

The Budimex Group

Condensed consolidated financial statements

for I quarter of 2011

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

Table of contents

Consolidated statement of financial position	2
Consolidated income statement.....	4
Consolidated statement of comprehensive income.....	5
Consolidated statement of changes in equity	6
Consolidated statement of changes in equity (cont.).....	7
Consolidated statement of cash flow	8
1. Organization of the Budimex Group and changes in the Group structure.....	10
1.1. The Parent Company	10
1.2. Entities subject to consolidation	10
1.3. Description of changes in the composition of the Group together with indication of their consequences.....	11
2. Shareholders of the Parent Company	11
3. Principles applied for the purpose of preparation of financial statements	11
3.1. Accounting policies and basis of preparing the consolidated financial statements of the Budimex Group.....	11
3.2. Changes in accounting policies and the method of preparation of financial statements.....	13
3.3. Non-current assets classified as held for sale	13
3.4. Translation of selected financial data into euro	13
3.5. Cash recognised in the statement of cash flow	13
4. Description of factors and events which had a material effect on a financial result of the Budimex Group for the first quarter of 2011.....	14
5. Operating segments	16
6. Related party transaction	17
7. Factors which will affect results achieved by the Group in a period covering at least the next quarter.....	18
8. The main events in the first quarter of 2011 and significant events after 31 March 2011.....	19
9. Issue, redemption and repayment of debt and equity securities	21
10. The Management Board's position on the feasibility of results stated in the financial forecasts published earlier for the year in view of the financial results presented in the quarterly report in relation to the projected results	21
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 I quarter of 2011	21
12. Proceedings pending as at 31 March 2011 before court, competent arbitration body or any public administration authority	22
13. Contingent liabilities and contingent receivables	26

Consolidated statement of financial position

ASSETS	31 March 2011	31 December 2010
	(PLN thousands)	(PLN thousands)
Non-current assets		
Property, plant and equipment	102 543	106 593
Investment properties	3 351	3 383
Intangible assets	3 366	3 434
Goodwill	73 237	73 237
Equity accounted investments	15 363	16 040
Available-for-sale financial assets	16 417	23 955
Retentions for construction contracts	39 326	44 327
Long-term prepayments and deferred costs	3 638	4 539
Deferred tax asset	345 489	357 343
Total non-current assets	602 730	632 851
Current assets		
Inventories	1 042 760	991 387
Trade and other receivables	443 536	373 013
Retentions for construction contracts	20 655	24 586
Amounts due and receivable from customers (investors) under construction contracts	217 532	151 998
Current tax receivable	319	273
Derivative financial instruments	2 560	3 157
Other financial assets at fair value through profit or loss	14 146	14 017
Cash and cash equivalents	1 084 409	1 862 403
Short-term prepayments and deferred costs	11 494	7 646
	2 837 411	3 428 480
Non-current assets classified as held for sale	5 908	5 908
Total current assets	2 843 319	3 434 388
TOTAL ASSETS	3 446 049	4 067 239

Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	31 March 2011	31 December 2010
	(PLN thousands)	(PLN thousands)
Shareholders' equity		
Shareholders' equity attributable to the shareholders of the Parent Company		
Share capital	145 848	145 848
Share premium	234 799	234 799
Other reserves	256	256
Foreign exchange differences on translation of foreign operations	1 511	1 611
Retained earnings	344 543	297 891
Total shareholders' equity attributable to the shareholders of the Parent Company	726 957	680 405
Non-controlling interests	-	-
Total shareholders' equity, incl. non-controlling interests	726 957	680 405
Liabilities		
Non-current liabilities		
Loans, borrowings and other external sources of finance	10 700	13 175
Retentions for construction contracts	132 568	135 545
Provision for long-term liabilities and other charges	104 975	102 082
Long-term retirement benefits and similar obligations	4 060	4 158
Total non-current liabilities	252 303	254 960
Current liabilities		
Loans, borrowings and other external sources of finance	19 358	17 544
Trade and other payables	984 588	1 270 662
Retentions for construction contracts	117 405	124 842
Amounts due and payable to customers (investors) under construction contracts	888 332	1 034 210
Prepayments received	216 402	225 828
Provision for short-term liabilities and other charges	105 497	110 490
Current tax payable	2 650	173 074
Short-term retirement benefits and similar obligations	1 738	1 651
Derivative financial instruments	685	460
Short-term accruals	121 738	166 560
Short-term deferred income	8 396	6 553
	2 466 789	3 131 874
Liabilities directly associated with the assets (disposal groups) classified as held for sale	-	-
Total current liabilities	2 466 789	3 131 874
Total liabilities	2 719 092	3 386 834
TOTAL EQUITY AND LIABILITIES	3 446 049	4 067 239

