

The Budimex Group

Condensed consolidated financial statements

**for the period of 6 months
from 1 January to 30 June 2012**

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

The BUDIMEX Group

Condensed consolidated financial statements for the 6-month period from 1 January to 30 June 2012

prepared in accordance with IFRS

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The BUDIMEX Group*Condensed consolidated financial statements for the 6-month period from 1 January to 30 June 2012**prepared in accordance with IFRS***Consolidated statement of financial position**

ASSETS	30 June 2012	31 December 2011	30 June 2011
	(PLN thousands)	(PLN thousands)	(PLN thousands)
Non-current assets			
Property, plant and equipment	239 851	274 001	112 997
Investment properties	3 186	3 278	3 343
Intangible assets	3 613	7 489	3 655
Goodwill	89 356	134 356	73 237
Equity accounted investments	12 722	13 503	13 694
Available-for-sale financial assets	11 398	12 146	11 842
Retentions for construction contracts	38 451	37 883	39 419
Other long-term receivables	-	24	-
Long-term prepayments and deferred costs	4 867	6 498	5 533
Deferred tax asset	279 936	312 032	329 254
Total non-current assets	683 380	801 210	592 974
Current assets			
Inventories	1 153 813	1 115 558	1 011 313
Trade and other receivables	904 500	511 961	694 800
Retentions for construction contracts	34 747	22 394	22 338
Amounts due and receivable from customers (investors) under construction contracts	644 085	229 762	327 450
Current tax receivable	4 652	5 985	46
Derivative financial instruments	875	141	1 708
Cash and cash equivalents	445 576	1 761 630	734 997
Short-term prepayments and deferred costs	14 089	13 919	14 876
	3 202 337	3 661 350	2 807 528
Non-current assets classified as held for sale	27 865	-	-
Total current assets	3 230 202	3 661 350	2 807 528
TOTAL ASSETS	3 913 582	4 462 560	3 400 502

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Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	30 June 2012	31 December 2011	30 June 2011
	(PLN thousands)	(PLN thousands)	(PLN thousands)
Shareholders' equity			
Shareholders' equity attributable to the shareholders of the Parent Company			
Share capital	145 848	145 848	145 848
Share premium	234 799	234 799	234 799
Other reserves	1 283	1 283	256
Foreign exchange differences on translation of foreign operations	2 086	2 229	1 529
Retained earnings/(losses)	(116 307)	141 671	185 867
Total shareholders' equity attributable to the shareholders of the Parent Company	267 709	525 830	568 299
Non-controlling interests	-	-	-
Total shareholders' equity, incl. non-controlling interests	267 709	525 830	568 299
Liabilities			
Non-current liabilities			
Loans, borrowings and other external sources of finance	76 487	73 981	30 128
Retentions for construction contracts	144 595	150 122	132 397
Provision for long-term liabilities and other charges	138 528	124 665	110 257
Long-term retirement benefits and similar obligations	11 385	11 385	4 059
Total non-current liabilities	370 995	360 153	276 841
Current liabilities			
Loans, borrowings and other external sources of finance	33 286	37 753	20 903
Trade and other payables	1 519 013	1 698 239	1 211 756
Retentions for construction contracts	192 012	153 436	129 652
Amounts due and payable to customers (investors) under construction contracts	844 816	1 037 987	688 629
Prepayments received	382 939	357 956	233 356
Provision for short-term liabilities and other charges	135 663	105 529	107 729
Current tax payable	677	-	1 528
Short-term retirement benefits and similar obligations	5 045	5 044	1 651
Derivative financial instruments	5 223	12 330	652
Short-term accruals	148 228	162 231	149 671
Short-term deferred income	7 976	6 072	9 835
	3 274 878	3 576 577	2 555 362
Liabilities directly associated with the assets (disposal groups) classified as held for sale	-	-	-
Total current liabilities	3 274 878	3 576 577	2 555 362
Total liabilities	3 645 873	3 936 730	2 832 203
TOTAL EQUITY AND LIABILITIES	3 913 582	4 462 560	3 400 502

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Consolidated income statement

	6-month period ended 30 June	
	2012	2011
	(PLN thousands)	(PLN thousands)
Continuing operations		
Net sales of finished goods, goods for resale, raw materials and services	2 883 765	2 248 888
Cost of finished goods, goods for resale, raw materials and services sold	(2 654 455)	(2 044 596)
Gross profit on sales	229 310	204 292
Selling expenses	(11 359)	(10 990)
Administrative expenses	(96 660)	(68 438)
Other operating income	18 795	44 088
Other operating expenses	(87 971)	(24 075)
Gains on derivative financial instruments	4 325	545
Operating profit	56 440	145 422
Finance income	25 169	27 218
Finance costs	(22 262)	(22 135)
Share of results of equity accounted companies	(760)	(2 346)
Profit before tax	58 587	148 159
Income tax	(36 500)	(28 369)
Net profit from continuing operations	22 087	119 790
Net profit for the period	22 087	119 790
Of which:		
Attributable to the shareholders of the Parent Company	22 087	119 790
Attributable to non-controlling interests	-	-
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	0.87	4.69

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Consolidated statement of comprehensive income

	6-month period ended 30 June	
	2012 (PLN thousands)	2011 (PLN thousands)
Net profit for the period	22 087	119 790
Other comprehensive (loss) for the period:		
Foreign exchange differences on translation of foreign operations	(143)	(82)
Deferred tax related to components of other comprehensive income	-	-
Other comprehensive (loss), net of tax	(143)	(82)
Total comprehensive income for the period	21 944	119 708
Of which:		
Attributable to the shareholders of the Parent Company	21 944	119 708
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	Other reserves – share-based payments	Foreign exchange differences on translation of foreign operations	Retained earnings/ (losses)	Total		
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)		
Balance as at 1 January 2012	145 848	234 799	1 283	2 229	141 671	525 830	-	525 830
Profit for the period	-	-	-	-	22 087	22 087	-	22 087
Other comprehensive income	-	-	-	(143)	-	(143)	-	(143)
Total comprehensive income for the period	-	-	-	(143)	22 087	21 944	-	21 944
Dividends	-	-	-	-	(280 065)	(280 065)	-	(280 065)
Balance as at 30 June 2012	145 848	234 799	1 283	2 086	(116 307)	267 709	-	267 709

