

The Budimex Group

**Condensed consolidated financial statements
for III quarters of 2010**

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

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Consolidated statement of financial position

ASSETS	30 September 2010	31 December 2009
	(PLN thousands)	(PLN thousands)
Non-current assets		
Property, plant and equipment	93 122	99 790
Investment properties	3 466	3 673
Intangible assets	3 144	3 530
Goodwill	73 237	73 237
Equity accounted investments	16 171	20 653
Available-for-sale financial assets	23 955	23 955
Retentions for construction contracts	44 166	49 658
Long-term prepayments and deferred costs	4 457	1 878
Deferred tax asset	288 865	241 507
Total non-current assets	550 583	517 881
Current assets		
Inventories	970 644	1 128 634
Trade and other receivables	597 197	398 293
Retentions for construction contracts	23 871	25 945
Amounts due and receivable from customers (investors) under construction contracts	319 805	99 329
Current tax receivable	273	1 272
Derivative financial instruments	3 571	8 839
Other financial assets at fair value through profit or loss	-	19 850
Cash and cash equivalents	856 966	1 130 357
Short-term prepayments and deferred costs	8 576	4 772
	2 780 903	2 817 291
Non-current assets classified as held for sale	5 908	4 451
Total current assets	2 786 811	2 821 742
TOTAL ASSETS	3 337 394	3 339 623

Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	30 September 2010	31 December 2009
	(PLN thousands)	(PLN thousands)
Shareholders' equity		
Shareholders' equity attributable to the shareholders of the Parent Company		
Share capital	145 848	145 848
Share premium	234 799	234 799
Foreign exchange differences on translation of foreign operations	1 652	1 446
Retained earnings	237 796	204 087
Total shareholders' equity attributable to the shareholders of the Parent Company	620 095	586 180
Non-controlling interests	-	-
Total shareholders' equity, incl. non-controlling interests	620 095	586 180
Liabilities		
Non-current liabilities		
Loans, borrowings and other external sources of finance	4 535	230 218
Retentions for construction contracts	122 596	105 132
Provision for long-term liabilities and other charges	99 084	78 814
Long-term retirement benefits and similar obligations	3 857	3 857
Total non-current liabilities	230 072	418 021
Current liabilities		
Loans, borrowings and other external sources of finance	16 810	62 941
Trade and other payables	1 087 090	908 828
Retentions for construction contracts	114 666	121 180
Amounts due and payable to customers (investors) under construction contracts	764 829	546 901
Prepayments received	162 633	355 572
Provision for short-term liabilities and other charges	109 508	98 517
Current tax payable	92 048	95 071
Short-term retirement benefits and similar obligations	1 665	1 675
Derivative financial instruments	1 864	16 124
Short-term accruals	125 881	127 613
Short-term deferred income	10 233	1 000
	2 487 227	2 335 422
Liabilities directly associated with the assets classified as held for sale	-	-
Total current liabilities	2 487 227	2 335 422
Total liabilities	2 717 299	2 753 443
TOTAL EQUITY AND LIABILITIES	3 337 394	3 339 623

Consolidated income statement

	9-month period ended	3-month period ended	9-month period ended	3-month period ended
	30 September 2010		30 September 2009 <i>restated</i>	
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Continuing operations				
Net sales of finished goods, goods for resale, raw materials and services	3 160 709	1 437 305	2 441 917	925 161
Cost of finished goods, goods for resale, raw materials and services sold	(2 793 253)	(1 279 408)	(2 115 828)	(891 574)
Gross profit on sales	367 456	157 897	326 089	33 587
Selling expenses	(16 675)	(5 614)	(16 742)	(4 923)
Administrative expenses	(83 831)	(28 230)	(93 615)	(31 703)
Other operating income	68 826	9 671	59 165	31 864
Other operating expenses	(82 414)	(41 170)	(117 663)	(1 248)
Gains/ (losses) on derivative financial instruments	6 015	3 944	(13 936)	28 435
Operating profit	259 377	96 498	143 298	56 012
Finance income	28 724	8 279	36 280	12 171
Finance costs	(29 214)	(4 268)	(14 241)	(4 471)
Share of results of equity accounted companies	(3 006)	(782)	589	983
Profit before tax	255 881	99 727	165 926	64 695
Income tax	(48 567)	(18 968)	(36 246)	(10 475)
Net profit from continuing operations	207 314	80 759	129 680	54 220
Net profit for the period	207 314	80 759	129 680	54 220
Of which:				
Attributable to the shareholders of the Parent Company	207 314	80 759	129 680	54 220
Attributable to non-controlling interest	-	-	-	-
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	8.12	3.16	5.08	2.12

Consolidated statement of comprehensive income

	9-month period ended	3-month period ended	9-month period ended	3-month period ended
	30 September 2010		30 September 2009 <i>restated</i>	
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Net profit for the period	207 314	80 759	129 680	54 220
Other comprehensive income (loss) for the period:				
Foreign exchange differences on translation of foreign operations	206	(245)	260	(563)
Deferred tax related to components of other comprehensive income	-	-	-	-
Other comprehensive income, net of tax	206	(245)	260	(563)
Total comprehensive income for the period	207 520	80 514	129 940	53 657
Of which:				
Attributable to the shareholders of the Parent Company	207 520	80 514	129 940	53 657
Attributable to non-controlling interests	-	-	-	-

