THE BUDIMEX GROUP

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2014

Prepared in accordance with
the International Financial Reporting Standards

Index to the consolidated financial statements

(all amounts are expressed in PLN thousand)

Consolidated statement of financial position

ASSETS	Note	31 December 2014	31 December 2013 transformed	1 January 2013 transformed
Non-current (long-term) assets				
Property, plant and equipment	10	79 513	83 755	111 192
Investment properties	11	24 994	24 529	3 256
Intangible assets	12	4 494	4 106	2 992
Goodwill of subsidiaries	13	73 237	73 237	73 237
Investments in equity accounted entities	15	7 539	3 518	16 966
Available-for-sale financial assets	16	8 376	8 381	17 135
Retentions for construction contracts	31	27 923	24 804	19 202
Trade and other receivables	19	29 945	25 496	4 176
Concession agreement receivables	18	45 214	22 376	-
Other financial assets	17	-	692	-
Deferred tax assets	26	376 261	351 336	311 651
Total non-current (long-term) assets		**677 496**	**622 230**	**559 807**
Current (short-term) assets				
Inventories	20	648 655	697 046	876 206
Trade and other receivables	19	495 364	540 221	410 897
Retentions for construction contracts	31	10 248	18 217	49 419
Amounts due and receivable from customers under construction contracts	29	172 548	146 630	227 490
Current tax assets		265	331	935
Other financial assets	17	19 800	3 295	5 724
Cash and cash equivalents	21	1 831 652	1 658 783	1 317 733
		3 178 532	**3 064 523**	**2 888 404**
Non-current assets (disposal groups) classified as held for sale	14	2 181	-	-
Total current (short-term) assets		**3 180 713**	**3 064 523**	**2 888 404**
TOTAL ASSETS		**3 858 209**	**3 686 753**	**3 448 211**

Warsaw, 11 March 2015

(all amounts are expressed in PLN thousand)

Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	Note	31 December 2014	31 December 2013 transformed	1 January 2013 transformed
EQUITY				
Share capital	22	145 848	145 848	145 848
Share premium	22	87 163	87 163	234 799
Other reserves	27, 41	4 816	4 584	2 705
Foreign exchange differences on translation of foreign operations		5 326	5 101	2 190
Retained earnings		276 112	383 627	47 588
Shareholders' equity attributable to the shareholders of the Parent Company		**519 265**	**626 323**	**433 130**
Equity attributable to non-controlling interests	23	**3 244**	**18 852**	**-**
Total equity		**522 509**	**645 175**	**433 130**
LIABILITIES				
Long-term liabilities				
Loans, borrowings and other external sources of financing	24	46 298	34 355	75 967
Retentions for construction contracts	31	176 116	161 347	161 143
Provisions for long-term liabilities and other charges	28	179 169	147 676	141 521
Retirement benefits and similar obligations	27	6 121	4 381	3 747
Other financial liabilities	17	4 925	226	-
Total long-term liabilities		**412 629**	**347 985**	**382 378**
Current liabilities				
Loans, borrowings and other external sources of financing	24	21 402	19 729	17 718
Trade and other liabilities	25	1 117 743	1 374 915	1 449 202
Retentions for construction contracts	31	201 207	189 466	222 146
Amounts due and payable to customers under construction contracts	29	920 668	689 915	534 870
Deferred income	30	520 766	281 679	285 189
Provisions for current liabilities and other charges	28	111 598	120 126	116 060
Current tax liability		26 291	16 147	6 225
Retirement benefits and similar obligations	27	1 080	1 117	1 036
Other financial liabilities	17	2 316	499	257
Total current liabilities		**2 923 071**	**2 693 593**	**2 632 703**
Total liabilities		**3 335 700**	**3 041 578**	**3 015 081**
TOTAL EQUITY AND LIABILITIES		**3 858 209**	**3 686 753**	**3 448 211**

Warsaw, 11 March 2015

(all amounts are expressed in PLN thousand)

Consolidated profit and loss account

	Note	Year ended 31 December 2014	2013 transformed
Continuing operations			
Net sales of finished goods, services, goods for resale and raw materials	32	4 949 939	4 749 459
Cost of finished goods, services, goods for resale and raw materials sold	33	(4 517 259)	(4 354 043)
Gross profit on sales		**432 680**	**395 416**
Selling expenses	33	(27 660)	(28 364)
Administrative expenses	33	(177 743)	(162 917)
Other operating revenues	35	60 191	44 181
Other operating expenses	35	(40 150)	(109 122)
Profit on disposal of a subsidiary		-	194 112
Operating profit		**247 318**	**333 306**
Financial income	36	42 841	30 905
Finance costs	36	(41 688)	(28 256)
Shares in net (losses) of subsidiaries valued using equity method	15	(5 852)	(4 684)
Gross profit		**242 619**	**331 271**
Income tax	26	(48 681)	(29 971)
Net profit from continuing operations		**193 938**	**301 300**
Net profit for the period		**193 938**	**301 300**
of which:			
Attributable to the shareholders of the Parent Company		***191 973***	***300 480***
Attributable to non-controlling interests	*23*	*1 965*	*820*

Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	*37*	*7.52*	*11.77*

Warsaw, 11 March 2015

(all amounts are expressed in PLN thousand)

Consolidated statement of comprehensive income

		Year ended 31 December	
		2014	**2013**
Net profit for the period		**193 938**	**301 300**
Other comprehensive income which:			
Shall be reclassified to profit or loss upon satisfaction of certain conditions:			
Foreign exchange differences on translation of foreign operations	39	225	(261)
Deferred tax related to components of other comprehensive income		-	-
Shall not be reclassified to profit or loss:			
Actuarial gains/ (losses)	27	(1 371)	(971)
Deferred tax related to components of other comprehensive income	26	261	185
Reclassification of foreign exchange differences to profit or loss		-	3 172
Other comprehensive income		**(885)**	**2 125**
Total comprehensive income for the period		**193 053**	**303 425**
of which:			
Attributable to the shareholders of the Parent Company		***191 088***	***302 605***
Attributable to non-controlling interests	*23*	*1 965*	*820*

Warsaw, 11 March 2015

(all amounts are expressed in PLN thousand)

Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent Company							Non-controlling interests	Total equity
			Other reserves						
	Share capital	Share premium	Share-based payments	Actuarial gains/ (losses)	Foreign exchange differences on translation of foreign operations	Retained earnings	Total		
Balance as at 1 January 2014	**145 848**	**87 163**	**5 370**	**(786)**	**5 101**	**383 627**	**626 323**	**18 852**	**645 175**
Profit for the period	-	-	-	-	-	191 973	191 973	1 965	**193 938**
Other comprehensive income	-	-	-	(1 110)	225	-	(885)	-	**(885)**
Total comprehensive income for the period	-	-	-	**(1 110)**	**225**	**191 973**	**191 088**	**1 965**	**193 053**
Dividends (note 38)	-	-	-	-	-	(302 532)	(302 532)	-	**(302 532)**
Share-based payments (note 41)	-	-	1 342	-	-	-	1 342	-	**1 342**
Increased share in subsidiary (note 23)	-	-	-	-	-	3 044	3 044	(17 573)	**(14 529)**
Balance as at 31 December 2014	**145 848**	**87 163**	**6 712**	**(1 896)**	**5 326**	**276 112**	**519 265**	**3 244**	**522 509**

Warsaw, 11 March 2015

(all amounts are expressed in PLN thousand)

Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company							Non-controlling interests	Total equity
			Other reserves						
	Share capital	Share premium	Share-based payments	Actuarial gains/ (losses)	Foreign exchange differences on translation of foreign operations	Retained earnings	Total		
Balance as at 1 January 2013	**145 848**	**234 799**	**2 705**	**-**	**2 190**	**47 588**	**433 130**	**-**	**433 130**
Profit for the period	-	-	-	-	-	300 480	300 480	820	**301 300**
Other comprehensive income	-	-	-	(786)	2 911	-	2 125	-	**2 125**
Total comprehensive income for the period	-	-	-	**(786)**	**2 911**	**300 480**	**302 605**	**820**	**303 425**
Dividends	-	-	-	-	-	(112 077)	(112 077)	-	**(112 077)**
Loss coverage (note22)	-	(147 636)	-	-	-	147 636	-	-	**-**
Share-based payments (note 41)	-	-	2 665	-	-	-	2 665	-	**2 665**
Change in the composition of the Group	-	-	-	-	-	-	-	18 032	**18 032**
Balance as at 31 December 2013	**145 848**	**87 163**	**5 370**	**(786)**	**5 101**	**383 627**	**626 323**	**18 852**	**645 175**

Warsaw, 11 March 2015

(all amounts in tables are expressed in PLN thousand)

Consolidated statement of cash flow

	Note	Year ended 31 December 2014	2013 transformed
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before tax		**242 619**	**331 271**
Adjustments for:			
Depreciation/ amortisation	33	23 031	28 893
Shares in net profits (losses) of equity accounted subordinates	15	5 852	4 684
Foreign exchange (gains)/ losses		(35)	182
Interest and shares in profits (dividends)		886	1 498
(Profit) loss on investing activities		(3 012)	(198 406)
Change in valuation of derivative financial instruments	17	6 854	5 369
Change in provisions and liabilities arising from retirement benefits and similar obligations		24 668	24 612
Other adjustments	39	212	3 919
Operating profit/ (loss) before changes in working capital		**301 075**	**202 022**
Change in receivables and retentions for construction contracts		22 621	(146 873)
Change in inventories		48 391	135 161
Change in retentions for construction contracts and in liabilities, except for loan and borrowings		(231 018)	(97 028)
Change in deferred income		239 087	59 759
Change in amounts due and receivable under construction contracts		204 835	239 256
Change in cash and cash equivalents of restricted use	21	(35 777)	(20 504)
Cash from operating activities		**549 214**	**371 793**
Income tax paid		(63 152)	(59 130)
NET CASH FROM OPERATING ACTIVITIES		**486 062**	**312 663**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of intangible assets and property, plant and equipment		2 808	3 421
Sale of investments in property and intangible assets		1 530	-
Purchase of intangible assets and property, plant and equipment		(16 075)	(13 571)
Sale of available-for-sale financial assets		-	160
Sale of subsidiaries		2 028	177 279
Purchase of shares in subsidiaries and associates		(24 329)	(5 821)
Loans granted	17	(24 696)	(3 111)
Repayment of loans granted	17	8 820	-
Dividends received		36	5
Interest received	17	854	93
NET CASH FROM INVESTING ACTIVITIES		**(49 024)**	**158 455**
CASH FLOW FROM FINANCING ACTIVITIES			
Loans and borrowings taken out		22 759	22 106
Repayment of loans and borrowings		(8 013)	(52 968)
Dividends paid	38	(302 532)	(112 077)
Payments of liabilities under finance lease		(10 605)	(9 623)
Interest paid		(1 704)	(1 538)
Other financial expenditures		(119)	-
NET CASH USED IN FINANCING ACTIVITIES		**(300 214)**	**(154 100)**
TOTAL NET CASH FLOW		**136 824**	**317 018**
Foreign exchange differences, net		268	(68)
CASH AND CASH EQUIVALENTS - OPENING BALANCE	**21**	**1 589 598**	**1 272 648**
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**21**	**1 726 690**	**1 589 598**
Cash and cash equivalents of disposable groups		-	-
TOTAL CASH AND CASH EQUIVALENTS OF THE GROUP		**1 726 690**	**1 589 598**

Warsaw, 11 March 2015

Notes to the consolidated financial statements

1. General information

The parent company of the Budimex Group (hereinafter the "Group") is Budimex SA (the "Parent Company") with its registered office in Warsaw, ul. Stawki 40, entered in the Register of Entrepreneurs kept by the District Court for the capital city of Warsaw, XII Economic Department of the National Court Register under KRS No. 1764.