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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	Other reserves – share-based payments	Foreign exchange differences on translation of foreign operations	Retained earnings/ (losses)	Total		
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)		
Balance as at 1 January 2011	145 848	234 799	256	1 611	297 891	680 405	-	680 405
Profit for the period	-	-	-	-	119 790	119 790	-	119 790
Other comprehensive income	-	-	-	(82)	-	(82)	-	(82)
Total comprehensive income for the period	-	-	-	(82)	119 790	119 708	-	119 708
Dividends	-	-	-	-	(231 814)	(231 814)	-	(231 814)
Balance as at 30 June 2011	145 848	234 799	256	1 529	185 867	568 299	-	568 299
Profit for the period	-	-	-	-	141 084	141 084	-	141 084
Provisional accounting adjustments	-	-	-	-	(5 263)	(5 263)	-	(5 263)
Impairment of goodwill	-	-	-	-	(180 017)	(180 017)	-	(180 017)
Other comprehensive income	-	-	-	700	-	700	-	700
Total comprehensive income for the period	-	-	-	700	(44 196)	(43 496)	-	(43 496)
Share-based payments	-	-	1 027	-	-	1 027	-	1 027
Balance as at 31 December 2011	145 848	234 799	1 283	2 229	141 671	525 830	-	525 830

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The BUDIMEX Group*Condensed consolidated financial statements for the 6-month period from 1 January to 30 June 2012**prepared in accordance with IFRS***Consolidated statement of cash flow**

	6-month period ended 30 June	
	2012	2011
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	58 587	148 159
Adjustments for:		
Depreciation/ amortization	28 266	13 638
Share of results of equity accounted companies	760	2 346
Impairment of goodwill	45 000	-
Foreign exchange (gains)	(1 074)	(42)
Interest and shares in profits (dividends)	3 062	403
Loss on disposal of investments	4 277	2 495
Change in valuation of derivative financial instruments	(7 841)	1 641
Operating profit before changes in working capital	131 037	168 640
Change in receivables and retentions for construction contracts	(409 929)	(309 958)
Change in inventories	(38 255)	(19 926)
Change in provisions and liabilities arising from retirement benefits and similar obligations	43 998	5 315
Change in retentions for construction contracts and in liabilities, except for loan and borrowings liabilities	(145 688)	(60 295)
Change in accruals and accrued income	(10 638)	(21 831)
Change in amounts due and receivable under construction contracts	(607 494)	(521 033)
Change in prepayments received	24 983	7 528
Change in cash and cash equivalents of restricted use	12 067	(15 949)
Other adjustments	(426)	44
Cash generated from operations	(1 000 345)	(767 465)
Income tax paid	(2 395)	(171 599)
NET CASH USED IN OPERATING ACTIVITIES	(1 002 740)	(939 064)

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	6-month period ended 30 June	
	2012	2011
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of intangible assets and tangible fixed assets	963	11 043
Purchase of intangible assets and tangible fixed assets	(14 693)	(5 983)
Sale of financial assets in related entities	4 676	(1)
Purchase of available-for-sale financial assets	(4 168)	(108)
Sale of financial assets at fair value through profit or loss	-	14 013
Interest received	-	197
NET CASH FROM INVESTING ACTIVITIES	(13 222)	19 161
CASH FLOW FROM FINANCING ACTIVITIES		
Loans and borrowings taken out	39 485	10 793
Repayment of loans and borrowings	(36 735)	-
Dividends paid	(280 065)	(227 964)
Payment of finance lease liabilities	(7 799)	(5 862)
Interest paid	(2 949)	(511)
NET CASH USED IN FINANCING ACTIVITIES	(288 063)	(223 544)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1 304 025)	(1 143 447)
Foreign exchange differences, net	38	92
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 3.5)	1 740 488	1 861 547
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 3.5)	436 501	718 192

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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 and other business. 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 June 2012, 31 December 2011 and 30 June 2011 the following companies were subject to consolidation:

Company name	Registered office	% in the share capital as at			Consolidation method
		30 June 2012	31 December 2011	30 June 2011	
Mostostal Kraków SA	Cracow / 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	Cologne / Germany	100.00%	100.00%	100.00%	full
Budimex Nieruchomości Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%	full
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%	full
Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. ¹	Warsaw / Poland	100.00%	100.00%	-	full
SPV-BN 1 Sp. z o.o. ²	Warsaw / Poland	100.00%	100.00%	-	full
SPV-BN 2 Sp. z o.o. ³	Warsaw / Poland	100.00%	100.00%	-	full
Budimex SA Ferroviar Agroman SA s.c.	Warsaw / Poland	99.00%	99.00%	99.00%	proportionate
Budimex SA Sygnity SA Sp. j.	Warsaw / Poland	67.00%	67.00%	67.00%	proportionate
Budimex SA Ferroviar Agroman SA Sp. j.	Warsaw / Poland	50.00%	50.00%	50.00%	proportionate
Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o.	Warsaw / Poland	30.00%	30.00%	30.00%	proportionate

¹) Company purchased by Budimex SA on 16 November 2011.

²) Company entered in the Register of Entrepreneurs on 27 July 2011.

³) Company entered in the Register of Entrepreneurs on 28 July 2011.

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

In the 6-month period ended 30 June 2012, there were no changes in the composition of the Group nor were any significant activities discontinued.

There are no plans to discontinue any significant activities in the future, although the Management Board of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. filed an application for declaration of bankruptcy open to composition agreements on 24 August 2012. The construction services in the railway sector will be also rendered by other companies from the Group.

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	1 900 000	7.44%	1 900 000	7.44%
Other shareholders	ordinary	8 551 939	33.50%	8 551 939	33.50%
Total		25 530 098	100.00%	25 530 098	100.00%

From the date of publication of the quarterly report for the first quarter ended 31 March 2012, i.e. 25 April 2012 the shareholding structure has changed. The shareholder OFE PZU „Złota Jesień” increased the number of the shares held from 1 444 895 to 1 900 000. Therefore, the number of the shares held by other shareholders decreased from 9 007 044 to 8 551 939.

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 consolidated 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 the accounting policies adopted by the Group were described in the consolidated financial statements of the Group for the year ended 31 December 2011, published on 20 March 2012.

The consolidated financial statements were prepared on the assumption that the Parent Company and the entities included in the Budimex Group will be going concerns in the foreseeable future. On 24 August 2012 the Management Board of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. filed an application for declaration of bankruptcy open to composition agreements. According to the Management Board of the Parent Company it has not influenced the basis of preparing these condensed interim consolidated financial statements nor does it constitute a prerequisite of a threat to the Group’s ability to continue as a going concern in the future.

As of 30 June 2012 the excess of the current assets over the current liabilities decreased by deferred income from long-term contract valuation amounts to PLN 374 763 thousand. The net cash position of Budimex Group, which includes own cash and short-term securities less external sources of financing,

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amounted to PLN 305 163 thousand as of 30 June 2012. Therefore, as at the date of preparation of the consolidated financial statements the Management Board of the Parent Company does not state any threat to the Parent Company and the entities included in the Budimex Group's ability to continue as a going concern within 12 months after 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 („IASB”) and adopted by the EU are effective for the current period:

- **Amendments to IFRS 7 “Financial Instruments: Disclosures”** - Transfers of Financial Assets, adopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July 2011).