Consolidated income statement

	3-month period ended 31 March	
	2011	2010
	(PLN thousands)	(PLN thousands)
Continuing operations		
Net sales of finished goods, goods for resale, raw materials and services	797 818	577 245
Cost of finished goods, goods for resale, raw materials and services sold	(703 458)	(491 758)
Gross profit on sales	94 360	85 487
Selling expenses	(5 378)	(5 512)
Administrative expenses	(31 623)	(27 127)
Other operating income	20 841	20 101
Other operating expenses	(20 290)	(21 646)
Gains/ (losses) on derivative financial instruments	(31)	16 306
Operating profit	57 879	67 609
Finance income	14 519	11 123
Finance costs	(13 952)	(12 221)
Share of results of equity accounted companies	(677)	(808)
Profit before tax	57 769	65 703
Income tax	(11 117)	(12 360)
Net profit from continuing operations	46 652	53 343
Net profit for the period	46 652	53 343
Of which:		
Attributable to the shareholders of the Parent Company	46 652	53 343
Attributable to non-controlling interests	-	-
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	1.83	2.09

Consolidated statement of comprehensive income

	3-month period ended 31 March	
	2011	2010
	(PLN thousands)	(PLN thousands)
Net profit for the period	46 652	53 343
Other comprehensive income (loss) for the period:		
Foreign exchange differences on translation of foreign operations	(100)	(560)
Deferred tax related to components of other comprehensive income	-	-
Other comprehensive income (loss), net of tax	(100)	(560)
Total comprehensive income for the period	46 552	52 783
Of which:		
Attributable to the shareholders of the Parent Company	46 552	52 783
Attributable to non-controlling interests	-	-

The BUDIMEX Group

Condensed consolidated financial statements for I quarter of 2011 prepared in accordance with IFRS

Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent Company					Non-controlling interests	Total equity	
	Share capital	Share premium	Other reserves – share-based payments	Foreign exchange differences on translation of foreign operations	Retained earnings			Total
	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)	(PLN thousands)			(PLN thousands)
Balance as at 1 January 2011	145 848	234 799	256	1 611	297 891	680 405	-	680 405
Profit for the period	-	-	-	-	46 652	46 652	-	46 652
Other comprehensive income	-	-	-	(100)	-	(100)	-	(100)
Total comprehensive income for the period	-	-	-	(100)	46 652	46 552	-	46 552
Balance as at 31 March 2011	145 848	234 799	256	1 511	344 543	726 957	-	726 957

The BUDIMEX Group

Condensed consolidated financial statements for I quarter of 2011 prepared in accordance with IFRS

Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves – share-based payments	Foreign exchange differences on translation of foreign operations	Retained earnings	Total		
	(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	-	-	-	-	53 343	53 343	-	53 343
Other comprehensive income	-	-	-	(560)	-	(560)	-	(560)
Total comprehensive income for the period	-	-	-	(560)	53 343	52 783	-	52 783
Balance as at 31 March 2010	145 848	234 799	-	886	257 430	638 963	-	638 963
Profit for the period	-	-	-	-	214 066	214 066	-	214 066
Other comprehensive income	-	-	-	725	-	725	-	725
Total comprehensive income for the period	-	-	-	725	214 066	214 791	-	214 791
Dividends	-	-	-	-	(173 605)	(173 605)	-	(173 605)
Share-based payments	-	-	256	-	-	256	-	256
Balance as at 31 December 2010	145 848	234 799	256	1 611	297 891	680 405	-	680 405

Consolidated statement of cash flow

	3-month period ended 31 March	
	2011	2010
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	57 769	65 703
Adjustments for:		
Depreciation/ amortization	6 679	5 099
Share of results of equity accounted companies	677	808
Foreign exchange (gains)/ losses	(158)	(372)
Interest and shares in profits (dividends)	143	4 370
(Profit)/ loss on disposal of investments	6 220	(2 153)
Change in valuation of derivative financial instruments	822	(17 422)
CASH FLOW FROM OPERATING ACTIVITIES	72 152	56 033
Operating profit before changes in working capital	(61 407)	103 830
Change in receivables and retentions for construction contracts	(51 373)	72 649
Change in inventories	(2 111)	18 289
Change in provisions and liabilities arising from retirement benefits and similar obligations	(296 056)	(314 256)
Change in retentions for construction contracts and in liabilities, except for loan and borrowings liabilities	(45 926)	(41 471)
Change in accruals and accrued income	(211 412)	(45 556)
Change in amounts due and receivable under construction contracts	(9 426)	(149 757)
Change in prepayments received	(7 067)	(29)
Change in cash and cash equivalents of restricted use	(329)	(805)
Other adjustments	(612 955)	(301 073)
Cash generated from operations	(169 733)	(92 935)
Income tax paid		
NET CASH USED IN OPERATING ACTIVITIES	(782 688)	(394 008)

Consolidated statement of cash flow (cont.)

