

The Budimex Group

Condensed consolidated financial statements

**for the period of 6 months
from 1 January to 30 June 2010**

**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 2010

prepared in accordance with IFRS

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Consolidated statement of financial position

ASSETS	30 June 2010	31 December 2009	30 June 2009 <i>restated</i>
	(PLN thousands)	(PLN thousands)	(PLN thousands)
Non-current assets			
Property, plant and equipment	90 722	99 790	101 824
Investment properties	3 453	3 673	6 485
Intangible assets	3 099	3 530	4 153
Goodwill	73 237	73 237	73 237
Equity accounted investments	16 953	20 653	20 608
Available-for-sale financial assets	23 965	23 955	21 172
Retentions for construction contracts	49 785	49 658	50 935
Long-term prepayments and deferred costs	3 481	1 878	1 873
Deferred tax asset	260 181	241 507	167 102
Total non-current assets	524 876	517 881	447 388
Current assets			
Inventories	1 035 146	1 128 634	1 202 917
Trade and other receivables	544 873	398 293	516 014
Retentions for construction contracts	22 585	25 945	27 036
Amounts due and receivable from customers (investors) under construction contracts	200 379	99 329	180 926
Current tax receivable	227	1 272	111
Derivative financial instruments	2 166	8 839	2 237
Other financial assets at fair value through profit or loss	-	19 850	39 143
Cash and cash equivalents	549 286	1 130 357	743 205
Short-term prepayments and deferred costs	7 155	4 772	6 346
	2 361 817	2 817 291	2 717 935
Non-current assets classified as held for sale	5 908	4 451	78
Total current assets	2 367 725	2 821 742	2 718 013
TOTAL ASSETS	2 892 601	3 339 623	3 165 401

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Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	30 June 2010	31 December 2009	30 June 2009 <i>restated</i>
	(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
Foreign exchange differences on translation of foreign operations	1 897	1 446	2 380
Retained earnings	157 037	204 087	105 889
Total shareholders' equity attributable to the shareholders of the Parent Company	539 581	586 180	488 916
Non-controlling interests	-	-	-
Total shareholders' equity, incl. non-controlling interests	539 581	586 180	488 916
Liabilities			
Non-current liabilities			
Loans, borrowings and other external sources of finance	6 623	230 218	132 072
Retentions for construction contracts	108 304	105 132	91 620
Provision for long-term liabilities and other charges	87 825	78 814	84 458
Long-term retirement benefits and similar obligations	3 857	3 857	3 737
Total non-current liabilities	206 609	418 021	311 887
Current liabilities			
Loans, borrowings and other external sources of finance	19 114	62 941	266 283
Trade and other payables	934 114	908 828	1 043 686
Retentions for construction contracts	116 602	121 180	115 859
Amounts due and payable to customers (investors) under construction contracts	591 397	546 901	134 770
Prepayments received	192 292	355 572	170 120
Provision for short-term liabilities and other charges	118 518	98 517	92 930
Current tax payable	46 762	95 071	10 518
Liabilities related to settlement of acquisition of 50% of shares in Budimex Nieruchomości Sp. z o.o.	-	-	385 000
Short-term retirement benefits and similar obligations	1 665	1 675	1 184
Derivative financial instruments	6 084	16 124	67 241
Short-term accruals	114 844	127 613	75 998
Short-term deferred income	5 019	1 000	1 009
	2 146 411	2 335 422	2 364 598
Liabilities directly associated with the assets classified as held for sale	-	-	-
Total current liabilities	2 146 411	2 335 422	2 364 598
Total liabilities	2 353 020	2 753 443	2 676 485
TOTAL EQUITY AND LIABILITIES	2 892 601	3 339 623	3 165 401

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Consolidated income statement

	6-month period ended 30 June	
	2010	2009 <i>restated</i>
	(PLN thousands)	(PLN thousands)
Continuing operations		
Net sales of finished goods, goods for resale, raw materials and services	1 723 404	1 516 756
Cost of finished goods, goods for resale, raw materials and services sold	(1 513 845)	(1 224 254)
Gross profit on sales	209 559	292 502
Selling expenses	(11 061)	(11 819)
Administrative expenses	(55 601)	(61 912)
Other operating income	59 155	27 301
Other operating expenses	(41 244)	(116 415)
Gains/ (losses) on derivative financial instruments	2 071	(42 371)
Operating profit	162 879	87 286
Finance income	20 445	24 109
Finance costs	(24 946)	(9 770)
Share of results of equity accounted companies	(2 224)	(394)
Profit before tax	156 154	101 231
Income tax	(29 599)	(25 771)
Net profit from continuing operations	126 555	75 460
Net profit for the period	126 555	75 460
Of which:		
Attributable to the shareholders of the Parent Company	126 555	75 460
Attributable to non-controlling interest	-	-
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	4.96	2.96

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Consolidated statement of comprehensive income

	6-month period ended 30 June	
	2010	2009 <i>restated</i>
	(PLN thousands)	(PLN thousands)
Net profit for the period	126 555	75 460
Other comprehensive income (loss) for the period:		
Foreign exchange differences on translation of foreign operations	451	823
Deferred tax related to components of other comprehensive income	-	-
Other comprehensive income, net of tax	451	823
Total comprehensive income for the period	127 006	76 283
Of which:		
Attributable to the shareholders of the Parent Company	127 006	76 283
Attributable to non-controlling interests	-	-