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Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent Company					Non-controlling interests	Total equity
	Share capital	Share premium	Foreign exchange differences on translation of foreign operations	Retained earnings	Total		
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Balance as at 1 January 2010	145 848	234 799	1 446	204 087	586 180	-	586 180
Profit for the period	-	-	-	207 314	207 314	-	207 314
Other comprehensive income	-	-	206	-	206	-	206
Total comprehensive income for the period	-	-	206	207 314	207 520	-	207 520
Dividends	-	-	-	(173 605)	(173 605)	-	(173 605)
Balance as at 30 September 2010	145 848	234 799	1 652	237 796	620 095	-	620 095

The BUDIMEX Group

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Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company					Non-controlling interests	Total equity
	Share capital	Share premium	Foreign exchange differences on translation of foreign operations	Retained earnings	Total		
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Balance as at 1 January 2009	145 848	234 799	1 557	179 525	561 729	-	561 729
Profit for the period	-	-	-	129 680	129 680	-	129 680
Other comprehensive income	-	-	260	-	260	-	260
Total comprehensive income for the period	-	-	260	129 680	129 940	-	129 940
Dividends				(149 096)	(149 096)	-	(149 096)
Balance as at 30 September 2009	145 848	234 799	1 817	160 109	542 573	-	542 573
Profit for the period	-	-	-	43 978	43 978	-	43 978
Other comprehensive income	-	-	(371)	-	(371)	-	(371)
Total comprehensive income for the period	-	-	(371)	43 978	43 607	-	43 607
Balance as at 31 December 2009	145 848	234 799	1 446	204 087	586 180	-	586 180

Consolidated statement of cash flow

	9-month period ended 30 September	
	2010	2009 restated
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	255 881	165 926
Adjustments for:		
Depreciation/ amortization	15 285	16 148
Share of results of equity accounted companies	3 006	(589)
Foreign exchange (gains)/ losses	(525)	774
Interest and shares in profits (dividends)	7 892	1 765
(Profit)/ loss on disposal of investments	(6 422)	(639)
Change in valuation of derivative financial instruments	(9 414)	(43 687)
Operating profit before changes in working capital	265 703	139 698
Change in receivables and retentions for construction contracts	(191 235)	86 809
Change in inventories	157 990	43 158
Change in provisions and liabilities arising from retirement benefits and similar obligations	31 251	63 127
Change in retentions for construction contracts and in liabilities, except for loan and borrowings liabilities	187 216	(47 314)
Change in accruals and accrued income	1 118	10 192
Change in amounts due and receivable under construction contracts	(2 548)	63 165
Change in prepayments received	(192 939)	87 332
Change in cash and cash equivalents of restricted use	(353)	677
Other adjustments	2 811	(1)
Cash generated from operations	259 014	446 843
Income tax paid	(97 949)	(92 881)
NET CASH FROM OPERATING ACTIVITIES	161 065	353 962

Consolidated statement of cash flow (cont.)

	9-month period ended 30 September	
	2010	2009 restated
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of intangible assets and tangible fixed assets	5 681	21 915
Purchase of intangible assets and tangible fixed assets	(12 303)	(20 927)
Sale of investments in property and intangible assets	3 800	63
Purchase of investments in property and intangible assets	(220)	(147)
Purchase of available-for-sale financial assets	-	(5 938)
Sale / (purchase) of financial assets at fair value through profit or loss	19 067	79 251
Dividends received	1 448	2 043
Interest received	933	2 940
Other investing inflows / (outflows)	-	377
NET CASH FROM INVESTING ACTIVITIES	18 406	79 577
CASH FLOW FROM FINANCING ACTIVITIES		
Loans and borrowings taken out	-	90 411
Repayment of loans and borrowings	(263 688)	(144 314)
Dividends paid	(173 605)	(149 096)
Payment of finance lease liabilities	(8 188)	(9 143)
Interest paid	(8 034)	(4 205)
NET CASH FROM USED IN FINANCING ACTIVITIES	(453 515)	(216 347)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(274 044)	217 192
Foreign exchange differences, net	300	(696)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 3.5)	1 130 289	725 150
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 3.5)	856 545	941 646

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

1.1. The Parent Company

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

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

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

1.2. Entities subject to consolidation

As at 30 September 2010, 31 December 2009 and 30 September 2009 the following companies were subject to consolidation:

Company name	Registered office	% in the share capital as at			Consolidation method
		30 September 2010	31 December 2009	30 September 2009	
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	100.00%	full
Centrum Konferencyjne „Budimex” Sp. z o.o.	Licheń / Poland	100.00%	100.00%	100.00%	full
Budimex Danwood Sp. z o.o.	Bielsk Podlaski / Poland	100.00%	100.00%	100.00%	full
Budimex Bau GmbH	Walluf / Germany	100.00%	100.00%	100.00%	full
Budimex Nieruchomości Sp. z o.o. ¹	Warsaw / Poland	100.00%	100.00%	50.00%	full
Budimex Budownictwo Sp. z o.o. ²	Warsaw / Poland	100.00%	-	-	full
Budimex SA Ferrovia Agroman SA s.c. ³	Warszawa / Polska	95.00%	-	-	proportionate
Budimex SA Sygnity SA Sp. j.	Warsaw / Poland	67.00%	67.00%	67.00%	proportionate
Budimex SA Ferrovia Agroman SA Sp. j.	Warsaw / Poland	50.00%	50.00%	-	proportionate
Sprzęt Transport Sp. z o.o. in liquidation ⁴	Cracow / Poland	-	100.00%	100.00%	full
Budimex Auto-Park Sp. z o.o. ⁵	Warsaw / Poland	-	100.00%	100.00%	full
Budimex Dromex SA ⁶	Warsaw / Poland	-	-	100.00%	full

¹) On 16 November 2009 Budimex SA purchased 50% shares in Budimex Nieruchomości from the other shareholder – Grimaldi Investments BV. Purchase transaction was settled using pooling of interests method.

²) Company entered in the Register of Entrepreneurs on 18 June 2010.

³) Company was established on 21 July 2010.

⁴) Company liquidated on 31 May 2010.

⁵) Company included in Budimex SA on 23 June 2010. Both companies were consolidated using acquisition accounting (full) method and hence the transaction did not have any effect on the consolidated financial statements.

⁶) Company included in Budimex SA on 16 November 2009. Both companies were consolidated using acquisition accounting (full) method and hence the transaction did not have any effect on the consolidated financial statements.

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

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.

In the period covered by this report, no significant activities were discontinued and there were no plans to discontinue any significant activities in the future.

2. Shareholders of the Parent Company

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at the date of publication of the report was as follows:

Shareholder	Type of shares	Number of shares	% of the share capital	Number of votes	% of voting rights at the AGM
Valivala Holdings B.V. Amsterdam (Holland) – the Company from the Ferrovial SA Group (Spain)	ordinary	15 078 159	59.06%	15 078 159	59.06%
OFE PZU „Złota Jesień”	ordinary	1 444 895	5.66%	1 444 895	5.66%
Other shareholders	ordinary	9 007 044	35.28%	9 007 044	35.28%
Total		25 530 098	100.00%	25 530 098	100.00%

From the date of publication of the report for the first half of 2010, i.e. 31 August 2010 the shareholding structure has not change.

3. Principles applied for the purpose of preparation of financial statements**3.1. Accounting policies and basis of preparing the consolidated financial statements of the Budimex Group**

These condensed financial statements were prepared in accordance with IAS 34 "Interim Financial Reporting" and appropriate accounting standards applicable for preparation of the interim consolidated financial statements adopted by the European Union issued and effective when preparing the interim consolidated financial statements applying the same principles for the current and comparable period. Details of accounting policies adopted by the Group were described in the consolidated financial statements of the Group for the year ended 31 December 2009, published on 22 March 2010.

The consolidated financial statements were prepared on the assumption that the Parent Company and all entities included in the Budimex Group will be going concerns in the foreseeable future. In the reporting period and as at the date of preparation of these financial statements no circumstances have

been noted that would indicate a threat to the remaining companies' ability to continue as a going concern.

Standards and Interpretations effective in the current period

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

- **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, adopted by the EU on 23 March 2010 (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 for the 9-month period ended 30 September 2010.

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 for the 9-month period ended 30 September 2010.

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"** (effective for annual periods beginning on or after 1 July 2010).

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

Standards and Interpretations issued by IASB 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 for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 27 October 2010:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2013),
- **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 (most amendments are to be applied for annual periods beginning on or after 1 January 2011).

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

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. According to the entity's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

3.2. Changes in the principles of preparation of the financial statements

On 4 November 2009 Budimex SA concluded a contract for purchasing 50% of shares in Budimex Nieruchomości Sp. z o.o. (entitling to 50% of the votes at the meeting of shareholders) from the other shareholder – Grimaldi Investments BV. The remaining 50% of shares belong to Budimex SA. Financial data of Budimex Nieruchomości Sp. z o.o. were consolidated using proportionate method till the moment of acquiring the remaining 50% of shares. The share purchase price agreed by the parties stands at PLN 385 000 thousand. Payment deadline was set by 16 November 2009 with the reservation that the purchase of shares by Budimex SA shall become effective upon the payment date.

Budimex SA and Grimaldi Investments BV are related parties, which belong to the same capital group – Ferrovia Group. Grimaldi Investments BV is a subsidiary of Grupo Ferrovia, which is a parent entity of Budimex SA.

The acquisition of 50% of shares in Budimex Nieruchomości Sp. z o.o., which was under common control of the main shareholder of Budimex SA – Grupo Ferrovia, was settled using pooling of interests method.

