

Budimex SA

Condensed financial statements  
for I half of 2011

## BALANCE SHEET

	As at 30.06.2011	As at 31.12.2010	As at 30.06.2010
	(PLN '000)	(PLN '000)	(PLN '000)
<b>Assets</b>			
<b>I. Non-current assets</b>	<b>1 289 121</b>	<b>1 288 055</b>	<b>1 171 302</b>
1. Intangible assets, including:	1 662	1 768	1 845
- goodwill	-	-	-
2. Tangible fixed assets	90 114	82 891	64 556
3. Long-term receivables	-	-	-
3.1. From related parties	-	-	-
3.2. From other entities	-	-	-
4. Long-term investments	794 895	810 754	811 586
4.1. Investment property	7 819	13 391	13 700
4.2. Intangible assets	-	-	-
4.3. Long-term financial assets	787 076	797 363	797 886
a) in related parties, including:	784 891	795 121	795 644
- shares in subordinate entities equity accounted	-	-	-
b) in other entities	2 185	2 242	2 242
4.4. Other long-term investments	-	-	-
5. Long-term deferred costs	402 450	392 642	293 315
5.1. Deferred tax assets	397 881	388 337	289 834
5.2. Other prepayments and deferred costs	4 569	4 305	3 481
<b>II. Current assets</b>	<b>1 978 588</b>	<b>2 570 896</b>	<b>1 572 246</b>
1. Inventories	280 562	237 579	186 697
2. Short-term receivables	776 476	413 961	615 453
2.1. From related parties	124 885	72 481	107 733
2.2. From other entities	651 591	341 480	507 720
3. Short-term investments	588 497	1 769 110	576 840
3.1. Short-term financial assets	588 497	1 769 110	576 840
a) in related parties	-	-	61 971
b) in other entities	293	14 111	877
c) cash and cash equivalents and other monetary assets	588 204	1 754 999	513 992
3.2. Other short-term investments	-	-	-
4. Short-term deferred costs	333 053	150 246	193 256
<b>Total Assets</b>	<b>3 267 709</b>	<b>3 858 951</b>	<b>2 743 548</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>I. Shareholders' equity</b>	<b>549 795</b>	<b>642 735</b>	<b>529 277</b>
1. Share capital	127 650	127 650	127 650
2. Unpaid share capital (negative value)	-	-	-
3. Own shares purchased (negative value)	-	-	-
4. Reserve capital	279 818	285 349	285 093
5. Revaluation reserve	3 350	3 453	4 092
6. Other reserves	-	-	-
7. Accumulated profits (losses) from previous years	-	-	-
8. Net profit (loss) for the period	138 977	226 283	112 442
9. Deductions from profit for the period (negative value)	-	-	-
<b>II. Liabilities and provisions</b>	<b>2 717 914</b>	<b>3 216 216</b>	<b>2 214 271</b>
1. Provisions	270 597	231 671	232 738
1.1. Deferred tax liability	85 480	48 683	52 679
1.2. Provision for retirement bonuses and related obligations	2 911	2 911	2 767
a) long-term	1 554	1 554	1 441
b) short-term	1 357	1 357	1 326
1.3. Other provisions	182 206	180 077	177 292
a) long-term	83 766	76 285	67 253
b) short-term	98 440	103 792	110 039
2. Long-term liabilities	20 730	11 244	5 905
2.1. To related parties	-	-	-
2.2. To other entities	20 730	11 244	5 905
3. Short-term liabilities	1 463 306	1 678 864	1 172 106
3.1. To related parties	113 830	108 140	84 704
3.2. To other entities	1 343 876	1 567 628	1 082 830
3.3. Special funds	5 600	3 096	4 572
4. Accruals and deferred income	963 281	1 294 437	803 522
4.1. Negative goodwill	-	-	-
4.2. Other accruals and deferred income	963 281	1 294 437	803 522
a) long-term	5 150	5 150	5 150
b) short-term	958 131	1 289 287	798 372
<b>Total Liabilities and Shareholders' Equity</b>	<b>3 267 709</b>	<b>3 858 951</b>	<b>2 743 548</b>
<b>Book value per share calculation</b>	<b>As at 30.06.2011</b>	<b>As at 31.12.2010</b>	<b>As at 30.06.2010</b>
Net assets (thd zł)	549 795	642 735	529 277
Number of shares	25 530 098	25 530 098	25 530 098
Book value per share (zł)	21,54	25,18	20,73

