THE BUDIMEX GROUP

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

Prepared in accordance with International Financial Reporting Standards

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(All amounts are expressed in PLN thousands, unless stated otherwise)

Consolidated statement of financial position

ASSETS	**Note**	**31 December 2010**	**31 December 2009**
Non-current assets			
Property, plant and equipment	10	106 593	99 790
Investment properties	11	3 383	3 673
Intangible assets	12	3 434	3 530
Goodwill	14	73 237	73 237
Loans granted	20	-	-
Equity accounted investments	16	16 040	20 653
Available-for-sale financial assets	17	23 955	23 955
Retentions for construction contracts	33	44 327	49 658
Other long-term receivables	21	-	-
Long-term prepayments and deferred costs		4 539	1 878
Deferred tax assets	28	357 343	241 507
Total non-current assets		**632 851**	**517 881**
Current assets			
Inventories	22	991 387	1 128 634
Loans granted and other financial assets	20	-	-
Trade and other receivables	21	373 013	398 293
Retentions for construction contracts	33	24 586	25 945
Amounts due and receivable from customers (investors) under construction contracts	31	151 998	99 329
Current tax receivable		273	1 272
Derivative financial instruments	19	3 157	8 839
Other financial assets at fair value through profit or loss	18	14 017	19 850
Cash and cash equivalents	23	1 862 403	1 130 357
Short-term prepayments and deferred costs		7 646	4 772
		3 428 480	**2 817 291**
Non-current assets classified as held for sale	13	5 908	4 451
Total current assets		**3 434 388**	**2 821 742**
TOTAL ASSETS		**4 067 239**	**3 339 623**

Warsaw 16 March 2011

(All amounts are expressed in PLN thousands, unless stated otherwise)

Consolidated statement of financial position (cont.)

	Note	31 December 2010	31 December 2009
Shareholders' equity			
Shareholders' equity attributable to the shareholders of the Parent Company			
Share capital	24	145 848	145 848
Share premium	24	234 799	234 799
Other reserves	46	256	-
Foreign exchange differences on translation of foreign operations		1 611	1 446
Retained earnings		297 891	204 087
Total shareholders' equity attributable to the shareholders of the Parent Company		**680 405**	**586 180**
Non-controlling interests		-	-
Total shareholders' equity, incl. minority interest		**680 405**	**586 180**
Liabilities			
Non-current liabilities			
Loans, borrowings and other external sources of finance	25	13 175	230 218
Retentions for construction contracts	33	135 545	105 132
Provision for long-term liabilities and other charges	30	102 082	78 814
Long-term retirement benefits and similar obligations	29	4 158	3 857
Total non-current liabilities		**254 960**	**418 021**
Current liabilities			
Loans, borrowings and other external sources of finance	25	17 544	62 941
Trade and other payables	26	1 270 662	908 828
Retentions for construction contracts	33	124 842	121 180
Amounts due and payable to customers (investors) under construction contracts	31	1 034 210	546 901
Prepayments received	32	225 828	355 572
Provision for short-term liabilities and other charges	30	110 490	98 517
Current tax payable		173 074	95 071
Short-term retirement benefits and similar obligations	29	1 651	1 675
Derivative financial instruments	19	460	16 124
Short-term accruals	27	166 560	127 613
Short-term deferred income		6 553	1 000
		3 131 874	**2 335 422**
Liabilities relating directly to non-current assets (disposable groups) classified as held for sale	13	-	-
Total current liabilities		**3 131 874**	**2 335 422**
Total liabilities		**3 386 834**	**2 753 443**
TOTAL EQUITY AND LIABILITIES		**4 067 239**	**3 339 623**

Warsaw, 16 March 2011

(All amounts are expressed in PLN thousands, unless stated otherwise)

Consolidated profit and loss account

	Note	Year ended 31 December 2010	2009
Continuing operations			
Net sales of finished goods, goods for resale, raw materials and services	34	4 430 269	3 289 866
Cost of finished goods, goods for resale, raw materials and services sold	35	(3 946 002)	(2 877 223)
Gross profit on sales		**484 267**	**412 643**
Selling expenses		(23 488)	(22 762)
Administrative expenses		(123 251)	(129 425)
Other operating income	37	85 053	71 032
Other operating expenses	37	(97 958)	(127 312)
Gains / (losses) on derivative financial instruments	38	6 743	(3 665)
Operating profit		**331 366**	**200 511**
Finance income	39	39 993	43 473
Finance costs	39	(36 471)	(21 481)
Shares in net profits / (losses) of equity accounted subordinates	40	(3 136)	1 681
Profit before tax		**331 752**	**224 184**
Income tax	41	(64 343)	(50 526)
Net profit from continuing operations		**267 409**	**173 658**
Net profit for the period		**267 409**	**173 658**
Of which:			
Attributable to the shareholders of the Parent Company		**267 409**	**173 658**
Attributable to non-controlling interests		-	-
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	42	10.47	6.80

Warsaw, 16 March 2011

(All amounts are expressed in PLN thousands, unless stated otherwise)

Consolidated statement of comprehensive income

	Year ended 31 December	
	2010	**2009**
Net profit for the period	**267 409**	**173 658**
Other comprehensive income (loss) for the period:		
Foreign exchange differences on translation of foreign operations	165	(111)
Deferred tax related to components of other comprehensive income	-	**-**
Other comprehensive income (loss), net of tax	**165**	**(111)**
Total comprehensive income for the period	**267 574**	**173 547**
Of which:		
Attributable to the shareholders of the Parent Company	**267 574**	**173 547**
Attributable to non-controlling interests	**-**	-

Warsaw, 16 March 2011

(All amounts are expressed in PLN thousands, unless stated otherwise)

Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity
	Share capital	**Share premium**	**Other reserves– share-based payments**	**Foreign exchange differences on translation of foreign operations**	**Retained earnings**	**Total**		
Balance as at 1 January 2010	**145 848**	**234 799**	**-**	**1 446**	**204 087**	**586 180**	**-**	**586 180**
Profit for the period	-	-	-	-	267 409	267 409	**-**	**267 409**
Other comprehensive income	-	-	-	165	-	165	**-**	**165**
Total comprehensive income for the period	-	-	-	**165**	**267 409**	**267 574**	**-**	**267 574**
Dividends					(173 605)	(173 605)	**-**	**(173 605)**
Share-based payments	-	-	256	-	-	256	**-**	**256**
Balance as at 31 December 2010	**145 848**	**234 799**	**256**	**1 611**	**297 891**	**680 405**	**-**	**680 405**

Warsaw, 16 March 2011

(All amounts are expressed in PLN thousands, unless stated otherwise)

Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company					Non-controlling interests	Total equity
	Share capital	Share premium	Foreign exchange differences on translation of foreign operations	Retained earnings	Total		
Balance as at 1 January 2009	**145 848**	**234 799**	**1 557**	**179 525**	**561 729**	**-**	**561 729**
Profit for the period	-	-	-	173 658	173 658	-	**173 658**
Other comprehensive income	-	-	(111)	-	(111)	-	**(111)**
Total comprehensive income for the period	**-**	**-**	**(111)**	**173 658**	**173 547**	**-**	**173 547**
Dividends	-	-	-	(149 096)	(149 096)	-	**(149 096)**
Balance as at 31 December 2009	**145 848**	**234 799**	**1 446**	**204 087**	**586 180**	**-**	**586 180**

Warsaw, 16 March 2011

(All amounts are expressed in PLN thousands, unless stated otherwise)

Consolidated statement of cash flow

	Note	Year ended 31 December 2010	2009 *restated*
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before tax		**331 752**	**224 184**
Adjustments for:			
Depreciation/ amortization	35	21 201	21 232
Shares in net profits of equity accounted subordinates	40	3 136	(1 681)
Foreign exchange gains/ (losses)		(369)	901
Interest and shares in profits (dividends)		8 090	4 870
(Profit)/ loss on disposal of investments		(6 545)	(5 884)
Change in valuation of derivative financial instruments	38	(10 526)	(67 325)
Operating profit/ (loss) before changes in working capital		**346 739**	**176 297**
Change in receivables and retentions for construction contracts		31 972	243 299
Change in inventories		137 247	91 145
Change in provisions and liabilities arising from retirement benefits and similar obligations		35 518	46 289
Change in retentions for construction contracts and in liabilities, except for loan and borrowings liabilities		394 927	(25 409)
Change in accruals and accrued income		40 515	44 198
Change in amounts due and receivable under construction contracts		434 640	356 441
Change in prepayments received	32	(129 744)	133 591
Change in cash and cash equivalents of restricted use	23	(788)	788
Other adjustments	44	1 284	(1 139)
Cash generated from operations		**1 292 310**	**1 065 500**
Income tax paid		(101 177)	(101 049)
NET CASH FROM OPERATING ACTIVITIES		**1 191 133**	**964 451**

Warsaw, 16 March 2011

(All amounts are expressed in PLN thousands, unless stated otherwise)

Consolidated statement of cash flow (cont.)

	Note	Year ended 31 December 2010	2009 *restated*
CASH FLOW FROM INVESTING ACTIVITIES			
Sale of intangible assets and tangible fixed assets		5 876	14 187
Purchase of intangible assets and tangible fixed assets		(22 271)	(13 917)
Sale of investments in property		3 800	-
Investments in property		(58)	(73)
Purchase of shares in subsidiaries		-	(385 000)
Sale / (purchase) of financial assets at fair value through profit or loss		5 054	84 190
Purchase of available-for-sale financial assets		-	(6 443)
Dividends received		1 482	2 158
Interest received		933	-
Other investing inflows / (outflows)		-	250
NET CASH USED IN INVESTING ACTIVITIES		**(5 184)**	**(304 648)**
CASH FLOW FROM FINANCING ACTIVITIES			
Loans and borrowings taken out		1 424	89 688
Repayment of loans and borrowings		(263 688)	(175 022)
Dividends paid		(173 605)	(149 096)
Payment of finance lease liabilities		(10 714)	(11 920)
Interest paid		(8 202)	(7 280)
NET CASH FROM USED IN FINANCING ACTIVITIES		**(454 785)**	**(253 630)**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**731 164**	**406 173**
Foreign exchange differences, net		94	(1 034)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**23**	**1 130 289**	**725 150**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**23**	**1 861 547**	**1 130 289**
Cash and cash equivalents of disposable groups		-	-
TOTAL CASH AND CASH EQUIVALENTS OF THE GROUP		**1 861 547**	**1 130 289**

Warsaw, 16 March 2011 roku

Notes to the consolidated financial statements

1. General information

The parent company of the Budimex Group (hereinafter the „Group") is Budimex SA (the „Parent Company") with its registered office in Warsaw, ul. Stawki 40, entered in the Register of Entrepreneurs kept by the District Court for the capital city of Warsaw, XIX Economic Department of the National Court Register, File No. WA.XIX NS REJ.KRS/12100/01/253, Entry No. KRS 1764.

The main area of business activities of the Parent Company is building, rendering of management and advisory services. The industry branch, in which the Parent Company operates was classified by the Stock Exchange in Warsaw as general construction and civil engineering business.

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

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

The Parent Company and other Group companies have an unlimited period of operation.

The Budimex Group operates as part of the Ferrovial Group with the Ferrovial SA as its parent company.

These consolidated financial statements were signed by the Management Board on 16 March 2011.

1.1 Going concern assumption

The consolidated financial statements of the Group for the year ended 31 December 2010 were prepared on the assumption that the Group companies will be going concerns in the foreseeable future. As at the date of signing the consolidated financial statements, the Management Board of the Parent Company is not aware of any facts or circumstances that would indicate a threat to the main Group companies' continued activities after the balance sheet date, due to an intended or compulsory withdrawal from or a significant limitation in their activities.

2. Accounting policies

The main accounting policies applied during the course of the preparation of these consolidated financial statements are presented below. These accounting policies were applied consistently in all the periods presented, unless stated otherwise.

2.1 Format and basis of preparating financial statememts

These financial statements for the year ended 31 December 2010 were prepared in accordance with International Financial Reporting Standards („IFRS") approved by the European Union and prevailing as at the balance sheet date.

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- IFRS 1 (revised) "First-time Adoption of IFRS" adopted by the EU on 25 November 2009 (effective for annual periods beginning on or after 1 January 2010),
- IFRS 3 (revised) "Business Combinations" adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- Amendments to IFRS 1 "First-time Adoption of IFRS"- Additional Exemptions for First-time Adopters, adopted by the EU on 23 June 2010 (effective for annual periods beginning on or after 1 January 2010),
- Amendments to IFRS 2 "Share-based Payment" - Group cash-settled share-based payment transactions adopted by the EU on 23 March 2010 (effective for annual periods beginning on or after 1 January 2010),
- Amendments to IAS 27 "Consolidated and Separate Financial Statements" adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" - Eligible hedged items, adopted by the

EU on 15 September 2009 (effective for annual periods beginning on or after 1 July 2009),

- Amendments to various standards and interpretations "Improvements to IFRSs (2009)" resulting from the annual improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 23 March 2010 (effective for annual periods beginning on or after 1 January 2010),
- IFRIC 12 "Service Concession Arrangements" adopted by the EU on 25 March 2009 (effective for annual periods beginning on or after 30 March 2009),
- IFRIC 15 "Agreements for the Construction of Real Estate" adopted by the EU on 22 July 2009 (effective for annual periods beginning on or after 1 January 2010),
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" adopted by the EU on 4 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- IFRIC 17 "Distributions of Non-Cash Assets to Owners" adopted by the EU on 26 November 2009 (effective for annual periods beginning on or after 1 November 2009),
- IFRIC 18 "Transfers of Assets from Customers" adopted by the EU on 27 November 2009 (effective for annual periods beginning on or after 1 November 2009).

IFRIC 15 was applied for the first time for the purposes of preparation of the consolidated financial statements for the 3-month period ended 31 March 2009.

According to the revised IAS 27 "Consolidated and Separate Financial Statements", changes in the acquiree's interest in its subsidiary that do not result in a loss of control are accounted for in equity as transactions with owners in their capacity as owners. For such transactions, no financial profit/loss is recognized or goodwill remeasured. Any difference between the change in the non-controlling interest and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent. The Standard defines accounting procedures to be applied by the parent if control of a subsidiary is lost. The application of amendments to the aforementioned standard has no impact on the consolidated financial statements.

IFRS 3 (revised) "Business Combinations" requires recognition of acquisition costs in the period expenses. Revisions to IFRS 3 and the related changes to IAS 27 limit application of acquisition accounting principles only to the moment of control takeover; in consequence, goodwill is calculated as at that date only. IFRS 3 shifts more focus to fair value as at the acquisition date, providing details of its recognition. The change to the standard allows measurement of non-controlling interest (before amendment minority interests) in the acquiree at fair value or proportionally to its share in the identifiable net assets of the acquiree. The revised standard requires measurement of consideration related to the acquisition at fair value as at the acquisition date. The same principle applies to fair value of any contingent consideration due. IFRS 3 allows very few adjustments to measurement at initial recognition of the combination account and only if they result from additional information obtained with regard to facts and circumstances existing as at the acquisition date. Any other changes are recognized in profit/loss. The Standard defines impact on the acquisition accounting if the acquirer and acquiree were parties to a previous relation. IFRS 3 states that an entity has to classify all contractual terms as at the acquisition date with two exceptions: leases and insurance contracts. The acquirer applies its accounting standards and makes decisions in such a way as if the contractual relationship were taken over regardless of the business combination. The application of amendments to the aforementioned standard has no impact on the consolidated financial statements.

The adoption of the remaining aforementioned amendments to the existing standards has not led to any changes in the Group's accounting policies.

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

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- Amendments to IAS 24 "Related Party Disclosures" - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- Amendments to IAS 32 "Financial Instruments: Presentation" – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 February 2010),
- Amendments to IFRS 1 "First-time Adoption of IFRS"- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, adopted by the EU on 30 June 2010 (effective for annual periods beginning on or after 1 July 2010),
- Amendments to IFRIC 14 "IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" - Prepayments of a Minimum Funding Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", adopted by the EU on 23 July 2010 (effective for

annual periods beginning on or after 1 July 2010),

- Amendments to various standards and interpretations "Improvements to IFRSs (2010)" resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 February 2011 (effective for annual periods beginning on or after 1 July 2010 or 1 January 2011 depending on the standard/interpretation)

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

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 16 March 2011:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS"- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),
- Amendments to IFRS 7 "Financial Instruments: Disclosures"- Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011),
- Amendments to IAS 12 "Income Taxes" - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012).

The Group anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the entity's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

These consolidated financial statements were prepared under the historical cost convention, except for hyperinflation adjustments described in note 24.

2.2 The principles of consolidation

Subsidiary companies

The consolidated financial statements comprise the financial statements of the Parent Company and the financial statements of the entities controlled by the Parent Company (or subsidiaries of the Parent Company) prepared as at the reporting date. The control of an entity is ascertained if the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiary companies are subject to full consolidation from the date the Group assumes control over them until such time as the control ends.

The financial statements of subsidiary companies are prepared for the same [reporting] period as the financial statements of the Parent Company using similar accounting policies consistently.

Acquisitions of subsidiary companies by the Group are accounted for using the purchase method except for acquisition of entities under common control, which is accounted for using pooling of interests method.

(i) Acquisition of entities which are not under common control

As at the date of acquisition the aggregate of:

- the consideration transferred measured at acquisition-date fair value;
- the amount of any non-controlling interest in the acquiree measured either at its fair value or at its proportionate interest in the net identifiable assets;
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree

over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured at fair value, apart from limited exceptions provided in IFRS 3 is recognized as goodwill.

Goodwill represents a payment made in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised

The following were excluded from the consolidated financial statements:

- equity of subsidiary companies that arose prior to taking control over those entities,
- value of shares held by the Parent Company or other entities included in consolidation,
- mutual receivables and liabilities and other similar settlements with entities included in consolidation,
- revenues and costs arising from business operations between entities included in consolidation,
- unrealized, from the point of view of the Group, gains from operations between entities included in consolidation, and included in the value of consolidated assets and liabilities, as well as unrealized losses, unless the transaction proves the impairment of the asset acquired,
- dividends accrued or paid by subsidiary companies to the Parent Company or other entities included in consolidation.

(ii) Acquisition of entities under common control

Business combinations arising from transfers of interests in entities that are directly or indirectly under the control of the shareholder that controls the Budimex Group are accounted for using pooling of interests method, i.e. as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognized at their carrying amounts after the harmonization of accounting policies and appropriate consolidation adjustments. The amount of equity of the aquired entity and all differences between carrying amount and purchase price is recognized directly in the consolidated equity as retained earnings. Intercompany receivables and liabilities, income and expenses realised between the companies, profits and losses realized before acquisition that are included in the value of consolidated assets and liabilities are excluded on consolidation. Expenses related to the acquisition of entities under common control are charged to other operating activities of the period in which they were incurred.

The following policies were observed while performing full consolidation:

- all appropriate items of assets and liabilities of subsidiary entities and the Parent Company were aggregated in full amounts irrespective of the share of the Parent Company in those assets and liabilities,
- consolidation adjustments and exclusions were made after aggregating the data,
- all appropriate items of revenues and expenses of subsidiaries and the Parent Company were aggregated in full irrespective of the ownership share of the Parent Company of the given subsidiary,
- consolidation adjustments and exclusions were made after aggregating the data.

The consolidated net result is allocated to the shareholders of the Parent Company and to non-controlling interests.

Transactions with non-controlling interests without control change effect

Transactions with non-controlling interests without control change effect are recorded in correspondence with equity.

Associates

An associate is an entity on which the Parent Company has significant influence but over which it does not exercise control by way of participating in governing the financial and operating policies.

Shares in associates are valued using the equity method, except where the investment is classified as held for trading. Investments in associates are stated at acquisition cost after considering changes in the share in net assets of the company that occurred to the balance sheet date, less impairment of individual investments. Losses of associates in excess of the Group’s share in the investment in the associate are recognized, unless the Parent Company undertook to absorb losses or to make payment on behalf of the given associate.

Any excess of acquisition cost above the share in the fair value of identifiable net assets (inclusive of contingent liabilities) of an associate at acquisition date is recognized as goodwill thus increasing the value of the investment in associate. Where the acquisition cost is lower than the Groups' share in the identifiable net assets (inclusive of contingent liabilities) of an associate at acquisition date, the difference is recognized as gain in the profit and loss account for the period, in which the acquisition took place.

Gains or losses on transactions between the Group and associate are subject to consolidation exclusions in accordance with the Group's share in equity of associate.

Joint ventures

The Group's/ Company's share in a joint venture is recognized in the following manner:

- for shares in jointly controlled business (contracts realized by consortia without setting up separate entities) – assets, liabilities, revenues and costs relating to a joint venture are recognized directly in the books of account of joint venture participants.

- for shares in jointly controlled entities (registered partnerships, other special purpose companies) – these entities are consolidated using the proportionate method, under which the proportionate share of the Group in assets, liabilities, revenues and costs of a joint venture is recognized on a line by line basis together with similar items in the consolidated financial statements.

2.3 Foreign currency transactions and valuation of foreign currency items

Functional and reporting currency

Items recognized in the financial statements of individual Group entities are valued using the currency of the main economic environment, in which the company conducts its business („functional currency"). The consolidated financial statements of the Group are presented in Polish zloty, which is the functional and reporting currency of the Parent Company.

Transactions and balances

Foreign currency transactions are initially stated in the functional currencies; for translation of balances into Polish zloty an exchange rate prevailing on the transaction date is used.

At each balance sheet date,

- foreign currency monetary items are translated using the closing rate,
- non-monetary items stated at historical cost expressed in foreign currencies are translated using the exchange rate prevailing on the transaction date, and
- non-monetary items stated at fair value expressed in foreign currencies are translated using the exchange rates prevailing on the date on which the fair value was determined.

Foreign exchange differences relating to foreign currency assets and liabilities that arose on the date of assets and liabilities valuation and on settlement of foreign currency receivables and payables as well as on sale of currencies are included under finance income or finance expense, as appropriate.

Foreign operations

The financial result and assets and liabilities of foreign operations of the Group as well as those of the Group subsidiaries with functional currency different from that of the Parent Company (with the provision that the functional currency of those entities is not the currency of the hyperinflationary economy) are translated into Polish zloty as follows:

- assets and liabilities of branches and of each of the balance sheet presented (i.e. including the comparative data) are translated using the closing rate prevailing at the balance sheet date,
- revenues and costs are translated using the average rate (unless application of average exchange rate would materially differ from the values obtained from using the exchange rate prevailing on the transaction date),
- all resultant exchange differences are recognized as separate item of equity under „Foreign exchange differences on translation of foreign operations".

At the time of disposal of a foreign operation, the accumulated amount of deferred foreign exchange differences recognized as separate item of equity is recognized in the financial result upon recognition of profit or loss on disposal of this entity.

