

THE BUDIMEX GROUP

**DIRECTORS' REPORT
ON THE ACTIVITIES OF THE BUDIMEX GROUP**

for the first half of 2011

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1. BUSINESS ENVIRONMENT

1.1 General market condition

In the first half of 2011 the national economy maintained the high development rate. According to the preliminary estimates of the Main Statistical Office (GUS), in the first quarter of the current year GDP was in real terms 4.4% higher compared to the corresponding period of the prior year. However, the tentative forecasts of GUS indicate that in the first half of 2011 the GDP increase was a little above 4.0%.

The dynamic development of economy was accompanied by the relatively high inflation rate. In May 2011 the price of consumer goods and services rise compared to May 2010 achieved 5.0% (the highest level from August 2001). To counteract to further price increase in the first 6 months of 2011 the Monetary Policy Council increased four times interest rates, cumulatively by 1pp. Saving related to the reduction of public finance sector also have negative impact on the economic growth (Ministry of Finance plans to cut down the deficit from 7.9% of GDP in 2010 to 2.9% of GDP in 2012).

Industrial production sold in the first half of 2011 was at the higher level than in the previous year (increase by 7.4%). The increase in production was recorded in 24 (out of 34) industrial groups, among others in production of other mineral non-metallic raw materials, metal, furniture and metal products.

Due to favourable economic situation and good atmospheric conditions in the first half of 2011, the construction sector developed very dynamically. The construction and assembly production expressed in current prices increased by 21.4% compared to the corresponding period of the previous year (increase by 20.8% in fixed prices).

High increase in construction and assembly production in the first six months of 2011 can be mainly attributed to companies specialized in construction of civil engineering objects (increase of production sold by 39.6% compared to the first half of the prior year). Sales of production in entities specialised in specialist construction works increased by 29.6% and in terms of entities performing works mainly related to building erection the production was higher by 4.1%.

High intensity of road works in the whole country is reflected in the constantly increasing share of motorways, highways and other roads in the whole construction and assembly production (23.7% in the first half of 2011 compared to 19.7% in the first half of 2010 and 17.9% in the first half of 2009). As a result of increased expenditures on motorways and roads there was a growth in the share of civil engineering objects in the structure of construction and assembly production from 52.7% in the first half of 2010 to 56.8% in the first half of 2011.

The first half of the current year was full of events having impact on the cost and availability of housing credits (significant depreciation of PLN compared to CHF, increase of interest rates and publication of Recommendation S by the Polish Financial Supervision Authority). Market uncertainty had an impact on dynamics of the number of apartment, which construction was commenced. The number of apartments, which construction was commenced, decrease by 1.3% compared to the corresponding period of the prior year against the 19.5% increase in the first half of 2010. At the same time, the number of apartments released for use indented for sale or rent dropped by 24.9% compared to the first half of 2010.

1.2 Market development prospects

General forecasts concerning growth of national economy in 2011 are more optimistic than in the prior year when the GDP increase was 3.8% for the year. According to the European Commission and International Currency Fund, the GDP of Poland will rise by 4.0% in 2011. Ministry of Economy estimates that GDP will increase by 4.0% in the same period.

Construction sector which has continued and will continue to materially benefit from the integration with the EU as great majority of European funds is continued to be allocated to infrastructural and environmental projects. The total amount of finance to be engaged in the realization of the "Infrastructure and Environment Operating Program" (the "IEOP") in the years 2007-2013 is EUR 37.6 billion, of which the EU contribution share is EUR 27.9 billion, and the national contribution share – EUR 9.7 billion. As part of this program, the amount of the EU funds allocated to road and traffic investment projects in the years 2007-2013 will be EUR 19.4 billion, while to environmental projects – EUR 4.8 billion.