	3-month period ended 31 March	
	2011	2010
	(PLN thousands)	(PLN thousands)
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of intangible assets and tangible fixed assets	1 598	4 621
Purchase of intangible assets and tangible fixed assets	(2 772)	(2 140)
Sale / (purchase) of investments in property and intangible assets	-	(27)
Purchases of available-for-sale financial assets	(7)	-
Sale / (purchase) of financial assets at fair value through profit or loss	-	19 067
Interest received	-	933
NET CASH FROM / (USED IN) INVESTING ACTIVITIES	(1 181)	22 454
CASH FLOW FROM FINANCING ACTIVITIES		
Loans and borrowings taken out	1 523	1 827
Repayment of loans and borrowings	-	(33 096)
Payment of finance lease liabilities	(2 756)	(2 799)
Interest paid	(215)	(4 586)
NET CASH USED IN FINANCING ACTIVITIES	(1 448)	(38 654)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(785 317)	(410 208)
Foreign exchange differences, net	256	(1 034)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD (note 3.5)	1 861 547	1 130 289
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 3.5)	1 076 486	719 047

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. 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 31 March 2011, 31 December 2010 and 31 March 2010 the following companies were subject to consolidation:

Company name	Registered office	% in the share capital as at			Consolidation method
		31 March 2011	31 December 2010	31 March 2010	
Mostostal Kraków SA	Cracow / Poland	100.00%	100.00%	100.00%	full
Centrum Konferencyjne „Budimex” Sp. z o.o.	Licheń / Poland	100.00%	100.00%	100.00%	full
Budimex Danwood Sp. z o.o.	Bielsk Podlaski / Poland	100.00%	100.00%	100.00%	full
Budimex Bau GmbH	Walluf / Germany	100.00%	100.00%	100.00%	full
Budimex Nieruchomości Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	100.00%	full
Budimex SA Ferrovial Agroman SA s.c. ¹	Warsaw / Poland	99.00%	99.00%	-	proportionate
Budimex SA Sygnity SA Sp. j.	Warsaw / Poland	67.00%	67.00%	67.00%	proportionate
Budimex SA Ferrovial Agroman SA Sp. j.	Warsaw / Poland	50.00%	50.00%	50.00%	proportionate
Budimex Budownictwo Sp. z o.o. ²	Warsaw / Poland	100.00%	100.00%	-	full
Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. ³	Warsaw / Poland	30.00%	-	-	proportionate
Sprzęt Transport Sp. z o.o. in liquidation ⁴	Cracow / Poland	-	-	100.00%	full
Budimex Auto-Park Sp. z o.o. ⁵	Warsaw / Poland	-	-	100.00%	full

¹) Company entered in the Register of Entrepreneurs on 21 July 2010.

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

³) Company entered in the Register of Entrepreneurs on 17 March 2011.

⁴) Company liquidated on 31 May 2010.

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

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

On 17 March 2011 company Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. was entered in the Register of Entrepreneurs. Budimex SA holds 30% of the company's shares.

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 27 April 2011 date of publication of the report was as follows:

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

From the date of publication of the annual report for the year ended 31 December 2010, i.e. 21 March 2011 the shareholding structure has not changed.

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 2010, published on 21 March 2011.

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 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:

- **Amendments to IAS 24 “Related Party Disclosures”** - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),

- **Amendments to IAS 32 "Financial Instruments: Presentation"** – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 February 2010),
- **Amendments to IFRS 1 "First-time Adoption of IFRS"**– Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, adopted by the EU on 30 June 2010 (effective for annual periods beginning on or after 1 July 2010),
- **Amendments to IFRIC 14 "IAS 19 – The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction"** - Prepayments of a Minimum Funding Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- **IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"**, adopted by the EU on 23 July 2010 (effective for annual periods beginning on or after 1 July 2010),
- **Amendments to various standards and interpretations "Improvements to IFRSs (2010)"** resulting from the annual improvement project of IFRS published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 18 February 2011 (effective for annual periods beginning on or after 1 July 2010 or 1 January 2011 depending on the standard/interpretation).

The Group anticipates that the adoption of 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 from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 27 April 2011:

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

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

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

3.2. Changes in accounting policies and the method of preparation of financial statements

Starting from 1 January 2011, raw materials are valued based on the purchase price established as a weighted average of the purchased material prices. Before, as described in the consolidated financial statements of the Group for the year 2010, raw materials were valued on a „first in – first out” basis. The aforementioned change of valuation methods has no impact on the inventory value and the amount of net result of the Group for the first quarter of 2011.

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 31 March 2011, 31 December 2010 and 31 March 2010 are presented in the table below:

	31 March 2011	31 December 2010	31 March 2010
Non-current assets classified as held for sale, of which:	5 908	5 908	7 638
– <i>fixed assets</i>	5 908	5 908	7 638
Total	5 908	5 908	7 638

3.4. Translation of selected financial data into euro

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

- individual asset and liability items – using the average exchange rate prevailing as at 31 March 2011 – 4.0119 PLN/EUR,
- individual profit and loss account and statement of cash flow items for the first quarter of 2011 – using the exchange rate being an arithmetic average of average exchange rates established by the National Bank of Poland for the last day of each ended month for the period from 1 January 2011 to 31 March 2011 – 3.9742 PLN/EUR,
- individual asset and liability items of comparative financial data for the year 2010 – using the average exchange rate prevailing as at 31 December 2010 – 3.9603 PLN/EUR,
- individual profit and loss account and statement of cash flow items of comparative financial data for the first quarter 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 31 March 2010 – 3.9669 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

The BUDIMEX Group

Condensed consolidated financial statements for I quarter of 2011 prepared in accordance with IFRS

recognized under cash flow from operating activities.

