

Budimex SA

Condensed financial statements
for I half of 2012

BUDIMEX SA

Condensed financial statements for I half of 2012

BALANCE SHEET

	As at 30.06.2012	As at 31.12.2011	As at 30.06.2011
	(PLN '000)	(PLN '000)	(PLN '000)
Assets			
I. Non-current assets	1 354 939	1 336 740	1 289 121
1. Intangible assets, including:	1 984	2 051	1 662
- goodwill	-	-	-
2. Tangible fixed assets	96 729	100 326	90 114
3. Long-term receivables	-	-	-
3.1. From related parties	-	-	-
3.2. From other entities	-	-	-
4. Long-term investments	795 770	840 142	794 895
4.1. Investment property	7 638	7 762	7 819
4.2. Intangible assets	-	-	-
4.3. Long-term financial assets	788 132	832 380	787 076
a) in related parties, including:	785 947	830 195	784 891
- shares in subordinate entities equity accounted	-	-	-
b) in other entities	2 185	2 185	2 185
4.4. Other long-term investments	-	-	-
5. Long-term deferred costs	460 456	394 221	402 450
5.1. Deferred tax assets	455 987	388 400	397 881
5.2. Other prepayments and deferred costs	4 469	5 821	4 569
II. Current assets	2 039 469	2 481 890	1 978 588
1. Inventories	250 559	263 347	280 562
2. Short-term receivables	895 955	439 156	776 476
2.1. From related parties	113 300	98 887	124 885
2.2. From other entities	782 655	340 269	651 591
3. Short-term investments	268 924	1 570 117	588 497
3.1. Short-term financial assets	268 924	1 570 117	588 497
a) in related parties	-	-	-
b) in other entities	268	122	293
c) cash and cash equivalents and other monetary assets	268 656	1 569 995	588 204
3.2. Other short-term investments	-	-	-
4. Short-term deferred costs	624 031	209 270	333 053
Total Assets	3 394 408	3 818 630	3 267 709
Liabilities and Shareholders' Equity			
I. Shareholders' equity	283 852	545 324	549 795
1. Share capital	127 650	127 650	127 650
2. Unpaid share capital (negative value)	-	-	-
3. Own shares purchased (negative value)	-	-	-
4. Reserve capital	281 148	280 845	279 818
5. Revaluation reserve	4 219	4 097	3 350
6. Other reserves	-	-	-
7. Accumulated profits (losses) from previous years	(147 636)	-	-
8. Net profit (loss) for the period	18 471	132 732	138 977
9. Deductions from profit for the period (negative value)	-	-	-
II. Liabilities and provisions	3 110 556	3 273 306	2 717 914
1. Provisions	342 034	255 239	270 597
1.1. Deferred tax liability	132 769	57 416	85 480
1.2. Provision for retirement bonuses and related obligations	3 364	3 364	2 911
a) long-term	2 637	2 637	1 554
b) short-term	727	727	1 357
1.3. Other provisions	205 901	194 459	182 206
a) long-term	111 113	99 362	83 766
b) short-term	94 788	95 097	98 440
2. Long-term liabilities	32 333	33 652	20 730
2.1. To related parties	-	-	-
2.2. To other entities	32 333	33 652	20 730
3. Short-term liabilities	1 777 945	1 792 443	1 463 306
3.1. To related parties	139 080	152 707	113 830
3.2. To other entities	1 631 973	1 635 429	1 343 876
3.3. Special funds	6 892	4 307	5 600
4. Accruals and deferred income	958 244	1 191 972	963 281
4.1. Negative goodwill	-	-	-
4.2. Other accruals and deferred income	958 244	1 191 972	963 281
a) long-term	5 082	5 150	5 150
b) short-term	953 162	1 186 822	958 131
Total Liabilities and Shareholders' Equity	3 394 408	3 818 630	3 267 709
Book value per share calculation	As at 30.06.2012	As at 31.12.2011	As at 30.06.2011
Net assets (thd PLN)	283 852	545 324	549 795
Number of shares	25 530 098	25 530 098	25 530 098
Book value per share (PLN)	11.12	21.36	21.54

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Condensed financial statements for I half of 2012

OFF-BALANCE SHEET ITEMS (in PLN thousands)