The main objects of the Parent Company are broadly interpreted construction and assembly services, and rendering management and advisory services to other companies in the Budimex Group. The industry branch in which the Parent Company operates was classified by the Warsaw Stock Exchange as general construction and civil engineering business.

The main area of the business activities of the Group are broadly interpreted construction and assembly services under the system of general contracting at home and abroad, property development activities, property management, and limited scope trading, production, transport and other business. Aside from the construction business, Budimex SA serves in the Group as an advisory, management and financial centre. These three functions are aimed at:

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

The Parent Company and other Group companies have an unlimited period of operation.

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

These consolidated financial statements were approved by the Management Board of the Parent Company on 11 March 2015.

1.1 Going concern assumption

The consolidated financial statements of the Group for the year 2014 were prepared on the assumption that the Group companies will be going concerns in the foreseeable future. As at the date of signing the consolidated financial statements, the Management Board of the Parent Company is not aware of any facts or circumstances that would indicate any threat to the main Group companies' continued activities after the balance sheet date, due to an intended or compulsory withdrawal from or a significant limitation in their activities.

2. Key accounting policies

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

2.1 Format and basis for preparation of the consolidated financial statements

These financial statements for the year ended 31 December 2014 were prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union and prevailing as at the balance sheet date.

Standards and amendments of standards applied for the first time in 2014

The following standards and amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU entered into force in 2014:

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" - Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 "Financial instruments: presentation" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 "Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets", adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting", adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),

The above standards and amendments to the existing standards did not affect the Group's accounting policies, aside from those described in Note 3.

Amendments to standards and interpretations already published but not yet effective

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

- Amendments to various standards "Improvements to IFRSs (2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying 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 (2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13, IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (applicable to annual periods beginning on or after 1 January 2015),
- 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),
- Interpretation of IFRIC 21 "Levies", adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The Group has elected not to take advantage of early adoption of the above standards and amendments to the standards. The Group anticipates that the above amendments to the existing standards and interpretations at the reporting date would have no material impact on the financial statements of the Group.

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, amendments to the existing standards and amendments to the standards, which were not endorsed for use as at 11 March 2015:

- IFRS 9 "Financial instruments" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 "Regulatory deferral accounts" (effective for annual periods beginning on or after 1 January 2016),
- IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2017),
- 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 (effective for annual periods beginning on or after 1 January 2016),
- 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 IFRS 11 "Joint Arrangements" - Accounting of acquisition of shares in joint operations (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 "Presentation of financial statements" - Disclosure initiative (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 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 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 (2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IFRS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2016).

The Group anticipates that the above standards and amendments to the standards would have no material impact on the consolidated financial statements of the Group in the period of initial application.

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

The financial statements were prepared under the historical cost convention, except for hyperinflation adjustments described in Note 22 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 fair value of the payment for goods or services.

Fair value is the price that would be received to sell 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. To measure an asset or a liability at fair value, the Group takes into consideration the features of a given asset or liability provided that the market participants consider such features when valuation assets or liabilities as at the measurement date. For the purposes of measurement and/or disclosure in the consolidated financial statements of the Group, 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 as per IAS 2 or the value in use as per IAS 36.

The Group 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 Group has access on valuation 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).

2.2 The principles of consolidation

Subsidiary companies

The consolidated financial statements comprise the financial statements of the Parent Company and the financial statements of the entities controlled by the Parent Company prepared as at the balance sheet date. Control means that the Parent Company exercises control over the entity, is exposed to variable financial results related to its engagement in the entity or holds rights to variable financial results and holds the right to exercise the power held over the entity to affect the level of its financial results. Subsidiary companies are subject to full consolidation from the date the Group assumes control over them until such time as the control ends. Consolidation lasts until such time as the control ends. Comprehensive income of subsidiary companies is assigned to owners of the Parent Company and to non-controlling interest, even if it results in negative balance of non-controlling interest.

The financial statements of subsidiary companies are prepared for the same reporting period as the financial statements of the Parent Company using similar accounting policies consistently.

Consolidation procedures

The following policies were observed while performing full consolidation:

- all appropriate items of assets and liabilities of subsidiary entities and the Parent Company were aggregated in full amounts irrespective of the share of the Parent Company in those assets and liabilities,
- all appropriate items of revenues and expenses of subsidiaries and the Parent Company were aggregated in full irrespective of the ownership share of the Parent Company of the given subsidiary,

- consolidation adjustments and exclusions were made after aggregating the data.

The following were excluded from the consolidated financial statements:

- equity of subsidiary companies that arose prior to taking control over those entities,
- value of shares held by the Parent Company or other entities included in consolidation,
- mutual receivables and liabilities and other similar settlements with entities included in consolidation,
- revenues and costs arising from business operations between entities included in consolidation,
- unrealised, from the point of view of the Group, gains from operations between entities included in consolidation, and included in the value of consolidated assets and liabilities, as well as unrealised losses, unless the transaction proves the impairment of the asset acquired,
- dividends accrued or paid by subsidiary companies to the Parent Company or other entities subject to consolidation.

The consolidated net result is allocated to the shareholders of the Parent Company and to non-controlling interests.

Associates

An associate is an entity on which the Parent Company has significant influence and which is not a subsidiary of the investor or a joint venture of the investor. Significant influence means the right to participate in making decisions concerning financial and operating policy in a given company, which does not constitute control or shared control of such policy.

Shares in associates are valued using the equity method, except where the investment is classified as held for trading. Investments in associates are stated at acquisition cost after considering changes in the share in net assets of the company that occurred until the balance sheet date, less impairment of individual investments. Losses of associates in excess of the Group's share in the investment in the associate are recognised, unless the Parent Company undertook to absorb losses or to make payment on behalf of the given associate.

Any excess of acquisition cost above the share in the fair value of identifiable net assets (inclusive of contingent liabilities) of an associate at acquisition date is recognised as goodwill, thus increasing the value of the investment in an associate. Where the acquisition cost is lower than the Group's share in the identifiable net assets (inclusive of contingent liabilities) of an associate at acquisition date, the difference is recognised as gain at the time of establishing the investor's share in profit or loss of an associated company for the period in which the acquisition took place.

Joint arrangements

Share of the Group in joint arrangements is recognised:

- as joint operation - (registered, civil law partnerships) - its assets and liabilities (including share in assets and liabilities held/incurred jointly), its part of revenues and costs of joint activities are included directly in accounting books of the partners,
- as joint venture (capital companies) - entities are consolidated using the equity method.

Transactions with non-controlling interests without control change effect

Transactions with non-controlling interests without control change effect are recorded in correspondence with equity.

Business combinations

Acquisitions of a subsidiary by the Group, except for acquisition of entities under joint control, are accounted for using the purchase method.

Contribution made is measured at its fair value, calculated as at the acquisition date as the total of fair values of assets delivered by the Group, liabilities incurred by the Group with respect to the previous owners of the acquired entity and capital instruments issued by the Group in return for acquiring control over the acquired entity. Acquisition related costs are recognised in the result as at the date they were incurred.

Identifiable assets and liabilities are fair valued as at the acquisition date, with the following exceptions:

- assets and liabilities resulting from deferred income tax or related to employee benefits agreements are recognised and valued in accordance with IAS 12 "Income tax" and IAS 19 "Employee benefits";
- liabilities or capital instruments related with contribution programmes based on shares in the acquired entity or in the Group, which are supposed to replace similar agreements applicable in the acquired entity, are valued pursuant to IFRS 2 "Share-based payment" as at the acquisition date and
- assets (or groups of assets held for trading) classified as held for trading in accordance with IFRS 5 "Non Current Assets held for Sale and Discontinued operations" are valued in accordance with the requirements of that standard.

Goodwill is valued as the surplus of the contribution made, the non-controlling interest in the acquired entity and fair value of shares in the acquired entity previously held by the acquirer over the value of goodwill of the identifiable acquired assets and liabilities valued as at the acquisition date. If after another verification the net value of identifiable assets and liabilities valued as at the acquisition date exceeds the contribution made, the non-controlling interest in the acquired entity and fair value of shares in the acquired entity previously held by the acquirer, the surplus is recognised directly in profit or loss as gain from bargain purchase.

Non-controlling interest may be initially valued at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Valuation method is selected by the Group individually for each acquisition.

If contribution made includes contingent assets or contingent liabilities, the contribution is fair valued as at the acquisition date and included as a part of consideration in business combination. Changes in the fair value of contingent consideration qualifying as measurement period adjustment are recognised retrospectively in correspondence with the appropriate adjustments of goodwill. Measurement period adjustments include those arising from obtaining additional information concerning the "measurement period " (which cannot be longer than one year from the acquisition date), concerning facts and circumstances as at the acquisition date.

Changes in fair value of the contingent contribution which do not qualify as measurement adjustments are recognised depending on classification of contingent payment. Contingent liabilities classified as equity is re-valued and recognised within the equity. Contingent payment classified as an element of assets or liabilities is subject to revaluation for the following reporting days in accordance with IAS 39 or IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", while profits or losses resulting from revaluation are included in profit or loss.

In case of business combinations achieved in stages, shares in the acquired entity previously held by the Group are revalued to fair value as at the acquisition date and the resulting profit or loss is recognised in the net result. Amounts arising from holding shares in the acquired entity before the date of merger, previously included in other comprehensive income, are moved to the profit and loss account if such treatment would be correct as at the disposal date of those shares.

Where the accounting for a business combination is not complete by the end of the reporting period in which the business combination occurred, the Group reports provisional amounts. In the measurement period, the Group adjusts provisional amounts recognised as at the acquisition date (see above) or recognises additional assets or liabilities to reflect new facts and circumstances occurring on the acquisition date, which if identified, would have affected recognition of those amounts as at that date.

