BUDIMEX SA

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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(all amounts are expressed in PLN thousand)

Statement of financial position

ASSETS	Note	31.12.2015	31.12.2014
Non-current (long-term) assets			
Property, plant and equipment	10	61 821	58 028
Investment properties	11	3 888	3 963
Intangible assets	13	3 761	3 946
Investments in subsidiaries	15	724 323	712 940
Investments in associates	15	61 246	19 775
Investments in other entities	15	6 597	6 417
Other financial assets	16	6 666	5 908
Trade and other receivables	17	11 120	6 513
Retentions for construction contracts	28	35 404	35 616
Deferred tax assets	23	401 824	346 027
Total non-current (long-term) assets		**1 316 650**	**1 199 133**
Current (short-term) assets			
Inventories	18	79 329	55 545
Trade and other receivables	17	379 325	433 519
Retentions for construction contracts	28	25 649	20 044
Amounts due and receivable from customers under construction contracts	26	155 241	165 648
Other financial assets	16	2 333	34 488
Cash and cash equivalents	19	1 983 136	1 403 970
		2 625 013	2 113 214
Non-current (disposal groups) classified as held for sale	12	-	2 181
Total current (short-term) assets		**2 625 013**	**2 115 395**
TOTAL ASSETS		**3 941 663**	**3 314 528**

Warsaw, 10 March 2016

(all amounts are expressed in PLN thousand)

Statement of financial position (cont.)

EQUITY AND LIABILITIES	Note	31.12.2015	31.12.2014
EQUITY			
Issued capital	20	145 848	145 848
Share premium	20	80 199	80 199
Other reserves	20	53 909	59 520
Foreign exchange differences on translation of foreign operations		5 630	5 507
Retained earnings/(losses)	20	208 753	150 926
Total shareholders' equity		**494 339**	**442 000**
LIABILITIES			
Long-term liabilities			
Loans, borrowings and other external sources of finance	21	11 551	12 313
Retentions for construction contracts	28	196 185	165 288
Provisions for non-current liabilities and other charges	25	153 495	154 125
Retirement benefits and similar obligations	24	5 358	4 407
Other financial liabilities	16	5	1 433
Total long-term liabilities		**366 594**	**337 566**
Current liabilities			
Loans, borrowings and other external sources of finance	21	18 382	20 401
Trade and other liabilities	22	1 019 137	1 030 106
Retentions for construction contracts	28	158 641	191 520
Amounts due and payable to customers under construction contracts	26	1 229 015	910 183
Deferred income	27	464 616	247 986
Provisions for current liabilities and other charges	25	130 964	106 656
Current tax liability		58 313	25 556
Retirement benefits and similar obligations	24	926	992
Other financial liabilities	16	736	1 562
Total current liabilities		**3 080 730**	**2 534 962**
Total liabilities		**3 447 324**	**2 872 528**
TOTAL EQUITY AND LIABILITIES		**3 941 663**	**3 314 528**

Warsaw, 10 March 2016

(all amounts are expressed in PLN thousand)

Profit and loss account

	Note	Year ended 31 December 2015	2014
Continuing operations			
Net sales of finished goods and services, goods for resale and raw materials	29	4 768 675	4 552 765
Cost of finished goods, services, goods for resale and raw materials sold	30	(4 355 182)	(4 200 056)
Gross profit on sales		**413 493**	**352 709**
Selling expenses	30	(11 157)	(10 884)
Administrative expenses	30	(172 749)	(161 892)
Other operating income	32	52 201	57 479
Other operating expenses	32	(33 978)	(35 842)
Operating profit		**247 810**	**201 570**
Finance income	33	43 668	27 490
Finance costs	33	(32 569)	(33 141)
Gross profit		**258 909**	**195 919**
Income tax	34	(50 901)	(39 850)
Net profit from continuing operations		**208 008**	**156 069**
Net profit for the period		**208 008**	**156 069**

Basic and diluted earnings per share attributable to the shareholders (in PLN)	35	8.15	6.11

Statement of comprehensive income

	Note	Year ended 31 December 2015	2014
Net profit for the period		**208 008**	**156 069**
Other comprehensive income which:			
Shall be reclassified to profit or loss upon satisfaction of certain conditions:			
Foreign exchange differences on translation of foreign operations		123	21
Deferred tax related to components of other comprehensive income		-	-
Shall not be reclassified to profit or loss:			
Actuarial gains/(losses)	24	(544)	(909)
Deferred tax related to components of other comprehensive income	23	103	173
Other comprehensive income, net		**(318)**	**(715)**
Total comprehensive income for the period		**207 690**	**155 354**

Warsaw, 10 March 2016

(all amounts are expressed in PLN thousand)

Statement of changes in equity

	Issued capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign operations	Retained earnings	Total
Balance as at 01.01.2015	**145 848**	**80 199**	**59 520**	**5 507**	**150 926**	**442 000**
Profit for the period	-	-	-	-	208 008	**208 008**
Other comprehensive income	-	-	(441)	123	-	**(318)**
Total comprehensive income for the period	**-**	**-**	**(441)**	**123**	**208 008**	**207 690**
Payment of dividend	-	-	-	-	(155 989)	**(155 989)**
Share-based payments	-	-	638	-	-	**638**
Coverage of loss from prior years	-	-	(5 808)	-	5 808	**-**
Balance as at 31.12.2015	**145 848**	**80 199**	**53 909**	**5 630**	**208 753**	**494 339**

Warsaw, 10 March 2016

(all amounts are expressed in PLN thousand)

Statement of changes in equity (cont.)

	Issued capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign operations	Retained earnings	Total
Balance as at 01.01.2014	**145 848**	**80 199**	**58 913**	**5 486**	**297 389**	**587 835**
Profit for the period	-	-	-	-	156 069	**156 069**
Other comprehensive income	-	-	(736)	21	-	**(715)**
Total comprehensive income for the period	**-**	**-**	**(736)**	**21**	**156 069**	**155 354**
Payment of dividend	-	-	-	-	(302 532)	**(302 532)**
Share-based payments	-	-	1 343	-	-	**1 343**
Balance as at 31.12.2014	**145 848**	**80 199**	**59 520**	**5 507**	**150 926**	**442 000**

Warsaw, 10 March 2016

(all amounts are expressed in PLN thousand)

Statement of cash flows

	Note	Year ended 31 December 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax		**258 909**	**195 919**
Adjustments for:			
Depreciation/amortisation	30	19 408	20 269
Foreign exchange (gains)/losses		208	33
Interest and shares in profits (dividends)		(13 550)	(60)
(Profit)/loss from investing activities		(11 717)	(1 492)
Change in valuation of derivative financial instruments	16	(1 577)	2 125
Change in provisions and liabilities arising from retirement benefits and similar obligations		24 019	20 984
Other adjustments	37	672	749
Operating profit/(loss) before changes in working capital		**276 372**	**238 527**
Change in receivables and retentions for construction contracts		57 396	41 505
Change in inventories		(23 784)	29 305
Change in retentions for construction contracts and in liabilities, except for borrowings and loans		(14 382)	(211 175)
Change in amounts due and receivable under construction contracts		329 239	193 817
Change in deferred revenue		216 630	183 234
Change in cash and cash equivalents of restricted use	19	(5 734)	(5 939)
Cash used in operating activities		**835 737**	**469 274**
Income tax paid		(73 838)	(55 063)
NET CASH FROM OPERATING ACTIVITIES		**761 899**	**414 211**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of intangible assets and property, plant and equipment		6 037	1 894
Purchase of intangible assets and property, plant and equipment		(29 488)	(13 662)
Proceeds from sale of investment properties		14 000	1 530
Inflows under capital decrease in related parties		-	238 600
Acquisition of shares in related parties		(58 205)	(9 800)
Borrowings granted	16	(21 302)	(43 207)
Repayment of borrowings granted	16	54 921	8 820
Dividends received		11 362	36
Interest received		1 120	854
Other inflows from investing activities		1 911	-
NET CASH FROM INVESTING ACTIVITIES		**(19 644)**	**185 065**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(155 989)	(302 532)
Payments of liabilities under finance lease agreements		(11 953)	(10 226)
Interest paid		(668)	(941)
NET CASH USED IN INVESTING ACTIVITIES		**(168 610)**	**(313 699)**
TOTAL NET CASH FLOWS		**573 645**	**285 577**
Foreign exchange differences, net		(213)	200
CASH AND CASH EQUIVALENTS – OPENING BALANCE	**19**	**1 361 934**	**1 076 157**
CASH AND CASH EQUIVALENTS – CLOSING BALANCE	**19**	**1 935 366**	**1 361 934**

Warsaw, 10 March 2016

Notes to the financial statements

1. General information

Budimex SA (the "Company", the "Issuer") with its registered office in Warsaw, ul. Stawki 40, is a joint-stock company entered in the Commercial Register kept by the District Court for the capital city of Warsaw, Commercial Division XII of the National Court Register under No. KRS 0000001764.

Budimex SA is the parent company of the Budimex Group and serves as an advisory, management and financial centre.

The duration of the Company is unlimited.

The main areas of the Company's business activities are widely understood construction and assembly services realised in the system of general contracting at home and abroad and a limited scope of developer activities, property management, trading and production.

In accordance with the Polish Classification of Activities ("PKD" 2007), on 31 December 2015, the main area of business activity of the Company consisted in construction of civil and water engineering facilities (PKD no. 42.11.Z). The branch of industry in which the Company operates was classified by the Warsaw Stock Exchange as general construction and civil engineering business.

As at 31 December 2015, the Company had the following branches:

- General Construction North Branch in Poznań, ul. Wołowska 92A,
- General Construction South Branch in Kraków, ul. Ujastek 7,
- General Construction East Branch in Warsaw, ul. Stawki 40,
- Infrastructure North Branch in Warsaw, ul. Stawki 40,
- Infrastructure South Branch in Kraków, ul. Ujastek 7,
- Infrastructure West Branch in Wrocław, ul. Mokronoska 2-6,
- Industrial and Railway Branch in Warsaw, ul. Stawki 40,
- Equipment Services Branch in Pruszków, ul. Przejazdowa 24,
- Branch in Rzeszów, ul. Słowackiego 24,
- Branch in Poznań, ul. Wołowska 92A,
- Budimex SA Zweigniederlassung Köln, Pferdmengesstr. 5, Cologne.

The Company is part of the Ferrovial Group with Ferrovial SA with its registered office in Madrid, Spain, as its parent company.

These financial statements were approved by the Company Management Board on 10 March 2016.

2. Going concern assumption

The financial statements of the Company were prepared on the assumption that the Company will be a going concern in the foreseeable future. As at the date of signing the financial statements, the Management Board of the Company is not aware of any facts or circumstances that would indicate a threat to the Company's continued activities after the reporting date due to an intended or compulsory withdrawal from or a significant limitation in its activities.

As at 31 December 2015, the value of the Company's current liabilities exceeds the value of its current assets by PLN 455 717 thousand. Taking into account the good liquidity of the Budimex Group, whose consolidated statement of financial position as at 31 December 2015 provides for a positive difference between the current assets and the current liabilities in the amount of PLN 226 143 thousand, the Management Board of the Company is not aware, as at the date of signing the financial statements, of any threats to the Company's continued activities in the foreseeable future.

3. Basis for preparation of the financial statements

These financial statements for the year ended 31 December 2015 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union ("EU") prevailing as at the reporting date.

Amendments to standards and interpretations applied for the first time in 2015

The following standards and amendments to the existing standards and interpretations issued by the International Accounting Standards Board and adopted by the EU entered into force in 2015:

- Amendments to various standards "Improvements to IFRSs (2011-2013 Cycle)" resulting from the annual IFRS improvement project (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying the wording – adopted by the EU on 18 December 2014 (applicable to annual periods beginning on or after 1 January 2015),
- IFRIC 21 Interpretation "Levies", adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The above amendments to standards and interpretations did not have a significant impact on the Company's accounting policy.

Amendments to standards that have been issued but are not yet effective

At the date of approving these financial statements the Company had not applied the following amendments to standards published and adopted by the EU, but not effective yet:

- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisition of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure initiatives (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" – Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions, adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- Amendments to IAS 27 "Separate Financial Statements" – Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards "Improvements to IFRSs (2010-2012 Cycle)" resulting from the annual IFRS improvement project (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying the wording – adopted by the EU on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015),
- Amendments to various standards "Improvements to IFRSs (2012-2014 Cycle)" resulting from the annual IFRS improvement project (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifing the wording (effective for annual periods beginning on or after 1 January 2016).

The Company has elected not to take advantage of the early adoption of the above amendments to the standards. The Company assesses that the above amendments to the standards would have no material impact on the financial statements if applied by the Company as at the reporting date.

Standards and amendments to standards 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 and amendments to the standards, which were not approved for use as at 10 March 2016:

- IFRS 9 "Financial instruments" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 "Regulatory Deferral Accounts" (the process of adoption by the EU has been suspended),
- IFRS 15 "Revenue from Contracts with Customers" including Amendments to IFRS 15: effective date of IFRS 15 (effective for annual periods beginning on or after 1 January 2018),
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or contribution of assets between an investor and its associate or joint venture (the process of adoption by the EU has been suspended for an indefinite period),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),

- Amendments to IAS 7 „Statement of Cash Flows" – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 12 „Income Taxes" – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

The Company assesses that the adoption of IFRS 16 "Leases" for use may, to a certain extent, increase both its non-current assets, as well as its financial liabilities. At the same time, the Company expects a positive impact on the operating result and a negative impact on the result on financing activities. However, these changes will offset each other, so the implementation of IFRS 16 will have no impact on the Company's net result. The remaining standards and amendments to the standards listed above would have no material impact on the financial statements if applied by the Company as at the reporting date.

At the same time, the hedge accounting for the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. According to the Company's estimates, the 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 report date.

The financial statements were prepared under the historical cost convention, except for hyperinflation adjustments described in note 20 and certain financial instruments measured at fair value at the end of each reporting period in compliance with the accounting policies described below.

As a rule, the historical cost is defined based on the fair value of the payment for goods or services.

The fair value is the price that would be received in a transaction of sale of an asset or paid to transfer a liability in an orderly transaction on the principal (or the most advantageous) market at the measurement date and under current market conditions, irrespective of whether the price is directly observable or estimated using another valuation technique. When re-measuring an asset or a liability to fair value, the Company takes into consideration the features of a given asset or liability provided that the market participants consider such features when valuating assets or liabilities as at the measurement date. For the purposes of measurement and/or disclosure in the financial statements of the Company, the fair value is defined on the above-mentioned basis, except for share-based payments which are covered by IFRS 2, lease transactions covered by IAS 17, as well as valuations that are similar to fair value but which are not fair value such as the net selling price in accordance with IAS 2 or the value in use in accordance with IAS 36.

The Company classifies fair value measurements using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities, to which the Company has access on the measurement date,
- Level 2: input data other than quotations included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
- Level 3: source data for the asset or liability that are not based on observable market data (i.e. unobservable source data).

4. Key accounting policies

The key accounting policies applied during the preparation of these financial statements are presented below. These accounting policies were applied consistently in all the periods presented, unless stated otherwise.

4.1 Foreign currency transactions and valuation of foreign currency items

Functional and presentation currency

Items recognised in the financial statements of the Company are valued using the currency of the main economic environment in which the business operations are conducted ("functional currency"). Financial data is presented in Polish zloty, which is the functional and presentation currency of the Company. Figures are rounded up to PLN thousands, unless otherwise stated in specific cases.

Transactions and balances

Foreign currency transactions are initially stated in the functional currencies; for translation of balances into the Polish zloty the exchange rate prevailing on the transaction date is used.

At each reporting date:

- monetary items in foreign currencies are translated using the closing rate,

- non-monetary items stated at historical purchase price or cost of production expressed in foreign currencies are translated using the exchange rate prevailing on the transaction date,
- non-monetary items stated at fair value expressed in foreign currencies are translated using the exchange rates prevailing on the date on which the fair value was determined.

Foreign exchange differences relating to foreign currency assets and liabilities that arose on the date of assets and liabilities valuation and on settlement of foreign currency receivables and liabilities as well as on the sale of currencies are included under finance income or finance costs, as appropriate. In the event of non-monetary items stated at fair value, if gains or losses due to re-measurement to fair value are recognised in the equity, then exchange rate differences are also recognised in the equity. If gains or losses from revaluation to fair value are included in the profit and loss account, exchange rate differences are recognised in the same way.

Foreign operations

The financial result, assets, equity and liabilities of foreign operations of the Company expressed in a different functional currency are translated into the Polish zloty as follows:

- assets and liabilities are translated using the closing rate prevailing at the reporting date,
- revenues and costs are translated using the average rate,
- all resultant exchange differences are recognised as a separate item of other comprehensive income, and accumulated as an item of equity under “foreign exchange differences on translation of foreign operations”.

4.2 Property, plant and equipment

Property, plant and equipment are stated at purchase or production price less accumulated depreciation and impairment. Land is stated at purchase price less impairment losses.

Property, plant and equipment, except for land, are depreciated in a way reflecting the patterns of consumption of economic benefits of the specific items in order to spread their initial value reduced by the residual value, over the period of their estimated useful lives. Depreciation starts when a given item of property, plant and equipment is available for use.

The useful lives of the items of the Company’s property, plant and equipment are as follows:

- buildings and constructions 10-50 years
- plant and machinery 2-25 years
- motor vehicles 3-10 years
- other 2-10 years

Any subsequent expenditure is included in the carrying amount of a given item of property, plant and equipment or as a separate item provided that it is probable that an inflow of economic benefits will flow to the Company and the cost of the given item may be reliably measured. Other costs incurred since the initial recognition, e.g. costs of repair, maintenance or operating fees affect the financial result for the reporting period in which they were incurred, except for the significant costs of overhauls which are recognised in the carrying amount of the appropriate item of property, plant and equipment.

Verification of the asset recoverable amounts and useful lives of property, plant and equipment is performed at least once a year and, if necessary, their values are adjusted. Where the carrying amount of a given item of property, plant and equipment exceeds its estimated recoverable amount, the carrying amount is immediately reduced to asset recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by way of comparing sale proceeds with assets carrying amount and are recognised in the profit and loss account.

Construction-in-progress

Construction-in-progress is stated at the amount of aggregate costs directly attributable to the acquisition or production of such assets, including finance costs, less any impairment losses. Construction-in-progress is not depreciated until completed and brought into use.

4.3 Investment properties

Investment properties are initially valued at purchase or production price, account being taken of transaction costs. After initial recognition, investment properties, except for land and properties meeting the criteria of classification as held for sale, are depreciated in a way reflecting the pattern of consumption of economic benefits and adjusted for accumulated impairment losses.