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Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent Company					Non-controlling interests	Total equity
	Share capital	Share premium	Foreign exchange differences on translation of foreign operations	Retained earnings	Total		
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Balance as at 1 January 2010	145 848	234 799	1 446	204 087	586 180	-	586 180
Profit for the period	-	-	-	126 555	126 555	-	126 555
Other comprehensive income	-	-	451	-	451	-	451
Total comprehensive income for the period	-	-	451	126 555	127 006	-	127 006
Dividends	-	-	-	(173 605)	(173 605)	-	(173 605)
Balance as at 30 June 2010	145 848	234 799	1 897	157 037	539 581	-	539 581

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Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company					Non-controlling interests	Total equity
	Share capital	Share premium	Foreign exchange differences on translation of foreign operations	Retained earnings	Total		
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)
Balance as at 1 January 2009	145 848	234 799	1 557	179 525	561 729	-	561 729
Profit for the period	-	-	-	75 460	75 460	-	75 460
Other comprehensive income	-	-	823	-	823	-	823
Total comprehensive income for the period	-	-	823	75 460	76 283	-	76 283
Dividends				(149 096)	(149 096)	-	(149 096)
Balance as at 30 June 2009	145 848	234 799	2 380	105 889	488 916	-	488 916
Profit for the period	-	-	-	98 198	98 198	-	98 198
Other comprehensive income	-	-	(934)	-	(934)	-	(934)
Total comprehensive income for the period	-	-	(934)	98 198	97 264	-	97 264
Balance as at 31 December 2009	145 848	234 799	1 446	204 087	586 180	-	586 180

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The BUDIMEX Group*Condensed consolidated financial statements for the 6-month period from 1 January to 30 June 2010**prepared in accordance with IFRS***Consolidated statement of cash flow**

	6-month period ended 30 June	
	2010	2009 <i>restated</i>
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	156 154	101 231
Adjustments for:		
Depreciation/ amortization	10 108	10 976
Share of results of equity accounted companies	2 224	543
Foreign exchange (gains)/ losses	(228)	1 294
Interest and shares in profits (dividends)	7 691	910
(Profit)/ loss on disposal of investments	(4 876)	7 879
Change in valuation of derivative financial instruments	(3 542)	(9 557)
Operating profit before changes in working capital	167 531	113 276
Change in receivables and retentions for construction contracts	(143 024)	123 376
Change in inventories	93 488	16 862
Change in provisions and liabilities arising from retirement benefits and similar obligations	29 002	45 735
Change in retentions for construction contracts and in liabilities, except for loan and borrowings liabilities	23 405	(60 262)
Change in accruals and accrued income	(12 736)	(8 977)
Change in amounts due and receivable under construction contracts	(56 554)	(137 287)
Change in prepayments received	(163 280)	(51 861)
Change in cash and cash equivalents of restricted use	(32)	367
Other adjustments	(135)	982
Cash generated from operations	(62 335)	42 211
Income tax paid	(95 537)	(85 281)
NET CASH USED IN OPERATING ACTIVITIES	(157 872)	(43 070)

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The BUDIMEX Group*Condensed consolidated financial statements for the 6-month period from 1 January to 30 June 2010**prepared in accordance with IFRS***Consolidated statement of cash flow (cont.)**

	6-month period ended 30 June	
	2010	2009 <i>restated</i>
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of intangible assets and tangible fixed assets	5 401	7 959
Purchase of intangible assets and tangible fixed assets	(6 021)	(8 795)
Sale of investments in property and intangible assets	3 800	60
Purchase of investments in property and intangible assets	(57)	-
Purchase of available-for-sale financial assets	(10)	(3 661)
Sale / (purchase) of financial assets at fair value through profit or loss	19 067	59 671
Dividends received	-	12
Interest received	933	2 520
Other investing inflows / (outflows)	-	179
NET CASH FROM INVESTING ACTIVITIES	23 113	57 945
CASH FLOW FROM FINANCING ACTIVITIES		
Loans and borrowings taken out	-	83 808
Repayment of loans and borrowings	(262 144)	(70 853)
Dividends paid	(171 030)	-
Payment of finance lease liabilities	(5 599)	(6 259)
Interest paid	(7 871)	(3 236)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	(446 644)	3 460
NET CHANGE IN CASH AND CASH EQUIVALENTS	(581 403)	18 335
Foreign exchange differences, net	300	(769)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 3.5)	1 130 289	725 150
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 3.5)	549 186	742 716

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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, hotel and other business. Apart from construction business conducted, Budimex SA serves in the Group as an advisory, management and financial centre. Realization of these three functions is to facilitate:

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

1.2. Entities subject to consolidation

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

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

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

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

³) Company liquidated on 31 May 2010.

⁴) Company included in Budimex SA on 23 June 2010. Both companies were consolidated using acquisition accounting (full) method and hence the transaction did not have any effect on the consolidated financial statements.

⁵) Company included in Budimex SA on 16 November 2009. Both companies were consolidated using acquisition accounting (full) method and hence the transaction did not have any effect on the consolidated financial statements.

⁶) Company included in Budimex SA on 13 August 2009. Both companies were consolidated using acquisition accounting (full) method and hence the transaction did not have any effect on the consolidated financial statements.

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

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

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

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

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

2. Shareholders of the Parent Company

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

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

On 3 February 2010 "Złota Jesień" Open Pension Fund (the Fund) purchased the Budimex SA shares on the Warsaw Stock Exchange, as a result of which the number of shares held by the Fund authorised it to exceed 5% of the votes at the General Meeting of Budimex SA. Before the change in the number of shares, the Fund held 1 273 730 shares, which constituted 4.99% of the share capital of Budimex SA and translated into 1 273 730 votes held and 4.99% of the total number of votes. Following the change in the share, the "Złota Jesień" Open Pension Fund holds 1 444 895 shares, which constitutes 5.66% of the share capital of Budimex SA and translates into 1 444 895 votes held and 5.66% of the total number of votes.