Acquisition of jointly controlled entities

Business combinations arising from transfers of interests in entities that are directly or indirectly under the control of the shareholder that controls the Budimex Group are accounted for using the pooling of interests method, i.e. as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, on the date that joint control was established. The assets and liabilities acquired are recognised at their carrying value after the harmonisation of accounting policies and appropriate consolidation adjustments. The amount of equity of the acquired entity and all differences between the carrying value and purchase price is recognised directly in the consolidated equity as retained earnings. Inter-company receivables and liabilities, income and expenses realised between the companies, profits and losses realised before acquisition that are included in the value of consolidated assets and liabilities are excluded on consolidation. Expenses related to the acquisition of jointly controlled entities are charged to other operating activities of the period in which they were incurred.

Loss of control

If the Group loses control over a subsidiary, profit or loss is calculated as a difference between:

- the total of fair value of the consideration received and fair value of the investment retained and
- carrying value of the assets (including goodwill) and liabilities of the subsidiary,

and recognised in the result. If assets of the subsidiary are revalued and the related accumulated profit or loss is included in other comprehensive income and recognised in the equity, values previously included in other comprehensive income and accumulated in equity are settled as if the Group directly disposed of the assets (i.e.moved to the result or directly to retained earnings, in accordance with the rules of the relevant IFRS). Fair value of the investment retained in a former subsidiary as at the date when the control was lost is measured at fair value on initial recognition, subsequently settled in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" or as costs at the moment of initial recognition of the investment in an associate or jointly controlled entity.

2.3 Foreign currency transactions and valuation of foreign currency items

Functional and reporting currency

Items recognised in the financial statements of individual Group entities are valued using the currency of the main economic environment in which the company conducts its business ("functional currency"). The consolidated financial statements of the Group are presented in the Polish zloty, which is the functional and reporting currency of the Parent 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 an exchange rate prevailing on the transaction date is used.

At each balance sheet date:

- monetary items are translated using the closing rate,
- non-monetary items stated at historical purchase price or at 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 payables as well as on sale of currencies are included under financial income or finance costs, as appropriate. In the event of non-monetary items stated at fair value, if gains or losses due to estimation to fair value are recognised in the equity capital, then exchange rate differences are also recognised in the equity capital. 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 and shares in subsidiaries using other functional currencies

The financial result, assets, equity and liabilities of foreign operations of the Group as well as those of the Group subsidiaries with a functional currency different from that of the Parent Company (with the provision that the functional currency of those entities is not the currency of a hyperinflationary economy) are translated into the Polish zloty as follows:

- assets and liabilities of branches and of each of the presented statement of financial position of a company with a different functional currency (i.e. including comparative data) are translated using the closing rate prevailing at the balance sheet date,
- revenues and costs in each profit and loss account (i.e. including comparative data) are translated using the average exchange rate (unless application of the average exchange rate would materially differ from the values obtained using the exchange rate prevailing on the transaction date),
- 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 and branches".

In the event of disposal of a foreign operation, the accumulated amount of deferred foreign exchange differences recognised as a separate item of equity is recognised in the financial result upon recognition of profit or loss on disposal of this entity.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost or cost of production less accumulated depreciation and impairment losses. Land is stated at cost less accumulated 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 cost 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 Group's property, plant and equipment are as follows:

- perpetual usufruct 40 – 78 years
- buildings and constructions 10 – 50 years
- plant and machinery 2 – 25 years
- means of transport 3 – 10 years
- other 2 – 10 years

Any subsequent expenditure is included in the carrying value of a given fixed asset or as a separate item provided that it is probable that an inflow of economic benefits will flow to the Group and the cost of the item may be reliably measured. Other costs incurred since the initial recognition such as 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 value 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 value of a given item of property, plant and equipment exceeds its estimated recoverable amount, the carrying value 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 value 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 financing costs, less any impairment losses. Construction-in-progress is not depreciated until completed and brought into use.

2.5 Investment properties

Investments in property (investment property) are initially valued at acquisition or production cost, after including transaction costs. After initial recognition, investment property, except for land and properties meeting the criteria of classification as held for sale, is depreciated in a way reflecting the pattern of consumption of economic benefits and adjusted for accumulated impairment losses.

The useful lives of the Group's investment properties are as follows:

- perpetual usufruct 40 – 78 years
- buildings and constructions 10 – 50 years
- other investment properties 2 – 10 years

2.6 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 acquisition cost or cost of development of an intangible asset can be reliably measured.

Initially, intangible assets are valued at acquisition cost or cost of production. Following initial recognition, intangible assets are valued at acquisition cost or cost of production less accumulated amortisation and total value of impairment losses.

Intangible assets are amortized in a way reflecting the pattern of consumption of economic benefits over their estimated useful lives. The expected useful lives of the Group's intangible assets are as follows:

- Patents and licenses 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.

2.7 Long-term assets (disposal groups) classified as held for sale

Included in this group are non-current assets (or disposal groups) provided their carrying value 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 carrying value and fair value less selling expenses. The fair value of non-current assets (disposal groups) classified as held for sale is defined in accordance with IFRS 13.

2.8 Goodwill

Goodwill is the excess of the aggregate of:

- the consideration transferred measured at acquisition-date fair value;
- contingent consideration, measured at acquisition-date fair value;
- the amount of any non-controlling interest in the acquiree measured either at its fair value or at its proportionate interest in the net identifiable assets;
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquired entity;

over the fair value of net identifiable assets as at the acquisition date, including exceptions provided in IFRS 3.

Goodwill represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised.

Goodwill is recognised under assets and is not subject to amortisation; it is, however, subject to impairment testing at least once a year. Any impairment loss is recognised directly in the profit and loss account and is not subject to reversal in subsequent reporting periods.

If the activities belonging to a cash generating unit to which the goodwill was allocated are to be sold, then the goodwill allocated to the activities sold will be accounted for during the course of determining gains or losses on sale.

Goodwill that arose prior to transitioning to the IFRS was recognised in accordance with the value determined using the earlier recognised accounting policies and was subject to impairment testing as at the date of transition to the IFRS. In addition, goodwill is tested annually for impairment and is recognised in the statement of financial position at cost less accumulated impairment losses. In order to conduct an impairment test, goodwill is allocated to 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 group of assets.

2.9 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost 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 Budimex Group, the qualifying assets are mainly inventories in developer companies as well as property, plant and equipment, investment properties and intangible assets.

2.10 Lease

The Group companies are parties to lease agreements under which they use third-party fixed assets over an agreed period of time in return for payments.

In the case of a finance lease agreement, which transfers substantially all of the risks and rewards of ownership of an asset, the leased asset is recorded under fixed assets or investments at fair value or at the present value of the minimum lease payments established at the inception of the lease term, if the present 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.

Leased assets 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 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 leases are recognised on a straight line bases 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 Note 2.9.

2.11 Impairment of non-financial assets

An assessment is made by the Group companies at each balance sheet date to determine whether there is any objective evidence that a non-financial asset or a group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognised for the difference between the recoverable amount and the carrying value. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The latter corresponds to the present 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.

For the purpose of impairment analysis, assets are grouped on the lowest possible level, on which identifiable cash flows occur (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 an impairment loss is subsequently reversed, the net value of an asset (or cash generating unit) is increased to the new recoverable value, not exceeding however the carrying value 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.

2.12 Advance payments for non-financial assets

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

2.13 Inventories

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

- 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 costs of uncompleted developer projects, including land used during performance of those projects, as well as general purpose and low 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 (if considered unnecessary for the realisation of the given contract),
- Goods for resale – inventory items purchased in order to be resold.
- Finished goods – internally developed goods for which the process of development was completed as well as flats, usable floor space and completed constructions ready for sale.

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 other contracts or sold. Such items are recognised directly in the profit or loss.

Inventories are valued at the lower of acquisition cost or cost of production and net realisable value.

Net realisable value is the selling price achievable at the balance sheet date, net of VAT and excise taxes, less any rebates, discounts and other similar items, less the estimated costs to complete and costs to sell.

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

2.14 Cash and cash equivalents

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

The “Cash and cash equivalents” item of the cash flow statement comprise cash at 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,
- gathered at open housing escrow accounts,
- cash at escrow accounts and current accounts in the part due to partners performing construction contract together with a company from the Group,

provided their maturity does not exceed 3 months.

The Group 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 balance sheet change is recognised under cash flow from operating activities.

2.15 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position of the Group when the Group becomes a 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: bank loans and borrowings, trade payables, retentions for construction contracts, 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 balance sheet date. During the period covered by these financial statements, the Group did not hold any financial instruments classified as held to maturity.

Financial assets and liabilities at fair value with gains or losses settled through the profit and loss account

This category covers the following two sub-categories:

- 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 an effective 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 Group becomes party to the relative contract. Investments are initially recognised at fair value. Transaction costs concerning acquisition are taken to profit and loss account.

Loans and receivables

Loans 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 a maturity of less than 12 months are recognised as current assets. Long-term liabilities arising from retentions for construction contracts are discounted to the present 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 Group will not be able to recover all amounts due under original receivables' terms and conditions.

Investments held to maturity

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 Group has the positive intention and ability to hold to maturity.

Investment purchase or sale transactions are recognised as at the transaction date, i.e. the date on which the Group commits to purchase or sell a given asset item. 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 non-derivative financial instruments not classified to any of the remaining categories of financial instruments. These are recorded under long-term assets, unless the Management Board intends to dispose of these investments within 12 months of the balance sheet date. If it is intended to dispose of the investments within 12 months of the balance sheet 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 Group commits to purchase or sell a given asset. Assets are initially recognised at fair value increased by transaction costs. It refers to all financial assets not recognised at fair value, with gains or losses in the profit and loss account. Assets are derecognised when the contractual rights to the cash flow from the asset expired or were transferred and the Group transferred substantially all of the risks and rewards connected with their 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 acquisition cost 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 balance sheet date, the Group 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 whether financial assets may be impaired, a significant or extended loss of fair value of a given financial asset below its cost is taken into account. If such evidence exists for financial assets available for sale, whose fair value can be estimated, total losses incurred to date calculated as the difference between acquisition cost 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 present 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 the 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 present value using the effective interest rate. Short-term retentions for construction contracts are initially recorded at the present value of the anticipated payment and recognised in subsequent periods at amortised cost.

Loans and borrowings and other external sources of financing

Bank loans and borrowings and other external sources of financing 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 balance sheet date, these financial liabilities are recognised at adjusted acquisition price (amortised cost) using the effective interest rate.

Derivative financial instruments

The Group companies enter into derivative transactions to hedge against foreign currency risk and interest rate risk. Policies on the use of derivative financial instruments have been described in the risk management policy of the Group approved by the Management Board as described in detail in Note 4 “Financial risk management”.

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

The effects of 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 under "Other operating income (costs)" as part of operating activity.

The effects of periodic valuation of interest rate swaps as well as gains and losses determined at the date of their settlement are reported in the profit and loss account under "Financial income (costs)" as part of financing activity.

The companies of the Group do not apply hedge accounting.

As regards transactions on the money, equity or derivative instruments markets, the Group companies cooperate with banks of good financial standing and thus do not contribute to significant credit risk concentration.