In the case of the Company, the useful lives of investment properties are as follows:

- perpetual usufruct 40 years
- buildings and constructions 10-50 years
- other investment properties 2-10 years

4.4 Intangible assets

Intangible assets are recognised if it is probable that the future economic benefits that are directly attributable to the assets will flow to the Company and that the purchase price or cost of development of an intangible asset can be reliably measured.

Initially, intangible assets are valued at purchase price or cost of production. Following initial recognition, intangible assets are valued at purchase price or cost of production less accumulated amortisation and total value of impairment write-downs.

Intangible assets are amortised in a way reflecting the pattern of consumption of economic benefits over their estimated useful lives.

The expected useful lives of the Company's intangible assets are as follows:

- patents and licences 5-15 years
- software 2-5 years

The estimated useful lives and the amortisation method are subject to review at the end of each accounting year and the results of changes in estimates are settled prospectively.

4.5 Non-current assets (disposal groups) classified as held for sale

Included in this group are non-current assets (or disposal groups) provided their carrying amount will be recovered through disposal rather than through further use of the asset.

Non-current assets (or disposal groups) are valued at the lower of the carrying amount and the fair value less the costs of disposal. The fair value of non-current assets (disposal groups) classified as held for sale is defined in accordance with IFRS 13.

4.6 Borrowing cost

The borrowing costs that are directly attributable to the purchase, construction or production of a qualifying asset are capitalised as part of the purchase or production price of that asset until such assets are generally fit for the intended use or disposal.

Other borrowing costs are recognised as an expense in the period in which they are incurred.

In the Company, the qualifying assets are mainly property, plant and equipment, investment properties and intangible assets.

4.7 Lease

The Company is party to lease agreements under which it uses or obtains rewards from third-party non-current assets over an agreed period of time in return for payments.

In the case of finance lease agreements, which transfer substantially all of the risks and rewards of ownership of assets, the leased assets are recorded under non-current assets or investments at fair value or at the current value of the minimum lease payments established at the inception of the lease term, if the current value is lower than the asset fair value. Lease payments are apportioned between finance costs and reduction of the outstanding lease liability so as to produce a constant rate of interest on the outstanding lease liability.

Property, plant and equipment are depreciated over the shorter of the two periods: the asset's expected period of use or the lease term, if it is not certain that the lessee obtains the ownership right to the asset prior to the end of the lease term.

Lease payments made under lease agreements which do not meet the criteria of finance lease agreements are recognised on a straight line basis as an expense in the profit and loss account over the lease term.

Finance costs are recognised directly in the profit and loss account in accordance with the policies described in section 4.6.

4.8 Impairment of non-financial assets

An assessment is made by the Company at each reporting date to determine whether there is any objective evidence that a non-financial asset or a group of non-financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment write-down recognised for the difference between the recoverable amount and the carrying value. The recoverable amount is the higher of the two values: the asset's fair value less costs to sell and its value in use. The latter corresponds to the current value of estimated future cash flows discounted at the discount rate before taxation, which includes the current market time value of money and risk specific for a given asset item.

In order to assess the impairment, the assets are analysed at the level of the cash generating units. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment losses are recognised in the profit and loss account.

If impairment loss is subsequently reversed, the net value of an asset (or cash generating unit) is increased to the new recoverable value, however not exceeding the carrying amount of that element of assets that would have been determined if impairment had not been recognised in the previous years. Reversal of impairment loss is immediately recognised in the profit or loss account.

4.9 Advances for purchases of non-financial assets

Advances for property, plant and equipment, investment properties, intangible assets or inventories ("Advances made") are recognised under short-term receivables.

4.10 Inventories

Inventories comprise raw materials, goods for resale, work in progress and finished goods. In classifying inventory items to individual categories, the Company applies the following policies:

- Raw materials – represent items kept in warehouses or other places of storage that are to be used in production processes, especially to be consumed in construction activities.
- Work in progress – represents general purpose and lowly processed inventory items which are stored on construction sites and which may be used, in a simple way and without incurring significant costs, for the realisation of other contracts, or sold.
- Goods for resale – inventory items purchased in order to be resold.
- Finished goods – internally developed goods for which the process of development was completed.

Excluded from inventories are items stored on construction sites which are to be used for a given construction project or processed either internally or externally by a subcontractor, which are not certain to be simply used for the purposes of other contracts or sold. Such items are recognised directly under costs of the contract.

Inventories are valued at the lower of purchase price or cost of production and net realisable value. Net realisable value is the selling price achievable at the reporting date, net of VAT and excise taxes, less any rebates, discounts, costs to complete and costs to sell.

Disbursement of materials is valued based on the purchase price determined as the weighted average price of materials; disbursement of goods is valued based on the purchase price determined on a "first in – first out" basis, while the disbursement of work in progress and finished goods is valued at the cost of direct materials and labour and an appropriate proportion of manufacturing overheads based on normal operating capacity.

4.11 Cash and cash equivalents

Cash in hand and at bank is carried at nominal value.

"Cash and cash equivalents" included in the Statement of Cash Flows comprise cash on hand and bank deposits which have a maturity period of 3 months or less and were not included under investing activities.
Included in cash of restricted use are mainly cash items representing:

- security for bank guarantees,
- cash in escrow accounts and current accounts in the part due to partners performing a construction contract, provided their maturity does not exceed 3 months.

The Company recognises cash of restricted use in the statement of financial position under cash and cash equivalents, while for the purpose of cash flow statement – the balance of cash at the beginning and at the end of the financial year is reduced by cash of restricted use, and the change is recognised under cash flow from operating activities.

4.12 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes party to a binding agreement. The financial instruments held are classified into the following categories:

- Financial assets: financial assets available for sale, investments held to maturity, loans and receivables and financial assets at fair value through profit or loss (inclusive of derivative financial instruments);
- Financial liabilities and equity instruments: trade liabilities, retentions for construction contracts, bank loans and borrowings, liabilities at fair value through profit or loss (inclusive of derivative financial instruments).

The above classification is based on the criterion of the purpose of the investment acquired or the liability incurred. The Management Board determines the classification of a given item upon item initial recognition, and subsequently verifies this initial classification at each reporting date. In the period covered by these financial statements, the Company did not hold any financial instruments classified as held to maturity.

<u>Financial assets and liabilities at fair value with gains or losses settled through profit and loss account</u>

This category comprises:

- financial assets or liabilities held for trading and
- financial assets or liabilities classified upon initial recognition as at fair value with gains or losses settled through profit and loss account.

A financial asset or financial liability is classified as held for trading if it is:

- acquired or incurred with a view to selling or repurchasing in a near term,
- a derivative (except for a derivative that is designated as a hedging instrument).

Transactions of investment purchase or sale or taking up or repayment of a liability are recognised as at the transaction date i.e. the date on which the Company becomes party to the relevant contract. Investments are initially recognised at fair value. Transaction costs concerning acquisition are taken to the profit and loss account.

<u>Borrowings and receivables</u>

Borrowings and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Trade receivables relating to executed construction contracts or prepayments made (but not classified as financial instruments) are recognised as current receivables, since it is expected that these will be settled during the course of a normal operating cycle of the entity.

Receivables from retentions for construction contracts and loans with maturities of less than 12 months are recognised as current assets. Long-term receivables arising from retentions for construction contracts are discounted to the current value using the effective interest rate.

Trade loans and receivables are initially stated at fair value and subsequently at amortised cost less impairment losses. Impairment losses are recognised if objective evidence exists that the Company will not be able to recover all amounts due under the original terms and conditions applicable to such receivables.

<u>Investments held to maturity</u>

Investments held to maturity are non-derivative financial assets that are not classified as financial assets held for trading or loans and receivables with determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity.

Transactions of purchase or sale of investments are recognised as at the transaction date i.e. the date on which the Company commits to purchase or sell a given asset. Investments held to maturity are initially recorded at fair value increased by transaction costs, while in the subsequent periods – at adjusted purchase price (amortised cost), taking into account possible impairment.

Available-for-sale financial assets

Financial assets available for sale are financial instruments not classified to any of the remaining categories of financial instruments. These are recorded under non-current assets, unless the Company intends to dispose of these investments within 12 months of the reporting date. If it is intended to dispose of the investments within 12 months of the reporting date, such assets are reclassified as current assets.

Asset purchase or sale transactions are recognised as at the transaction date i.e. the date on which the Company commits to purchase or sell a given asset. Assets are initially recognised at fair value increased by transaction costs. Financial assets available for sale are no longer recognised when the rights to cash flow from the asset expired or the Company transferred substantially all of the risks and rewards connected with asset ownership.

Following initial recognition, financial assets available for sale are recorded at fair value. Gains or losses arising from changes in asset fair value are recognised in the period in which they arose. Gains and losses arising from the difference between the fair value of available-for-sale assets (if there is a market price determined on the active market or whose fair value can be determined in another reliable manner) and their purchase price, less deferred tax, are recognised in other comprehensive income. Gains and losses arising from changes in the fair value of available-for-sale financial assets which are monetary items that result from foreign exchange differences are recognised in the profit and loss account in the period in which they arose. Where the fair value is not determinable, financial assets available for sale constituting non-monetary items are valued at purchase price less impairment losses, if any. In the case of disposal of securities classified as “available for sale” or in the case of their loss of value, total fair value adjustments recognised in other comprehensive income and accumulated in equity are taken to the profit and loss account as gains / losses on financial assets.

At each reporting date, the Company performs an assessment to determine whether there is any objective evidence that an item of financial assets or a group of financial assets may be impaired. In case of equity securities classified as “available for sale”, in the process of determining potential impairment losses a significant or extended loss of fair value below equity cost is taken into account. If such evidence exists for financial assets available for sale for which the measurement at fair value is possible, total losses incurred to date calculated as the difference between purchase price and current fair value less probable impairment losses recognised previously in the profit and loss account are excluded from equity and recognised in the profit and loss account. If estimation at fair value is impossible, impairment is recognised directly in the profit and loss account.

Trade liabilities and retentions for construction contracts

Initially, trade liabilities are recorded at the current value of the payment to be made, while in the subsequent reporting periods – at amortised cost.

Trade liabilities arising from the construction contracts in progress are classified as current liabilities as it is expected that they will be settled during the course of the normal operating cycle of the entity.

Liabilities arising from retentions for construction contracts with a settlement deadline of less than 12 months are recognised as current liabilities. Long-term liabilities arising from retentions for construction contracts are discounted to the current value using the effective interest rate. Short-term retentions for construction contracts are initially recorded at the current value of the anticipated payment and recognised in subsequent periods at amortised cost.

Bank loans and borrowings and other external sources of finance

Bank loans and borrowings and other external sources of finance are initially stated at fair value adjusted by transaction costs which may be directly attributed to acquisition or issue of the financial liabilities item. As at the reporting date, these financial liabilities are recognised at amortised cost using the effective interest rate.

Derivative financial instruments

The Company enters into derivative transactions in order to hedge against FX risk and interest rate risk. Policies on the use of derivative instruments have been described in the Company’s risk management policy approved by the Management Board as described in detail in note 7 “Financial risk management”.

Derivative instruments are valued at the reporting date at a reliably determined fair value. The fair value of derivative instruments is assessed using the model which is based, among other things, on currency exchange rates (average NBP rates) prevailing at the reporting date or on differences in the levels of interest rates of the quotations and base currencies.

The effects of the periodic valuation of FX forward contracts and FX options as well as gains and losses determined at the date of their settlement are reported in the profit and loss account as part of operating activity.

The Company does not apply hedge accounting.

As regards transactions on the money, equity or derivative instruments markets, the Company cooperates with banks of good financial standing, without incurring material credit risk concentration.

4.13. Equity

Issued capital covers ordinary shares and is recorded in the nominal value (as presented in the Articles of Association and recorded in the National Court Register) adjusted by the effects of hyperinflation for the period in which the Polish economy was hyperinflationary.

Share premium represents the difference between the price for which the Company's shares were taken up and their nominal value. It was adjusted by the effects of hyperinflation for the period in which the Polish economy was hyperinflationary.

Other reserves cover the capital established in compliance with Polish statutory requirements, capital established in accordance with the Company's articles of association above the statutory requirement, costs of the Ferrovial SA share-based payment plan, actuarial gains/(losses) on retirement benefits and similar obligations, and other items.

Foreign exchange differences on the translation of foreign operations comprise the effect of the translation of the financial statement items of foreign operation of the Company from foreign currencies to PLN.

4.14 Employee benefits

The Company operates retirement severance payment plans and creates provisions for the current value of the underlying obligations. Payments under these programs are expensed to the profit and loss account so as to ensure the spread of the costs of those benefits over employees' entire working lives at the Company. The value of the provision is determined by an independent actuary using the projected unit credit method. Actuarial gains and losses are recognised in other comprehensive income and not transferred to the profit and loss account.

The Company does not establish a separate fund for future benefits and allowances.

4.15 Share-based payments

Ferrovial SA operates its own equity-settled, share-based compensation plan under which employees of the Group render services to the Company and its subsidiaries as consideration for equity instruments of Ferrovial SA. In compliance with IFRS 2, fair value of the employee services received in exchange for the grant of the equity instruments of Ferrovial SA is recognised in the financial statements as an expense with a corresponding increase in equity, over the period in which the service conditions are fulfilled (vesting period). The fair value of the employee services received is measured indirectly, by reference to the fair value of the equity instruments granted defined as at the grant date. The vesting conditions, other than market conditions, were taken into account by adjusting the number of equity instruments included in the measurement of the transaction so that, ultimately, the expense recognised for services received is based on the number of equity instruments that are expected to vest.

Pursuant to an agreement executed with Ferrovial SA in 2014, Budimex SA undertook to cover the programme costs with respect to the tranche of instruments granted in 2014 and later on. Therefore, the fair value of the employee services, related with the instruments granted in 2014 and following years was classified as liabilities (correspondingly as an expense).

4.16. Provisions

The Company creates provisions for future liabilities of uncertain maturities or amounts. A provision is recognised only when:

- the entity has a present obligation (legal or constructive) as a result of past events,
- it is probable that the settlement of this obligation will result in utilization of the Company's existing or future assets,
- a reliable estimate can be made of the amount of this obligation.

The Company recognises provisions especially for the following:

- costs of retirement severance payment (note 4.14),
- results of legal proceedings,
- costs of future warranty repairs,
- restructuring costs,
- penalties and damages.

Provision for litigation

A provision for legal proceedings is recognised when the Company is suited and the probability of an unfavourable court judgement is higher than the probability of a favourable one. An estimation of that result is made on the basis of an analysis of progress of legal proceedings as well as lawyers' opinions.

Provision for costs of future warranty repairs

The Company is required to provide guarantees for its construction services. The level of provisions for warranty repairs depends on the specific construction industry segment and may equal from 0.3 per cent to 1.4 per cent of revenues under a given contract. This value is assessed on an individual basis and may be increased or decreased as appropriate. Costs of future warranty repairs are recognised in the manufacturing costs of products sold.

Restructuring provisions

The Company creates a restructuring provision only for a planned and controlled programme that materially changes either the scope of business undertaken or the manner in which the business is conducted as well as for redundancies for the purpose of increasing the effectiveness and efficiency of business which leads to the inflow of resources embodying economic benefits.

4.17 Recognition of revenues and expenses

Sales revenues are stated at the fair value of payments received or receivable and represents receivables for finished goods, goods for resale and services provided as part of the regular business activities, less rebates, VAT and other sales-related taxes.

Revenues from performance of construction contracts is recognised in accordance with the accounting policies presented in note 4.18.

Revenues from developer activities is recognised when the control and all significant risks and rewards arising from the possession of the property are transferred to the buyer. The Company considers that the transfer of risks, control and rewards takes place when the notarial deed transferring the ownership right to the acquired property is signed off. Upon recognition of sales revenues, the Company recognises the cost of construction of a given area by reducing finished goods by the share of the premises sold in the total area of a given type of premises.

Sale of goods for resale is recognised when goods have been delivered and the significant risks and rewards of ownership have been passed to the buyer.

Interest income is recorded with respect to the principal amount due, using the effective interest rate method.

Dividend income is recognised upon determining the right of the shareholders to receive the payment.

In accordance with the accruals principle, the Company recognises in the profit and loss account all costs relating to a given reporting period, irrespective of the period in which they were actually settled. Incurred costs that do not relate to a given reporting period are recognised under assets as prepayments (under "trade and other receivables"), while the costs not incurred and relating to a given period are reported as accruals (under "trade and other liabilities").

4.18 Construction contracts

Revenues from performance of not-completed construction services, from the day of signing the contract date to the reporting date, after deducting revenues that affected the financial result in the previous accounting periods, are determined in proportion to advancement of the services, if such advancement can be reliably determined. The Company measures the advancement of the services using the method of the share of the costs incurred from the date of contract signing to the date of determining revenue in total service costs and using the method of measurement of completed works.

Where it is possible that total contract costs may exceed total revenues, expected loss (excess of cost over revenues) is taken to operating expenses.

If the result of the completion of a construction contract cannot be determined in a reliable manner, revenues are recognised only up to the amount of those incurred costs which are likely to be recovered.

Included in assets are the amounts due and receivable from customers (investors) under all construction work in progress, for which the costs incurred increased by recognised profits (reduced by recognised losses) exceed the amounts calculated for the contract work performed. Outstanding invoiced amounts due and payable for the contract work performed are recognised under “Trade and other receivables”, while the amounts retained by contractors – under “Retentions for construction contracts”.

The Company discloses as liabilities the amounts due and payable to investors under all construction work in progress, in reference to all contracts in progress, for which the amounts invoiced for the work performed as part of the contract exceed the recognised revenues. Outstanding amounts due and payable to suppliers, in respect of which the Company received invoices are recognised under “Trade and other payables”, while the amounts kept for suppliers – under “Retentions for construction contracts”.

4.19 Gross profit/(loss) on sales

Gross profit / (loss) on sales is the difference between:

- revenues from the sale of ordinary production and other services rendered as part of the ordinary business activities of the Company as well the sale of goods for resale and raw materials, and
- the costs of finished goods and services sold and the purchase cost of goods for resale and raw materials sold.

4.20 Operating profit / (loss)

Operating profit / (loss) covers revenues and costs of operating activities without taking into account finance costs and finance income, which primarily include interest, foreign exchange gains and cost of bank commissions and guarantees.

4.21 Taxation (including deferred income tax)

The item "income tax" in the profit and loss account includes current and deferred tax.

Income tax on revenues earned in Poland is calculated in accordance with Polish tax regulations, while revenues of a foreign operation are subject to local tax regulations, account being taken of appropriate treaties on avoiding double taxation.