As at 30 June 2011 the "List of individual projects for Infrastructure and Environment Operational Programme" includes 165 infrastructure investment projects for a total contribution of PLN 74 billion and 80 environmental projects for a contribution of PLN 10 billion. Up to 30 June 2011, agreements for financing 126 infrastructure projects in the amount of PLN 41.1 billion and financing of 474 environmental investments in the total amount of PLN 14.7 billion were signed. At the same time, the European Union realised payments in the amount of PLN 11.7 billion in favour of infrastructure sector and PLN 1.9 billion in favour of environmental sector.

It should be noted, that the significant decrease of investments in the national roads is expected (resulting from Plan for National Road Construction for the years 2011-2015) and public investments will be limited, which is connected with the planned reduction of public finance deficit. Energy and railway sectors as well as public-to-private service concession arrangements constitute the alternative.

2. SIGNIFICANT DEVELOPMENTS IN THE FIRST HALF OF 2011

2.1 Major construction contracts concluded by the Budimex Group companies

Contract date	Contract value (in contractual currency) for the Budimex Group (in PLN '000)	Customer	Type of construction
03.02.2011	64 429	Toya Sp. z o.o.	Construction of an office and hotel building at 29 Łąkowa Street in Łódź – as regards building the shell, high-efficiency electrical installations and sanitary installations.
11.03.2011	535 999	General Directorate for National Roads and Motorways, Branch in Białystok	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).
01.04.2011	73 600	2Build Sp. z o.o.	Building an office and commercial facility at 182-196 Grunwaldzka Street in Poznań along with the necessary infrastructure.
05.04.2011	50 827	Kujawsko - Pomorskie Inwestycje Medyczne Sp. z o.o.	The reconstruction and extension of the J. Brudziński Voivodship Hospital for Children, at 44 Chodkiewicza Street in Bydgoszcz.
28.04.2011	119 700	Medical University in Białystok	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.
27.05.2011	697 884	PKP Polskie Linie Kolejowe SA	Performing construction work connected with modernisation of line 9, distance from km 184.800 to km 236.920, within the area managed by the Local Management Centre in Iława.
02.06.2011	50 173	Adam Mickiewicz University in Poznań	Construction of the Wielkopolskie Centre of Advanced Technologies: building A, A-1 Greenhouse, A-2 Animal House together with associated technical infrastructure.
07.06.2011	168 975	Silesian Museum in Katowice	Construction of a new home for the Silesian Museum in Katowice.
09.06.2011	337 497	Lublin Division of the General Directorate for National Roads and Motorways	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.
22.06.2011	137 150	Town Council in Gdańsk	Execution of works under the project "Connection of national roads - Trasa Sucharskiego". Task I. Section: southern Gdańsk ring road – Elbląska junction".

2.2 Risk factors

The main type of business of Group companies, i.e. performance of construction contracts, is burdened with currency risk if contracts are denominated in foreign currencies. Group companies actively manage their foreign exchange risk by entering into appropriate contracts with subcontractors or financial institutions. Exchange rate fluctuations affect sales revenue, operating expenses or the result from valuation and settlement of currency derivative contracts.

An inherent risk of conducting business activities is the credit risk of business partners. Despite implementation of restrictive control procedures for receivables at the Group, the risk of investor insolvency still exists. Delays in timely payments by customers (investors) may have adverse effects on the financial result of the Group and result in the necessity to create impairment write-downs against receivables or to finance business from external debt.

The construction contracts are performed in specific technical and economical conditions which have effect on the level of margin. Budimex Group companies which render construction services monitor technical, organizational, legal and financial risks related to contract works planning and progress. Despite control and preventive measures undertaken with respect to general risks (credit, currency and third party liability risks), it is possible that certain factors may occur that will cause that contracts will be performed with a lower margin than initially planned. Such factors mainly concern:

- delays in timely performance or insufficient quality of subcontracted works,
 - increase in prices of construction materials, energy and oil-derivatives,
- and furthermore:
- increase in costs of subcontractor services,
 - increase in employment costs,
 - delays in obtaining relevant administrative decisions,
 - changes in the scope of work or technologies as agreed in the contracts,
 - unfavourable weather or land conditions.