2.16 Equity

Equity

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

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

Other reserves cover the costs of introduction by Ferrovial SA of the share-based payment plan (note 2.18) as well as actuarial gains/(losses) on retirement benefits and similar obligations.

Foreign exchange differences on translation of foreign operations comprise the effect of translation of the financial statements of foreign operations of the Group from foreign currencies to PLN.

Equity attributable to non-controlling interests

Non-controlling interest is the part of equity of a subsidiary consolidated using the full method, which belongs to the shareholders other than those of the entities belonging to the Group.

Net profit (loss) of a subsidiary in the part belonging to the shareholders other than those of the entities belonging to the Group represents non-controlling interests gain/ (loss).

2.17 Employee benefits

Group entities operate retirement benefits / pension plan programs and thus create provisions for their underlying liabilities. 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 companies. 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 Group does not establish a separate fund for future benefits and allowances.

2.18 Share-based payments

Ferrovial SA operates its own equity-settled, share-based compensation plan under which employees of the Group render services to the Parent 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 consolidated 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 by reference to the fair value of the equity instruments at the grant date. 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 concluded 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 2014 was classified as liabilities (correspondingly as an expense).

2.19 Provisions

Group entities create provisions for future liabilities the maturity or amount of which are not certain. Provisions are established when:

- the company has a present obligation (legal or constructive) as a result of a past event,
- it is highly probable that settlement of this obligation will result in an outflow of resources embodying economic benefits, and
- a reliable estimate can be made of the amount of obligation.

The Group entities create provisions for costs of future warranty repairs as in the case of construction services they are required to provide warranty for their services. Warranty provision is connected with particular construction segments and amounts from 0.3% to 1.4% of total revenue from 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.

2.20 Recognition of revenues and expenses

Sales revenue is 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 sale-related taxes.

Revenue from sales of goods are recognised when the goods were delivered and all rights to the goods have been transferred and all the following conditions have been met:

- significant risks and rewards of ownership have passed from the Group to the buyer,
- the Group transferred management functions to the extent generally related to ownership right and effective control over goods sold,
- the amount of revenues may be reliably estimated,
- it is probable that the entity is going to gain commercial benefits related to the transactions, and
- the costs incurred or anticipated in relation to the transaction can be reliably estimated.

Payments received for goods not delivered or services not completed are recognised in the statement of financial position under deferred income.

Revenue from performance of construction contracts is recognised in accordance with the accounting policies of the Group presented below.

Interest income is recorded on a cumulative basis 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 Group 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 (included under "trade and other receivables"), while the costs not incurred and relating to a given period – under accruals (included under "trade and other liabilities").

2.21 Construction contracts

Revenue from performance of not completed construction service, from the date of signing the contract to the balance sheet date, after deducting revenues that affected the financial result in the previous reporting periods, are determined in proportion to advancement of the service, if such advancement can be reliably determined. The Group companies measure 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 (ordering parties) for works arising from the contract, in reference to all contracts in progress, for which the recognised revenues exceed the receivables from partial invoices. 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”.

Included in liabilities are 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. Under "Amounts due and payable to customers under construction contracts" provisions for losses are included as well. Outstanding amounts due and payable to suppliers, in respect of which the Group received invoices are recognised under “Trade and other payables”, while the amounts retained by suppliers - under “Retentions for construction contracts”.

2.22 Developer contracts

Revenue on sales of developer activities is recognised at the moment when control and all significant risks and rewards arising from the possession of the property are transferred to the buyer. The Group considers that transfer of risks, control and rewards takes place when the notary deed transferring the ownership right to the acquired property is signed.

Developer companies keep records that allow to determine the amount of costs relating to individual project elements which may be sold separately. Upon recognition of sales revenue, 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.

2.23 Concession agreement revenue and expenses

The Group companies are party to concession agreements which include construction, maintenance and management of public utility buildings for a determined period of time and receive remuneration for the term of the agreement. Such agreements are executed with the public sector entities which control or regulate the services to be provided by the concessionaire using the respective infrastructure, including the buyers and prices of such services. Such entities control also significant residual values of infrastructure at the end of the term of the agreement. The financial impact of such agreements is recognised by the Group under “Service concession arrangements” as per IFRIC 12.

The concessionaire recognises and measures revenues and costs of construction services provided in compliance with IAS 11, while revenues and costs of management/maintenance services are recognised as per IAS 18, i.e. at the time of transfer of all significant risks and rewards.

Remuneration for construction services may be disclosed in the statement of financial position as a financial asset (option 1), as an intangible asset (option 2) or a mixed model (option 3).

Option 1: The value of the guaranteed remuneration for the entire term of the agreement in present values is higher than the fair value of revenues generated on the construction service - in which case a financial asset of value equal to the fair value of revenues generated on the construction service is recognised.

Option 2: The concessionaire does not receive a remuneration guarantee, but the right (licence) to impose payments on users of a given public utility service of a total value depending on the degree of the public use of such service – in such case an intangible asset of value equal to the fair value of revenues generated on the construction service is recognised, assuming that it is expected to cover the difference with proceeds from sale of services.

Option 3: The value of the guaranteed remuneration for the entire term of the agreement in present values is lower than the fair value of revenues generated on the construction service - in which case a financial asset of value up to to the amount of the present value of the guaranteed remuneration is recognised as well as an intangible asset of value corresponding to the difference between the fair value of revenues generated on the construction service and the financial asset recognised, assuming that it is expected to cover the difference with proceeds from sale of services.

In order to define the amount of such remuneration as well as the value to be disclosed in the statement of financial position, a test is performed as at the date of execution of the agreement so as to confirm to what degree the payments guaranteed under the concession agreement may cover the remuneration for the construction services expressed at fair value.

A discount rate reflecting the weighted average cost of capital of the concessionaire is applied to calculate the present value of the guaranteed remuneration.

In the financial year ended 31 December 2014, the Group companies were party to only one concession agreement. The relevant test disclosed that the value of the guaranteed remuneration for the term of the agreement is higher than the fair value of receivables generated on the construction service. Thus, the receivables under the construction services were recognised using the option 1, i.e. as a financial asset.

The assets are recognised under “Concession agreement receivables” in the statement of financial position, as they are classified as loans and borrowings in compliance with IAS 39. The assets are measured at amortised cost, using the effective interest rate method. The increases in assets resulting from consideration of time value of money are recognised under “Financial income” in the profit and loss account.

In addition, at the end of each settlement period, the assets are reduced by the payments of the guaranteed remuneration allocated to each period proportionally to the share of the remuneration for the construction services in the entire amount of the guaranteed remuneration provided for in the agreement.

Such assets are tested for impairment at each balance sheet date.

Revenues generated on payments imposed on public utility service users, above the value of the guaranteed remuneration, are recognised as revenues on management/maintenance at the time of provision of the respective service.

In the event when the concessionaire is contractually obligated to maintain or restitute the infrastructure (modernisation excluded), such obligations are recognised as provisions as per IAS 37.

In compliance with IAS 23, the borrowing costs connected with the concession agreement are recognised as an expense when incurred, unless pursuant to the agreement the concessionaire has the right to obtain intangible assets. In such case, the borrowing costs connected with the concession agreement are capitalised during the construction stage (as per the standard referred to above). In the concession agreement executed, the Group recognised financial assets. Thus, the finance costs are disclosed in the profit and loss account under ‘finance costs’.

2.24 Gross profit / (loss) on sales

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

- revenue from sale of ordinary production and other services rendered as part of ordinary business activities of the Group, from 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.

2.25 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 commission and bank guarantees.

2.26 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 foreign operations are subject to local tax regulations, after considering the appropriate treaty on avoiding double taxation.

Due to the temporary differences between the carrying 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, Group companies recognise deferred tax liability and deferred tax assets in their financial statements.

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/ a decrease in 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/ an increase in tax losses, and in the amount of carry-forward of unused tax losses.

Deferred tax assets and deferred tax liabilities are not recognised if temporary differences result from goodwill or initial recognition (except for mergers) of other assets and liabilities of a transaction that does not affect taxable or accounting profit.

The carrying value of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income 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 balance sheet date.

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. If current or deferred tax results from the initial settlement of merger, the tax result is included in further settlements of such a merger.

Deferred tax assets and deferred tax liabilities are netted off at a Group company level.

2.27 Operating segments reporting

Group management and organisation is based on segments.

The Budimex Group operates in the area of two main operating segments:

- construction business,
- development activities and property management.

Other business areas that do not meet the requirements to be classified as reporting segments relate to companies conducting, among others, production, service or trading activities.

The division of business into individual segments has been made based on the main statutory business activities or the importance of their business to the given segment. Such division reflects the spread of main business risks and returns on the expenditure made.

The Group applies uniform accounting policies for all segments. Transactions between individual segments are made at arm's length.

Shares in equity accounted entities have been classified to the appropriate segment based on the type of business of the entity.

3. Changes in principles of preparation of financial statements

Starting from 1 January 2014, in relation with the newly applicable IFRS 11 "Joint arrangements", the Group started to consolidate Tecpresa - Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. using the equity method. Before, as described in the consolidated financial statements of the Group for the year 2013, that company was consolidated using the proportional method. Because of low significance of the previous individual data of the company, the consolidated financial statements have not been retrospectively adjusted. The above change has no significant impact on the basic and diluted earnings per share attributable to the shareholders of the Parent Company.

The consolidated statement of financial position as at 31 December 2013 and consolidated profit and loss account for the period of 12 months ended 31 December 2013 have been amended because of different aggregation of data in individual reporting lines. Due to the requirements included in IAS 1, additional comparative data as at 1 January 2013 have been also presented. Aggregation of data was changed to ensure better transparency. The above change has no significant impact on the basic and diluted earnings per share attributable to the shareholders of the Parent Company.