Due to the temporary differences between the value of assets and liabilities recognised in the books of account and their tax bases and due to the tax loss available for utilisation in future years, the Company recognises its deferred tax liability and deferred tax assets. Deferred tax liabilities are recognised in the amount of income tax to be paid in the future in respect of all taxable temporary differences i.e. differences that will cause an increase in taxable profit / tax loss in the future. Deferred tax assets are determined in the amount that is anticipated to be deducted from the income tax in connection with deductible temporary differences, which in the future will cause a decrease in taxable profit / tax losses, and in the amount of carry-forward of unused tax losses. The carrying amount of deferred tax assets is reviewed at each reporting date and is appropriately reduced if it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and deferred tax liabilities are measured using the tax rates that are expected to apply in the period when the asset is realised and or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date. Deferred tax assets and deferred tax liabilities are netted off.

Current tax and deferred tax are included in the profit and loss account, except for items recorded in other comprehensive income or directly in equity. In such situation, current tax and deferred tax are included, as appropriate, in other comprehensive income or directly in equity.

5. Key estimates and assumptions

Estimates and assumptions are verified on a continuous basis. These result from previous experience and other factors, including forecast of future events, which are reasonable in the given circumstances.

5.1 Key accounting estimates

The estimates and assumptions regarding the future made by the Management Board are reflected in these financial statements. The actual results may differ from these estimates. The estimates relate, among others, to provisions created, valuation of construction contracts, asset impairment write-downs, accruals and deferred income or adopted depreciation and amortisation rates. Significant assumptions made to estimate the above values, other than those described below, are presented in note 4.

Uninvoiced subcontractor services

The Company performs the majority of construction contracts as the general contractor with extensive support from various subcontractors. Performed construction works are approved by the investor in the process of technical approval and acceptance on the basis of a technical acceptance report and an invoice. At each reporting date, a material part of completed, yet not accepted and uninvoiced by subcontractors, construction projects is recorded. In accordance with the accruals principle, these are recognised by the Company as costs of contracts. The value of costs of completed and uninvoiced projects is determined by technical surveyors on the basis of quantity surveys and may be different from that determined in the formal process of technical acceptance of construction works.

Tax settlements

Polish law contains numerous regulations concerning VAT, excise tax, corporate income tax and social security contributions. Regulations regarding these taxes are subject to frequent changes which cause these regulations to be unclear and inconsistent. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and taxpayers. Tax and other settlements (e.g. customs or foreign currency settlements) may become subject to inspection by tax authorities for a period of five years. Relevant tax control authorities are authorised to impose high penalties and fines together with high interest. There is a risk that tax or other administrative bodies take a view on certain matters different to that adopted by the Company as regards interpretations of binding regulations. This, in turn, could have a significant impact on tax liabilities.

Provisions for costs of future warranty repairs

The Company is required to provide guarantees for its construction services. The level of provisions for warranty repairs depends on the specific construction industry segment and may equal from 0.3 per cent to 1.4 per cent of revenues under a given contract. This value is assessed on an individual basis and may be increased or decreased as appropriate.

Provision for legal proceedings

The Company is a party to litigation proceedings. The Company's Management Board prepares detailed analyses of potential risks relating to the legal cases pending and, based on these, takes decisions concerning the necessity to account for the effects of such proceedings in accounting books, or the amount of the provision.

5.2 Professional judgement in applying accounting policies

Recognition of sales on construction contracts

Revenues from construction contracts during the period from the contract date to the reporting date, after deducting revenues that affected the financial result in the previous accounting periods, are determined in proportion to the percentage of construction contract completion, which is measured based on quantity survey or as the share of the costs incurred from the contract date to the date of determining contract revenue in total contract costs. Twice a year, budgets of individual contracts are subject to regular updates (revisions) based on the current information and are approved by the Management Board. Where budget events are identified that materially affect contract result, total contract revenues or costs may be updated earlier i.e. prior to the regular scheduled contract update.

Where at the reporting date the percentage of construction contract completion cannot be determined in a reliable manner, contract revenue is determined at the amount of the costs incurred in the given accounting period, not higher, however, than the amount of costs that can be covered by the investor in the future.

6. Discontinued operations

In 2015 and 2014, no operations were discontinued within the meaning of IFRS 5.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

7. Financial risk management

The main financial instruments used by the Company are as follows:

- finance lease, borrowings the objective of which is to obtain funds to finance the operations of the Company,
- trade receivables and trade liabilities as well as other receivables and liabilities, and cash and short-term deposits that arise during the course of normal business activities of the Company,
- derivative instruments such as foreign currency forward contracts and FX options, the purpose of which is to manage currency risk arising from foreign currency construction contracts.

During the course of its business activities, the Company is exposed to various types of financial risk: currency risk, interest rate risk, price risk, credit risk and loss of liquidity risk. The Management Board reviews and determines risk management policies for each of the risk types identified.

Currency risk

As part of its core business activities, the Company enters into construction contracts denominated in foreign currencies and contracts with subcontractors and vendors. The foreign currency risk management policy adopted by the Management Board consists in hedging future cash flows on these contracts in order to limit the effect of volatility of currency exchange rates on the results of the Company. In accordance with this policy, the Company hedges against foreign currency risk attached to each construction contract, on which the value of foreign currency payments (inflows or outflows) is deemed material. Hedging against foreign currency risk is made using the derivative financial instruments, mainly currency contracts (FX forwards) and FX options or, if possible, using a natural hedge mechanism, which consists in concluding agreements with subcontractors in the currency of the underlying contract.

In accordance with the Company policy, exposure to FX risk is systematically measured both for individual construction contracts (analysis of foreign currency inflows and outflows for the purposes of contracts concluded in foreign currency with investors and foreign currency outflows for the purposes of contracts concluded in domestic currency) and for all contracts in aggregate (global currency exposure). It is the Management Board's policy to hedge the net foreign currency exposure on individual contracts. As at 31 December 2015, approx. 96 per cent of the Company's foreign currency exposure was hedged.

The Company does not apply hedge accounting.

Currency risk – sensitivity to fluctuations

In order to conduct an analysis of currency risk on the basis of historical changes in values and the Company's knowledge of and experience in the financial markets, "feasible and possible" fluctuations in exchange rates were assessed at -10 per cent / +10 per cent as at 31 December 2015 and as at 31 December 2014.

The table below shows the sensitivity of the net financial result to reasonably possible changes in foreign currency rates with other factors remaining unchanged (the impact on net assets is identical).

	Nominal value as at reporting date	**Sensitivity to fluctuations as at 31.12.2015**	
		Depreciation	**Appreciation**
		of the Polish zloty against other currencies	
		+10%	-10%
Forward contracts / FX options:			
– EUR	48 187	(12 288)	12 288
– USD	-	-	-
Financial instruments denominated in foreign currencies – net currency exposure:			
– EUR	448	191	(191)
– USD	3	1	(1)
Gross effect on the result for the period and net assets		(12 096)	12 096
Deferred tax		2 298	(2 298)
Total		**(9 798)**	**9 798**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	Nominal value as at reporting date	Sensitivity to fluctuations as at 31.12.2014	
		Depreciation	**Appreciation**
		of the Polish zloty against other currencies	
		+10%	-10%
Forward contracts / FX options:			
– EUR	52 353	(14 092)	14 092
– USD	408	143	(143)
Financial instruments denominated in foreign currencies – net currency exposure:			
– EUR	82	35	(35)
– USD	8	3	(3)
Gross effect on the result for the period and net assets		(13 911)	13 911
Deferred tax		2 643	(2 643)
Total		**(11 268)**	**11 268**

Interest rate risk

Interest rate risk occurs mainly due to use by the Company of borrowings and finance lease. The above financial instruments are based on floating interest rates and expose the Company to a risk of fluctuations in cash flows. The interest rate risk related to the existing debt was assessed as relatively low from the point of view of its impact on the Company's results. At present, the interest risk management covers both ongoing monitoring of the market situation and debt levels, as well as possible hedging against the risk of fluctuations of market interest rates by way of entering into FX swap transactions (floating rates to fixed rates).

Interest rate risk – sensitivity to fluctuations

In order to conduct an analysis of sensitivity to fluctuations in interest rates, on the basis of historical changes in values and the Company's knowledge of and experience in the financial markets, "feasible and possible" fluctuations in interest rates were assessed at -0.5 pp/ +0.5 pp as at 31 December 2015 (-1.0 pp / +1.0 pp as at 31 December 2014) for PLN and at -0.25 pp / +0.25 pp for EUR and USD as at 31 December 2015 (-0.25 pp / +0.25 pp also as at 31 December 2014).

At the same time, a parallel shift of interest rate curve was assumed for the purpose of calculation of sensitivity of discount to fluctuations in interest rates.

Reduction of the level of estimated fluctuations in interest rates as compared to 2014 results from the expected moderate changes in the national economy. A possible increase in the inflation rate should be offset by an increase in risk and uncertainty in the domestic market, as well as by less restrictive fiscal policy of the Monetary Policy Council, which implies low fluctuations of interest rates in the overall assessment of events.

Presented below is the effect of interest rate fluctuations on the net result and net assets as at 31 December 2015 and 31 December 2014.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	Value as at the reporting date	Sensitivity to fluctuations as at 31.12.2015	
		+50 bp (PLN) +25 bp (EUR, USD, other)	-50 bp (PLN) -25 bp (EUR, USD, other)
Borrowings granted (principal)	6 171	31	(31)
Cash at bank (fair value)	1 980 590	9 841	(9 841)
Bank loans and borrowings (principal)	(8 754)	(22)	22
Finance lease liabilities (present value)	(21 173)	(106)	106
Gross effect on the result for the period and net assets		9 744	(9 744)
Deferred tax		(1 851)	1 851
Total		**7 893**	**(7 893)**

	Value as at the reporting date	Sensitivity to fluctuations as at 31.12.2014	
		+100 bp (PLN) +25 bp (EUR, USD, other)	-100 bp (PLN) -25 bp (EUR, USD, other)
Borrowings granted (principal)	39 459	395	(395)
Cash at bank (fair value)	1 402 638	13 942	(13 942)
Bank loans and borrowings (principal)	(8 662)	(22)	22
Finance lease liabilities (present value)	(24 044)	(240)	240
Gross effect on the result for the period and net assets		14 075	(14 075)
Deferred tax		(2 674)	2 674
Total		**11 401**	**(11 401)**

In the calculation of sensitivity to interest rates, cash on hand and other cash equivalents were omitted.

A valuation of forward contracts and currency options does not show sensitivity to parallel fluctuations in interest rates with the exchange rates remaining unchanged.

Price risk

The Company is exposed to price risk relating to increases in prices of the most popular construction materials such as steel, aggregates and concrete as well as crude oil derivatives such as petrol, diesel oil, asphalts and heating fuel. The price risk regarding materials purchased on the domestic market is estimated as moderate, while the price risk related to crude oil derivatives and steel is assessed as high. Increases in prices of construction materials and labour costs may result in higher prices of services rendered to the Company by its subcontractors. Prices set forth in contracts with investors remain fixed over the entire period of contract realisation i.e. most often for a period of 6-36 months, while contracts with subcontractors are made at a later date, as work on an individual contract progresses. The highest risk of raw material price volatility (increases) exists in the case of public procurements because of the lengthy process to select a general contractor. This pertains to the period from placing a bid until the time when the Company is selected and the contract is signed off, as the Company is not always able to undertake other obligations or secure the prices.

In order to limit the price risk, the Company monitors prices of the most needed construction materials on an ongoing basis, while the construction contracts signed include parameters which are appropriately matched with the market situation and relate, among others, to contract duration and value. the Central Procurement Office operating within the Company negotiates master agreements with suppliers of basic construction materials based on the plans of construction works.

Credit risk

As far as cash and capital transactions are concerned, the Company cooperates with financial institutions of high financial standing without incurring material credit risk concentration. At the same time, the Company applies the policy of reduction of exposure to individual financial institutions and issuers of debt securities, which are acquired as investments with periodic cash surpluses.

The trade receivables of the Company are exposed to an increased credit risk. The Company has in place a policy of credit risk assessment and review in respect of all contracts, both at the contract pre-tender stage and during contract realisation. Prior to contract signing, each business partner is assessed for the capacity to cover its financial liabilities. Signing a contract with a party whose payment abilities were assessed negatively depends on establishing adequate financial and property collateral. In addition, clauses are included in investor contracts that provide for the right to stop any work if payments for the services already performed are delayed.

No significant credit risk concentration has been identified, as the main customer of the Company is a government agency. The Company is not exposed to significant credit risk to an individual business partner or a group of business partners of similar features. The credit risk relating to liquid assets and derivative financial instruments is limited as the Company cooperates with banks with high credit ratings awarded by reputable international rating agencies.

Except for the data presented in note 48, the carrying amount of financial assets recognised in the financial statements without accounting for losses reflects the maximum exposure of the Company to credit risk, no account being taken of the value of collateral established.

Loss of liquidity risk

In order to mitigate the risk of loss of liquidity, the Company holds appropriate amounts of cash and marketable securities, and enters into agreements on credit facilities which provide additional safeguards against loss of liquidity. To finance its investment purchases, the Company uses own funds or long-term finance lease agreements that ensure the appropriate stability of the financing structure for these types of assets. Liquidity management is supported by the obligatory system by which the Company reports liquidity forecasts.

The maturity structure of liabilities under borrowings and other external sources of finance is presented in note 21. The maturity structure of other financial liabilities is presented in the respective notes.

The current favourable financial situation of the Company as regards its liquidity and availability of external sources of financing does not entail any threats to the further financing of the Company's operations.

8. Capital management

The main objective of the Company's capital management is to maintain good credit rating and safe levels of financial ratios that would support the Company's business operations and increase its value for the shareholders.

The Company manages its capital structure and modifies it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Company may return equity to the shareholders, issue new shares or pay out dividend. In 2015 and 2014, no changes were made to objectives or policies of processes applicable in this area.

The Company monitors the level of equity using a gearing ratio which is calculated as a relation of net debt to total equity increased by net debt. The Company includes in its net debt interest-bearing loans and borrowings and other external sources of finance, trade liabilities, as well as other liabilities (excluding accrued expenses), retentions for construction contracts, amounts due and payable to customers under construction contracts (excluding referenced income), and current tax liabilities less cash and cash equivalents.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	31.12.2015	31.12.2014
Interest-bearing borrowings and other external sources of finance	29 933	32 714
Trade and other liabilities	2 926 120	2 377 307
Less cash and cash equivalents	(1 983 136)	(1 403 970)
Net debt	**972 917**	**1 006 051**
Shareholders' equity	494 339	442 000
Equity and net debt	**1 467 256**	**1 448 051**
Gearing ratio	**66.31%**	**69.48%**

9. Information on operating and geographical segments

The Company's operations consist in widely understood construction and assembly services provided at home and abroad, which in accordance with the classification of the Company represents the entire construction operating segment. In 2015 sales revenue from one customer amounted to PLN 2 020 823 thousand.

The Company operates in the domestic market and in Germany.

Revenues from sale of finished goods, goods for resale and raw materials	2015	2014
Domestic market	4 616 373	4 422 176
German market	152 302	130 589
Total	**4 768 675**	**4 552 765**

Capital expenditure	2015	2014
Domestic market	26 716	20 712
German market	137	259
Total	**26 853**	**20 971**

The geographical split of sales revenues matches customer distribution and is consistent with the internal organisational structure of the Company.
Capital expenditure includes expenditure on property, plant and equipment, investment properties and intangible assets.
The split of total capital expenditure matches the location of the Company's branches.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

10. Property, plant and equipment

	- land (including right of perpetual usufruct)	- buildings and constructions	- plant and machinery	- motor vehicles	- other property, plant and equipment	- construction-in-progress	Total
gross value as at 01.01.2015	**2 875**	**7 791**	**166 524**	**16 264**	**19 202**	**227**	**212 883**
increases:	**-**	**2 781**	**16 117**	**500**	**5 219**	**828**	**25 445**
– purchase (including acceptance for use under lease contracts)	-	2 705	15 966	500	5 215	-	24 386
– transfer from construction-in-progress	-	76	151	-	-	(227)	-
– increase in construction-in-progress	-	-	-	-	-	1 055	1 055
– other		-	-	-	4	-	4
decreases:	**-**	**16**	**21 106**	**429**	**3 060**	**-**	**24 611**
– sale	-	-	18 742	428	112	-	19 282
– liquidation	-	13	2 360	-	2 947	-	5 320
– other	-	3	4	1	1	-	9
gross value as at 31.12.2015	**2 875**	**10 556**	**161 535**	**16 335**	**21 361**	**1 055**	**213 717**
accumulated depreciation as at 01.01.2015	**-**	**5 745**	**120 402**	**12 377**	**16 331**	**-**	**154 855**
changes for the period:	**-**	**253**	**(2 612)**	**750**	**(1 350)**	**-**	**(2 959)**
– current depreciation	-	263	14 573	1 179	1 688	-	17 703
– sale	-	-	(14 844)	(428)	(112)	-	(15 384)
– liquidation	-	(8)	(2 334)	-	(2 928)	-	(5 270)
– other	-	(2)	(7)	(1)	2	-	(8)
accumulated depreciation as at 31.12.2015	**-**	**5 998**	**117 790**	**13 127**	**14 981**	**-**	**151 896**
impairment write-downs as at 01.01.2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**
– increase	-	-	-	-	-	-	-
– decrease	-	-	-	-	-	-	-
impairment write-downs as at 31.12.2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**
net value as at 01.01.2015	**2 875**	**2 046**	**46 122**	**3 887**	**2 871**	**227**	**58 028**
net value as at 31.12.2015	**2 875**	**4 558**	**43 745**	**3 208**	**6 380**	**1 055**	**61 821**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	- land (including right of perpetual usufruct)	- buildings and constructions	- plant and machinery	- motor vehicles	- other property, plant and equipment	- construction-in-progress	Total
gross value as at 01.01.2014	**2 875**	**7 534**	**158 625**	**13 919**	**19 070**	**1 336**	**203 359**
increases:	**-**	**374**	**11 476**	**2 368**	**1 273**	**132**	**15 623**
– purchase (including acceptance for use under lease contracts)	-	232	11 466	2 366	1 244	-	15 308
– transfer from construction-in-progress	-	142	-	-	-	(142)	-
– increase in construction-in-progress	-	-	-	-	-	274	274
– other	-	-	10	2	29	-	41
decreases:	**-**	**(117)**	**(3 577)**	**(23)**	**(1 141)**	**(1 241)**	**(6 099)**
– sale	-	-	(2 829)	(15)	(400)	-	(3 244)
– liquidation	-	(117)	(748)	(8)	(741)	-	(1 614)
– transfer to non-current assets classified as held for sale	-	-	-	-	-	(1 160)	(1 160)
– transfer to investment properties	-	-	-	-	-	(81)	(81)
gross value as at 31.12.2014	**2 875**	**7 791**	**166 524**	**16 264**	**19 202**	**227**	**212 883**
accumulated depreciation as at 01.01.2014	**-**	**5 328**	**108 867**	**11 023**	**15 126**	**-**	**140 344**
changes for the period:	**-**	**417**	**11 535**	**1 354**	**1 205**	**-**	**14 511**
– current depreciation	-	464	15 049	1 374	2 021	-	18 908
– sale	-	-	(2 793)	(15)	(98)	-	(2 906)
– liquidation	-	(47)	(730)	(8)	(739)	-	(1 524)
– other	-	-	9	3	21	-	33
accumulated depreciation as at 31.12.2014	**-**	**5 745**	**120 402**	**12 377**	**16 331**	**-**	**154 855**
impairment write-downs as at 01.01.2014	**-**	**-**	**-**	**-**	**302**	**-**	**302**
– increase	-	-	-	-	-	-	-
– decrease	-	-	-	-	302	-	302
impairment write-downs as at 31.12.2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**
net value as at 01.01.2014	**2 875**	**2 206**	**49 758**	**2 896**	**3 642**	**1 336**	**62 713**
net value as at 31.12.2014	**2 875**	**2 046**	**46 122**	**3 887**	**2 871**	**227**	**58 028**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Depreciation of property, plant and equipment was recognised under the following items of the profit and loss account:

	2015	2014
Cost of finished goods and services sold	16 755	17 883
Administrative expenses	856	998
Other costs	92	27
Total	**17 703**	**18 908**

The Company as lessee uses the following items of property, plant and equipment under finance lease agreements:

	31.12.2015		31.12.2014	
	Initial value – capitalised finance lease	**Carrying value, net**	**Initial value – capitalised finance lease**	**Carrying value, net**
Plant and machinery	53 048	27 551	52 662	28 498
Motor vehicles	3 115	1 814	3 115	2 341
Other non-current assets	208	21	208	62
Total	**56 371**	**29 386**	**55 985**	**30 901**

As at 31 December 2015 and 31 December 2014, there was no collateral established on items of property, plant and equipment.