## OFF-BALANCE SHEET ITEMS ( in PLN thousands )

	As at 30.06.2011	As at 31.12.2010	As at 30.06.2010
	(PLN '000)	(PLN '000)	(PLN '000)
<b>1. Contingent receivables</b>	<b>318 011</b>	<b>278 736</b>	<b>233 263</b>
1.1. From related parties, of which:	-	-	-
- guarantees and suretyships received	-	-	-
- bills of exchange received as security	-	-	-
1.2. From other entities	318 011	278 736	233 263
- guarantees and suretyships received	306 914	271 037	230 420
- bills of exchange received as security	11 097	7 699	2 843
1.3. Other	-	-	-
- other contingent receivables	-	-	-
<b>2. Contingent liabilities</b>	<b>1 722 057</b>	<b>1 429 246</b>	<b>1 428 443</b>
2.1. To related parties, of which	137 742	113 066	121 556
- guarantees and suretyships issued	137 742	113 066	121 556
- promissory notes issued as security	-	-	-
2.2. To other entities, of which	1 584 315	1 316 180	1 306 887
- guarantees and suretyships issued	1 582 260	1 314 180	1 303 089
- promissory notes issued as security	2 055	2 000	3 798
<b>3. Other</b>	<b>-</b>	<b>-</b>	<b>-</b>
- other contingent liabilities	-	-	-
<b>Total off-balance sheet items</b>	<b>(1 404 046)</b>	<b>(1 150 510)</b>	<b>(1 195 180)</b>

## PROFIT AND LOSS ACCOUNT

	I half of 2011	I half of 2010
	(PLN '000)	(PLN '000)
<b>I. Sales of finished products, goods for resale and raw materials, including:</b>	<b>2 032 946</b>	<b>1 352 815</b>
- to related parties	123 130	30 263
1. Sales of finished products	2 032 426	1 352 647
2. Sales of goods for resale and raw materials	520	168
<b>II. Cost of finished products, goods for resale and raw materials, including:</b>	<b>(1 871 738)</b>	<b>(1 221 229)</b>
- from related parties	(63 363)	(37 423)
1. Cost of finished products	(1 871 410)	(1 221 188)
2. Cost of goods for resale and raw materials sold	(328)	(41)
<b>III. Gross profit (loss) on sales (I - II)</b>	<b>161 208</b>	<b>131 586</b>
<b>IV. Selling expenses</b>	<b>(5 058)</b>	<b>(4 585)</b>
<b>V. General and administrative expenses</b>	<b>(62 100)</b>	<b>(51 435)</b>
<b>VI. Profit (loss) on sales (III - IV - V)</b>	<b>94 050</b>	<b>75 566</b>
<b>VII. Other operating revenue</b>	<b>42 850</b>	<b>37 482</b>
1. Profits on the sale of non-financial fixed assets	5 147	2 915
2. Subsidies	-	-
3. Other	37 703	34 567
<b>VIII. Other operating expenses</b>	<b>(22 043)</b>	<b>(31 968)</b>
1. Losses on the sale of non-financial fixed assets	-	-
2. Revaluation of non-financial assets	(704)	(3 027)
3. Other	(21 339)	(28 941)
<b>IX. Operating profit (loss) (VI + VII - VIII)</b>	<b>114 857</b>	<b>81 080</b>
<b>X. Financial revenue</b>	<b>61 549</b>	<b>59 948</b>
1. Dividends received and share in profits, including:	37 000	35 952
- from related parties	37 000	35 952
2. Interest revenue, including:	24 340	18 424
- from related parties	-	38
3. Profits on the sale of investments	-	-
4. Revaluation of investments	-	5 572
5. Other	209	-
<b>XI. Financial expenses</b>	<b>(14 454)</b>	<b>(11 490)</b>
1. Interest expenses, including:	(1 289)	(1 083)
- to related parties	(85)	(73)
2. Losses on the sale of investments	(284)	(2 876)
3. Revaluation of investments	(6 241)	-
4. Other	(6 640)	(7 531)
<b>XII. Profit (loss) on the sale of shares in subordinate entities</b>	<b>161 952</b>	<b>129 538</b>
<b>XIII. Extraordinary items (XIV.1. - XIV.2.)</b>	<b>-</b>	<b>-</b>
1. Extraordinary gains	-	-
2. Extraordinary losses	-	-
<b>XIV. Gross profit (loss) (XIII +/- XIV)</b>	<b>161 952</b>	<b>129 538</b>
<b>XV. Corporate income tax</b>	<b>22 975</b>	<b>17 096</b>
a) current	(4 277)	35 596
b) deferred	27 252	(18 500)
	-	-
<b>XVI. Other obligatory charges</b>	<b>-</b>	<b>-</b>
<b>XVII. Profit (loss) on shares in subordinate entities equity accounted</b>	<b>-</b>	<b>-</b>
<b>XVIII. Net profit (loss) (XIV +/- XV +/- XVI +/- XVII)</b>	<b>138 977</b>	<b>112 442</b>
<b>Calculation of net profit (loss) per ordinary share</b>	<b>I half of 2011</b>	<b>I half of 2010</b>
Net profit (loss) (annualised)	252 818	191 560
Weighted average number of ordinary shares	25 530 098	25 530 098
Net profit (loss) for the first half per ordinary share (zł)	5,44	4,40

