

**THE BUDIMEX GROUP**

**DIRECTORS' REPORT  
ON THE ACTIVITIES OF THE BUDIMEX GROUP**

**for the first half of 2010**

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## **1. BUSINESS ENVIRONMENT**

### **1.1 General market condition**

In the first half of the year 2010, especially in the second quarter, the improvement of economic situation was observed.

Industrial production sold in the first half of 2010 was at the significantly higher level than in the previous year (increase by 10.6%). In the second quarter an increasing trend observed already in the first quarter of the current year was further strengthened (in the first quarter the increase of production by 9.5% was noted and in the second quarter by 11.7% in comparison to the corresponding periods of the prior year). The increase in production was recorded in all main industrial groups.

The construction and assembly production expressed in current prices decreased by 6.6% compared to the corresponding period of the previous year (decrease by 6.1% in fixed prices), which mainly resulted from the significant decrease in the first quarter of 2010 (decrease year on year by 16.0% expressed in current prices). In the second quarter, starting from May, a systematic increase in the construction and assembly production was observed (increase year on year by 9.6% in June and by 2.3% in May).

The aforementioned decrease in construction and assembly production in the first six months of 2010 regarded all construction segments. Sales of production in companies specialized in construction of civil engineering objects dropped by 5.1% compared to the first half of the prior year. More significant decline was recorded among entities specialized in construction of buildings and specialist construction works (by 6.7% and 6.0%, respectively, compared to the corresponding period of the prior year).

Taking into consideration the structure of construction and assembly production, the share of motorways, highways and other roads in the whole production increases (by 19.7% in the first half of 2010 compared to 17.9% in the first half of 2009 and by 15.8% in the first half of 2008). As a result of increased expenditures on motorways and roads there was a growth in the share (despite the recorded drop in value) of civil engineering objects in the structure of construction and assembly production from 51.2% in the first half of 2009 to 52.7% in the first half of 2010.

In the first half of 2010 there was a revival in the developer segment. The number of apartments, which construction was commenced, increase by 19.5% compared to the corresponding period of the prior year. The number of apartments released for use intended for sales or rent decrease by 29.2% compared to the first half of 2009, which was the result of limited investment activity in 2009.

Economic revival resulted in the improvement of the situation on labour market. Starting from March a systematic drop in the unemployment rate was observed, although the rate is still above the level of the prior year (11.6% and 10.6%, respectively, in June 2010 and 2009).

Among factors impeding construction activities in the first half of 2010, enterprises often point to competition of other companies, insufficient demand, costs of employment and difficulties in obtaining credit facilities for investors. However, there was a decrease in obstacles related to shortage of qualified professionals, high building materials costs and high costs of services rendered by subcontractors.

### **1.2 Market development prospects**

The construction industry is and shall continue to be a sector benefiting largely from integration with the European Union as a considerable part of European funds is intended for infrastructure and environmental investments. The overall value of funds allocated for the performance of "Infrastructure and Environment" Operational Programme for years 2007-2013 is EUR 37.6 billion, of which the EU contribution accounts for EUR 27.9 billion, whereas the national contribution is EUR 9.7 billion. Within the framework of the said programme in years 2007-2013, expenditure of EUR 19.4 billion is planned for transportation investments and EUR 4.8 billion for environmental investments.

As at 30 June 2010 the "List of individual projects for Infrastructure and Environment Operational Programme" includes 171 infrastructure investment projects for a total contribution of PLN 75 billion and 76 environmental projects for a contribution of PLN 11 billion. Up to 30 June 2010, agreements for financing 46 infrastructure projects in the amount of PLN 17.3 billion and financing of 333 environmental investments in the total amount of PLN 10.0 billion were signed. At the same time the European Union realised payments in the amount of PLN 4.8 billion in favour of infrastructure sector and PLN 0.5 billion in favour of environmental sector.