The total value of received or receivable compensations in respect of non-current assets that were impaired or lost in 2015 was PLN 110 thousand (in 2014: PLN 22 thousand).

11. Investment properties

	Buildings and constructions	Other	Total
value as at 01.01.2015	**3 467**	**496**	**3 963**
increases:	66	24	90
- modernisation	56	-	56
- other	10	24	34
decreases:	(127)	(38)	(165)
– current depreciation	(127)	(38)	(165)
value as at 31.12.2015	**3 406**	**482**	**3 888**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	Buildings and constructions	Other	Total
value as at 01.01.2014	**2 605**	**519**	**3 124**
increases:	3 177	-	3 177
- purchase	3 096	-	3 096
- transfer from non-current assets	81	-	81
decreases:	(2 315)	(23)	(2 338)
- sale	(1 193)	-	(1 193)
- current depreciation	(102)	(22)	(124)
- transfer to non-current assets classified as held for sale	(1 020)	(1)	(1 021)
value as at 31.12.2014	**3 467**	**496**	**3 963**

As at 31 December 2015 and 31 December 2014, the Company did not report any significant legal or obligatory restrictions established on their investment properties.

Depreciation of investment properties for the years 2015 and 2014 was recognised in the profit and loss account under cost of finished goods and services sold.

As at 31 December 2015 and 31 December 2014, the fair value of investment properties amounted to PLN 7 320 thousand as per the valuation drafted in 2011. As at 31 December 2015 and 31 December 2014, the Company did not commission appraisals of investment properties by independent experts in connection with negligible price fluctuations on the market and thus a very low level of probability of impairment of value of the investment properties held.

The fair value measurement of investment properties was classified as level 2 according to IFRS 13. In 2015 there were no movements between the fair value levels. The properties were valued with the income method, using observable rental rates on the local markets for properties similar to those appraised.

The Company recognised in the profit and loss accounts the following amounts of income and expenses related with investment properties:

	2015	2014
Rental charge income	1 618	3 873
Direct operating expenses (including costs of repair and maintenance) relating to investment properties that generated income on rentals	943	2 378
Direct operating expenses (including costs of repair and maintenance) relating to investment properties that did not generate income on rentals	-	-

12. Non-current assets held for sale

	31.12.2015	31.12.2014
Investment properties	-	1 021
Construction-in-progress	-	1 160
Total	**-**	**2 181**

As at 31 December 2015, there were no material non-current assets which the Company would intend to sell within the next 12 months.
In February 2015, the Company sold a plot of land with buildings which had been classified as assets held for sale as at 31 December 2014, generating a profit in the amount of PLN 11 819 thousand.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

13. Intangible assets

	Computer software	Other	Total
gross value as at 01.01.2015	**23 574**	**-**	**23 574**
increases:	**1 356**	**-**	**1 356**
– purchase	1 356	-	1 356
decreases:	**(42)**	**-**	**(42)**
– liquidation	(42)	-	(42)
gross value as at 31.12.2015	**24 888**	**-**	**24 888**
accumulated depreciation as at 01.01.2015	**19 628**	**-**	**19 628**
changes for the period:	1 499	**-**	1 499
– current depreciation	1 540	-	1 540
– liquidation	(42)	-	(42)
– other	1	-	1
accumulated depreciation as at 31.12.2015	**21 127**	**-**	**21 127**
net value as at 01.01.2015	**3 946**	**-**	**3 946**
net value as at 31.12.2015	**3 761**	**-**	**3 761**

	Computer software	Other	Total
gross value as at 1.01.2014	**21 322**	**-**	**21 322**
Increases:	**2 297**	**-**	**2 297**
– purchase	2 293	-	2 293
– other	4	-	4
decreases:	**(45)**	**-**	**(45)**
– liquidation	(45)	-	(45)
gross value as at 31.12.2014	**23 574**	**-**	**23 574**
accumulated amortisation as at 01.01.2014	**18 436**	**-**	**18 436**
changes for the period:	1 192	**-**	1 192
– current depreciation	1 237	-	1 237
– liquidation	(45)	-	(45)
accumulated depreciation as at 31.12.2014	**19 628**	**-**	**19 628**
net value as at 01.01.2014	**2 886**	**-**	**2 886**
net value as at 31.12.2014	**3 946**	**-**	**3 946**

Amortisation of intangible assets was recognised under the following items of the profit and loss account:

	2015	2014
Cost of finished goods and services sold	447	267
Administrative expenses	1 071	947
Other costs	22	23
Total	**1 540**	**1 237**

The Company does not hold any internally developed intangible assets.

As at 31 December 2015 and 31 December 2014, the Company did not report any significant legal or obligatory charges established on its intangible assets. No impairment write-downs against intangible assets were made in the years 2015 and 2014.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

14. Joint ventures

14.1 Jointly controlled entities

The financial data of Budimex SA as at 31 December 2015 and 31 December 2014 contain values attributable to the Company in connection with the shares in the following jointly controlled entities which in accordance with IFRS 11 are treated as joint operation (the Company's share in joint arrangements is recognised as joint operation where the Company has rights to its portion of assets and liabilities):

- "Development of the landing area in the Frederic Chopin Airport – conversion and development of PSS 2, PPS 4, PPS 6 (including DK D1), reconstruction of the runway strip and development of the taxiway" performed by the company Budimex SA – Budimex Budownictwo Sp. z o.o. S.C; the share of Budimex SA in this company amounts to 99.975 per cent (contract completed in 2015),
- "Construction and modernization of a sewage treatment plant in Gorzów Wielkopolski" performed by the company Budimex SA Cadagua SA S.C; the share of Budimex SA in this undertaking was 50 per cent (contract completed in 2015),
- "Modernization of the DS.-1 runway, taxi roads, patrol and safety-exit roads in the Warsaw Chopin Airport" as part of Budimex SA Ferrovial Agroman SA S.C.; the share of Budimex SA was 99.975 per cent (contract completed in 2011),
- "Construction of premises for Transmission System Operator" as part of Budimex SA Sygnity SA Sp. j.; the share of Budimex SA in the company was 67 per cent (contract completed in 2009),
- Phase I of the contract "Design and construction of A-1 Motorway Stryków-Pyrzowice" as part of Budimex SA Ferrovial Agroman SA Sp. j.; the share of Budimex SA was 50 per cent,
- "Construction of a new power unit at Turów Power Plant" as part of Budimex SA – Técnicas Reunidas SA – Turów Spółka Cywilna; the share of Budimex SA was 50 per cent.

Furthermore, the Company holds a 50 per cent share in the following companies: Budimex SA Energetyka 1 Sp.j., Budimex SA Energetyka 2 Sp.j., Budimex SA Energetyka 3 Sp.j., Budimex SA Cadagua S.A. 2 S.C. and a 40 per cent share in Budimex SA Ferrovial Agroman (UK) Limited-Metro II Sp.j, which were established for the purpose of preparing bids, and concluding and implementing construction contracts, but none of these companies was implementing a construction contract as at the date of drafting these financial statements of the Company.

Presented below is selected financial data recognised in the books of account of the Company as at 31 December 2015 and 31 December 2014 relating to the contracts realised by special purpose companies:

Statement of Financial Position data:	31.12.2015	31.12.2014
Non-current assets	1 161	-
Current assets	90 465	28 841
Liabilities and provisions for liabilities	104 339	41 422
Contingent liabilities	197 796	1 463

Profit and Loss Account:	2015	2014
Revenues	42 076	57 586
Costs	39 694	59 053

14.2 Jointly controlled business

As at 31 December 2015, the Company was a party to consortium agreements on the performance of construction contracts. Revenues and expenses, assets and liabilities relating to the performance of these contracts in the part allocated to Budimex SA were appropriately accounted for in the Company's books. As at 31 December 2015, the contingent liabilities underlying these projects included performance bonds and guarantees to return contract prepayments received, and were recorded in the total balance of contingent liabilities reported in the financial statements. No future investment commitments relating to these contracts were recorded.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Presented below is selected financial data recognised in the books of account of the Company as at 31 December 2015 and 2014 relating to the contracts realised by consortia:

Statement of Financial Position data:	**31.12.2015**	**31.12.2014**
Non-current assets	1 160	1 439
Current assets	446 777	224 456
Liabilities and provisions for liabilities	467 032	250 461
Contingent liabilities	166 544	269 774

Profit and Loss Account:	**2015**	**2014**
Revenues	896 584	227 023
Costs	890 054	246 026

List of consortia with Budimex SA's share:

Contract name	**Company share in the consortium**
Consortia with the Ferrovial Group companies:	
Technology modernisation in the Central Pipeline Facility	50%
Modernisation of a sewage treatment plant and construction of a sewage system in part of the agglomeration of Tomaszów Mazowiecki	50%
Consortia with other entities:	
Construction of A1 motorway: Stryków – Tuszyn	99%
Construction of an Integrated Communication Centre in Bydgoszcz	90%
Construction of a tram depot in Olsztyn	85%
Construction of a production hall in Bydgoszcz	79%
Redevelopment of a barracks building	64%
Construction of the Province Children Hospital in Bydgoszcz	63%
Construction of the Second Passenger Terminal for Gdańsk Airport	52%
Construction of a Municipal Waste Processing Plant in Białystok	50%
Expressway S5 Korzeńsko – Widawa	50%
Further construction of the A4 motorway: Rzeszów - Jarosław	50%
Construction of a border crossing station in Dołhobyczów	39%

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

15. Investments in subsidiaries, associates and other entities

	31.12.2015	31.12.2014
Investments in subsidiaries	**724 323**	**712 940**
- shares or equities	724 323	712 940
Investments in associates	**61 246**	**19 775**
- shares or equities	61 246	19 775
Investments in other entities	**6 597**	**6 417**
- shares or equities in jointly controlled companies	180	-
- shares or equities in other related parties	4 292	4 292
- shares or equities in other entities	2 125	2 125
Total	**792 166**	**739 132**

Equities and shares in companies are classified as available-for-sale financial assets. The carrying amount of such assets as at 31 December 2015 and 31 December 2014 equalled their purchase price. The fair value of these assets cannot be established as there is no active market for them.

As at 31 December 2015, “Investments in associates” included payments to increase equity in the company FB Serwis SA in the amount of PLN 41 650 thousand, and in subsidiaries, i.e. Budimex PPP SA in the amount of PLN 360 thousand, Budimex Autostrada SA in the amount of PLN 240 thousand, and Budimex Most Wschodni SA in the amount of PLN 120 thousand. These payments were not registered in the National Court Register as at the reporting date.

As at 31 December 2014, “Investments in associates” included an unregistered payment to increase equity in the company FB Serwis SA in the amount of PLN 9 800 thousand.

As at 31 December 2015 and 31 December 2014, there were no legal or obligatory restrictions on long-term financial assets.

Change in balance of investments in subsidiaries, associates and other entities

Shares or equities	31.12.2015	31.12.2014
opening balance	739 132	729 332
increases:	58 207	9 800
- purchase / capital increase	58 207	9 800
decreases:	(5 173)	-
- liquidation	(75)	-
- impairment write-down	(5 054)	-
- other	(44)	-
Total	**792 166**	**739 132**

Change in balance of impairment write-downs of investments in subsidiaries, associates and other entities

	31.12.2015	31.12.2014
Opening balance	71 322	71 322
- recognition	5 054	-
- reversal	-	-
Closing balance	**76 376**	**71 322**

In 2015, the Company recognised an impairment write-down in the amount of PLN 5 054 thousand connected with the loss of value of shares of the company Budimex Kolejnictwo SA (reduction of fair value determined using the discounted cash flow method as part of the income valuation approach).

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

SHARES OR EQUITIES IN RELATED PARTIES								
Company name	**registered office**	**area of business activities**	**nature of relationship**	**purchase price of shares/equities**	**revaluation adjustments (total)**	**carrying amount of shares/equities**	**percentage of issued capital held**	**share in the total number of votes at GM**
Budimex Nieruchomości Sp. z o.o.	Warsaw	developer services	subsidiary	717 519	(54 913)	662 606	100.00%	100.00%
Budimex Kolejnictwo SA	Warsaw	construction	subsidiary	8 001	(5 054)	2 947	100.00%	100.00%
Mostostal Kraków SA	Kraków	production and assembly of steel structures	subsidiary	11 156	-	11 156	100.00%	100.00%
Budimex Parking Wrocław Sp. z o.o.	Warsaw	car park management	subsidiary	5 652	-	5 652	100.00%	100.00%
Budimex PPP SA	Warsaw	construction	subsidiary	1 290	-	(*) 1 290	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw	construction	subsidiary	1 810	-	1 810	100.00%	100.00%
Budimex Autostrada SA	Warsaw	construction	subsidiary	682	-	(*) 682	100.00%	100.00%
Budimex Most Wschodni SA	Warsaw	construction	subsidiary	342	-	(*) 342	100.00%	100.00%
Budimex A Sp. z o.o.	Warsaw	construction	subsidiary	175	-	175	100.00%	100.00%
Budimex Bau GmbH	Walluf	construction	subsidiary	120	-	120	100.00%	100.00%
MK Logistic Sp. z o.o. (in liquidation)	Zabrze	transportation services	subsidiary	26	(26)	-	100.00%	100.00%
Dromex Oil Sp. z o.o. (in liquidation)	Warsaw	construction	subsidiary	2 175	(2 175)	-	98.00%	98.00%
Elektromontaż Poznań SA	Poznań	energy infrastructure works	subsidiary	37 543	-	37 543	92.31%	92.31%
Subsidiaries in total				**786 491**	**(62 168)**	**724 323**		
FB Serwis SA	Warsaw	urban waste management	associate	61 055	-	(*) 61 055	49.00%	49.00%
Promos Sp. z o.o.	Kraków	industrial services	associate	191	-	191	26.31%	26.31%
Associates in total				**61 246**	**-**	**61 246**		
Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o.	Warsaw	construction	jointly controlled	179	-	179	30.00%	30.00%
Budimex SA Ferrovial Agroman (UK) Limited-Metro II sp.j.	Warsaw	construction	jointly controlled	1	-	1	40.00%	40.00%
PKZ Budimex GmbH	Cologne / Germany	construction	jointly controlled	50	(50)	-	50.00%	50.00%
Budimex SA Ferrovial Agroman SA Sp. j.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex SA Cadagua SA S.C.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex SA Cadagua SA 2 S.C.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex S.A. Tecnicas Reunidas S.A. – Turów S.C.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex SA Energetyka 1 Sp.j.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex SA Energetyka 2 Sp.j.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex SA Energetyka 3 Sp.j.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex SA Sygnity SA Sp. j.	Warsaw	construction	jointly controlled	-	-	-	67.00%	67.00%
Budimex SA Ferrovial Agroman SA S.C.	Warsaw	construction	jointly controlled	-	-	-	99.98%	99.98%
Budimex SA Budimex Budownictwo Sp. z o.o. S.C.	Warsaw	construction	jointly controlled	-	-	-	99.98%	99.98%
Jointly controlled entities in total				**230**	**(50)**	**180**		
Autostrada Południe SA	Warsaw	construction and exploitation of motorways	other related party	4 292	-	4 292	5.05%	5.05%
Inversora de Autopistas del Levante S.L.	Madrid	construction and exploitation of motorways	other related party	12 404	(12 404)	-	3.16%	3.16%
Other related parties in total				**16 696**	**(12 404)**	**4 292**		
				864 663	**(74 622)**	**790 041**		

(*) the value of shares comprises unregistered payments to increase issued capital

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Company name	registered office	area of business activities	carrying amount of shares/equities
Autostrada Wielkopolska SA	Poznań	construction and management of motorways	2 033
Drogowa Trasa Średnicowa SA	Katowice	construction	52
Agencja Rozwoju Regionu Krakowskiego SA	Kraków	services	30
Agencja Rozwoju Regionalnego SA	Bielsko-Biała	services	6
Megagaz SA	Warsaw	construction	1
Górnicza Spółdzielnia Mieszkaniowa	Cieszyn	property management	-
Other	-	-	3
Total			**2 125**

16. Other financial assets/liabilities

	31.12.2015	31.12.2014
Other financial assets – long-term	**6 666**	**5 908**
- borrowings granted	6 270	5 908
- derivative financial instruments	396	-
Other financial assets – short-term	**2 333**	**34 488**
- derivative financial instruments	784	785
- borrowings granted	1 549	33 703
Total other financial assets	**8 999**	**40 396**
Other financial liabilities – long-term	**5**	**1 433**
- derivative financial instruments	5	1 433
Other financial liabilities – short-term	**736**	**1 562**
- derivative financial instruments	736	1 562
Other financial liabilities – total	**741**	**2 995**

16.1 Derivative instruments

The Company enters into derivative transactions in order to hedge against FX risk. Policies relating to the use of derivative instruments are presented in the risk management policy approved by the Management Board as described in detail in note 7.
Derivative instruments are valued at the reporting date at a reliably determined fair value. The fair value of derivative instruments is estimated using a model based, among others, on currency exchange rates (average NBP rates) prevailing on the reporting date and on differences in interest rates of the quotations and base currencies.
The effects of the periodic valuation of derivative instruments as well as gains and losses determined as at the settlement date are taken to other income or operating expenses of the reporting period, as appropriate.
The fair value and changes in valuation of transactions concluded by the Company and open as at 31 December 2015 and 31 December 2014 are presented in the tables below:

	Financial assets arising from valuation of derivative instruments		Financial liabilities arising from valuation of derivative instruments	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
FX forward contracts	607	427	741	2 995
FX options	573	358	-	-
Total	**1 180**	**785**	**741**	**2 995**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

As at 31 December 2015, the total nominal value of FX forward contracts amounted to EUR 39 574 thousand, while the total nominal value of FX options amounted to EUR 8 613 thousand.
As at 31 December 2014, the total nominal value of FX forward contracts amounted to EUR 43 321 thousand and USD 408 thousand, while the total nominal value of FX options amounted to EUR 9 032 thousand.
Forward selling/buying rate for transactions open as at 31 December 2015 ranged EUR/PLN 4.0640-4.4045 (as at 31 December 2014: EUR/PLN 4.1691-4.2946 and USD/PLN 3.1006-3.1389). The exchange rate applied to exercise the options was EUR/PLN 4.53. Forward transactions open as at 31 December 2015 are to be settled within 30-673 days, while as at 31 December 2014 it was 29-638 days.
As at 31 December 2015 and 31 December 2014, the Company did not apply hedge accounting.