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	I half of 2011	year 2010	I half of 2010
	(PLN '000)	(PLN '000)	(PLN '000)
<b>I. Shareholders' equity at the beginning of the period</b>	<b>642 735</b>	<b>590 312</b>	<b>590 312</b>
a) changes in accounting policies	-	-	-
b) adjustments due to errors	-	-	-
<b>I.a. Shareholders' equity at the beginning of the period, restated</b>	<b>642 735</b>	<b>590 312</b>	<b>590 312</b>
<b>1. Share capital at the beginning of the period</b>	<b>127 650</b>	<b>127 650</b>	<b>127 650</b>
1.1. Changes in share capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
<b>1.2. Share capital at the end of the period</b>	<b>127 650</b>	<b>127 650</b>	<b>127 650</b>
<b>2. Unpaid share capital at the beginning of the period</b>	-	-	-
2.1. Changes in unpaid share capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
<b>2.2. Unpaid share capital at the end of the period</b>	-	-	-
<b>3. Own shares purchased at the beginning of the period</b>	-	-	-
3.1. Changes in own shares purchased	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
<b>3.2. Own shares purchased at the end of the period</b>	-	-	-
<b>4. Reserve capital at the beginning of the period</b>	<b>285 349</b>	<b>324 265</b>	<b>324 265</b>
4.1. Changes in reserve capital	(5 531)	(38 916)	(39 172)
a) increases	-	256	-
- profit distribution (in excess of statutory requirements)	-	256	-
b) decreases	(5 531)	(39 172)	(39 172)
- dividend payment	(5 531)	(35 575)	(35 575)
- merger adjustment	-	(3 597)	(3 597)
<b>4.2. Reserve capital at the end of the period</b>	<b>279 818</b>	<b>285 349</b>	<b>285 093</b>
<b>5. Revaluation reserve at the beginning of the period</b>	<b>3 453</b>	<b>3 964</b>	<b>3 964</b>
5.1. Changes in revaluation reserve	(103)	(511)	128
a) increases	-	-	128
- FX differences on translation of foreign operations	-	-	128
b) decreases	(103)	(511)	-
- FX differences on translation of foreign operations	(103)	(511)	-
<b>5.2. Revaluation reserve at the end of the period</b>	<b>3 350</b>	<b>3 453</b>	<b>4 092</b>
<b>6. Accumulated profit (loss) from previous years at the beginning of the period</b>	<b>226 283</b>	<b>134 433</b>	<b>134 433</b>
<b>6.1. Accumulated profit from previous years at the beginning of the period</b>	<b>226 283</b>	<b>134 433</b>	<b>134 433</b>
a) changes in accounting policies	-	-	-
b) adjustments due to errors	-	-	-
<b>6.2. Accumulated profit from previous years at the beginning of the period, restated</b>	<b>226 283</b>	<b>134 433</b>	<b>134 433</b>
a) increases	-	3 597	3 597
- merger adjustment	-	3 597	3 597
b) decreases	(226 283)	(138 030)	(138 030)
- dividend payment	(226 283)	(138 030)	(138 030)
<b>6.3. Accumulated profit from previous years at the end of the period</b>	-	-	-
<b>6.4. Accumulated loss from previous years at the beginning of the period</b>	-	-	-
a) changes in accounting policies	-	-	-
b) adjustments due to fundamental errors	-	-	-
<b>6.5. Accumulated loss from previous years at the beginning of the period, restated</b>	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
<b>6.6. Accumulated loss from previous years at the end of the period</b>	-	-	-
<b>6.7. Accumulated profit (loss) from previous years at the end of the period</b>	-	-	-
<b>7. Net profit</b>	<b>138 977</b>	<b>226 283</b>	<b>112 442</b>
a) net profit	138 977	226 283	112 442
b) net loss	-	-	-
c) net profit distribution	-	-	-
<b>II. Shareholders' equity at the end of the period</b>	<b>549 795</b>	<b>642 735</b>	<b>529 277</b>
<b>III. Shareholders' equity at the end of the period, after proposed profit distribution / loss absorption</b>	<b>549 795</b>	<b>642 735</b>	<b>529 277</b>