2.4 Property, plant and equipment

Tangible fixed assets

Tangible fixed assets are stated at cost or cost of production less accumulated depreciation and impairment losses. Land and perpetual usufruct are stated at acquisition cost less impairment losses.

Tangible fixed assets, except for land, are depreciated using the straight line method in order to spread their initial cost reduced by the residual value, over the period of their estimated useful lives. Depreciation starts when the given item of tangible fixed assets is available for use. The depreciation periods are as follows:

- Buildings and constructions 10 – 50 years
- Plant and machinery 2 – 25 years
- Motor vehicles 3 – 10 years
- Other 2 – 10 years

Any subsequent expenditure is included in the carrying amount of the given fixed asset or as a separate item provided that it is probable that an inflow of economic benefits will flow to the Group and the cost of the given item may be reliably measured. Other costs incurred since the initial recognition such as costs of repair, maintenance or operating fees affect the financial result for the reporting period in which they were incurred, except for the significant costs of overhauls which are recognized in the carrying amount of the appropriate item of tangible fixed assets.

Verification of assets recoverable value and useful lives is performed at least once a year and, if necessary, their values are adjusted.

Where the carrying amount of the given tangible fixed asset exceeds its estimated recoverable value, the carrying amount is immediately reduced to asset recoverable value.

Gains and losses on disposal of tangible fixed assets are determined by way of comparing sale proceeds with assets carrying amounts and are recognized in the profit and loss account

Construction in progress (Assets under construction)

Construction in progress is stated at the amount of aggregate costs directly attributable to the acquisition or production of such assets, including finance costs, less any impairment losses. Construction in progress is not depreciated until completed and brought into use.

2.5 Investment property

Investments in property (investment property) are initially valued at acquisition cost, after including transaction costs. After initial recognition, investment property, except for land, is depreciated on a straight-line basis over its estimated useful life and adjusted for impairment losses.

The useful lives of investments in property are as follows:

- Buildings and constructions 10 – 50 years
- Other investment properties 2 – 10 years

2.6 Intangible assets

Intangible assets are recognized if it is probable that the future economic benefits that are directly attributable to the assets will flow to the Company and that the acquisition cost or cost of development of an intangible asset can be reliably measured.

Initially, intangible assets are valued at acquisition cost or cost of production Following initial recognition, intangible assets are valued at acquisition cost or cost of production less accumulated amortization and impairment losses.

Intangible assets are amortized using the straight line method over their estimated useful lives. The expected useful lives of the Group's intangible assets are as follows:

- Patents and licenses 5 – 15 years
- Software 1 – 5 years

2.7 Non-current assets (disposal groups) classfied as held for sale

Included in this group are items of property, plant and equipment and investment property provided their carrying amount will be recovered in a disposal transaction rather than through asset further use.

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

2.8 Goodwill

Goodwill is the excess of the aggregate of:

- the consideration transferred measured at acquisition-date fair value;
- the amount of any non-controlling interest in the acquiree measured either at its fair value or at its proportionate interest in the net identifiable assets;
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree

over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured at fair value, apart from limited exceptions provided in IFRS 3.

Goodwill represents a payment made in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised

Goodwill is recognized under assets and is not subject to amortization; it is, however, subject to impairment test at least once a year. Any impairment loss is recognized directly in the profit and loss account and is not subject to reversal in the subsequent reporting periods.

If the activities belonging to a cash generating unit to which the goodwill was allocated are to be sold, then the goodwill allocated to the activities sold will be accounted for during the course of determining gains or losses on sale.

Goodwill that arose prior to transitioning to IFRSs was recognized in the books of account in the value determined using the earlier recognized accounting policies and was subject to impairment testing as at the date of transitioning to IFRSs. In addition, goodwill is tested annually for impairment and is recognized in the balance sheet at cost less accumulated impairment losses. In order to conduct an impairment test, goodwill is allocated to a cash generating unit.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

2.9 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.
Other borrowing costs are recognized as an expense in the period, in which they are incurred.

The amount of borrowing costs eligible for capitalisation shall be determined in accordance with IAS 23.

At the Budimex Group, the qualifying assets are mainly inventories in developer companies as well as fixed assets, investment properties and intangible assets.

2.10 Leases

Group companies are parties to lease agreements under which they use third party tangible fixed assets over an agreed period of time in return for payments.

In the case of a finance lease agreement, which transfers substantially all of the risks and rewards of ownership of an asset, the leased asset is recorded under tangible fixed assets or investments at fair value or at the present value of the minimum lease payments at the inception of the lease term, if the present value is lower than asset fair value. Lease payments are apportioned between finance charges and reduction of the outstanding lease liability so as to produce a constant rate of interest on the outstanding lease liability.

Leased assets are depreciated over the shorter of the two periods: asset expected period of use or the lease term, if it is not certain that the lessee obtains ownership right to the asset prior to the end of the lease term.

Lease payments made under lease agreements which do not meet the criteria of finance leases are recognized as an expense in the profit and loss account over the lease term.

Finance costs are recognized directly in the profit and loss account in accordance with policies described in note 2.9.

2.11 Impairment of non-financial assets

An assessment is made by Group companies at each balance sheet date to determine whether there is any objective evidence that an asset or a group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of impairment analysis, assets are grouped on the lowest possible level, on which identifiable cash flows occur (cash generating units). A cash generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Impairment losses are recognized in the profit and loss account.

2.12 Prepayments for non-financial assets

Prepayments for tangible fixed assets, investment properties, intangible assets or inventories („Prepayments made") are recognized under short-term receivables.

2.13 Inventories

Inventories comprise raw materials, goods for resale, work in progress and finished goods. In classifying inventory items to individual categories, the following policies are applied by the Group:

- Raw materials – represent items kept in warehouses or other places of storage that are to be used in production processes, especially to be consumed in construction activities.
- Work in progress – represents costs of uncompleted developer projects as well as general purpose and low processes inventory items which are stored on construction sites and which may be used, in a simple way and without incurring significant costs, for the realization of other contracts, or sold (if considered unnecessary for the realization of the given contract).
- Goods for resale – inventory items purchased with a view to re-selling, including land used in realization of developer projects.
- Finished goods – internally developed goods, for which the process of development was completed as well as flats, usable floor space and completed constructions ready for sale.

Excluded from inventories are items stored on construction sites which are to be used for the given construction project or processed either internally or externally by a subcontractor, which are not certain to be simply used for other contracts or sold. Such items are taken directly to the costs of the contract and thus are included in contract percentage valuation method.

Inventories are valued at the lower of acquisition cost or cost of production and net realizable value.

Net realizable value is the selling price achievable at the balance sheet date, net of VAT and excise taxes, less any rebates, discounts and other similar items, less the estimated costs to complete and costs to sell.

Raw materials and goods for resale are valued on a „first in – first out" basis, while the work in progress and finished goods – at the cost of direct materials and labour and an appropriate proportion of manufacturing overheads based on normal operating capacity.

2.14 Cash and cash equivalents

Cash on hand and at bank is stated at nominal value.

Cash and cash equivalents presented in the cash flow statement comprise cash on hand and bank deposits which have maturity period of 3 months or less and were not included under investing activities.

Included in the cash of restricted use the following items:

- cash representing security for bank guarantees,
- funds kept in escrow by developer companies,

provided their maturity does not exceed 3 months.

The Group recognizes cash of restricted use in the balance sheet under cash and cash equivalents, while for the purpose of cash flow statement – the balance of cash at the beginning and at the end of the financial year is reduced by cash of restricted use, and its balance sheet change is recognized under cash flow from operating activities.

2.15 Financial instruments

Financial assets and financial liabilities are recognized in the balance sheet of the Group when the Group becomes a party to a binding agreement.
The financial instruments held are classified into the following balance sheet categories:

- Financial assets: financial assets available for sale, investments held to maturity, loans and receivables and financial assets at fair value through profit or loss (inclusive of derivative financial instruments);
- Financial liabilities and equity instruments: financial liabilities and equity instruments, bank loans and borrowings, trade payables, liabilities at fair value through profit or loss (inclusive of derivative financial instruments).

The above classification is based on the criterion of the purpose of the investment acquired or the liability incurred. The Management Board determines the classification of the given item upon item initial recognition, and subsequently verifies this initial classification at each balance sheet date. During the period covered by these financial statements, the Group did not hold any financial instruments classified as held to maturity.

Financial assets at fair value through profit or loss

This category covers the following two sub-categories:

- financial assets held for trading,
- financial assets classified upon initial recognition as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if it is:

- acquired or incurred with a view to selling or repurchasing in a near term,
- a derivative (except for a derivative that is designated as effective hedging instrument).

Investments purchase or sale transactions are recognized as at the transaction date i.e. the date on which the Group commits to purchase or sell the given asset item. Investments are initially recognized at fair value increased by transaction costs.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Trade receivables relating to executed construction contracts or the prepayments made are classified as short-term receivables, if it is expected that these will be settled during the course of normal operating cycle of entity.

Receivables from retentions for construction contracts and loans with maturity date falling below 12 months are recognized as short-term receivables. Long-term receivables from retentions for construction contracts are discounted to the present value using the effective interest rate.

Trade loans and receivables are initially stated at fair value and subsequently – at amortized cost less impairment losses. Impairment losses are recognized if objective evidence exists that the Group will not be able to recover all amounts due under original receivables' terms and conditions.

Investments held to maturity

Investments held to maturity are non-derivative financial assets that are not classified as financial assets held for trading or loans and receivables with determinable payments and fixed maturity that the Group Management has the positive intention and ability to hold to maturity.

Investments purchase or sale transactions are recognized as at the transaction date i.e. the date on which the Group commits to purchase or sell the given asset. Investments held to maturity are initially recorded at fair value increased by transaction costs, while in the subsequent periods – at amortized cost.

Financial assets available for sale

Financial assets available for sale are financial instruments not classified to any of the remaining categories of financial instruments. These are recorded under non-current assets provided the Management Board does not intend to dispose of these investments within 12 months of the balance sheet date. Where the Management Board intends to dispose of them within 12 months from the balance sheet date, the assets are classified as held for trading and valued at fair value.

Investments purchase or sale transactions are recognized as the date of transaction i.e. the date on which the Group commits to purchase or sell the given asset. Financial assets available for sale are initially valued at fair value increased by transaction costs – this policy relates to all assets not classified as at fair value through profit or loss. Financial assets available for sale are derecognized when the contractual rights to the cash flow from the asset expired or were transferred and the Group did not transfer substantially all of the risks and rewards attached to asset ownership.
Following initial recognition, financial assets available for sale for sale are recorded at fair value. If determining the fair value of available-for-sale financial assets with specified maturity date is not possible, they are recorded at amortized cost; if, however, the maturity date was not specified – at acquisition cost.

Gains or losses arising from changes in asset fair value are recognized in the period, in which they arose. Gains and loses arising from changes in the fair value of available-for-sale financial assets being monetary items that result from foreign exchange differences are recognized in the profit and loss account in period in which they arose. Other differences in the carrying amount of assets are recognized directly in equity. Where the fair value is not determinable, the financial assets available for sale representing non-monetary items are valued at acquisition cost less impairment losses, if any. In the case of disposal of available for sale financial assets classified as „available for sale" or in the case of their loss of value, total adjustments consisting in re-measurement to fair value recognized in equity are taken to the profit and loss account as gains/ losses on financial assets.

An assessment is made at each balance sheet date to determine whether there is any objective evidence that an item of financial assets or a group of financial assets may be impaired. In case of equity securities classified as "available for sale", in the process of determining impairment losses a significant or extended loss of fair value below equity cost is taken into account. If such evidence exists for financial assets available for sale, total losses incurred to date calculated as the difference between acquisition cost and current fair value less probable impairment losses recognized previously in the profit and loss account are excluded from equity and recognized in the profit and loss account.

Trade creditors and retentions for construction contracts

Initially, trade creditors are recorded at the present value of the payment to be made, while in the subsequent reporting periods – at amortized cost.

Trade liabilities arising from the construction contracts in progress and from the prepayments received are classified as short-term liabilities as it is expected that they will be settled during the course of the normal operating cycle of entity.

Liabilities arising from retentions for construction contracts with the settlement deadline of less than 12 months are recognized as short-term liabilities. Long-term liabilities arising from retentions for construction contracts are discounted to the present value using the effective interest rate. Short-term retentions for construction contracts are initially recorded at the present value of the anticipated payment and recognized in the subsequent periods at amortized cost.

Loans and borrowings and other external sources of finance

Loans and borrowings and other external sources of finance are initially stated at fair value increased by transaction costs which may be directly attributed to acquisition or issue of the financial liabilities item. As at the balance sheet date, financial liabilities are recognized at amortized cost using the effective interest rate.

Derivative financial instruments

Group companies enter into forward transactions to hedge against foreign currency risk. Policies relating to use of derivative financial instruments have been described in the risk management policy approved by the Management Board as described in detail in note 4 „Financial risk management".

Derivative financial instruments are valued at the balance sheet date at reliably determined fair value. Fair value of derivative financial instruments is assessed using the model, which is based, among others, on the average NBP rates prevailing at the balance sheet date and on differences in the levels of interest rates of the quotations and base currencies.

The effects of periodic valuation of derivative financial instruments as well as gains and losses determined at the date of settlement are reported in the profit and loss account under „Gains/ (losses) on derivative financial instruments" as part of operating business. Group companies do not apply hedge accounting.

As regards transactions on the money, equity or derivative financial instruments markets, Group companies cooperate with banks of good financial standing and thus do not contribute to significant credit risk concentration.

Fair value measurements

The Group classifies fair value measurements using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
- Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

2.16 Equity

Shareholders' equity

Share capital covers ordinary shares and is recorded in the nominal value (as presented in the Articles of Association of the Parent Company and recorded in the National Court Register) adjusted by the effects of hyperinflation for the period, in which Polish economy was hyperinflationary.

Share premium represents a difference between the price for which the shares of the Parent Company were taken up and their nominal value. This was adjusted by the effects of hyperinflation for the period, in which Polish economy was hyperinflationary.

Non-controlling interests

Non-controlling interest is the part of equity of subsidiary companies consolidated using the full method, which belongs to the shareholders other than those of the entities belonging to the Group.

Net profit (loss) of subsidiary companies in the part belonging to the shareholders other than those of the entities belonging to the Group represents non-controlling interests gain/ (loss).

2.17 Employee benefits

Group entities operate jubilee bonus and retirement benefits / pension plan programs and thus create provisions for their underlying liabilities. Payments under these programs are expensed to the profit and loss account so as to ensure the spread of the costs of those benefits over employees entire working lives at the companies. The amount of the provision is determined by an independent actuary using the projected unit credit method.

The Group companies adopted the policy to recognize the actuarial gains and losses in the period, in which they arose. All actuarial gains and losses are recognized in the profit and loss account.

Future benefits and allowances are not funded.

2.18 Share-based payments

Ferrovial SA operates its own equity-settled, share-based compensation plan under which employees of the Group render services to the Company and its subsidiaries as consideration for equity instruments of Ferrovial SA. In accordance with IFRS 2 "Share-based Payments", the fair value of the employee services received in exchange for the grant of the equity instruments of Ferrovial SA is recognised in these consolidated financial statements as an expense with a corresponding increase in equity, over the period in which the service conditions are fulfilled (vesting period). The fair value of the employee services received is measured by reference to the fair value of the equity instruments at the grant date. Vesting conditions, other than market conditions, were taken into account by adjusting the number of equity instruments included in the measurement of the transaction so that, ultimately, the expense recognised for services received is based on the number of equity instruments that are expected to vest.

2.19 Provisions

Group entities create provisions for future liabilities the maturity or amount of which are not certain. Provisions are created when:

- the company has a present obligation (legal or constructive) as a result of a past event,
- it is certain or highly probable that settlement of this obligation will result in an outflow of resources embodying economic benefits, and
- a reliable estimate can be made of the amount of obligation.

Group entities create provisions for costs of future warranty repairs as in the case of construction services they are required to provide warranty for their services. Waranty provision is connected with particular construction segments and amounts from 0.15% to 1.4% of total revenue from the given contract. This value is subject to individual analysis and in justified cases may be increased or reduced, as appropriate. Costs of future warranty repairs are accrued in proportion to the direct costs of contracts (cost of the finished goods sold).

2.20 Recognition of revenues and expenses

Sales revenue is stated at the fair value of payments received or receivable and represents receivables for finished goods, goods for resale and services provided as part of the regular business activities, less rebates, VAT and other sale-related taxes.

Revenue from sale of goods for resale is recognized when goods have been delivered and the significant risks and rewards of ownership have passed to the buyer.

Payments received for goods not delivered or services not completed are recognized in the balance sheet under prepayments received.

Revenue from realization of construction contracts is recognized in accordance with the accounting policies of the Group presented below.

Interest income is recorded on a cumulative basis with respect to the principal amount due, using the effective interest rate method.

Dividend income is recognized upon determining the right of the shareholders to receive payment.

In accordance with the accruals principle, the Group recognizes in the profit and loss account all costs relating to the given reporting period, irrespective of the period, in which they were actually settled. Incurred costs that do not relate to the given reporting period are recognized under assets as prepayments, while the costs not incurred and relating to the given period – under accruals.

2.21 Construction contracts

Group companies recognize revenues from construction contracts using the percentage of completion method measured as the share of the costs incurred from the date of contract signing to the date of determining contract revenue in total service costs.

Where it is possible that total costs of contract realization exceed total revenues, expected loss (excess of cost over revenues) is taken to operating expenses.

If the result of the completion of construction contract cannot be determined in a reliable manner, revenues are recognized only to the amount of the incurred costs, the recovery of which is probable.

Included in assets are the amounts due and receivable from customers (investors) under all construction work in progress, for which the costs incurred increased by recognized profits (reduced by recognized losses) exceed the amounts calculated for the contract work performed. Outstanding invoiced amounts due and payable for the contract work performed are recognized under „Trade and other receivables", while the amounts retained by contractors - under „Retentions for construction contracts".

Included in liabilities are the amounts due and payable to investors under all construction work in progress, for which the amounts invoiced for the work performed as part of the contract exceed incurred costs increased by recognized gains (reduced by recognized losses). Outstanding amounts due and payable to suppliers, in respect of which the Group received invoices are recognized under „Trade and other payables", while the amounts retained by suppliers - under „Retentions for construction contracts".

2.22 Developer contracts

Revenue from developer activities is recognised at the moment when a control and all significant risks and rewards arising from the possession of the property are transffered to the buyer. The Company considers that transfer of risks, control and rewards takes place when the notarial deed transferring the ownership right to the acquired property is signed.

Developer companies keep records that allow to determine the amount of costs relating to individual project elements which may be sold separately. Upon recognition of sales revenue, the Company recognizes cost of construction of the given area, by reducing work in progress by the share of the premises sold in the total area of the given type of premises and by reducing the goods for resale by the share of the area of land attributed to the given premises.

2.23 Gross profit / (loss) on sale

Gross profit/ (loss) on sales is the difference between:

- revenue from sale of ordinary production and other services rendered as part of ordinary business activities of the Group, from sale of goods for resale and raw materials, and
- cost of finished goods and services sold and purchase cost of goods for resale and raw materials sold.

2.24 Operating profit / (loss)

Operating profit/ (loss) covers revenues and costs of operating activities without taking into account finance costs and finance income, which primarily include interest, foreign exchange gains and cost of commission and bank guarantee.

2.25 Taxation (including deferred tax)

Income tax on revenues earned in Poland is calculated in accordance with Polish tax regulations, while revenues of foreign operations are subject to local tax regulations, after considering the appropriate treaty on avoidance of double taxation.

Due to the temporary differences between the carrying amount of assets and liabilities recognized in the books of account and their tax bases and due to the tax loss available for utilization in future years, Group companies recognize deferred tax liability and deferred tax asset in their financial statements.

Deferred tax liabilities are recognized in the amount of income tax to be paid in the future in respect of all taxable temporary differences i.e. difference that will cause an increase in taxable profit/ tax loss in the future.

Deferred tax assets are determined in the amount that is anticipated to be deducted from the income tax in connection with deductible temporary differences, which in the future will cause a decrease in taxable profit/ tax losses, and in the amount of carry-forward of unused tax losses.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and deferred tax liabilities are measured using the tax rates that are expected to apply in the period when the asset is realised and or the liability is settled, based on tax laws (and tax rates) that have been enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are netted off on a Group company level.

2.26 Operating segments

Group management and organization is based on segments.

The Budimex Group operates in the area of two main operating segments:

- construction business,
- developer and property management business.

Other business areas that do not meet the requirements to be classified as reporting segments relate to companies conducting, among others, production, service or trading activities.

The division of business into individual segments have been made based on the main statutory business activities or the importance of their business to the given segment. Such division reflects the spread of main business risks and returns on the expenditure made.

The Group applies uniform accounting policies for all segments. Transactions between individual segments are made on arm’s length.

Shares in equity accounted entities have been classified to the appropriate segment based on the type of business of the entity.

3. Changes in principles of preparation of financial statements

The Group has changed the presentation of inflows/outflows and gains/losses on realization of derivative financial instruments. In the statement of cash flow for the prior year gains / losses on realization of derivative financial instruments were presented as adjustments for net profit before tax in cash flow from operating activities and inflows / outflows related to realization of derivatives were an element of cash flow from investing activities. In the statement of cash flow for year ended 31 December 2010 the element of cash flow from operating and investing activities related to realization of derivative financial instruments was eliminated. Comparatives for the year ended 31 December 2009 were appropriately restated by decreasing the value of net cash from operating activities by PLN 70 990 thousand as well as increasing net cash from investing activities by the same amount.

4. Financial risk management

The main financial instruments used by the Budimex Group are:

- bank loans and borrowings, finance lease, bonds and liabilities arising from discounting of invoices from subcontractors, the objective of which is to obtain resources to finance Group activities,
- trade receivables and liabilities and other receivables and liabilities as well as cash and short-term deposits that arise during the course on normal business activities of the Group,
- derivative financial instruments such as foreign currency forward contracts (currency forwards), the purpose of which is to manage currency risk arising from construction contracts in foreign currency.

During the course of its business activities, the Budimex Group is exposed to various types of financial risk: currency risk, interest rate risk, price risk, credit risk and risk of loss of liquidity. The Management Board verifies and determines risk management policies for each of the risk types identified

Foreign currency risk

As part of its core business activities, Group companies enter into construction contracts denominated in foreign currencies. The foreign currency risk management policy adopted by the Management Board consists in hedging future cash flows on these contracts in order to limit the effect of volatility of currency exchange rates on the results of the Group. In accordance with this policy, Group companies hedge against foreign currency risk attached to each construction contract, on which net currency exposure is material. Hedging against foreign currency risk is made mainly using the derivative financial instruments, mainly currency contracts (fx forwards) and, if possible, using natural hedge mechanism, which consists in concluding agreements with subcontractors in the currency of the underlying contract and hence in transferring this risk to the subcontractors.