The adoption of these 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 1 “Presentation of financial statements”** - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),
- **Amendments to IAS 19 “Employee Benefits”** - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after 1 January 2013).

The Group anticipates that the adoption of the amendments to the above mentioned standards will have no material impact on the financial statements of the Group.

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 27 August 2012:

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2015),
- **IFRS 10 “Consolidated Financial Statements”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 11 “Joint Arrangements”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 12 “Disclosures of Interests in Other Entities”** (effective for annual periods beginning on or after 1 January 2013),
- **IFRS 13 “Fair Value Measurement”** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 27 (revised in 2011) “Separate Financial Statements”** (effective for annual periods beginning on or after 1 January 2013),
- **IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures”** (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 1 "First-time Adoption of IFRS"** - Government Loans (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 7 "Financial Instruments: Disclosures"** - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures"** – Mandatory Effective Date and Transition Disclosures,
- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),
- **Amendments to IAS 32 "Financial instruments: presentation"** - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to various standards "Improvements to IFRSs (2012)"** resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2013),
- **"Transition Guidance"** – amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 1 January 2013),
- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"** (effective for annual periods beginning on or after 1 January 2013).

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.

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 Group'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 accounting policies and the method of preparation of financial statements

Starting from 1 January 2012, perpetual usufruct is depreciated over the period of its estimated useful life. Before, as described in the consolidated financial statements of the Group for the year 2011, perpetual usufruct was not depreciated. The aforementioned change of valuation method has no significant impact on the balance sheet value of perpetual usufruct and the amount of net result of the Group for the 6-month period of 2012.

The consolidated statement of financial position as of 31 December 2011 has been changed due to modifications in the provisional accounting of the net assets' fair value of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (in particular, of long-term contract assets & liabilities) and due to goodwill impairment.

The details regarding the above mentioned changes as of 31 December 2011 have been included in the disclosure note No. 7 and in the following table:

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	31 December 2011 after changes	31 December 2011 before changes	change
	in PLN thousands	in PLN thousands	in PLN thousands
Non-current assets			(68 579)
Intangible assets	7 489	13 117	(5 628)
Goodwill	134 356	183 031	(48 675)
Deferred tax asset	312 032	326 308	(14 276)
Current assets			(19 975)
Trade and other receivables	511 961	515 513	(3 552)
Amounts due and receivable from customers (investors) under construction contracts	229 762	246 187	(16 425)
Short-term prepayments and deferred costs	13 919	13 917	2
TOTAL ASSETS			(88 554)
Shareholders' equity			(185 280)
Retained earnings	141 671	326 951	(185 280)
Current liabilities			96 726
Amounts due and payable to customers (investors) under construction contracts	1 037 987	941 261	96 726
TOTAL LIABILITIES			(88 554)

3.3. Non-current assets classified as held for sale

In accordance with International Financial Reporting Standards (IFRS 5) non-current assets classified as held for sale are presented separately 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 costs to sell.

As of 30 June 2012 Budimex Group disclosed land, buildings, machines and technical equipment as current assets, which were previously disclosed as property, plant and equipment. These are non-current assets, for which sales contracts should be signed within 12 months from the balance-sheet date.

As a result of classifying the above mentioned assets as assets held for sale, there has been no impairment recognised, as their contractual prices less costs to sell will be higher than their balance-sheet value. From the reclassification moment of the assets the Group stopped depreciating them.

All the non-current assets classified as held for sale as of 30 June 2012 are presented in the segment "Construction business".

Non-current assets classified as held for sale as at 30 June 2012, 31 December 2011 and 30 June 2011 are presented in the table below:

	30 June 2012	31 December 2011	30 June 2011
	(in PLN thousands)	(in PLN thousands)	(in PLN thousands)
Non-current assets classified as held for sale, of which:	27 865	-	-
– property, plant and equipment	27 865	-	-
Total	27 865	-	-

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3.4. Translation of selected financial data into euro

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

- individual asset and liability items – using the average exchange rate prevailing as at 30 June 2012 – 4.2613 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the first half of 2012 – using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2012 to 30 June 2012 – 4.2246 PLN/EUR,
- individual asset and liability items of comparative financial data for the year 2011 – using the average exchange rate prevailing as at 31 December 2011 – 4.4168 PLN/EUR,
- individual profit and loss account and statement of cash flow items of comparative financial data for the first half of 2011 – using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2011 to 30 June 2011 – 3.9673 PLN/EUR.

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 June 2012	31 December 2011	30 June 2011
	(in PLN thousands)	(in PLN thousands)	(in PLN thousands)
Cash recognised in the statement of financial position	445 576	1 761 630	734 997
Cash and cash equivalents of restricted use	(9 075)	(21 142)	(16 805)
Cash recognised in the statement of cash flow	436 501	1 740 488	718 192

4. Description of factors and events which had a material effect on a financial result of the Budimex Group for the first half of 2012

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 6-month period ended 30 June 2012, the Budimex Group earned sales revenue of PLN 2 883 765 thousand which means a 28.23% increase compared to the corresponding period of 2011.

In the first half of 2012 construction-assembly production in Poland expressed in current prices increased by 8.8% compared to the corresponding period of the prior year (an increase by 8.0% in fixed prices), while sales of the construction segment of the Budimex Group on the home market were up 34.22% compared to the corresponding periods.

Gross profit on sales in the first half of 2012 was PLN 229 310 thousand, while in the corresponding period of the prior year it amounted to PLN 204 292 thousand. The gross sales profitability ratio was therefore 7.95% in the first half of 2012, while in the first half of 2011 it amounted to 9.08%. In the first half of 2012 gross profit on sales in the construction segment amounted to PLN 204 837 thousand

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and was higher by PLN 38 003 thousand compared to the corresponding period of the prior year, albeit gross sales profitability ratio of construction segment for the first half of 2012 was 7.43% (8.10% in the first half of 2011). In turn, gross profit on sales in the developer segment in the 6-month period of 2012 was PLN 19 036 thousand, while in the corresponding period of the prior year it amounted to PLN 32 888 thousand. Gross sales profitability ratio of the developer segment increased from 18.27% in the first half of 2011 to 22.84% in the corresponding period of the current year.

