SL – Branch in Poland, as the branches of these entrepreneurs have no legal personality separate from the company. Therefore, in the verdict issued by the District Court, the proceedings against these parties were canceled and the complaint filed in this respect was rejected. All three parties of the consortium filed the appeal against the sentence of the District Court. Companies Ferrovial Agroman and Estudio Lamela filed a complaint against the decision regarding the abolition of proceedings against them. The complaints were considered and were in total allowed for by the Appeal Court. The Appeal Court reconsidering the complaints quashed the complained sentenced and agreed with the statements of Ferrovial Agroman and Estudio Lamela that as foreign entrepreneurs (and not as their branches in Poland) had legitimacy to act as a party in the trial and that the partial verdict issued by the Arbitration Court was correctly issued in this respect. On 13 July 2010 Budimex SA appealed against the verdict of the District Court in Warsaw but it has not been considered by the Appeal Court till the date of publication of this report. Based on the information received in this court, it can be expected that the trial date will be fixed for September 2011.

In the opinion of the Management Board the settlement of the appeal against sentence filed by Budimex SA should be favourable to the company and in consequence it should enable the company to receive the enforcement clause for the partial verdict issued by the Arbitration Court, allowing for the verdict execution. The Management Board is also in the opinion that the final verdict of the Arbitration Court will be favourable to the remaining claims filed by the consortium.

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

Another material in value legal proceedings relate to the claim filed on 5 March 2008 by Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. requesting that the amount of PLN 25 252 thousand be awarded jointly and severally against the consortium to which the Budimex SA and Budimex Dromex SA belonged. The claim relates to the replacement contractor costs incurred by the investor when the consortium rescinded a contract. The Budimex Group's share in consortium was 90%, therefore the value of the claim for which the Company is liable is PLN 22 727 thousand. The defendants filed a response to the statement of claim within two weeks of receipt of the statement of claim. As a result of the plea of incompetency of a court formulized in the response to the statement of claim due to the written arbitration agreement, the court brought a case before the closed court in order to determine its jurisdiction. On 30 September 2010 the Court issued the ruling, refusing to reject the claim, thereby the Court acknowledged the Common Court as competent to consider the litigation. On 28 October 2010 Budimex SA filed a complaint regarding the court decision. On 10 March 2011 the Appeal Court dismissed the complaint. The decision of the Appeal Court cannot be complained. Due to the above, the case will be considered by the common court when the court files are passed to the court of first instance. Till the date of this report the trial date has not been set yet.

Budimex Dromex SA (the company merged with Budimex SA in 2009) as a legal successor of Dromex SA on 8 February 2005 received a statement of claim, directed by Federal Republic of

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Germany, next represented by federal country Brandenburg, represented by Ministry of cities, housing and communication development ("the Claimer") to the following companies:

- Budimex Dromex SA,
- VHV Deutsche Kautionsversicherung AG, Hannover,
- Deutsche Bank AG, Frankfurt/Main,
- Allgemeine Kreditversicherung Coface AG, Mainz

for return of overpaid remuneration for work and settlement of a warranty liability in the total amount of EUR 2 583 thousand.

Dromex SA and Philipp Holzmann AG were shareholders in the company "ARGE Oderbrücke Philipp Holzmann AG/Dromex" (the "Consortium"). In the years 1993-1997, the companies built a bridge comprising the motorway over the Odra River near Frankfurt. According to the claimant, the fee received by the Consortium for this work was overstated by EUR 2 509 thousand, while Budimex Dromex SA is required to make a prepayment of EUR 74 thousand towards the costs of removing construction faults. The companies VHV Deutsche Kautionsversicherung AG and Allgemeine Kreditversicherung Coface AG incur liability as guarantors for both the prepayment and the return of the overpaid amount. Following payment by certain guarantors of part of the contractual liabilities, the total value of claim was reduced to EUR 1 697 thousand. The Company filed a response to the statement of claim in which it challenged the grounds for the claims. On 19 December 2006, the Supreme National Court of Brandenburg upheld a decision issued by the National Court in Neuruppin on the jurisdiction of German courts, which had been questioned by Budimex Dromex SA from the very start of the proceedings. This court also stated that no appeal could be made against the court verdict to the Supreme Federal Court. On 17 January 2007, the Company lodged an appeal against the decision under which no appeal could be made to the Supreme Federal Court together with reasons for the appeal filed in June 2007. Based on the decision of the Supreme Federal Court the appeal was dismissed. On 10 August 2010, National Court in Neuruppin presented preliminary position in the case of the statement of claim directed by Federal Republic of Germany (represented by federal country Brandenburg) dated 8 February 2005, confirming in principle the claim against Budimex SA in the amount of EUR 1 697 thousand. On 2 November 2010 roku Budimex SA in reply to preliminary position directed the statement of claim to the court.