Maturity analysis of other financial assets arising from valuation of derivative instruments

	31.12.2015	31.12.2014
- less than 1 year	784	785
- 1-2 years	396	-
Total	**1 180**	**785**

Maturity analysis of other financial liabilities arising from valuation of derivative instruments

	31.12.2015	31.12.2014
- less than 1 year	736	1 562
- 1-2 years	5	1 433
Total	**741**	**2 995**

Profit / (loss) on derivative financial instruments

The effects of the periodic valuation and settlement of FX forward contracts and FX options are reported in the profit and loss account as part of operating business.

	2015	2014
Gains / (losses) on valuation of FX forward derivative financial instruments and FX options	1 577	(2 125)
Gains / (losses) on realisation of FX forward derivative financial instruments	737	(627)
Total gains / (losses) on derivative instruments recognised as part of operating business (note 32)	**2 314**	**(2 752)**

16.2 Loans granted

Borrowings granted – long-term	31.12.2015	31.12.2014
opening balance	**5 908**	**1 849**
increases:	**13 989**	**4 059**
- borrowing granted	13 670	3 836
- accrued interest	319	223
decreases:	**(13 627)**	**-**
- repayment of the principal and interest	(13 627)	-
Total	**6 270**	**5 908**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Borrowings granted – short-term	**31.12.2015**	**31.12.2014**
opening balance	33 703	3 164
increases:	**10 591**	**39 412**
- borrowing granted	7 963	39 371
- accrued interest	2 628	41
decreases:	**(42 745)**	**(8 873)**
- repayments of the borrowing	(42 745)	(8 820)
- settlement of accrued interest	-	(53)
Total	**1 549**	**33 703**

As at 31 December 2015, the balance of long-term borrowings granted comprises:

- a borrowing granted by Budimex SA to Budimex Parking Wrocław Sp. z o.o. (a subsidiary of Budimex SA) under the agreement dated 19 December 2012. The effective interest rate was 4.83 per cent in 2015 and 5.68 per cent in 2014. The borrowing repayment date is 19 December 2032.

- a borrowing granted to a subsidiary, Budimex Bau GmbH, under the agreement dated 15 January 2015. In 2015, the effective interest rate was 3.00 per cent. The borrowing repayment date is 18 January 2020.

As at 31 December 2015, the balance of short-term borrowings comprises:

- the amount of interest accrued on a borrowing granted by Budimex SA to FBSerwis SA (an associate of Budimex SA) under an agreement dated 24 September 2013. Pursuant to the above agreement, Budimex SA provided FBSerwis with a borrowing in the amount of up to PLN 27 930 thousand. As at the reporting date, the amount of the borrowing was repaid, and the borrowing agreement was terminated under an annex dated 10 December 2015. The effective interest rate was 5.73 per cent in 2015 and 6.30 per cent in 2014.

- the amount of interest accrued on the borrowing granted by Budimex SA to FBSerwis SA under an agreement dated 24 March 2015 in the amount of PLN 17 689 thousand, decreased to the amount of PLN 3 969 thousand under an annex dated 10 December 2015. In 2015; the effective interest rate was 5.73 per cent. The borrowing repayment date is 24 March 2020.

The fair value of the borrowings provided is approximately the same as their carrying value.

17. Trade and other receivables

Long-term trade and other receivables	**31.12.2015**	**31.12.2014**
Prepayments and accruals	11 120	6 513
Total receivables, net	**11 120**	**6 513**
impairment write-down against receivables	-	-
Total receivables, gross	**11 120**	**6 513**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Short-term trade receivables	**31.12.2015**	**31.12.2014**
Trade receivables	315 841	369 191
Taxation, subsidies, customs duties, social security and other benefits	-	-
Advances made	42 550	48 984
Prepayments and accruals	13 119	9 832
Other receivables	7 815	5 512
Total receivables, net	**379 325**	**433 519**
impairment write-down against receivables	118 779	125 582
Total receivables, gross	**498 104**	**559 101**

Prepayments and accruals	**31.12.2015**	**31.12.2014**
- insurance	6 934	2 962
- costs of contracts to be settled over time	3 787	2 848
- other	399	703
Long-term in total	**11 120**	**6 513**
- insurance	8 491	6 553
- costs of contracts to be settled over time	4 040	2 625
- other	588	654
Non-current in total	**13 119**	**9 832**

Change in balance of impairment write-downs against receivables	**31.12.2015**	**31.12.2014**
opening balance	125 582	126 299
increases:	**4 102**	**5 934**
- doubtful and overdue receivables (note 32)	4 064	5 630
- write-offs of receivables not covered by impairment write-downs (note 32)	38	112
- valuation of impairment write-downs in foreign operations	-	192
decreases:	**(10 905)**	**(6 651)**
- repayment of debts by debtors (note 32)	(6 690)	(4 464)
- write-offs of receivables covered by impairment write-downs	(4 065)	(2 075)
- receivables written off with no write-downs	(38)	(112)
- valuation of impairment write-downs in a foreign operation	(112)	-
Impairment write-downs of receivables – closing balance	**118 779**	**125 582**

Maturity analysis of past-due trade receivables

The table below shows the maturity analysis of trade and other receivables which are overdue but not impaired at the reporting date. As at 31 December 2015 and 31 December 2014, there were no overdue other receivables not covered by impairment write-downs.

Past-due trade receivables, outstanding for:	**31.12.2015**	**31.12.2014**
– up to 1 month	29 684	19 241
– 1-3 months	9 428	4 718
– 3-6 months	1 058	5 128
– 6 months to 1 year	2 008	1 346
– above 1 year	28 263	26 584
Total receivables (net)	**70 441**	**57 017**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

There is no credit risk concentration in respect of trade receivables as the Company's main customer is a government agency.
The fair value of trade and other receivables approximates their carrying value. As at 31 December 2015 and 31 December 2014, there were no overdue other receivables not covered by impairment write-downs.
Receivables which were not impaired and not overdue at the reporting date, were not subject to high credit risk concentration.
As at 31 December 2015 and 31 December 2014, no collateral was established on these assets.

18. Inventories

	31.12.2015	31.12.2014
- raw materials	79 035	55 179
- semi-finished goods and work in progress	294	366
- finished goods	-	-
- goods for resale	-	-
Net book value of inventories – closing balance	**79 329**	**55 545**
Inventory impairment write-downs – closing balance	1 717	385
Gross book value of inventories – closing balance	**81 046**	**55 930**

Impairment write-downs against inventories

	2015	2014
Inventory impairment write-downs – opening balance	**385**	**385**
Charged to other operating expenses (note 32)	1 332	-
Reversed to other operating income	-	-
Utilised	-	-
Inventory impairment write-downs – closing balance	**1 717**	**385**

As at 31 December 2015 and 31 December 2014, there were no legal or obligatory restrictions on inventories. The Company did not hold interest capitalised in inventories.

The expected time for consumption of the entire inventories as at 31 December 2015 and 31 December 2014 is no longer than 12 months.

19. Cash and cash equivalents

	31.12.2015	31.12.2014
Cash in hand	23	4
Cash at bank	1 980 590	1 402 638
- current accounts	47 931	15 420
- overnight (one-day) deposits	1 928 342	157 100
- other deposits	4 317	1 230 118
Other cash	2 523	1 328
Total cash and cash equivalents	**1 983 136**	**1 403 970**
Cash and cash equivalents of restricted use	(47 770)	(42 036)
Cash recognised in the statement of cash flows	**1 935 366**	**1 361 934**

The balance of cash and cash equivalents of restricted use consists of cash of the consortia in the portion attributable to other consortium members.

Short-term bank deposits and investments of high liquidity included in cash and cash equivalents consist mainly of "overnight" deposits and short-term deposits with a maturity date of 2-365 days with an average effective interest rate as at 31 December 2015 of 1.7 per cent per annum for deposits in PLN (as at 31 December 2014: 2.01 per cent p.a. for deposits in PLN). The average maturity period for these deposits is 76 days (31 December 2014: 36 days).

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

20. Equity

Issued capital of the Company consists of 25 530 098 shares of a total value of PLN 127 650 thousand. The structure of the Company's issued capital as at 31 December 2015 is as follows:

Series / issue	Type of shares	Type of preference	Type of limitations of rights to shares	Number of shares	Value of series / issue at nominal value
A	ordinary/ registered	None	None	2 350	12
A	ordinary/bearer	None	None	2 997 650	14 988
B	ordinary/bearer	None	None	2 000 000	10 000
C	ordinary/bearer	None	None	1 900 285	9 501
D	ordinary/bearer	None	None	1 725 072	8 625
E	ordinary/bearer	None	None	2 000 000	10 001
F	ordinary/bearer	None	None	5 312 678	26 563
G	ordinary/bearer	None	None	2 217 549	11 088
H	ordinary/bearer	None	None	1 448 554	7 243
I	ordinary/bearer	None	None	186 250	931
K	ordinary/bearer	None	None	1 484 693	7 423
L	ordinary/bearer	None	None	4 255 017	21 275
Total				**25 530 098**	**127 650**

The number of shares making up the approved issued capital equates to the number of the shares issued. The nominal value of one share is PLN 5. The Company does not hold treasury shares. No shares were retained in connection with the share issue for the exercise of options and agreements on sale.

At the date of transition to IFRS, the Company adjusted the issued capital and share premium for the period in which the Polish economy was hyperinflationary. The effects of translation and reconciliation of values shown in the books of account and corporate documents of the Company as at 31 December 2015 and 31 December 2014 with values reported in the financial statements are presented in the table below:

	31.12.2015	31.12.2014
Issued capital	**127 650**	**127 650**
Translation of capital due to hyperinflation	18 198	18 198
Value disclosed in the financial statements	**145 848**	**145 848**

Share premium	31.12.2015	31.12.2014
Capital as per books of account	**78 119**	**78 119**
Translation of capital due to hyperinflation	2 080	2 080
Value disclosed in the financial statements	**80 199**	**80 199**

The value by which the issued capital and share premium were adjusted above their nominal value in connection with hyperinflation was recognised in equity under "retained profit (loss) from prior years".

Other reserves	31.12.2015	31.12.2014
Statutory	42 550	42 550
Established according to statute/articles of association, above the statutory (minimum) value of revaluation	4 244	10 052
Actuarial gains (losses)	(1 762)	(1 321)
Share-based payments	7 351	6 713
- other	1 526	1 526
Total	**53 909**	**59 520**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Retained earnings (losses)	31.12.2015	31.12.2014
Adjustments in accordance with IFRS	-	(5 808)
Retained earnings as reserve capital	745	665
Current year result	208 008	156 069
Total	**208 753**	**150 926**

21. Loans, borrowings and other external sources of financing

	31.12.2015	31.12.2014
Long-term		
Finance lease liabilities	11 551	12 313
	11 551	**12 313**
Short-term		
Bank loans and borrowings	8 754	8 662
Interest accrued on short-term loans and borrowings	6	8
Finance lease liabilities	9 622	11 731
	18 382	**20 401**
Total	**29 933**	**32 714**

21.1 Bank loans and borrowings

Based on an agreement dated 1 December 2004, Budimex SA received from Ferrovial Infraestructuras SA (currently Cintra Infraestructuras SA) a borrowing in the amount of EUR 1 500 thousand; the purpose of the borrowing was to cover the increase in the issued capital of Inversora de Autopistas del Levante S.L. The company Inversora de Autopistas del Levante, S.L. was incorporated on 23 June 2004 as the sole shareholder of Autopista Madrid Levante Concesionaria Española, SA. The main area of business activities of this company is highway building, maintenance and operating a paid motorway Ocaña – La Roda and a free of charge carriageway A–42, section N301, Atalaya del Cañavate. In accordance with the provisions of the agreement, the borrowing was granted for a period of 12 months from the agreement date with the possibility to extend the term. In the case of sale of the shares in Inversora de Autopistas del Levante S.L., the borrowing will become immediately due and payable. On 1 December 2015, the repayment date was extended for one more year and the amount of the borrowing was increased by the amount of interest accrued as at that date.

The carrying amount of the borrowing is approximately the same as its fair value.
At the same time, as at 31 December 2015 and 31 December 2014, the Company had overdraft facility agreements with the banks which were not used as at the reporting date.
In the period covered by the financial statements there were no cases of default connected with the obligations of repayment of the principal amount or interest or compliance with terms and conditions of the borrowing referred to above. The Company did not breach or renegotiate the terms of the borrowing before the date of approval of these financial statements.

21.2 Finance lease liabilities

The Company signed finance lease agreements for the use of construction equipment and machines and motor vehicles with Millennium Leasing Sp. z o.o. and Konica Minolta Business Solutions Sp. z o.o. (the “Lessor”). As at 31 December 2015, the net value of machines used under finance lease was PLN 27 551 thousand, of motor vehicles: PLN 1 814 thousand and of the assets: PLN 21 thousand (note 10). Leased assets were made available for a period of 36-60 months. After the end of the above lease terms and after covering its liabilities, the Company will have the right to acquire some of the leased assets for a price equivalent to their exit value. The contractual liabilities are partly secured with a blank bill of exchange issued by the Company together with a written authorisation for its drawing. Future minimum lease payments under the above lease agreements and the current value of minimum net lease payments as at 31 December 2015 are as follows:

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	Minimum lease payments	Current value of minimum lease payments
- less than 1 year	10 305	9 622
- 1-5 years	12 283	11 551
Finance lease liabilities, total	**22 588**	**21 173**
of which: future finance costs under finance lease	(1 415)	-
Current value	**21 173**	**21 173**

The Company has the right to early repayment of the remaining amounts of finance lease liabilities. Lease contracts do not provide for penalties for early repayment of lease liabilities.

Risk of interest rate fluctuations

The effective interest rates as at 31 December 2015 and 31 December 2014 were as follows:

	31.12.2015		31.12.2014	
	PLN	EUR	PLN	EUR
Bank loans and borrowings	-	1.08%	-	1.08%
Finance lease liabilities	3.03%	-	3.52%	-

22. Trade and other liabilities

	31.12.2015	31.12.2014
Trade liabilities	250 034	259 054
Uninvoiced costs	463 364	445 347
Taxation and social security liabilities	61 149	93 428
Liabilities relating to settlement of consortia	41 490	35 149
Payroll	4 954	4 477
Accrued expenses	194 727	190 447
Other liabilities	3 419	2 204
Total liabilities	**1 019 137**	**1 030 106**

Accrued expenses	31.12.2015	31.12.2014
- bonuses	147 690	147 710
- holiday pay	34 210	32 590
- costs of contract completion	12 784	9 934
- other	43	213
Total	**194 727**	**190 447**

All trade liabilities and other liabilities as at 31 December 2015 and 31 December 2014 were recognised under current liabilities as they will be settled in the course of the normal operating cycle of the Company.
The financial liabilities comprise trade liabilities, uninvoiced costs, payroll, liabilities relating to settlement of consortia as well as accruals related to unused holidays and employee bonuses.
The non-financial liabilities include taxation and social security liabilities, accruals connected with costs of contract completion as well as other liabilities.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

23. Deferred income tax

	31.12.2015	31.12.2014
Deferred tax assets		
- to be realised after 12 months	214 597	238 017
- to be realised within 12 months	230 523	155 350
Total	**445 120**	**393 367**
Offsetting	(43 296)	(47 340)
Deferred tax assets,	**401 824**	**346 027**

Deferred tax liabilities		
– to be settled after 12 months	11 750	32 259
– to be settled within 12 months	31 546	15 081
Total	**43 296**	**47 340**
Offsetting	(43 296)	(47 340)
Deferred tax liability,	**-**	**-**

Changes in net balance of deferred tax are as follows:

	2015	2014
Opening balance	**346 027**	**320 564**
Credited / (charged) to financial result (note 34)	55 694	25 290
Credited / (charged) to other comprehensive income	103	173
Closing balance	**401 824**	**346 027**

Deferred tax assets and deferred tax liabilities are recognised in respect of taxable and deductible temporary differences relating to local items of assets and liabilities using the 19 per cent tax rate, while in respect of temporary differences relating to the assets or liabilities of foreign operations – using the local tax rates of the country representing the main economic environment in which the given entity conducts operations and pays corporate income tax.

As at 31 December 2015, there were no deductible temporary differences for which no deferred tax assets were recognised in the statement of financial position (as at 31 December 2014, such deductible temporary differences amounted to PLN 423 thousand and were connected with receivables impairment write-downs).