In accordance with the accounting policies adopted, when budgeted contract costs exceed the entire expected contract revenue, Group companies create provisions for expected contract losses and recognize them under „Amounts due and payable to customers under construction contracts“. In the subsequent periods, a part of the created provision is released in proportion to the percentage of contract completion, after taking into account total negative margin on the entire contract. As at 30 June 2012, the balance of the provision for contract losses amounted to PLN 425 377 thousand. In the first half of 2012, the balance of provision for contract losses decreased by PLN 70 434 thousand, taking into consideration the provisional accounting adjustment of the net assets' fair value of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. The adjusted value of provision for contract losses as of 31 December 2011 is PLN 495 811 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 30 June 2012 the provision for warranty amounted to PLN 167 212 thousand. In the 6-month period ended 30 June 2012 the balance of the provision for warranty increased by PLN 16 816 thousand.

Selling expenses increased in the first half of 2012 by PLN 369 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 28 222 thousand higher than expenses incurred in the corresponding period of 2011, out of which PLN 12 243 thousand refer to Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. The share of selling and administrative expenses in total sales increased from 3.53% in the first half of 2011 to 3.75% in the first half of the current year.

Other operating income for the first half of 2012 was PLN 18 795 thousand (PLN 44 088 thousand for the first half of 2011) and comprised income from received compensations and contractual penalties in the amount of PLN 8 771 thousand and reversal of provision for liabilities in dispute in the amount of PLN 1 516 thousand. Additionally, in the period of six months of 2012 Group companies disposed of tangible fixed assets and investment properties and earned sales profit of PLN 961 thousand. The net book value of the tangible fixed assets and investment properties sold in the first half of 2012 was PLN 119 thousand.

Other operating expenses for the first half of 2012 amounted to PLN 87 971 thousand (PLN 24 075 thousand for the first half of 2011), of which PLN 5 927 thousand related to impairment write-downs against receivables, PLN 28 133 thousand related to creating a restructuring provision and PLN 1 198 thousand related to provisions created for legal proceedings. The value of compensations and contractual penalties paid and charged to the Group result in the period discussed was PLN 1 866 thousand and the costs of court fees, judicial execution and court proceedings amounted to PLN 1 267 thousand. The Group also created an impairment write-down against goodwill recognized on the purchase of PNI Sp. z o.o. in amount of PLN 45 000 thousand.

During the first half of 2012 the Group reported gains on valuation and realization of derivative financial instruments contracts (made with a view to limiting the FX risk on foreign currency construction contracts) in the amount of PLN 4 325 thousand, while in the corresponding period of the prior year – gain in the amount of PLN 545 thousand.

The reported operating profit of the Group in the first half of 2012 was PLN 56 440 thousand, while in the first half of 2011 it amounted to PLN 145 422 thousand (decrease by 61.19%). The operating profit for the first half of 2012 represented 1.96% of sales revenue value, while for the corresponding period of the prior year it represented 6.47% of sales revenue.

In the 6-month period ended 30 June 2012 the Group generated profit on financing activities in the amount of PLN 2 907 thousand, compared to a profit of PLN 5 083 thousand in the corresponding period of the prior year. Finance income in the first half of 2012 represented mainly interest of PLN 23 258 thousand. Finance costs in the first half of 2012 represented, among others, interest costs of PLN 4 814 thousand, bank commissions on guarantees and loans of PLN 7 173 thousand paid by

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Group companies, costs relating to impairment write-downs against the value of shares in the company Autopistas del Levante S.L. in the amount of PLN 4 916 thousand and costs from discount of long-term retention receivables and liabilities of PLN 5 350 thousand.

In the first half of 2012, the Group reported a gross profit of PLN 58 587 thousand, while in the corresponding period of the prior year – a gross profit of PLN 148 159 thousand (decrease by 60.46%).

Income tax for the 6-month period ended 30 June 2012 was PLN 36 500 thousand (PLN 28 369 thousand for the 6-month period of 2011), of which:

- current tax was PLN 4 286 thousand,
- deferred tax was PLN 32 214 thousand.

As at 30 June 2012, the Group recognized a deferred tax asset in the amount of PLN 279 936 thousand, while as at 31 December 2011 – PLN 312 032 thousand. The reported items of deferred tax asset in the statement of financial position 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. In the 6-month period ended 30 June 2012, due to a conservative estimate of the realisability of the temporary differences decreasing the income tax base in Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in the coming years, the Group did not recognize deferred tax assets amounting to PLN 12 000 thousand, which has a negative impact on the Group's net profit in the same amount.

The net profit attributable to the shareholders of the Budimex Group for the first half of 2012 was PLN 22 087 thousand, while the net profit attributable to the shareholders of the Budimex Group for the corresponding period of 2011 was PLN 119 790 thousand (decrease by 81.56%).

In the first half of 2012, the Group purchased property, plant and equipment, intangible assets and investment properties with a total value of PLN 11 213 thousand, of which plant and machinery accounted for PLN 8 569 thousand.

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
- Mostostal Kraków SA
- Budimex Bau GmbH
- Budimex Budownictwo Sp. z o.o.
- Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. (entered in the Register of Entrepreneurs on 17 March 2011).
- Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (purchased by Budimex SA on 16 November 2011)

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. (sold on 31 May 2011)
- SPV-BN 1 Sp. z o.o. (entered in the Register of Entrepreneurs on 27 July 2011)
- SPV-BN 2 Sp. z o.o. (entered in the Register of Entrepreneurs on 28 July 2011)
- Budimex SA in a part relating to developer business, as a result of merger with Budimex Inwestycje on 13 August 2009.

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

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

The results of segments for the first half of 2012 are presented in the table below:

Segment name	amounts in PLN thousands				
	Construction business	Property management and developer business	Other business	Eliminations	Consolidated value
External sales	2 659 866	83 111	140 788	-	2 883 765
Inter-segment sales	97 428	229	-	(97 657)	-
Total sales of finished goods, goods for resale and raw materials	2 757 294	83 340	140 788	(97 657)	2 883 765
Gross profit	204 837	19 036	15 559	(10 122)	229 310
Selling expenses	(5 405)	(4 162)	(1 823)	31	(11 359)
Administrative expenses	(91 525)	(4 758)	(5 367)	4 990	(96 660)
Other operating income/ (expenses), net	(68 766)	(573)	163	-	(69 176)
Gains on derivative financial instruments	70	-	4 255	-	4 325
Operating profit	39 211	9 543	12 787	(5 101)	56 440
Finance income / (costs), net	(1 458)	2 668	1 697	-	2 907
Shares in (losses) of equity accounted entities	-	-	(760)	-	(760)
Income tax expense	(30 910)	(2 370)	(4 188)	968	(36 500)
Net profit for the period	6 843	9 841	9 536	(4 133)	22 087

The results of segments for the first half of 2011 are presented in the table below:

Segment name	amounts in PLN thousands				
	Construction business	Property management and developer business	Other business	Eliminations	Consolidated value
External sales	1 970 161	179 769	98 958	-	2 248 888
Inter-segment sales	89 316	212	-	(89 528)	-
Total sales of finished goods, goods for resale and raw materials	2 059 477	179 981	98 958	(89 528)	2 248 888
Gross profit	166 834	32 888	7 007	(2 437)	204 292
Selling expenses	(5 476)	(3 813)	(1 718)	17	(10 990)
Administrative expenses	(63 343)	(6 765)	(4 128)	5 798	(68 438)
Other operating income/ (expenses), net	19 224	1 171	(382)	-	20 013
Gains / (losses) on derivative financial instruments	(339)	-	884	-	545
Operating profit	116 900	23 481	1 663	3 378	145 422
Finance income, net	3 435	1 596	52	-	5 083
Shares in (losses) of equity accounted entities	-	-	(2 346)	-	(2 346)
Income tax expense	(22 346)	(4 515)	(867)	(641)	(28 369)
Net profit (loss) for the period	97 989	20 562	(1 498)	2 737	119 790

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6. Related party transactions

Transactions with related parties made in the first half of 2012 and unsettled balances of receivables and liabilities as at 30 June 2012 are presented in the tables below:

	amounts in PLN thousands			
	Receivables		Liabilities	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Parent Company and related parties (the Ferrovia Group)	54 188	54 103	116 470	133 056
Jointly-controlled entities	1 206	1 298	1 254	1 918
Associates	37	19	10 781	7 410
Other related parties*	389	4 926	676	1 361
Total settlements with related parties	55 820	60 346	129 181	143 745

	amounts in PLN thousands			
	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Parent Company and related parties (the Ferrovia Group)	-	-	8 346	8 531
Jointly-controlled entities	-	-	-	-
Associates	-	-	-	-
Other related parties*	-	-	-	-
Total settlements with related parties	-	-	8 346	8 531

	amounts in PLN thousands			
	Sales of finished goods and services		Purchase of finished goods and services	
	6-month period ended 30 June		6-month period ended 30 June	
	2012	2011	2012	2011
Parent Company and related parties (the Ferrovia Group)	30 059	31 455	(40 087)	(44 800)
Jointly-controlled entities	308	292	(2 098)	(32)
Associates	44	32	(13 048)	(6 339)
Other related parties*	104	15	(1 860)	(2 836)
Total transactions with related parties	30 515	31 794	(57 093)	(54 007)

	amounts in PLN thousands			
	Financial income		Financial costs	
	6-month period ended 30 June		6-month period ended 30 June	
	2012	2011	2012	2011
Parent Company and related parties (the Ferrovia Group)	-	-	(120)	(263)
Jointly-controlled entities	-	-	-	-
Associates	-	-	-	-
Other related parties*	-	-	(2)	-
Total transactions with related parties	-	-	(122)	(263)

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*) 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. Changes to the provisionally estimated fair value of net assets and goodwill impairment

On 16 November 2011 Budimex SA became an owner of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. and gained control over the company.

As of 31 December 2011, the fair value of tangible fixed assets acquired and assets and liabilities related to the valuation of long-term contracts were accounted for provisionally according to IFRS 3, par. 45.

In the 6-month period of 2012 the fair value of assets and liabilities related to the valuation of long-term contracts was finally calculated and appropriate adjustments to the provisional accounting were made. The final calculation of the tangible fixed assets' fair value will be made till the end of the one-year period after the acquisition of PNI, i.e. till 16 November 2012.

The following table presents the fair values and goodwill as of the acquisition date provisionally accounted for as of 31 December 2011 and as of 30 June 2012 (in PLN thousands):

	Fair values at the acquisition date provisionally calculated as of:	
	30 June 2012	31 December 2011
Purchase consideration		
- cash paid as at acquisition date	225 017	225 017
Total purchase consideration	225 017	225 017
Net assets identified in the acquiree		
Cash and cash equivalents	1 338	1 338
Tangible fixed assets	148 723	148 723
Intangible assets	3 689	9 317
- including fair value of backlog identified at acquisition date	3 218	8 846
Deferred tax assets	0	13 803
Inventories	46 367	46 367
Receivables and other assets	236 482	214 734
Trade payables and other liabilities	(452 718)	(319 059)
Total net assets at fair value	(16 119)	115 223
Goodwill gross	241 136	109 794
Impairment of goodwill	(225 017)	0
Goodwill after impairment	16 119	109 794

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	Fair values at the acquisition date provisionally calculated as of:	
	30 June 2012	31 December 2011
Purchase consideration in cash	(225 017)	(225 017)
Cash and cash equivalents in acquired entity at the acquisition date	1 338	1 338
Cash outflow regarding acquisition	(223 679)	(223 679)

	Fair values at the acquisition date provisionally calculated as of:	
	30 June 2012	31 December 2011
Acquisition-related costs recognised in the consolidated income statement for the year 2011	4 544	4 544
- including civil law action tax	2 250	2 250
Sales revenue for the period from the acquisition date to 31 December 2011	62 947	63 135
Net profit/ (loss) for the period from the acquisition date to 31 December 2011	(4 011)	1 252

Gross value of receivables as at the acquisition date amounted to PLN 178 865 thousand, while the value of unrecoverable debts and fully provided for was PLN 478 thousand.

During the 6-month period of 2012 the fair value of backlog amounting to PLN 3 218 PLN identified at acquisition date was fully depreciated.

Simultaneously with the final estimation of the fair value of assets and liabilities related to the long-term contracts as of acquisition date, losses on contracts, which were concluded before the acquisition date (i.e. before 16 November 2011) and which realization period will finish till 2014, were recognized. Based on the share valuation of PNI made by Budimex SA a decision regarding recognition of goodwill impairment amounting to PLN 180 017 thousand at the acquisition date was made. The impairment loss was accounted for in the fourth quarter of 2011, in the line "other operating expenses" in the consolidated income statement and refers to the segment "Construction business".

The company PNI was defined as a separate cash-generating unit. The recoverable value of PNI as a cash-generating unit was estimated based on the calculations of its value in use. Projections of cash flows for a 9-year period (till the year 2020), accepted by the Management Board, were used in the calculations. The basis for the cash flow projections over the 5-year period was the intention of including in the analysis the complete new European Union's perspective regarding the structural funds (2014 – 2020), which have a significant impact on the capital expenditures referring to the primary activities of the cash-generating unit. The growth rate used in the calculations was not higher than an average long-term growth rate for the construction industry, in which the cash-generating unit operates. The gross margin, regarding new contracts in the primary activities of the cash-generating unit used in the calculations, varied from 5% to 9%. The Management Board set the gross budgeted margin regarding new contracts based on the historical results and its forecasts regarding the market's development. The discount rate amounted to 11.1% (after grossing-up). The applied discount rate is before taxation and reflects specific threats to each segment. The value in use calculated based on the above mentioned assumptions amounted to PLN 45 000 thousand.