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

The changes are presented in the table below (unchanged items have been omitted):

Consolidated statement of financial position

	31 December 2013		
	after changes	**before changes**	**difference**
Non-current (long-term) assets			-
Trade and other receivables	25 496	20 703	4 793
Derivative financial instruments	-	692	(692)
Other financial assets	692	-	692
Non-current prepayments and accruals	-	4 793	(4 793)
Current (short-term) assets			-
Loans granted and other financial assets	-	3 164	(3 164)
Trade and other receivables	540 221	525 675	14 546
Derivative financial instruments	-	131	(131)
Other financial assets	3 295	-	3 295
Current prepayments and accruals	-	14 546	(14 546)
Non-current liabilities			-
Derivative financial instruments	-	226	(226)
Other financial liabilities	226	-	226
Current liabilities			-
Trade and other liabilities	1 374 915	1 217 984	156 931
Advance payments received	-	276 325	(276 325)
Deferred income	281 679	-	281 679
Derivative financial instruments	-	499	(499)
Other financial liabilities	499	-	499
Short-term accruals	-	156 931	(156 931)
Short-term deferred income	-	5 354	(5 354)

	1 January 2013		
	after changes	**before changes**	**difference**
Non-current (long-term) assets			-
Trade and other receivables	4 176	-	4 176
Non-current prepayments and accruals	-	4 176	(4 176)
Current (short-term) assets			-
Trade and other receivables	410 897	401 836	9 061
Derivative financial instruments	-	5 724	(5 724)
Other financial assets	5 724	-	5 724
Current prepayments and accruals	-	9 061	(9 061)
Current liabilities			-
Trade and other liabilities	1 449 202	1 287 594	161 608
Advance payments received	-	274 050	(274 050)
Deferred income	285 189	-	285 189
Derivative financial instruments	-	257	(257)
Other financial liabilities	257	-	257
Short-term accruals	-	161 608	(161 608)
Short-term deferred income	-	11 139	(11 139)

Consolidated profit and loss account

	Year ended 31 December 2013		
	after changes	**before changes**	**difference**
Other operating expenses	(109 122)	(107 991)	(1 131)
(Loss) on derivative financial instruments	-	(1 131)	1 131
Operating profit			-
Finance income	30 905	30 498	407
Gains on derivative financial instruments	-	407	(407)

4. Financial risk management

The main financial instruments used by the Budimex Group are:

- bank loans and borrowings, finance lease, the objective of which is to obtain resources to finance Group activities,
- 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 Group,
- derivative financial instruments such as foreign currency forward contracts and currency options, the purpose of which is to manage currency risk arising from construction contracts in foreign currency, as well as interest rate swaps entered into in order to swap the floating and the fixed interest rates.

In the course of its activities, Budimex Group is exposed to various financial risks, such as currency risk, interest rate risk, price risk, credit risk or loss of liquidity risk. The Management Board verifies and determines risk management policies for each of the risk types identified.

Currency risk

As part of its core business activities, Group companies enter into construction contracts denominated in foreign currencies and agreements 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 Group. In accordance with this policy, Group companies hedge against foreign currency risk attached to each construction contract, where the value of payments (gains or costs) in foreign currencies is considered significant. Hedging against foreign currency risk is made mainly using the derivative financial instruments, mainly currency contracts (fx forwards) and currency options, and, if possible, using natural hedge mechanism, which consists in concluding agreements with subcontractors in the currency of the underlying contract and hence in transferring this risk to the subcontractors.

In accordance with the Group policy, foreign currency exposure 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 2014, the Group had approx. 85% of its foreign currency exposure resulting from contracts concluded in foreign currency with investors and approx. 71% of its foreign currency exposure resulting from foreign currency outflows realised within contracts concluded in domestic currency hedges.

The companies of the Group do not apply hedge accounting.

Foreign currency risk – sensitivity to changes

In order to conduct analysis of sensitivity to fluctuations in exchange rates, on the basis of historical changes in values and the Group's knowledge of and experience in the financial markets, „feasible and possible" fluctuations in exchange rates were assessed at -10% / +10% as at 31 December 2014 and as at 31 December 2013.

The table below shows sensitivity of the net 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 December 2014	
		Depreciation of the Polish zloty against other currencies	Appreciation
	(in thousands)	+10%	-10%
Forward contracts/FX options			
– EUR	54 747	(14 817)	14 817
– USD	408	143	(143)
Financial instruments denominated in foreign currencies – net currency exposure (FX differences):			
– EUR	3 609	1 538	(1 538)
– USD	8	3	(3)
Gross effect on the result for the period and net assets		**(13 133)**	**13 133**
Deferred tax		2 495	(2 495)
Total		**(10 638)**	**10 638**

	Nominal value as at reporting date	Sensitivity to fluctuations as at 31 December 2013	
		Depreciation of the Polish zloty against other currencies	Appreciation
	(in thousands)	+10%	-10%
Forward contracts:			
– EUR	7 967	281	(281)
– USD	817	216	(216)
Financial instruments denominated in foreign currencies – net currency exposure (FX differences):			
– EUR	7 226	2 997	(2 997)
– USD	(9)	(3)	3
Gross effect on the result for the period and net assets		**3 491**	**(3 491)**
Deferred tax		(663)	663
Total		**2 828**	**(2 828)**

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

Interest rate risk

Interest rate risk occurs mainly due to use by Group companies of bank loans, borrowings and financial lease. The above financial instruments are based on variable interest rates and expose the Group to fluctuations in cash flows.

The risk related to the current debt balances was assessed as immaterial from the point of view of the effect on the results of the Group. At present, the interest risk management covers both ongoing monitoring of the market situation and debt levels, as well as 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 changes

In order to conduct an analysis of sensitivity to fluctuations in interest rates, on the basis of historical changes in values and the Group's knowledge of and experience in the financial markets, "feasible and possible" fluctuations in interest rates were assessed at -1.0 p.p./ +1.0 p.p. for PLN and at -0.25 p.p. / +0.25 p.p. for EUR and USD as at 31 December 2014 and as at 31 December 2013. At the same time, a parallel shift was assumed of interest rate curve for the purpose of calculation of sensitivity of discount to fluctuations in interest rates.

Presented below is the effect on the net result and net assets as at 31 December 2014 and 31 December 2013:

	Carrying value	Sensitivity to fluctuations as at 31 December 2014	
		+100 bp (PLN) +25 bp (EUR, USD)	**-100 bp (PLN) -25 bp (EUR, USD)**
Long-term retentions for construction contracts (discount):		5 220	(5 510)
– recognised in assets (present value)	27 923		
– recognised in liabilities (present value)	(176 116)		
Non-current receivables (discount)	23 074	(876)	939
Concession agreement receivables (weighted average cost of capital)	45 214	4	(135)
Borrowings granted (nominal value / interest rate)	18 988	190	(190)
Cash at bank (nominal value / interest rate)	1 830 188	18 151	(18 151)
Derivative financial instruments – interest rate swap			
– recognised in liabilities (fair value)	(4 119)	2 292	(2 519)
Bank loans and borrowings (nominal value / interest rate)	(42 001)	(355)	355
Finance lease liabilities (present value / interest rate)	(25 691)	(257)	257
Gross effect on the result for the period and net assets		**24 369**	**(24 954)**
Deferred tax		(4 630)	4 741
Total		**19 739**	**(20 213)**

	Carrying value	Sensitivity to fluctuations as at 31 December 2013	
		+100 bp (PLN) +25 bp (EUR, USD)	**-100 bp (PLN) -25 bp (EUR, USD)**
Long-term retentions for construction contracts (discount):		4 399	(4 419)
– recognised in assets (present value)	24 804		
– recognised in liabilities (present value)	(161 347)		
Non-current receivables (discount)	20 703	(970)	1 028
Concession agreement receivables (weighted average cost of capital)	22 376	71	(71)
Borrowings granted (nominal value / interest rate)	3 111	31	(31)
Cash at bank (nominal value / interest rate)	1 654 379	16 266	(16 266)
Derivative financial instruments – interest rate swap			
– recognised in assets (fair value)	692	1 183	(692)
– recognised in liabilities (fair value)	(285)	276	(931)
Bank loans and borrowings (nominal value / interest rate)	(26 883)	(206)	206
Finance lease liabilities (present value / interest rate)	(27 192)	(272)	272
Gross effect on the result for the period and net assets		**20 778**	**(20 904)**
Deferred tax		(3 948)	3 972
Total		**16 830**	**(16 932)**

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

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 Group is exposed to the price risk relating to increases in prices of the most popular construction materials such as steel, concrete or crude oil derivatives such as petrol, diesel oil, asphalts or 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, in turn, result in higher prices of services rendered by subcontractors to the Group. Prices set forth in contracts with investors remain fixed over the entire period of contract realisation i.e. most often for the period of 6 – 36 months, while contracts with subcontractors are made at a later date, as work on individual contract progresses. The highest risk of raw material price volatility (increases) exists in the case of public procurements due to the lengthy process of selecting a general contractor. This pertains to the period from placing a bid until the time the general contractor is selected and the contract is signed, when further obligations cannot always be made and prices cannot always be secured.

In order to limit the price risk, prices of the most popular construction materials are monitored on an ongoing basis, while the construction contracts signed have the parameters relating, among others, to contract duration and value, appropriately matched with market situation. The Central Purchase Bureau operating within the structures of the Budimex Group negotiates framework agreements with suppliers of basic construction materials based on the construction works planned.

Credit risk

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

The financial assets of the Group exposed to increased credit risk are trade receivables. The Budimex Group has in place the policy of credit risk assessment and review in respect of all contracts, both at contract pre-tender stage and during contract realisation.

Prior to contract signing, each business partner is assessed for the capacity to discharge his 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 at the Group taking into consideration the fact that its main customer is a government agency (*urząd administracji rządowej*).

The Group is not exposed to significant credit risk to one business partner or a group of business partners with similar features. Credit risk relating to liquid assets and derivative financial instruments is limited as the Group business partners are banks with high credit ratings awarded by reputable international rating agencies.

Except for the data presented in note 49, the carrying value of financial assets recognised in the financial statements without accounting for losses reflects the maximum credit exposure of the Group to the credit risk without the value of the collaterals/ securities established.

Loss of liquidity risk

In order to limit the risk of loss of liquidity, Group companies hold appropriate amounts of cash and marketable securities, and enter into credit facilities contracts which serve as an additional safeguard against loss of liquidity. To finance its investment purchases, the Group uses own funds or long-term finance lease contracts that ensure appropriate stability of financing structure for this type of assets.

Liquidity management is supported by the obligatory system of reporting liquidity forecasts by Group companies.

The maturity structure of liabilities under loans, borrowings and other external sources of financing is presented in Note 24. The maturity structure of other financial liabilities is presented in the respective Notes.

The current favourable financial situation of the Budimex Group as regards its liquidity and availability of external sources of financing does not create any threats to further financing of Group’s activities.

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

5. Capital management

The main objective of capital management at the Group is to keep good credit rating and safe financial covenants that would support operating business of the Group and increase its value for the shareholders.

The Group manages its capital structure and modifies it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may return the equity to the shareholders, issue new shares or pay out dividend. In 2014 and 2013, no changes were made to process objectives and policies binding in this area.

The Group monitors the level of equity using the gearing ratio which is calculated as the ratio of net debt to total shareholders' equity increased by net debt. Net debt includes interest-bearing loans and borrowings and other external sources of financing, trade and other payables (except accrued expenses), retentions for construction contracts, amounts due and payable to customers (investors) under construction contracts, deferred income (except for other deferred income) and current tax liabilities decreased by cash and cash equivalents.