In accordance with the Group policy, foreign currency exposure is systematically measures both for individual construction contracts (analysis of foreign currency inflows and outflows for the purposes of contracts concluded in foreign currency with investors and foreign currency outflows for the purposes of contracts concuded in domestic currency) and for all contracts in aggregate (global currency exposure). It is the Management Board’s policy to hedge against net foreign currency exposure on individual contracts. As at 31 December 2010, the Group had approx. 86% of its foreign currency exposure resulting from contracts concluded in foreign currence with investors and approx. 68% of its foreign currency exposure resulting from foreign currency outflows realised within contracts concluded in domestic currency hedged.

Group companies do not apply hedge accounting.

<u>Foreign currency risk – sensitivity to changes</u>

In order to conduct analysis of sensitivity to fluctuations in exchange rates, on the basis of historical changes in values and the Group’s knowledge of and experience in the financial markets, „feasible and possible” fluctuations in exchange rates were assessed at -10% / +10% as at 31 December 2010. As at 31 December 2009 „feasible and possible” fluctuations in exchange rates were assessed at -20% / +20%. Adjustments relating to possible changes in the range of fluctuations in exchange rates in the sensitivity analysis as at 31 December 2010, compared to the ranges used in the sensitivity analysis as at 31 December 2009, were made due to lower volatility of exchange rates in 2010 when compared to the prior period.

The table below shows sensitivity of the gross financial result to reasonably possible changes in foreign currency rates with other factors remaining unchanged (the effect on the result for the year and net assets is identical).

	Carrying amount at the reporting date	**Sensitivity to fluctuations as at 31 December 2010**	
		Depreciation	**Appreciation**
		of Polish zloty against other currencies	
	(in thousands)	**+10%**	**-10%**
Forward contracts:			
– EUR	34 789	(54 698)	57 856
Financial instruments denominated in foreign currencies – net currency exposure (FX differences):			
– EUR	6 280	2 487	(2 487)
– USD	83	25	(25)
– GBP	28	13	(13)
– RUB	5 759	56	(56)
Gross effect on the result for the period and net assets		**(52 117)**	**55 275**
Deferred tax		9 902	(10 502)
Total		**(42 215)**	**44 773**

	Carrying amount at the reporting date	**Sensitivity to fluctuations as at 31 December 2009**	
		Depreciation	**Appreciation**
		of Polish zloty against other currencies	
	(in thousands)	**+20%**	**-20%**
Forward contracts and options:			
– EUR	85 198	(54 017)	57 176
– GBP	946	(680)	680
Financial instruments denominated in foreign currencies – net currency exposure (FX differences):			
– EUR	13 071	10 740	(10 740)
– USD	227	129	(129)
– GBP	(38)	(35)	35
– RUB	(2 131)	(40)	40
Gross effect on the result for the period and net assets		**(43 903)**	**47 062**
Deferred tax		8 342	(8 942)
Total		**(35 561)**	**38 120**

Interest rate risk

Interest rate risk occurs mainly due to use by Group companies of such instruments as bank loans and borrowings, finance lease, issue of bonds directed to associates and extending loans by Group companies. The above financial instruments are based on variable interest rate and expose the Group to fluctuations in cash flows.

The risk related to the current debt balances was assessed as immaterial from the point of view of the effect on the results of the Group and for this reason, interest rate risk management is currently limited to monitoring of market situation only. Should the Group's debt arising from bank's loans and borrowings increase, appropriate measures will be taken to hedge against fluctuations in interest rates.

(All amounts are expressed in PLN thousands, unless stated otherwise)

Interest rate risk – sensitivity to changes

In order to conduct an analysis of sensitivity to fluctuations in interest rates, on the basis of historical changes in values and the Group's knowledge of and experience in the financial markets, „feasible and possible" fluctuations in interest rates were assessed at -1.5% / +1.5% for PLN and at -0.5% / +0.5% for EUR, USD and other currencies as at 31 December 2010 while as at 31 December 2009 at -1% / +1% for PLN, EUR, USD and other currencies. At the same time, a parallel shift was assumed of interest rate curve for the purpose of calculation of sensitivity of discount to fluctuations in interest rates. Adjustments relating to possible changes in the range of fluctuations in interest rates in the sensitivity analysis as at 31 December 2009 compared to the ranges used in the sensitivity analysis as at 31 December 2009, were made due to higher volatility of interest rates for PLN and lower volatility fro EUR, USD and other currencies compared to the prior year.

Presented below is the effect on the financial result for the year and net assets as at 31 December 2010 and 31 December 2009.

	Carrying amount at the reporting date	Sensitivity to fluctuations as at 31 December 2010	
		+150 pb (PLN) +50 pb (EUR, USD, other)	**-150 pb (PLN) -50 pb (EUR, USD, other)**
Long-term retentions for construction contracts (discount):		3 896	(4 010)
– recognized in assets (present value)	44 327		
– recognized in liabilities (present value)	135 545		
Cash at bank (nominal value / interest rate)	1 859 990	27 605	(27 605)
Bank loans and borrowings (nominal value / interest rate)	(8 881)	(59)	59
Commercial and treasury bonds (present value /interest rate)	14 017	(75)	76
Finance lease liabilities (nominal value / interest rate)	(21 824)	(327)	327
Effect on gross result for the period and net assets		**31 040**	**(31 153)**
Deferred tax		(5 898)	5 919
Total		**25 142**	**(25 234)**

	Carrying amount at the reporting date	Sensitivity to fluctuations as at 31 December 2009	
		+100 pb (PLN, EUR, USD other)	**-100 pb (PLN, EUR, USD, other)**
Long-term retentions for construction contracts (discount):		1 340	(1 419)
– recognized in assets (present value)	49 658		
– recognized in liabilities (present value)	105 132		
Cash at bank (nominal value / interest rate)	1 129 055	11 282	(11 282)
Bank loans and borrowings (nominal value / interest rate)	(269 188)	(2 692)	2 692
Commercial and treasury bonds (present value /interest rate)	19 850	(42)	42
Finance lease liabilities (nominal value / interest rate)	(22 048)	(220)	220
Effect on gross result for the period and net assets		**9 668**	**(9 747)**
Deferred tax		(1 837)	1 852
Total		**7 831**	**(7 895)**

In the calculation of sensitivity to interest rates, the following were omitted:

- fixed interest rate bonds,
- cash on hand and other cash equivalents.

Valuation of forward contracts and options does not show sensitivity to parallel fluctuations in interest rates with the exchange rates remaining unchanged.

Price risk

The Group is exposed to the price risk relating to increases in prices of the most popular construction materials such as steel, concrete or crude oil derivatives such as petrol, diesel oil, asphalts or fuel. The price risk regarding material purchased on the domestic market is estimated as moderate, while the price risk related to crude oil derivatives and steel is assessed as high.
Increases in prices of construction materials and labour costs may, in turn, result in higher prices of services rendered by subcontractors. Prices set forth in contracts with investors remain fixed over the entire period of contract realization i.e. most often for the period of 6 – 36 months, while contracts with subcontractors are made at a later date, as work on individual contract progresses.
In order to limit the price risk, prices of the most popular construction materials are monitored on an ongoing basis, while the construction contracts signed have the parameters relating, among others, to contract duration and value, appropriately matched with market situation. The Central Purchase Bureau operating within the structures of the Budimex Group, negotiates framework agreements with suppliers of basic construction materials based on the construction works planned.

Credit risk

Group companies cooperate with financial institutions of high financial standing both in the cash and capital transactions without incurring material risk of credit concentration. At the same time, the Group applies the policy of limiting credit exposure to individual financial institutions and issuers of debt securities, which are acquired as investments for periodic cash surpluses.

The financial assets of the Group exposed to an increased credit risk are trade receivables. The Budimex Group has applied the policy of credit risk assessment and verification in respect of all contracts, both at contract pre-tender and realization proper stage.

Prior to contract signing, each business partner is assessed for the capacity to discharge his financial liabilities. Signing contract with a party whose payment abilities were assessed negatively depends on establishing adequate financial and property collaterals and securities. In addition, clauses are included in investor contracts that provide for the right to stop any work if payments for the services already performed are delayed. Where possible, special contract provisions are made that tie payments to subcontractors with inflow of cash from the investor.

No significant credit risk concentration has been identified at the Group taking into consideration the fact that main customer is the government office (urząd administracji rządowej).

The Group is not exposed to significant credit risk to one business partner or a group of business partners with similar features. Credit risk relating to liquid assets and derivative financial instruments is limited as the Group business partners are banks with high credit rating awarded by recognized international rating agencies.
Except for the data presented in note 54, the carrying amount of financial assets recognized in the financial statements without accounting for losses reflects the maximum credit exposure of the Group to the credit risk without the value of the collaterals/ securities established.

Liquidity loss risk

In order to limit the risk of loss of liquidity, Group companies hold appropriate amounts of cash and marketable securities, and enter into credit facilities contracts which serve as an additional safeguard against loss of liquidity. To finance its investment purchases, the Group uses own funds or long-term finance lease contracts that ensure appropriate stability of financing structure for this type of assets.

Liquidity management is supported by the obligatory system of reporting liquidity forecasts by Group companies.

The maturity structure of finance liabilities has been presented in notes 25 and 26. Current favorable financial situation of the Budimex Group as regards its liquidity and availability of external sources of finance does not create any threats to further financing of Group's activities.

5. Capital management

The main objective of capital management at the Group is to keep good credit rating and safe financial covenants that would support operating business of the Group and increase its value for the shareholders.

The Group manages its capital structure and modifies it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may return its capital to the shareholders, issue new shares or pay dividend. In 2010 and 2009, no changes were made to process objectives and policies binding in this area.

The Group monitors the level of equity using the leverage ratio which is calculated as the ratio of net debt to total shareholders' equity increased by net debt. Included in the net debt are interest-bearing loans and borrowings, trade and other liabilities less cash and cash equivalents. Shareholders' equity comprises share capital attributable to the shareholders of the Parent Company less other reserves relating to unrealized net profits.

(All amounts are expressed in PLN thousands, unless stated otherwise)

The Group monitors the balance of equity using the gearing ratio, which is calculated as a proportion of net debt to the sum of capital increased by the net debt. Net debts includes interest-bearing loans and borrowings and other external sources of finance, trade and other payables, retentions for construction contracts, amounts due and payable to customers (investors) under construction contracts, prepayments received and current tax payables decreased by cash and cash equivalents and commercial and treasury bonds. Individual items were increased by appropriate amounts of cash and cash equivalents and liabilities of disposal groups.

	31 December 2010	**31 December 2009**
Interest bearing bank borrowings and loans	30 719	293 159
Trade and other liabilities	2 964 161	2 132 684
Less: Cash and Cash equivalents	(1 862 403)	(1 130 357)
Less: Commercial and security bonds	(14 017)	(19 850)
Net debt	1 118 460	1 275 636
Equity	680 405	586 180
Equity and net debt	1 798 865	1 861 816
Gearing ratio	62.18%	68.52%

6. Key estimates and assumptions

Estimates and assumptions are verified on a regular basis. These result from to date experience and other factors, including forecast of future events, which are reasonable in the given circumstances.

6.1 Key accounting estimates

Estimates and assumptions regarding future are made which are reflected in these consolidated financial statements. The actual results may differ from these estimates. The estimates made relate, among others, to created provisions, valuation of construction contracts, impairment write-downs against property, plant and equipment, accruals or adopted depreciation rates. Material assumptions, not described in this point, and adopted in the estimate of above values have been described in point 2 „Key accounting policies".

Warranty provision

The Budimex Group companies are required to issue a warranty for their construction services rendered. As a general rule, it has been accepted that warranty provision is connected with particular construction segments and amounts from 0.15% to 1.4% of total revenue from the given contract. This ratio is, however, analyzed on an individual basis and in justified cases maybe increased or reduced, as appropriate. The amounts of warranty provision have been presented in note 30.

Companies not engaged in construction business at the reporting date assess their risk of warranty for their products or services based on the historical data and current estimates.

Un-invoiced subcontractor services

The majority of construction contracts is realized by Group companies as general contractors with a wide support from various subcontractors. Performed construction works are approved by the investor in the process of technical approval and acceptance on the basis of technical acceptance protocol and invoice. At each reporting date, a material part of completed, yet not accepted and un-invoiced by subcontractors, construction projects is recorded. In accordance with the accruals principle, these are recognized by Group companies as costs of contracts. The amount of subcontractor costs in respect of completed and un-invoiced projects is determined by technical surveyors on the basis of quantity survey and may be different from that determined in the formal process of technical acceptance of construction works.

Tax settlements

Polish law contains numerous regulations concerning VAT, excise tax, corporate profits tax and social security contributions, which are all subject to frequent changes. Regulations regarding these taxes are subject to frequent changes which cause that these regulations are unclear and inconsistent. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. Tax and other settlements (e.g. customs or foreign currency settlements) may become subject to inspection by tax authorities within a period of five years. Tax control bodies are authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. There is a risk that tax or other administrative bodies take view on certain matters different to that adopted by Group companies as regards interpretations of binding regulations. This, in turn, could have a significant impact on tax liabilities of the Group.

(All amounts are expressed in PLN thousands, unless stated otherwise)

Provision for litigation

Group companies are parties to litigation proceedings. Legal departments and management boards of Group companies prepare detailed analyses of potential risks relating to the legal cases pending and, based on these, take decisions concerning the necessity to account for the effects of such proceedings in the company's books of account, or the amount of the provision.

6.2 Professional judgement in application of accounting policies

Recognition of sales revenue on construction contracts

Revenue from construction contracts during the period from contract date to the reporting date, after deducting revenues that affected the financial result in the previous reporting periods, are determined in proportion to the percentage of construction contract completion, which is measured as the share of the costs incurred from the date of contract to the date of contract revenue determining in the total contract costs (contract budget). Budgets of individual contracts are subject to regular updates (revisions), based on the current information, three times a year and are approved by the Management Board. Where budget events are identified that materially affect contract result, total contract revenues or costs may be updated earlier i.e. prior to regular scheduled contract update.

Where at the reporting date the percentage of construction contract completion cannot be determined in a reliable manner, contract revenue is determined at the amount of the costs incurred in the given period, not higher, however, than the amount of costs that can be covered by the investor in the future.

7. Discountinued operations

During the year ended 31 December 2010 and in 2009, no operations were discontinued within the meaning of IFRS 5.

8. The Budimex Group Entities

Presented below is the list of subsidiaries and jointly controlled entities of the Budimex Group:

Company name	Registered office	% in the share capital and in the number of votes	
		31 December 2010	31 December 2009
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%
Centrum Konferencyjne „Budimex” Sp. z o.o.	Licheń / Poland	100.00%	100.00%
Budimex Danwood Sp. z o.o.	Bielsk Podlaski / Poland	100.00%	100.00%
Budimex Bau GmbH	Walluf / Germany	100.00%	100.00%
MK Logistic Sp. z o.o. (in liquidation)	Zabrze / Poland	100.00%	100.00%
Budimex Nieruchomości Sp. z o.o.	Warsaw / Poland	100.00%	100.00%
Budimex Budownictwo Sp. z o.o. [1]	Warsaw / Poland	100.00%	-
Dromex Oil Sp. z o.o. (in liquidation)	Warsaw / Poland	97.93%	97.93%
Budimex SA Ferrovial Agroman SA s.c. [2]	Warsaw / Poland	99.98%	-
Budimex SA Sygnity SA Sp. j.	Warsaw / Poland	67.00%	67.00%
Budimex SA Ferrovial Agroman SA Sp. j.	Warsaw / Poland	50.00%	50.00%
Sprzęt Transport Sp. z o.o. in liquidation[3]	Cracow / Poland	-	100.00%
Budimex Auto-Park Sp. z o.o. [4]	Warsaw / Poland	-	100.00%

[1]) Company entered in the Register of Entrepreneurs on 18 June 2010.
[2]) Company was established on 21 July 2010.
[3]) Company liquidated on 31 May 2010.
[4]) Company included in Budimex SA on 23 June 2010. The company was consolidated using acquisition accounting (full) method and hence the transaction did not have any effect on the consolidated financial statements.

9. Operating segment information

Operating segments

For the management purposes the Group has been divided into segments based on the products and services offered. The Group operates in the following two operating segments:

- construction business
- developer and property management business.

Construction business covers rendering of widely understood construction-assembly services at home and abroad and is realised by the following Group companies:

- Budimex SA
- Sprzęt Transport Sp. z o.o. in liquidation (liquidated on 31 May 2010)
- Mostostal Kraków SA
- Budimex Bau GmbH
- Budimex Budownictwo Sp. z o.o.

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

- Budimex Nieruchomości Sp. z o.o.
- Centrum Konferencyjne „Budimex" Sp. z o.o.
- Budimex SA in a part relating to developer business, as a result of merger with Budimex Inwestycje on 13 August 2009
- Auto-Park Bydgoszcz Sp. z o.o. (included in Budimex SA on 23 June 2010)

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

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

(All amounts are expressed in PLN thousands, unless stated otherwise)

The results of segments for year ended **31 December 2010** are presented in the table below:

	Construction business	**Property management and developer business**	**Other business**	**Exclusions**	**Consolidated value**
External sales	3 774 627	495 680	159 962	-	**4 430 269**
Inter-segment sales	39 502	487	-	(39 989)	**-**
Total sales revenue	**3 814 129**	**496 167**	**159 962**	**(39 989)**	**4 430 269**
Cost of finished goods, goods for resale and raw materials sold externally	(3 432 556)	(365 963)	(147 483)	-	**(3 946 002)**
Cost of finished goods, goods for resale and raw materials sold to other segments	(24 069)	(39 894)	-	63 963	**-**
Cost of finished goods, goods for resale and raw materials sold	**(3 456 625)**	**(405 857)**	**(147 483)**	**63 963**	**(3 946 002)**
Gross profit on sales	**357 504**	**90 310**	**12 479**	**23 974**	**484 267**
Selling expenses	(11 108)	(8 796)	(3 614)	30	**(23 488)**
Administrative expenses	(113 007)	(15 996)	(6 957)	12 709	**(123 251)**
Other operating income/ (expenses), net	(19 709)	4 903	695	1 206	**(12 905)**
Profits on derivative financial instruments	2 052	-	4 691	-	**6 743**
Segment result	**215 732**	**70 421**	**7 294**	**37 919**	**331 366**
Finance income / (costs), net, of which:	11 287	(8 816)	(245)	1 296	**3 522**
- interest income	*36 799*	*3 172*	*45*	*(285)*	***39 731***
- interest expense	*(2 214)*	*(9 898)*	*(168)*	*282*	***(11 998)***
Shares in losses of equity accounted entities	-	-	(3 136)	-	**(3 136)**
Income tax expense	(42 929)	(12 010)	(1 932)	(7 472)	**(64 343)**
Net profit for the period	**184 090**	**49 595**	**1 981**	**31 743**	**267 409**

In 2010 sales revenue from one customer amounted to PLN 2 369 094 thousand and related entirely to the construction segment.

(All amounts are expressed in PLN thousands, unless stated otherwise)

The results of segments for year ended **31 December 2009** are presented in the table below:

	Construction business	Property management and developer business	Other business	Exclusions	Consolidated value
External sales	2 894 771	255 458	139 637	-	**3 289 866**
Inter-segment sales	72 259	2 091	-	(74 350)	**-**
Total sales revenue	**2 967 030**	**257 549**	**139 637**	**(74 350)**	**3 289 866**
Cost of finished goods, goods for resale and raw materials sold externally	(2 595 342)	(155 889)	(125 992)	-	**(2 877 223)**
Cost of finished goods, goods for resale and raw materials sold to other segments	(34 715)	(21 629)	-	56 344	**-**
Cost of finished goods, goods for resale and raw materials sold	**(2 630 057)**	**(177 518)**	**(125 992)**	**56 344**	**(2 877 223)**
Gross profit on sales	**336 973**	**80 031**	**13 645**	**(18 006)**	**412 643**
Selling expenses	(12 401)	(6 765)	(3 640)	44	**(22 762)**
Administrative expenses	(120 046)	(11 928)	(6 331)	8 880	**(129 425)**
Other operating income/ (expenses), net	(50 682)	(6 387)	135	654	**(56 280)**
Losses on derivative financial instruments	(3 278)	-	(387)	-	**(3 665)**
Segment result	**150 566**	**54 951**	**3 422**	**(8 428)**	**200 511**
Finance income / (costs), net, of which:	39 456	(17 116)	191	(539)	**21 992**
- interest income	*41 267*	*2 402*	*8*	*(3 231)*	***40 446***
- interest expense	*(3 221)*	*(19 219)*	*(159)*	*12 183*	***(10 416)***
Shares in gains of equity accounted entities	-	-	1 681	-	**1 681**
Income tax expense	(41 952)	(8 813)	(1 406)	1 645	**(50 526)**
Net profit for the period	**148 070**	**29 022**	**3 888**	**(7 322)**	**173 658**

In 2009 sales revenue from one customer amounted to PLN 2 124 679 thousand and related entirely to the construction segment.

(All amounts are expressed in PLN thousands, unless stated otherwise)

Other segment-related items recognized in the profit and loss account for the year ended **31 December 2010** are as follows:

	Construction business	**Property management and developer business**	**Other business**	**Consolidated value**
Depreciation and amortization	(18 586)	(604)	(2 011)	**(21 201)**
(Recognition) / reversal of impairment write-downs against receivables	(30 819)	(4)	(57)	**(30 880)**
(Recognition) / reversal of impairment write-downs against inventories	30	(4 852)	163	**(4 659)**
(Recognition) / reversal of other impairment write-downs	-	-	-	**-**
Other non-monetary income / (costs) *	(257 123)	(1 841)	(898)	**(259 862)**

Other segment-related items recognized in the profit and loss account for the year ended **31 December 2009** are as follows:

	Construction business	**Property management and developer business**	**Other business**	**Consolidated value**
Depreciation and amortization	(17 006)	(1 838)	(2 388)	**(21 232)**
(Recognition) / reversal of impairment write-downs against receivables	(27 127)	101	263	**(26 763)**
(Recognition) / reversal of impairment write-downs against inventories	1 424	(6 059)	39	**(4 596)**
(Recognition) / reversal of impairment write-downs against tangible fixed assets and investment properties	(5 032)	-	-	**(5 032)**
(Recognition) / reversal of other impairment write-downs	-	-	-	**-**
Other non-monetary income / (costs) *	(208 877)	450	(2 633)	**(211 060)**

*) Other non-monetary income / (costs) cover reversal / (creation) of provisions for contract losses and warranty repairs.