As of 30 June 2012, due to the application for declaration of bankruptcy open to composition agreements filed by the Management Board of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o., it was stated that the value in use of PNI Sp. z o.o. as a cash-generating unit is equal to nil and therefore it was decided to write off the goodwill by further PLN 45 000 thousand, i.e. down to the amount of PLN 16 119 thousand. The impairment loss was accounted for in the second quarter of 2012, in the position "other operating expenses" in the consolidated income statement and refers to the segment "Construction business".

8. Factors which will affect results achieved by the Group in a period covering at least the next half of the year

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

- instability on the financial markets,
- limited bank financing resulting from aversion to the sector,
- deterioration in subcontractors financial standing which may compromise the quality and timeliness of works performed,
- 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 13 to these consolidated financial statements.

As at 30 June 2012 the backlog was PLN 6 933 547 thousand. The value of contracts signed between January and June 2012 (without annexes) was PLN 920 793 thousand. The number of pre-sold apartments in the period from January - June 2012 (without booking) is 210 units.

9. The main events in the first half of 2012 and significant events after 30 June 2012

Significant contracts:

On 17 January 2012 the Maritime Office in Słupsk announced that during the proceedings for public procurement, in an open tender for the task entitled "Protection of sea coasts east of Port Darłowo", the offer made by the consortium of Budimex SA (leader) and Ferrovial Agroman SA (partner) has been chosen as the most favourable one. Net contract value is PLN 75 832 thousand. The contract was signed on 30 July 2012.

On 30 January 2012 Budimex SA signed a contract with Powiśle Park Sp. z o.o. on the construction of the Office, Residential and Commercial Complex at Kruczkowskiego street in Warsaw. Net contract value is PLN 173 000 thousand.

On 8 March 2012 Budimex SA signed a contract with the Krakow Development I Sp. z o.o. on the construction of an office building "Neptun Office Centre in Gdańsk". Net contract value is: EUR 18 689 thousand (PLN 77 100 thousand).

On 23 April 2012 a concession agreement was concluded between Budimex Parking Wrocław Sp. z o.o. (a wholly owned subsidiary of Budimex SA) and Wrocławskie Przedsiębiorstwo Hala Ludowa Sp. z o.o. for the design, construction and use of a two-storey underground parking structure with a ground-level part with a total of 800 parking spaces for passenger vehicles and 20 parking spaces for buses at the Centennial Hall Complex in Wrocław. The contract was conditional in character. The conditions suspending the enforcement of the agreement were: a credit agreement concluded by the operator by 30 April 2012 and obtaining of a legally binding environmental decision from the grantor by 15 July 2012. The condition suspending the enforcement of the agreement comprising the conclusion of a credit agreement by the operator was fulfilled on 30 April 2012. The condition regarding the environmental decision was fulfilled on 20 July 2012. The value of the construction works amounts to PLN 43 300 thousand and the expected revenue from the parking use is estimated at PLN 200 000 thousand. The validity of the concession is 30 years.

On 18 June 2012 Budimex SA was notified about the selection of the Company offer by the GDDKiA Białystok Office in the procedure of open public tender award for: Construction of the Stawiski Ring Road on the route of road S-61 from S-8, including the construction and reconstruction of the necessary technical infrastructure. The value of the offer amounted to PLN 99 816 thousand. The contract was concluded on 20 July 2012.

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On 26 June 2012 Budimex SA received a letter from Przedsiębiorstwo Usługowo-Handlowo-Produkcyjne "LECH" of Białystok informing of the selection of the offer by the consortium of Budimex SA (leader, 50.4%), Keppel Seghers Belgium N.V and Cespa Compania Espanola de Servicios Publicos Auxiliares SA under the proceedings for public procurement with respect to the design and construction of a Municipal Waste Neutralisation Plant in Białystok. The value of the offer amounted to PLN 332 958 thousand.

On 4 July 2012 Budimex SA received a letter announcing that the offer by Budimex SA had been selected by the Road and Bridge Board of Lublin in the proceedings for public procurement in the form of an open tender for the construction of an access road to the "Dąbrowica" junction of the Lublin ring road on the route of express roads S12, S17 and S19. The value of the offer is PLN 259 600 thousand. The contract was signed on 21 August 2012.

On 4 July 2012 Budimex SA was informed by Krakowski Holding Komunalny about the offer by Budimex SA (consortium leader, 56.25%), Keppel Seghers Belgium N.V and Cespa Compania Espanola de Servicios Publicos Auxiliares SA being selected under the proceedings for public procurement with respect to the construction of a Thermal Waste Treatment Plant in Kraków. The value of the offer is PLN 604 475 thousand.

Other significant agreements and events:

On 27 January 2012 Budimex SA signed with Polbank EFG SA (former EFG Eurobank Ergasias SA, Branch in Poland) an annex to the agreement on the multi-purpose overdraft facility dated 20 January 2011. Pursuant to the annex, the term of the guarantee limit was extended to 30 December 2012 and the amount of the guarantee limit was decreased from PLN 200 000 thousand to PLN 100 000 thousand. Other provisions of the agreement remained unchanged.

On 1 February 2012 Budimex SA signed with Towarzystwo Ubezpieczeń Ergo Hestia, located in Sopot, an annex to the agreement concerning cooperation in providing insurance guarantees within the granted guarantee limit of 18 May 2009. Pursuant to the annex, it was agreed that the total amount of all guarantees established under the agreement shall not exceed PLN 130 000 thousand. Other provisions of the contract remained unchanged.

On 9 February 2012 Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. concluded with Sopockie Towarzystwo Ubezpieczeń Ergo Hestia SA a contract on providing insurance guarantees within the granted guarantee limit. Under the contract, PNI Sp. z o.o. may commission the insurer issuing the insurance guarantees to the limit of PLN 70 000 thousand. The limit is renewable. The established collateral under this contract is constituted by 10 blank promissory notes along with promissory note declarations. The insurer did not charge any fees in connection with signing the contract. The agreement shall be concluded for an indefinite period of time and it may be terminated by either party with 30 day notice. Other terms of the Contract did not differ from terms commonly applied to this type of agreements.

On 12 March 2012 Budimex SA received a signed Bank Guarantee Line Contract from Kredyt Bank SA. Pursuant to the contract the company may, until 2 March 2013, commission the Bank to issue bank guarantees up to the total amount of PLN 116 000 thousand. The collateral established under the agreement consists of the Company's statement of execution and an authorisation to access bank accounts kept with the bank. Other terms of the contract did not differ from terms commonly applied to this type of agreements.