3. FINANCIAL SITUATION

3.1 Key economic – financial data of the Budimex Group

Consolidated Statement of Financial Position

The main items of the consolidated statement of financial position of the Budimex Group as at 30 June 2011, compared to 31 December 2010, are presented in the table below:

	30.06.2011	31.12.2010	Change	% Change
ASSETS				
Non-current assets	592 974	632 851	(39 877)	-6.3%
Property, plant and equipment	112 997	106 593	6 404	6.0%
Investment properties	3 343	3 383	(40)	-1.2%
Intangible assets	3 655	3 434	221	6.4%
Goodwill	73 237	73 237	-	0.0%
Equity accounted investments	13 694	16 040	(2 346)	-14.6%
Available-for-sale financial assets	11 842	23 955	(12 113)	-50.6%
Retentions for construction contracts	39 419	44 327	(4 908)	-11.1%
Long-term prepayments and deferred costs	5 533	4 539	994	21.9%
Deferred tax assets	329 254	357 343	(28 089)	-7.9%
Current assets	2 807 528	3 434 388	(626 860)	-18.3%
Inventories	1 011 313	991 387	19 926	2.0%
Trade and other receivables	694 800	373 013	321 787	86.3%
Retentions for construction contracts	22 338	24 586	(2 248)	-9.1%
Amounts due and receivable from customers under construction contracts	327 450	151 998	175 452	115.4%
Current tax receivable	46	273	(227)	-83.2%
Derivative financial instruments	1 708	3 157	(1 449)	-45.9%
Other financial assets at fair value through profit or loss	-	14 017	(14 017)	-100.0%
Cash and cash equivalents	734 997	1 862 403	(1 127 406)	-60.5%
Short-term prepayments and deferred costs	14 876	7 646	7 230	94.6%
Non-current assets classified as held for sale	-	5 908	(5 908)	-100.0%
TOTAL ASSETS	3 400 502	4 067 239	(666 737)	-16.4%

EQUITY AND LIABILITIES	30.06.2011	31.12.2010	Change	% Change
Shareholders' equity attributable to the shareholders of the Parent Company	568 299	680 405	(112 106)	-16.5%
Share capital	145 848	145 848	-	0.0%
Share premium	234 799	234 799	-	0.0%
Other reserve	256	256	-	0.0%
FX differences on translation of foreign operations	1 529	1 611	(82)	-5.1%
Retained earnings	185 867	297 891	(112 024)	-37.6%
Non-controlling interests	-	-	-	0.0%
Total shareholders' equity	568 299	680 405	(112 106)	-16.5%
Liabilities	2 832 203	3 386 834	(554 631)	-16.4%
Non-current liabilities	276 841	254 960	21 881	8.6%
Loans, borrowings and other external sources of finance	30 128	13 175	16 953	128.7%
Retentions for construction contracts	132 397	135 545	(3 148)	-2.3%
Provision for long-term liabilities and other charges	110 257	102 082	8 175	8.0%
Retirement benefits and similar obligations	4 059	4 158	(99)	-2.4%
Current liabilities	2 555 362	3 131 874	(576 512)	-18.4%
Loans, borrowings and other external sources of finance	20 903	17 544	3 359	19.1%
Trade and other liabilities	1 211 756	1 270 662	(58 906)	-4.6%
Retentions for construction contracts	129 652	124 842	4 810	3.9%
Amounts due and payable to customers under construction contracts	688 629	1 034 210	(345 581)	-33.4%
Prepayments received	233 356	225 828	7 528	3.3%
Provision for short-term liabilities and other charges	107 729	110 490	(2 761)	-2.5%
Current tax payable	1 528	173 074	(171 546)	-99.1%
Retirement benefits and similar obligations	1 651	1 651	-	0.0%
Derivative financial instruments	652	460	192	41.7%
Short-term accruals	149 671	166 560	(16 889)	-10.1%
Short-term deferred income	9 835	6 553	3 282	50.1%
TOTAL EQUITY AND LIABILITIES	3 400 502	4 067 239	(666 737)	-16.4%

As at 30 June 2011, total consolidated assets decreased by PLN 666 737 thousand compared to 31 December 2010, mainly due to a 18.3% (PLN 626 860 thousand) decrease in the current assets and a 6.3% (PLN 39 877 thousand) decrease in the non-current assets.