	As at 30.06.2012	As at 31.12.2011	As at 30.06.2011
	(PLN '000)	(PLN '000)	(PLN '000)
1. Contingent receivables	404 216	339 678	318 011
1.1. From related parties, of which:	-	-	-
- guarantees and suretyships received	-	-	-
- bills of exchange received as security	-	-	-
1.2. From other entities	401 216	336 678	318 011
- guarantees and suretyships received	398 385	329 996	306 914
- bills of exchange received as security	2 831	6 682	11 097
1.3. Other	3 000	3 000	-
- other contingent receivables	3 000	3 000	-
2. Contingent liabilities	1 692 357	1 755 356	1 734 753
2.1. To related parties, of which	114 020	147 130	137 742
- guarantees and suretyships issued	114 020	147 130	137 742
- promissory notes issued as security	-	-	-
2.2. To other entities, of which	1 578 337	1 608 226	1 597 011
- guarantees and suretyships issued	1 574 282	1 606 171	1 594 956
- promissory notes issued as security	4 055	2 055	2 055
3. Other	7 000	-	-
- other contingent liabilities	7 000	-	-
Total off-balance sheet items	(1 295 141)	(1 415 678)	(1 416 742)

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PROFIT AND LOSS ACCOUNT

	I half of 2012	I half of 2011
	(PLN '000)	(PLN '000)
I. Sales of finished products, goods for resale and raw materials, including:	2 565 246	2 032 946
- to related parties	119 075	123 130
1. Sales of finished products	2 561 388	2 032 426
2. Sales of goods for resale and raw materials	3 858	520
II. Cost of finished products, goods for resale and raw materials, including:	(2 342 154)	(1 871 738)
- from related parties	(79 116)	(63 363)
1. Cost of finished products	(2 339 197)	(1 871 410)
2. Cost of goods for resale and raw materials sold	(2 957)	(328)
III. Gross profit (loss) on sales	223 092	161 208
IV. Selling expenses	(5 370)	(5 058)
V. General and administrative expenses	(79 505)	(62 100)
VI. Profit (loss) on sales	138 217	94 050
VII. Other operating revenue	15 761	42 850
1. Profits on the sale of non-financial fixed assets	819	5 147
2. Subsidies	-	-
3. Other	14 942	37 703
VIII. Other operating expenses	(43 397)	(22 043)
1. Losses on the sale of non-financial fixed assets	-	-
2. Revaluation of non-financial assets	(39 054)	(704)
3. Other	(4 343)	(21 339)
IX. Operating profit (loss)	110 581	114 857
X. Financial revenue	40 868	61 549
1. Dividends received and share in profits, including:	20 021	37 000
- from related parties	20 021	37 000
2. Interest revenue, including:	18 629	24 340
- from related parties	96	-
3. Profits on the sale of investments	-	-
4. Revaluation of investments	2 218	-
5. Other	-	209
XI. Financial expenses	(124 254)	(14 454)
1. Interest expenses, including:	(2 290)	(1 289)
- to related parties	(115)	(85)
2. Losses on the sale of investments	(2 148)	(284)
3. Revaluation of investments	(112 916)	(6 241)
4. Other	(6 900)	(6 640)
XII. Profit (loss) on the sale of shares in subordinate entities	27 195	161 952
XIII. Extraordinary items	-	-
1. Extraordinary gains	-	-
2. Extraordinary losses	-	-
XIV. Gross profit (loss)	27 195	161 952
XV. Corporate income tax	(8 724)	(22 975)
a) current	(959)	4 277
b) deferred	(7 765)	(27 252)
XVI. Other obligatory charges	-	-
XVII. Profit (loss) on shares in subordinate entities equity accounted	-	-
XVIII. Net profit (loss)	18 471	138 977
Calculation of net profit (loss) per ordinary share	I half of 2012	I half of 2011
Net profit (loss) (annualised)	12 226	252 818
Weighted average number of ordinary shares	25 530 098	25 530 098
Net profit (loss) for the first half per ordinary share (PLN)	0.72	5.44