	31 December 2014	31 December 2013
Interest-bearing loans and borrowings and other external sources of financing	67 700	54 084
Trade and other liabilities	2 758 886	2 551 184
Less cash and cash equivalents	(1 831 652)	(1 658 783)
Net debt	994 934	946 485
Equity	522 509	645 175
Equity and net debt	1 517 443	1 591 660
Gearing ratio	65.57%	59.47%

6. Key estimates and assumptions

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

6.1 Key accounting estimates

The Group makes estimates and assumptions regarding future which are reflected in these consolidated financial statements. The actual results may differ from these estimates. The Group's estimates relate, among others, to provisions established, valuation of construction contracts, impairment write-downs against property, plant and equipment, accruals and deferred income or adopted depreciation/ amortisation rates. Material assumptions, not described in this point, and adopted in the estimate of above values have been described in Note 2 "Key accounting policies".

Provisions for warranty repairs

The Budimex Group companies are required to issue a warranty for their construction services rendered. Warranty provision is connected with particular construction segments and amounts from 0.3% to 1.4% of total revenue from a given contract. This ratio is, however, analysed on an individual basis and in justified cases may be increased or reduced, as appropriate. The amounts of warranty provision have been presented in Note 28.

Companies not engaged in construction business at the balance sheet date assess their risk of warranty for their products or services based on historical data and current estimates.

Uninvoiced services

The Group companies perform 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 technical acceptance protocol and invoice. At each balance sheet 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 Group companies as costs of contracts. The value of costs of completed and uninvoiced projects is determined by technical surveyors on the basis of quantity survey 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, which are all subject to frequent changes. Regulations regarding these taxes are subject to frequent changes which cause these regulations to be unclear and inconsistent. 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 view on certain matters different to that adopted by Group companies as regards interpretations of binding regulations. This, in turn, could have a significant impact on tax liabilities of the Group.

Provision for legal proceedings

The Group companies are parties to litigation proceedings. Legal departments and management boards of the Group companies prepare detailed analyses of potential risks relating to the legal cases pending and, based on these, take decisions concerning the necessity to account for the effects of such proceedings in the Group company's accounting books, or the amount of the provision.

6.2 Professional judgement in applying accounting policies

Recognition of sales revenue on construction contracts

Revenues from construction contracts during the period from the contract date to the balance sheet date, after deducting revenues that affected the financial result in the previous reporting periods, are determined in proportion to the percentage of construction contract completion, which is measured based on measurement of completed works or as the share of the costs incurred from the contract date to the date of determining contract revenue in total contract costs. Budgets of individual contracts are subject to regular updates (revisions), based on the current information, twice a year and are approved by the Management Board. Where 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 balance sheet 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 period, not higher, however, than the amount of costs that can be covered by the investor in the future.

7. Discontinued operations

In 2014 and 2013, no operations were discontinued within the meaning of IFRS 5.

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

8. The Budimex Group Entities

Presented below is the list of subsidiaries of the Budimex Group:

Name of the entity	Registered office	Share in the share capital and in the number of votes (%)		Consolidation method	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
Consolidated					
Mostostal Kraków SA	Kraków / Poland	100.00%	100.00%	full	full
Budimex Bau GmbH	Cologne / Germany	100.00%	100.00%	full	full
Budimex Nieruchomości Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
SPV-BN 1 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
Poznańskie Przedsiębiorstwo Inwestycyjne Sp. z o.o. [1]	Warsaw / Poland	100.00%	100.00%	full	full
Budimex Kolejnictwo SA	Warsaw / Poland	100.00%	100.00%	full	full
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
Budimex B Sp. z o.o. (in liquidation)	Warsaw / Poland	100.00%	100.00%	full	full
Elektromontaż Poznań SA[2]	Poznań / Poland	92.31%	50.66%	full	full
Elektromontaż Import Sp. z o.o. [2]	Warsaw / Poland	92.31%	50.66%	full	full
Instal Polska Sp. z o.o. [2]	Poznań / Poland	92.31%	50.66%	full	full
Elektromontaż Warszawa SA[2]	Warsaw / Poland	92.31%	50.66%	full	full
Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o. [3]	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
Non-consolidated					
Budimex Autostrada SA	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex Most Wschodni SA	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex Autostrada A-1 SA	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in bankruptcy open to arrangements	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex A Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex C Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex D Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex E Sp. z o.o. [4]	Warsaw / Poland	-	100.00%	-	non-consolidated
Budimex F Sp. z o.o. [5]	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex G Sp. z o.o.[6]	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex PPP SA	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
MK Logistic Sp. z o.o. (in liquidation)	Zabrze / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Dromex Oil Sp. z o.o. (in liquidation)	Warsaw / Poland	97.93%	97.93%	non-consolidated	non-consolidated
PKZ Budimex GmbH	Cologne / Germany	50.00%	50.00%	non-consolidated	non-consolidated

[1]) Previous name of the company: SPV-BN 2 Sp. z o.o.
[2]) On 18 December 2014, Budimex Budownictwo Sp. z o.o. acquired 41.65% of shares in Elektromontaż Poznań SA. Therefore, the share of the Budimex Group in Elektromontaż Poznań SA and its subsidiaries increased from 50.66% to 92.31%.
[3]) The company was entered in the National Court Register on 6 December 2013. It was included in consolidation from 1 January 2014.
[4)] The Company was sold on 21 February 2014.
[5]) The company was entered in the National Court Register on 16 May 2014.
[6]) The company was entered in the National Court Register on 19 May 2014.

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

The list of joint arrangements of the Budimex Group:

Name of the entity	Registered office	Share in the share capital and in the number of votes (%)		Method of presentation in the financial statements	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
Joint operations					
Budimex SA – Budimex Budownictwo Sp. z o.o. s.c.	Warsaw / Poland	100.00%	100.00%		full
Budimex SA Ferrovial Agroman SA s.c.	Warsaw / Poland	99.98%	99.98%		
Budimex SA Sygnity SA Sp. j.	Warsaw / Poland	67.00%	67.00%		
Budimex SA Ferrovial Agroman SA Sp. j.	Warsaw / Poland	50.00%	50.00%	share in assets, liabilities, revenues and costs	proportionate
Budimex SA – Cadagua SA s.c.	Warsaw / Poland	50.00%	50.00%		
Budimex SA – Cadagua II SA s.c.	Warsaw / Poland	50.00%	-		
Budimex SA Tecnicas Reunidas SA Turów s.c. [1]	Warsaw / Poland	50.00%	-		
Joint ventures					
Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o.	Warsaw / Poland	30.00%	30.00%	equity method	proportionate

[1] the Company was established on 4 December 2014.

Main activity of the joint arrangements of the Budimex Group is construction.

In 2014, the following changes occurred in the structure of the Budimex Group:

On 21 February 2014, the company Budimex PPP SA sold its shares in the company Budimex E Sp. z o.o.

On 16 May 2014, the company Budimex F Sp. z o.o. was entered in the National Court Register. Budimex PPP SA holds 100 per cent of shares in this company.

On 19 May 2014, the company Budimex G Sp. z o.o. was entered in the National Court Register. Budimex PPP SA holds 100 per cent of shares in this company.

On 4 December 2014, Budimex SA Tecnicas Reunidas SA Turów Spółka Cywilna was established. Budimex SA holds 50 per cent of shares in this company.

On 18 December 2014, Budimex Budownictwo Sp. z o.o., a wholly owned subsidiary of Budimex SA, acquired 41.65% of shares in Elektromontaż Poznań SA., increasing the total share of the Budimex Group to 92.31%.

In the period covered by the report, no significant activities were discontinued and are were no formal plans to discontinue any significant activities.

9. Operating segment information

Operating segments

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

- construction business
- development activities and property management.

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

- Budimex SA
- Mostostal Kraków SA
- Budimex Bau GmbH
- Budimex Budownictwo Sp. z o.o.
- Budimex Kolejnictwo SA

Development and property management services comprise preparation of land for investment, execution of investment projects in the field of residential building, sale of apartments and rental and management of property on own account. Included in this operating segment are the following Group companies:

- Budimex Nieruchomości Sp. z o.o.
- SPV-BN 1 Sp. z o.o.
- Poznańskie Przedsiębiorstwo Inwestycyjne Sp. z o.o. (former: SPV-BN 2 Sp. z o.o.)
- Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o.
- Budimex SA in the part relating to the development business, as a result of a merger with Budimex Inwestycje Sp. z o.o. on 13 August 2009.

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

Other business conducted does not meet the requirements of reportable segments. Included in other business are entities of the Group that mainly conduct production, service or trading activities, as well as public-private partnership.

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

The results of segments for **the year ended 31 December 2014** are presented in the table below:

	Construction business	Property management and developer business	Other business	Exclusions	Consolidated value
Revenue on external sales	4 566 628	249 920	133 391	-	**4 949 939**
Inter-segment sales	150 839	645	26 571	(178 055)	**-**
Total sales revenue	**4 717 467**	**250 565**	**159 962**	**(178 055)**	**4 949 939**
Cost of finished goods, goods for resale and raw materials sold externally	(4 214 796)	(183 830)	(118 633)	-	**(4 517 259)**
Cost of finished goods, goods for resale and raw materials sold to other segments	(139 686)	(13 090)	(26 571)	179 347	**-**
Cost of finished goods, goods for resale and raw materials sold	**(4 354 482)**	**(196 920)**	**(145 204)**	**179 347**	**(4 517 259)**
Gross profit on sales	**362 985**	**53 645**	**14 758**	**1 292**	**432 680**
Selling expenses	(11 058)	(12 083)	(4 566)	47	**(27 660)**
Administrative expenses	(165 021)	(13 859)	(5 379)	6 516	**(177 743)**
Other operating income/ (expenses), net	9 474	11 281	(714)	-	**20 041**
Operating profit	**196 380**	**38 984**	**4 099**	**7 855**	**247 318**
Financial income / (costs), net, of which:	(6 690)	9 041	(1 198)	-	**1 153**
- interest income	*28 207*	*7 320*	*2 676*	*(231)*	***37 972***
- interest expense	*(3 617)*	*(659)*	*(1 458)*	*231*	***(5 503)***
Shares in losses of equity accounted entities	(5)	-	(5 847)	-	**(5 852)**
Income tax	(38 834)	(9 300)	944	(1 491)	**(48 681)**
Net profit / (loss)	**150 851**	**38 725**	**(2 002)**	**6 364**	**193 938**

In 2014, sales revenue from one customer amounted to PLN 1 174 067 thousand and related entirely to the construction segment.