From the date of publication of the annual report for the year ended 31 December 2009, i.e. 22 March 2010 the shareholding structure has not change.

3. Principles applied for the purpose of preparation of financial statements

3.1. Accounting policies and basis of preparing the consolidated financial statements of the Budimex Group

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

The consolidated financial statements were prepared on the assumption that the Parent Company and all entities included in the Budimex Group will be going concerns in the foreseeable future. In the reporting period and as at the date of preparation of these financial statements no circumstances have been noted that would indicate a threat to the remaining companies' ability to continue as a going concern.

Standards and Interpretations effective in the current period

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

- **IFRS 1 (revised) "First-time Adoption of IFRS"** adopted by the EU on 25 November 2009 (effective for annual periods beginning on or after 1 January 2010),
- **IFRS 3 (revised) "Business Combinations"** adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- **Amendments to IFRS 1 "First-time Adoption of IFRS"**- Additional Exemptions for First-time Adopters, adopted by the EU on 23 June 2010 (effective for annual periods beginning on or after 1 January 2010),
- **Amendments to IFRS 2 "Share-based Payment"** - Group cash-settled share-based payment transactions adopted by the EU on 23 March 2010 (effective for annual periods beginning on or after 1 January 2010),
- **Amendments to IAS 27 "Consolidated and Separate Financial Statements"** adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"** - Eligible hedged items, adopted by the EU on 15 September 2009 (effective for annual periods beginning on or after 1 July 2009),
- **Amendments to various standards and interpretations "Improvements to IFRSs (2009)"** resulting from the annual improvement project of IFRS published on 16 April 2009, adopted by the EU on 23 March 2010 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 23 March 2010 (effective for annual periods beginning on or after 1 January 2010),
- **IFRIC 12 "Service Concession Arrangements"** adopted by the EU on 25 March 2009 (effective for annual periods beginning on or after 30 March 2009),
- **IFRIC 15 "Agreements for the Construction of Real Estate"** adopted by the EU on 22 July 2009 (effective for annual periods beginning on or after 1 January 2010),
- **IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"** adopted by the EU on 4 June 2009 (effective for annual periods beginning on or after 1 July 2009),

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- **IFRIC 17 "Distributions of Non-Cash Assets to Owners"** adopted by the EU on 26 November 2009 (effective for annual periods beginning on or after 1 November 2009),
- **IFRIC 18 "Transfers of Assets from Customers"** adopted by the EU on 27 November 2009 (effective for annual periods beginning on or after 1 November 2009).

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

According to the revised IAS 27 "Consolidated and Separate Financial Statements, changes in the acquiree's interest in its subsidiary that do not result in a loss of control are accounted for in equity as transactions with owners in their capacity as owners. For such transactions, no financial profit/loss is recognized or goodwill remeasured. Any difference between the change in the non-controlling interest and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent. The Standard defines accounting procedures to be applied by the parent if control of a subsidiary is lost. The application of amendments to the aforementioned standard has no impact on the consolidated financial statements for the 6-month period ended 30 June 2010.

IFRS 3 (revised) "Business Combinations" requires recognition of acquisition costs in the period expenses. Revisions to IFRS 3 and the related changes to IAS 27 limit application of acquisition accounting principles only to the moment of control takeover; in consequence, goodwill is calculated as at that date only. IFRS 3 shifts more focus to fair value as at the acquisition date, providing details of its recognition. The change to the standard allows measurement of non-controlling interest (before amendment minority interests) in the acquiree at fair value or proportionally to its share in the identifiable net assets of the acquiree. The revised standard requires measurement of consideration related to the acquisition at fair value as at the acquisition date. The same principle applies to fair value of any contingent consideration due. IFRS 3 allows very few adjustments to measurement at initial recognition of the combination account and only if they result from additional information obtained with regard to facts and circumstances existing as at the acquisition date. Any other changes are recognized in profit/loss. The Standard defines impact on the acquisition accounting if the acquirer and acquiree were parties to a previous relation. IFRS 3 states that an entity has to classify all contractual terms as at the acquisition date with two exceptions: leases and insurance contracts. The acquirer applies its accounting standards and makes decisions in such a way as if the contractual relationship were taken over regardless of the business combination. The application of amendments to the aforementioned standard has no impact on the consolidated financial statements for the 6-month period ended 30 June 2010.

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

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

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

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

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Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),

- **IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”** (effective for annual periods beginning on or after 1 July 2010).

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

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 26 August 2010:

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2013),
- **Amendments to various standards and interpretations “Improvements to IFRSs (2010)”** resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after 1 January 2011).

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

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

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

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

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

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

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

Comparatives for the 6-month period ended 30 June 2009 were restated appropriately as if the entities had always been combined (together).