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	I half of 2011	year 2011	I half of 2011
	(PLN '000)	(PLN '000)	(PLN '000)
I. Shareholders' equity at the beginning of the period	692 960	642 735	642 735
a) changes in accounting policies	-	-	-
b) adjustments due to errors	(147 636)	-	-
I.a. Shareholders' equity at the beginning of the period, restated	545 324	642 735	642 735
1. Share capital at the beginning of the period	127 650	127 650	127 650
1.1 Changes in share capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
1.2. Share capital at the end of the period	127 650	127 650	127 650
2. Unpaid share capital at the beginning of the period	-	-	-
2.1. Changes in unpaid share capital	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
2.2. Unpaid share capital at the end of the period	-	-	-
3. Own shares purchased at the beginning of the period	-	-	-
3.1. Changes in own shares purchased	-	-	-
a) increases	-	-	-
b) decreases	-	-	-
3.2. Own shares purchased at the end of the period	-	-	-
4. Reserve capital at the beginning of the period	280 845	285 349	285 349
4.1. Changes in reserve capital	303	(4 504)	(5 531)
a) increases	303	1 027	-
- profit distribution (in excess of statutory requirements)	303	-	-
- the fair value of rights to shares granted to employees of the parent	-	1 027	-
b) decreases	-	(5 531)	(5 531)
- dividend payment	-	(5 531)	(5 531)
4.2. Reserve capital at the end of the period	281 148	280 845	279 818
5. Revaluation reserve at the beginning of the period	4 097	3 453	3 453
5.1. Changes in revaluation reserve	122	644	(103)
a) increases	122	644	-
- FX differences on translation of foreign operations	122	644	-
b) decreases	-	-	(103)
- FX differences on translation of foreign operations	-	-	(103)
5.2. Revaluation reserve at the end of the period	4 219	4 097	3 350
6. Accumulated profit (loss) from previous years at the beginning of the period	280 368	226 283	226 283
6.1. Accumulated profit from previous years at the beginning of the period	280 368	226 283	226 283
a) changes in accounting policies	-	-	-
b) adjustments due to errors	-	-	-
6.2. Accumulated profit from previous years at the beginning of the period, restated	280 368	226 283	226 283
a) increases	-	-	-
b) decreases	(280 368)	(226 283)	(226 283)
- transfer to reserve capital	(303)	-	-
- dividend payment	(280 065)	(226 283)	(226 283)
6.3. Accumulated profit from previous years at the end of the period	-	-	-
6.4. Accumulated loss from previous years at the beginning of the period	-	-	-
a) changes in accounting policies	-	-	-
b) adjustments due to errors	(147 636)	-	-
6.5. Accumulated loss from previous years at the beginning of the period, restated	(147 636)	-	-
a) increases	-	-	-
b) decreases	-	-	-
6.6. Accumulated loss from previous years at the end of the period	(147 636)	-	-
6.7. Accumulated profit (loss) from previous years at the end of the period	(147 636)	-	-
7. Net profit	18 471	132 732	138 977
a) net profit	18 471	132 732	138 977
b) net loss	-	-	-
c) net profit distribution	-	-	-
II. Shareholders' equity at the end of the period	283 852	545 324	549 795
III. Shareholders' equity at the end of the period, after proposed profit distribution / loss absorption	283 852	545 324	549 795