**CASH FLOW STATEMENT**

**A. Cash flows from operating activities**

**I. Net profit (loss) for the period**

**II. Adjustments for:**

1. Depreciation and amortisation
2. Foreign exchange (gains)/losses
3. Interest and dividends
4. (Profit) / loss on investing activities
5. Change in provisions
6. Change in inventories
7. Change in receivables
8. Change in short-term liabilities and special funds (excluding loans and borrowings)
9. Change in accruals and deferred income / costs
10. Other

**III. Net cash flows from operating activities**

**B. Cash flows from investing activities**

**I. Inflows**

1. Sale of intangible assets and tangible fixed assets
2. Sale of investments in property and intangible assets
3. From financial assets, including:
  - a) in related parties
    - sale of financial assets
    - dividends received and share in profits
    - repayment of long-term loans granted
    - interest received
    - other inflows from financial assets
  - b) in other entities
    - sale of financial assets
    - dividends received and share in profits
    - repayment of long-term loans granted
    - interest received
    - other inflows from financial assets
4. Other investment inflows

**II. Outflows**

1. Purchase of intangible assets and tangible fixed assets
2. Purchase of investments in property and intangible assets
3. From financial assets, including:
  - a) in related parties
    - purchase of financial assets
    - long-term loans granted
  - b) in other entities
    - purchase of financial assets
    - long-term loans granted
4. Other investment outflows

**III. Net cash flows from investing activities**

**C. Cash flows from financing activities**

**I. Inflows**

1. Issuance of shares and capital contributions and additional payments to capital
2. Proceeds from bank loans and borrowings
3. Issuance of bonds and other securities
4. Other financing inflows

**II. Outflows**

1. Purchase of own shares
2. Dividends and other payments to shareholders
3. Other payments relating to distribution of profit (excluding payments to shareholders)
4. Repayment of bank loans and borrowings
5. Redemption of debt securities
6. Other financial liabilities payments
7. Finance lease payments
8. Interest paid
9. Other financing outflows

**III. Net cash flows from financing activities**

**D. Net cash flows**

**E. Change in cash and cash equivalents**

- changes in cash and cash equivalents arising from foreign exchange gains/losses