## 2. SIGNIFICANT DEVELOPMENTS IN THE FIRST HALF OF 2010

### 2.1 Major construction contracts concluded by the Budimex Group companies

Contract date	Contract value (in contractual currency) for the Budimex Group (in PLN '000)	Customer	Type of construction
20.01.2010	149 948	Mostostal Warszawa SA	Construction-assembly works within the framework of the contract named: "Construction of the A1 Motorway Pyrzowice (with a junction) - Piekary Śląskie (with a junction), km 474 350 - 490 427"
11.02.2010	152 926	Generalna Dyrekcja Dróg Krajowych i Autostrad Oddział w Gdańsku	Extension of the junction OT (DK S6) with Kartuska Street (DK7) - Karczemki Junction in Gdańsk
18.02.2010	82 870	Pro - Urba Invest Sp. z o.o.	Buildings of the 1 <sup>st</sup> stage of multi-family housing with services located at Sienna Street and Kolejowa Street in Warsaw
24.02.2010	77 615	Port Lotniczy Gdańsk Sp. z o.o.	Airport in Gdańsk – construction of the Second Passenger Terminal
02.03.2010	265 686	Polskie Koleje Państwowe SA	Reconstruction of the Wrocław Główny railway station – reconstruction of the historic railway station complex together with rebuilding of railway technical infrastructure
09.03.2010	97 000	private domestic investor	Construction of the Conference-Hotel Centre in Serock
24.03.2010	105 450	Palatium Sp. z o.o. Sp. k.	Construction of the office building complex Libra Business Center in Warsaw
31.03.2010	132 404	Generalna Dyrekcja Dróg Krajowych i Autostrad Oddział w Szczecinie	Construction of the Nowogard ring road along road S-6
21.04.2010	55 390	Kraków Development II Sp. z o.o.	Construction of the Arboretum housing complex together with underground garages in Łódź
10.05.2010	1 418 411	Generalna Dyrekcja Dróg Krajowych i Autostrad Oddział w Rzeszowie	Construction of the A-4 Motorway Tarnów - Rzeszów section from Dębica Pustynia junction to Rzeszów Zachodni junction (from approx. 537+550 to approx. 570+300)
28.05.2010	252 102	Generalna Dyrekcja Dróg Krajowych i Autostrad Oddział w Łodzi	Construction of the A1 Motorway section from kujawsko-pomorskiego/łódzkie voivodship border to Stryków junction from km 230+817 to km 295+850 - Task II - Section 4 "Stryków I" junction from km 291+000 to km 295+850
28.06.2010	69 787	Przedsiębiorstwo Państwowe „Porty Lotnicze”	Redevelopment/modernisation of DS-1 runway, taxiways, patrol road and fire escape route at F. Chopin Airport in Warsaw

### 2.2 Risk factors

The main type of business of Group companies, i.e. performance of construction contracts, is burdened with currency risk if contracts are denominated in foreign currencies. Group companies actively manage their foreign exchange risk by entering into appropriate contracts with subcontractors or financial institutions. Exchange rate fluctuations affect sales revenue, operating expenses or the result from valuation and settlement of currency derivative contracts.

An inherent risk of conducting business activities is the credit risk of business partners. Despite implementation of restrictive control procedures for receivables at the Group, the risk of investor insolvency still exists. Delays in timely payments by customers (investors) may have adverse effects on the financial result of the Group and result in the necessity to create impairment write-downs against receivables or to finance business from external debt. Such a risk increased especially in the first half of 2009, taking into consideration current economic situation.

The construction contracts are performed in specific technical and economical conditions which have effect on the level of margin. Budimex Group companies which render construction services monitor technical, organizational, legal and financial risks related to contract works planning and progress. Despite control and preventive measures undertaken with respect to general risks (credit, currency and third party liability risks), it is possible that certain factors may occur that will cause that contracts will be performed with a lower margin than initially planned. Such factors may include:

- increase in prices of construction materials, energy and oil-derivatives,
- increase in costs of subcontractor services,
- increase in employment costs,
- delays in timely performance or insufficient quality of subcontracted works,
- delays in obtaining relevant administrative decisions,
- changes in the scope of work or technologies as agreed in the contracts,
- unfavourable weather or land conditions.