CASH FLOW STATEMENT

	I half of 2012 (PLN '000)	I half of 2011 (PLN '000)
A. Cash flows from operating activities		
I. Net profit (loss) for the period	18 471	138 977
II. Adjustments for:	(958 847)	(1 091 413)
1. Depreciation and amortisation	15 298	12 021
2. Foreign exchange (gains)/losses	(389)	(42)
3. Interest and dividends	(18 604)	(36 597)
4. (Profit) / loss on investing activities	114 245	1 219
5. Change in provisions	86 795	38 926
6. Change in inventories	12 788	(42 983)
7. Change in receivables	(441 291)	(320 842)
8. Change in short-term liabilities and special funds (excluding loans and borrowings)	(10 462)	(219 158)
9. Change in accruals and deferred income / costs	(714 724)	(523 771)
10. Other	(2 503)	(186)
III. Net cash flows from operating activities	(940 376)	(952 436)
B. Cash flows from investing activities		
I. Inflows	5 453	26 620
1. Sale of intangible assets and tangible fixed assets	777	2 111
2. Sale of investments in property and intangible assets	-	8 899
3. From financial assets, including:	4 676	15 610
a) in related parties	4 676	1 400
- sale of financial assets	4 676	1 400
- dividends received and share in profits	-	-
- repayment of long-term loans granted	-	-
- interest received	-	-
- other inflows from financial assets	-	-
b) in other entities	-	14 210
- sale of financial assets	-	14 013
- dividends received and share in profits	-	-
- repayment of long-term loans granted	-	-
- interest received	-	197
- other inflows from financial assets	-	-
4. Other investment inflows	-	-
II. Outflows	(79 057)	(6 931)
1. Purchase of intangible assets and tangible fixed assets	(8 241)	(4 660)
2. Purchase of investments in property and intangible assets	-	-
3. From financial assets, including:	(68 668)	(2 017)
a) in related parties	(68 668)	(2 017)
- purchase of financial assets	(68 668)	(2 017)
- long-term loans granted	-	-
b) in other entities	-	-
- purchase of financial assets	-	-
- long-term loans granted	-	-
4. Other investment outflows	(2 148)	(254)
III. Net cash flows from investing activities	(73 604)	19 689
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	(287 449)	(234 140)
1. Purchase of own shares	-	-
2. Dividends and other payments to shareholders	(280 065)	(227 964)
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	(6 080)	(5 665)
8. Interest paid	(1 304)	(511)
9. Other financing outflows	-	-
III. Net cash flows from financing activities	(287 449)	(234 140)
D. Net cash flows	(1 301 429)	(1 166 887)
E. Change in cash and cash equivalents	(1 301 339)	(1 166 795)
- changes in cash and cash equivalents arising from foreign exchange gains/losses	90	92
F. Cash and cash equivalents at the beginning of the period	1 569 995	1 754 999
G. Cash and cash equivalents at the end of the period	268 656	588 204
- including restricted cash	35 437	41 647

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 2012 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 2011, except for the change of valuation of perpetual usufruct, described below.

Starting from 1 January 2012, the Company has changed an accounting policy related to depreciation of perpetual usufruct, which is currently depreciated over the period of its estimated useful life. Previously, as described in the financial statements for the year 2011, perpetual usufruct was not depreciated. The above change in valuation method has no significant influence on the amount of net profit for the I half of 2012.

The financial statements and the comparative data comprise aggregate data of the reporting organizational branches as at 30 June 2012, 31 December 2011 and 30 June 2011, 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 I half of 2012 the Company recognised an impairment write-down of Budimex shares in Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. ("PNI") in the amount of PLN 290 267 thousand that was a result of PNI valuation performed based on the its financial data for the year ended 31 March 2012 and PNI's application for declaration of bankruptcy open to composition agreements filed in the District Court for Warszawa Praga-Północ on 24 August 2012.

Due to the fact, that Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. recognised provisions for expected losses on contracts signed before the date of its acquisition by Budimex, i.e. before 16 November 2011, an impairment write-down in the amount of PLN 182 267 thousand was presented as an accumulated loss from prior years.

Due to above, the comparative data as at 31 December 2011 presented in the herein condensed financial statements was adjusted related to the issued financial statements for the year 2011 as follows:

	Data as at 31 December 2011 in accordance with financial statements for the year 2011	Change	Data as at 31 December 2011 in accordance with condensed financial statements for the I half of 2012
Long-term financial assets	1 014 647	(182 267)	832 380
Deferred tax assets	353 769	34 631	388 400
Net profit (loss)	280 368	(147 636)	132 732

1.3. Changes in the method of preparation of financial statements

Apart from the changes described in the point 1.1. of the herein condensed financial statements, there were not any other 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 2012 – 4.2613 PLN/EUR,
- individual profit and loss account and cash flow statement items for the first half of 2012 – using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2012 to 30 June 2012 – 4.2246 PLN/EUR,
- individual asset and liability items of comparative financial data for the year 2011 – using the average exchange rate prevailing as at 31 December 2011 – 4.4168 PLN/EUR
- individual profit and loss account and cash flow statement items of comparative financial data 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.