(All amounts are expressed in PLN thousands, unless stated otherwise)

Segment assets and liabilities and capital (investment) expenditure as at **31 December 2010** are presented in the table below:

	Construction business	Property management and developer business	Other business	Exclusions	Consolidated value
Segment assets	2 737 883	915 792	62 660	(22 752)	3 693 583
Investments in equity accounted entities	-	-	16 040	-	16 040
Unallocated segment assets					357 616
Total consolidated assets					**4 067 239**
Segment liabilities	2 965 385	218 659	53 632	(54 635)	3 183 041
Unallocated segment liabilities					203 793
Segment assets					**3 386 834**
Capital expenditure	31 841	140	1 891	(282)	**33 590**

Segment assets comprise mainly tangible fixed assets, intangible assets, inventories, derivative financial instruments, receivables and cash from operating activities. They do not, however, comprise loans granted, deferred tax assets or current tax assets (receivables)

Segment liabilities comprise operating liabilities (including derivatives), and do not cover tax liabilities, loan liabilities, liabilities arising from external sources of finance and deferred tax liability.

Capital expenditure covers increases in tangible fixed assets, investment properties, intangible assets and financial non-current assets.

(All amounts are expressed in PLN thousands, unless stated otherwise)

Segment assets and liabilities and capital (investment) expenditure as at **31 December 2009** are presented in the table below:

	Construction business	**Property management and developer business**	**Other business**	**Exclusions**	**Consolidated value**
Segment assets	1 850 701	1 307 038	31 708	(113 256)	3 076 191
Investments in equity accounted entities	-	-	20 653	-	20 653
Unallocated segment assets					242 779
Total consolidated assets					**3 339 623**
Segment liabilities	2 071 045	536 697	33 563	(276 092)	2 365 213
Unallocated segment liabilities					388 230
Segment assets					**2 753 443**
Capital expenditure	415 452	119	234	(3 777)	**412 028**

Segment assets comprise mainly tangible fixed assets, intangible assets, inventories, derivative financial instruments, receivables and cash from operating activities. They do not, however, comprise loans granted, deferred tax assets or current tax assets (receivables)

Segment liabilities comprise operating liabilities (including derivatives), and do not cover tax liabilities, loan liabilities, liabilities arising from external sources of finance and deferred tax liability.

Capital expenditure covers increases in tangible fixed assets, investment properties, intangible assets and financial non-current assets.

(All amounts are expressed in PLN thousands, unless stated otherwise)

Geographical information

The Budimex Group conducts business in Poland and abroad. Other markets include United Kingdom and Austria.

Revenue from sale of finished goods, goods for resale and raw materials

	2010	2009
Poland	4 165 163	3 020 895
Germany	254 221	251 897
Russia	-	-
Other markets	10 885	17 074
Total	**4 430 269**	**3 289 866**

Non-current assets

	31 December 2010	31 December 2009
Poland	188 424	179 162
Germany	2 326	2 471
Russia	433	443
Other markets	3	32
Total	**191 186**	**182 108**

Capital expenditure

	2010	2009
Poland	33 166	411 890
Germany	424	138
Russia	-	-
Other markets	-	-
Total	**33 590**	**412 028**

The geographical split of sales revenue matches customer localization and is consistent with the internal organizational structure of the Group and the system of internal financial reporting.

Non-current assets include property, plant and equipment, investment property, intangible assets, goodwill and long-term prepaid expenses.

The split of total assets and capital expenditure matches localization of branches and foreign operations included in the Budimex Group.

(All amounts are expressed in PLN thousands, unless stated otherwise)

10. Property, plant and equipment

	Land & perpetual usufruct	Buildings and constructions	Plant and machinery	Motor vehicles	Other [tangible] fixed assets	Construction in progress	Total
Gross book value as at 1 January 2010	**6 319**	**35 743**	**158 056**	**23 685**	**16 476**	**2 099**	**242 378**
Increases:	**120**	**2 724**	**25 979**	**3 578**	**2 656**	**(1 497)**	**33 560**
– purchase (including, acceptance for use under lease contracts)	-	647	24 769	3 578	2 631	803	**32 428**
– transfer from construction in progress	-	2 055	796	-	-	(2 851)	**-**
– increase of construction in progress	-	-	-	-	-	551	**551**
– foreign exchange differences	-	15	-	-	-	-	**15**
– other increases	120	7	414	-	25	-	**566**
Decreases:	**(210)**	**(12 844)**	**(7 195)**	**(3 428)**	**(1 402)**	**-**	**(25 079)**
– sale	(35)	-	(3 985)	(3 207)	(23)	-	**(7 250)**
– liquidation, scrapping	-	(117)	(1 447)	(203)	(655)	-	**(2 422)**
– transfer to assets classified as held for sale	(90)	(12 727)	(1 748)	-	(289)	-	**(14 854)**
– foreign exchange differences	-	-	(15)	(18)	(434)	-	**(467)**
– other decreases (including transfer to investments property)	(85)	-	-	-	(1)	-	**(86)**
Gross book value as at 31 December 2010	**6 229**	**25 623**	**176 840**	**23 835**	**17 730**	**602**	**250 859**
Accumulated depreciation as at 1 January 2010	**-**	**(9 598)**	**(101 188)**	**(13 794)**	**(12 036)**	**-**	**(136 616)**
Movements for the period:	-	1 995	(8 440)	1 133	(471)	-	**(5 783)**
–current deprecition (note 35)	-	(1 081)	(14 871)	(2 245)	(1 765)	-	**(19 962)**
– sale	-	-	3 891	3 162	18	-	**7 071**
– liquidation, scrapping	-	26	1 394	199	626	-	**2 245**
– transfer to assets classified as held for sale	-	3 076	1 498	-	267	-	**4 841**
– foreign exchange differences	-	(5)	16	17	15	-	**43**
– other (including transfer to investments property)	-	(21)	(368)	-	368	-	**(21)**
Accumulated depreciation as at 31 December 2010	**-**	**(7 603)**	**(109 628)**	**(12 661)**	**(12 507)**	**-**	**(142 399)**

(All amounts are expressed in PLN thousands, unless stated otherwise)

	Land & perpetual usufruct	Buildings and constructions	Plant and machinery	Motor vehicles	Other [tangible] fixed assets	Construction in progress	Total
Impairment write-downs as at 1 January 2010	**-**	**(5 670)**	**-**	**-**	**(302)**	**-**	**(5 972)**
– transfer to assets classified as held for sale	-	4 105	-	-	-	-	**4 105**
Impairment write-downs as at 31 December 2010	**-**	**(1 565)**	**-**	**-**	**(302)**	**-**	**(1 867)**
Net book value as at 1 January 2010	**6 319**	**20 475**	**56 868**	**9 891**	**4 138**	**2 099**	**99 790**
Net book value as at 31 December 2010	**6 229**	**16 455**	**67 212**	**11 174**	**4 921**	**602**	**106 593**

(All amounts are expressed in PLN thousands, unless stated otherwise)

	Land & perpetual usufruct	Buildings and constructions	Plant and machinery	Motor vehicles	Other [tangible] fixed assets	Construction in progress	Total
Gross book value as at 1 January 2009	**8 105**	**44 471**	**192 734**	**27 950**	**15 634**	**84**	**288 978**
Increases:	**89**	**689**	**9 905**	**5 269**	**2 080**	**2 295**	**20 327**
– purchase (including, acceptance for use under lease contracts)	4	255	8 293	5 216	2 078	140	**15 986**
– transfer from construction in progress	-	433	1 606	-	-	(2 039)	**-**
– increase of construction in progress	-	-	-	-	-	4 194	**4 194**
– foreign exchange differences	-	-	-	14	-	-	**14**
– other increases	85	1	6	39	2	-	**133**
Decreases:	**(1 875)**	**(9 417)**	**(44 583)**	**(9 534)**	**(1 238)**	**(280)**	**(66 927)**
– sale	(488)	(735)	(42 719)	(9 287)	(825)	(52)	**(54 106)**
– liquidation, scrapping	-	-	(1 483)	(222)	(355)	-	**(2 060)**
– transfer to assets classified as held for sale	(1 281)	(8 476)	(318)	-	(1)	-	**(10 076)**
– foreign exchange differences	-	(42)	(4)	(2)	(21)	-	**(69)**
– other decreases (including transfer to investments property)	(106)	(164)	(59)	(23)	(36)	(228)	**(616)**
Gross book value as at 31 December 2009	**6 319**	**35 743**	**158 056**	**23 685**	**16 476**	**2 099**	**242 378**
Accumulated depreciation as at 1 January 2009	**-**	**(11 318)**	**(122 823)**	**(20 262)**	**(11 455)**	**-**	**(165 858)**
Movements for the period:	-	1 720	21 635	6 468	(581)	-	**29 242**
– current depreciation (note 35)	-	(2 021)	(14 162)	(1 913)	(1 703)	-	**(19 799)**
– sale	-	113	34 080	8 297	730	-	**43 220**
– liquidation, scrapping	-	-	1 339	60	345	-	**1 744**
– transfer to assets classified as held for sale	-	3 167	305	-	1	-	**3 473**
– foreign exchange differences	-	-	4	(1)	20	-	**23**
– other (including transfer to investments property)	-	461	69	25	26	-	**581**
Accumulated depreciation as at 31 December 2009	**-**	**(9 598)**	**(101 188)**	**(13 794)**	**(12 036)**	**-**	**(136 616)**
Impairment write-downs as at 1 January 2009	**(11)**	**(2 764)**	**(1 026)**	**(538)**	**(302)**	**-**	**(4 641)**

(All amounts are expressed in PLN thousands, unless stated otherwise)

	Land & perpetual usufruct	Buildings and constructions	Plant and machinery	Motor vehicles	Other [tangible] fixed assets	Construction in progress	Total
– increased (note 37)	-	(6 596)	-	-	-	-	**(6 596)**
– transfer to assets classified as held for sale	11	3 690	-	-	-	-	**3 701**
– odwrócenie odpisów aktualizujących	-	-	1 026	538	-	-	**1 564**
Impairment write-downs as at 31 December 2009	**-**	**(5 670)**	**-**	**-**	**(302)**	**-**	**(5 972)**
Net book value as at 1 January 2009	**8 094**	**30 389**	**68 885**	**7 150**	**3 877**	**84**	**118 479**
Net book value as at 31 December 2009	**6 319**	**20 475**	**56 868**	**9 891**	**4 138**	**2 099**	**99 790**

(All amounts are expressed in PLN thousands, unless stated otherwise)

Depreciation of property, plant and equipment was recognized under the following items of the profit and loss account:

	2010	**2009**
Cost of finished goods and services sold	18 123	17 812
Administrative expenses	1 646	1 786
Other costs	193	201
Total	**19 962**	**19 799**

The Group as lessee uses the following fixed assets under finance lease contracts:

	31 December 2010		**31 December 2009**	
	Initial cost-capitalised finance lease	**Net carrying amount**	**Initial cost-capitalised finance lease**	**Net carrying amount**
Plant and machinery	42 400	29 544	39 877	28 497
Motor vehicles	2 604	1 398	4 127	2 511
Other fixed assets	-	-	219	-
Total	**45 004**	**30 942**	**44 223**	**31 008**

As at 31 December 2010 a pledge with a value of of PLN 7 897 thousand was established on tangible fixed assets of Group entities, while as at 31 December 2009 – of EUR 13 284 thousand. Carrying amount of fixed assets with a pledge established as at 31 December 2010 amounted to PLN 6 272 thousand, while as at 31 December 2009 amounted to PLN 10 238 thousand.

Total value of received or receivable compensations in respect of the fixed assets that were impaired or lost in 2010 was PLN 38 thousand (in the corresponding period of 2009: PLN 199 thousand).

11. Investment property

	31 December 2010	**31 December 2009**
Land	1	47
Perpetual usufruct	-	1
Buildings and constructions	3 343	3 548
Other	39	77
Total investment properties	**3 383**	**3 673**
Fair value of investment properties	*18 788*	*21 203*

(All amounts are expressed in PLN thousands, unless stated otherwise)

Movements in the balance of investment properties during 2010 and 2009 were as follows:

	2010	2009
Balance at the beginning of the period		
Gross book value	6 089	9 657
Accumulated depreciation (incl. accumulated impairment losses)	(2 416)	(3 804)
Net book value at the beginning of the period	**3 673**	**5 853**
Movements during the year		
Purchase	23	73
Disposal	(273)	(372)
Additions from the construction in progress	-	228
Reversal of impairment write-downs recognised in profit and loss account as a result of disposal	104	-
Transfer to non-current assets classified as held for sale	-	(1 549)
Transfer from property plant and equipment	-	95
Depreciation (note 35)	(144)	(209)
Other movements	-	(446)
Balance at the end of the period		
Gross book value	5 792	6 089
Accumulated depreciation (incl. accumulated impairment losses)	(2 409)	(2 416)
Net book value	**3 383**	**3 673**

As at 31 December 2010 and 31 December 2009, Group entities did not report any significant legal or obligatory charges established on their investment properties.

Depreciation of investment properties for the year ended 31 December 2010 and 31 December 2009 was recognized in the profit and loss account under cost of finished goods and services sold.

An independent surveyor performed valuation of the part of investment properties for the amount of PLN 18 788 thousand as of 31 December 2010. The valuations confirmed that investment properties held by the Group were not impaired.

An independent surveyor performed valuation of the part of investment properties for the amount of PLN 12 000 thousand in the second half of 2009. Fair value of the remaining investment properties was estimated by the company as at 31 December 2009 and it amounted to PLN 9 203 thousand, of which PLN 7 933 thousand based on the market value of similar investment properties and PLN 1 270 thousand based on the preliminary sales agreements. The valuations confirmed that investment properties held by the Group were not impaired.

Group companies recognized in their profit and loss accounts the following balances of income from and costs of investment property management:

	2010	2009
Rental charge income	3 604	6 877
Direct operating expenses (incl. costs of repair and maintenance) relating to investment properties that resulted in rental charge income	4 605	3 629
Direct operating expenses (incl. costs of repair and maintenance) relating to investment properties that did not result in rental charge income	-	3 480

(All amounts are expressed in PLN thousands, unless stated otherwise)

12. Intangible assets

	Computer software	Licenses and patents	Other	Total
Gross book value as at 1 January 2010	**18 733**	**4 712**	**139**	**23 584**
Increases:	**1 023**	**-**	**22**	**1 045**
– purchase	566	-	22	**588**
– settlement of prepayments received	457	-	-	**457**
Decreases:	**(145)**	**(161)**	**(1)**	**(307)**
– liquidation	(137)	(11)	-	**(148)**
– foreign exchange differences	(6)	(150)	(1)	**(157)**
– other	(2)	-	-	**(2)**
Gross book value as at 31 December 2010	**19 611**	**4 551**	**160**	**24 322**
Accumulated amortization as at 1 January 2010	**(17 546)**	**(2 372)**	**(136)**	**(20 054)**
Movements for the period:	(604)	(225)	(5)	**(834)**
– current amortization (note 35)	(771)	(317)	(7)	**(1 095)**
– liquidation	137	11	-	**148**
– foreign exchange differences	5	80	2	**87**
– other	25	1	-	**26**
Accumulated amortization as at 31 December 2010	**(18 150)**	**(2 597)**	**(141)**	**(20 888)**
Net book value as at 1 January 2010	**1 187**	**2 340**	**3**	**3 530**
Net book value as at 31 December 2010	**1 461**	**1 954**	**19**	**3 434**

	Computer software	Licenses and patents	Other	Total
Gross book value as at 1 January 2009	**19 066**	**4 775**	**191**	**24 032**
Increases:	**500**	**2**	**-**	**502**
– purchase	330	2	-	**332**
– settlement of prepayments received	170	-	-	**170**
Decreases:	**(833)**	**(65)**	**(52)**	**(950)**
– sales	(88)	-	-	**(88)**
– liquidation	(734)	-	(52)	**(786)**
– foreign exchange differences	(7)	(65)	-	**(72)**
– other	(4)	-	-	**(4)**
Gross book value as at 31 December 2009	**18 733**	**4 712**	**139**	**23 584**
Accumulated amortization as at 1 January 2009	**(17 474)**	**(2 070)**	**(130)**	**(19 674)**
Movements for the period:	(72)	(302)	(6)	**(380)**
– current amortization (note 35)	(872)	(346)	(6)	**(1 224)**
– sale	60	-	-	**60**
– liquidation	727	-	-	**727**
– foreign exchange differences	10	44	-	**54**
– other	3	-	-	**3**

(All amounts are expressed in PLN thousands, unless stated otherwise)

Accumulated amortization as at 31 December 2009	**(17 546)**	**(2 372)**	**(136)**	**(20 054)**
Net book value as at 1 January 2009	**1 592**	**2 705**	**61**	**4 358**
Net book value as at 31 December 2009	**1 187**	**2 340**	**3**	**3 530**

Amortization of intangible assets was recognized under the following items of the profit and loss account:

	2010	**2009**
Cost of finished goods and services sold	432	406
Administrative expenses	646	794
Other costs	17	24
Total	**1 095**	**1 224**

The Group did not report any material intangible assets developed internally.

As at 31 December 2010 and 31 December 2009, Group companies did not report any material public or obligatory charges established on their intangible assets.

No impairment write-downs against intangible assets were made in the year 2010 or 2009.

13. Non-current asssets (disposal groups) classified as held for sale

	31 December 2010	**31 December 2009**
Non-current assets classified as held for sale, of which:	**5 908**	**4 451**
– fixed assets	*5 908*	*2 886*
– investment properties	-	*1 565*
Disposal groups	-	-
Total	**5 908**	**4 451**

Non-current assets classified as held for sale

As at 31 December 2010, the Budimex Group reported under current assets plots of land classified as investment properties. These represent non-current assets, in respect of which preliminary sale contracts had been signed. Final sale contracts are expected to be signed in 2011.

As a result of classifying those assets to the held for sale group, no impairment write-downs were recognized as their contractual selling price less selling expenses would exceed their carrying amounts. As of the moment of re-classification of those assets, the Group has discontinued calculating depreciation charges.

All non-current assets classified as held for sale as at 31 December 2010 and 31 December 2009 were recognized as part of the „Property management and developer business" segment.

14. Goodwill

Goodwill of PLN 73 237 thousand recognized as at 31 December 2010 and 31 December 2009 relates to Budimex Dromex SA, which was merged with Budimex SA on 16 November 2009.

Goodwill impairment test

Goodwill is allocated to cash generating units at the Group. It is assumed that the cash generating unit for the goodwill that arose on acquisition of Budimex Dromex by the Parent Company is the part of construction segment referring to domestic general construction and infrastructure.

The recoverable amount of the cash generating unit is determined on the basis of calculations of value in use. The calculations make use of the projections of cash flows adopted for three-year budgets approved by the Management Board. Cash flows beyond the three year period were assessed at fixed level. The rate of growth adopted does not exceed the average growth rate for the construction industry, in which the cash generating unit operates. The calculations assumed the gross margin ranging from 8.0% to 8.2% and the discount rate of 15% (after grossing up). The Management Board determined budgeted gross margin on the basis of historical data and its projections for market development. Average weighted rates of growth are consistent with forecasts presented in industry reports. The applied discount rate is the rate before taxation that accounts for the specific threats of individual segments.

(All amounts are expressed in PLN thousands, unless stated otherwise)

Based on the goodwill impairment test conducted as at 31 December 2010, the Management Board concluded that there was no need to recognize any impairment write-down.

15. Joint-ventures

Jointly controlled entities

The Budimex Group jointly controls Budimex SA Sygnity SA Sp. j., in which it has a 67% share. This is an SPE (special purpose entity) established to carry out the contract „Construction of the registered office of Transmission System Operator together with external infrastructure in Bielawa near Warsaw” *(„Budowa siedziby Operatora Systemu Przesyłowego wraz z infrastrukturą zewnętrzną Bielawa k/Warszawy”).*

In addition, the Budimex Group has 50% share in Budimex SA Ferrovial Agroman SA Sp. j. The company was established to carry out the contract for designing and constructing the section of the A1 motorway between Stryków and Pyrzowice. On 21 July 2010 Budimex SA Ferrovial Agroman SA s.c. was established, in which the Budimex Group has a 99.98% share. The company was established to carry out the contract "Redevelopment/Modernisation of DS-1 runway, taxiways, patrol road and fire escape route at Fryderyk Chopin Airport in Warsaw". (*„Przebudowa/Modernizacja drogi startowej DS-1, dróg kołowania, drogi patrolowej i drogi p.poż w Porcie Lotniczym im. F. Chopina w Warszawie”).*

The following amounts represent the share of the Group in assets, liabilities, sales revenue, costs and the financial result of the jointly controlled companies:

	31 December 2010	31 December 2009
Non-current assets	74	117
Current assets	25 977	97 410
Total assets	**26 051**	**97 527**
Non-current liabilities	4 294	4 605
Current liabilities	27 082	82 248
Total liabilities	**31 376**	**86 853**
Net assets	**(5 325)**	**10 674**

	2010	2009
Total revenues	74 262	44 864
Total costs	(90 458)	(41 945)
Income tax expense	-	-
Net profit/ (loss)	**(16 196)**	**2 919**

	31 December 2010	31 December 2009
Proportionate share in future liabilities of joint venture	-	-
Proportionate share in contingent liabilities of joint venture	3 057	3 057

Jointly controlled business

As at 31 December 2010 and 31 December 2009, Group companies were parties to consortium agreements for the realization of construction contracts. Revenues and expenses, assets and liabilities relating to the realization of these contracts in the part allocated to Group companies were appropriately accounted for in the books of account of these companies. As at 31 December 2010 and 31 December 2009, the contingent liabilities underlying these projects include performance bond, guarantee to return contract prepayments received and were included in the total balance of contingent liabilities recognized in the consolidated financial statements. No future investment commitments relating to these contracts were recorded.