### 3. FINANCIAL SITUATION

#### 3.1 Key economic – financial data of the Budimex Group

##### Consolidated Statement of Financial Position

The main items of the consolidated statement of financial position of the Budimex Group as at 30 June 2010, compared to 31 December 2009, are presented in the table below:

	30.06.2010	31.12.2009	Change	% Change
<b>ASSETS</b>				
<b>Non-current assets</b>	<b>524 876</b>	<b>517 881</b>	<b>6 995</b>	<b>1.4%</b>
Property, plant and equipment	90 722	99 790	(9 068)	-9.1%
Investment properties	3 453	3 673	(220)	-6.0%
Intangible assets	3 099	3 530	(431)	-12.2%
Goodwill	73 237	73 237	-	0.0%
Equity accounted investments	16 953	20 653	(3 700)	-17.9%
Available-for-sale financial assets	23 965	23 955	10	0.0%
Retentions for construction contracts	49 785	49 658	127	0.3%
Long-term prepayments and deferred costs	3 481	1 878	1 603	85.4%
Deferred tax assets	260 181	241 507	18 674	7.7%
<b>Current assets</b>	<b>2 367 725</b>	<b>2 821 742</b>	<b>(454 017)</b>	<b>-16.1%</b>
Inventories	1 035 146	1 128 634	(93 488)	-8.3%
Trade and other receivables	544 873	398 293	146 580	36.8%
Retentions for construction contracts	22 585	25 945	(3 360)	-13.0%
Amounts due and receivable from customers under construction contracts	200 379	99 329	101 050	101.7%
Current tax receivable	227	1 272	(1 045)	-82.2%
Derivative financial instruments	2 166	8 839	(6 673)	-75.5%
Other financial assets at fair value through profit or loss	-	19 850	(19 850)	-100.0%
Cash and cash equivalents	549 286	1 130 357	(581 071)	-51.4%
Short-term prepayments and deferred costs	7 155	4 772	2 383	49.9%
Non-current assets classified as held for sale	5 908	4 451	1 457	32.7%
<b>TOTAL ASSETS</b>	<b>2 892 601</b>	<b>3 339 623</b>	<b>(447 022)</b>	<b>-13.4%</b>

<b>EQUITY AND LIABILITIES</b>	<b>30.06.2010</b>	<b>31.12.2009</b>	<b>Change</b>	<b>% Change</b>
<b>Shareholders' equity attributable to the shareholders of the Parent Company</b>	<b>539 581</b>	<b>586 180</b>	<b>(46 599)</b>	<b>-7.9%</b>
Share capital	145 848	145 848	-	0.0%
Share premium	234 799	234 799	-	0.0%
FX differences on translation of foreign operations	1 897	1 446	451	31.2%
Retained earnings	157 037	204 087	(47 050)	-23.1%
<b>Non-controlling interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>Total shareholders' equity</b>	<b>539 581</b>	<b>586 180</b>	<b>(46 599)</b>	<b>-7.9%</b>
<b>Liabilities</b>	<b>2 353 020</b>	<b>2 753 443</b>	<b>(400 423)</b>	<b>-14.5%</b>
<b>Non-current liabilities</b>	<b>206 609</b>	<b>418 021</b>	<b>(211 412)</b>	<b>-50.6%</b>
Loans, borrowings and other external sources of finance	6 623	230 218	(223 595)	-97.1%
Retentions for construction contracts	108 304	105 132	3 172	3.0%
Provision for long-term liabilities and other charges	87 825	78 814	9 011	11.4%
Retirement benefits and similar obligations	3 857	3 857	-	0.0%
<b>Current liabilities</b>	<b>2 146 411</b>	<b>2 335 422</b>	<b>(189 011)</b>	<b>-8.1%</b>
Loans, borrowings and other external sources of finance	19 114	62 941	(43 827)	-69.6%
Trade and other liabilities	934 114	908 828	25 286	2.8%
Retentions for construction contracts	116 602	121 180	(4 578)	-3.8%
Amounts due and payable to customers under construction contracts	591 397	546 901	44 496	8.1%
Prepayments received	192 292	355 572	(163 280)	-45.9%
Provision for short-term liabilities and other charges	118 518	98 517	20 001	20.3%
Current tax payable	46 762	95 071	(48 309)	-50.8%
Retirement benefits and similar obligations	1 665	1 675	(10)	-0.6%
Derivative financial instruments	6 084	16 124	(10 040)	-62.3%
Short-term accruals	114 844	127 613	(12 769)	-10.0%
Short-term deferred income	5 019	1 000	4 019	401.9%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 892 601</b>	<b>3 339 623</b>	<b>(447 022)</b>	<b>-13.4%</b>

As at 30 June 2010, total consolidated assets decreased by PLN 447 022 thousand compared to 31 December 2009, mainly due to a 16.1% (PLN 454 017 thousand) decrease in the current assets and a 1.4% (PLN 6 995 thousand) increase in the non-current assets.