	31 March 2011	31 December 2010	31 March 2010
	(in PLN thousands)	(in PLN thousands)	(in PLN thousands)
Cash recognised in the statement of financial position	1 084 409	1 862 403	719 144
Cash and cash equivalents of restricted use	(7 923)	(856)	(97)
Cash recognised in the statement of cash flow	1 076 486	1 861 547	719 047

4. Description of factors and events which had a material effect on a financial result of the Budimex Group for the first quarter of 2011

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 3-month period ended 31 March 2011, the Budimex Group earned sales revenue of PLN 797 818 thousand which means a 38.21% increase on the corresponding period of 2010.

In the first quarter of 2011 construction-assembly production in Poland expressed in fixed prices increased by 18.8% compared to the corresponding period of the prior year, while sales of the construction segment of the Budimex Group on the home market were up 85.87% on the corresponding periods.

Gross profit on sales in the first quarter of 2011 was PLN 94 360 thousand, while in the corresponding period of the prior year it amounted to PLN 85 487 thousand. The gross sales profitability ratio was therefore 11.83% in the first quarter of 2011, while in the first quarter of 2010 was 14.81%.

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 March 2011, the balance of the provision for contract losses amounted to PLN 437 965 thousand. In the first quarter of 2011, the balance of provision for contract losses dropped by PLN 38 354 thousand.

The Budimex Group companies are required to issue a warranty for the construction services rendered. As at 31 March 2011 the provision for warranty amounted to PLN 107 236 thousand. In the 3-month period ended 31 March 2011 the balance of the provision for warranty increased by PLN 2 873 thousand.

Selling expenses dropped in the first quarter of 2011 by PLN 134 thousand compared to the corresponding period of the prior year, while administrative expenses were PLN 4 496 thousand higher than expenses incurred in the corresponding period of 2010. The share of selling and administrative expenses in total sales decreased from 5.65% in the first quarter of 2010 to 4.64% in the first quarter of the current year.

Other operating income for the first quarter of 2011 was PLN 20 841 thousand and comprised reversal of provisions for liabilities in dispute in the amount of PLN 17 117 thousand, reversal of impairment write-downs against doubtful debts in the amount of PLN 249 thousand and income from compensations and contractual penalties in the amount of PLN 1 303 thousand. Additionally, in the period of three months of 2011 Group companies disposed of tangible fixed assets, intangible assets and investment properties and earned sales profit of PLN 1 291 thousand. The net book value of the tangible fixed assets, intangible assets and investment properties sold in the period of three months of 2011 was PLN 434 thousand.

Other operating expenses for the first quarter of 2011 amounted to PLN 20 290 thousand, of which PLN 303 thousand related to impairment write-downs against receivables and PLN 17 742 thousand

The BUDIMEX Group

Condensed consolidated financial statements for I quarter of 2011 prepared in accordance with IFRS

related to provisions created for penalties and compensations. The value of compensations and contractual penalties charged to the Group result in the period discussed was PLN 1 240 thousand.

During the first quarter of 2011 the Group incurred loss 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 31 thousand, while in the corresponding period of the prior year – gain in the amount of PLN 16 306 thousand.

The reported operating profit of the Group in the first quarter of 2011 was PLN 57 879 thousand, while in the first quarter of 2010 it amounted to PLN 67 609 thousand. The operating profit for the first quarter of 2011 represented 7.25% of sales revenue value, while for the corresponding period of the prior year – 11.71% of sales revenue.

In the 3-month period ended 31 March 2011 the Group generated a gain on financing activities in the amount of PLN 567 thousand while in the same period of the prior year it reported a loss in the amount of PLN 1 098 thousand. Finance income in the first quarter of 2011 represented mainly interest of PLN 14 473 thousand. Finance costs in the first quarter of 2011 represented, among others, interest costs of PLN 1 209 thousand, bank commissions on guarantees and loans of PLN 3 395 thousand paid by Group companies, costs relating to impairment write-downs against the value of shares in the company Autopistas del Levante S.L. in the amount of PLN 7 489 thousand and costs from discount of long-term retention receivables and liabilities of PLN 1 799 thousand.

In the first quarter of 2011, the Group reported a gross profit of PLN 57 769 thousand, while in the corresponding period of the prior year – a gross profit of PLN 65 703 thousand.

Income tax for the 3-month period ended 31 March 2011 was PLN 11 117 thousand, of which:

- current tax was PLN (740) thousand,
- deferred tax in the amount of PLN 11 857 thousand.

As at 31 March 2011, the Group recognized a deferred tax asset in the amount of PLN 345 489 thousand, while as at 31 December 2010 – PLN 357 343 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 quarter of 2011 was PLN 46 652 thousand, while the net profit attributable to the shareholders of the Budimex Group for the corresponding period of 2010 was PLN 53 343 thousand.