(All amounts are expressed in PLN thousands, unless stated otherwise)

The table below shows the Groups' share in jointly realized contracts:

Contract name	The Budimex Group share in the consortium 31 December 2010	31 December 2009
Consortiums with the Ferrovial Group companies		
Construction of drier and sediment burning plant in Olsztyn	65%	65%
Construction of sewage treatment plant in Szczecinek	51%	51%
Modernization of sewage treatment plant in Klimzowiec	50%	50%
Sewage treatment plant in Wrocław	50%	50%
Biogas management and thermal drying of sediment in the Central Sewage Treatment Plant in Poznań	40%	40%
Development and modernization (together with full technical infrastructure) of the Warsaw Frederic Chopin Airport – Terminal II*	37%	37%
Consortiums with other entities:		
Modernization of hospital in Koszalin	96%	-
Construction of A-1 Pyrzowice - Piekary Śląskie Motorway*	90%	90%
Contruction of tourist and leisure complex in Żagań	85%	84%
Rebuilding of stadium of ArkaGdynia	81%	88%
Construction of the second passenger terminal for Gdańsk Airport	51%	-
Construction of the S-8 dual carriageway – The Armia Krajowa route from the Konotopa to Prymasa Tysiąclecia junction	27%	28%
Development and modernization of the sewerage and rain system in Olsztyn*	-	82%
Development of crossing in Terespol – northern platform	-	79%

* contract completed

Presented below are selected financial data recognized in the books of account of the Budimex Group companies relating to contracts realized by the consortiums listed above:

	31 December 2010	31 December 2009
Non-current assets	1 504	1 669
Current assets	693 752	263 483
Non-current liabilities	12 630	21 545
Current liabilities	519 709	285 022
Contingent liabilities	106 259	213 961
Profit and Loss Account	**2010**	**2009**
Total revenues	808 192	414 992
Total costs	(598 924)	(456 407)

Budimex SA has a 37% share in the consortium set up with Ferrovial Agroman SA and Estudio Lamela S.L. (the "Consortium") to perform a contract for developing and modernizing (together with full technical infrastructure) Warsaw Frederic Chopin Airport – Terminal II *(Międzynarodowy Port Lotniczy Warszawa Okęcie*) of an original value of USD 198 850 thousand and a completion date of 14 November 2005. In the 1st quarter of 2005, the investor extended the work completion deadline to 15 April 2006 due to a 5-month delay in the Consortium obtaining planning permission (for reasons independent of the Consortium). On 15 September 2006, the Consortium signed an Annex to the above contract with the airport managing company, Przedsiębiorstwo Państwowe Porty

(All amounts are expressed in PLN thousands, unless stated otherwise)

Lotnicze. Due to the scope of work being extended and taking into account compensation for the additional general costs incurred by the Consortium in the extended period, the total value of the contract increased to USD 247 687 thousand. The Parties agreed that the new work completion deadline would be 30 November 2007. The investor, Przedsiębiorstwo Państwowe Porty Lotnicze, also imposed on the Consortium liquidated damages (as provided for in the original contract) of USD 6 378 thousand for the delay in contract performance past the deadline of 15 April 2006.

On 12 October 2007, the Consortium received a statement from Przedsiębiorstwo Państwowe Porty Lotnicze ("PPPL") to the effect that it was rescinding the contract for the development of Warsaw Frederic Chopin Airport. On 29 October 2007, the Management Board of Budimex SA was informed by the company's banks that Przedsiębiorstwo Państwowe Porty Lotnicze had demanded payment from the bank guarantee of USD 8 665 thousand towards Budimex SA's share, as a member of the Consortium carrying out the development project at Warsaw Frederic Chopin Airport. In the period 2-9 November 2007, payments were made to PPPL under the bank guarantee in proportion to Budimex's share in the Consortium of a total amount of PLN 21 612 thousand. According to the Executive Consortium, the demands for payments from the bank guarantees were made in breach of the Contract and the Civil Code.

Income and expenses and assets and liabilities related to the realization of the contract in the part falling to Budimex were accounted for in books appropriately. As at 31 December 2010 and 31 December 2009 there were no capital liabilities referring to the contract. Contingent liabilities resulting from counter-claim statements have been described in note 52.

According to the closest Management Board estimates, as at the date of these consolidated financial statements and having considered the risk relating to the above proceedings, the total loss incurred by Budimex on this contract (proportionate to Budimex's share in the Consortium), taking into account other operating costs/income and other financial costs/income (including the result on forward contracts entered into to minimize the foreign exchange risk) was PLN 101 136 thousand as at 31 December 2010 (as at 31 December 2009: PLN 110 875 thousand). Budimex's loss on the entire contract, without taking into account the result of other operating and financial activities was PLN 143 362 thousand as at 31 December 2010 (as at 31 December 2009: PLN 153 100 thousand). As the Consortium has not completed its financial settlements with PPPL and its subcontractors and due to the arbitration proceedings pending, the final result of the contract performance may change.

16. Investments in equity accounted entities

	2010	2009
Balance at the beginning of the period	**20 653**	**21 028**
– of which goodwill	-	-
Share in profits / (losses)* (note 40)	(3 136)	1 681
Dividend paid by associate	(1 477)	(2 056)
Balance at the end of the period	**16 040**	**20 653**
– of which goodwill	**-**	**-**

*) Shares in profits for the period also covers a part of the prior year result, which was not consolidated in the year to which it related. The consolidated financial statements of the Budimex Group was based on the preliminary financial data of companies for the given financial year, while the financial statements of equity accounted changed after publication of the consolidated financial statements of the Group. Share in the results of equity accounted companies for the year 2010 was adjusted by PLN 577 thousand and for the year 2009 by PLN 482 thousand.

The list of associates as at 31 December 2010 and 31 December 2009 is as follows:

Company name	**Registered office**	**% in the share capital and in the number of votes**	
		31 December 2010	**31 December 2009**
Elektromontaż Poznań SA	Poznań / Poland	30.78%	30.78%
PPHU Promos Sp. z o.o.	Cracow / Poland	25.53%	25.53%

(All amounts are expressed in PLN thousands, unless stated otherwise)

Selected financial data of equity accounted entities are as follows:

Company name	Assets	Liabilities and provisions	Total revenues	Net profit/ (loss)
31 December 2010				
PPHU Promos Sp. z o.o.	10 775	5 017	15 734	450
Elektromontaż Poznań SA	99 201	48 337	139 532	(12 436)
	109 976	**53 354**	**155 266**	**(11 986)**

Company name	Assets	Liabilities and provisions	Total revenues	Net profit
31 December 2009				
PPHU Promos Sp. z o.o.	10 241	4 567	9 879	711
Elektromontaż Poznań SA	112 314	44 607	146 995	5 116
	122 555	**49 174**	**156 874**	**5 827**

The share of the Budimex Group in the contingent liabilities of associates as at 31 December 2010 was PLN 7 163 thousand and as at 31 December 2009 was PLN 7 712 thousand. The share of the Budimex Group in the contingent receivables of associates as at 31 Decemmber 2010 was PLN 711 thousand and as at 31 December 2098 was PLN 4 643 thousand.

17. Available-for-sale financial assets

	2010	2009
Balance at the beginning of the period	**23 955**	**17 675**
Increases:	**-**	**6 443**
– purchase*	-	6 443
Decreases:	**-**	**(163)**
– impairment write-downs (note 39)	-	(38)
– other **	-	(125)
Balance at the end of the period	**23 955**	**23 955**
Of which:		
– non-current	23 955	23 955
– current	-	-

*) refers to equity increase in Autostrada Południe SA
**) liquidation of ZAO Budimex on 7 May 2009

Available-for sale financial assets comprise solely shares in companies.

The fair value of short- and long-term financial assets available-for sale as at 31 December 2010 and 31 December 2009 equated their acquisition cost, considering the fact that there is no active market for these assets. The fair value of these assets cannot be established as there is no active market for them.

During the period of the nearest 12 months, the Group does not intend to dispose any available-for-sale financial assets.

As at 31 December 2010 and 31 December 2009 no securities or collaterals were established on these assets.

(All amounts are expressed in PLN thousands, unless stated otherwise)

18. Financial assets at fair value through profit or loss

	31 December 2010	31 December 2009
Derivative financial instruments (note 19)	3 157	8 839
Other financial assets at fair value through profit or loss – financial assets held for trading	14 017	19 850
-- of which: commercial bonds	*14 017*	*19 850*
Total	**17 174**	**28 689**

Other financial assets at fair value through profit or loss

	2010	2009
Balance at the beginning of the period	**19 850**	**99 504**
Purchase	14 013	78 518
Disposal	(19 067)	(157 770)
Accrued interest adjustment	(779)	(402)
Balance at the end of the period	**14 017**	**19 850**
-- of which: in related parties	-	-

As at 31 December 2010, the profitability of debt securities acquired by the Group was 3.62% p.a. The maturity date of debt securities recognized as at 31 December 2010 was 11 May 2011.

As at 31 December 2009, the profitability of debt securities acquired by the Group was 4.84% p.a. The maturity date of debt securities recognized as at 31 December 2009 was 17 March 2010.

As at 31 December 2010 and 31 December 2009 no securities or collaterals were established on these assets.

19. Derivative financial instruments

Policies concerning use of derivative financial instruments are defined in the Group Risk Management Policy adopted by the Management Board.

Derivative financial instruments are valued at the reporting date in a reliably determined fair value. Fair value of derivative financial instruments is estimated using the model based, among others, on currency exchange rates (average NBP rates) prevailing on the reporting date and on differences in interest rates of the quotations and base currencies.

The effects of periodic valuation of derivative financial instruments are stated under operating result for the reporting period, in which gains or losses from investsment re-valuation/ impairment were recognized. Gains or losses determined on the date of settlement are recognized in the profit and loss account under gains or losses on disposal of investment, as appropriate.

The fair value of transactions concluded by the Group and open as at 31 December 2010 and 31 December 2009 is presented in the table below:

	Financial assets on valuation of derivative financial instruments		Financial liabilities on valuation of derivative financial instruments	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Currency forward contracts, FX Forward	3 157	8 183	460	16 124
Currency option	-	656	-	-

(All amounts are expressed in PLN thousands, unless stated otherwise)

The total nominal value of currency forward contracts, the FX Forward type, as at 31 December 2010 was EUR 34 789 thousand, while as at 31 December 2009 was EUR 78 394 thousand and GBP 946 thousand. As at 31 December 2010 the Group did not hold any currency options, while as at 31 December 2009 nominal value of purchased currency options amounted to EUR 6 804 thousand.

Forward selling/ buying rate for the EUR transactions open as at 31 December 2010 ranged EUR/ PLN 3.9453 – 4.4455 (as at 31 December 2009: EUR/ PLN 3.2857 – 4.7440). There was no GBP forward trasaction open as at 31 December 2010 (as at 31 December 2009 the forward/ selling rate ranged GBP/ PLN 4.6006 – 4.6262). As at 31 December 2010 and 31 December 2009 there was no USD forward transaction open for which the second currency of transaction is EUR or PLN. As at 31 December 2010 the Group did not hold any currency options, while as at 31 December 2009 strike price of purchased currency options (put options) amounted to EUR/ PLN 4.0255.

Forward transactions open as at 31 December 2010 are to be settled within 13 - 577 days (as at 31 December 2009, transaction settlement date was 28 - 574 days).

Financial assets at fair value through profit or loss

	31 December 2010	31 December 2009
Maturity analysis		
a) less than 1 year	3 157	8 839
b) 1-2 years	-	-
c) 2-5 years	-	-
d) above 5 years	-	-
Total	**3 157**	**8 839**

Financial liabilities at fair value through profit or loss

	31 December 2010	31 December 2009
Maturity analysis		
a) less than 1 year	460	16 124
b) 1-2 years	-	-
c) 2-5 years	-	-
d) above 5 years	-	-
Total	**460**	**16 124**

20. Loans granted and other financial assets

As at 31 December 2009, the balance of loans covered loan in the amount of EUR 37.5 thousand (PLN 149 thousand) granted by Budimex SA to PKZ – Budimex GmbH (the Budimex SA jointly controlled entity); loan interest is based on the 2M EURIBOR+1%. As at 31 December 2009, the loan was impaired in full. In 2010, the loan was derecognised in total.

(All amounts are expressed in PLN thousands, unless stated otherwise)

21. Trade and other receivables

	31 December 2010	31 December 2009
Long-term trade and other receivables		
Other non-financial receivables	-	-
Long-term trade and other receivables, net	**-**	**-**
Receivables impairment write-down	95	101
Long-term trade and other receivables, gross	**95**	**101**
Short-term trade and other receivables		
Trade receivables	339 806	375 107
Prepayments made	24 621	16 262
Taxation, subsidy, customs duty, social security, health insurance and other debtors	3 972	3 389
Other receivables	4 614	3 535
Short-term trade and other receivables, net	**373 013**	**398 293**
Receivables impairment write-down	102 081	79 918
Short-term trade and other receivables, gross	**475 094**	**478 211**
Total trade and other receivables, net	**373 013**	**398 293**

There is no credit risk concentration in respect of trade receivables taking into consideration the fact that the main customer is government office.

The fair value of trade and other receivables approximates their carrying amount.

As at 31 December 2010 and 31 December 2009 no securities or collaterals were established on these assets.

Impairment write-downs against trade and other receivables

	2010	2009
Impairment write-downs against receivables at the beginning of the period	**80 019**	**60 082**
Charge to other operating expenses (note 37)	43 540	35 652
Reversed to other operating income (note 37)	(12 660)	(8 889)
Utilized	(8 267)	(6 906)
Foreign exchange differences	(600)	6
Other	144	74
Impairment write-downs against receivables at the end of the period	**102 176**	**80 019**

(All amounts are expressed in PLN thousands, unless stated otherwise)

Maturity analysis of trade receivables

The tables below show the maturity analysis of trade and other receivables, which are overdue but not impaired at the reporting date. As at 31 December 2010 and 31 December 2009 there were no overdue debts not impaired.

	31 December 2010	31 December 2009
Overdue trade receivables, outstanding for:		
- less than 1 month	14 051	12 793
- 1-3 months	23 337	11 115
- 3-6 months	9 502	12 405
- 6 months – 1 year	18 653	12 030
- above 1 year	5 533	55 451
Total overdue trade receivables	**71 076**	**103 794**

22. Inventories

	31 December 2010	31 December 2009
Raw materials	205 725	38 579
Semi-finished goods and work in progress	70 818	117 814
Finished goods	194 339	412 072
Goods for resale	520 505	560 169
Total inventories at the end of the period, net	**991 387**	**1 128 634**
Inventory impairment write-downs	12 792	9 997
Total inventories at the end of the period, gross	**1 004 179**	**1 138 631**

Impairment write-downs against inventories

	2010	2009
Inventory impairment write-downs at the beginning of the period	**9 997**	**9 420**
Charge to other operating expenses (note 37)	4 861	6 792
Reversed to other operating income (note 37)	(202)	(2 196)
Chanage In the composition of the Group	(56)	-
Utilised	(1 808)	(4 019)
Inventory impairment write-downs at the end of the period	**12 792**	**9 997**

Reasons for reversing inventory impairment write-downs have been presented in the table below:

	2010	2009
Disposal of inventories	202	2 196
Total	**202**	**2 196**

(All amounts are expressed in PLN thousands, unless stated otherwise)

Securities were established on the inventories of Group companies at a value of PLN 23 770 thousand as at 31 December 2010, and PLN 830 250 thousand as at 31 December 2009. Carrying amount of inventories with collaterals established as at 31 December 2010 amounted to 24 519 thousand and 31 December 2009 amounted to PLN 1 481 280 thousand.

Total value of interest capitalised to the Group companies' inventories (developer companies) was PLN 4 461 thousand as at 31 December 2010 and PLN 8 898 thousand as at 31 December 2009. In 2009 companies capitalised to inventories interest with a value of PLN 7 641 thousand, while in 2010 no interest was capitalised. Average interest rate of loans taken out to finance inventories in 2010 was 5.96% (in 2009: 6.20%).

The value of inventories to be utilised or sold in the period of more than 12 months as at 31 December 2010 is PLN 586 252 thousand and as at 31 December 2009 – PLN 898 542 thousand.

Inventories in the amount of PLN 766 911 thousand relates to investment expenditures incurred in respect of realized residential projects in order to sale the apartments subsequently. Due to the situation on the residential market the Group is subject to risk of decline in the prices of apartments and service premises. The risk of price decline was limited in respect of apartments, which had been sold based on the preliminary sales agreements. Regarding investment projects for which the construction phase did not start, the Group did not conclude the binding agreements for construction services.

In order to verify the apporpriateness of market value of possessed assets, the Management Board Board commissioned an independent surveyor – Ernst & Young Real Estate Sp. z o.o. to perform impairment test in respect of inventories. Market value of inventories as at 31 December 2010 based on the valuation made by the surveyor exceed the carrying amount of valued assets. Based on the valuation made by the independent surveyor the Management Board decided that no other impairment adjustment should be recognised except for those already recognised in the financial statements. However, taking into consideration the instability of real estate market, it cannot be excluded that future sale prices can be significantly different from prices used by the Company and the independent surveyor for the impairment test purposes.

Up to the date of preparation the consolidated financial statements there were no events that should be reflected in the form of adjustment or disclosure in the consolidated financial statements.

23. Cash and cash equivalents

	31 December 2010	31 December 2009
Cash on hand	48	159
Cash at bank	1 859 990	1 129 055
- current accounts	2 296	10 003
- overnight (one-day) deposits	367 237	268 837
- other deposits	1 490 395	850 164
– deposits in developer entities on escrow accounts	51	-
- deposits serving as security for bank guarantees	11	51
Other cash	2 365	1 143
Total cash and cash equivalents	**1 862 403**	**1 130 357**
Cash and cash equivalents of restricted use	(856)	(68)
Cash recognized in the cash flow statement	**1 861 547**	**1 130 289**

The balance of cash and cash equivalents covers cash of consortiums in the part attributable to the consortium members in the amount of PLN 98 388 thousand as at 31 December 2010 and PLN 73 291 thousand as at 31 December 2009.

Short-term bank deposits and investments with high liquidity included cash and cash equivalents are mainly „overnight" deposits and short-term deposits with a maturity date of 6 - 92 days with an average effective interest rate as at 31 December 2010 of 3.64% per annum for deposits in PLN, 0.52% per annum for deposits in EUR (as at 31 December 2009: 3.90% p.a. for deposits in PLN and 0.16% p.a. for deposits in EUR and 0.03% per annum for deposits in USD). Average maturity period for these deposits is 52 days (31 December 2009: 15 days).

(All amounts are expressed in PLN thousands, unless stated otherwise)

Included in cash and cash equivalents of restricted use are the following:

	31 December 2010	31 December 2009
Cash and cash equivalents serving as bank guarantees	11	51
– deposits in developer entities on escrow accounts	51	-
Other	794	17
Total cash and cash equivalents of restricted use	**856**	**68**

In 2010 the Group obtained cash in the amount of PLN 200 thousand as a result of guarantee realization (in 2009: PLN 1 940 thousand).

24. Shareholders' equity

At the date of transition to IFRS, the Group adjusted shareholders' equity and share premium for the period, in which Polish economy was hyperinflationary. The effects of translation and reconciliation of balances shown in the books of account and corporate records of the Parent Company as at 31 December 2010 with balances recognized in the financial statements were presented in the table below. These balances were identical as at 31 December 2009.

	Ordinary shares	Share premium
Registered capital	**127 650**	**232 719**
Translation of capital due to hyperinflation	18 198	2 080
Value recognized in the financial statements	**145 848**	**234 799**

The value by which the share capital and share premium were adjusted in connection with hyperinflation was recognized in equity under „Accumulated profits/ (losses) from previous years".

Share capital of the Parent Company consists of 25 530 098 shares with a total value of PLN 127 650 thousand. The structure of the share capital of the Parent Company as at 31 December 2010 is as follows:

Share series/ issue	Type of shares	Type of preference	Type of limitations of rights to shares	Number of shares	Value of share/ issue at nominal value	Type of capital coverage	Registration date	Right to dividend (as of)
A	ordinary/ registered	None	None	2 470	14	1)	1994-08-05	1994-01-01
A	ordinary/bearer	None	None	2 997 530	14 986	1)	1994-08-05	1994-01-01
B	ordinary/bearer	None	None	2 000 000	10 000	cash	1994-11-13	1995-01-01
C	ordinary/bearer	None	None	1 900 285	9 501	cash	1995-03-07	1995-01-01
D	ordinary/bearer	None	None	1 725 072	8 625	cash	1996-04-25	1996-01-01
E	ordinary/bearer	None	None	2 000 000	10 001	2)	1997-08-05	1997-01-01
F	ordinary/bearer	None	None	5 312 678	26 563	cash	1998-05-05	1998-01-01
G	ordinary/bearer	None	None	2 217 549	11 088	3)	1999-11-02	1999-01-01
H	ordinary/bearer	None	None	1 448 554	7 243	3)	1999-11-02	1999-01-01
I	ordinary/bearer	None	None	186 250	931	3)	1999-11-02	1999-01-01
K	ordinary/bearer	None	None	1 484 693	7 423	4)	2000-07-13	2000-01-01
L	ordinary/bearer	None	None	4 255 017	21 275	cash	2000-12-18	2000-01-01
Total				**25 530 098**	**127 650**			

1) assets of the transformed companies, Budimex Engineering and Construction Sp. z o.o.
2) assets of the acquired company, Budimex Trading SA
3) assets of the acquired companies, Budimex Poznań SA, Unibud SA and Budimex Warszawa SA
4) assets of the acquired company, Mostostal Kraków SA

(All amounts are expressed in PLN thousands, unless stated otherwise)

The number of shares making up the approved share capital equates the number of the shares issued. Nominal value of one share in PLN 5.

The Parent Company does not hold treasury shares. Subsidiary and associated companies do not hold any shares in the Parent Company. No shares were reserved in connection with share issue for the realization of share options and sales agreements.

The amount of profit set aside for appropriation (loss to be absorbed) results from the financial statements of the Parent Company.

25. Loans, borrowings and other sources of finance

	31 December 2010	31 December 2009
	Carrying amount	**Carrying amount**
Non-current		
Bank loans and borrowings	1 420	218 638
Finance lease liabilities	11 755	11 580
	13 175	**230 218**
Current		
Overdrafts	-	1 542
Bank loans and borrowings	7 461	49 008
Finance lease liabilities	10 069	10 468
Interest accrued on short-term loans and borrowings	14	115
Liabilities relating to bank commissions	-	1 808
	17 544	**62 941**
Total	**30 719**	**293 159**

Maturity analysis of loans and borrowings based on undiscounted contractual cash flows is as follows:

	31 December 2010		31 December 2009	
	Carrying amount	**Undiscounted contractual cash flows***	**Carrying amount**	**Undiscounted contractual cash flows***
– below a year	7 475	7 708	50 665	67 550
– 1- 3 years	1 420	1 468	218 638	236 485
– 3 - 5 years	-	-	-	-
– above 5 years	-	-	-	-
	8 895	**9 176**	**269 303**	**304 035**

*) includes both nominal and interest payments; as at 31 December 2010 and 31 December 2009 amounts in foreign currency were translated at the NBP period-end exchange rates and the interest payments were calculated using the latest interest rates fixed before 31 December 2010 and 31 December 2009

Group companies are allowed to repay their loans and borrowing before maturity date. No penalty clause for earlier loan repayment has been included in the loan agreements signed by Group companies.

In the period covered by the financial statements there were no problems with fulfiling the obligation of repayment of capital, interest, terms of conditions of escrow accounts and terms of redemption the liabilities arising from borrowings.

The Group companies did not breach or renegotiate the terms of bank loans and borrowings before the approval of the consolidated financial statements.

The carrying amount of long-term loans and borrowings approximates their fair value as interest rate terms and conditions set in the agreements are based on variable interest rate.