During the trial, which took place on 31 May 2011 before the National Court in Neuruppin the compromise was reached, based on which Budimex SA is obliged to pay the amount of EUR 1 million, comprising of EUR 600 thousand regarding the main claim and EUR 400 thousand of interest, in favour for Federal Republic of Germany. The parties decided that proceedings and compromise related costs would be netted off. Additionally, the parties established that in the 3-month period starting from the compromise date, i.e. in the period until 31 August 2011 the parties can withdraw the declaration of will filed with regard to this compromise and therefore as at the date of this report the compromise is not in force.

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

Total value of legal proceedings in respect of receivables due to Budimex SA and its subsidiaries as at 30 June 2011 amounted to PLN 236 058 thousand. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of construction work performed.

On 10 March 2009 the District Court in Cracow issued the verdict regarding the claim filed by Budimex Dromex SA against Municipal Commune of Cracow, adjudging the payment of PLN 20 708 thousand together with statutory interest calculated for the period from 5 November 2007 and return of court fees in the amount of PLN 143 thousand. The claimed filed by Budimex Dromex related to the refund of the amount drawn by the Municipal Commune of Cracow on 5 November 2007 from the bank guarantee provided by Budimex Dromex SA as the performance bond for the contract for engineering, design and execution of a sports and show hall in Cracow – Czyżyny concluded on 20 December 2005 between the Consortium of Budimex Dromex SA, Ferrovial Agroman SA and Decathlon SA, and the Municipal Commune of Cracow. The commune drew this amount for the stipulated penalty provided by the contract after previous declaration of withdrawal from the contract and associated imposing of a stipulated penalty despite the fact that Budimex Dromex SA put the legitimacy of imposing of this penalty in question. On 15 July 2009 the Court of Appeal in Cracow, acting as the court of second resort in the proceedings described above, brought the verdict changing the verdict of the Court of first resort, adjudged the payment by the Municipal Commune of Cracow to Budimex Dromex SA of the amount of PLN 6 903 thousand including statutory interest calculated

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starting on 20 November 2007 until the date of payment and payment of the court fees in the amount of PLN 20 thousand. The Court rejected the rest of the appeal of the Municipal Commune of Cracow and adjudged the payment by Budimex Dromex SA to the Municipal Commune of the amount of PLN 70 thousand as the appeal trial fees. The verdict is absolute. Budimex Dromex SA appealed to the Supreme Court for cassation of this verdict. On 20 October 2010 the Supreme Court provided for cassation and the case will be considered again by the Appeal Court in Cracow. On 17 February 2011 Budimex SA received information on the decision of the Appellate Court in Cracow, which, having re-examined – as a result of the Supreme Court reversing the previous decision of the Appellate Court in Cracow in the part regarding the dismissal of the claim and adjudication on legal costs – the appeal of the Urban Municipality of Cracow against the decision of the District Court in Cracow of 10 March 2008, reversed the decision of the District Court in Cracow of 10 March 2008 in the part regarding the claim for the amount exceeding PLN 6 903 thousand (i.e. to the amount of PLN 13 805 thousand) and referred the case to the District Court in Cracow for re-examination and adjudication on legal costs. The case brought by Budimex SA against the Urban Municipality of Cracow for the payment of PLN 20 708 thousand has become final with regard to the amount of PLN 6 903 thousand plus statutory interest calculated from 20 November 2007, having been adjudicated to be paid by the Urban Municipality of Cracow to Budimex SA. The remaining elements of the claim are to be re-examined by the District Court in Cracow in September 2011.

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 June 2011 (in PLN thousands)	31 December 2010 (in PLN thousands)	30 June 2010 (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	312 250	277 344	243 403
– bills of exchange received as security	21 375	19 978	16 352
From other entities, total	333 625	297 322	259 755
Total contingent receivables	333 625	297 322	259 755
Contingent liabilities			
To related parties, of which:			
– guarantees and suretyships issued	506	602	640
– bills of exchange issued as performance bond	-	-	-
To related parties, total	506	602	640
To other entities, of which:			
– guarantees and suretyships issued	1 649 469	1 361 935	1 359 635
– bills of exchange issued as performance bond	14 779	4 464	8 840
To other entities, total	1 664 248	1 366 399	1 368 475
Other contingent liabilities	-	-	-
Total contingent liabilities	1 664 754	1 367 001	1 369 115
Total off-balance sheet items	(1 331 129)	(1 069 679)	(1 109 360)

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 issued by Budimex SA and its subsidiaries as at 30 June 2011:

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	45 941	2016-10-04	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	3 796	2016-08-16	free of charge	subsidiary
Budimex SA	Budimex Danwood SA	86 649	2014-06-30	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	506	2015-06-30	free of charge	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	850	2017-03-31	free of charge	subsidiary
TOTAL		137 742			