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	Provision for contract losses	contract costs connected with deferred revenues	Provision for uninvoiced costs of services	receivables impairment write-downs	valuation of construction contracts	tax loss	Provision for bonuses	provision for unused holidays	provision for jubilee bonuses and severance benefits	provision for warranty repairs	other provisions for liabilities	other	Total
Balance of deferred tax assets as at 01.01.2014	**39 715**	**39 561**	**42 872**	**12 853**	**91 912**	**27 730**	**21 229**	**4 918**	**787**	**30 324**	**36 564**	**11 425**	**359 890**
Increases:	**45 214**	**-**	**-**	**-**	**-**	**-**	**6 442**	**993**	**239**	**5 834**	**9 374**	**-**	**68 096**
temporary differences recognised in comprehensive income	-	-	-	-	-	-	-	-	173	-	-	-	173
recognised in profit or loss in connection with change in temporary differences	45 214	-	-	-	-	-	6 442	993	66	5 834	9 374	-	67 923
Decreases:	**-**	**1 003**	**401**	**141**	**2 255**	**27 730**	**-**	**-**	**-**	**-**	**-**	**3 089**	**34 619**
charged to financial result in connection with change in balance of temporary differences	-	1 003	401	141	2 255	27 730	-	-	-	-	-	3 089	34 619
Balance of deferred tax assets as at 31.12.2014	**84 929**	**38 558**	**42 471**	**12 712**	**89 657**	**-**	**27 671**	**5 911**	**1 026**	**36 158**	**45 938**	**8 336**	**393 367**
Increases:	**34 662**	**-**	**-**	**-**	**25 031**	**-**	**-**	**70**	**168**	**3 535**	**5 073**	**86**	**68 625**
temporary differences recognised in comprehensive income	-	-	-	-	-	-	-	-	103	-	-	86	189
recognised in profit or loss in connection with change in temporary differences	34 662	-	-	-	25 031	-	-	70	65	3 535	5 073	-	68 436
Decreases:	**-**	**12 848**	**1 176**	**917**	**-**	**-**	**123**	**-**	**-**	**-**	**-**	**1 808**	**16 872**
charged to financial result in connection with change in balance of temporary differences	-	12 848	1 176	917	-	-	123	-	-	-	-	1 808	16 872
Balance of deferred tax assets as at 31.12.2015	**119 591**	**25 710**	**41 295**	**11 795**	**114 688**	**-**	**27 548**	**5 981**	**1 194**	**39 693**	**51 011**	**6 614**	**445 120**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	valuation of construction contracts	unrealised exchange gains	accrued interests	lease	valuation of derivative instruments	discount of retentions	other	Total
Balance of deferred tax assets as at 01.01.2014	**27 489**	**82**	**155**	**7 642**	**5**	**3 659**	**294**	**39 326**
Increases:	**5 179**	**-**	**126**	**-**	**82**	**-**	**4 534**	**9 921**
recognised in financial result in connection with change in balance of temporary differences	5 179	-	126	-	82	-	4 534	9 921
Decreases:	**-**	**39**	**-**	**497**	**-**	**1 371**	**-**	**1 907**
charged to financial result in connection with change in balance of temporary differences	-	39	-	497	-	1 371	-	1 907
Balance of deferred tax assets as at 31.12.2014	**32 668**	**43**	**281**	**7 145**	**87**	**2 288**	**4 828**	**47 340**
Increases:	**-**	**-**	**511**	**-**	**137**	**813**	**-**	**1 461**
recognised in financial result in connection with change in balance of temporary differences	-	-	511	-	137	813	-	1 461
Decreases:	**3 458**	**2**	**-**	**748**	**-**	**-**	**1 297**	**5 505**
charged to financial result in connection with change in balance of temporary differences	3 458	2	-	748	-	-	1 297	5 505
Balance of deferred tax assets as at 31.12.2015	**29 210**	**41**	**792**	**6 397**	**224**	**3 101**	**3 531**	**43 296**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

24. Liabilities arising from retirement benefits and similar obligations

As at 31 December 2015 and 31 December 2014, the Company's employees took advantage of the retirement severance payment. Retirement severance payments are provided to the employees on a one-off basis, upon retirement. The amount of the severance benefit due is the product of the base of benefit calculation at the date of entitlement and the appropriate cumulative ratio (progressing in proportion to the years of service).

Usually, the Company's obligation to pay the retirement severance payment entails the actuarial risk consisting of:

Interest rate risk – the present value of liabilities under the retirement benefits and similar obligations is calculated using the discount rate established by reference to the profitability of T-bonds available on the market, as in Poland there are no liquid commercial bonds with a low level of risk. In the case of a decrease in the interest rates of the bonds, the liabilities under the retirement benefits and similar obligations increase.

Remuneration risk – the present value of liabilities under retirement benefits and similar obligations is calculated by reference to the future level of remunerations of the Company employees. Thus, an increase in employee remuneration will result in an increase in liabilities under the retirement benefits.

Risk of longevity – the present value of liabilities under retirement benefits and similar obligations is calculated by reference to the best estimates of employee mortality during employment. Lengthening of the expected employee life will result in an increase in liabilities under the retirement benefits.

Risk of changes to retirement age – the present value of liabilities under retirement benefits and similar obligations is calculated on the basis of the retirement age as applicable in Poland. In the event of further postponement of the retirement age, the present value of liabilities under retirement benefits will decrease.

Liabilities under employee benefits recognised in the statement of financial position:

	31.12.2015	31.12.2014
Retirement severance payments, of which:	6 284	5 399
– current value of the obligation at the reporting date	6 284	5 399
– actuarial gains / (losses) not recognised at the reporting date	-	-
– past service costs not recognised at the reporting date	-	-
Total liabilities arising under retirement benefits and similar obligations	**6 284**	**5 399**
of which:		
- long-term portion	5 358	4 407
- short-term portion	926	992

Main actuarial assumptions (the table below shows the ranges of rates adopted by the actuary):

	31.12.2015	31.12.2014
Discount rate	1.51% – 2.33%	1.61% – 2.38%
Forecast inflation rate	-0.8% – 1.5%	1.1% – 1.6%
Forecast remuneration increase rate	4.50% – 5.60%	3.50% – 4.60%

Assumptions regarding mortality are based on 2013 Life Expectancy Tables for Poland for 2013 as published by the Central Statistical Office (with respect to the valuation as at 31 December 2015 and 2014).

The last valuation of employee benefits was made by an independent actuary as at 31 December 2015.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Changes in the balance of liabilities under retirement severance payments are presented in the table below.

	2015	2014
Current value of the obligation – opening balance	**5 399**	**4 143**
Interest costs	101	131
Employment costs	551	432
Benefits paid	(311)	(216)
Actuarial (gains) / losses, of which:	544	909
- change in the assumptions	647	998
- other	(103)	(89)
Current value of the obligation at the end of the period	**6 284**	**5 399**

Costs of future employee benefits charged to the profit and loss account are as follows:

	2015	2014
Employment costs	551	432
Interest costs	101	131
Costs recognised in the profit and loss account - administrative expenses (note 31)	**652**	**563**
Actuarial (gains) / losses to be recognised in the period	544	909
Costs recognised in other comprehensive income	**544**	**909**

Sensitivity analysis

Significant actuarial assumptions applied to calculate the liabilities under retirement benefits include the discount rate, expected remuneration increase and staff turnover.

Analysis of sensitivity to fluctuations in interest rates

An increase in the assumed discount rate by 1 percentage point would result in an increase in retirement benefits and similar obligations by PLN 711 thousand, while a decrease in the assumed discount rate by 1 percentage point would bring about an increase in retirement benefits and similar obligations by PLN 890 thousand.

Analysis of sensitivity to fluctuations in remuneration growth rates

An increase in the assumed remuneration growth rate by 1 percentage point would result in an increase in retirement benefits and similar obligations by PLN 849 thousand, while a decrease in the assumed remuneration growth rate by 1 percentage point would bring about a decrease in retirement benefits and similar obligations by PLN 697 thousand.

Analysis of sensitivity to staff turnover

An increase in the assumed staff turnover by 1 percentage point would result in a decrease in retirement benefits and similar obligations by PLN 776 thousand, while a decrease in the assumed staff turnover by 1 percentage point would bring about an increase in retirement benefits and similar obligations by PLN 971 thousand.

The above analysis does not need to be a representative presentation of the actual movements in the level of the retirement benefits and similar obligations. It is not very likely that the changes of certain assumptions occur separately, as some of the assumptions may be correlated.
Methods and assumptions used to perform the sensitivity analysis did not change significantly as compared to the previous year.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

25. Provisions for liabilities and other charges

Warranty repairs	**31.12.2015**	**31.12.2014**
opening balance	154 125	125 307
creation	48 518	63 685
reversal:	49 148	34 867
- revision of value	7 767	15 869
- transfer to current provisions	41 381	18 998
Total other long-term provisions	**153 495**	**154 125**

Non-current provisions for liabilities and other charges	**31.12.2015**	**31.12.2014**
Legal proceedings		
opening balance	**25 629**	**35 703**
creation	779	3 689
utilisation	-	1 733
reversal	318	12 030
closing balance	**26 090**	**25 629**
Warranty repairs		
opening balance	**39 575**	**38 269**
creation	755	-
transfer from long-term provisions	41 381	18 998
utilisation	22 392	17 692
closing balance	**59 319**	**39 575**
Provisions for penalties / compensations		
opening balance	**38 683**	**39 005**
creation	11 212	12 324
utilisation	-	3 010
reversal	4 340	9 636
closing balance	**45 555**	**38 683**
Restructuring		
opening balance	**2 769**	**2 769**
utilisation	-	-
reversal	2 769	-
closing balance	**0**	**2 769**
Total other current provisions	**130 964**	**106 656**

Creation / (reversal) of provisions for litigation, compensations and of restructuring provisions was recognised under other operating expenses (note 32), while creation / (reversal) of provisions for warranty repairs – under operating expenses.

26. Construction contracts

The below data relate to construction contracts valued by the Company in accordance with the percentage of completion method.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Selected data – statement of financial position

	31.12.2015	31.12.2014
Assets		
Amounts due and receivable from customers under construction contracts, of which:	155 241	165 648
- contract valuation	155 241	165 648
Liabilities		
Amounts due and payable to customers under construction contracts, of which:	1 229 015	910 183
- contract valuation	599 589	463 187
- provision for contract losses	629 426	446 996
Advances for construction contracts in progress received (note 27)	**459 556**	**245 101**

The fair value of amounts due and receivable from customers as well as those due and payable to customers under construction contracts approximates their carrying value.

Selected data – profit and loss account

	2015	2014
Revenues from construction contracts	4 596 076	4 399 783
Cost of construction contracts	4 231 978	4 080 242
Gross profit	**364 098**	**319 541**

27. Deferred income

	31.12.2015	31.12.2014
- advances for construction contracts in progress	459 556	245 101
- other	5 060	2 885
Total	**464 616**	**247 986**

All advances received as accrued and other deferred income at 31 December 2015 and 31 December 2014 were recognised under current liabilities as they will be settled in the course of the normal operating cycle of the Company.

28. Retentions for construction contracts

	31.12.2015	31.12.2014
Retained by customers – to be returned after 12 months	35 404	35 616
Retained by customers – to be returned within 12 months	25 649	20 044
Total retentions for construction contracts retained by customers	**61 053**	**55 660**
Received from suppliers – to be returned after 12 months	196 185	165 288
Received from suppliers – to be returned within 12 months	158 641	191 520
Total retentions for construction contracts kept for suppliers	**354 826**	**356 808**

Retentions for construction contracts with a payment date of more than one year are discounted and are recognised in the statement of financial position at current value. The table below shows the results of discounting recognised in the statement of financial position and profit and loss accounts of the Company in specific periods. The amounts of discount appropriately reduce the nominal value of receivables and liabilities under retentions for construction contracts. In addition, a deferred tax asset is recognised in the statements of financial position on the amounts stated calculated using the tax rate prevailing in Poland, i.e. 19 per cent, and on the effect of change in the value of discount in the profit and loss account.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	31.12.2015	31.12.2014
Discount of long-term retentions for construction contracts held by customers	897	934
Discount of long-term retentions for construction contracts received from suppliers	16 322	12 043

Amount of discount recognised in the profit and loss account:

	2015	2014
Decrease in sales revenues	(767)	(465)
Reduction in the cost of services sold	9 941	10 247
Total adjustment to gross margin	**9 174**	**9 782**
Adjustment to finance income / (costs) (note 33)	(4 858)	(15 794)
Deferred tax on above adjustments	(820)	1 142
Net effect on the profit and loss account	**3 496**	**(4 870)**

The fair value of retentions held by the customers and received from suppliers approximates their respective carrying values.

Maturity analysis of overdue retentions for construction contracts (nominal value before discounting)

The table below shows the maturity analysis of retentions for construction contracts which are overdue, but not impaired at the reporting date:

	31.12.2015	31.12.2014
– up to 1 month	435	1 816
– 1-3 months	691	213
– 3-6 months	1 472	358
– 6 months to 1 year	500	1 104
– above 1 year	1 467	6 632
Total overdue retentions for construction contracts	**4 565**	**10 123**

Change in balance of impairment write-downs of retentions kept by customers	**31.12.2015**	**31.12.2014**
opening balance	7 660	8 200
increases:	-	-
decreases:	(2 936)	(540)
- repayment of debts by debtors (note 32)	(2 936)	(540)
Impairment write-downs of receivables – closing balance	**4 724**	**7 660**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

29. Sales revenues

Net sales revenues – by type	**2015**	**2014**
revenues from sales of construction and assembly services	4 743 249	4 516 747
revenues from sales of other services	20 700	29 878
revenues from sales of finished goods	-	-
revenues from sales of goods for resale and raw materials	4 726	6 140
Total net sales revenues	**4 768 675**	**4 552 765**

30. Costs by type

	2015	**2014**
Depreciation / Amortisation, of which:	19 408	20 269
– property, plant and equipment (note 10)	*17 703*	*18 908*
– investment properties (note 11)	*165*	*124*
– intangible assets (note 13)	*1 540*	*1 237*
Employee benefit costs (note 31)	589 030	546 627
Consumption of materials and energy	1 119 356	1 166 398
External services	2 282 549	2 197 269
Taxes and charges	2 802	2 182
Advertising and representation expenses	2 950	2 889
Life and non-life (property) insurance	9 346	10 588
Change in the balance of the provision for construction contract losses (note 26)	182 430	237 971
Other costs by type	328 933	187 606
Selling expenses (negative value)	(11 157)	(10 884)
Administrative expenses (negative value)	(172 749)	(161 892)
Change in the balance of finished goods and work in progress	64	(271)
Cost of goods produced for the entity's own use (negative value)	-	-
Cost of finished goods and services sold	**4 352 962**	**4 198 752**
Value of goods for resale and raw materials sold	2 220	1 304
Cost of finished goods, services, goods for resale and raw materials sold	**4 355 182**	**4 200 056**

31. Employee benefit costs

	2015	**2014**
Costs of remuneration, of which:	**496 053**	**464 529**
- costs of retirement benefits (note 24)	*652*	*563*
- costs of share-based payments (note 38)	*2 125*	*2 195*
- severance payments	*2 033*	*1 358*
Costs of social security benefits and other allowances, of which:	**92 977**	**82 098**
- social security	*71 270*	*60 330*
- severance payments	*331*	*202*
Total costs of employee benefits recognised in costs by type (note 30)	**589 030**	**546 627**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

32. Other operating income and expenses

Other operating income	**2015**	**2014**
Profit on disposal of non-financial non-current assets	13 920	1 492
Reversal of impairment write-downs, of which:	9 626	5 004
– receivables (following repayment of amounts due by debtors) (note 17, 28)	*9 626*	*5 004*
Reversal of provisions, of which:	7 427	21 666
– for legal proceedings (note 25)	*318*	*12 030*
– for penalties and sanctions (note 25)	*4 340*	*9 636*
– restructuring (note 25)	*2 769*	-
Penalties / compensations received	14 647	26 591
Write-off of time-barred liabilities	3 682	1 751
Gain on derivative financial instruments (note 16.1)	2 314	-
- other	585	975
Total	**52 201**	**57 479**

Other operating expenses	**2015**	**2014**
Impairment write-downs, of which:	5 434	5 742
– receivables (note 17)	*4 102*	*5 742*
– inventories (note 18)	*1 332*	-
Creation of provisions, of which:	11 991	16 013
– for legal proceedings (note 25)	*779*	*3 689*
– for penalties and sanctions (note 25)	*11 212*	*12 324*
Compensations and liquidated damages paid	14 753	9 228
Court charges and executions, costs of litigation	944	1 381
Loss on derivative financial instruments (note 16.1)	-	2 752
– other	856	726
Total	**33 978**	**35 842**

33. Finance income and finance costs

Finance income	**2015**	**2014**
Interest earned on financial instruments, of which:	24 811	18 574
– on bank deposits and cash on bank accounts	*21 865*	17 509
– on borrowings granted	*2 946*	1 065
Other interest income, of which:	5 409	8 875
– interest income on discounts received and penalty interest	*5 396*	8 867
– other	*13*	8
Profit on disposal of financial assets available for sale	1 836	-
Dividends and shares in profits	11 361	41
Exchange gains	251	-
Total	**43 668**	**27 490**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Finance costs	2015	2014
Interest expense in respect of financial instruments, of which:	758	1 046
– interest on borrowings, loans and other external sources of finance taken out	*90*	*104*
– interest on lease contracts	*668*	*942*
Other interest expense, of which:	1 551	2 513
– penalty interest paid to suppliers and interest on discounts	*1 217*	*2 504*
– other interest	*334*	*9*
Revaluation of financial assets	5 054	-
Exchange losses net	-	357
Discount of retentions for construction contracts (note 28)	4 858	15 794
Cost of bank commissions and guarantees	20 011	13 431
- other	337	-
Total	**32 569**	**33 141**

In 2015, the Company recognised an impairment write-down in the amount of PLN 5 054 thousand connected with the loss of value of shares of Budimex Kolejnictwo SA. The recoverable amount was determined on the base of the value-in-use.

34. Income tax

	2015	2014
Gross profit (loss)	258 909	195 919
Differences between gross profit (loss) and income tax base (by type):	287 175	266 122
- permanent differences between gross profit and taxable income	2 889	3 803
- temporary differences between gross profit and taxable income	296 681	272 412
- other differences	(12 395)	(10 093)
Income tax base	546 084	462 041
Income tax according to enacted tax rate of 19 per cent	103 756	87 788
Income tax paid in respect of profits generated abroad	1 622	3 999
Tax increases, abandonments, exemptions, deductions and reductions	1 135	(27 579)
Adjustments to prior periods' income tax	82	932
Current income tax	**106 595**	**65 140**

	2015	2014
Current income tax	106 595	65 140
Deferred tax (note 23)	(55 694)	(25 290)
Charge on / (credit to) the financial result	**50 901**	**39 850**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

The Company's income tax on profit before taxation differed from the notional amount that would be recognised in the case of the application of the weighted average tax rate in the following manner:

	2015	2014
Pre-tax profit / (loss)	**258 909**	**195 919**
Tax calculated using national tax rates	49 193	37 225
Differences in taxation of revenues of foreign operations	(394)	(320)
Adjustments to prior periods' current tax	82	932
Tax effects of permanent differences between gross profit and taxable income	549	723
Utilisation of tax losses or deductible temporary differences not recognised previously	(212)	(372)
Deductible temporary differences, unused tax losses and unused tax reliefs for which no deferred tax assets were recognised in the statement of financial position	43	423
Charge on / (credit to) the financial result on account of tax on industrial and commercial business operations in Germany	1 640	1 239
Income tax charge on / (credit to) the financial result	**50 901**	**39 850**
Effective tax rate	*19.66%*	*20.34%*

35. Earnings (loss) per share

Basic

Basic earnings / (loss) per share are calculated as the quotient of net profit/ (loss) and weighted average number of ordinary shares during the year (note 20).