1.5. Going concern

The financial statements of the Company were prepared on the assumption that the Company will be going concern during the period of 12 months from the balance sheet date, i.e. 30 June 2012 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 2012 the excess of the current liabilities, provisions and short-term accruals (excluding sales revenue adjustments which are result of a contract valuation) over the current assets except guarantee provisions kept or granted by Budimex of due date above 12 months amounted to PLN 258 722 thousand (as at 31 December 2011 the excess of current assets over current liabilities according to above method amounted to PLN 58 290 thousand).

As at 30 June 2012 the excess of current assets over current liabilities excluding sales revenue adjustments which are result of a contract valuation in consolidated financial statements of Budimex Group amounted to PLN 374 763 thousand. A net treasury position of Budimex Group including cash, cash equivalents and short-term securities reducing by external financing amounted to PLN 305 163 thousand as at 30 June 2012.

Taking into account the above, 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 (The Netherlands) – the company of Ferrovial Group (Spain)	ordinary	15 078 159	59.06%	15 078 159	59.06%
OFE PZU „Złota Jesień”	ordinary	1 900 000	7.44%	1 900 000	7.44%
Other shareholders	ordinary	8 551 939	33.50%	8 551 939	33.50%
Total		25 530 098	100.00%	25 530 098	100.00%

Since issuing of the condensed financial statements for I quarter ended 31 March 2012, i.e. 25 April 2012 the shareholding structure of Budimex has changed. OFE PZU „Złota Jesień” increased its number of shares from 1 444 895 to 1 900 000 and the other shareholders decreased their number of shares from 9 007 044 to 8 551 939.

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 2012

In the period of six months of 2012 Budimex SA earned sales revenue in the amount of PLN 2 565 246 thousand, of which 99% related to sales of construction services amounted to PLN 2 541 095 thousand.

In the comparative period of the year 2011, sales revenue amounted to PLN 2 032 946 thousand, of which 99% related to sales of construction services amounted to PLN 2 005 756 thousand.

The sales of construction services increased by about 27% in the six months of 2012 in relation to the comparative period of the year 2011. In the I half of 2012 the sales revenue from development projects was immaterial in relation to the total sales revenue of the Company due to settlement of real estate projects taken over on merger with Budimex Inwestycje Sp. z o.o. in 2009.

Gross profit on sales for the 6-month period of 2012 amounted to PLN 138 217 thousand and was higher by PLN 44 167 thousand (47%) than in the comparative period of the previous year. Otherwise, the operating profit for the period of six months of 2012 amounted to PLN 110 581 thousand and in the comparative period of 2011 amounted to PLN 114 857 thousand. The Company recognised provisions for legal proceedings and penalties accordingly in the amounts of PLN 1 189 thousand and PLN 105 thousand and reversed those provisions accordingly in the amounts of PLN 830 thousand and 1 470 thousand. The company made additional write-off for receivables and advance payments due from PNI in the total amount of PLN 37 158 thousand.

In first half of 2012, Budimex showed a negative result from financial activity in the amount of PLN 83 386 thousand, mainly due to recognition of impairment write-downs of Budimex share in related companies: Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in the amount of PLN 108 000 thousand (as described in the point 1.2. of herein condensed financial statements an impairment write-downs in the amount of PLN 182 267 thousand were recognised as an accumulated loss from prior years) and Autopistas del Levante S.L. in the amount of PLN 4 916 thousand. Due to the above, the profit on operating activities for the period of 6-months of 2012 amounted to PLN 27 195 thousand and in the period of 6-months of 2011 amounted to PLN 161 952 thousand.

In the period of six months of 2012 the Company reported a net profit of PLN 18 471 thousand.

Additionally, as described in the point 1.2., the Company recognised the impairment write-downs of its shares in Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in the amount of PLN 147 636 thousand that was presented as accumulated loss for prior years.

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 2012, the balance of the provision for contract losses amounted to PLN 284 185 thousand, while as at 30 June 2011 amounted to PLN 421 804 thousand. In the 6-month period of 2012 the balance of provision decreased by PLN 63 821 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 2012, the balance of the provision in this respect amounted to PLN 32 594 thousand, while as at 30 June 2011 amounted to PLN 41 471 thousand. In the 6-month period of 2012 the balance of provision increased by PLN 359 thousand.