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Consolidated statement of financial position

The adjustments made to individual items of comparative consolidated statement of financial position, i.e. as at 30 June 2009 are presented in the table below:

ASSETS	30 June 2009
	(PLN thousands)
Non-current assets	
Property, plant and equipment	512
Investment properties	1 909
Intangible assets	28
Goodwill	-
Equity accounted investments	-
Available-for-sale financial assets	-
Retentions for construction contracts	(6 671)
Long-term prepayments and deferred costs	-
Deferred tax asset	8 162
Total non-current assets	3 940
Current assets	
Inventories	532 895
Trade and other receivables	(4 078)
Retentions for construction contracts	(5 218)
Amounts due and receivable from customers (investors) under construction contracts	(1 077)
Current tax receivable	-
Derivative financial instruments	-
Other financial assets at fair value through profit or loss	-
Cash and cash equivalents	28 448
Short-term prepayments and deferred costs	404
	551 374
Non-current assets classified as held for sale	39
Total current assets	551 413
TOTAL ASSETS	555 353

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EQUITY AND LIABILITIES	30 June 2009
	(PLN thousands)
Shareholders' equity	
Shareholders' equity attributable to the shareholders of the Parent Company	
Share capital	-
Share premium	-
Foreign exchange differences on translation of foreign operations	-
Retained earnings	(72 089)
Total shareholders' equity attributable to the shareholders of the Parent Company	(72 089)
Non-controlling interests	-
Total shareholders' equity, incl. non-controlling interests	(72 089)
Liabilities	
Non-current liabilities	
Loans, borrowings and other external sources of finance	57 683
Retentions for construction contracts	695
Provision for long-term liabilities and other charges	1 849
Long-term retirement benefits and similar obligations	38
Total non-current liabilities	60 265
Current liabilities	
Loans, borrowings and other external sources of finance	116 979
Trade and other payables	5 490
Retentions for construction contracts	518
Amounts due and payable to customers (investors) under construction contracts	(6 765)
Prepayments received	62 281
Provision for short-term liabilities and other charges	1 626
Current tax payable	1 157
Liabilities related to settlement of acquisition of 50% of shares in Budimex Nieruchomości Sp. z o.o.	385 000
Short-term retirement benefits and similar obligations	2
Derivative financial instruments	-
Short-term accruals	889
Short-term deferred income	-
	567 177
Liabilities directly associated with the assets classified as held for sale	-
Total current liabilities	567 177
Total liabilities	627 442
TOTAL EQUITY AND LIABILITIES	555 353

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Consolidated income statement

The adjustments made to individual items of comparative consolidated income statement, i.e. for the 6-month period ended 30 June 2009 are presented in the table below:

	6-month period ended 30 June 2009 (PLN thousands)
Continuing operations	
Net sales of finished goods, goods for resale, raw materials and services	39 117
Cost of finished goods, goods for resale, raw materials and services sold	(21 241)
Gross profit on sales	17 876
Selling expenses	(1 347)
Administrative expenses	(748)
Other operating income	1 621
Other operating expenses	(6 721)
Gains/ (losses) on derivative financial instruments	-
Operating profit	10 681
Finance income	719
Finance costs	(799)
Share of results of equity accounted companies	-
Profit before tax	10 601
Income tax	(2 021)
Net profit from continuing operations	8 580
Net profit for the period	8 580
Of which:	
Attributable to the shareholders of the Parent Company	8 580
Attributable to non-controlling interests	-
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	0.34

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Statement of comprehensive income

The adjustments made to individual items of comparative statement of comprehensive income, i.e. for the 6-month period ended 30 June 2009 are presented in the table below:

	6-month period ended 30 June 2009 (PLN thousands)
Net profit for the period	8 580
Other comprehensive income (loss) for the period:	
Foreign exchange differences on translation of foreign operations	-
Deferred tax related to components of other comprehensive income	-
Other comprehensive income (loss), net of tax	-
Total comprehensive income for the period	8 580
Of which:	
Attributable to the shareholders of the Parent Company	8 580
Attributable to non-controlling interests	-

Consolidated statement of cash flow

Apart from the change of comparatives regarding settlement of the acquisition of 50% of shares in Budimex Nieruchomości Sp. z o.o., the Group has changed the presentation of inflows/outflows and gains/losses on realization of derivative financial instruments. In the statement of cash flow for the prior periods gains / losses on realization of derivative financial instruments were presented as adjustments for net profit before tax in cash flow from operating activities and inflows / outflows related to realization of derivatives were an element of cash flow from investing activities. In the statement of cash flow for the 6-month period ended 30 June 2010 the element of cash flow from operating and investing activities related to realization of derivative financial instruments was eliminated. Comparatives for the 6-month period ended 30 June 2009 were appropriately restated by decreasing the value of net cash from operating activities by PLN 51 927 thousand as well as increasing net cash from investing activities by the same amount.

The adjustments in respect of both settlement of the acquisition of 50% of shares in Budimex Nieruchomości Sp. z o.o. and change of presentation made to main items of comparative statement of cash flow, i.e. for the 6-month period ended 30 June 2009 are presented in the table below:

	6-month period ended 30 June 2009 (PLN thousands)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	(57 568)
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	51 722
NET CASH FROM / (USED IN) FINANCING ACTIVITIES	12 626
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	28 448

3.3. Non-current assets classified as held for sale

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

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

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

	30 June 2010	31 December 2009	30 June 2009
Non-current assets classified as held for sale, of which:	5 908	4 451	78
– fixed assets	-	2 886	-
– investment properties	5 908	1 565	78
Total	5 908	4 451	78

3.4. Translation of the selected financial data into euro

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

- individual asset and liability items – using the average exchange rate prevailing as at 30 June 2010 – 4.1458 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the first half of 2010 – using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2010 to 30 June 2010 – 4.0042 PLN/EUR,
- individual asset and liability items of comparative financial data for the year 2009 – using the average exchange rate prevailing as at 31 December 2009 – 4.1082 PLN/EUR,
- individual profit and loss account and statement of cash flow items of comparative financial data for the first half of 2009 - using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2009 to 30 June 2009 – 4.5184 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.