Non-current assets:

Increase in the value of non-current assets at 30 June 2010 as compared to 31 December 2009 was caused mainly by the following:

- increase in the balance of deferred tax assets by PLN 18 674 thousand,
- decrease in the balance of property, plant and equipment by PLN 9 068 thousand as a result of depreciation and disposal of tangible fixed assets and
- drop in the value of equity accounted investments by PLN 3 700 thousand.

Current assets:

Current assets decreased by PLN 454 017 thousand due to the following:

- decrease in the balance of cash and cash equivalents by PLN 581 071 thousand, mainly due to the repayment of external debts, payment of dividend and payment of income tax for 2009,
- drop in the value of inventories by PLN 93 488 thousand mainly related to sales of residential units by developer business,
- increase in the balance of trade and other receivables by PLN 146 580 thousand and
- increase in the balance of amounts due and receivable from customers under construction contracts (valuation of construction contracts) by PLN 101 050 thousand.

Equity and liabilities:

On the equity and liabilities' side, the main changes related to the following:

- decrease in the balance of loans, borrowings and other external sources of finance by PLN 267 422 thousand,
- drop in the value of advance payments received by PLN 163 280 thousand,
- decrease in the value of tax payable by PLN 48 309 thousand,
- increase in the balance of amounts due and payable to customers under construction contracts by PLN 44 496 thousand, related to re-valuation of construction contracts and
- increase in the value of short-term trade and other liabilities by PLN 25 286 thousand.

**Consolidated Profit and Loss Account**

	01.01- 30.06.2010	01.01- 30.06.2009	Change	% Change
Net sales of finished goods, services, goods for resale and raw materials	1 723 404	1 516 756	206 648	13.6%
Cost of finished goods, services, goods for resale and raw materials sold	(1 513 845)	(1 224 254)	(289 591)	23.7%
<b>Gross profit on sales</b>	<b>209 559</b>	<b>292 502</b>	<b>(82 943)</b>	<b>-28.4%</b>
Selling expenses	(11 061)	(11 819)	758	-6.4%
Administrative expenses	(55 601)	(61 912)	6 311	-10.2%
Other operating income	59 155	27 301	31 854	116.7%
Other operating expenses	(41 244)	(116 415)	75 171	-64.6%
Gains/ (losses) on derivative financial instruments	2 071	(42 371)	44 442	-104.9%
<b>Operating profit</b>	<b>162 879</b>	<b>87 286</b>	<b>75 593</b>	<b>86.6%</b>
Finance income	20 445	24 109	(3 664)	-15.2%
Finance costs	(24 946)	(9 770)	(15 176)	155.3%
Share in net profits / (losses) of equity accounted subordinates	(2 224)	(394)	(1 830)	464.5%
<b>Gross profit on ordinary activities</b>	<b>156 154</b>	<b>101 231</b>	<b>54 923</b>	<b>54.3%</b>
Income tax	(29 599)	(25 771)	(3 828)	14.9%
<b>Net profit for the period</b>	<b>126 555</b>	<b>75 460</b>	<b>51 095</b>	<b>67.7%</b>
<i>Of which:</i>			-	
<b>Attributable to the shareholders of the Parent Company</b>	<b>126 555</b>	<b>75 460</b>	<b>51 095</b>	<b>67.7%</b>
<i>non-controlling interests</i>	-	-	-	-

In the 6-month period ended 30 June 2010, the Budimex Group earned sales revenue of PLN 1 723 404 thousand which means a 13.62% decrease on the corresponding period of 2009.

In the first half of 2010 construction-assembly production in Poland expressed in current prices decreased by 6.59% compared to the corresponding period of the prior year (a decrease by 6.10% in fixed prices), while sales of the construction segment of the Budimex Group on the home market were up 1.00% on the corresponding periods. Infrastructure construction industry constituted 60.72% of total sales of construction segment.

Gross profit on sales in the first half of 2010 was PLN 209 559 thousand, while in the corresponding period of the prior year it amounted to PLN 292 502 thousand. The gross sales profitability ratio was therefore 12.16% in the first half of 2010, while in the first half of 2009 it amounted to 19.28%.

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 first half of 2010, the balance of provision for contract losses increased by PLN 75 109 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 30 June 2010 the provision for warranty amounted to PLN 89 927 thousand. In the 6-month period ended 30 June 2010 the balance of the provision for warranty decreased by PLN 2 787 thousand.