Long-term loans and borrowings as at 31 December 2010

Bank/ entity	Registered office	Loan/ borrowing principal as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/ security
		In PLN thousands	Currency (in thousands)	In PLN thousands	Currency (in thousands)			
Caja de Ahorros y Pensiones de Barcelona "la Caixa"	Warsaw	60 000	PLN	1 420	PLN	WIBOR 1m + margin	30.09.2012 -30.04.2016	1. maximum mortgage to the amount of PLN 90 000 thousand 2. registered pledge on bank accounts 3. transfer of receivables under construction insurance contract, sales agreements and general contractor contract
				1 420				

Long-term loans and borrowings as at 31 December 2009

Bank/ entity	Registered office	Loan/ borrowing principal as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/ security
		In PLN thousands	Currency (in thousands)	In PLN thousands	Currency (in thousands)			
PKO BP XV O/Warszawa	Warsaw	200 000	PLN	20 403	PLN	WIBOR 1m + margin	31.03.2011	1. ordinary mortgage with a value of PLN 200 000 thousand 2. maximum mortgage to the amount of PLN 46 000 thousand 3. deduction of receivables from current account and from separated inflows 4. transfer of receivables under preliminary contracts for sale of premises
PKO BP XV O/Warszawa	Warsaw	300 000	PLN	198 235	PLN	WIBOR 1m + margin	30.06.2012	1. ordinary mortgage with a value of PLN 300 000 thousand 2. maximum mortgage to the amount of PLN 69 000 thousand 3. deduction of receivables from current account and from separated inflows

Bank/ entity	Registered office	Loan/ borrowing principal as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/ security
		In PLN thousands	Currency (in thousands)	In PLN thousands	Currency (in thousands)			
								4. transfer of receivables under preliminary contracts for sale of premises 5. transfer of receivables under construction insurance contract
				218 638				

Short-term loans and borrowings as at 31 December 2010

Bank/ entity	Registered office	Loan/ borrowing principal as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/ security
		In PLN thousands	Currency (in thousands)	In PLN thousands	Currency (in thousands)			
Overdrafts								
Bank Handlowy SA	Warsaw	40 000	PLN	-	-	WIBOR 1m + margin	19.01.2011	none
Pekao SA	Białystok	6 000	PLN	-	-	WIBOR 1m + margin	31.05.2011	1. transfer to ownership right to inventories with a value of PLN 3 000 thousand together with transfer of rights under insurance policy 2. registered pledge on the identifiable items of property, plant and equipment with a total value of PLN 2 280 thousand together with transfer of rights under insurance policy 3. registered pledge on the Mercedes passenger car in the amount of PLN 117 thousand 4. maximum mortgage on a built over property in Brańska 132 Street in the amount of PLN 5 500 thousand 5. authorization to bank account

Bank/ entity	Registered office	Loan/ borrowing principal as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/ security
		In PLN thousands	Currency (in thousands)	In PLN thousands	Currency (in thousands)			
Other loans and borrowings								
Ferrovial Infraestructuras SA	Madrid	7 461	1 884€	7 475 (includes interest accrued: 14)	1 888€ (includes interest accrued: 4€)	EURIBOR 12m + margin	01.12.2011	none
				7 475				

Short-term loans and borrowings as at 31 December 2009

Bank/ entity	Registered office	Loan/ borrowing principal as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/ security
		In PLN thousands	Currency (in thousands)	In PLN thousands	Currency (in thousands)			
Overdrafts								
Bank Handlowy SA	Warsaw	40 000	PLN	-	-	WIBOR T/N + margin	20.01.2010	none
Pekao SA	Białystok	6 000	PLN	1 542	PLN	WIBOR 1M + margin	30.05.2010	1. transfer to ownership right to inventories with a value of PLN 3 000 thousand together with transfer of rights under insurance policy 2. registered pledge on the identifiable items of property, plant and equipment with a total value of PLN 2 280 thousand together with transfer of rights under insurance policy 3. registered pledge on the Mercedes passenger car in the amount of PLN 117 thousand 4 maximum mortgage on a built over property in Brańska 132 Street in the amount of PLN 5 500 thousand 5. authorization to bank account

Bank/ entity	Registered office	Loan/ borrowing principal as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/ security
		In PLN thousands	Currency (in thousands)	In PLN thousands	Currency (in thousands)			
Other loans and borrowings								
Bank Millenium SA	Warsaw	141 500	PLN	20 569 (includes interest accrued: 102)	PLN	WIBOR 1M + margin	in instalments to 31.03.2010	1. maximum mortgage to the amount of 150% of loan value 2. transfer of rights under investment insurance policy 3. authorizations to bank accounts 4. transfer of receivables under preliminary contracts 5. transfer to ownership (under the suspensive condition) all rights to technical documentation
PKO BP XV O/Warszawa	Warsaw	200 000	PLN	20 402	PLN	WIBOR 1M + margin	in instalments to 31.03.2011	1. ordinary mortgage of PLN 200 000 thousand 2. maximum mortgage to the amount of PLN 46 000 thousand 3. deduction of receivables from current account and from separated inflows 4. transfer of receivables under preliminary contracts for sale of premises 5. transfer of receivables under construction insurance contract
Pekao SA	Białystok	3 689	918 €	550	134 €	LIBOR 1M + margin	30.07.2010	1. registered pledge on the production line for wall elements, Weinmann type, with a value of PLN 4 287 thousand 2. ordinary mortgage on a built over property in Brańska 132 Street in the amount PLN 1 100 thousand

Bank/ entity	**Registered office**	**Loan/ borrowing principal as per loan agreement**		**Outstanding amount of loan/ borrowing**		**Interest rate**	**Repayment date**	**Collateral/ security**
		In PLN thousands	**Currency (in thousands)**	**In PLN thousands**	**Currency (in thousands)**			
Ferrovial Infraestructuras SA	Madrid	7 589	1 847€	7 602 (includes interest accrued: 13)	1 850€ (includes interest accrued: 3€)	EURIBOR 12M + margin	01.12.2010	none
				50 665				

(All amounts are expressed in PLN thousands, unless stated otherwise)

Risk of fluctuations in interest rate

The effective interest rates as at 31 December 2010 and 31 December 2009 were as follows:

	31 December 2010		**31 December 2009**	
	PLN	**EUR**	**PLN**	**EUR**
Loan from Grimaldi Investments BV	5.06%	1.93%	6.72%	1.93%
Finance lease liabilities	4.72%	-	4.36%	-

Finance lease liabilities

The Group companies signed with Millenium Leasing Sp. z o.o., Fortis Lease Polska Sp. z o.o. and SG Equipment Leasing Polska Sp. z o.o. (the „Lessor") finance lease agreements for the use of construction machines, motor vehicles and other fixed assets. As at 31 December 2010, the net value of machines used under finance lease was PLN 29 544 thousand, of motor vehicles - PLN 1 398 thousand (see note 10). Leased assets were made available for the period of 48 - 60 months. After the completion of the above lease terms and after discharging its liabilities towards the Lessors, Budimex SA will have the right to acquire the leased assets for the price equating their residual value. The performance bond in respect of part of contractual liabilities is the blank bill of exchange issued by the Lessee together with a written authorization for its drawing. Future minimum lease payments under the above lease agreements and the net present value of minimum lease payments as at 31 December 2010 are as follows:

	Minimum lease payments	**Present value of minimum lease payments**
a) less than 1 year	11 062	10 069
b) 1-5 years	12 218	11 755
c) above 5 years	-	-
Total finance lease liabilities	**23 280**	**21 824**
of which: future finance costs	1 456	-
Present value	**21 824**	**21 824**

The Group companies have the right to early repay the remaining amounts of finance lease liabilities. Lease contracts do not provide for penalty for earlier repayment of lease liabilities.

26. Trade and other liabilities

	31 December 2010	**31 December 2009**
Long-term trade and other liabilities		
Trade liabilities	-	-
Other non-financial liabilities	-	-
Total long-term trade and other liabilities	**-**	**-**
Short-term trade and other liabilities		
Trade liabilities	509 992	381 317
Uninvoiced costs	451 681	282 822
Taxation and social security creditors	194 063	136 688
Liabilities relating to settlement of consortiums	103 280	98 056
Payroll	8 060	7 112
Other liabilities	3 586	2 833
Total short-term trade and other liabilities	**1 270 662**	**908 828**
Total trade and other liabilities	**1 270 662**	**908 828**

(All amounts are expressed in PLN thousands, unless stated otherwise)

27. Short-term accrued expenses

	31 December 2010	31 December 2009
Relating to:	19 051	15 108
Unused annual leave	132 910	96 586
Employee bonus	14 234	13 655
Costs of contracts completion	365	2 264
Other	**166 560**	**127 613**

28. Deferred tax

	31 December 2010	31 December 2009
Deferred tax assets, of which:		
- to be realized after 12 months from the reporting date	237 302	156 866
- to be realized within 12 months of the reporting date	177 430	125 531
Total	**414 732**	**282 397**
Amount to be netted off	(57 389)	(40 890)
Deferred tax assets, after netting off	**357 343**	**241 507**
Deferred tax liability, of which:		
– to be settled after 12 months from the reporting date	36 856	22 648
– to be settled within 12 months of the reporting date	20 533	18 242
Total	**57 389**	**40 890**
Amount to be netted off	(57 389)	(40 890)
Deferred tax liability, after netting off	-	-

Movements in deferred tax are as follows:

	2010	2009
Balance at the beginning of the period	**241 507**	**166 965**
Tax credit (note 41)	115 489	74 495
Other (inc. due to change in Group composition)	347	47
Balance at the end of the period	**357 343**	**241 507**

Deferred tax assets and deferred tax liabilities are recognized in respect of taxable and deductible temporary differences relating to local items of assets and liabilities using the 19% tax rate, while in respect of temporary differences relating to the balance sheet items of foreign operations – using the local tax rates of the country representing the main economic environment in which the given entity conducts operations and pays taxes.

As at 31 December 2010, temporary differences and unused tax losses for which no deferred tax asset was recognized in the balance sheet amounted to PLN 4 266 thousand (as at 31 December 2009: PLN 3 753 thousand). Deductible temporary differences for which no deferred tax asset of PLN 91 thousand was recognized in the balance sheet expire in 2011, while those for which no deferred tax asset of PLN 4 175 thousand – in the year 2015. The reason for non-recognition of deferred tax asset is the remote probability of earning by certain Group entities of taxable profit against which the deductible temporary differences may be utilized.

(All amounts are expressed in PLN thousands, unless stated otherwise)

Movements in the balance of deferred tax assets, by title, (before netting off), are presented in the table below:

	Deferred tax assets as at 1 Jan 2009	**Deferred tax assets recognition / (utilization)**	**Deferred tax assets as at 31 Dec 2009**	**Deferred tax assets recognition / (utilization)**	**Deferred tax assets as at 31 Dec 2010**
Amounts due and payable to customers (investors) under construction contracts	43 981	76 381	120 362	82 468	202 830
Contract costs relating to accrued income	20 620	(2 615)	18 005	30 425	48 430
Liabilities – uninvoiced costs	50 743	(10 204)	40 539	8 288	48 827
Tax loss	5 053	203	5 256	(626)	4 630
Provision for warranty repairs	15 058	1 205	16 263	2 346	18 609
Other provisions for liabilities	14 146	6 900	21 046	10 463	31 509
Receivables impairment write-downs	4 141	3 150	7 291	7 081	14 372
Employee bonus settlements	10 688	7 276	17 964	7 012	24 976
Liabilities - unused annual leave	2 907	(5)	2 902	665	3 567
Discount of retentions for construction contracts	1 562	67	1 629	(475)	1 154
Receivables/ Liabilities – unrealized FX losses	366	(83)	283	103	386
Forward contracts valuation	14 648	(11 585)	3 063	(2 976)	87
Provision for jubilee bonuses and retirement benefits	917	136	1 053	51	1 104
Deferred tax assets – German market	4 517	2 847	7 364	(3 725)	3 639
Long-term financial assets	470	1 090	1 560	54	1 614
Interest on liabilities	3 758	(3 498)	260	2	262
Other	14 347	3 210	17 557	(8 821)	8 736
Total	**207 922**	**74 475**	**282 397**	**132 335**	**414 732**
Amount to be netted off	(40 957)		(40 890)		(57 389)
Deferred tax assets, after netting off (recognized in the balance sheet)	**166 965**		**241 507**		**357 343**

(All amounts are expressed in PLN thousands, unless stated otherwise)

Movements in the balance of deferred tax liability, by title, (before netting off), are presented in the table below:

	Deferred tax liability as at 1 Jan 2009	**Deferred tax liability recognition / (utilization)**	**Deferred tax liability as at 31 Dec 2009**	**Deferred tax liability recognition / (utilization)**	**Deferred tax liability as at 31 Dec 2010**
Amounts due and receivable from customers (investors) under construction contracts	21 133	746	21 879	19 300	41 179
Forward contracts valuation	369	1 310	1 679	(1 079)	600
Discount of retentions for construction contracts	2 525	1 031	3 556	777	4 333
Receivables/ Liabilities – unrealized FX gains	1 755	(1 585)	170	(7)	163
Receivables – accrued interest	2 072	(1 675)	397	52	449
Contribution in kind valuation	706	-	706	-	706
Deferred tax liability- German market	278	987	1 265	1 024	2 289
Difference between accounting and tax depreciation	109	-	109	-	109
Leases	8 364	(1 350)	7 014	222	7 236
Other	3 646	469	4 115	(3 790)	325
Total	**40 957**	**(67)**	**40 890**	16 499	**57 389**
Amount to be netted off	(40 957)		(40 890)		(57 389)
Deferred tax liability, after netting off (recognized in the balance sheet)	**-**		**-**		-

(All amounts are expressed in PLN thousands, unless stated otherwise)

29. Liabilities arising from retirement benefits and similar obligations

Employees of the Budimex Group companies are entitled to the following two types of benefits:

- jubilee bonus,
- retirement- pension benefits.

Jubilee bonuses are paid to employees at certain Group companies for their long service every 5 years. The amount of the jubilee bonus due and payable is the product of the base of bonus calculation at the date of entitlement and the appropriate cumulative ratio (progressing in proportion to the years of service).

Retirement- pension benefits are one-off payments upon retirement. The amount of the retirement benefit/ pension benefit due and payable it's the product of the base of benefit calculation at the date of entitlement and the appropriate cumulative ratio (progressing in proportion to the years of service).

The table below shows the employee benefits recognized in the statement of financial position:

	31 December 2010	31 December 2009
Retirement/ pension benefits, of which:	**3 981**	**3 933**
– present value of the obligation at the reporting date	3 981	3 933
– actuarial gains/ (losses) not recognized at the reporting date	-	-
–past service costs not recognized at the reporting date	-	-
Jubilee bonuses, of which:	**1 828**	**1 599**
– present value of the obligation at the reporting date	1 828	1 599
– actuarial gains/ (losses) not recognized at the reporting date	-	-
– past service costs not recognized at the reporting date	-	-
Total liabilities arising from retirement benefits and similar obligations	**5 809**	**5 532**
of which:		
- long-term portion	4 158	3 857
- short-term portion	1 651	1 675

The table below shows main actuarial assumptions for valuations of the above benefits (i.e. range of individual rates adopted by actuary; these assumptions differ between the companies and years):

	31 December 2010	31 December 2009
Discount rate	4.4% - 5.5%	4.3% – 5.6%
Forecasted inflation rate	3.0%	2.5%
Forecasted remuneration increase rate	2.5% - 5.0%	3.0% – 5.0%

The last actuarial valuation of employee benefits was made as at 31 December 2010.

(All amounts are expressed in PLN thousands, unless stated otherwise)

Retirement-pension benefits

Changes in the balance of obligation under retirement-pension benefits are as follows:

	2010	2009
Present value of the obligation at the beginning of the period	**3 933**	**3 696**
Interest costs	152	201
Present service costs	436	517
Past service costs	-	-
Allowances paid	(218)	(425)
Actuarial (gains)/ losses	(322)	(56)
Present value of the obligation at the end of the period	**3 981**	**3 933**

Costs of future employee allowances charged to the Profit and Loss Account are presented in the table below:

	2010	2009
Present service costs	436	517
Interest costs	152	201
Actuarial (gains)/ losses to be recognized in the period	(322)	(56)
Past service costs	-	-
Costs recognized in the Profit and Loss Account	**266**	**662**
of which, employee allowances costs recognized in the Profit and Loss Account under the following items:		
- cost of finished goods, goods for resale and raw materials sold	*49*	*321*
- administrative expenses	*217*	*341*

Jubilee bonuses

Changes in the balance of obligations under jubilee bonuses are as follows:

	2010	2009
Present value of the obligation at the beginning of the period	**1 599**	**1 292**
Interest costs	66	76
Present service costs	126	203
Past service costs	-	-
Allowances paid	(180)	(95)
Actuarial (gains)/ losses	217	123
Present value of the obligation at the end of the period	**1 828**	**1 599**

(All amounts are expressed in PLN thousands, unless stated otherwise)

Costs of future employee allowances charged to the Profit and Loss Account are presented in the table below:

	2010	**2009**
Present service costs	126	203
Interest costs	66	76
Actuarial (gains)/ losses to be recognized in the period	217	123
Past service costs	-	-
Costs recognized in the Profit and Loss Account	**409**	**402**
of which, employee allowances costs recognized in the Profit and Loss Account under the following items:		
- cost of finished goods, goods for resale and raw materials sold	*409*	*402*
- administrative expenses	-	-

Analysis of sensitivity to fluctuations in interest rates

Increase in the assumed discount rate by 1 percentage point would result in an increase in the financial result and net assets of the Group by PLN 335 thousand, while the decrease in the assumed discount rate by 1 percentage point – a decrease in the financial result and net assets of the Group by PLN 381 thousand.

30. Provisions for liabilities and other charges

	Litigation proceedings	**Penalties and other sanctions**	**Warranty repairs**	**Restructuring**	**Other provisions**	**Total**
Balance as at 1 January 2009	**16 618**	**22 485**	**85 286**	**820**	**6 377**	**131 586**
Creation of additional provisions (note 37)	25 971[1]	27 080	35 187	5 765	5 661[2]	99 664
Change in classification (transfer from accruals	1 198	(496)	4 104	(10)	240	5 036
Reversal of unused provisions (note 37)	(5 449)	(14 705)	(17 652)	-	(1 800)[3]	(39 606)
Utilization of provisions	(12)	-	(14 211)	(5 056)	(70)	(19 349)
Balance as at 31 December 2009	**38 326**	**34 364**	**92 714**	**1 519**	**10 408**	**177 331**
Balance as at 1 January 2010	**38 326**	**34 364**	**92 714**	**1 519**	**10 408**	**177 331**
Creation of additional provisions (note 37)	4 936[4]	40 251[5]	42 477	33	-	87 697
Change in classification	3 521	6 925	(25)	-	(10 111)	310
Reversal of unused provisions (note 37)	(1 200)	(12 493)	(17 837)	(191)	(168)	(31 889)
Utilization of provisions	(242)	(6 848)	(12 966)	(692)	(129)	(20 877)
Balance as at 31 December 2010	**45 341**	**62 199**	**104 363**	**669**	**-**	**212 572**

[1]) of which PLN 166 thousands recognised as costs of finished goods and services sold
[2]) of PLN 4 628 thousands recognised as costs of finished goods and services sold
[3]) recognised as costs of finished goods and services sold
[4]) of which PLN 267 thousand recognised as costs of goods and services sold and PLN 418 thusand as finance costs
[5]) of which PLN 2 032 thousand recognised as finance costs

In 2008 the Group communicated the implementation of restructuring plan. Redundancies and other restructuring activities are expected as a result of the implementation of the plan. The Group recognised the provision for restructuring costs in the amount of PLN 669 thousand as at 31 December 2010. The restructuring is expected to be completed by 2011.

Creation / (reversal) of provisions for litigation proceedings, compensations and of other provisions was recognized under other operating expenses (note 37), while creation / (reversal) of provision for warranty repairs – under operating expenses.

(All amounts are expressed in PLN thousands, unless stated otherwise)

The structure of total provisions is as follows:

	31 December 2010	31 December 2009
Long-term	102 082	78 814
Short-term	110 490	98 517
	212 572	**177 331**

31. Long-term construction contracts

The tables below present data relating to construction contracts valued by Group companies in accordance with the percentage of completion method:

Selected consolidated data – statement of financial position

	31 December 2010	31 December 2009
Assets		
Amounts due and receivable from customers (investors) under construction contracts, of which:	151 998	99 329
- contracts valuation	*151 998*	*99 329*
Liabilities		
Amounts due and payable to customers (investors) under construction contracts, of which:	1 034 210	546 901
- contracts valuation	*557 891*	*305 804*
- provision for contract losses	*476 319*	*241 097*
Advance payments received for contracted construction works (note 32)	59 842	101 945

Selected consolidated data – Profit and Loss Account

	2010	2009
Revenue from construction contracts	3 619 397	2 693 447
Cost of construction contracts	(3 302 928)	(2 391 464)
Gross profit/ (loss)	**316 469**	**301 983**

32. Advanced payment received

Advance payments received by the Group includes:

	31 December 2010	31 December 2009
Advance payments for the construction contracts in progress (note 32)	59 842	101 945
Prepayments for flats in developer companies	139 605	239 927
Prepayments for houses prefabricated in Budimex Danwood Sp. z o.o.	26 381	13 700
Total	**225 828**	**355 572**

All advance payments received as at 31 December 2010 and 31 December 2009 were recognized under short-term liabilities as their settlement date does not exceed 12 months.

(All amounts are expressed in PLN thousands, unless stated otherwise)

33. Retentions for construction contracts

	31 December 2010	31 December 2009
Kept by customers – to be returned after 12 months	44 327	49 658
Kept by customers – to be returned within 12 months	24 586	25 945
Total retentions for construction contracts kept by customers	**68 913**	**75 603**
Kept for suppliers – to be returned after 12 months	135 545	105 132
Kept for suppliers – to be returned within 12 months	124 842	121 180
Total retentions for construction contracts kept for suppliers	**260 387**	**226 312**

Retentions for construction contracts with payment date above one year are discounted and are recognized in the statement of financial position at present value. The table below shows the results of discounting recognized in the balance sheets and profit and loss accounts of Group companies in individual periods. The amounts of discount reduce the nominal value of receivables from and liabilities under retentions for construction contracts. In addition, a deferred tax asset is recognized in the balance sheet on the amounts stated calculated using the tax rate prevailing in Poland, i.e. 19%, and on the effect of change in the value of discount in the profit and loss account.