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	30 June 2010	31 December 2009	30 June 2009
	(in PLN thousands)	(in PLN thousands)	(in PLN thousands)
Cash recognised in the statement of financial position	549 286	1 130 357	743 205
Cash and cash equivalents of restricted use	(100)	(68)	(489)
Cash recognised in the statement of cash flow	549 186	1 130 289	742 716

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

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

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

In the first half of 2010 construction-assembly production in Poland expressed in current prices decreased by 6.6% compared to the corresponding period of the prior year (a decrease by 6.1% 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.

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.

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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.

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5. Operating segments

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

- construction business
- developer and property management business.

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

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

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

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

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

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

The results of segments for the first half of 2010 are presented in the table below:

Segment name	amounts in PLN thousands				
	Construction business	Property management and developer business	Other business	Exclusions	Consolidated value
External sales	1 346 583	327 873	50 489	(1 541)	1 723 404
Inter-segment sales	11 757	283	-	(12 040)	-
Total sales of finished goods, goods for resale and raw materials	1 358 340	328 156	50 489	(13 581)	1 723 404
Gross profit	121 859	68 955	1 150	17 595	209 559
Selling expenses	(5 309)	(3 869)	(1 896)	13	(11 061)
Administrative expenses	(50 829)	(9 095)	(2 868)	7 191	(55 601)
Other operating income/ (expenses), net	4 649	11 597	459	1 206	17 911
Gains / (losses) on derivative financial instruments	2 165	-	(94)	-	2 071
Operating profit (loss)	72 535	67 588	(3 249)	26 005	162 879
Finance income / (costs), net	2 801	(7 368)	66	-	(4 501)
Shares in gains/ (losses) of equity accounted entities	-	-	(2 224)	-	(2 224)
Income tax expense	(13 772)	(11 553)	611	(4 885)	(29 599)
Net profit (loss) for the period	61 564	48 667	(4 796)	21 120	126 555

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The results of segments for the first half of 2009 are presented in the table below:

Segment name	amounts in PLN thousands				Consolidated value
	Construction business	Property management and developer business	Other business	Exclusions	
External sales	1 301 154	159 802	55 800	-	1 516 756
Inter-segment sales	65 463	1 189	-	(66 652)	-
Total sales of finished goods, goods for resale and raw materials	1 366 617	160 991	55 800	(66 652)	1 516 756
Gross profit	247 598	44 244	4 990	(4 330)	292 502
Selling expenses	(6 989)	(2 875)	(1 980)	25	(11 819)
Administrative expenses	(58 029)	(6 055)	(2 838)	5 010	(61 912)
Other operating income/ (expenses), net	(72 653)	(16 269)	(192)	-	(89 114)
Gains / (losses) on derivative financial instruments	(35 630)	-	(6 741)	-	(42 371)
Operating profit (loss)	74 297	19 045	(6 761)	705	87 286
Finance income / (costs), net	22 031	(8 714)	1 388	(366)	14 339
Shares in gains/ (losses) of equity accounted entities	-	-	(394)	-	(394)
Income tax expense	(24 768)	(1 536)	650	(117)	(25 771)
Net profit (loss) for the period	71 560	8 795	(5 117)	222	75 460

6. Related party transactions

Transactions with related parties made in the first half of 2010 and unsettled balances of receivables and liabilities as at 30 June 2010 are presented in the tables below:

	amounts in PLN thousands			
	Receivables		Liabilities	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
Parent Company and related parties (the Ferrovial Group)	51 291	51 490	66 914	98 044
Jointly-controlled entities	1 412	2 703	113	65
Associates	1 481	3	5 888	4 595
Other related parties*	6 118	623	1 030	912
Total settlements with related parties	60 302	54 819	73 945	103 616

	amounts in PLN thousands			
	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
Parent Company and related parties (the Ferrovial Group)	-	-	7 746	7 602
Jointly-controlled entities	-	-	-	-
Associates	-	-	-	-
Other related parties*	-	-	-	-
Total settlements with related parties	-	-	7 746	7 602

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	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	
	2010	2009	2010	2009
Parent Company and related parties (the Ferrovial Group)	17 207	7 838	(24 389)	(9 536)
Jointly-controlled entities	1 634	-	-	-
Associates	22	63	(6 071)	(1 446)
Other related parties*	165	90	(226)	(2 274)
Total transactions with related parties	19 028	7 991	(30 686)	(13 256)

	amounts in PLN thousands			
	Financial income		Financial costs	
	6-month period ended 30 June		6-month period ended 30 June	
	2010	2009	2010	2009
Parent Company and related parties (the Ferrovial Group)	-	-	(73)	(821)
Jointly-controlled entities	-	-	-	-
Associates	-	-	-	-
Other related parties*	25	12	-	-
Total transactions with related parties	25	12	(73)	(821)

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

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

7. Factors which will affect results achieved by the Group in a period covering at least the next 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
- a tempo of preparation of the investments connected with organization of Euro 2012,
- visible rivalral in the development market,
- fluctuations of exchange rates, which have the impact on the sales revenue, operating costs and result of the valuation and realization of derivative financial instrument contracts,
- price level of material and construction services affecting the amount of direct costs of realized contracts,
- intensification of actions aimed at recovery of overdue debts, which were provided for and strengthening the operational and financial control in respect of contracts realized,

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- results of the pending legal proceedings, described in more detail in note 12 to these consolidated financial statements.