**F. Cash and cash equivalents at the beginning of the period**

**G. Cash and cash equivalents at the end of the period**

- including restricted cash

	I half of 2011 (PLN '000)	I half of 2010 (PLN '000)
<b>A. Cash flows from operating activities</b>		
<b>I. Net profit (loss) for the period</b>	<b>138 977</b>	<b>112 442</b>
<b>II. Adjustments for:</b>	<b>(1 091 413)</b>	<b>(407 562)</b>
1. Depreciation and amortisation	12 021	8 624
2. Foreign exchange (gains)/losses	(42)	(228)
3. Interest and dividends	(36 597)	(35 655)
4. (Profit) / loss on investing activities	1 219	(562)
5. Change in provisions	38 926	39 651
6. Change in inventories	(42 983)	(76 503)
7. Change in receivables	(320 842)	(106 916)
8. Change in short-term liabilities and special funds (excluding loans and borrowings)	(219 158)	(56 331)
9. Change in accruals and deferred income / costs	(523 771)	(174 596)
10. Other	(186)	(5 046)
<b>III. Net cash flows from operating activities</b>	<b>(952 436)</b>	<b>(295 120)</b>
<b>B. Cash flows from investing activities</b>		
<b>I. Inflows</b>	<b>26 620</b>	<b>47 597</b>
1. Sale of intangible assets and tangible fixed assets	11 010	4 008
2. Sale of investments in property and intangible assets	-	-
3. From financial assets, including:	15 610	43 589
a) in related parties	1 400	23 589
- sale of financial assets	1 400	-
- dividends received and share in profits	-	-
- repayment of long-term loans granted	-	100
- interest received	-	17
- other inflows from financial assets	-	23 472
b) in other entities	14 210	20 000
- sale of financial assets	14 013	19 067
- dividends received and share in profits	-	-
- repayment of long-term loans granted	-	-
- interest received	197	933
- other inflows from financial assets	-	-
4. Other investment inflows	-	-
<b>II. Outflows</b>	<b>(6 931)</b>	<b>(69 642)</b>
1. Purchase of intangible assets and tangible fixed assets	(4 660)	(5 406)
2. Purchase of investments in property and intangible assets	-	-
3. From financial assets, including:	(2 017)	(360)
a) in related parties	(2 017)	(360)
- purchase of financial assets	(2 017)	(10)
- long-term loans granted	-	(350)
b) in other entities	-	-
- purchase of financial assets	-	-
- long-term loans granted	-	-
4. Other investment outflows	(254)	(63 876)
<b>III. Net cash flows from investing activities</b>	<b>19 689</b>	<b>(22 045)</b>
<b>C. Cash flows from financing activities</b>		
<b>I. Inflows</b>	<b>-</b>	<b>-</b>
1. Issuance of shares and capital contributions and additional payments to capital	-	-
2. Proceeds from bank loans and borrowings	-	-
3. Issuance of bonds and other securities	-	-
4. Other financing inflows	-	-
<b>II. Outflows</b>	<b>(234 140)</b>	<b>(176 852)</b>
1. Purchase of own shares	-	-
2. Dividends and other payments to shareholders	(227 964)	(171 030)
3. Other payments relating to distribution of profit (excluding payments to shareholders)	-	-
4. Repayment of bank loans and borrowings	-	-
5. Redemption of debt securities	-	-
6. Other financial liabilities payments	-	-
7. Finance lease payments	(5 665)	(5 410)
8. Interest paid	(511)	(412)
9. Other financing outflows	-	-
<b>III. Net cash flows from financing activities</b>	<b>(234 140)</b>	<b>(176 852)</b>
<b>D. Net cash flows</b>	<b>(1 166 887)</b>	<b>(494 017)</b>
<b>E. Change in cash and cash equivalents</b>	<b>(1 166 795)</b>	<b>(493 717)</b>
- changes in cash and cash equivalents arising from foreign exchange gains/losses	92	300
<b>F. Cash and cash equivalents at the beginning of the period</b>	<b>1 754 999</b>	<b>1 007 709</b>
<b>G. Cash and cash equivalents at the end of the period</b>	<b>588 204</b>	<b>513 992</b>
- including restricted cash	41 647	20 954

**1. Principles applied for the purpose of preparation of financial statements****1.1. Accounting policies applied**

The financial statements of Budimex SA for the 6-month period of 2011 together with comparative data were prepared in accordance with Polish accounting regulations, described in the introduction to the financial statements of the Company for the year 2010, except an accounting estimates of raw materials, described below.