The specification of adjustments related to the settlement of the acquisition of 50% of shares in Budimex Nieruchomości Sp. z o.o. recognized in the consolidated shareholders' equity attributable to the shareholders of the parent company as at 1 January 2008 and adjustments made to individual items of consolidated statement of financial position for the year ended 31 December 2008 were presented in the consolidated financial statements for the year ended 31 December 2009, published on 22 March 2010.

Comparatives for the 9-month period ended 30 September 2009 were restated appropriately as if the entities had always been combined (together).

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Consolidated income statement

The adjustments made to individual items of comparative consolidated income statements, i.e. for the 9-month and 3-month period ended 30 September 2009 are presented in the table below:

	9-month period ended 30 September	3-month period ended 30 September
	2009	2009
	(PLN thousands)	(PLN thousands)
Continuing operations		
Net sales of finished goods, goods for resale, raw materials and services	51 100	11 983
Cost of finished goods, goods for resale, raw materials and services sold	(31 205)	(9 964)
Gross profit on sales	19 895	2 019
Selling expenses	(1 879)	(532)
Administrative expenses	(1 503)	(755)
Other operating income	3 389	1 768
Other operating expenses	(7 003)	(282)
Gains/ (losses) on derivative financial instruments	-	-
Operating profit	12 899	2 218
Finance income	900	182
Finance costs	(1 094)	(295)
Share of results of equity accounted companies	-	-
Profit before tax	12 705	2 105
Income tax	(2 422)	(401)
Net profit from continuing operations	10 283	1 704
Net profit for the period	10 283	1 704
Of which:		
Attributable to the shareholders of the Parent Company	10 283	1 704
Attributable to non-controlling interests	-	-
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	0.40	0.07

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Statement of comprehensive income

The adjustments made to individual items of comparative statements of comprehensive income, i.e. for the 9-month and 3-month period ended 30 September 2009 are presented in the table below:

	9-month period ended 30 September	3-month period ended 30 September
	2009	2009
	(PLN thousands)	(PLN thousands)
Net profit for the period	10 283	1 704
Other comprehensive income (loss) for the period:		
Foreign exchange differences on translation of foreign operations	-	-
Deferred tax related to components of other comprehensive income	-	-
Other comprehensive income (loss), net of tax	-	-
Total comprehensive income for the period	10 283	1 704
Of which:		
Attributable to the shareholders of the Parent Company	10 283	1 704
Attributable to non-controlling interests	-	-

Consolidated statement of cash flow

Apart from the change of comparatives regarding settlement of the acquisition of 50% of shares in Budimex Nieruchomości Sp. z o.o., 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 periods 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 the 9-month period ended 30 September 2010 the element of cash flow from operating and investing activities related to realization of derivative financial instruments was eliminated. Comparatives for the 9-month period ended 30 September 2009 were appropriately restated by decreasing the value of net cash from operating activities by PLN 57 623 thousand as well as increasing net cash from investing activities by the same amount.

The adjustments in respect of both settlement of the acquisition of 50% of shares in Budimex Nieruchomości Sp. z o.o. and change of presentation made to main items of comparative statement of cash flow, i.e. for the 9-month period ended 30 September 2009 are presented in the table below:

	6-month period ended 30 September
	2009
	(PLN thousands)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	(29 633)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	57 348
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	(16 045)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	33 337

3.3. Non-current assets classified as held for sale

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

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

Non-current assets classified as held for sale as at 30 September 2010 and 31 December 2009 are presented in the table below:

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

3.4. Translation of the selected financial data into euro

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

- individual asset and liability items – using the average exchange rate prevailing as at 30 September 2010 – 3.9870 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the 9-month period ended 30 September 2010 – using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2010 to 30 September 2010 – 4.0027 PLN/EUR,
- individual asset and liability items of comparative financial data for the year 2009 – using the average exchange rate prevailing as at 31 December 2009 – 4.1082 PLN/EUR,
- individual profit and loss account and statement of cash flow items of comparative financial data for the 9-month period ended 30 September 2009 - using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2009 to 30 September 2009 – 4.3993 PLN/EUR.

3.5. Cash recognised in the statement of cash flow

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

	30 September 2010	31 December 2009	30 September 2009
	(in PLN thousands)	(in PLN thousands)	(in PLN thousands)
Cash recognised in the statement of financial position	856 966	1 130 357	941 825
Cash and cash equivalents of restricted use	(421)	(68)	(179)
Cash recognised in the statement of cash flow	856 545	1 130 289	941 646

4. Description of factors and events which had a material effect on a financial result of the Budimex Group for three quarters of 2010

Sale of construction-assembly services in Poland is characterized by seasonality mainly connected with atmosphere conditions and the highest revenues are usually achieved in the third quarter, while the lowest – in the first quarter.

In the 9-month period ended 30 September 2010, the Budimex Group earned sales revenue of PLN 3 160 709 thousand which means a 29.44% increase on the corresponding period of 2009. In the third quarter of 2010 sales revenue of the Budimex Group amounted to PLN 1 437 305 thousand and was higher by PLN 860 060 thousand (148.99%) than sales revenue realised in the first quarter of 2010 and higher by PLN 291 146 thousand (25.40%) than sales revenue realised in the second quarter of 2010. Sales revenue recognised in the third quarter of the current year increased by PLN 512 144 thousand (55.36%) compared to the corresponding period of the prior year.