8. The main events in the first half of 2010 and significant events after 30 June 2010

Significant contracts:

On 20 January 2010 Budimex SA signed Annex no. 1 to the Contract with Mostostal Warszawa SA of 17 August 2009 on the performance of the construction of the A1 Motorway between Pyrzowice (with a junction) and Piekary Śląskie (with a junction). Based on the abovementioned Contract and Annex, Budimex SA will carry out for the benefit of the Consortium Partner – Mostostal Warszawa – works valued at PLN 149 948 thousand net, upon signing Annex no. 1.

On 11 February 2010 Budimex SA concluded a contract with the General Directorate for Roads and Motorways, Gdańsk Branch, for the following construction works: Extension of the junction of the Tri-City Ring Road (National Road S6) with Kartuska Street (National Road 7) – the Karczemki junction in Gdańsk." Net contract value is PLN 152 926 thousand.

On 18 February 2010 Budimex SA signed with PRO URBA INVEST Sp. z o.o. with its registered office in Warsaw a contract for the construction of buildings of the 1st stage of multi-family housing with services located at Sienna Street and Kolejowa Street. Net contract value is PLN 82 870 thousand.

On 24 February 2010 the consortium of companies, including Budimex SA (the consortium leader) and Korporacja Budowlana Doraco Sp. z o.o. (the consortium partner) with its registered office in Gdańsk, signed with Port Lotniczy Gdańsk Sp. z o.o. with its registered office in Gdańsk a contract concerning "Construction and supplementary design (as part of a detailed engineering design) of the Second Passenger Terminal for the Gdańsk Lech Walesa Airport together with accompanying buildings and infrastructure". Net contract value is PLN 153 481 thousand.

On 2 March 2010 the consortium of companies Budimex SA (leader) and Ferrovia Agroman SA (partner) signed with Polskie Koleje Państwowe SA with its registered office in Warsaw a contract on "Reconstruction of the historic Wrocław Główny railway station complex together with rebuilding of railway technical infrastructure". Net contract value is PLN 265 686 thousand.

On 9 March 2010 Budimex SA concluded a contract with a domestic private investor for constructing the Conference - Hotel Centre. The investor is not tied with Budimex Group. The investment will be executed in the territory of Poland. Net contract value is PLN 97 000 thousand.

On 24 March 2010 Budimex SA concluded two contracts for construction of the office building complex Libra Business Center with Palatium Sp. z o.o. Sk with its registered office in Warsaw. The first contract concerns the 1st Stage – construction of building B. The second contract concerns the 2nd stage – construction of building A. The contracts are conditional in character. They are in force from their conclusion but will become effective on the date when the Investor informs the Contractor that the contracts become effective. In the case of the contract for the 1st Stage: if the day of the contract becoming effective does not take place within 120 days from concluding the Contract, the contract expires. In the case of the contract for the 2nd Stage: if the day of the contract becoming effective does not take place within 12 months from concluding the Contract, the contract expires. Net contract value is PLN 105 450 thousand.

On 31 March 2010 Budimex SA signed with the General Directorate for Roads and Motorways, Szczecin Branch a contract concerning "Construction of Nowogard ring road along road S-6". Net contract value is PLN 132 404 thousand.

On 15 April 2010 Budimex SA signed a contract for construction of the Mechatronics, Bioscience and Nanoengineering Centre at Poznań University of Technology with the Poznań University of Technology. Net contract value is PLN 36 686 thousand.

On 21 April 2010 Budimex SA signed a contract for construction of the Arboretum housing complex with a company Kraków Development II Sp. z o.o. owned by Hines Polska Sp. z o.o. with its registered office in Warsaw. Net contract value amounts to PLN 55 390 thousand.

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On 10 May 2010 Budimex SA signed a contract with the General Directorate for National Roads and Motorways, Rzeszów Division, for the "construction of the A-4 motorway section from the Dębica Pustynia junction to the Rzeszów Zachodni junction". Net contract value is PLN 1 418 411 thousand.

On 25 May 2010 Budimex SA signed an agreement with the Lower Silesian Road and Railway Services, having its registered office in Wrocław, regarding the reconstruction of provincial road no. 352 between Bogatynia/Zatonie-Radomierzyce - Stages I and II within the task: Reconstruction of Provincial Road No. 352 between Radomierzyce and Zatonie. Net contract value is PLN 46 540 thousand.

On 28 May 2010 Budimex SA signed a contract with the General Directorate for National Roads and Motorways, Łódź Division for the "construction of the A-1 motorway section from kujawsko-pomorskie/łódzkie voivodship border to Stryków junction Task II – Section 4 junction Stryków I". Net contract value is PLN 252 102 thousand.

On 28 June 2010 the consortium of Budimex SA (the leader) and Ferrovial Agroman SA, operating as a civil law partnership, executed a contract with Przedsiębiorstwo Państwowe Porty Lotnicze: "Redevelopment/Modernisation of DS-1 runway, taxiways, patrol road and fire escape route at Fryderyk Chopin Airport in Warsaw". Net contract value is PLN 73 460 thousand.

On 15 July 2010 Budimex SA received from the Gdańsk-based division of the General Directorate for National Roads and Motorways information about the selection of the offer by the consortium of Budimex SA (the leader) and Ferrovial Agroman SA as the most favourable offer in the proceedings concerning the public procurement procedure carried out by an unlimited tender procedure for the construction works: "Construction of the bridge over the Vistula River near Kwidzyn together with driveways along national road No. 90". Net contract value is PLN 250 818 thousand.