As from 1 January 2011, raw materials are valued at acquisition cost determined using weighted average prices. Previously, as described in the financial statement for the year 2010, raw materials were valued at acquisition cost determined using the FIFO (first-in, first-out) method. The above change in accounting estimates has no influence on value of inventories and net profit for the I half of 2011.

The financial statements and the comparative data contain aggregate data of the reporting organizational branches acting as at 30 June 2011, 31 December 2010 and 30 June 2010, prepared in foreign currencies and translated into Polish zloty using the rate of exchange presented in the point 1.4 of herein condensed financial statements.

The financial statements and the comparative data contain also data corresponding to Budimex SA share in jointly controlled entities: Budimex SA Sygnity SA Sp. j., Budimex SA Ferrovia Agroman SA Sp. j. and Budimex SA Ferrovia Agroman SA S.C. that were aggregated using the proportionate method pursuant to Art. 61 of the Accounting Act.

**1.2. Differences between current and comparative data reported in the herein condensed financial statements and the data contained in the prior period condensed financial statements**

In the period reported in herein condensed financial statements as well as in comparative periods there were not any events required adjusting data of previously published condensed financial statements.

**1.3. Changes in the method of preparation of financial statements**

In the period reported in herein condensed financial statements there were not any significant changes introduced in the preparation of financial statements.

**1.4. The principles of 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 cash flow statement 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 cash flow statement 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 31 June 2010 – 4.0042 PLN/EUR.

### 1.5. Going concern

The financial statements of the Company were prepared on the assumption that the Company will be a going concern during the period of 12 months from the balance sheet date, i.e. 30 June 2011 without a significant limitation in its activities. As at the date of signing the financial statements, the Management Board of the Company is not aware of any facts or circumstances that would indicate a threat to the Company's continued activities after the balance sheet date, due to an intended or compulsory withdrawal from or a significant limitation in its activities.

As at 30 June 2011 the excess of the current liabilities and short-term accruals over the current assets amounted to PLN 542 646 thousand. Taking into account a good liquidity condition of Budimex Group and the excess of the current assets over the current liabilities in the total amount of PLN 252 166 thousand as at 30 June 2011, the Company's Management Board does not state as at the date of signing the financial statements any threat to Company's ability to continue as a going concern

### 2. Changes in the shareholding structure

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 (Holandia) - Spółka z Grupy Ferrovial SA (Hiszpania)	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%
<b>Total</b>		<b>25 530 098</b>	<b>100.00%</b>	<b>25 530 098</b>	<b>100.00%</b>

### 3. Description of factors and events which had a material effect on a financial result of Budimex SA

#### 3.1. Business operation of the Company in the I half of 2011

In the period of six months of 2011 Budimex SA earned sales revenue in the amount of PLN 2 032 946 thousand, of which 98.66% related to sales of construction services amounted to PLN 2 005 756 thousand and 0.74% related to sales from development activity and property investments' management amounted to PLN 15 034 thousand.

In the comparative period of the year 2010, sales revenue amounted to PLN 1 352 815 thousand, of which 94.26% related to sales of construction services amounted to PLN 1 275 230 thousand and sales from development activity and property investments' management amounted to PLN 52 624 thousand (3.89%).

The sales of construction services increased by more than 57% in the six months of 2011 in relation to the comparative period of the year 2010. Revenue from development activities are of temporary character, as they are recognized based on the documents transferring ownership right to the buyer after the technical reception.

Gross profit on sales for the 6-month period of 2011 amounted to PLN 94 050 thousand and was of PLN 18 484 thousand higher (24.79%) than in the comparative period of the previous year. Otherwise, the operating profit for the period of six months of 2011 amounted to PLN 114 857 thousand and in the comparative period of 2010 amounted to PLN 81 080 thousand. The Company recognised provisions for legal proceedings and penalties accordingly in the amounts of PLN 928

thousand and PLN 17 752 thousand and reversed those provisions accordingly in the amounts of PLN 1 968 thousand and 16 877 thousand.