In the first quarter of 2011, the Group purchased property, plant and equipment, intangible assets and investment properties with a total value of PLN 3 305 thousand, of which plant and machinery accounted for PLN 2 010 thousand.

5. Operating segments

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

- construction business
- developer and property management business.

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

- Budimex SA
- 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.
- Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. (company entered into the Register of Entrepreneurs on 17 March 2011).

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

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

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

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

The results of segments for the first quarter of 2011 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	630 690	128 883	38 245	-	797 818
Inter-segment sales	37 985	107	-	(38 092)	-
Total sales of finished goods, goods for resale and raw materials	668 675	128 990	38 245	(38 092)	797 818
Gross profit	67 258	23 898	2 628	576	94 360
Selling expenses	(2 825)	(1 746)	(816)	9	(5 378)
Administrative expenses	(28 957)	(4 173)	(1 776)	3 283	(31 623)
Other operating income/ (expenses), net	856	(185)	(120)	-	551
Gains / (losses) on derivative financial instruments	513	-	(544)	-	(31)
Operating profit / (loss)	36 845	17 794	(628)	3 868	57 879
Finance income / (costs), net	17	521	29	-	567
Shares in gains/ (losses) of equity accounted entities	-	-	(677)	-	(677)
Income tax expense	(6 655)	(3 597)	(130)	(735)	(11 117)
Net profit / (loss) for the period	30 207	14 718	(1 406)	3 133	46 652

The BUDIMEX Group

Condensed consolidated financial statements for I quarter of 2011 prepared in accordance with IFRS

The results of segments for the first quarter of 2010 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	357 243	198 767	21 235	-	577 245
Inter-segment sales	7 745	209	-	(7 954)	-
Total sales of finished goods, goods for resale and raw materials	364 988	198 976	21 235	(7 954)	577 245
Gross profit / (loss)	27 643	47 654	(430)	10 620	85 487
Selling expenses	(2 936)	(1 572)	(1 011)	7	(5 512)
Administrative expenses	(24 634)	(5 042)	(1 315)	3 864	(27 127)
Other operating income/ (expenses), net	2 307	(4 969)	198	919	(1 545)
Gains on derivative financial instruments	12 144	-	4 162	-	16 306
Operating profit	14 524	36 071	1 604	15 410	67 609
Finance income / (costs), net	3 084	(3 580)	(602)	-	(1 098)
Shares in gains/ (losses) of equity accounted entities	-	-	(808)	-	(808)
Income tax expense	(2 994)	(6 256)	(184)	(2 926)	(12 360)
Net profit for the period	14 614	26 235	10	12 484	53 343

6. Related party transaction

Transactions with related parties made in the first quarter of 2011 and unsettled balances of receivables and liabilities as at 31 March 2011 are presented in the tables below:

	amounts in PLN thousands			
	Receivables		Liabilities	
	31 March 2011	31 December 2010	31 March 2011	31 December 2010
Parent Company and related parties (the Ferrovial Group)	53 479	53 354	127 735	92 524
Jointly-controlled entities	231	233	116	132
Associates	7	12	3 691	3 779
Other related parties*	2	203	1 185	1 059
Total settlements with related parties	53 719	53 802	132 727	97 494

	amounts in PLN thousands			
	Loans granted / acquired debt securities		Loans taken out / issued debt securities	
	31 March 2011	31 December 2010	31 March 2011	31 December 2010
Parent Company and related parties (the Ferrovial Group)	-	-	7 615	7 475
Jointly-controlled entities	-	-	-	-
Associates	-	-	-	-
Other related parties*	-	-	-	-
Total settlements with related parties	-	-	7 615	7 475

The BUDIMEX Group

Condensed consolidated financial statements for I quarter of 2011 prepared in accordance with IFRS

	amounts in PLN thousands			
	Sales of finished goods and services		Purchase of finished goods and services	
	3-month period ended 31 March		3-month period ended 31 March	
	2011	2010	2011	2010
Parent Company and related parties (the Ferrovial Group)	11 484	6 749	(20 603)	(11 246)
Jointly-controlled entities	86	378	-	-
Associates	15	11	(2 272)	(3 551)
Other related parties*	-	85	(1 140)	27
Total settlements with related parties	11 585	7 223	(24 015)	(14 770)

	amounts in PLN thousands			
	Financial income		Financial costs	
	3-month period ended 31 March		3-month period ended 31 March	
	2011	2010	2011	2010
Parent Company and related parties (the Ferrovial Group)	-	-	(131)	(174)
Jointly-controlled entities	-	-	-	-
Associates	-	-	-	-
Other related parties*	-	-	-	-
Total settlements with related parties	-	-	(131)	(174)

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

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

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

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

- instability on the financial markets,
- a tempo and directions of assistance funds utilization within the framework of programmes aimed at financing the adaptation of domestic infrastructure to the European Union standards,
- outcome of tenders in infrastructure segment scheduled for the current year,
- fluctuations of exchange rates, which have the impact on the sales revenue, operating costs and result of the valuation and realization of derivative financial instrument contracts,
- price level of material and construction services affecting the amount of direct costs of realized contracts,
- intensification of actions aimed at recovery of overdue debts, which were provided for and strengthening the operational and financial control in respect of contracts realized,
- results of the pending legal proceedings, described in more detail in note 12 to these consolidated financial statements.