Selling expenses dropped in the first half of 2010 by PLN 758 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 6 311 thousand lower than expenses incurred in the corresponding period of 2009. The

share of selling and administrative expenses in total sales decreased from 4.86% in the first half of 2009 to 3.87% in the first half of the current year.

Other operating income for the first half of 2010 was PLN 59 155 thousand (PLN 27 301 thousand for the first half of 2009) and comprised reversal of impairment write-downs against doubtful debts in the amount of PLN 10 912 thousand and income from compensations and contractual penalties in the amount of PLN 38 298 thousand. Additionally, in the period of six months of 2010 Group companies disposed of tangible fixed assets and investment properties and earned sales profit of PLN 6 354 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 first half of 2010 was PLN 10 288 thousand.

Other operating expenses for the first half of 2010 amounted to PLN 41 244 thousand (PLN 116 415 thousand for the first half of 2009), of which PLN 3 208 thousand related to impairment write-downs against receivables, PLN 32 716 thousand related to provisions created for penalties and compensations and PLN 1 735 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 1 750 thousand.

During the first half of 2010 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 2 071 thousand, while in the corresponding period of the prior year – losses in the amount of PLN 42 371 thousand.

The reported operating profit of the Group in the first half of 2010 was PLN 162 879 thousand, while in the first half of 2009 it amounted to PLN 87 286 thousand (increase by 86.60%). The operating profit for the first half of 2010 represented 9.45% of sales revenue value, while for the corresponding period of the prior year it represented 5.75% of sales revenue.

In the 6-month period ended 30 June 2010 the Group reported a loss on financing activities in the amount of PLN 4 501 thousand while in the same period of the prior year it generated profit in the amount of PLN 14 339 thousand. Finance income in the first half of 2010 represented mainly interest of PLN 20 445 thousand. Finance costs in the first half of 2010 represented, among others, interest costs of PLN 8 487 thousand, bank commissions on guarantees and loans of PLN 9 544 thousand paid by Group companies and costs from discount of long-term retention receivables and liabilities of PLN 4 180 thousand.

In the first half of 2010, the Group reported a gross profit of PLN 156 154 thousand, while in the corresponding period of the prior year – a gross profit of PLN 101 231 thousand (increase by 54.26%).

Income tax for the 6-month period ended 30 June 2010 was PLN 29 599 thousand (PLN 25 771 thousand for the 6-month period of 2009), of which:

- current tax was PLN 47 900 thousand,
- deferred tax – PLN (18 301) thousand.

As at 30 June 2010, the Group recognized a deferred tax asset in the amount of PLN 260 181 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 the first half of 2010 was PLN 126 555 thousand, while the net profit attributable to the shareholders of the Budimex Group for the corresponding period of 2009 was PLN 75 460 thousand (increase by 67.71%).

In the first half of 2010, the Group purchased property, plant and equipment, intangible assets and investment properties with a total value of PLN 6 666 thousand, of which plant and machinery accounted for PLN 3 889 thousand.

## Statement of Cash Flow

The Budimex Group entered the year 2010 with cash on hand and cash at bank amounting to a total of PLN 1 130 357 thousand. For the purpose of the Statement of Cash Flow this amount was reduced by the amount of cash of restricted use of PLN 68 thousand. Net cash flow for the first half of 2010 was negative and amounted to PLN 581 403 thousand. As at 30 June 2010, cash balance was PLN 549 286 thousand, of which cash of restricted use was PLN 100 thousand.

In the first half of 2010, the balance of cash from operating activities decreased by PLN 157 872 thousand.

Cash flow from investing activities showed a positive balance of PLN 23 113 thousand that resulted mainly from the disposal of financial assets at fair value through profit or loss.

Cash flow from financing activities for the first half of 2010 showed a negative balance of PLN 446 644 thousand and was caused by the repayment of loans and borrowings and by payment of dividend.



### 3.2 Managing of finance at the Budimex Group

Cash flow from operating activities of the Budimex Group is usually negative in the first half of the year, which is mainly due to the type of the business conducted, where significant cash inflows from operating activities are realized at the year-end, while in the first two quarters of the year cash is rather engaged in current operating activities. Negative cash flow from operating activities in the period of first half of 2010 mainly resulted from adjustments in the level of working capital in the first quarter of 2010, which were the consequence of significant cash surplus achieved in the fourth quarter of 2009 by construction business. At the same time, in the period of first half of 2010 the Group generated considerable cash surplus within the framework of developer business. The cash surplus was allocated for the purposes of repayment of bank loans financing this business. Decrease in the balance of cash in the period of first half of 2010 was also caused by dividend payment, which took place in June 2010.