Due to the positive result from financial activity, mainly including dividends and interests received, the profit on operating activities for the period of 6-months of 2011 amounted to PLN 161 952 thousand and increased by PLN 32 414 thousand in relation to the period of 6-months of 2010. In the I half of 2011, the Company recognised the impairment write – downs in the amount of PLN 6 141 thousand related to shares in Autopistas del Levante S. L.

In the period of six months of 2011 the Company reported a net profit of PLN 138 977 thousand gaining net profit margin of 6.84%.

### **3.2. Changes of estimates**

#### ***Provisions for expected contract losses***

In accordance with accounting policies adopted, the Company creates provisions for expected contract losses if budgeted contract costs exceed the entire expected contract revenue. 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 421 804 thousand, while as at 30 June 2010 amounted to PLN 314 665 thousand. In the 6-month period of 2011 the balance of provision decreased by PLN 53 898 thousand.

#### ***Provision for legal proceedings***

The Company recognises provisions for legal proceedings when it is suited and the probability of an unfavourable court judgement is higher than the probability of a favourable one. An estimation of that result is made on the basis of analysis of a legal proceedings progress as well as lawyers' opinions. As at 30 June 2011, the balance of the provision in this respect amounted to PLN 41 471 thousand, while as at 30 June 2010 amounted to PLN 42 212 thousand. In the 6-month period of 2011 the balance of provision decreased by PLN 1 092 thousand.

#### ***Provision for penalties***

The Company recognises provisions for penalties related to the realization of construction contracts. A provision is recognised only when the Company has a present obligation as a result of past event, the settlement of that obligation is highly probable and a reliable estimate can be made of the amount of the obligation. As at 30 June 2011, the balance of the provision in this respect amounted to PLN 38 401 thousand, while as at 30 June 2010 amounted to PLN 54 018 thousand. In the 6-month period of 2011 the balance of provision decreased by PLN 5 025 thousand.

#### ***Costs of future warranty repairs***

The Company is required to issue guarantees for its construction services. It is accepted that the provision between 0.15%-1.4% of revenue from the given contract is made what depends on particular construction segment. This general value is assessed on an individual basis and may be increased or reduced, as appropriate. As at 30 June 2011, the balance of the provision in this respect amounted to PLN 102 123 thousand, while as at 30 June 2010 amounted to PLN 80 404 thousand. In the 6-month period of 2011 the balance of provision increased by PLN 8 390 thousand.

#### ***Deferred tax asset and liability***

During the 6-month period of 2011 deferred tax asset increased by PLN 9 544 thousand (an increase by PLN 108 047 thousand compared to the amount recognized as at 30 June 2010), while deferred tax liability increased by PLN 36 797 thousand (an increase by PLN 32 801 thousand compared to the amount recognized as at 30 June 2010).

#### ***Impairment write-downs against receivables***

As at 30 June 2011, the balance of recognized impairment write-downs against receivables amounted to PLN 80 364 thousand, while as at 30 June 2010 amounted to PLN 58 661 thousand. In the 6-month

period of 2011 the Company recognized impairment write-downs in the amount of PLN 704 thousand and reversed it in the amount of PLN 11 808 thousand.

### **3.3. Material changes of the legal proceedings pending in I half of 2011**

As at 30 June 2011, the value of the proceedings relating to the Company's liabilities and claims amounted accordingly to PLN 303 483 thousand and PLN 223 609 thousand.

The greatest change of the proceedings relating to the Company's liabilities was connected with a lawsuit dated 16 December 2010, received by Budimex SA on 7 January 2011, directed by the owners of the company called Cerrys s. c. 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 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 Board, the claim constituting the subject matter of the argument is groundless and there is no basis, either formal or factual, for considering it.