On 20 April 2012 Budimex SA received from Bank Zachodni WBK an annex to the Bank Guarantee Line Contract. Pursuant to the annex, the deadline when the Company may order the Bank to issue bank guarantees has been prolonged until 31 May 2012. Other provisions of the Contract remained unchanged.

On 26 April 2012 the Ordinary General Meeting of Budimex SA adopted resolution on dividend payout. Pursuant to the resolution, net profit for the period from 1 January 2011 to 31 December 2011 in the amount of PLN 280 065 thousand has been allocated to the dividend payout in the amount of PLN 10.97 gross per share. The dividend payout will cover all Budimex SA shares, i.e. 25 530 098 shares. The dividend was paid on 30 May 2012.

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On 8 May 2012 Budimex SA received from the Polish branch of Societe Generale SA a signed annex to the bank guarantee agreement. Pursuant to the annex, the Agreement was extended until 30 April 2013. Any other provisions of the Agreement remained unchanged.

On 18 May 2012 Budimex Nieruchomości Sp. z o.o. (a wholly-owned subsidiary of Budimex SA) entered with Getin Noble Bank SA into a credit agreement to finance and refinance a real property development project worth PLN 33 000 thousand. The previous agreement with the Bank was entered into on 17 October 2011 with respect to partial financing of the costs related to a real property development project. The value of the agreement amounted to PLN 39 500 thousand.

On 25 May 2012 Budimex SA concluded with Bank Zachodni WBK SA an addendum to the agreement regarding the limit of bank guarantees. Under the provisions of the addendum, the deadline by which the company may commission the issuance of bank guarantees to the bank was extended to 31 March 2013. The remaining provisions of the loan agreement remained unchanged.

On 30 May 2012 Budimex SA received from Bank PEKAO SA information on the signing of an annex to the credit contract of 12 August 2008. Pursuant to the annex, the deadline when the Company may order the Bank to issue bank guarantees has been prolonged until 30 June 2012. The remaining conditions of the agreement were not altered.

On 5 June 2012 Budimex SA received from the bank Credit Agricole Corporate & Investment Bank (formerly Calyon SA Branch in Poland) a signed annex to the Credit Contract. The annex specifies a new expiry date for the Contract to be 31 August 2012. All other provisions of the Credit Contract remained unchanged.

On 20 June 2012 Budimex SA received from Millenium Bank SA the signed Annex to the bank warranty credit line contract of 31 July 2009. By the power of the Annex, Millenium Bank SA granted Budimex SA a bank warranty line with a limit of PLN 180 000 thousand and extended the line term to 29 May 2013.

On 3 July 2012 Budimex SA received from Bank PEKAO SA information on the signing of an annex to the credit contract of 12 August 2008. Pursuant to the Annex Budimex Budownictwo Sp. z o.o. (a company wholly owned by Budimex SA) becomes a party to the credit contract enabled to issue bank guarantees up to PLN 50 000 thousand. The deadline when Budimex SA and Budimex Budownictwo Sp. z o.o. may order the Bank to issue bank guarantees was also prolonged until 30 June 2013. The remaining conditions of the agreement were not altered.

On 9 July 2012 Budimex SA was informed by Bank Ochrony Środowiska SA about the conclusion of an annex to the agreement on the establishment of an engagement limit in the form of a renewable line on the bank guarantee. Under the document the new expiry date of the agreement is 8 August 2012. The remaining conditions of the Agreement were not altered.

On 1 August 2012 Budimex SA signed an amendment to the Guarantee Line Agreement of 25 April 2008 with BNP Paribas Bank Polska. Pursuant to this document, BNP Paribas Bank Polska SA made available a guarantee line of up to PLN 176 333 thousand to Budimex and extended its validity until 1 September 2012.

On 2 August 2012 Budimex SA received from the Polish Division of Banco Espirito Santo de Investimento SA a copy of a credit facility agreement signed by the bank and by Budimex. Under this credit facility agreement, Budimex may order the bank to issue bank guarantees of up to a total sum of PLN 80 000 thousand. The agreement was concluded for the period up to 10 July 2013. As security of Budimex performing its obligations under the credit facility agreement, Budimex made a representation on submission to bank enforcement under the provisions of the Polish Banking Law Act. The other terms and conditions were standard for this type of agreement.

On 13 August 2012 Budimex SA signed the Annex of 18 July 2012 to the Contract Guarantee Grant within the renewable line of 28 August 2008, concluded with Euler Hermes SA Insurance Company. The contractual line limit is PLN 50 000 thousand. Pursuant to the Annex, the deadline when Budimex SA may order the Insurance Company to issue contract insurance guarantees was extended until 31 August 2013. Other provisions of the contract remained unchanged.

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On 24 August 2012 Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o., a subsidiary of Budimex SA, filed an application for declaration of bankruptcy open to composition agreements. This application was filed with the District Court for Warszawa Praga-Północ in Warsaw, 9th Commercial Department for Bankruptcy and Reorganization.

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

In the first half of 2012 Budimex SA and Group companies did not issue, redeem or repay equity securities.

11. 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 semi-annual report in relation to the projected results

Budimex SA did not publish any forecasts.

12. 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 first half of 2012

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

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

Above mentioned persons 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 was no change in the status of ownership from the date of publication of the quarterly report for the first quarter of 2012, i.e. 25 April 2012.

13. Proceedings pending as at 30 June 2012 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 June 2012 was PLN 521 985 thousand and exceeded 10% of the equity of Budimex SA, which amounts to PLN 283 852 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 23 521 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 June 2012 was PLN 272 753 thousand. These proceedings involve the Group companies' operating activity.

The proceedings in the highest value case 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 on 24 January 2008, 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.

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. In the course of further court proceedings in August 2012 the PPL's claim was increased to the amount of PLN 298 892 thousand. According to the Consortium FBL contract, the risk of Budimex SA does not exceed the amount of PLN 119 556 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 several trials during which witnesses for the plaintiff and the counter-defendant have been examined for the circumstances included in the counter-claim of PPL.

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 FBL contract the share of Budimex SA in the claim amounts to PLN 86 583 thousand.

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 (at this stage without taking into consideration the height of the claimed amounts). The expert appointed by the Arbitration Court – the BS Consulting Group started to work at the end of 2010. During the works performed by the expert there were several meetings with proxies of parties and the expert and there was an inspection of the airport objects with the participation of the aforementioned expert in March 2011. Technical opinion prepared by the expert, that was delivered to proxies of both parties on 29 July 2011, represented the result of his work. The parties made comments, remarks, details questions to the opinion prepared, which were considered by the expert for the purposes of preparation of the supplementary opinion at the end of March 2012. The assessment derived from the opinion was favorable to the Consortium FBL, as it confirmed that the Consortium FBL had the right to prolong the period of time necessary for the works completion.