In accordance with the Group policy, any surpluses of cash were used to finance the activities of Group companies, mainly through intercompany loans or placed as bank deposits, or invested in treasury bills or short-term securities of issuers with good financial standing and rating. In addition, Budimex SA used cash surpluses to finance its suppliers of services and raw materials. This had a positive effect on the financial liquidity of these suppliers, and generated extra finance income (discounting) for Budimex SA.

At the same time, the Budimex Group reported an external debt regarding bank loans and borrowings and lease which as at 30 June 2010 was PLN 25 737 thousand and was PLN 267 422 thousand lower than as at 31 December 2009 (see table below). Such a significant drop in the level of external debt mainly resulted from the repayment of all bank loans related to developer business made in the first half of 2010. Consequently, as at 30 June 2010 the Group had no bank loans for financing developer business. In the prior periods such bank loans constituted a major part of total Group's external debt. As at 30 June 2010 external debt mainly comprised lease liabilities in the amount of PLN 16 447 thousand concluded in order to finance purchases of tangible fixed assets – mainly plant and machinery for the purposes of road contracts realization (decrease by PLN 5 601 thousand compared to 31 December 2009).

THE BUDIMEX GROUP	30.06.2010	31.12.2009	30.06.2009
Long-term bank loans and borrowings and other external sources of finance	6 623	230 218	132 072
Short-term bank loans and borrowings and other external sources of finance	19 114	62 941	266 283
<b>Total bank loans and borrowings and other external sources of finance</b>	<b>25 737</b>	<b>293 159</b>	<b>398 355</b>

The following ratios show the structure of finance at the Budimex Group:

Ratio	30.06.2010	31.12.2009	30.06.2009
<b>Equity to assets ratio:</b> (shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)	0.19	0.18	0.15
<b>Equity to non-current assets ratio:</b> (shareholders' equity attributable to the shareholders of the Parent Company) / (non-current assets)	1.03	1.13	1.09
<b>Debt ratio:</b> (total assets - shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)	0.81	0.82	0.85
<b>Assets to equity ratio:</b> (total assets - shareholders' equity attributable to the shareholders of the Parent Company) / (shareholders' equity attributable to the shareholders of the Parent Company)	4.36	4.70	5.47

Despite the increase of sales revenue realised by the Group, the consolidated statement of financial position as at 30 June 2010 shows the drop in value of assets and liabilities in comparison to data presented as at 30 June 2009, accompanied by the increase in the value of shareholders' equity of the Group. Consequently, the debt and assets to equity ratio decreased and equity to assets ratio improved. Drop in liabilities of the Group is a result of payment for the shares in Budimex Nieruchomości Sp. z o.o. made in November 2009 (related liability is included in the short-term liabilities of the Group as at 30 June 2009) and total repayment of bank loans related to developer business made in the first half of 2010 and described above. Aforementioned transactions had also significant impact on the decrease of the level of liquidity ratios of the Budimex Group, which has been presented in the table below:

Ratio	30.06.2010	31.12.2009	30.06.2009
Current Ratio (current assets)/(current liabilities)	1.10	1.21	1.15
Quick Ratio (or Acid Test) (current assets - inventory)/(current liabilities)	0.62	0.72	0.64

Good current financial standing of the Budimex Group as regards its liquidity and access to external sources of finance does not indicate any threat to its ability to finance business activities in the second half of 2010.