	2015	2014
Net profit / (loss)	208 008	156 069
Weighted average number of ordinary shares	25 530 098	25 530 098
Basic earnings / (loss) per share (in PLN per share)	**8.15**	**6.11**

Diluted

Diluted earnings / (loss) per share equated to basic earnings per share in both periods.

36. Dividend per share

On 25 May 2015, the Company paid a dividend in the amount of PLN 155 989 thousand. To pay the dividend, the Company used the individual net profit for the period from 1 January 2014 to 31 December 2014, i.e. PLN 6.11 gross per share.

Until the date of preparation of these financial statements for the year ended 31 December 2015, the Management Board of Budimex SA has not made a resolution in respect of profit appropriation for the year 2015.

37. Statement of cash flows

Other adjustments to the operating activities section of the statement of cash flows cover the following items:

	2015	2014
Foreign exchange differences on the translation of foreign operations	123	21
Share-based payments (note 38)	638	1 343
- other	(89)	(615)
Total	**672**	**749**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Non-monetary transactions

In 2015, non-monetary transactions relating to investing and financing activities not recognised in the statement of cash flows related solely to increases and decreases of property, plant and equipment with a value of PLN 386 thousand under finance lease agreements and financial asset impairment write-down amount of PLN 5 054 thousand (note 15).

In 2014, non-monetary transactions relating to investing and financing activities not recognised in the statement of cash flows related solely to the acquisition of property, plant and equipment with a value of PLN 7 391 thousand under finance lease agreements.

38. Share-based payments

In 2010 Ferrovial SA established a performance share plan, which is classified as a share-based payment transaction settled under equity instruments.

According to the plan, each year the members of the Management Board and senior management of Budimex SA are granted shares in Ferrovial SA. Such shares will be finally settled three years after the grant date, subject to the following conditions:

- beneficiaries must be contractually employed by company for a 3-year period after the vesting date, except for the special situations given,
- achievement of specified cash-flow ratios and relation between gross operating profit and net production assets,
- the level of ratios required for being granted the total or a proportionate number of shares is set every year.

As at 31 December 2015, the total fair value of services recorded under other reserves was PLN 7 351 thousand, and as at 31 December 2014 – PLN 6 713 thousand. As at 31 December 2015, the total fair value of services recorded under liabilities amounted to PLN 2 339 thousand, and as at 31 December 2014 – PLN 852 thousand.

Pursuant to an agreement executed with the Ferrovial Group in 2014, Budimex SA undertook to cover the programme costs with respect to the tranche of instruments granted in 2014 and later on. Therefore, the fair value of the employee services, related with the instruments granted in 2015 and 2014 was classified as liabilities (correspondingly as an expense).

Detailed information on shares vested since the launch of the plan is presented in the table below:

	Number of initially granted shares	Grant date	Fair value of 1 share at grant date (PLN)	Achievement of specific financial results	Discount rate adopted	Cost of shares granted*
2015	40 343	15-02-2015	76.93	100%	5%	2 125
2014	50 200	11-02-2014	59.94	100%	5%	2 195
2013	48 464	15-02-2013	51.84	100%	5%	2 665
2012	55 650****	12-02-2012	38.84	100%	5%	1 422
2011	50 900***	28-02-2011	33.98	100%	5%	1 027
2010	41 800**	31-03-2010	24.47	100%	5%	256
Total	287 357	-	-	-	-	**9 690**

*cost for the specific financial years was calculated as follows:

- 2010 – 9/36th of the cost of shares granted in 2010,
- 2011 – 12/36th of the cost of shares granted in 2010 and 10/36th of the cost of shares granted in 2011,
- 2012 – 12/36th of the cost of shares granted in 2010, 12/36th of the cost of shares granted in 2011 and 10/36th of the cost of shares granted in 2012,
- 2013 – 3/36th of the cost of shares granted in 2010, 12/36th of the cost of shares granted in 2011, 12/36th of the cost of shares granted in 2012 and 10/36th of the cost of shares granted in 2013,
- 2014 – 2/36th of the cost of shares granted in 2011, 12/36th of the cost of shares granted in 2012, 12/36th of the cost of shares granted in 2013 and 10/36th of the cost of shares granted in 2014,
- 2015 – 2/36th of the cost of shares granted in 2012, 12/36th of the cost of shares granted in 2013, 12/36th of the cost of shares granted in 2014 and 10/36th of the cost of shares granted in 2015.

**The three-year vesting period for shares granted in 2010 ended in March 2013. As the conditions were satisfied, 59 800 shares in Ferrovial SA were formally handed over to the employees entitled to obtain such shares in this tranche. The number of shares actually granted differs from the originally defined number due to adjustments made at a later date.
*** The three-year vesting period for shares granted in 2011 ended in March 2014. As the conditions were satisfied, 59 800 shares in Ferrovial SA were formally handed over to the employees entitled to obtain such shares in this tranche. The number of shares actually granted differs from the originally defined number due to adjustments made at a later date.
**** The three-year vesting period for shares granted in 2012 ended in March 2015. As the conditions were satisfied, 49 650 shares in Ferrovial SA were formally handed over to the employees entitled to obtain such shares in this tranche. The number of shares actually granted differs from the originally defined number due to adjustments made at a later date.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

39. Related party transactions

The Company did not conclude transactions with related parties on a basis other than arms' length.

Transactions with related parties concluded in 2015 and 2014 and the amount of outstanding balances of receivables and liabilities with these parties as at 31 December 2015 and 31 December 2014 are presented below.

	Receivables		Liabilities	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
The parent company and related entities of the parent (the Ferrovial Group)	22 111	23 989	100 925	99 649
Subsidiary companies	62 763	58 467	19 013	8 090
Associates	210	730	118	98
Jointly controlled entities	1 197	959	833	727
Other related parties*	3	34	-	8 128
Total	**86 284**	**84 179**	120 889	116 692

	Borrowings granted		Borrowings received	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
The parent company and related entities of the parent (the Ferrovial Group)	-	-	8 760	8 670
Subsidiary companies	6 270	20 623	-	-
Associates	1 549	18 988	-	-
Total	**7 819**	**39 611**	**8 760**	**8 670**

	Revenue from sale of finished goods and services and other operating income		Purchase of finished goods and services	
	2015	**2014**	**2015**	**2014**
The parent company and related entities of the parent (the Ferrovial Group)	71 554	20 757	103 674	32 216
Subsidiary companies	462 486	420 790	39 517	48 821
Jointly controlled entities	320	1 247	106	-
Associates	603	834	305	207
Other related parties*	4	158	3	720
Total transactions with related parties	**534 967**	**443 786**	**143 605**	**81 964**

	Finance income		Finance costs	
	2015	**2014**	**2015**	**2014**
The parent company and related entities of the parent (the Ferrovial Group)	-	-	90	104
Subsidiary companies	12 423	272	-	-
Jointly controlled entities	-	-	-	-
Associates	1 849	817	-	-
Total transactions with related parties	**14 272**	**1 089**	**90**	**104**

*) Other related parties comprise also entities on which the key management person of the Company or his close relative exercises significant influence.

Transactions with related parties were concluded on an arm's length basis.

In the table above, included under "Parent company and related entities of the parent (the Ferrovial Group)" is financial data relating to transactions with Ferrovial Agroman SA (the sole owner of the Parent Company of Budimex SA, i.e. Valivala Holdings BV), including with Ferrovial Agroman SA Oddział w Polsce [Branch in Poland] and other Ferrovial Group companies: Cintra Infraestructuras SA, Tecpresa SA, Cadagua SA and Cadagua SA Oddział w Polsce [Branch in Poland].

In 2010, Budimex SA signed two agreements with Ferrovial Agroman SA under which Ferrovial renders to the Company services relating to maintenance and development of IT and staff secondment. In connection with the performance of those agreements, in 2015 Budimex SA incurred costs of PLN 2 236 thousand and PLN 5 416 thousand, while in 2014: PLN 4 089 thousand and PLN 6 719 thousand, respectively.

On 29 October 2012, Budimex SA concluded with Ferrovial Agroman SA a conditional agreement for operational know-how support, streamlining processes and procedures in key areas of construction, investment and management activity. The remuneration under the contract was established as 0.5 per cent of the value of the annual sales revenues of the Budimex Group, less sales revenues of Budimex Nieruchomości Sp. z o.o., with the stipulation that until the correctness of the transaction price is approved by the Polish and Spanish tax authorities, Budimex SA will be remitting to Ferrovial Agroman SA payments reduced by 25 per cent. The contract covers the period from 1 January 2012 to 31 December 2016. In connection with the performance of those contracts, in 2015 Budimex SA incurred costs of PLN 24 140 thousand and in 2014 total costs of PLN 23 514 thousand.

39.1 Transactions with related parties involving transfer of rights or liabilities

On 18 April 2015, the Extraordinary General Shareholders' Meeting of Budimex PPP SA (a subsidiary of Budimex SA) resolved to increase the company's issued capital by PLN 150 thousand, i.e. from PLN 780 thousand to PLN 930 thousand by issuing 150 shares of nominal value of PLN 1 thousand, which were acquired entirely by Budimex SA. The increase was registered in the National Court Register on 10 June 2015.

On 29 April 2015, the partnership deed of Budimex SA Energetyka 1 Sp.j. was signed. Budimex SA holds 50 per cent of the shares in this partnership, and Budimex Budownictwo Sp. z o.o. holds the remaining 50 per cent. The partnership was entered in the National Court Register on 14 May 2015.

On 29 April 2015, the partnership deed of Budimex SA Energetyka 2 Sp.j. was signed. Budimex SA holds 50 per cent of the shares in this partnership, and Budimex A Sp. z o.o. holds the remaining 50 per cent. The partnership was entered in the National Court Register on 14 May 2015

On 31 July 2015, a resolution was taken on the final liquidation of Budimex B Sp. z o.o. The company was removed from the National Court Register on 17 November 2015.

On 18 November 2015, Budimex SA concluded an agreement with Budimex Budownictwo Sp. z o.o. for the purchase of 2 252 500 shares in Elektromontaż-Poznań SA, accounting for 41.65 per cent of the issued capital, for the price of PLN 15 487 thousand. As a result of the above transaction, Budimex SA now holds 92.31 per cent of issued capital of this company.

On 30 November 2015, Budimex G Sp. z o.o. was transformed into Budimex SA Energetyka 3 Sp.j. Budimex SA is the owner of 50 per cent of its shares and Budimex PPP Sp. z o.o. (a subsidiary of Budimex SA) is the owner of remaining 50 per cent. The transformation was registered in the National Court Register on 21 December 2015.

On 18 December 2015, the Extraordinary General Shareholders' Meeting of FB Serwis SA (an associate of Budimex SA) resolved to increase the company's issued capital by PLN 68 000 thousand, i.e. from PLN 20 000 thousand to PLN 88 000 thousand. All the new shares were purchased by existing shareholders, i.e. by Ferrovial Servicios S.A. – 69 360 shares of nominal value of PLN 500 per share for a total of PLN 43 350 thousand and by Budimex SA – 66 640 shares of nominal value of PLN 500 per share for a total of PLN 41 650 thousand. As at the report date the above issued capital increase was not registered in the National Court Register.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

On 18 December 2015, the Extraordinary General Shareholders' Meeting of Budimex PPP SA (a subsidiary of Budimex SA) resolved to increase the company's issued capital by PLN 360 thousand, i.e. from PLN 930 thousand to PLN 1 290 thousand by issuing 360 shares of nominal value of PLN 1 thousand, which were acquired entirely by Budimex SA. The above issued capital increase was registered in the National Court Register on 16 February 2016.

On 22 December 2015, the Extraordinary General Shareholders' Meeting of Budimex Autostrada SA (a subsidiary of Budimex SA) resolved to increase the company's issued capital by PLN 240 thousand, i.e. from PLN 440 thousand to PLN 680 thousand by issuing 240 shares of nominal value of PLN 1 thousand, which were acquired entirely by Budimex SA. As at the report date the above issued capital increase was not registered in the National Court Register

On 22 December 2015, the Extraordinary General Shareholders' Meeting of Budimex Most Wschodni SA (a subsidiary of Budimex SA) resolved to increase the company's issued capital by PLN 120 thousand, i.e. from PLN 220 thousand to PLN 340 thousand by issuing 120 shares of nominal value of PLN 1 thousand, which were acquired entirely by Budimex SA. As at the report date the above issued capital increase was not registered in the National Court Register

40. Remuneration of key members of management

The Management Board

In 2015, the total value of remuneration, bonuses and awards for the members of the Management Board of Budimex SA amounted to PLN 8 641 thousand (of which PLN 2 888 thousand represented performance bonuses for the year 2014), of which PLN 7 345 thousand was recognised costs of Budimex SA. The remaining balance was recognised as costs of its subsidiaries.

In 2014, the total value of remuneration, bonuses and awards for the members of the Management Board of Budimex SA amounted to PLN 8 014 thousand (of which PLN 2 443 thousand represented performance bonuses for the year 2013), of which PLN 6 829 thousand was recognised costs of Budimex SA. The remaining balance was recognised as costs of its subsidiaries.

In 2015, remuneration of the members of the Management Board was as follows:

Dariusz Blocher	PLN 2 122 thousand
Fernando Pascual Larragoiti	PLN 1 872 thousand
Henryk Urbański	PLN 1 296 thousand
Marcin Węgłowski	PLN 1 152 thousand
Jacek Daniewski	PLN 1 151 thousand
Andrzej Artur Czynczyk	PLN 1 020 thousand*
Cezary Mączka	PLN 28 thousand (from 16 December to 31 December 2015)

**of which PLN 82 thousand as a remuneration related to the non-competition clause applicable until the end of 2015 and payment of holiday compensation*

Additionally, apart from the amounts presented above, in the 12-month period ended 31 December 2015, the estimated costs of share-based payments under Ferrovial SA incentive programmes allocated to the Company's Management Board amounted to PLN 1 368 thousand (of which PLN 1 118 thousand was recognised as costs of Budimex SA; the remaining amount was recognised as costs of subsidiaries) and were distributed as follows:

Dariusz Blocher	PLN 613 thousand
Fernando Pascual Larragoiti	PLN 138 thousand
Henryk Urbański	PLN 250 thousand
Marcin Węgłowski	PLN 178 thousand
Jacek Daniewski	PLN 178 thousand
Andrzej Artur Czynczyk	PLN 8 thousand (from 1 January to 17 September 2015)
Cezary Mączka	PLN 3 thousand (from 16 December to 31 December 2015)

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

The above costs consist of: 2/36th of the cost of shares granted in 2012, 12/36th of the cost of shares granted in 2013, 12/36th of the cost of shares granted in 2014 and 10/36th of the cost of shares granted in 2015.

The three-year vesting period for shares granted in 2012 ended in March 2015. As the conditions were satisfied, the shares in Ferrovial SA were formally handed over. The number of shares actually granted to the members of the Management Board of the Company was as follows:

Dariusz Blocher	11 450 shares
Henryk Urbański	5 750 shares
Marcin Węgłowski	3 750 shares
Jacek Daniewski	3 750 shares
Andrzej Artur Czynczyk	3 750 shares

The market value of Ferrovial SA shares as at the date of actual grant amounted to PLN 79.02.

Proxies

The total value of remuneration paid to proxies of Budimex SA in 2015 was PLN 3 858 thousand, while in 2014 it was PLN 1 243 thousand.

Individual remuneration of proxies in 2015 was as follows:

Artur Popko	PLN 1 733 thousand
Radosław Górski	PLN 1 135 thousand
Andrzej Goławski	PLN 990 thousand (from 1 January to 31 October 2015)

Additionally, apart from the amounts presented above, in the 12-month period ended 31 December 2015, the estimated costs of share-based payments under Ferrovial SA incentive programmes allocated to the Company's proxies amounted to PLN 334 thousand and were distributed as follows:

Artur Popko	PLN 171 thousand
Radosław Górski	PLN 157 thousand
Andrzej Goławski	PLN 6 thousand (from 1 January to 31 October 2015)

The three-year vesting period for shares granted in 2012 ended in March 2015. As the conditions were satisfied, the shares in Ferrovial SA were formally handed over. The number of shares actually granted to the proxies of the Company was as follows:

Artur Popko	3 500 shares
Radosław Górski	2 900 shares
Andrzej Goławski	2 900 shares

The market value of Ferrovial SA shares as at the date of actual grant amounted to PLN 79.02.

The Supervisory Board

Total value of remuneration paid to the members of the Supervisory Board in 2015 amounted to PLN 1 122 thousand (PLN 967 thousand in 2014).

In 2015, remuneration of the members of the Supervisory Board of Budimex SA was as follows:

Marek Michałowski	PLN 180 thousand
Igor Chalupec	PLN 121 thousand
Javier Galindo Hernandez	PLN 118 thousand
Jose Carlos Garrido-Lestache Rodriguez	PLN 111 thousand
Marzenna Anna Weresa	PLN 144 thousand
Piotr Kamiński	PLN 118 thousand
Alejandro de la Joya Ruiz de Velasco	PLN 122 thousand
Janusz Dedo	PLN 104 thousand
Ignacio Clopes Estela	PLN 104 thousand

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

41. Advances, loans, borrowings, guarantees and sureties provided to Members of the Management or Supervisory Boards

As at 31 December 2015 and 31 December 2014, the Members of the Management and Supervisory Boards of the Company, their spouses, direct and second degree relatives or persons who are connected by a guardianship or wardship relationship and other persons who are related to them in person did not have any unpaid loans or borrowings or guarantees issued by Budimex SA or its subsidiaries, jointly controlled entities or associates and were not parties to other agreements obligating them to provide benefits to Budimex SA or its subsidiaries, jointly controlled entities or associates.

42. Capital expenditure incurred and planned

Capital expenditure incurred in the year 2015 amounted to PLN 85 060 thousand, of which PLN 26 853 thousand was allocated to the acquisition of non-financial non-current assets. In 2014, capital expenditure amounted to PLN 30 771 thousand, of which PLN 20 971 thousand was allocated to the acquisition of non-financial non-current assets. In both periods, the capital expenditure incurred did not relate to investments into environmental protection.
The Company intends to incur in 2015 capital expenditure of approx. PLN 63 000 thousand and this amount will be allocated in full to non-financial non-current assets. The Company does not plan to incur capital expenditure for natural environment protection.

43. (Off-balance sheet) investment expenditure

As at 31 December 2015 and 31 December 2014, there were no committed investment expenditures.

44. Future liabilities under rental or operating lease agreements

Liabilities under rental or operating lease agreements relate mainly to car or office space rental agreements.