In the period of three quarters of 2010 construction-assembly production in Poland expressed in current prices dropped by 1.7% compared to the corresponding period of the prior year (a decrease by 1.5% in fixed prices), while sales of the construction segment of the Budimex Group on the home market were up by 20.94% on the corresponding periods.

Gross profit on sales in the 9-month period ended 30 September 2010 was PLN 367 456 thousand, while in the corresponding period of the prior year was PLN 326 089 thousand. The gross sales profitability ratio was therefore 11.63% for three quarters of 2010, while in the corresponding period of the prior year was 13.35%. The gross sales profitability ratio in the third quarter of 2010 amounted to 10.99%, while in the corresponding period of the prior year was 3.63%.

In accordance with the accounting policies adopted, when budgeted contract costs exceed the entire expected contract revenue, Group companies create provisions for expected contract losses and recognize them under „Amounts due and payable to customers under construction contracts”. In the subsequent periods, a part of the created provision is released in proportion to the percentage of contract completion, after taking into account total negative margin on the entire contract. As at 31 December 2009, the balance of the provision for contract losses amounted to PLN 241 097 thousand. In the 9-month period ended 30 September 2010, the balance of provision for contract losses increased by PLN 204 625 thousand, while in the third quarter it increased by PLN 129 516 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 30 September 2010 the provision for warranty amounted to PLN 101 669 thousand. In the 9-month period ended 30 September 2010 the balance of the provision for warranty increased by PLN 8 955 thousand, while in the third quarter it increased by PLN 11 742 thousand.

Selling expenses dropped insignificantly in the 9-month period ended 30 September 2010 by PLN 67 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 9 784 thousand lower than expenses incurred in the corresponding period of 2009. The share of selling and administrative expenses in total sales decreased insignificantly from 4.52% in the period of three quarters of 2009 to 3.18% in corresponding period of the current year.

Other operating income for the 9-month period ended 30 September 2010 was PLN 68 826 thousand (PLN 59 165 thousand for the three quarters of 2009) and comprised reversal of impairment write-downs against doubtful debts in the amount of PLN 11 579 thousand (of which PLN 667 thousand in the third quarter of the current year), income from compensations and contractual penalties in the amount of PLN 39 420 thousand (of which PLN 1 122 thousand in the third quarter of the current year) and reversal of provisions for liabilities in dispute in the amount of PLN 7 760 thousand (of which PLN 7 554 thousand in the third quarter of the current year). Additionally, in the period of three quarters of 2010 Group companies disposed of tangible fixed assets and investment properties and earned profit on sale of PLN 6 429 thousand. The net book value of the tangible fixed assets and investment properties, inclusive of non-current assets classified as held for sale, sold in the period of three quarters of 2010 was PLN 10 239 thousand.

Other operating expenses for the 9-month period ended 30 September 2010 amounted to PLN 82 414 thousand (PLN 117 663 thousand for the corresponding period of the prior year), of which PLN 42 452 thousand related to impairment write-downs against receivables. In the third quarter of the current

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year the impairment write-down in the amount of PLN 39 850 thousand was made against receivable related to the contract for design and construction of the section of A1 highway between Stryków and Pyrzowice. Other operating costs for the period of 3 quarters of 2010 included moreover PLN 33 034 thousand related to provisions created for penalties and compensations (while PLN 318 thousand in the third quarter of the current year) and PLN 1 619 thousand regarding provisions created for legal proceedings (while in the third quarter of 2010 related costs were decreased by PLN 116 thousand). The value of compensations and contractual penalties charged to the Group result in the period discussed was PLN 2 800 thousand, of which PLN 1 050 thousand in the third quarter of the current year.

During the 9-month period ended 30 September 2010 the Group achieved gains on valuation and realization of derivative financial instruments contracts (made with a view to limiting the FX risk on foreign currency construction contracts) in the amount of PLN 6 015 thousand (of which gains in the amount of PLN 3 944 thousand in the third quarter of the current year), while in the corresponding period of the prior year it recognised losses in the amount of PLN 13 936 thousand (of which gains in the amount of PLN 28 435 thousand in the third quarter of 2009).

The reported operating profit of the Group in the period of three quarters of 2010 was PLN 259 377 thousand, while in the period of three quarters of 2009 it was PLN 143 298 thousand (an increase by 81.01%). The operating profit for the third quarter of 2010 amounted to PLN 96 498 thousand and represented 6.71% of sales revenue value, while for the corresponding period of the prior year it constituted 6.05% of sales revenue.