On 16 July 2010 Budimex SA received information from the Adam Mickiewicz University in Poznań about the selection of the bid by the consortium of Budimex SA (the leader) and Ferrovial Agroman SA as the most favourable bid in the proceedings concerning the public procurement procedure carried out by an unlimited tender procedure for: "Construction of the Centre for Advanced Technologies, building B, C, D, Technical Gases Storage Room, Waste Storage Room". Net contract value is PLN 64 170 thousand.

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

Other significant agreements and events:

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

In March 2010 the Management Board of Budimex SA learned that Ministry of Infrastructure did not approve the project documentation prepared by the company in favour of Autostrada Południe SA. Due to the above, there is a risk that the full amount of contract costs incurred by Budimex Spółka Akcyjna Ferrovial Agroman Spółka Akcyjna Spółka Jawna (in which Budimex SA hold 50% shares) will not be recovered from Autostrada Południe SA unless it is proved that the lack of payments in favour of

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Autostrada Południe SA from the State Treasury does not result from the defect of the project delivered by Budimex Spółka Akcyjna Ferrowial Agroman Spółka Akcyjna Spółka Jawna or the defects are the consequence of requirements of Autostrada Południe SA, different from requirements of the State Treasury as an investor. As at 30 June 2010 sales revenue arising from realised design work recognised by Budimex Spółka Akcyjna Ferrowial Agroman Spółka Akcyjna Spółka Jawna falling to Budimex SA amounted to PLN 51 367 thousand taking into consideration the anticipated risks.

On 13 January 2010 Budimex SA signed with Kredyt Bank SA Annex no. 12 to the Contract on granting Bank Guarantee Line of 13 November 2000 signed between Budimex SA and Kredyt Bank SA. Pursuant to the annex, Budimex SA is entitled to order the Bank to issue bank guarantees up to a sum of PLN 116 000 thousand until 30 June 2010. The abovementioned limit is reduced by guarantees already issued by Kredyt Bank SA on the order of Budimex SA and Budimex Dromex SA (a company taken over by Budimex SA on 16 November 2009).

On 2 March 2010 Budimex SA signed with Societe Generale SA, branch in Poland, an agreement concerning bank guarantees. Pursuant to the agreement, Budimex SA may place instructions at the Bank for furnishing bank guarantees totalling PLN 150 000 thousand. Validity period of the agreement is 28 February 2011. The agreement does not provide for establishing securities. Other financial terms and conditions are standard for this type of agreements.

On 11 March 2010 Budimex SA signed with Powszechny Zakład Ubezpieczeń SA Annex no. 4 to the Commission Contract for Periodic Contract Insurance Guarantee of 8 May 2007. Pursuant to the annex the limit of PLN 70 000 thousand has been established to which PZU SA may issue contract guarantees and security of the contract has been renewed which currently comprises 7 blank promissory notes with a promissory note declaration issued by Budimex SA. Other provisions of the contract remain unchanged. Material conditions of the contract, including financial ones, are similar to market conditions.

On 21 April 2010 The Management Board of Budimex SA signed an annex to the Bank Guarantee Line Contract dated 16 October 2009 with Bank Zachodni WBK. Pursuant to the Annex the guarantee limit has been increased from PLN 100 000 thousand to PLN 150 000 thousand and the deadline when the Company may order the Bank to issue bank guarantees has been prolonged until 19 April 2011. The guarantee limit is secured by the Company statement on submission to bank execution. Other provisions of the Contract remain unchanged.

On 4 May 2010 Budimex SA received from Bank PEKAO SA information on signing of an annex of 29 April 2010 to Credit Contract No. 2008/268/DDF of 12 August 2008. Pursuant to the annex, the limit up to which Budimex SA may order the Bank to issue bank guarantees has been increased from the amount PLN 300 000 thousand up to the amount PLN 473 000 thousand and the availability of the credit limit has been extended to 31 May 2011.

On 10 May 2010 Budimex SA received from the bank Credit Agricole Corporate & Investment Bank (formerly Calyon SA Oddział w Polsce) a signed annex to the credit contract of 13 October 2008. The annex specifies a new expiry date for the contract of 13 April 2011 and changes the limit for the bank warranties to PLN 102 000 thousand. Other provisions of the contract remain unchanged.

On 19 May 2010 Ordinary General Shareholders' Meeting of Budimex SA passed resolution concerning dividend payout. According to the passed resolution, net profit for the period between 1 January 2009 and 31 December 2009 amounting to PLN 138 030 thousand, increased by reserve capital in the portion formed by profits from the previous years, amounting to PLN 35 575 thousand, was earmarked for dividend payout in the gross amount of PLN 6.80 per share.

On 20 May 2010 Budimex SA received from Bank Millennium SA a signed annex to the Bank Guarantee Line Contract dated 31 July 2009. Pursuant to the annex the guarantee limit to which the Company may order the bank to issue bank guarantees has increased from PLN 195 000 thousand to PLN 260 000 thousand and the deadline when the Company may order the Bank to issue bank guarantees has been prolonged until 17 May 2011.

On 28 June 2010 Budimex SA concluded a loan contract with Budimex Nieruchomości Sp. z o.o. Under the said contract Budimex SA as the Lender granted a loan of PLN 61 000 thousand to Budimex

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Nieruchomości Sp. z o.o. Under the contract the loan will have been repaid by 31 March 2011. The interest on the loan shall amount to 1M WIBOR rate plus margin.