8. The main events in the first quarter of 2011 and significant events after 31 March 2011

Significant contracts:

On 3 February 2011 Budimex SA signed a contract with Toya Sp. z o.o. with its registered office in Łódź for construction of an office and hotel building – as regards building the shell, high-efficiency electrical installations and sanitary installations. Net contract value is PLN 64 429 thousand.

On 9 February 2011 Budimex SA received information concerning the reception of a letter from PKP Polskie Linie Kolejowe SA, residing in Warsaw and acting on behalf of the Ordering Party: PKP Polskie Linie Kolejowe SA Centrum Realizacji Inwestycji (Investment Performance Centre), Szczecin branch; the letter said that the offer of consortium formed by the following companies: Budimex SA (leader, 50%), Tchas Polska Sp. z o.o. (partner, 30%) and Eiffage Budownictwo Mitex SA (partner, 20%) was chosen as the most beneficial one in unlimited public procurement proceedings concerning "Performing construction work - modernisation of line 9 at its section from km 184.800 to km 236.920 within the area managed by Local Management Centre residing in Iława." Net contract value is PLN 758 265 thousand.

On 11 March 2011 Budimex SA signed a contract with the General Directorate for National Roads and Motorways, Branch in Białystok, for the "Design and construction of the Augustów ring road on national road no. 8 (section from the interchange of Augustów to Szkocja interchange) and express road S61 (section from Szkocja interchange to Lotnisko interchange)". Net contract value is PLN 535 999 thousand.

On 1 April 2011 Budimex SA signed a contract with 2Build Sp. z o.o. for building an office and commercial facility at 182-196 Grunwaldzka Street in Poznań along with the necessary infrastructure. Net contract value is PLN 73 600 thousand.

On 5 April 2011 a consortium of companies comprising: Budimex SA (the leader), P.B.U. Budopol SA with its registered office in Bydgoszcz, P.W. EBUD-Przemysłówka Sp. z o.o. with its registered office in Bydgoszcz and P.W. "LECH" Sp. z o.o. with its registered office in Bydgoszcz executed an agreement with Kujawsko-Pomorskie Medical Investments Sp. z o.o. with its registered office in Toruń concerning the reconstruction and extension of the J. Brudziński Voivodship Hospital for Children in Bydgoszcz. It is the second contract executed with the same ordering party. On 4 April 2011 Budimex SA executed an agreement worth PLN 32 500 thousand concerning the reconstruction of the Park of Active Rehabilitation and Sport within the complex of buildings of the Centre of Oncology in Bydgoszcz. Net contract value is PLN 98 943 thousand.

On 8 April 2011 Budimex SA received a notification from Adam Mickiewicz University in Poznań on the selection of the bid by Budimex as the most favourable bid in the proceedings concerning the public procurement procedure carried out by an unlimited tender procedure for construction of the Wielkopolskie Centre of Advanced Technologies: building A, A-1 Greenhouse, A-2 Animal House together with associated technical infrastructure. Net contract value is PLN 50 173 thousand. In addition, on 8 April 2011 Budimex SA concluded a contract of net value PLN 19 978 thousand with the same Ordering Authority. The total value of the signed contract and the bid which proved to be the most favourable, is the net value of PLN 70 171.

On 8 April 2011 Budimex SA received a notification from the Medical University in Białystok on the selection of bid by the consortium Budimex SA (leader) and Ferrovial SA as the most favourable bid in the proceedings concerning the public procurement procedure carried out by a limited tender procedure for the outward extension and alteration together with internal installations and non-medical equipment of the buildings G and H as well as an upward extension of the building F, of the Teaching Hospital of the Medical University in Białystok. Net contract value is PLN 119 700 thousand.

On 18 April 2011 Budimex SA received from the Lublin Division of the General Directorate for National Roads and Motorways a notification on the selection of the offer by the consortium of Budimex SA (leader) and Ferrovial Agroman SA as the most favourable offer in the proceedings concerning the public procurement procedure carried out by a limited tender procedure for the "Construction of the S-17 express road in the Kurów–Lublin–Piaski section, task No. 2: the section between the Bogucin interchange and the Dąbrowica interchange together with the interchange itself, task No. 2a: construction of a GP class national road in the section between the Dąbrowica interchange and the administrative border of the city of Lublin". Net contract value is PLN 337 497 thousand.

Other significant agreements and events:

On 4 January 2011 Budimex SA concluded an addendum to the agreement with regard to establishing, within the guarantee limit granted as of 18 May 2009, insurance guarantees concluded with Sopockie Towarzystwo Ubezpieczeń Ergo Hestia SA, residing in Sopot. The total amount of all guarantees established under the agreement shall not exceed PLN 72 000 thousand. The performance of the agreement shall be ensured by means of 10 blank bills of exchange with promissory note declarations issued by Budimex SA. The remaining financial terms and conditions are standard for this type of agreement.