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

The results of segments for **the year ended 31 December 2013** are presented in the table below:

	Construction business	Property management and developer business	Other business	Exclusions	Consolidated value
Revenue on external sales	4 005 617	224 632	519 210	-	**4 749 459**
Inter-segment sales	135 126	593	17 387	(153 106)	**-**
Total sales revenue	**4 140 743**	**225 225**	**536 597**	**(153 106)**	**4 749 459**
Cost of finished goods, goods for resale and raw materials sold externally	(3 722 724)	(164 355)	(466 964)	-	**(4 354 043)**
Cost of finished goods, goods for resale and raw materials sold to other segments	(113 799)	(15 721)	(17 387)	146 907	**-**
Cost of finished goods, goods for resale and raw materials sold	**(3 836 523)**	**(180 076)**	**(484 351)**	**146 907**	**(4 354 043)**
Gross profit on sales	**304 220**	**45 149**	**52 246**	**(6 199)**	**395 416**
Selling expenses	(10 798)	(9 437)	(8 173)	44	**(28 364)**
Administrative expenses	(147 572)	(12 060)	(17 519)	14 234	**(162 917)**
Other operating income/ (expenses), net	(9 591)	(57 228)	1 880	(2)	**(64 941)**
Profit on disposal of a subsidiary	-	-	194 112	-	**194 112**
Operating profit/(loss)	**136 259**	**(33 576)**	**222 546**	**8 077**	**333 306**
Financial income / (costs), net, of which:	(3 679)	4 803	1 525	-	**2 649**
- interest income	*21 547*	*5 908*	*2 330*	*(60)*	***29 725***
- interest expense	*(4 066)*	*(1 148)*	*(359)*	*60*	***(5 513)***
Shares in losses of equity accounted entities	-	-	(4 684)	-	**(4 684)**
Income tax	(29 575)	5 387	(4 248)	(1 535)	**(29 971)**
Net profit / (loss)	**103 005**	**(23 386)**	**215 139**	**6 542**	**301 300**

In 2013 sales revenue from one customer amounted to PLN 1 210 873 thousand and related entirely to the construction segment.

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

Other segment-related items recognised in the profit and loss account **for the year ended 31 December 2014** are as follows:

	Construction business	Property management and developer business	Other business	Consolidated value
Depreciation/ amortisation	(21 138)	(567)	(1 326)	**(23 031)**
(Recognition) / reversal of impairment write-downs against receivables	(1 408)	(29)	350	**(1 087)**
(Recognition) / reversal of impairment write-downs against inventories	-	54	13	**67**
Other non-monetary income / (costs) *	(283 528)	(879)	(3)	**(284 410)**

Other segment-related items recognised in the profit and loss account **for the year ended 31 December 2013** are as follows:

	Construction business	Property management and developer business	Other business	Consolidated value
Depreciation/ amortisation	(24 681)	(507)	(3 705)	**(28 893)**
(Recognition) / reversal of impairment write-downs against receivables	(9 709)	(10)	(1 856)	**(11 575)**
(Recognition) / reversal of impairment write-downs against inventories	-	(58 229)	(70)	**(58 299)**
Other non-monetary income / (costs) *	(5 170)	(676)	(2 972)	**(8 818)**

*) Other non-monetary income / (costs) cover reversal / (creation) of provisions for contract losses and warranty repairs.

Segment assets and liabilities and capital (investment) expenditure **as at 31 December 2014** are presented in the table below:

	Construction business	Property management and developer business	Other business	Exclusions	Consolidated value
Segment assets	2 320 244	997 928	144 338	(7 354)	3 455 156
Investments in equity accounted companies	84	-	7 455	-	7 539
Unallocated segment assets					395 514
Total consolidated assets					**3 858 209**
Segment liabilities	2 872 934	362 488	62 937	(56 650)	3 241 709
Unallocated segment liabilities					93 991
Total consolidated liabilities					**3 335 700**
Capital expenditure	43 607	4 232	562	-	**48 401**

Segment assets and liabilities and capital (investment) expenditure **as at 31 December 2013** are presented in the table below:

	Construction business	Property management and developer business	Other business	Exclusions	Consolidated value
Segment assets	2 085 404	897 470	358 507	(12 977)	3 328 404
Investments in equity accounted companies	-	-	3 518	-	3 518
Unallocated segment assets					354 831
Total consolidated assets					**3 686 753**
Segment liabilities	2 664 873	290 115	67 212	(50 853)	2 971 347
Unallocated segment liabilities					70 231
Total consolidated liabilities					**3 041 578**
Capital expenditure	12 826*	476	4 422	-	**17 724**

*of which PLN 6 559 thousand spent to acquire the controlling interest in Elektromontaż Poznań SA

Segment assets comprise mainly property, plant and equipment, intangible assets, inventories, derivative financial instruments, receivables and cash from operating activities. They do not, however, comprise loans granted, deferred tax assets or current tax assets (receivables).

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

Segment liabilities comprise operating liabilities (including derivatives), and do not cover tax liabilities, loan liabilities, liabilities arising from external sources of financing and deferred tax liability.

Capital expenditure covers increases in property, plant and equipment, investment properties, intangible assets and long-term financial assets.

Geographical information

The Budimex Group conducts business in Poland and abroad. Other markets include Ukraine, Lithuania, Estonia, Russia, Switzerland.

Revenue from sale of finished goods, goods for resale and raw materials

	2014	2013
Domestic market	4 754 307	4 198 885
German market	158 085	507 479
Other markets	37 547	43 095
Total	**4 949 939**	**4 749 459**

Non-current assets

	31 December 2014	31 December 2013
Domestic market	188 591	190 009
German market	518	411
Other markets	-	-
Total	**189 109**	**190 420**

Capital expenditure

	2014	2013
Domestic market	48 135	17 474
German market	266	243
Other markets	-	7
Total	**48 401**	**17 724**

The geographical split of sales revenue matches customer distribution and is consistent with the internal organisational structure of the Group.

Fixed assets comprise property, plant and equipment, investment properties, intangible assets, goodwill of subordinates, as well as long-term prepayments and accruals.

The split of total assets and capital expenditure matches localisation of branches and foreign operations included in the Budimex Group.

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

10. Property, plant and equipment

	Land & perpetual usufruct	Buildings and constructions	Plant and machinery	Motor vehicles	Other [tangible] fixed assets	Fixed assets under construction	Total
Gross value as at 1 January 2014	**3 044**	**27 613**	**203 525**	**19 791**	**21 066**	**1 531**	**276 570**
Increases:	**7**	**1 604**	**14 175**	**2 505**	**1 585**	**144**	**20 020**
– purchase (including acceptance for use under lease contracts)	-	1 432	13 888	2 503	1 557	-	**19 380**
– transfer from construction in progress	-	172	150	-	-	(322)	**-**
– increase in construction in progress	-	-	-	-	-	466	**466**
– foreign exchange differences	-	-	11	2	28	-	**41**
– other increases	7	-	126	-	-	-	**133**
Decreases:	**-**	**(2 352)**	**(5 709)**	**(146)**	**(1 216)**	**(1 326)**	**(10 749)**
– sale	-	(2 235)	(4 826)	(138)	(443)	-	**(7 642)**
– liquidation, scrapping	-	(117)	(883)	(8)	(773)	-	**(1 781)**
– transfer to assets classified as held for sale	-	-	-	-	-	(1 160)	**(1 160)**
– transfer to investment properties	-	-	-	-	-	(166)	**(166)**
Gross value as at 31 December 2014	**3 051**	**26 865**	**211 991**	**22 150**	**21 435**	**349**	**285 841**
Depreciation as at 1 January 2014	**(43)**	**(9 457)**	**(149 841)**	**(15 383)**	**(16 412)**	**-**	**(191 136)**
Movements for the period:	**(45)**	**(503)**	**(10 489)**	**(1 361)**	**(1 417)**	**-**	**(13 815)**
– current depreciation (note 33)	(45)	(1 154)	(15 964)	(1 460)	(2 307)	-	**(20 930)**
– sale	-	604	4 747	94	141	-	**5 586**
– liquidation, scrapping	-	47	864	8	771	-	**1 690**
– foreign exchange differences	-	-	(10)	(3)	(22)	-	**(35)**
– other	-	-	(126)	-	-	-	**(126)**
Depreciation as at 31 December 2014	**(88)**	**(9 960)**	**(160 330)**	**(16 744)**	**(17 829)**	**-**	**(204 951)**
Impairment write-downs as at 1 January 2014	**-**	**(1 377)**	**-**	**-**	**(302)**	**-**	**(1 679)**
– (increases)/decreases	-	-	-	-	302	-	**302**
Impairment write-downs as at 31 December 2014	**-**	**(1 377)**	**-**	**-**	**-**	**-**	**(1 377)**
Net value as at 1 January 2014	**3 001**	**16 779**	**53 684**	**4 408**	**4 352**	**1 531**	**83 755**
Net value as at 31 December 2014	**2 963**	**15 528**	**51 661**	**5 406**	**3 606**	**349**	**79 513**

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

	Land & perpetual usufruct	Buildings and constructions	Plant and machinery	Motor vehicles	Other [tangible] fixed assets	Fixed assets under construction	Total
Gross value as at 1 January 2013	**6 185**	**27 386**	**212 939**	**21 021**	**20 087**	**976**	**288 594**
Increases:	**4**	**14 052**	**9 358**	**1 378**	**2 823**	**3 625**	**31 240**
– purchase (including acceptance for use under lease contracts)	-	384	3 202	441	1 588	-	**5 615**
– change in the composition of the Group	-	13 615	5 828	880	1 221	115	**21 659**
– transfer from construction in progress	-	53	314	45	-	(412)	**-**
– increase in construction in progress	-	-	-	-	-	3 922	**3 922**
– foreign exchange differences	-	-	13	12	14	-	**39**
– other increases	4	-	1	-	-	-	**5**
Decreases:	**(3 145)**	**(13 825)**	**(18 772)**	**(2 608)**	**(1 844)**	**(3 070)**	**(43 264)**
– sale	(14)	(1 001)	(5 023)	(82)	(434)	-	**(6 554)**
– liquidation, scrapping	-	-	(2 480)	-	(678)	-	**(3 158)**
– change in the composition of the Group	(3 131)	(10 842)	(11 269)	(2 526)	(732)	(2 971)	**(31 471)**
– transfer to investment properties	-	(1 982)	-	-	-	(99)	**(2 081)**
Gross value as at 31 December 2013	**3 044**	**27 613**	**203 525**	**19 791**	**21 066**	**1 531**	**276 570**
Depreciation as at 1 January 2013	**-**	**(9 158)**	**(138 229)**	**(13 993)**	**(14 155)**	**-**	**(175 535)**
Movements for the period:	**(43)**	**(299)**	**(11 612)**	**(1 390)**	**(2 257)**	**-**	**(15 601)**
– current depreciation (note 33)	(44)	(1 564)	(20 149)	(2 157)	(2 532)	-	**(26 446)**
– sale	1	372	2 328	15	347	-	**3 063**
– liquidation, scrapping	-	-	2 456	-	593	-	**3 049**
– change in the composition of the Group	-	(6)	3 761	757	(659)	-	**3 853**
– foreign exchange differences	-	-	(8)	(5)	(6)	-	**(19)**
– transfer to investment properties	-	899	-	-	-	-	**899**
Depreciation as at 31 December 2013	**(43)**	**(9 457)**	**(149 841)**	**(15 383)**	**(16 412)**	**-**	**(191 136)**
Impairment write-downs as at 1 January 2013	**-**	**(1 565)**	**-**	**-**	**(302)**	**-**	**(1 867)**
– (increases)/decreases	-	-	-	-	-	-	**-**
– change in the composition of the Group	-	188	-	-	-	-	**188**
Impairment write-downs as at 31 December 2013	**-**	**(1 377)**	**-**	**-**	**(302)**	**-**	**(1 679)**
Net value as at 1 January 2013	**6 185**	**16 663**	**74 710**	**7 028**	**5 630**	**976**	**111 192**
Net value as at 31 December 2013	**3 001**	**16 779**	**53 684**	**4 408**	**4 352**	**1 531**	**83 755**

(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:

	2014	2013
Cost of finished goods and services sold	19 487	24 684
Administrative expenses	1 182	1 516
Other costs	261	246
Total	**20 930**	**26 446**

The Group as lessee uses the following fixed assets under finance lease contracts:

	31 December 2014		31 December 2013	
	Initial cost - capitalised finance lease	Net carrying amount	Initial cost - capitalised finance lease	Net carrying amount
Plant and machinery	54 433	24 340	47 324	29 100
Motor Vehicles	3 522	898	1 990	905
Other fixed assets	288	170	249	129
Total	**58 243**	**25 408**	**49 563**	**30 134**

The value of collaterals established on property, plant and equipment is described in note 40.