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

On 5 August 2010 Budimex SA signed a document Changes no. 6 of 29 July 2010 to the Multi-purpose Line-of-credit Agreement of 25 April 2008 with Fortis Bank Polska SA. Under the document the new expiry date of the contract is 27 August 2010. Other provisions of the contract remain unchanged.

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

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

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

Budimex SA did not publish any forecasts.

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

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

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

Above mentioned members of the Management Board and Supervisory Board do not own share options of the Company. As at the date of publication of this report other managing and supervisory persons of Budimex SA do not hold its shares or share options. There has been no change in the status of ownership from the date of publication of the annual report for the year 2009, i.e. 22 March 2010.

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

The total value of legal proceedings in progress in respect of liabilities and receivables as at 30 June 2010 was PLN 472 590 thousand and exceeded 10% of the equity of Budimex SA, which amounts to PLN 529 277 thousand. Excess of the value of proceedings relating to claims of Group companies over proceedings against Group companies amounted to PLN 19 530 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 2010 was PLN 226 530 thousand. These proceedings involve the Group companies' operating activity.

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

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

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

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

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

Another material in value legal proceedings relate to the claim filed on 5 March 2008 by Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. requesting that the amount of PLN 25 252 thousand be awarded jointly and severally against the consortium to which the Budimex SA and Budimex Dromex SA belonged. The claim relates to the replacement contractor costs incurred by the investor

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when the consortium rescinded a contract. The Budimex Group's share in consortium was 90%, therefore the value of the claim for which the Company is liable is PLN 22 727 thousand. The defendants filed a response to the statement of claim within two weeks of receipt of the statement of claim.

As a result of the plea of incompetency of a court formulized in the response to the statement of claim due to the written arbitration agreement, the court brought a case before the closed court in order to determine its jurisdiction. The date of the trial has been rescheduled from 22 April 2010 to 30 September 2010.

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

- Budimex Dromex SA,
- VHV Deutsche Kautionsversicherung AG, Hannover,
- Deutsche Bank AG, Frankfurt/Main,
- Allgemeine Kreditversicherung Coface AG, Maisz

for return of overpaid remuneration for work and settlement of a warranty liability in the total amount of EUR 2 583 thousand.

Dromex SA and Philipp Holzmann AG were shareholders in the company "ARGE Oderbrücke Philipp Holzmann AG/Dromex" (the "Consortium"). In the years 1993-1997, the companies built a bridge comprising the motorway over the Odra River near Frankfurt. According to the claimant, the fee received by the Consortium for this work was overstated by EUR 2 509 thousand, while Budimex Dromex SA is required to make a prepayment of EUR 74 thousand towards the costs of removing construction faults. The companies VHV Deutsche Kautionsversicherung AG and Allgemeine Kreditversicherung Coface AG incur liability as guarantors for both the prepayment and the return of the overpaid amount. Following payment by certain guarantors of part of the contractual liabilities, the total value of claim was reduced to EUR 1 697 thousand. The Company filed a response to the statement of claim in which it challenged the grounds for the claims. On 19 December 2006, the Supreme National Court of Brandenburg upheld a decision issued by the National Court in Neuruppin on the jurisdiction of German courts, which had been questioned by Budimex Dromex SA from the very start of the proceedings. This court also stated that no appeal could be made against the court verdict to the Supreme Federal Court. On 17 January 2007, the Company lodged an appeal against the decision under which no appeal could be made to the Supreme Federal Court together with reasons for the appeal filed in June 2007. Based on the decision of the Supreme Federal Court the appeal was dismissed. On 10 August 2010, National Court in Neuruppin presented preliminary position in the case of the statement of claim directed by Federal Republic of Germany (represented by federal country Brandenburg) dated 8 February 2005, confirming in principle the claim against Budimex SA in the amount of EUR 1 697 thousand. The parties have the right to take a stand on the aforementioned position within four weeks.

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 2010 amounted to PLN 246 060 thousand. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of construction work performed.

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

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the verdict of the Court of first resort, adjudged the payment by the Municipal Commune of Cracow to Budimex Dromex SA of the amount of PLN 6 903 thousand including statutory interest calculated starting on 20 November 2007 until the date of payment and payment of the court fees in the amount of PLN 20 thousand. The Court rejected the rest of the appeal of the Municipal Commune of Cracow and adjudged the payment by Budimex Dromex SA to the Municipal Commune of the amount of PLN 70 thousand as the appeal trial fees. The verdict is absolute. Budimex Dromex SA appealed to the Supreme Court for cassation of this verdict.

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

13. Contingent liabilities and contingent receivables

	30 June 2010	31 December 2009	30 June 2009
	(in PLN thousands)	(in PLN thousands)	(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	243 403	189 829	193 000
– bills of exchange received as security	16 352	18 020	17 743
From other entities, total	259 755	207 849	210 743
Total contingent receivables	259 755	207 849	210 743
Contingent liabilities			
To related parties, of which:			
– guarantees and suretyships issued	640	634	690
– bills of exchange issued as performance bond	-	-	-
To related parties, total	640	634	690
To other entities, of which:			
– guarantees and suretyships issued	1 359 635	1 233 684	995 576
– bills of exchange issued as performance bond	8 840	10 615	16 527
To other entities, total	1 368 475	1 244 299	1 012 103
Other contingent liabilities	-	-	-
Total contingent liabilities	1 369 115	1 244 933	1 012 793
Total off-balance sheet items	(1 109 360)	(1 037 084)	(802 050)

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.

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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.

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
TOTAL		121 828			