	31 December 2010	31 December 2009
Discount of long-term retentions for construction contracts kept by customers	6 076	8 575
Discount of long-term retentions for construction contracts kept for suppliers	22 803	18 714

The amount of discount recognized in the profit and loss account is as follows:

	2010	2009
Decrease in sales revenue	(1 301)	(2 256)
Reduction in the cost of services sold	15 132	7 448
Total adjustment to gross margin	**13 831**	**5 192**
Adjustment to finance income / (costs) (note 39)	(7 243)	(114)
Deferred tax on above adjustments	(1 252)	(965)
Net effect on the profit and loss account	**5 336**	**4 113**

Maturity analysis of overdue retentions for construction contracts (nominal value before discounting)

The table below shows the maturity analysis of retentions for construction contracts which are overdue, but not impaired at the reporting date:

	31 December 2010	31 December 2009
Retentions for construction contracts overdue for the period of:		
– up to 1 month	1 719	152
– 1-3 months	70	9 455
– 3-6 months	-	89
– 6 months to 1 year	771	429
– above 1 year	657	264
Total overdue retentions for construction contracts	**3 217**	**10 389**

(All amounts are expressed in PLN thousands, unless stated otherwise)

Risk of fluctuations in interest rates

The effective interest rates as at 31 December 2010 and 31 December 2009 applied in the process of discounting of retentions for construction contracts are presented in the table below:

	31 December 2010			31 December 2009		
	PLN	**USD**	**EUR**	**PLN**	**USD**	**EUR**
Receivables	5.25%	2.12%	2.40%	5.42%	2.80%	2.67%
Liabilities	5.45%	2.32%	2.60%	5.62%	3.00%	2.87%

34. Sales revenue

	2010	**2009**
Sales of construction- assembly services	3 865 804	2 970 379
Sales of other services	75 881	67 073
Sales of finished goods	485 442	245 611
Sales of goods for resale and raw materials	3 142	6 803
	4 430 269	**3 289 866**

35. Costs by type

	2010	**2009**
Depreciation/ Amortization, of which of:	21 201	21 232
– property, plant and equipment (note 10)	*19 962*	*19 799*
– investment properties (note 11)	*144*	*209*
– intangible assets (note 12)	*1 095*	*1 224*
Costs of employee allowances (note 36)	542 272	519 897
Materials and energy	1 012 280	700 775
External services	1 830 901	1 486 750
Taxes and charges	8 965	13 842
Advertising and representation expenses	12 174	10 645
Life and non-life (property) insurance	5 753	3 883
Change in the balance of provision for contract losses (note 30)	235 222	189 421
Other costs by type	67 342	79 379
Selling expenses (negative value)	(23 488)	(22 762)
Administrative expenses (negative value)	(123 251)	(129 425)
Change in the balance of finished goods and work in progress	352 687	(840)
Cost of goods produced for the Group's own use (negative value)	-	-
Cost of finished goods and services sold	**3 942 058**	**2 872 797**
Cost of goods for resale and raw materials sold	3 944	4 426
Cost of finished goods, services, goods for resale and raw materials sold	**3 946 002**	**2 877 223**

(All amounts are expressed in PLN thousands, unless stated otherwise)

36. Costs of employee allowances

	2010	2009
Costs of remuneration, of which:	**464 626**	**444 416**
– retirement-pension benefits (note 29)	*675*	*1 064*
- post-employment benefits	*723*	*471*
- redundancy payments	*3 353*	*7 202*
Costs of social security benefits and other allowances, of which:	**77 646**	**75 481**
- social security	*53 749*	*51 104*
- retirement-pension benefits	*65*	*70*
- redundancy payments	*346*	*286*
Total costs of employee allowances recognized in the costs by type (note 35)	**542 272**	**519 897**

37. Other operating income and other operating expenses

Other operating income

	2010	2009
Gains on the sale of non-financial long-term assets	6 550	10 285
Reversal of impairment write-downs, of which against:	12 862	11 085
– receivables (following debtor repayment of the amounts due (note 21)	*12 660*	*8 889*
– inventories (following inventory sale and increase in the recoverable value (note 22)	*202*	*2 196*
Reversal of provisions, of which for:	14 052	20 154
– litigation proceedings and compensations (note 30)	*1 200*	*5 449*
– penalties and sanctions (note 30)	*12 493*	*14 705*
– restructuring (note 30)	*191*	-
– other (note 30)	*168*	-
Penalties/ compensations received	47 650	26 662
Write-off of overdue liabilities	800	1 246
Other	3 139	1 600
Total	**85 053**	**71 032**

(All amounts are expressed in PLN thousands, unless stated otherwise)

Other operating expenses

	2010	2009
Recognition of impairment write-downs, of which against:	48 401	49 040
– receivables (nota 21)	*43 540*	*35 652*
– inventories (nota 22)	*4 861*	*6 792*
– tangible fixed assets and investment properties (nota 10 and 11)	*-*	*6 596*
Recognition of provisions, of which for:	42 503	59 683
– litigation proceedings (nota 30)	*4 251*	*25 805*
– for penalties and compensations (nota 30)	*38 219*	*27 080*
-- restructuring (nota 30)	*33*	*5 765*
– other (nota 30)	*-*	*1 033*
Compensations and liquidation damages paid	3 670	9 280
Court charges and executions, costs of litigation proceedings	1 077	2 066
Civil law action tax related to acquisition of 50% shares in Budimex Nieruchomości Sp. z o.o.	-	3 850
Other	2 307	3 393
Total	**97 958**	**127 312**

38. Gains / (losses) on derivative financial instruments

	2010	2009
Gains/ (losses) on valuation of derivative financial instruments	10 526	67 325
Gains/ (losses) on realization of derivative financial instruments	(3 783)	(70 990)
Total	**6 743**	**(3 665)**

39. Finance income and finance costs

Finance income

	2010	2009
Interest earned on financial instruments, of which:	27 032	29 489
– interest on bank deposits and cash on bank accounts	*26 878*	*26 951*
– interest on loans granted	*154*	*2 538*
– interest on securities purchased	12 699	10 957
Other interest income, of which:	*12 491*	*10 540*
– interest on discounts received and penalty interest	*208*	*417*
Gains from financial assets	-	2 000
Reversal of provisions, including for the costs of financing the consortium	5	12
Dividends	-	946
FX gains	257	69
Total	**39 993**	**43 473**

Gains from financial assets recognised in 2009 refer to sales of possessed 49% shares in Koldromost Skanska Spółka Akcyjna Spółka Jawna with registered office in Cracow for the price of PLN 2 000 thousand. The company was established in 1991 in connection with planned realization of investment task, which due to withholding finance by the customer was suspended. In consequence, the value of the company recognised in the consolidated financial statements before its disposal was zero.

(All amounts are expressed in PLN thousands, unless stated otherwise)

Finance costs

	2010	2009
Interest expensed in respect of financial instruments, of which:	8 297	7 239
– interest on loans and borrowings taken out	*7 508*	*5 818*
– interest on lease contracts	*789*	*1 421*
Other interest expense, of which:	3 701	3 177
– penalty interest paid to suppliers and interest on discounts	*1 171*	*3 041*
– other interest	*2 530*	*136*
Impairment of financial assets, of which:	-	38
– financial assets held for sale (note 17)	-	*38*
FX losses	803	-
Discount of retentions for construction contracts (note 33)	7 243	114
Cost of bank commissions and guarantees	15 877	10 840
Other	550	73
Total	**36 471**	**21 481**

40. Shares of profits / (losses) of equity accounted entities

	2010	2009
Shares in profits of associates	132	1 681
Shares in losses of associates	(3 268)	-
Total (note 16)	**(3 136)**	**1 681**

41. Income tax

	2010	2009
Current tax	179 835	125 068
Deferred tax (note 28)	(115 489)	(74 495)
Adjustment to prior periods current tax	(3)	(47)
Tax expense	**64 343**	**50 526**

(All amounts are expressed in PLN thousands, unless stated otherwise)

The reconciliation of the accounting gross profit of the Group to the theoretical amount that would be recognized if the weighted average rate of tax were applied to the profits of consolidated companies is as follows:

	2010	2009
Gross profit/ (loss)	**331 752**	**224 184**
Shares in (profits)/ losses of equity accounted entities	3 136	(1 681)
Pre-tax profit/ (loss)	**334 888**	**222 503**
Tax calculated using the national tax rates	63 629	42 276
Differenced in taxation of revenues of foreign operations	361	(471)
Adjustments to prior periods current tax	(3)	(47)
Tax effects of permanent differences between gross profit and taxable revenues	1 651	2 997
Utilization of tax losses not recognized previously	(5 778)	(378)
Deductible temporary differences, unused tax losses and unused tax reliefs for which no deferred tax assets were recognized in the balance sheet	5 170	4 767
Deferred tax expense/ Deferred tax income in respect of deferred tax concerning changes in tax rates or new taxes levied	222	1 553
Withholding tax paid in the prior years and settled in the current year	(86)	(171)
Write-off of prior year deferred tax assets / (reversal of prior year deferred tax liability)	(823)	-
Tax expense	**64 343**	**50 526**
Effective tax rate	*19.21%*	*22.7%*

42. Earnings per share

Basic earnings per share

Basic earnings per share are calculated as the quotient of net profit/ (loss) attributable to the ordinary shareholders of the Parent Company and the weighted average number of ordinary shares outstanding during the year (note 24).

	2010	2009
Profit attributable to the shareholders of the Parent Company	267 409	173 658
Weighted average number of ordinary shares	25 530 098	25 530 098
Basic earnings per share (in PLN per share)	**10.47**	**6.80**

Diluted earnings per share

Diluted earnings per share equated basic earnings per share for both periods.

43. Dividend per share

On 21 June 2010 the dividend was paid in the amount of PLN 173 605 thousand, for which the net profit for the period from 1 January 2009 until 31 December 2009 in the amount of PLN 138 030 thousand plus the portion of the spare capital created from the profit of previous years in the amount of PLN 35 575 thousand were allocated, i.e. in the gross amount of PLN 6.80 per one share.

Till the date of preparation of these consolidated financial statements for the year ended 31 December 2010 Budimex SA has not made a resolution in respect of profit appropriation for the year 2010. Management Board proposes to allocate the total profit for the year 2010 in the amount of PLN 226 283 thousand for payment of dividend.

(All amounts are expressed in PLN thousands, unless stated otherwise)

44. Statement of cash flow

Other adjustments to the operating activities section of the statement of cash flow cover the following items:

	2010	**2009**
FX differences on translation of foreign operations	165	(111)
Share-based payments	256	-
Option premium	-	(585)
Other	863	(443)
Total	**1 284**	**(1 139)**

Non-monetary transactions

In 2010, non-monetary transactions relating to investing and financing activities not recognized in the statement of cash flow related solely to the acquisition of tangible fixed assets with a value of PLN 8 281 thousand under finance lease contracts. In 2009, there were no non-monetary transactions relating to investing and financing activities, which should be recognised in the statement of cash flow.

45. Changes in the composition of the Group

In 2010 the following changes took place in the structure of the Budimex Group:

On 31 May 2010 Sprzęt Transport Sp. z o.o. was liquidated. The Company conducted business relating to rental of construction plant and machinery.

On 18 June 2010 company Budimex Budownictwo Sp. z o.o. was entered in the Register of Entrepreneurs. Budimex SA holds 100% of the company's shares.

On 23 June 2010 the District Court for the capital city of Warsaw, 12th Commercial Division of the National Court Register, registered a merger of the company Budimex SA with Budimex Auto - Park Sp. z o.o. under Article 492 §1 pkt 1 of the Commercial Companies Code, whereby Budimex SA acts as the acquiring company in relation to Budimex Auto-Park Sp. z o.o. being the acquired company, according to resolution of the General Meeting of Shareholders of Budimex SA dated 19 May 2010. Budimex Auto-Park Sp. z o.o. was a developer special purpose vehicle. The Company realised the developer project "Wilczak" in Poznań and ran the multilevel car park in Bydgoszcz.

On 21 July 2010 Budimex SA Ferrovial Agroman SA s.c. was established, in which the Budimex Group has a 99.98% share. The company was established to carry out the contrach "Redevelopment/Modernisation of DS-1 runway, taxiways, patrol road and fire escape route at Fryderyk Chopin Airport in Warsaw". (*„Przebudowa/Modernizacja drogi startowej DS-1, dróg kołowania, drogi patrolowej i drogi p.poż w Porcie Lotniczym im. F. Chopina w Warszawie").*

In the period covered by these consolidated financial statements, no significant activities were discontinued and there were no formal plans to discontinue any significant activities in the future.

46. Share-based payments

In 2010 Ferrovial SA established a performance share plan, which is classified as a share-based paymenent transaction.

Under the plan 41 800 shares were offered to management board members and executives of the Group. The grant date was established on 31 March 2010 that is the date when the main terms and conditions of the plan were announced to employees. The fair value of shares at grant date was PLN 24.47.

The vesting period of performance share plan is 3 years and the shares are granted every year. The plan is contingent upon meeting the following:

- beneficiaries must be contractually employed by company for the 3-year period after the vesting date, except for the special situations given,
- achievement of specified cash-flow ratios and relation between gross operating profit and production net assets,
- the level of ratios required for being granted total or proportionate number of shares is set every year.

The key assumptions used in calculation of the fair value of equity instruments granted by Ferrovial SA to the Group employees are as follows:

(All amounts are expressed in PLN thousands, unless stated otherwise)

- price of the underlying at the grant date: 28.51 zlotys
- dividend yield: 2.1%
- performance conditions: 100%
- discount rate: 5%

During the 12 months ended 31 December 2010, the fair value of services received, recognised in accordance with IFRS 2 "Share-based Paymenst" in labour expenses and equity, amounted to PLN 256 thousand.

47. Related party transactions

Transactions with related parties made in 2010 nad 2009 and unsettled balances of receivables and liabilities as at 31 December 2010 and 31 December 2009 are presented in the tables below:

	Receivables		**Liabilities**	
	31 December 2010	**31 December 2009**	**31 December 2010**	**31 December 2009**
Parent Company and related parties (the Ferrovial Group)	53 354	51 490	92 524	98 044
Jointly- controlled entities	233	2 703	132	65
Associates	12	3	3 779	4 595
Other related parties*	203	623	1 059	912
Total settlements with related parties	**53 802**	**54 819**	**97 494**	**103 616**

	Sales of finished goods and services and other operating income		**Purchase of finished goods and services**	
	2010	**2009**	**2010**	**2009**
Parent Company and related parties (the Ferrovial Group)	88 895	33 548	105 417	49 952
Jointly- controlled entities	2 243	5 361	-	-
Associates	70	89	11 845	6 518
Other related parties*	29 206	210	2 552	1 476
Total settlements with related parties	**120 414**	**39 208**	**119 814**	**57 946**

	Loans granted / (taken out); acquired / (issued) debt securities		**Finance income / (costs)**	
	31 December 2010	**31 December 2009**	**2010**	**2009**
Parent Company and related parties (the Ferrovial Group)	(7 475)	(7 602)	(408)	(463)
Jointly- controlled entities	-	-	-	-
Associates	-	-	-	-
Other related parties*	-	-	-	12
Total settlements with related parties	**(7 475)**	**(7 602)**	**(408)**	**(451)**

*) other related parties represent controlled or jointly controlled entities or entities, on which the key management person of the Parent Company or of the subsidiary of the Budimex Group or his close relative exercises significant influence, or has significant number of votes at the shareholders' meeting of this company.

In the table above, included under „Parent company and related parties (the Ferrovial Group)" are the financial data relating to transactions with Ferrovial Agroman SA (the sole owner of the Parent Company of Budimex SA, i.e. Valivala Holdings BV), including with Ferrovial Agroman SA Oddział w Polsce [Branch in Poland] and other companies of the Ferrovial: Ferrovial Infraestructuras SA, Cadagua SA and Grimaldi Investments BV.

(All amounts are expressed in PLN thousands, unless stated otherwise)

Sales income/ purchase of finished goods and services

Sales income and selling expenses related mainly to the performance of contracts described in note 15 „Joint ventures".

On 18 June 2003, Budimex SA signed an agreement with Ferrovial Agroman SA, based on which Ferrovial renders to the Company services relating to international construction business, and in particular services of technical and engineering planning, public and private finance, economic planning, human resources development and legal and tax advisory. The costs of this agreement incurred by Budimex SA in 2010 amounted to PLN 3 999 thousand (EUR 1000 thousand), while in the corresponding period of the prior year - PLN 4 033 thousand (EUR 929 thousand).

In 2010 Budimex SA singned two agreements with Ferrovial Agroman SA, based on which Ferrovial renders to the Company services relating to maintenance and development of IT and staff secondment. The costs of thsese agreements incurred by Budimex SA amounted to PLN 1 068 thousand (EUR 269 thousand) and PLN 4 352 thousand (EUR 1 096 thousand), respectively.

Loans and borrowings/ debt securities

Based on the agreement dated 1 December 2004, Budimex SA took out from Ferrovial Infraestructuras SA a loan in the amount of EUR 1 500 thousand, which was granted for the increase in the share capital of Autopistas del Levante, S.L. The company Autopistas del Levante, S.L. was incorporated on 23 June 2004 as the sole shareholder of Autopista Madrid Levante Concesionaria Española, SA. The main area of business activities of this company is motorway building, maintenance and operating the paid for motorway Ocaña – La Roda and the free of charge dual carriageway, A–42, section N301, Atalaya del Cañavate. The share capital of the newly created company was taken up, among others, by way of making an in-kind contribution in the form of all shares of Autopista Madrid Levante Concesionaria Española, SA, as a result of which Budimex SA holds currently shares in Autopistas del Levante, S.L. In accordance with the provisions of a loan agreement, the loan was granted for the period of 12 months from the agreement date with the possibility to extend the loan term. If the shares in Autopistas del Levante, S.L. are sold, loan will become immediately due and payable. After maturity date, loan will be repaid together with interest calculated based on the 1Y EURIBOR+0.75%. On 1 December 2010, the repayment date was extended for one more year and the loan value was increased by the amount of interest accrued as at that date.

Transactions with related parties are made on an arm's length basis.

47.1 Remuneration of key members of management

The total value of remuneration, bonuses and awards of the members of the Management Board of Budimex SA amounted in 2010 to PLN 5 800 thousand (of which PLN 2 046 thousand represented performance bonus for the completed bonus tasks for the year 2009). In 2009 the total value of remuneration of key management personnel was PLN 9 552 thousand, of which PLN 2 871 thousand represented performance bonus for the completed bonus tasks for the year 2008.

Remuneration of the members of the Management Board in 2010 was as follows:

Dariusz Blocher	PLN 1 427 thousand
Henryk Urbański	PLN 1 111 thousand
Marcin Węgłowski	PLN 1 003 thousand
Jacek Daniewski	PLN 1 002 thousand
Joanna Makowiecka	PLN 821 thousand
Ignacio Botella Rodriguez	PLN 436 thousand

Additionally, apart from amounts presented above, in the 12-month period ended 31 December 2010 the estimated costs of share-based payments under Ferrovial SA incentives programmes allocated to the Company's Management Board amounted to PLN 212 thousand and were as follows:

Dariusz Blocher	PLN 86 thousand
Henryk Urbański	PLN 43 thousand
Marcin Węgłowski	PLN 28 thousand
Joanna Makowiecka	PLN 28 thousand
Jacek Daniewski	PLN 27 thousand

Total value of remuneration paid to proxies of Budimex SA in 2010 was EUR 298 thousand and PLN 1 853 thousand, while in 2009 – EUR 293 thousand and PLN 234 thousand.

(All amounts are expressed in PLN thousands, unless stated otherwise)

Individual remuneration of proxies in 2010 was as follows:

Marek Kemnitz	EUR 170 thousand
Lucyna Wojnicz	EUR 128 thousand
Jaime Rontome Pérez	PLN 964 thousand
Jose Emilio Pont Pérez	PLN 889 thousand

Total value of remuneration paid to members of Supervisory Board in 2010 amounted to PLN 823 thousand (PLN 752 thousand in 2009).

Remunerations of members of Supervisory Board of Budimex SA in 2010 were as follows:

Marek Michałowski	PLN 123 thousand	
Carmelo Rodrigo López	PLN 94 thousand	
Igor Chalupec	PLN 82 thousand	
Tomasz Sielicki	PLN 87 thousand	
Javier Galindo Hernandez	PLN 82 thousand	
Jose Carlos Garrido-Lestache Rodriguez	PLN 82 thousand	
Stanisław Pacuk	PLN 34 thousand	(for the period from 01.01.2010 to 19.05.2010)
Krzysztof Sędzikowski	PLN 34 thousand	(for the period from 01.01.2010 to 19.05.2010)
Krzysztof Sokolik	PLN 37 thousand	(for the period from 01.01.2010 to 19.05.2010)
Marzenna Anna Weresa	PLN 66 thousand	(for the period from 19.05.2010 to 31.12.2010)
Piotr Kamiński	PLN 51 thousand	(for the period from 19.05.2010 to 31.12.2010)
Maciej Stańczuk	PLN 51 thousand	(for the period from 19.05.2010 to 31.12.2010)

47.2 Advance payments, loans, guarantees and suretyships and other agreements with Members of the Management or Supervisory Boards

As at 31 December 2010 and 31 December 2009, Members of the Management or Supervisory Boards of the Parent Company, their spouses, direct relatives or persons who are connected by a guardianship or wardship relationship and other persons who are related to them in person did not have any unpaid loans or borrowings or guarantees issued by Budimex SA or its subsidiaries, jointly controlled entities or associates.

As at 31 December 2010, 31 December 2009, Members of the Management or Supervisory Boards of the subsidiary companies did not have any unpaid loans or borrowings or guarantees issued by those companies and were not parties to any agreements obligating them to provide services to Group companies.

48. Capital expenditure incurred and planned

Capital expenditure incurred in 2010 amounted to PLN 33 590 thousand and was totally allocated to the non-financial long-term assets. In the corresponding period of 2009, capital expenditure amounted to PLN 412 028 thousand, of which PLN 20 585 thousand was allocated to the non-financial long-term assets.

Capital expenditure planned to be incurred in 2011 for the non-financial long-term assets amount to PLN 41 200 thousand.

In 2010 and in 2009, Group companies did not incur any environmental protection expenditure and have no plans to incur any such expenditure in the 12-month period after the reporting date.

49. Off-balance sheet investment expenditure

As at 31 December 2009 comitted investment expenditures amounted to PLN 12 087 thousand and related to finance lease contracts, under which the leased assets have not yet been transferred to the Lessee. As at 31 December 2009 there was no committed investsment expenditure.

50. Future liabilities under rental or operating lease agreements

Liabilities under rental or operating lease agreements relate mainly to car or office space rental agreements.

Group companies use motor vehicles based on long-term lease contracts. Lease terms vary for individual vehicles from 3 to 5 years. As at 31 December 2010 and 31 December 2009, the value of leased cars recognized in off-balance sheet records was PLN 39 502 thousand and PLN 27 939 thousand, respectively.