In the 9-month period ended 30 September 2010 the Group reported a loss on financing activities in the amount of PLN 490 thousand, while in the same period of the prior year it recognised a profit in the amount of PLN 22 039 thousand. Finance income for three quarters of 2010 represented mainly interest of PLN 28 724 thousand. Finance costs in three quarters of 2010 represented, among others, interest costs of PLN 9 013 thousand, bank commissions on guarantees and loans of PLN 12 717 thousand paid by Group companies, costs from discount of long-term retention receivables and liabilities of PLN 6 358 thousand and excess of foreign exchange losses over foreign exchange gains in the amount of PLN 700 thousand.

In the 9-month period ended 30 September 2010, the Group reported a gross profit of PLN 255 881 thousand, while in the corresponding period of the prior year – a gross profit of PLN 165 926 thousand (an increase by PLN 54.21%).

Income tax for the 9-month period ended 30 September 2010 was PLN 48 567 thousand (PLN 36 246 thousand for the 9 months of 2009), of which:

- current tax was PLN 95 622 thousand,
- deferred tax – PLN (47 055) thousand.

As at 30 September 2010, the Group recognized a deferred tax asset in the amount of PLN 288 865 thousand, while as at 31 December 2009 – PLN 241 507 thousand. The reported statement of financial position items of deferred tax asset result mainly from a special method of settlement of construction contracts, under which the moment of recognition of costs as incurred and revenue as realized are different from the tax and accounting perspectives.

The net profit attributable to the shareholders of the Budimex Group for three quarters of 2010 was PLN 207 314 thousand, while the net profit attributable to the shareholders of the Budimex Group for the corresponding period of 2009 was PLN 129 680 thousand (an increase by 59.87%).

In the 9-month period ended 30 September 2010, the Group purchased property, plant and equipment, intangible assets and investment properties with a total value of PLN 13 927 thousand (in the third quarter of 2010 – PLN 7 261 thousand), of which plant and machinery accounted for PLN 10 137 thousand (in the third quarter of 2010 – PLN 6 248 thousand).

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5. Operating segments

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

- construction business
- developer and property management business.

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

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

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.
- Budimex Inwestycje Sp. z o.o. (included in Budimex SA on 13 August 2009)
- Centrum Konferencyjne „Budimex” Sp. z o.o.
- Auto-Park Bydgoszcz Sp. z o.o. (included in Budimex SA on 23 June 2010)

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

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

The results of segments for 9-month period ended 30 September 2010 are presented in the table below:

Segment name	amounts in PLN thousands				
	Construction business	Property management and developer business	Other business	Exclusions	Consolidated value
External sales	2 615 990	451 510	94 750	(1 541)	3 160 709
Inter-segment sales	18 123	334	-	(18 457)	-
Total sales of finished goods, goods for resale and raw materials	2 634 113	451 844	94 750	(19 998)	3 160 709
Gross profit	251 729	83 240	6 663	25 824	367 456
Selling expenses	(7 964)	(5 975)	(2 755)	19	(16 675)
Administrative expenses	(76 666)	(13 233)	(4 687)	10 755	(83 831)
Other operating income/ (expenses), net	(26 741)	11 458	489	1 206	(13 588)
Gains / (losses) on derivative financial instruments	2 257	-	3 758	-	6 015
Operating profit	142 615	75 490	3 468	37 804	259 377
Finance income / (costs), net	6 917	(7 136)	(268)	(3)	(490)
Shares in gains/ (losses) of equity accounted entities	-	-	(3 006)	-	(3 006)
Income tax expense	(27 352)	(13 121)	(968)	(7 126)	(48 567)
Net profit (loss) for the period	122 180	55 233	(774)	30 675	207 314

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The results of segments for 9-month period ended 30 September 2009 are presented in the table below:

Segment name	amounts in PLN thousands				Consolidated value
	Construction business	Property management and developer business	Other business	Exclusions	
External sales	2 146 812	197 227	97 878	-	2 441 917
Inter-segment sales	70 808	1 642	-	(72 450)	-
Total sales of finished goods, goods for resale and raw materials	2 217 620	198 869	97 878	(72 450)	2 441 917
Gross profit	272 051	56 569	8 263	(10 794)	326 089
Selling expenses	(9 979)	(4 018)	(2 785)	40	(16 742)
Administrative expenses	(86 762)	(9 120)	(4 313)	6 580	(93 615)
Other operating income/ (expenses), net	(50 702)	(8 366)	(84)	654	(58 498)
Gains / (losses) on derivative financial instruments	(11 558)	-	(2 378)	-	(13 936)
Operating profit (loss)	113 050	35 065	(1 297)	(3 520)	143 298
Finance income / (costs), net	34 584	(12 492)	457	(510)	22 039
Shares in gains/ (losses) of equity accounted entities	-	-	589	-	589
Income tax expense	(32 513)	(3 969)	(468)	704	(36 246)
Net profit (loss) for the period	115 121	18 604	(719)	(3 326)	129 680