On 20 January 2011 Budimex SA concluded the agreement on the multi-purpose overdraft facility with EFG Eurobank Ergasias SA, Branch in Poland. Pursuant to the agreement, the company may, until 30 December 2011, commission the bank to issue bank guarantees up to the total amount of PLN 200 000 thousand. The collateral established under the agreement consists of the company's statement of execution and an authorisation to access bank accounts kept with the bank.

On 24 January 2011 Budimex SA signed an annexe no. 6 for commission contract for periodic contract insurance guarantee of 8 May 2007. Pursuant to the annexe the limit of PLN 69 500 thousand has been established to which PZU SA may issue contract guarantees and the contract was renewed by 23 January 2012. Other provisions of the contract remain unchanged.

On 10 March 2011 Budimex SA was informed by Societe Generale SA Branch in Poland about signing an addendum to the contract on bank guarantees of 2 March 2010. The addendum extends the term of the contract until 29 April 2011. Other provisions of the contract remain unchanged.

On 21 March 2011 the Management Board of Budimex SA decided to recommend that the 2011 Annual General Meeting will undertake the decision to pay the dividend of PLN 9.08 per single share. It is suggested that the net profit from the period of 1 January 2010 to 31 December 2010 amounting to PLN 226 283 thousand increased by the supplementary capital in its ratio established from profits from previous years in the sum of PLN 5 530 thousand. The aggregate amount suggested for payout is PLN 231 813 thousand. On 19 April 2011 the Management Board of Budimex SA decided the dividend payout day, i.e. the day the list of shareholders entitled for dividend payout for the year 2010 to be 6 June 2011 and the date of dividend payout to be 20 June 2011.

On 22 March 2011 Budimex SA signed with Sopockie Towarzystwo Ubezpieczeń Ergo Hestia SA with its registered office in Sopot another annexe to the co-operation agreement for granting insurance warranty within the established warranty limit of 18 May 2009. The annexe stipulates that the aggregated warranty sum of all warranties issued pursuant to the agreement shall not exceed the sum of PLN 100 000 thousand. The remaining conditions of the agreement are not altered.

On 22 March 2011 Budimex Nieruchomości Sp. z o.o. (subsidiary company 100% associated with Budimex SA) signed with PKO BP SA with its registered office in Warsaw a credit agreement to co-finance and rollover the realisation costs of the Stage III of the housing project in Warsaw at ul. Inflancka called "Apartamenty Murano". Credit sum is PLN 77 500 thousand. Final credit balance is 31 December 2014.

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

In the first quarter of 2011 Budimex SA and Group companies did not issue, redeem or repay equity securities.

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

Budimex SA did not publish any forecasts.

11. Statement of ownership of shares of Budimex SA or rights to such shares (options) held by the managing or supervisory persons of Budimex SA as at the date of publication of this report together with indication of changes in the ownership in the I quarter of 2011

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

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 was no change in the status of ownership from the date of publication of the annual report for the year 2010, i.e. 21 March 2011.

12. Proceedings pending as at 31 March 2011 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 31 March 2011 was PLN 570 294 thousand and exceeded 10% of the equity of Budimex SA, which amounts to PLN 709 609 thousand. Excess of the value of proceedings against Group companies over proceedings relating to claims of Group companies amounted to PLN 60 588 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 31 March 2011 was PLN 315 441 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 fourteen trials during which witnesses for the plaintiff and the counter-defendant have been examined for the circumstances included in the counter-claim.

On 27 May 2010 the Arbitration Court made a decision, based on which the evidence from the expert's opinion regarding the evaluation of reasonableness of the PPL claims was accepted. The expert appointed by the Arbitration Court – the BS Consulting Group started to work at the end of 2010. To date, there have been several meetings with proxies of parties and the expert and there was an inspection of the airport objects with the participation of the aforementioned expert in March 2011. According to the declaration filed at the court by the expert, the opinion will be prepared till the end of April 2011.

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.

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

On 23 March 2009 the Arbitration Court issued a partial verdict covering the decision in respect of bank guarantees. 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 claim to dismiss the partial

verdict and simultaneously to defer the verdict executability of the Arbitration Court. On 31 May 2010 the District Court in Warsaw quashed the partial verdict of the Arbitration Court, claiming that the appealed sentence of the Arbitration Court violates the public order rules with regard to adjudging the compensation jointly in favour of three entities in case the benefit is divisible. The verdict was issued with regard to the company Budimex SA, which was considered by the District Court to be the only legitimated passively in the case and at the same time deciding that the partial verdict cannot have been issued against Ferrovial Agroman SA – Branch in Poland and Estudio Lamela SL – Branch in Poland, as the branches of these entrepreneurs have no legal personality separate from the company. Therefore, in the verdict issued by the District Court, the proceedings against these parties were canceled and the complaint filed in this respect was rejected.