Apart from the lease contracts referred to above, Group companies recognize leased trucks under off-balance sheet fixed assets. As at 31 December 2010 the value of leased tracks was PLN 2 759 thousand and as at 31 December 2009: PLN 1 508 thousand.

Budimex SA and Budimex Nieruchomości Sp. z o.o. use office space with usable floor space of 5 156 m^2 located at Stawki 40 in Warsaw based on a lease agreement dated 29 October 2002 signed between Silesian Properties Sp. z o.o. The agreement was concluded for the period to 31 August 2015. The estimated value of the usable floor space used determined based on the value of total minimum lease payments was recognized under off-balance sheet fixed assets and amounted as at 31 December 2010 and 31 December 2009 to EUR 5 558 thousand (PLN 22 584 thousand), EUR 6 749 thousand (PLN 27 725 thousand), respectively.

The estimated value of space rented by other Group companies was PLN 1 267 thousand as at 31 December 2010 and PLN 1 132 thousand as at 31 December 2009.

Total minimum lease payments under irrevocable lease agreements amount to the following:

	31 December 2010	31 December 2009
Payable in:	22 052	16 132
a) up to 1 year	43 156	38 935
b) 1-5 years	-	561
c) above 5 years	**65 208**	**55 628**

	2010	2009
Lease payments taken to costs	23 571	18 493

In addition, the Group uses land under perpetual usufruct which it received based on an administrative decision. Estimated future payments for the perpetual usufruct were as follows:

	31 December 2010	31 December 2009
Payable in:	493	2 354
a) up to 1 year	1 325	2 915
b) 1-5 years	25 610	26 565
c) above 5 years	**27 428**	**31 834**

	2010	2009
Fee for perpetual usufruct taken to costs	2 039	2 976

(All amounts are expressed in PLN thousands, unless stated otherwise)

51. Financial Instruments

51.1 Statement of financial position

The tables below presents the carrying amounts of all financial instruments of the Group, divided into classes and categories of assets and liabilities:

Balance as at 31 December 2010

Classes of financial instruments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Available-for-sale financial assets	23 955	-	-	-	-	**23 955**
Retentions for construction contracts	-	-	68 913	-	(260 387)	**(191 474)**
Trade and other receivables*	-	-	348 392	-	-	**348 392**
Amounts due and receivable from customers (investors) under construction contracts	-	-	151 998	-	-	**151 998**
Derivative financial instruments	-	3 157	-	(460)	-	**2 697**
Other financial assets at fair value through profit or loss	-	14 017	-	-	-	**14 017**
Cash and cash equivalents	-	1 862 403	-	-	-	**1 862 403**
Loans, borrowings and other external sources of finance	-	-	-	-	(30 719)	**(30 719)**
Amounts due and payable to customers (investors) under construction contracts	-	-	-	-	(1 034 210)	**(1 034 210)**
Trade and other payables	-	-	-	-	(1 270 662)	**(1 270 662)**
Total	**23 955**	**1 879 577**	**569 303**	**(460)**	**(2 595 978)**	**(123 603)**

*) prepayments made excluded

(All amounts are expressed in PLN thousands, unless stated otherwise)

Balance as at 31 December 2009

Classes of financial instruments	**Available-for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortised cost**	**Total**
Available-for-sale financial assets	23 955	-	-	-	-	**23 955**
Retentions for construction contracts	-	-	75 603	-	(226 312)	**(150 709)**
Trade and other receivables*	-	-	382 031	-	-	**382 031**
Amounts due and receivable from customers (investors) under construction contracts	-	-	99 329	-	-	**99 329**
Derivative financial instruments	-	8 839	-	(16 124)	-	**(7 285)**
Other financial assets at fair value through profit or loss	-	19 850	-	-	-	**19 850**
Cash and cash equivalents	-	1 130 357	-	-	-	**1 130 357**
Loans, borrowings and other external sources of finance	-	-	-	-	(293 159)	**(293 159)**
Amounts due and payable to customers (investors) under construction contracts	-	-	-	-	(546 901)	**(546 901)**
Trade and other payables	-	-	-	-	(908 828)	**(908 828)**
Total	**23 955**	**1 159 046**	**556 963**	**(16 124)**	**(1 975 200)**	**(251 360)**

*) prepayments made excluded

(All amounts are expressed in PLN thousands, unless stated otherwise)

51.2 Income, costs, gains and losses recognized in the profit and loss account classified into financial instrument categories

For the period from 1 January 2010 to 31 December 2010

	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Interest income/ (expense)	-	27 032	5 565	-	(2 542)	**30 055**
FX gains/ (losses)	-	(355)	(1 650)	-	1 202	**(803)**
Reversal / (creation) impairment write-offs	-	-	(30 880)	-	800	**(30 080)**
Dividends received	5	-	-	-	-	**5**
Valuation gains/ (losses)	-	9 171	-	1 355	(7 243)	**3 283**
Gains /(losses) from disposal /realization of financial instruments	-	1 223	-	(5 006)	-	**(3 783)**
Total	**5**	**37 071**	**(26 965)**	**(3 651)**	**(7 783)**	**(1 323)**

For the period from 1 January 2009 to 31 December 2009

	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Interest income/ (expense)	-	29 489	6 771	-	(6 511)	**29 749**
FX gains/ (losses)	-	8 543	(8 070)	-	473	**946**
Reversal / (creation) impairment write-offs	(38)	-	(26 763)	-	1 246	**(25 555)**
Dividends received	12	-	-	-	-	**12**
Valuation gains/ (losses)	-	36 241	-	31 084	(114)	**67 211**
Gains /(losses) from disposal /realization of financial instruments	2 000	(66 657)	-	(4 333)	-	**(68 990)**
Total	**1 974**	**7 616**	**(28 062)**	**26 751**	**(4 906)**	**3 373**

(All amounts are expressed in PLN thousands, unless stated otherwise)

51.3 Financial assets and liabilities measured at fair value

The following tables provide an analysis of the Group's financial assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable (see note 2.15).

	31 December 2010			
	Fair value measurement			
Financial assets at fair value through profit or loss	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments	-	3 157	-	**3 157**
Other financial assets at fair value through profit or loss	14 017	-	-	**14 017**
Cash and cash equivalents	-	1 862 403		**1 862 403**
Total	**14 017**	**1 865 560**	**-**	**1 879 577**

	31 December 2010			
	Fair value measurement			
Financial lisbilities at fair value through profit or loss	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments	-	460	-	**460**
Total	**-**	**460**	**-**	**460**

During the 12 months ended 31 December 2010, there was no transfer between Level 1 and Level 2 fair value measurements, and no transfer into and out of Level 3 fair value measuremen

(All amounts are expressed in PLN thousands, unless stated otherwise)

	31 December 2009			
	Fair value measurement			
Financial assets at fair value through profit or loss	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments	-	8 839	-	**8 839**
Other financial assets at fair value through profit or loss	19 850	-	-	**19 850**
Cash and cash equivalents	-	1 130 357		**1 130 357**
Total	**19 850**	**1 139 196**	**-**	**1 159 046**

	31 December 2009			
	Fair value measurement			
Financial lisbilities at fair value through profit or loss	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments	-	16 124	-	**16 124**
Total	**-**	**16 124**	**-**	**16 124**

During the 12 months ended 31 December 2009, there was no transfer between Level 1 and Level 2 fair value measurements, and no transfer into and out of Level 3 fair value measurement

52. Legal proceedings pending as at 31 December 2010

The total value of legal proceedings in progress in respect of liabilities of Budimex SA and its subsidiaries as at 31 December 2010 was PLN 226 771 thousand. These proceedings involve the Group companies' operating activity.

The proceedings in the highest value case, relating both to receivables and liabilities due from Budimex SA, is pending before Arbitration Court at the National Chamber of Commerce in Warsaw, which involve the consortium Ferrovial Agroman SA, Budimex SA and Estudio Lamela S.L. (Consortium FBL) and Przedsiębiorstwo Państwowe "Porty Lotnicze" (PPL). The litigation is the result of rescinding the contract for developing and modernizing Warsaw Frederic Chopin Airport – Terminal II by the Investor PPL. Initially, the proceedings related to the claim filed by the Consortium FBL, in relation to bank guarantees realised by PPL groundlessly, which were given as a performance warranty of a total amount of PLN 54 382 thousand. The claim in this respect was filed on 24 January 2008. In the course of the case PPL filed a counter-claim of a total amount of PLN 135 719 thousand, covering claims for the redress of damage, including lost benefits, return of unjust enrichment and liquidated damages. On 31 July and 26 October 2009 PPL filed to the Arbitration Court the next written statements of claim including extension of counter-claim, changing the original amount of counter-claim from PLN 135 719 thousand to PLN 280 894 thousand (risk of Budimex SA does not exceed the amount of PLN 112 358 thousand).

In the opinion of Budimex SA, the main claims under the counter-suit are groundless. The response to the counter-claim, including the motion to dismiss the claim entirely, and therefore supporting the statement that claims filed by PPL are unjustified, was filed on 21 October 2008. To date, there have fourteen trials during which witnesses for the plaintiff and the counter-defendant have been examined for the circumstances included in the counter-claim. On 27 May 2010 the Arbitration Court made a decision, based on which the evidence from the expert's opinion regarding the evaluation of reasonableness of the PPL claims was accepted. The expert appointed by the Arbitration Court – the BS Consulting Group started to work at the end od 2010. To date, there have been several meetings with proxies of parties and the expert. The parties are waiting for the appointment by the Arbitration Court of meeting date, during which, among other things, the date for preparation of aforementioned opinion by the expert will be fixed.

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

On 23 March 2009 the Arbitration Court issued a partial verdict covering the decision in respect of bank guarantees. Based on the verdict, the Arbitration Court adjudged the total amount of PLN 54 382 thousand together with statutory interest for the period from 9 November 2007 (at the date of issuing the verdict the amount of interest was PLN 8 805 thousand). According to the consortium contract the portion falling to Budimex SA is 40%, i.e. PLN 21 753 thousand and PLN 3 522 thousand referring to interest. Having received the reason for the partial judgement from the Arbitration Court, the Consortium filed, in the Common Court, a motion on ascertainment of executability of the verdict of the Arbitration Court thorough giving an enforcement clause. The Common Court decided to postpone the examination of the case due to claimed filed by PPL to quash the verdict of the Arbitration Court. On 31 May 2010 the Disctrict Court in Warsaw quashed the partial verdict of the Arbitration Court, claiming that the appealed sentence of the Arbitration Court violates the public order rules with regard to adjudging the compensation jointly in favour of three entities in case the benefit is divisible. On 13 July 2010 Budimex SA appeled against the verdict of the District Court in Warsaw. Currently, Budimex SA is waiting for the verdict of the Appeal Court in Warsaw regarding the appeal filed.

Taking the above into consideration, the Management Board is of the opinion that the final arbitration court verdict will be favourable to the Consortium FBL.

Another material in value legal proceedings relate to the claim filed on 5 March 2008 by Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. requesting that the amount of PLN 25 252 thousand be awarded jointly and severally against the consortium to which the Budimex SA and Budimex Dromex SA belonged. The claim relates to the replacement contractor costs incurred by the investor when the consortium rescinded a contract. The Budimex Group's share in consortium was 90%, therefore the value of the claim for which the Company is liable is PLN 22 727 thousand. The defendants filed a response to the statement of claim within two weeks of receipt of the statement of claim.
As a result of the plea of incompetency of a court formulized in the response to the statement of claim due to the written arbitration agreement, the court brought a case before the closed court in order to determine its jurisdiction. On 30 September 2010 the Court issued the ruling, refusing to reject the claim, thereby the Court acknowledged the Common Court as competent to consider the litigation. Until 28 October 2010 Budimex SA will file a complaint regarding the court decision.

Budimex Dromex SA (the company merged with Budimex SA in 2009) as a legal successor of Dromex SA on 8 February 2005 received a statement of claim, directed by Federal Republic of Germany, next represented by federal country Brandenburg, represented by Ministry of cities, housing and communication development ("the Claimer") to the following companies:

- Budimex Dromex SA,
- VHV Deutsche Kautionsversicherung AG, Hannover,
- Deutsche Bank AG, Frankfurt/Main,
- Allgemeine Kreditversicherung Coface AG, Maisz
- for return of overpaid remuneration for work and settlement of a warranty liability in the total amount of EUR 2 583 thousand.

Dromex SA and Philipp Holzmann AG were shareholders in the company "ARGE Oderbrücke Philipp Holzmann AG/Dromex" (the "Consortium"). In the years 1993-1997, the companies built a bridge comprising the motorway over the Odra River near

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

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

The total value of proceedings relating to claims of Budimex SA and subsidiary companies as at 31 December 2010 was PLN 264 889 thousand. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of construction work performed.

On 10 March 2009 the District Court in Cracow issued the verdict regarding the claim filed by Budimex Dromex SA against Municipal Commune of Cracow, adjudging the payment of PLN 20 708 thousand together with statutory interest calculated for the period from 5 November 2007 and return of court fees in the amount of PLN 143 thousand. The claimed filed by Budimex Dromex related to the refund of the amount drawn by the Municipal Commune of Cracow on 5 November 2007 from the bank guarantee provided by Budimex Dromex SA as the performance bond for the contract for engineering, design and execution of a sports and show hall in Cracow – Czyżyny concluded on 20 December 2005 between the Consortium of Budimex Dromex SA, Ferrovial Agroman SA and Decathlon SA, and the Municipal Commune of Cracow. The commune drew this amount for the stipulated penalty provided by the contract after previous declaration of withdrawal from the contract and associated imposing of a stipulated penalty despite the fact that Budimex Dromex SA put the legitimacy of imposing of this penalty in question. On 15 July 2009 the Court of Appeal in Cracow, acting as the court of second resort in the proceedings described above, brought the verdict changing the verdict of the Court of first resort, adjudged the payment by the Municipal Commune of Cracow to Budimex Dromex SA of the amount of PLN 6 903 thousand including statutory interest calculated starting on 20 November 2007 until the date of payment and payment of the court fees in the amount of PLN 20 thousand. The Court rejected the rest of the appeal of the Municipal Commune of Cracow and adjudged the payment by Budimex Dromex SA to the Municipal Commune of the amount of PLN 70 thousand as the appeal trial fees. The verdict is absolute. Budimex Dromex SA appealed to the Supreme Court for cassation of this verdict. On 20 October 2010 the Supreme Court provided for cassation and the case will be considered again by the Appeal Court in Cracow.

On 17 February 2011 Budimex SA received information on the decision of the Appellate Court in Cracow, which, having re-examined – as a result of the Supreme Court reversing the previous decision of the Appellate Court in Cracow in the part regarding the dismissal of the claim and adjudication on legal costs – the appeal of the Urban Municipality of Cracow against the decision of the District Court in Cracow of 10 March 2008, reversed the decision of the District Court in Cracow of 10 March 2008 in the part regarding the claim for the amount exceeding PLN 6 903 thousand (i.e. to the amount of PLN 13 806 thousand) and referred the case to the District Court in Cracow for re-examination and adjudication on legal costs.
The case brought by Budimex SA against the Urban Municipality of Cracow for the payment of PLN 20 708 thousand has become final with regard to the amount of PLN 6 903 thousand plus statutory interest calculated from 20 November 2007, having been adjudicated to be paid by the Urban Municipality of Cracow to Budimex SA. The remaining elements of the claim are to be re-examined by the District Court in Cracow.

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

53. Events after the balance sheet date

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

(All amounts are expressed in PLN thousands, unless stated otherwise)

54. Contingent liabilities and contingent receivables

	31 December 2010	31 December 2009
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	277 344	189 829
– bills of exchange received as security	19 978	18 020
From other entities, total	**297 322**	**207 849**
Total contingent receivables	**297 322**	**207 849**
Contingent liabilities		
To related parties, of which:		
– guarantees and suretyships issued	602	634
– bills of exchange issued as performance bond	-	-
To related parties, total	**602**	**634**
To other entities, of which:		
– guarantees and suretyships issued	1 361 935	1 233 684
– bills of exchange issued as permormance bond	4 464	10 615
To other entities, total	**1 366 399**	**1 244 299**
Other contingent liabilities	**-**	**-**
Total contingent liabilities	**1 367 001**	**1 244 933**
Total off-balance sheet items	**(1 069 679)**	**(1 037 084)**

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. Guarantees issued to the investors of the Group represent an alternative, to the retentions held, method of securing potential investor claims relating to construction contracts. At the same time, the risk relating to warranty repairs assessed by the Management Board of the Group as probable was appropriately reflected in the warranty repair reserves, as described in note 30 to these consolidated financial statements.

The promissory notes issued represent a security for the settlement of liabilities towards 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 investors of the amounts due to the Group.

(All amounts are expressed in PLN thousands, unless stated otherwise)

55. Employment structure

Employee group	Number of employees as at 31 December	
	2010	**2009**
Blue collar employees	2 534	2 082
White collar employees	2 110	1 821
Total	**4 644**	**3 903**

56. Significant events with an impact on the Group financial situation

Budimex SA has a 37% share in the consortium set up with Ferrovial Agroman SA and Estudio Lamela S.L. (the "Consortium") to perform a contract for developing and modernizing (together with full technical infrastructure) Warsaw Frederic Chopin Airport – Terminal II *(Międzynarodowy Port Lotniczy Warszawa Okęcie*) of an original value of USD 198 850 thousand and a completion date of 14 November 2005. In the 1st quarter of 2005, the investor extended the work completion deadline to 15 April 2006 due to a 5-month delay in the Consortium obtaining planning permission (for reasons independent of the Consortium). On 15 September 2006, the Consortium signed an Annex to the above contract with the airport managing company, Przedsiębiorstwo Państwowe Porty Lotnicze. Due to the scope of work being extended and taking into account compensation for the additional general costs incurred by the Consortium in the extended period, the total value of the contract increased to USD 247 687 thousand. The Parties agreed that the new work completion deadline would be 30 November 2007. The investor, Przedsiębiorstwo Państwowe Porty Lotnicze, also imposed on the Consortium liquidated damages (as provided for in the original contract) of USD 6 378 thousand for the delay in contract performance past the deadline of 15 April 2006.

On 12 October 2007, the Consortium received a statement from Przedsiębiorstwo Państwowe Porty Lotnicze ("PPPL") to the effect that it was rescinding the contract for the development of Warsaw Frederic Chopin Airport. On 29 October 2007, the Management Board of Budimex SA was informed by the company's banks that Przedsiębiorstwo Państwowe Porty Lotnicze had demanded payment from the bank guarantee of USD 8 665 thousand towards Budimex SA's share, as a member of the Consortium carrying out the development project at Warsaw Frederic Chopin Airport. In the period 2-9 November 2007, payments were made to PPPL under the bank guarantee in proportion to Budimex's share in the Consortium of a total amount of PLN 21 612 thousand. According to the Executive Consortium, the demands for payments from the bank guarantees were made in breach of the Contract and the Civil Code.

Income and expenses and assets and liabilities related to the realization of the contract in the part falling to Budimex were accounted for in books appropriately. As at 31 December 2010 and 31 December 2009 there were no capital liabilities referring to the contract. Contingent liabilities resulting from counter-claim statements have been described in note 52.

According to the closest Management Board estimates, as at the date of these consolidated financial statements and having considered the risk relating to the above proceedings, the total loss incurred by Budimex on this contract (proportionate to Budimex's share in the Consortium), taking into account other operating costs/income and other financial costs/income (including the result on forward contracts entered into to minimize the foreign exchange risk) was PLN 101 136 thousand as at 31 December 2010 (as at 31 December 2009: PLN 110 875 thousand). Budimex's loss on the entire contract, without taking into account the result of other operating and financial activities was PLN 143 362 thousand as at 31 December 2010 (as at 31 December 2009: PLN 153 100 thousand). As the Consortium has not completed its financial settlements with PPPL and its subcontractors and due to the arbitration proceedings pending, the final result of the contract performance may change.

On 23 January 2010 the Management Board of Budimex SA learned that the condition concerning the construction and operation of the A1 highway between Stryków and Pyrzowice in the concession system in accordance with the agreement signed on 22 January 2009 between Autostrada Południe SA and the State Treasury had not been fulfilled. Due to the above, Phase II (referring to construction work) of the agreement concluded on 19 January 2010 by and between Budimex Spółka Akcyjna Ferrovial Agroman Spółka Akcyjna Spółka Jawna (formerly: Budimex Dromex Spółka Akcyjna Ferrovial Agroman Spółka Akcyjna Spółka Jawna) and Autostrada Południe SA for the design and construction of the section of A1 highway between Stryków and Pyrzowice did not become effective. Phase I, the value of which was estimated at PLN 180 000 thousand, covered the design work, which commenced in 2009 pursuant to the preliminary agreement concluded by Autostrada Południe SA, Budimex Dromex SA and Ferrovial Agroman SA on 30 May 2008.

In March 2010 the Management Board of Budimex SA learned that Ministry of Infrastructure did not approve the project documentation prepared by the company in favour of Autostrada Południe SA. Due to the above, there is a risk that the full amount of contract costs incurred by Budimex Spółka Akcyjna Ferrovial Agroman Spółka Akcyjna Spółka Jawna (in which Budimex SA hold 50% shares) will not be recovered from Autostrada Południe SA unless it is proved that the lack of payments in favour of Autostrada Południe SA from the State Treasury does not result form the defect of the project delivered by Budimex Spółka Akcyjna Ferrovial Agroman Spółka Akcyjna Spółka Jawna or the defects are the consequence of requirements of Autostrada Południe SA, different from requirements of the State Treasury as an investor. As at 31 December

(All amounts are expressed in PLN thousands, unless stated otherwise)

2010 sales revenue arising from realised design work, taking into consideration the anticipated risks, recognised by Budimex Spółka Akcyjna Ferrovial Agroman Spółka Akcyjna Spółka Jawna falling to Budimex SA amounted to PLN 72 505 thousand, of which PLN 30 004 thousand was recognized in 2010. in 2010 Budimex Spółka Akcyjna Ferrovial Agroman Spółka Akcyjna Spółka Jawna made an impairment write-down against receivables due from Autostrada Południe SA, while the amount falling to Budimex SA was PLN 39 850 thousand.

Dariusz Blocher	President of the Management Board	....	Henryk Urbański	Management Board Member	....
name and surname	Position	signature	name and surname	position	signature
Ignacio Botella Rodriguez	Vice President of the Management Board	....	Marcin Węgłowski	Management Board Member	....
name and surname	position	signature	name and surname	position	signature
Jacek Daniewski	Management Board Member	....	Grzegorz Fąfara	Chief Accountant	....
name and surname	position	signature	name and surname	position	signature
Joanna Makowiecka	Management Board Member	....			
name and surname	position	signature		Warsaw, 16 March 2011	