6. Related party transactions

Transactions with related parties made in the 9-month period ended 30 September 2010 and unsettled balances of receivables and liabilities as at 30 September 2009 are presented in the tables below:

	amounts in PLN thousands			
	Receivables		Liabilities	
	30 September 2010	31 December 2009	30 September 2010	31 December 2009
Parent Company and related parties (the Ferrovial Group)	51 994	51 490	89 925	98 044
Jointly-controlled entities	150	2 703	118	65
Associates	48	3	4 289	4 595
Other related parties*	47	623	1 190	912
Total settlements with related parties	52 239	54 819	95 522	103 616

	amounts in PLN thousands			
	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	30 September 2010	31 December 2009	30 September 2010	31 December 2009
Parent Company and related parties (the Ferrovial Group)	-	-	7 486	7 602
Jointly-controlled entities	-	-	-	-
Associates	-	-	-	-
Other related parties*	-	-	-	-
Total settlements with related parties	-	-	7 486	7 602

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	amounts in PLN thousands			
	Sales of finished goods and services		Purchase of finished goods and services	
	9-month period ended 30 September		6-month period ended 30 September	
	2010	2009	2010	2009
Parent Company and related parties (the Ferrovia Group)	41 991	20 285	(57 096)	(31 181)
Jointly-controlled entities	1 886	2 469	-	-
Associates	41	77	(8 641)	(3 443)
Other related parties*	110	224	(1 287)	(2 245)
Total transactions with related parties	44 028	23 055	(67 024)	(36 869)

	amounts in PLN thousands			
	Financial income		Financial costs	
	9-month period ended 30 September		6-month period ended 30 September	
	2010	2009	2010	2009
Parent Company and related parties (the Ferrovia Group)	-	-	(353)	(516)
Jointly-controlled entities	-	-	-	-
Associates	-	-	-	-
Other related parties*	-	12	-	-
Total transactions with related parties	-	12	(353)	(516)

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

Inter-Group transactions are made on an arm's length basis.

7. Factors which will affect results achieved by the Group in a period covering at least the next quarter

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

- instability on the financial markets
- a tempo of preparation of the investments connected with organization of Euro 2012,
- visible revival in the development market,
- fluctuations of exchange rates, which have the impact on the sales revenue, operating costs and result of the valuation and realization of derivative financial instrument contracts,
- price level of material and construction services affecting the amount of direct costs of realized contracts,
- intensification of actions aimed at recovery of overdue debts, which were provided for and strengthening the operational and financial control in respect of contracts realized,
- results of the pending legal proceedings, described in more detail in note 12 to these consolidated financial statements.

8. The main events in the third quarter of 2010 and significant events after 30 September 2010

Significant contracts:

On 23 July 2010 the consortium of Budimex SA (leader) and Ferrovial Agroman SA concluded a contract with the Zielona Góra-based division of the General Directorate for National Roads and Motorways on "Construction of the S-3 express road in the section from the "Międzyrzecz Południe" junction to the "Sulechów" junction". Net contract value is PLN 275 493 thousand.

On the 3 September 2010 the consortium of Budimex SA (the leader) and Ferrovial Agroman SA concluded a contract with the Gdańsk-based division of the General Directorate for National Roads and Motorways on the "Construction of a bridge over the Vistula River near Kwidzyn together with driveways along national road no. 90". Net contract value is PLN 250 818 thousand.

On 9 September 2010 Budimex SA received from the Lublin-based division of the General Directorate for National Roads and Motorways information about the selection of the offer by the consortium of Budimex SA (leader) and Ferrovial Agroman SA as the most favourable offer in the proceedings concerning the public procurement procedure carried out by a limited tender procedure known as: "Construction of the S17 express road, section Kurów - Lublin - Piaski". Net contract value is PLN 327 148 thousand.

On 15 September 2010 Budimex SA received from the Kielce-based division of the General Directorate for National Roads and Motorways information about the selection of the offer by Budimex SA as the most favourable offer in the proceedings concerning the public procurement procedure carried out by a limited tender procedure for construction works: "Construction of national road no. 78 at the section of the northern ring-road of Jędrzejowo". Net contract value is PLN 152 315 thousand.

On 30 September 2010 the consortium of Budimex SA (the leader) and Ferrovial Agroman SA concluded a contract with the Adam Mickiewicz University in Poznań for "Construction of the Centre for Advanced Technologies, building B, C, D, Technical Gases Storage Room, Waste Storage Room". Net contract value is PLN 64 170 thousand.

On 21 October 2010 Budimex SA signed with the Public Procurement Office of the Lublin City Office in Lublin a contract on "Access roads to the Lublin ring-road – extension of ul. Mełgiewska towards the "Mełgiew" junction along express roads S12, S17 and S19". Net contract value is PLN 102 119 thousand.

On 21 October 2010 Budimex SA received from Palatium Sp. z o.o. Sk with its registered office in Warsaw information about the coming into force of a conditional contract of 24 March 2010 for construction of the office building complex: Libra Business Center – stage I, building B. Net contract value is PLN 61 997 thousand.

Other significant agreements and events:

On 14 July 2010 Budimex SA concluded an agreement on the establishment of an engagement limit in the form of a renewable line on bank guarantee with Bank Ochrony Środowiska SA. According to the contract the company may order the bank to issue bank guarantees up to a sum total of PLN 100 000 thousand. The guarantee limit has been granted until 8 July 2011.