Provision for penalties

The Company recognises provisions for penalties related to the realisation 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 2012, the balance of the provision in this respect amounted to PLN 25 615 thousand, while as at 30 June 2011 amounted to PLN 38 401 thousand. In the 6-month period of 2012 the balance of provision decreased by PLN 4 919 thousand.

Costs of future warranty repairs

The Company is required to issue guarantees for its construction services. It is accepted that the provision between 0.3%-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 2012, the balance of the provision in this respect amounted to PLN 147 692 thousand, while as at 30 June 2011 amounted to PLN 102 123 thousand. In the 6-month period of 2012 the balance of provision increased by PLN 16 160 thousand.

Deferred tax asset and liability

During the 6-month period of 2012 deferred tax asset increased by PLN 67 587 thousand (an increase by PLN 58 106 thousand compared to the amount recognised as at 30 June 2011), while deferred tax liability increased by PLN 75 353 thousand (an increase by PLN 47 289 thousand compared to the amount recognised as at 30 June 2011). As it is described in the point 1.2. a deferred tax asset as at 31 December 2011 was adjusted due to the impairment write-downs of Budimex shares in Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.

Impairment write-downs against receivables

As at 30 June 2012, the balance of recognised impairment write-downs against receivables amounted to PLN 82 058 thousand, while as at 30 June 2011 amounted to PLN 80 364 thousand. In the 6-month period of 2012 the Company recognised impairment write-downs in the amount of PLN 8 336 thousand and reversed it in the amount of PLN 11 947 thousand.

Impairment write-downs against inventory

As at 30 June 2012, the balance of recognised impairment write-downs against inventory amounted to PLN 31 142 thousand, while as at 30 June 2011 amounted to PLN 1 398 thousand. In the 6-month period of 2012 the Company recognised impairment write-downs against advance payments due from PNI in the amount of PLN 30 718 thousand and reversed provisions for finished products and goods for resale in the amount of PLN 705 thousand.

3.3. Material changes of the legal proceedings pending in I half of 2012

As at 30 June 2012, the value of the proceedings relating to the liabilities against the Company and claims filed by the Company amounted accordingly to PLN 268 271 thousand and PLN 245 232 thousand and as at 31 December 2011 accordingly to PLN 293 472 thousand and PLN 247 736 thousand.

3.4. Bank guarantees and insurance agreements signed in I half 2012

On 27 January 2012 Budimex SA signed with Polbank EFG SA (former EFG Eurobank Ergasias SA, Branch in Poland) an annex to the agreement on the multi-purpose overdraft facility. According to the annex, the term of the guarantee limit was extended to 30 December 2012 and the amount of the guarantee limit was decreased from PLN 200 000 thousand to PLN 100 000 thousand. Other provisions of the annex remain unchanged.

On 1 February 2012 Budimex SA signed with Sopockie Towarzystwo Ubezpieczeń Ergo Hestia SA the Annex to the Contract Insurance Guarantee of 18 May 2009. Pursuant to the Annex, the limit of PLN 130 000 thousand has been established to which Ergo Hestia may issue contract guarantees. Other provisions of the Contract remain unchanged.

On 2 March 2012 Budimex SA signed with Kredyt Bank SA Contract Insurance Guarantee. Pursuant to the Contract the Company may commission the Bank to issue bank guarantees up to the total amount of PLN 116 000 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 17 April 2012 Budimex SA signed with Bank Zachodni WBK an annex to the Bank Guarantee Line Contract. Pursuant to the annex, the deadline when the Company may order the Bank to issue bank guarantees has been prolonged until 31 May 2012. On 25 May 2012 it was prolonged until 31 March 2013.

On 25 April 2012 Budimex SA signed with the Polish branch of Societe Generale SA an annex to the Bank Guarantee Agreement. Pursuant to the annex, the deadline when the Company may order the Bank to issue bank guarantees has been prolonged until 30 April 2013.

On 1 June 2012 Budimex SA signed with Credit Agricole Corporate & Investment Bank an annex to the Bank Guarantee Agreement. Pursuant to the annex, the deadline when the Company may order the Bank to issue bank guarantees has been prolonged until 31 August 2012.