Non-current assets:

Decrease in the value of non-current assets at 30 June 2011 as compared to 31 December 2010 was caused mainly by the following:

- drop in the value of available-for-sale financial assets by PLN 12 113 thousand, mainly due 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 due to sale of shares of Autostrada Południe for redemption in the amount of PLN 4 676 thousand,
- decrease in the balance of deferred tax assets by PLN 28 089 thousand,
- increase in the balance of property, plant and equipment by PLN 6 404 thousand as a result of acquisition of new tangible fixed assets and
- decrease in the balance of retentions for construction contracts by PLN 4 908 thousand.

Current assets:

Current assets decreased by PLN 626 860 thousand due to the following:

- decrease in the balance of cash and cash equivalents by PLN 1 127 406 thousand, mainly due its use to finance operating activities and payment of dividend,
- increase in the balance of trade and other receivables by PLN 321 787 thousand and
- increase in the balance of amounts due and receivable from customers under construction contracts (valuation of construction contracts) by PLN 175 452 thousand.

Equity and liabilities:

On the equity and liabilities' side, the main changes related to the following:

- decrease in the balance of amounts due and payable to customers under construction contracts by PLN 345 581 thousand, related to re-valuation of construction contracts,
- decrease in the value of tax payable by PLN 171 546 thousand and
- decrease in the value of short-term trade and other liabilities by PLN 58 906 thousand.

Consolidated Profit and Loss Account

	01.01- 30.06.2011	01.01- 30.06.2010	Change	% Change
Net sales of finished goods, services, goods for resale and raw materials	2 248 888	1 723 404	525 484	30.49%
Cost of finished goods, services, goods for resale and raw materials sold	(2 044 596)	(1 513 845)	(530 751)	35.06%
Gross profit on sales	204 292	209 559	(5 267)	-2.51%
Selling expenses	(10 990)	(11 061)	71	-0.64%
Administrative expenses	(68 438)	(55 601)	(12 837)	23.09%
Other operating income	44 088	59 155	(15 067)	-25.47%
Other operating expenses	(24 075)	(41 244)	17 169	-41.63%
Gains/ (losses) on derivative financial instruments	545	2 071	(1 526)	-73.68%
Operating profit	145 422	162 879	(17 457)	-10.72%
Finance income	27 218	20 445	6 773	33.13%
Finance costs	(22 135)	(24 946)	2 811	-11.27%
Share in net profits / (losses) of equity accounted subordinates	(2 346)	(2 224)	(122)	5.49%
Gross profit on ordinary activities	148 159	156 154	(7 995)	-5.12%
Income tax	(28 369)	(29 599)	1 230	-4.16%
Net profit for the period	119 790	126 555	(6 765)	-5.35%
<i>Of which:</i>				
Attributable to the shareholders of the Parent Company	119 790	126 555	(6 765)	-5.35%
<i>non-controlling interests</i>	-	-	-	-

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.

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%).

Statement of Cash Flow

The Budimex Group entered the year 2011 with cash on hand and cash at bank amounting to a total of PLN 1 862 403 thousand. For the purpose of the Statement of Cash Flow this amount was reduced by the amount of cash of restricted use of PLN 856 thousand. Net cash flow for the first half of 2011 was negative and amounted to PLN 1 143 447 thousand. As at 30 June 2011, cash balance was PLN 734 997 thousand, of which cash of restricted use was PLN 16 805 thousand.