On 19 August 2010 Budimex SA signed with Fortis Bank Polska SA Annexe No. 7 to the Multi-Purpose Line-of-Credit Agreement dated 25 April 2010. Under the above document the new expiry date of the Agreement is 27 July 2011. Other provisions of the Agreement remain unchanged.

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

In the third quarter of 2010 Budimex SA and Group companies did not issue, redeem or repay equity securities.

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

Budimex SA did not publish any forecasts.

11. Statement of ownership of shares of Budimex SA or rights to such shares (options) held by the managing or supervisory persons of Budimex SA as at the date of publication of this report together with indication of changes in the ownership in the third quarter of 2010

As at the date of publication the report members of the Management Board and Supervisory Board of Budimex SA held the following number of shares:

Dariusz Blocher	(president of the Management Board)	3 500 shares
Marcin Węglowski	(Management Board member)	2 830 shares
Marek Michałowski	(chairman of the Supervisory Board)	3 900 shares

Above mentioned members of the Management Board and Supervisory Board do not own share options of the Company. As at the date of publication of this report other managing and supervisory persons of Budimex SA do not hold its shares or share options. There has been no change in the status of ownership from the date of publication of the report for the first half of 2010, i.e. 31 August 2010.

12. Proceedings pending as at 30 September 2010 before court, competent arbitration body or any public administration authority

The total value of legal proceedings in progress in respect of liabilities and receivables as at 30 September 2010 was PLN 502 798 thousand and exceeded 10% of the equity of Budimex SA, which amounts to PLN 584 627 thousand. Excess of the value of proceedings relating to claims of Group companies over proceedings against Group companies amounted to PLN 41 995 thousand.

In accordance with information in the possession of Budimex SA, the total value of legal proceedings in progress in respect of liabilities of Budimex SA and its subsidiaries as at 30 September 2010 was PLN 230 402 thousand. These proceedings involve the Group companies' operating activity.

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

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

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. On 8 May 2009 PPL filed a claimed to quash the partial verdict as well as to defer the executability of the Arbitration Court sentence. On 31 May 2010 the District Court in Warsaw quashed the partial verdict of the Arbitration Court, claiming that the appealed sentence of the Arbitration Court violates the public order rules with regard to adjudging the compensation jointly in favour of three entities in case the benefit is divisible. On 13 July 2010 Budimex SA appealed against the verdict of the District Court in Warsaw.

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. The Court, on application of Budimex, prolonged the date of submission of a written statement of claim regarding the presented position till 3 November 2010.

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

Total value of legal proceedings in respect of receivables due to Budimex SA and its subsidiaries as at 30 September 2010 amounted to PLN 272 396 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

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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 District Court in Cracow.

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

13. Contingent liabilities and contingent receivables

	30 September 2010 (in PLN thousands)	31 December 2009 (in PLN thousands)
Contingent receivables		
From related parties, of which:		
– guarantees and suretyships received	-	-
– bills of exchange received as security	-	-
From related parties, total	-	-
From other entities		
– guarantees and suretyships received	274 625	189 829
– bills of exchange received as security	16 021	18 020
From other entities, total	290 646	207 849
Total contingent receivables	290 646	207 849
Contingent liabilities		
To related parties, of which:		
– guarantees and suretyships issued	615	634
– bills of exchange issued as performance bond	-	-
To related parties, total	615	634
To other entities, of which:		
– guarantees and suretyships issued	1 407 873	1 233 684
– bills of exchange issued as performance bond	5 824	10 615
To other entities, total	1 413 697	1 244 299
Other contingent liabilities	-	-
Total contingent liabilities	1 414 312	1 244 933
Total off-balance sheet items	(1 123 666)	(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

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the construction contracts in progress. Banks are entitled to recourse the underlying claims to Group companies. Guarantees issued to the Group's customers represent an alternative, to the retentions held, method of securing potential claims of customers.

The bills of exchange issued represent a security for the settlement of liabilities towards the strategic suppliers of the Group, while the bills of exchange received and recognized under contingent assets (receivables) represent security for the repayment by the Group customers of the amounts due to the Group.

Guarantees for bank loans and borrowings issued by Budimex SA and its subsidiaries as at 30 September 2010:

Name of the company which issued a guarantee or suretyship for a bank loan or borrowings	Name of the (company) entity which received suretyships or guarantees	Total value of bank loans and borrowings, for which guarantee or suretyship was issued for the full amount or defined part (in PLN thousand)	Period of guarantees or suretyships issuance	Financial conditions in respect of guarantees and suretyships issued	Type of relations between Budimex SA and the entity which took out a bank loan or borrowings
Budimex SA	Mostostal Kraków SA	50 269	2016-04-30	free of charge	subsidiary
Budimex SA	Budimex Danwood SA	58 928	2014-06-30	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	615	2015-06-30	free of charge	subsidiary
TOTAL		109 812			

President of the Management Board

Management Board Member

Dariusz Blocher

Marcin Węglowski

Warsaw, 27 October 2010