On 12 June 2012 Budimex SA signed with Millenium Bank SA an annex to the Bank Guarantee Agreement. By the power of the Annex, Millenium Bank SA grants Budimex a bank warranty line with a limit of PLN 180 000 thousand and extends the line term to May 29th 2013.

3.5. Other material events in I half of 2012 and after the balance sheet day

On 31 January 2012 the Extraordinary General Meeting of the company Budimex Budownictwo Sp. z o. o. (the 100% subsidiary of Budimex SA) made the resolution on increasing the capital in the amount of PLN 1 500 thousand, i.e. to the amount of 1 810 thousand. The total amount 3 000 new shares of nominal value PLN 500 each was taken by Budimex SA. The increase of capital was registered on 26 March 2012.

On 27 March 2012 the Incorporation Act of Budimex PPP SA was signed. The share capital of new company amounted to PLN 100 000 thousand, consists of 100 shares of nominal value PLN 1 000 each and was taken by Budimex SA. The company was registered on 20 April 2012.

On 27 March 2012 the Incorporation Acts of the following companies was signed: Budimex A Sp. o.o., Budimex B Sp. o.o., Budimex C Sp. o.o., Budimex D Sp. o.o.,

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and Budimex E Sp. o.o. with the aim to realise planned investments on the base of public – private partnership. The share capital of each new company amounted to PLN 5 000 thousand, consists of 100 shares of nominal value PLN 50 each and was taken by Budimex SA (Budimex A Sp. o.o. and Budimex B Sp. o.o.) and by Budimex PPP (Budimex C Sp. o.o., Budimex D Sp. o.o. and Budimex E Sp. o.o.).

On 28 March 2012 the Incorporation Act of FB Serwis SA was signed. The share capital of new company amounted to PLN 6 250 thousand, consists of 12 500 shares of nominal value PLN 500 each and was taken accordingly by Budimex SA in the amount of PLN 3 063 thousand (6 125 shares) and Ferrovial Servicios SA in the amount of PLN 3 187 thousand (6 375 shares). The company was registered on 16 May 2012.

On 26 April 2012 the Ordinary General Shareholders' Meeting of Budimex SA passed resolution concerning dividend payout in the gross amount of PLN 10.97 per share. According to the passed resolution, net profit for the period between January 1st, 2011 and December 31st, 2011 amounting to PLN 280 065 thousand was earmarked for dividend payout. The dividend was paid on 30 May 2012.

On 9 May 2012 the Extraordinary General Meeting of the company Budimex Parking Wrocław Sp. z o.o. (the 100% subsidiary of Budimex SA) made the resolution on increasing the equity in the amount of PLN 995 thousand, i.e. to the amount of PLN 1 000 thousand. The total amount 19 900 new shares of nominal value PLN 50 each was taken by Budimex SA. The increase of capital was registered on 21 May 2012.

On 28 May 2012 the Extraordinary General Meeting of the company Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (the 100% subsidiary of Budimex SA) made the resolution on increasing the capital in the amount of PLN 40 000 thousand, i.e. from the amount of PLN 178 869 thousand to the amount of PLN 218 869 thousand. The total amount 80 000 new shares of nominal value PLN 500 each was taken by Budimex SA. The increase of capital was registered on 14 June 2012.

On 28 June 2012 the Extraordinary General Meeting of the company Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (the 100% subsidiary of Budimex SA) made the resolution on increasing the capital in the amount of PLN 23 000 thousand, i.e. from the amount of PLN 218 869 thousand to the amount of PLN 241 869 thousand. The total amount 46 000 new shares of nominal value PLN 500 each was taken by Budimex SA. The increase of capital was registered on 13 July 2012.

On 5 July 2012 Budimex SA issued short-term bonds taken by subsidiaries of the Company, i.e. Budimex Danwood Sp. z o.o. in the amount of PLN 20 000 thousand and Budimex Nieruchomości Sp. z o.o. in the amount of PLN 65 000 thousand. An interest rate was determined as WIBOR 1M+margin.

On 24 August 2012 Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (the 100% subsidiary of Budimex SA) filed in the District Court for Warszawa Praga-Północ an application for declaration of bankruptcy open to composition agreements.