In the first half of 2011, the balance of cash from operating activities decreased by PLN 939 064 thousand.

Cash flow from investing activities showed a positive balance of PLN 19 161 thousand that resulted mainly from the disposal of financial assets at fair value through profit or loss and sale of tangible fixed assets.

Cash flow from financing activities for the first half of 2011 showed a negative balance of PLN 223 544 thousand and was caused mainly by payment of dividends.

3.2 Managing of finance at the Budimex Group

Cash flow from operating activities of the Budimex Group is usually negative in the first half of the year, which is mainly due to the type of the business conducted, where significant cash inflows from operating activities are realized at the year-end, while in the first two quarters of the year cash is rather engaged in current operating activities. Significantly higher negative cash flow from operating activities in the period of first half of 2011 compared to comparative data for the first half of 2010 mainly resulted from adjustments in the level of working capital in the first quarter of 2011, which were the consequence of significant cash surplus achieved in the fourth quarter of 2010 by construction business. Decrease in the balance of cash in the period of first half of 2011 was also caused by dividend payment, which took place in June 2011.

In accordance with the Group policy, any periodic surpluses of cash were used to finance the activities of Group companies, mainly through bank deposits or invested in treasury bills or short-term securities of issuers with good financial standing and rating. In addition, Budimex SA used cash surpluses to finance its suppliers of services and raw materials. This had a positive effect on the financial liquidity of these suppliers, and generated extra finance income (discounting) for Budimex SA.

At the same time, the Budimex Group reported an external debt regarding bank loans and borrowings and lease which as at 30 June 2011 was PLN 51 031 thousand and was PLN 20 312 thousand higher than as at 31 December 2010 (see table below). Such an increase in the level of external debt mainly resulted from the increase in lease liabilities (concluded in order to finance purchases of tangible fixed assets – mainly plant and machinery for the purposes of road contracts realization) but also due to increase of debt in Budimex Nieruchomości Sp. z o.o. concerning bank loans financing the developer activities.

THE BUDIMEX GROUP	30.06.2011	31.12.2010	30.06.2010
Long-term bank loans and borrowings and other external sources of finance	30 128	13 175	6 623
Short-term bank loans and borrowings and other external sources of finance	20 903	17 544	19 114
Total bank loans and borrowings and other external sources of finance	51 031	30 719	25 737

The following ratios show the structure of finance at the Budimex Group:

Ratio	30.06.2011	31.12.2010	30.06.2010
Equity to assets ratio: (shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)	0.17	0.17	0.19
Equity to non-current assets ratio: (shareholders' equity attributable to the shareholders of the Parent Company) / (non-current assets)	0.96	1.08	1.03
Debt ratio: (total assets - shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)	0.83	0.83	0.81
Assets to equity ratio: (total assets - shareholders' equity attributable to the shareholders of the Parent Company) / (shareholders' equity attributable to the shareholders of the Parent Company)	4.98	4.98	4.36

Structure of finance ratios as at 30 June 2011 did not significantly change compared to the values as at 31 December 2010. The 30.5% increase of sales revenue realized by the Group in the first half of 2011 compared to the first half of 2010 caused the 17.6% increase in the value of assets and liabilities in the consolidated statement of financial position as at 30 June 2011. At the same time, increase in the value of shareholders' equity of the Group was proportionally lower in the corresponding period and amounted to 5.3%. Consequently, the debt and assets to equity ratio deteriorated as at 30 June 2011 compared to 30 June of the prior year and equity to assets and equity to non-current assets ratio was lower. Aforementioned changes have no significant impact on the level of liquidity ratios of the Budimex Group, which has been presented in the table below:

Ratio	30.06.2011	31.12.2010	30.06.2010
Current Ratio (current assets)/(current liabilities)	1.10	1.10	1.10
Quick Ratio (or Acid Test) (current assets - inventory)/(current liabilities)	0.70	0.78	0.62

Good current financial standing of the Budimex Group as regards its liquidity and access to external sources of finance does not indicate any threat to its ability to finance business activities in the second half of 2011.