Total minimum lease payments under irrevocable agreements of operating lease amount to the following:

	31.12.2015	31.12.2014
- up to 1 year	28 650	16 493
- 1-5 years	40 314	32 025
- above 5 years	196	-
Total	**69 160**	**48 518**

	2015	2014
Lease payments taken to costs	**31 708**	**25 549**

The Company also uses land under perpetual usufruct which it received based on an administrative decision. Estimated future payments for the perpetual usufruct will as follows:

	31.12.2015	31.12.2014
- up to 1 year	63	154
- 1-5 years	252	616
- above 5 years	4 352	10 625
Total	**4 667**	**11 395**

	2015	2014
Fees for perpetual usufruct taken to costs	**82**	**151**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

45. Financial instruments

The tables below present the carrying values of all financial instruments of the Company, divided into classes and categories of assets and liabilities:

Balance as at 31.12.2015

Classes of financial instruments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Borrowings and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Borrowings granted	-	-	7 819	-	-	**7 819**
Investments in other entities	6 597	-	-	-	-	**6 597**
Retentions for construction contracts	-	-	61 053	-	(354 826)	**(293 773)**
Trade and other receivables*	-	-	323 656	-	-	**323 656**
Amounts due and receivable from customers under construction contracts	-	-	155 241	-	-	**155 241**
Derivative financial instruments	-	1 180	-	(741)	-	**439**
Cash and cash equivalents	-	1 983 136	-	-	-	**1 983 136**
Loans, borrowings and other external sources of finance	-	-	-	-	(29 933)	**(29 933)**
Amounts due and payable to customers under construction contracts	-	-	-	-	(1 229 015)	**(1 229 015)**
Trade liabilities and other financial liabilities**	-	-	-	-	(941 742)	**(941 742)**
Total	**6 597**	**1 984 316**	**547 769**	**(741)**	**(2 555 516)**	**(17 575)**

Balance as at 31.12.2014

Classes of financial instruments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Borrowings and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Borrowings granted	-	-	39 611	-	-	**39 611**
Investments in other entities	6 417	-	-	-	-	**6 417**
Retentions for construction contracts	-	-	55 660	-	(356 808)	**(301 148)**
Trade and other receivables*	-	-	374 703	-	-	**374 703**
Amounts due and receivable from customers under construction contracts	-	-	165 648	-	-	**165 648**
Derivative financial instruments	-	785	-	(2 995)	-	**(2 210)**
Cash and cash equivalents	-	1 403 970	-	-	-	**1 403 970**
Loans, borrowings and other external sources of finance	-	-	-	-	(32 714)	**(32 714)**
Amounts due and payable to customers under construction contracts	-	-	-	-	(910 183)	**(910 183)**
Trade liabilities and other financial liabilities**	-	-	-	-	(924 327)	**(924 327)**
Total	**6 417**	**1 404 755**	**635 622**	**(2 995)**	**(2 224 032)**	**(180 233)**

*) excluding receivables under advances and prepayments,
**) the amount includes trade liabilities, uninvoiced costs, payroll, consortia settlements as well as accruals and prepayments related to unused holidays and employee bonuses.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Available-for-sale financial assets comprise solely equities and shares in companies.

The carrying amount of available-for-sale financial assets as at 31 December 2015 and 31 December 2014 equated to their purchase price. The fair value of these assets cannot be established as there is no active market for them.

The Company does not intend to dispose of any available-for-sale financial assets in the period of the next 12 months.

Income, costs, gains and losses recognised in the profit and loss account classified into financial instrument categories:

For the period from 01.01.2015 to 31.12.2015

	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Borrowings and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Interest income / (expense)	-	21 865	4 113	-	2 250	**28 228**
Foreign exchange gains / (losses)	-	(39)	258	-	32	**251**
Reversal / (creation) of impairment write-downs	-	-	5 524	-	-	**5 524**
Dividends received	11 361	-	-	-	-	**11 361**
Valuation gains / (losses)	-	(666)	37	2 243	4 279	**5 893**
Gains / (losses) from disposal / realisation of financial instruments	-	100	-	637	-	**737**
Total	**11 361**	**21 260**	**9 932**	**2 880**	**6 561**	**51 994**

For the period from 01.01.2014 to 31.12.2014

	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Borrowings and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Interest income / (expense)	-	17 509	4 769	-	1 613	**23 891**
Foreign exchange gains / (losses)	-	275	(152)	-	(480)	**(357)**
Reversal / (creation) of impairment write-downs	-	-	(738)	-	-	**(738)**
Dividends received	25	-	-	-	-	**25**
Valuation gains / (losses)	-	430	1 204	(2 555)	(7 216)	**(8 137)**
Gains / (losses) from disposal / realisation of financial instruments	-	141	-	(768)	-	**(627)**
Total	**25**	**18 355**	**5 083**	**(3 323)**	**(6 083)**	**14 057**

Financial assets and liabilities measured at fair value

The following tables provide an analysis of the Company's financial assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the inputs for determination of the fair value are observable.

During the 12 months ended 31 December 2015, there was no transfer between Level 1 and Level 2 fair value measurements, and no transfer into and out of Level 3 fair value measurement (note 4.12).

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	31.12.2015			
	Fair value measurement			
Financial assets at fair value through profit or loss	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	-	1 180	-	1 180
Cash and cash equivalents	-	1 983 136	-	1 983 136
Total	**-**	**1 984 316**	**-**	**1 984 316**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	-	741	-	741
Total	**-**	**741**	**-**	**741**

	31.12.2014			
	Fair value measurement			
Financial assets at fair value through profit or loss	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	-	785	-	785
Cash and cash equivalents	-	1 403 970	-	1 403 970
Total	**-**	**1 404 755**	**-**	**1 404 755**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	**-**	**2 995**	**-**	**2 995**
Total	**-**	**2 995**	**-**	**2 995**

46. Legal proceedings pending as at 31 December 2015

The total value of legal proceedings pending in respect of liabilities of Budimex SA as at 31 December 2015 was PLN 292 791 thousand. The proceedings pending relate to the operating activities of the Company.

The proceedings in the highest value case are pending before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw, which involve the Ferrovial Agroman SA consortium members: Budimex SA and Estudio Lamela S.L. (FBL Consortium) and Przedsiębiorstwo Państwowe "Porty Lotnicze" (PPL). The litigation is the result of PPL serving a notice rescinding the contract for the development and modernisation of Terminal 2 of the Warsaw Frederic Chopin International Airport.

Initially, the proceedings related solely to the claim filed on 24 January 2008 by the FBL Consortium, in relation to bank guarantees realised by PPL groundlessly, which were given as a performance bond for a total amount of PLN 54 382 thousand. That case was finally resolved by a judgement of the Court of Appeals in Warsaw of 23 August 2012. The total value of the awarded claim and the amount of statutory interest for late payment was PLN 87 920 thousand (the amount attributable to the Company was PLN 35 168 thousand, of which PLN 21 612 thousand was for reimbursement of the performance bond). The court enforcement officer transferred that amount to the indicated bank account of the Company on 28 September 2012. After the cassation appeal of PPL was dismissed by the Supreme Court, the enforcement proceedings became final and PPL cannot submit any further claims against the FBL Consortium regarding reimbursement of the amounts adjudicated in the partial judgement.

In the course of the proceedings before the Court of Arbitration, 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 Court of Arbitration further 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. As a result of subsequent procedural steps, in August 2012, PPL's claim was raised to PLN 298 892 thousand. According to the value of the shares set forth in the consortium agreement, the risk allocated to the Company does not exceed the total of PLN 119 556 thousand.

According to the Company, all the claims under the counter-suit are groundless. Consequently, on 21 October 2008, the FBL Consortium filed a response to the counter-claim, which contained a motion to dismiss the action in its entirety, together with the statement on the groundlessness of PPL's claims. To date, there have been several hearings during which witnesses for the claimant and the counter-claimant were examined with respect to the circumstances included in PPL's counter-claim. Evidence in the form of an expert opinion is the last to be considered with respect to this part of the dispute. This, however, may be done only after the court has completed the evidence proceedings concerning the claims of the claimant. The determinations made in the expert opinion concerning the claims of the FBL Consortium will affect the scope of claims of PPL and, consequently, the scope of evidence taken in order to prove them.

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

On 27 May 2010, the Court of Arbitration issued a decision under which the evidence from the expert's opinion regarding the evaluation of reasonableness of the PPL claims was accepted (except for any amounts sought at that stage). The expert appointed by the Court of Arbitration, BS Consulting Group, started work on this 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. The technical opinion prepared by the expert, that was delivered to proxies of both parties on 29 July 2011, represented the result of his work. The parties submitted comments, remarks and detailed questions in relation to the opinion prepared by the expert. Upon taking these into consideration, the expert prepared his final supplementary opinion at the end of March 2012. The assessment presented in the opinion was favourable for the FBL Consortium as it, among other things, confirmed that the FBL Consortium was entitled to postpone the work completion deadline.

Due to completion by the expert of work on the assessment of the validity of PPL's claims, the Court ordered both parties to present final calculations of their claims, taking into account the expert's views expressed in the opinion. As a result, PPL extended the claim as stated above to PLN 298 892 thousand, and the value of the FBL Consortium's claim remained unchanged.

Pursuant to a decision of the Court of Arbitration dated 28 January 2013 and based on a site inspection performed in July 2013, the expert, i.e. BS Consulting Group was to draft an opinion on assessment on value of claims submitted by the FBL Consortium in the extended claim by the end of October 2013. Since the expert did not draft the opinion on time, at the hearing held on 20 December 2013 the Court of Arbitration made a decision on appointment of a new expert. In 2015, the final scope of the opinion and composition of the new expert team was determined. The expert team will have 5 months to draft the opinion, starting from September 2015. However, taking into account additional issues that must be clarified, this opinion should be expected at the turn of the second quarter of 2016.

In the opinion of the Management Board, the final decision of the Court of Arbitration will be favourable for the FBL Consortium.

On 16 December 2010, Tomasz Ryskalok and Rafał Ryskalok, conducting business activity as a civil law partnership under the name Cerrys S.C., with its registered office in Wykroty, filed a lawsuit against the Company for payment of a contractual penalty for delay in the removal of defects identified during the warranty period. 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 statutory interest calculated from 19 October 2006 until the day of payment. In the opinion of the Company, 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 per cent of the value of the agreement – has not been taken into account, and the defect is not material). To date, there have been several hearings during which witnesses for the claimant and defendant were examined. Having heard the parties, on 19 December 2013, the Court issued a decision under which the evidence from the expert's opinion regarding the evaluation of the reasonableness of the PPL claims was accepted. The inspection of the facility was carried out in June 2014. In October 2014, the court delivered the opinion of the construction expert. Upon a request of the Company, the court commissioned the drafting of a supplementary opinion. The parties raised objections to this opinion. Despite the fact that the expert submitted oral explanations at a hearing held in November 2015, a request for another supplementary opinion has been filed. The court will state its position on this matter during a hearing in April 2016.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

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 of contractor costs incurred by the investor when the consortium rescinded the contract. The share of the companies in the consortium was 90 per cent; therefore the value of the claim for which the Company is presently liable is PLN 22 727 thousand. The court ended examination of witnesses of both parties, and then heard the parties. On 6 February 2014, the court accepted evidence from the construction expert opinion with regard, inter alia, to: assessment of quality and value of works completed by the defendant, the scope and completeness of works to be performed as well as value of corrections. The expert drafted an opinion which the defendant considers to be in its favour. This assessment is confirmed by the actions of the claimant who submitted a request for the appointment of a new expert. The court rejected the claimant's request in this respect, allowing only for recording a supplementary oral opinion of the expert, submitted at a hearing held on 21 April 2015. The claimant again requested the appointment of a new expert. This request was rejected by the court at the hearing held in December 2015. At the same time, the court allowed the drafting of a supplementary opinion which should be prepared by the end of the first quarter of 2016.

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

The total value of legal proceedings pending in respect of claims of Budimex SA amounted to PLN 210 823 thousand as at 31 December 2015. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed. Aside from the case brought to court by the FBL Consortium against PPL, no value of other proceedings concerning claims exceeds 10 per cent of the shareholders' equity of the Company. As at the date of this report, the final outcome of the proceedings is not known.

47. Events after the reporting date

On 20 January 2016, the Shareholders' Meeting of Budimex A Sp. z o.o. (a subsidiary of Budimex SA) resolved to increase the company's issued capital by PLN 50 thousand, i.e. from PLN 175 thousand to PLN 225 thousand by creating 1000 shares of a nominal value of PLN 500 thousand, which were acquired entirely by Budimex SA. The above issued capital increase was registered in the National Court Register on 24 February 2016.

On 25 February 2016, the company Budimex Inwestycje "Grunwald" SA Sp.j was registered in the National Court Register. Budimex SA is the owner of 100 per cent of its shares.

On 16 February 2016, issued capital increase of Budimex PPP SA (mentioned in note 15) was registered in the National Court Register.

48. Contingent liabilities and contingent receivables

	31.12.2015	31.12.2014
1. Contingent receivables	**341 921**	**310 947**
1.1. From related parties:	12 128	14 482
- guarantees and suretyships received	-	880
- bills of exchange received as security	1 490	2 964
- other contingent receivables	10 638	10 638
1.2. From other entities:	328 443	296 465
- guarantees and suretyships received	327 738	295 422
- bills of exchange received as security	705	1 043
1.3. Other, of which:	1 350	-
- other contingent receivables	1 350	-
2. Contingent liabilities	**2 815 136**	**2 174 139**
2.1. To related parties :	117 435	157 953
- guarantees and suretyships issued	117 435	157 953
2.2. To other entities:	2 564 147	1 880 706
- guarantees and suretyships issued	2 562 552	1 877 637
- bills of exchange issued as security	1 595	3 069
2.3. Other, of which:	133 554	135 480
- other contingent liabilities	133 554	135 480
Total contingent liabilities and contingent receivables	**(2 473 215)**	**(1 863 192)**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Contingent receivables arising from guarantees and sureties comprise guarantees issued by banks or other entities in favour of the Company securing the Company's claims against its business partners in connection with executed construction contracts.

Contingent liabilities arising from guarantees and sureties comprise mainly guarantees issued by banks to business partners of the Company to secure their claims against the Company that may arise on the grounds of executed construction contracts. The banks have the right to recourse against the Company on that account. Guarantees issued to the investors of the Company represent an alternative, to the retentions held, method of securing potential investor claims relating to construction contracts. At the same time, the risk relating to warranty repairs assessed by the Company Management Board as probable was appropriately reflected in the warranty repair provision, as described in note 5 to these statements.
The bills of exchange issued represent security for the settlement of liabilities towards strategic suppliers of the Company, while the bills of exchange received and recognised under contingent receivables represent security for the payment of the receivables due to the Company by its customers.
Other contingent liabilities include, among others, voluntary submission to enforcement which secures the payment in the amount of up to PLN 133 554 thousand payable in the case of improper performance by the Company of its obligations under the agreement of acquisition of shares of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.

49. Employment structure

Average employment at Budimex SA in the years 2015 and 2014 was as follows:

Employee group	Year ended 31 December 2015	Year ended 31 December 2014
White collar employees	2 596	2 197
Blue collar employees	1 657	1 540
Total employment	**4 253**	**3 737**

50. Significant events with an impact on the Company's financial situation

On 23 January 2010, the Management Board of Budimex SA learned that the condition concerning the construction and operation of the A1 motorway 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 (referring to construction work) of the agreement concluded on 19 January 2010 by and between Budimex SA Ferrovial Agroman SA Sp. J. (formerly: Budimex Dromex SA Ferrovial Agroman SA Sp. J.) and Autostrada Południe SA for the design and construction of the section of the A1 motorway section between Stryków and Pyrzowice did not become effective. Phase I covered design work with a value of PLN 180 000, 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 the design works realised by Spółka Jawna on behalf of Autostrada Południe SA had not been accepted by the Ministry of Infrastructure. Due to the above, there is a risk that the full amount of contract costs incurred by that company (in which Budimex SA holds 50 per cent of shares) will not be recovered from Autostrada Południe SA unless it is proved that the lack of payments in favour of Autostrada Południe SA from the State Treasury does not result from the defect of the project delivered by Spółka Jawna or the defects are the consequence of the requirements of Autostrada Południe SA, different from the requirements of the State Treasury as an investor. On 21 December 2011 Autostrada Południe SA filed a claim to court against the State Treasury represented by the Ministry of Transportation, Construction and Naval Economy, calling for payment of PLN 176 855 thousand regarding design works performed by Spółka Jawna. In 2012 and 2013, partial evidence proceedings and witness interrogation took place, and an expert opinion was drafted. Autostrada Południe SA submitted a request for the drafting of a supplementary opinion which was prepared and delivered to the parties in October 2014. As follows from the opinion, all stages of design works with respect to which the claimant demands payment were performed, and thus the comments of the former expert were not justified. Subsequently, in October 2015 the court accepted the defendant's motion to examine another witness, which resulted in the need to draft an additional expert opinion. The additional opinion should be drafted by the end of the first half of 2016.

Total revenues recognised by Spółka Jawna in prior years in connection with the design works performed (including the anticipated risks) corresponding to the share of Budimex SA amounted to PLN 72 505 thousand. Spółka Jawna made an impairment write-down against receivables due from Autostrada Południe SA, of which PLN 39 850 thousand was attributable to

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Budimex SA, and recognised a provision representing a liability regarding compensations in favour of Autostrada Południe SA, of which PLN 12 655 thousand was attributable to Budimex SA.

With reference to the court proceedings described in note 46 and related to the Contract for the Development of Terminal 2 of the Warsaw Frederic Chopin International Airport, according to the Management Board's best estimates as at the date of drafting these financial statements, total loss incurred by the Company on this contract (proportionate to the share of the Company in the Consortium), taking into account other operating costs/revenues and finance costs/income (including the result on forward contracts entered into to minimise the FX risk) was PLN 91 865 thousand as at 31 December 2015 (as at 31 December 2014: PLN 94 885 thousand). The loss of Budimex on the entire contract, without taking into account the result of other operating and financial activities, was PLN 134 090 thousand as at 31 December 2015 (as at 31 December 2014: PLN 137 110 thousand). In view of the legal proceedings pending and the fact that the Consortium has not completed its financial settlements with PPL and its subcontractors, the final result of the contract performance may change.

Dariusz Blocher	President of the Management Board	....	Henryk Urbański	Member of the Management Board	....
name and surname	position	signature	name and surname	position	signature
Fernando Luis Pascual Larragoiti	Vice-President of the Management Board	....	Marcin Węgłowski	Member of the Management Board	....
name and surname	position	signature	name and surname	position	signature
Jacek Daniewski	Member of the Management Board	....	Grzegorz Fąfara	Chief Accountant	....
name and surname	position	signature	name and surname	position	signature
Cezary Mączka	Member of the Management Board	....		Warsaw, 10 March 2016	
name and surname	position	signature			