### 3.3 Off-balance sheet items of the Budimex Group

The table below shows guarantees, suretyships and other contingent liabilities of the Budimex Group:

	30.06.2010	31.12.2009	30.06.2009
<b>Contingent receivables</b>			
<b>From related parties, of which:</b>			
– guarantees and suretyships received	-	-	-
– bills of exchange received as security	-	-	-
<b>From related parties, total</b>	-	-	-
<b>From other entities</b>			
– guarantees and suretyships received	243 403	189 829	193 000
– bills of exchange received as security	16 352	18 020	17 743
<b>From other entities, total</b>	<b>259 755</b>	<b>207 849</b>	<b>210 743</b>
<b>Total contingent receivables</b>	<b>259 755</b>	<b>207 849</b>	<b>210 743</b>
<b>Contingent liabilities</b>			
<b>To related parties, of which:</b>			
– guarantees and suretyships issued	640	634	690
– promissory notes issued as security	-	-	-
<b>To related parties, total</b>	<b>640</b>	<b>634</b>	<b>690</b>
<b>To other entities, of which:</b>			
– guarantees and suretyships issued	1 359 635	1 233 684	995 576
– promissory notes issued as security	8 840	10 615	16 527
<b>To other entities, total</b>	<b>1 368 475</b>	<b>1 244 299</b>	<b>1 012 103</b>
<b>Total contingent liabilities</b>	<b>1 369 115</b>	<b>1 244 933</b>	<b>1 012 793</b>
<b>Total off-balance sheet items</b>	<b>(1 109 360)</b>	<b>(1 037 084)</b>	<b>(802 050)</b>

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 promissory notes 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 June 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	55 587	2021-10-31	free of charge	subsidiary
Budimex SA	Budimex Danwood SA	65 329	2014-06-30	free of charge	subsidiary
Budimex SA	PKZ BUDIMEX GmbH	272	2015-06-30	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	640	2015-06-30	free of charge	subsidiary
<b>TOTAL</b>		<b>121 828</b>			

#### 4. OTHER INFORMATION

##### 4.1 The shareholding structure

According to the information held by Budimex SA, the shareholding structure of Budimex SA as at 30 June 2010 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) – a company of Grupo Ferrovial SA (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%

##### 4.2 The Management and Supervisory Boards

As at 30 June 2010, the Management Board of Budimex SA consisted of the following persons:

- Dariusz Blocher President of the Management Board, Chief Executive Officer
- Ignacio Botella Rodriguez Vice-President
- Joanna Makowiecka Board Member, Chief HR Officer
- Jacek Daniewski Board Member, Chief Legal Officer
- Henryk Urbański Board Member, Chief Property Officer
- Marcin Węglowski Board Member, Chief Financial Officer

The composition of the Management Board remained unchanged in the period from 1 January 2010 to 30 June 2010.

Rules of appointing and recalling members of the Management Board, and their rights, in particular the right to resolve about the issue or buyout of shares, included in the Company's statute, did not change during 2010.

On 19 May 2010 the Annual General Meeting of Shareholders of Budimex SA appointed the following persons as Supervisory Board Members:

- Marzenna Anna Weresa
- Piotr Kamiński
- Maciej Stańczuk

in place of the previous members:

- Stanisław Pacuk
- Krzysztof Sędzikowski
- Krzysztof Sokolik.

As at 30 June 2010, the Supervisory Board of Budimex SA consisted of the following persons:

- |  |                                   |
|--|-----------------------------------|
| • Marek Michałowski                      | Chairman of the Supervisory Board |
| • Carmelo Rodrigo López                  | Vice-Chairman                     |
| • Tomasz Sielicki                        | Secretary                         |
| • Marzenna Anna Weresa                   | Member of the Supervisory Board   |
| • Igor Chalupec                          | Member of the Supervisory Board   |
| • Javier Galindo Hernandez               | Member of the Supervisory Board   |
| • Jose Carlos Garrido-Lestache Rodriguez | Member of the Supervisory Board   |
| • Piotr Kamiński                         | Member of the Supervisory Board   |
| • Maciej Stańczuk                        | Member of the Supervisory Board.  |

As at 30 June 2010, the following persons of the key management and supervisory personnel held shares in Budimex SA:

Dariusz Blocher	3 500 shares
Marcin Węglowski	2 830 shares
Marek Michałowski	3 900 shares

The above persons do not hold share options. The remaining members of the Management or Supervisory Board of Budimex SA do not hold Company's shares or share options as at 30 June 2010.

Dariusz Blocher	President of the Management Board	.....	Henryk Urbański	Board Member	.....
name and surname	position	signature	name and surname	position	signature
Ignacio Botella Rodriguez	Vice-President	.....	Marcin Węglowski	Board Member	.....
name and surname	position	signature	name and surname	position	signature
Joanna Makowiecka	Board Member	.....	Jacek Daniewski	Board Member	.....
name and surname	position	signature	name and surname	position	signature
Warsaw, 26 August 2010					