3.3 Off-balance sheet items of the Budimex Group

The table below shows guarantees, suretyships and other contingent liabilities of the Budimex Group:

	30.06.2011	31.12.2010	30.06.2010
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
– promissory notes issued as security	-	-	-
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
– promissory notes issued as security	14 779	4 464	8 840
To other entities, total	1 664 248	1 366 399	1 368 475
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 promissory notes issued represent a security for the settlement of liabilities towards the strategic suppliers of the Group, while the bills of exchange received and recognized under contingent assets (receivables) represent security for the repayment by the Group customers of the amounts due to the Group.

Guarantees for bank loans and borrowings issued by Budimex SA and its subsidiaries as at 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			

4. OTHER INFORMATION

4.1 The shareholding structure

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at 30 June 2011 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) – a company of Grupo Ferrovial SA (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%

4.2 The Management and Supervisory Boards

As at 30 June 2011, the Management Board of Budimex SA consisted of the following persons:

- Dariusz Blocher President of the Management Board, Chief Executive Officer
- Ignacio Botella Rodriguez Vice-President
- Joanna Makowiecka Board Member, Chief HR Officer
- Jacek Daniewski Board Member, Chief Legal Officer
- Henryk Urbański Board Member, Chief Property Officer
- Marcin Węglowski Board Member, Chief Financial Officer

The composition of the Management Board remained unchanged in the period from 1 January 2011 to 30 June 2011.

Rules of appointing and recalling members of the Management Board, and their rights, in particular the right to resolve about the issue or buyout of shares, included in the Company's statute, have not changed during 2011.

As at 30 June 2011, the Supervisory Board of Budimex SA consisted of the following persons:

- Marek Michałowski Chairman of the Supervisory Board
- Alejandro de la Joya Ruiz de Velasco Vice-Chairman
- Tomasz Paweł Sielicki Secretary
- Marzenna Anna Weresa Member of the Supervisory Board
- Igor Adam Chalupec Member of the Supervisory Board
- Javier Galindo Hernandez Member of the Supervisory Board
- Jose Carlos Garrido-Lestache Rodriguez Member of the Supervisory Board
- Piotr Kamiński Member of the Supervisory Board
- Maciej Stańczuk Member of the Supervisory Board.

The composition of the Supervisory Board in the period from 1 January 2011 to 30 June 2011 was changed as follows: on 22 March 2011 Mr. Carmelo Rodrigo López resigned, due to professional reason, from the participation in the Supervisory Board and from the post of vice-chairman of the Board. On 23 March 2011 the Supervisory Board of Budimex SA co-opted Mr. Alejandro de la Joya Ruiz de Velasco to the Supervisory Board for the position of vice-chairman of the Board. On 19 May 2011 the Annual General Meeting of Budimex SA approved the addition to the Board composition.

As at 30 June 2011, the following persons of the key management and supervisory personnel held shares in Budimex SA:

Dariusz Blocher	3 500 shares
Marcin Węglowski	2 830 shares
Marek Michałowski	3 900 shares

The above persons do not hold share options. The remaining members of the Management or Supervisory Board of Budimex SA do not hold Company's shares or share options as at 30 June 2011.

Dariusz Blocher	President of the Management Board	.....	Henryk Urbański	Board Member	.....
name and surname	position	signature	name and surname	position	signature
Ignacio Botella Rodriguez	Vice-President	.....	Marcin Węglowski	Board Member	.....
name and surname	position	signature	name and surname	position	signature
Joanna Makowiecka	Board Member	.....	Jacek Daniewski	Board Member	.....
name and surname	position	signature	name and surname	position	signature
Warsaw, 26 August 2011					