All three parties of the consortium filed the appeal against the sentence of the District Court. Companies Ferrovial Agroman and Estudio Lamela filed a complaint against the decision regarding the abolition of proceedings against them. The complaints were considered and were in total allowed for by the Appeal Court. The Appeal Court reconsidering the complaints quashed the complained sentenced and agreed with the statements of Ferrovial Agroman and Estudio Lamela that as foreign entrepreneurs (and not as their branches in Poland) had legitimacy to act as a party in the trial and that the partial verdict issued by the Arbitration Court was correctly issued in this respect. On 13 July 2010 Budimex SA appealed against the verdict of the District Court in Warsaw but it has not been considered by the Appeal Court till the date of publication of this report. Based on the information received in this court, it can be expected that the trial date will be fixed in the second half of the year 2011.

In the opinion of the Management Board the settlement of the appeal against sentence filed by Budimex SA should be favourable to the company and in consequence it should enable the company to receive the enforcement clause for the partial verdict issued by the Arbitration Court, allowing for the verdict execution. The Management Board is also in the opinion that the final verdict of the Arbitration Court will be favourable to the remaining claims filed by the consortium.

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

Another material in value legal proceedings relate to the claim filed on 5 March 2008 by Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. requesting that the amount of PLN 25 252 thousand be awarded jointly and severally against the consortium to which the Budimex SA and Budimex Dromex SA belonged. The claim relates to the replacement contractor costs incurred by the investor when the consortium rescinded a contract. The Budimex Group's share in consortium was 90%, therefore the value of the claim for which the Company is liable is PLN 22 727 thousand. The defendants filed a response to the statement of claim within two weeks of receipt of the statement of claim.

As a result of the plea of incompetency of a court formulized in the response to the statement of claim due to the written arbitration agreement, the court brought a case before the closed court in order to determine its jurisdiction. On 30 September 2010 the Court issued the ruling, refusing to reject the claim, thereby the Court acknowledged the Common Court as competent to consider the litigation. On 28 October 2010 Budimex SA filed a complaint regarding the court decision. On 10 March 2011 the Appeal Court dismissed the complaint. The decision of the Appeal Court cannot be complained. The expected date of brief return to the District Court in Warsaw falls at the end of April 2011. Once the brief is passed to the District Court in Warsaw the trial date will be set.

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,

The BUDIMEX Group

Condensed consolidated financial statements for I quarter of 2011 prepared in accordance with IFRS

· Deutsche Bank AG, Frankfurt/Main,
· Allgemeine Kreditversicherung Coface AG, Mainz
for return of overpaid remuneration for work and settlement of a warranty liability in the total amount of EUR 2 583 thousand.

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

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

Total value of legal proceedings in respect of receivables due to Budimex SA and its subsidiaries as at 31 March 2011 amounted to PLN 254 853 thousand. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of construction work performed.

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

On 17 February 2011 Budimex SA received information on the decision of the Appellate Court in Cracow, which, having re-examined – as a result of the Supreme Court reversing the previous decision of the Appellate Court in Cracow in the part regarding the dismissal of the claim and adjudication on legal costs – the appeal of the Urban Municipality of Cracow against the decision of the District Court in Cracow of 10 March 2008, reversed the decision of the District Court in Cracow of 10 March 2008 in the part regarding the claim for the amount exceeding PLN 6 903 thousand (i.e. to the amount of PLN 13 806 thousand) and referred the case to the District Court in Cracow for re-examination and adjudication on legal costs.

The BUDIMEX Group

Condensed consolidated financial statements for I quarter of 2011 prepared in accordance with IFRS

The case brought by Budimex SA against the Urban Municipality of Cracow for the payment of PLN 20 708 thousand has become final with regard to the amount of PLN 6 903 thousand plus statutory interest calculated from 20 November 2007, having been adjudicated to be paid by the Urban Municipality of Cracow to Budimex SA. The remaining elements of the claim are to be re-examined by the District Court in Cracow.

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

13. Contingent liabilities and contingent receivables

	31 March 2011	31 December 2010
	(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	306 830	277 344
– bills of exchange received as security	22 147	19 978
From other entities, total	328 977	297 322
Total contingent receivables	328 977	297 322
Contingent liabilities		
To related parties, of which:		
– guarantees and suretyships issued	510	602
– bills of exchange issued as performance bond	-	-
To related parties, total	510	602
To other entities, of which:		
– guarantees and suretyships issued	1 470 535	1 361 935
– bills of exchange issued as performance bond	12 388	4 464
To other entities, total	1 482 923	1 366 399
Other contingent liabilities	-	-
Total contingent liabilities	1 483 433	1 367 001
Total off-balance sheet items	(1 154 456)	(1 069 679)

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

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

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

The BUDIMEX Group

Condensed consolidated financial statements for I quarter of 2011 prepared in accordance with IFRS

Guarantees for bank loans and borrowings issued by Budimex SA and its subsidiaries as at 31 March 2011:

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	43 590	2016-10-04	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	4 920	2011-07-30	free of charge	subsidiary
Budimex SA	Budimex Danwood SA	90 456	2014-06-30	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	510	2015-06-30	free of charge	subsidiary
TOTAL		139 476			

President of the Management Board

Dariusz Blocher

Management Board Member

Marcin Węglowski

Warsaw, 27 April 2011