According to the statement of claim directed by Federal Republic of Germany, next represented by federal country Brandenburg, represented by Ministry of cities, housing and communication development received on 8 February 2005 (the case described in detail in the Financial Statements for the year 2010), a plea was made on 31 May 2011 before the National Court in Neuruppin on the base of which Budimex SA is obliged to pay the amount of EUR 1 million consisted of the main claim in the amount of EUR 600 thousand and the interests in the amount of EUR 400 thousand. The parties agreed that costs of a court action and plea will be settled mutually. The parties agreed also that during the period of 3 months, i.e. up to 31 August 2011, the plea may be cancelled, so on the date of preparation of the herein condensed financial statements the plea was not in force.

### **3.4. Other material events in I half of 2011 and after balance sheet date**

**On 24 January 2011** the Incorporation Act of Budimex Parking Wrocław Sp. z o. o. was signed. The total share capital of new company amounted to PLN 5 thousand and was gained by Budimex SA. The main activity of new company is construction and exploitation of a car park located in Wrocław on the base of public – private partnership. The decision of new company registration was issued on 8 February 2011.

**On 1 February 2011** the Extraordinary General Meeting of the company CK Budimex Sp. z o. o. (the 100% subsidiary of Budimex SA) made the resolution on increasing the capital in the amount of PLN 1 430 thousand, The total amount was taken by Budimex SA and paid on 24 February 2011.

**On 17 February 2011** the Incorporation Act of Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o. o. was signed. The share capital of new company amounted to PLN 5 thousand, consists of 100 shares of nominal value PLN 50 each, of which 30 shares of total amount of PLN 1,5 thousand was gained by Budimex SA and 70 shares of total amount of PLN 3,5 thousand was gained by Técnicas de Pretensado y Servicios Auxiliares S.L. located in Madrid. The new company was registered on 17 March 2011.

On 29 June 2011 an increase of Tecpresa capital to the total amount of PLN 590 thousand was registered, of which Budimex share amounted to PLN 177 thousand (3 540 shares).

**On 21 April 2011** the Incorporation Act of Budimex Serwis SA was signed. The total share capital of new company amounted to PLN 100 thousand, consisted of 2 000 shares of nominal value PLN 50 each, was gained by Budimex SA. The new company was registered on 10 May 2011.

**On 28 April 2011** the Extraordinary General Meeting of the company Budimex Budownictwo Sp. z o. o. made the resolution on increasing the capital in the amount of PLN 300 thousand (600 shares of nominal value PLN 500 thousand each). The capital was gained by Budimex SA. The above event was registered on 26 May 2011.

**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 31 May 2011** Budimex SA and Northcan Polska Sp. z o.o. signed the agreements of sales the shares of Centrum Konferencyjne Budimex Sp. z o.o. (100% subsidiary of Budimex SA) for the amount of PLN 102 thousand as well as related not-build-up property located in Licheń Stary for the amount of PLN 8 899 thousand.

**On 6 June 2011** a decrease of Autostrada Południe SA capital (related company of Budimex SA) was registered. A decrease of capital was performed by redemption of shares. Due to that Budimex SA sold the shares of Autostrada Południe SA in the amount of PLN 4 676 thousand. After that transaction Budimex SA is still owner of Autostrada Południe shares in the amount of PLN 4 292 thousand, which relates to 5.05% in share capital of the company.

**On 20 July 2011** the Incorporation Act of Budimex Most Wschodni SA was signed. The total share capital of new company amounted to PLN 100 thousand, consisted of 100 shares of nominal value PLN 1 000 each, was gained by Budimex SA. Up to date of issue of herein condensed financial statement the new company was not registered.

**On 20 July 2011** the Incorporation Act of Budimex Autostrada SA was signed. The total share capital of new company amounted to PLN 100 thousand, consisted of 100 shares of nominal value PLN 1 000 each, was gained by Budimex SA. Up to date of issue of herein condensed financial statement the new company was not registered.

**On 4 August 2011** Budimex SA and Polskie Koleje Państwowe SA signed the agreement of acquisition of 100% shares of the company called Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. located in Warsaw for the amount of PLN 225 017 thousand. Nominal value of the shares acquired amounted to PLN 178 869 thousand. The acquisition was financed from private sources of Budimex SA. The agreement is conditional up to 31 October 2011.