Due to finalization of the expert's opinion, which assessed the legitimacy of PPL's claims, the Court obliged both parties to calculate the value of their claims, taking into consideration the conclusions made by the expert. As a result, PPL extended its claim to the amount of PLN 298 892 thousand, as mentioned above. The value of the claim made by the Consortium FBL remained the same. It might be expected that the next step to be taken by the Court will be appointing an expert who will prepare an opinion regarding the legitimacy of the amounts claimed by both parties.

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The Management Board is of the opinion that the final Arbitration Court verdict will be favourable to the Consortium FBL.

On 23 March 2009 the Arbitration Court issued a partial verdict covering the decision in respect of bank guarantees (the first claim made by the Consortium FBL). 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 FBL 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 FBL 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 claim to dismiss the partial verdict and simultaneously to defer the verdict executability of the Arbitration Court. 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. The verdict was issued with regard to the company Budimex SA, which was considered by the District Court to be the only legitimated passively in the case and at the same time deciding that the partial verdict cannot have been issued against Ferrovial Agroman SA – Branch in Poland and Estudio Lamela SL – Branch in Poland, as the branches of these entrepreneurs have no legal personality separate from the company. Therefore, in the verdict issued by the District Court, the proceedings against these parties were cancelled and the complaint filed in this respect was rejected. All three parties of the FBL Consortium filed the appeal against the sentence of the District Court. Companies Ferrovial Agroman and Estudio Lamela filed a complaint against the decision regarding the abolition of proceedings against them. The complaints were considered and were in total allowed for by the Appeal Court. The Appeal Court reconsidering the complaints quashed the complained sentenced and agreed with the statements of Ferrovial Agroman and Estudio Lamela that as foreign entrepreneurs (and not as their branches in Poland) had legitimacy to act as a party in the trial and that the partial verdict issued by the Arbitration Court was correctly issued in this respect. The complaints were considered and were in total allowed for by the Appeal Court. The Appeal Court reconsidering the complaints quashed the complained sentenced and agreed with the statements of Ferrovial Agroman and Estudio Lamela that as foreign entrepreneurs (and not as their branches in Poland) had legitimacy to act as a party in the trial and that the partial verdict issued by the Arbitration Court was correctly issued in this respect. Due to the above decision of the Appeal Court, on 4 January 2012 the District Court in Warsaw amended the decision issued on 31 May 2010 quashing the verdict of the Arbitration Court – also in respect of Ferrovial Agroman SA Branch in Poland and Etudio Lamela SL, which then appealed this decision.

On 23 August 2012, after hearing the appeal lodged by all three consortium partners, the Appeal Court in Warsaw announced a verdict, in which it changed the District Court's verdicts from May 2010 and from January 2012, by dismissing the PPL's complaint regarding the overturning of the Arbitration Court's partial verdict. It means that the Appeal Court recognized the verdict reached by the Arbitration Court to be issued correctly and according to the legal regulations. This resolution is legally valid and although the counterparty has right to lodge a complaint against it to the Supreme Court, as of today, this verdict is a basis for the resumption of the proceedings for the declaration of enforceability of the verdict passed by the Arbitration Court through giving it an enforcement clause. Taking into consideration the value of the claim awarded by the verdict and the moment of its maturity, the value of the statutory interest amounted to PLN 32 807 thousand as of 23 August 2012. Together with the value of the main claim, the total claim value amounted to PLN 87 189 thousand (Budimex SA's share amounted to PLN 34 876 thousand).

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 absolutely groundless and there is no basis, either formal or factual, for considering it (the deadline for submitting the claims in question expired,

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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). To date, there have been four trials during which witnesses of the plaintiff and of the defendant have been examined. During the next trials on 23 and 30 October 2012 further witnesses will be examined.

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. In 2012 there have been two court hearings before the common court, during which witnesses of the plaintiff have been examined. The next sessions in 2012 will be dedicated to examination of the remaining witnesses of both parties.

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 June 2012 amounted to PLN 249 232 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 claim 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. 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 was considered again by the Appeal Court in Cracow. On 17 February 2011 Budimex SA received information on the decision of the Appeal Court in Cracow, which, having re-examined – as a result of the Supreme Court reversing the previous decision of the Appeal 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 13 805 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 currently are being re-examined by the District Court in Cracow. The court accepted as evidence documents and expert's opinions submitted by Budimex SA, the case was postponed till the expert's opinion is prepared.

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

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14. Contingent liabilities and contingent receivables

	30 June 2012 (in PLN thousands)	31 December 2011 (in PLN thousands)	30 June 2011 (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	426 403	358 041	312 250
– bills of exchange received as security	17 293	20 228	21 375
From other entities, total	443 696	378 269	333 625
Other contingent receivables	3 000	-	-
Total contingent receivables	446 696	378 269	333 625
Contingent liabilities			
To related parties, of which:			
– guarantees and suretyships issued	332	503	506
– bills of exchange issued as performance bond	-	-	-
To related parties, total	332	503	506
To other entities, of which:			
– guarantees and suretyships issued	1 854 916	1 801 518	1 649 469
– bills of exchange issued as performance bond	32 088	30 613	14 779
To other entities, total	1 887 004	1 832 131	1 664 248
Other contingent liabilities	17 259	3 709	-
Total contingent liabilities	1 904 595	1 836 343	1 664 754
Total off-balance sheet items	(1 457 899)	(1 458 074)	(1 331 129)

Contingent receivables represent guarantees issued by banks and other financial institutions to the companies of the Budimex Group as security for the potential claims the Group may file against its business partners in respect of the construction contracts in progress.

Contingent liabilities represent guarantees and suretyships issued by banks to business partners of the Group as security for the potential claims they may be filed against the Group in respect of the construction contracts in progress. Banks are entitled to recourse the underlying claims to Group companies. Guarantees issued to the Group's customers represent an alternative, to the retentions held, method of securing potential claims of customers.

The 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.

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Guarantees for bank loans and borrowings issued by Budimex SA and its subsidiaries as at 30 June 2012:

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	41 883	2017-12-01	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	11 816	2017-07-15	free of charge	subsidiary
Budimex SA	Budimex Danwood SA	58 014	2015-12-31	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	332	2016-12-13	free of charge	subsidiary
Budimex SA	Budimex Parking Wrocław Sp. z o.o.	8 903	2017-01-31	free of charge	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	10 497	2020-02-12	free of charge	subsidiary
TOTAL		131 445			