The total value of received or receivable compensations in respect of the fixed assets that were impaired or lost in 2014 was PLN 22 thousand (in 2013: PLN 13 thousand).

11. Investment properties

	31 December 2014	31 December 2013
Buildings and constructions	24 880	24 403
Other	114	126
Total investment properties	**24 994**	**24 529**
Fair value of investment properties	*29 461*	*30 147*

Movements in the balance of investment properties during 2014 and 2013 were as follows:

	2014	2013
Opening balance		
Gross value	29 254	6 365
Depreciation (incl. accumulated impairment losses)	(4 725)	(3 109)
Net value - opening balance	**24 529**	**3 256**
Movements for the period:		
Purchase	2 652	111
Disposal	(1 193)	(90)
Transfer of items of property, plant and equipment	166	1 182
Change in the composition of the Group	-	20 225
Depreciation (note 33)	(139)	(155)
Transfer to assets classified as held for sale (note 14)	(1 021)	-
Closing balance		
Gross value	27 229	29 254
Depreciation (incl. accumulated impairment losses)	(2 235)	(4 725)
Net value	**24 994**	**24 529**

The value of collaterals established on investment properties is described in note 40.

Depreciation of investment properties for the years 2014 and 2013 was recognised in the profit and loss account under cost of finished goods and services sold.

Appraisals of certain parts of investment properties for the amount of PLN 23 165 thousand were performed as at 31 December 2014. The appraisals confirmed that investment properties held by the Group were not impaired. The fair value measurement of investment properties was classified as level 2 according to IFRS 13.

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

In 2014 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 idea of commissioning appraisals of other investment properties was abandoned due to negligible price fluctuations on the market and thus minimum likelihood of impairment in the value of the investment properties held by the Group.

Appraisals of certain parts of investment properties for the amount of PLN 21 808 thousand were performed as at 31 December 2013. The appraisals confirmed that investment properties held by the Group were not impaired. The fair value measurement of investment properties was classified as level 2 according to IFRS 13. In 2013 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 idea of commissioning appraisals of other investment properties was abandoned due to negligible price fluctuations on the market and thus minimum likelihood of impairment in the value of the investment properties held by the Group.

The Group companies recognised in their profit and loss accounts the following balances of income from and costs of investment property management:

	2014	**2013**
Rental charge income	8 993	7 054
Direct operating expenses (including costs of repair and maintenance) relating to investment properties that generated income on rentals	5 731	3 571
Direct operating expenses (incl. costs of repair and maintenance) relating to investment properties that did not result in rental charge income	-	-

12. Intangible assets

	Computer software	**Licenses and patents acquired**	**Other**	**Total**
Gross value as at 1 January 2014	**24 679**	**931**	**3 300**	**28 910**
Increases:	**2 344**	**6**	**-**	**2 350**
– purchase	1 568	6	-	**1 574**
– settlement of advance payments	772	-	-	**772**
– foreign exchange differences	4	-	-	**4**
Decreases:	**(47)**	**-**	**-**	**(47)**
– sale	(2)	-	-	**(2)**
– liquidation	(45)	-	-	**(45)**
Gross value as at 31 December 2014	**26 976**	**937**	**3 300**	**31 213**
Amortisation as at 1 January 2014	**(21 759)**	**(648)**	**(2 397)**	**(24 804)**
Movements for the period:	(1 261)	(122)	(532)	**(1 915)**
– current amortisation (note 33)	(1 308)	(122)	(532)	**(1 962)**
– sale	2	-	-	**2**
– liquidation	45	-	-	**45**
Amortisation as at 31 December 2014	**(23 020)**	**(770)**	**(2 929)**	**(26 719)**
Net value as at 1 January 2014	**2 920**	**283**	**903**	**4 106**
Net value as at 31 December 2014	**3 956**	**167**	**371**	**4 494**

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

	Computer software	Licenses and patents acquired	Other	Total
Gross value as at 1 January 2013	**21 908**	**4 732**	**3 379**	**30 019**
Increases:	**5 928**	**462**	**4 078**	**10 468**
– change in the composition of the Group	3 032	307	4 077	**7 416**
– purchase	590	42	-	**632**
– settlement of advance payments	2 299	-	-	**2 299**
– foreign exchange differences	7	113	1	**121**
Decreases:	**(3 157)**	**(4 263)**	**(4 157)**	**(11 577)**
– change in the composition of the Group	(2 765)	(4 263)	(3 240)	**(10 268)**
– liquidation	(392)	-	(917)	**(1 309)**
Gross value as at 31 December 2013	**24 679**	**931**	**3 300**	**28 910**
Amortisation as at 1 January 2013	**(20 311)**	**(3 337)**	**(3 379)**	**(27 027)**
Movements for the period:	(1 448)	2 689	982	**2 223**
– current amortisation (note 33)	(1 386)	(374)	(532)	**(2 292)**
– change in the composition of the Group	(448)	3 143	598	**3 293**
– liquidation	390	-	917	**1 307**
– foreign exchange differences	(4)	(80)	(1)	**(85)**
Amortisation as at 31 December 2013	**(21 759)**	**(648)**	**(2 397)**	**(24 804)**
Net value as at 1 January 2013	**1 597**	**1 395**	**-**	**2 992**
Net value as at 31 December 2013	**2 920**	**283**	**903**	**4 106**

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

	2014	2013
Cost of finished goods and services sold	857	1 301
Administrative expenses	1 082	966
Other costs	23	25
Total	**1 962**	**2 292**

The Group did not report any material intangible assets developed internally.

As at 31 December 2014 and 31 December 2013, the Group companies did not report any material public or obligatory charges established on their intangible assets.

No impairment write-downs against intangible assets were made in the year 2014 and 2013.

13. Goodwill of subordinates

Goodwill recognised in the statement of financial position as at 31 December 2014 and as at 31 December 2013 in the amount of PLN 73 237 thousand comprises goodwill entirely related to Budimex Dromex SA, which was merged with Budimex SA on 16 November 2009.

Goodwill impairment test

Goodwill is allocated to cash generating units in the Group. It is assumed that the cash generating unit for the goodwill that arose on acquisition of Budimex Dromex SA by Budimex SA is the part of the construction segment referring to domestic general construction and infrastructure.

The recoverable amount of the cash generating unit is determined on the basis of calculations of value in use. The calculations make use of the projections of five-year cash flows. Cash flows beyond the five-year period were assessed at fixed level. The rate of growth adopted does not exceed the average growth rate for the construction industry in which the cash generating unit operates. The calculations assumed the gross margin ranging from 7.7% to 8.1% and the discount rate of 10% (after rounding and grossing up). The Management Board determined budgeted gross margin on the basis of historical data and its projections for market development. Average weighted rates of growth are consistent with forecasts presented in industry reports. The applied discount rate is the rate before taxation that accounts for the specific threats of individual segments. Based on the goodwill impairment test conducted as at 31 December 2014, the Management Board concluded that there was no need to recognise any impairment write-down.

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

14. Non-current assets held for sale

	2014	2013
Investment properties	1 021	-
Fixed assets in construction	1 160	-
Total	**2 181**	**-**

Within the next 12 months, the Group intends to dispose of a plot together with buildings located on it. Those assets belong to the segment "Property management and developer business."A preliminary agreement was concluded with the future buyer of the above assets and the price included in the agreement is higher than their carrying value, therefore there are no premises to create an impairment write-off. In February 2015 the transaction was finalised (note 48).

15. Investments in equity accounted entities

	2014	2013
Opening balance	**3 518**	**16 966**
– of which goodwill	-	-
Acquisition of shares	9 800	-
Consolidation of an associated company/joint venture	89	(8 764)
Share in profits / (losses)*	(5 852)	(4 684)
Dividend paid by associates/joint ventures	(16)	-
Closing balance	**7 539**	**3 518**
– of which goodwill	**-**	**-**

*) Shares in profits (losses) for the period also cover part of the prior year's result, which was not consolidated in the year to which it related. The consolidated financial statements of the Budimex Group was based on the preliminary financial data of associates/joint ventures for a given financial year, while the financial statements of equity accounted entities changed after publication of the consolidated financial statements of the Group. The share in the results of equity accounted companies for the year 2013 was adjusted by PLN (140) thousand. No such adjustment was made in 2014.

The list of associates/joint ventures as at 31 December 2014 and 31 December 2013 is as follows:

Name of the entity	Type	Registered office	Share in the share capital and in the number of votes (%)	
			31 December 2014	31 December 2013
PPHU Promos Sp. z o.o.	associate	Kraków / Poland	26.31%	26.31%
FBSerwis SA	associate	Warsaw / Poland	49.00%	49.00%
Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o.	joint venture	Warsaw / Poland	30.00%*	30.00%*

* Due to amendments introduced by IFRS 11, starting from 1 January 2014, the Group ceased to consolidate joint venture, Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. using the proportional method and included it in consolidation using the equity method.

The selected financial data of an associate, FBSerwis SA, are as follows:

FBSerwis SA	2014	2013
Non-current assets	21 100	9 704
Current Assets	43 405	19 332
Long-term liabilities	-	(484)
Current Liabilities	(53 087)	(25 196)
Revenue	42 385	26 749
Profit (loss) on continuing activities	(11 938)	(9 296)
Profit (loss) on discontinued operations after tax	-	-
Other comprehensive income	-	-
Total comprehensive income for the period	(11 938)	(9 296)
Dividend received from associates	-	-

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

Reconciliation of the above financial information with the carrying value of shares in FBSerwis SA included in the consolidated financial statements:

FBSerwis SA	31 December 2014	31 December 2013
Net assets	11 418	3 356
The Group's share in the associate	49.00%	49.00%
Other adjustments	(1)	-
Carrying value of the Group's share in the associate	**5 594**	**1 644**

The selected financial data of an associate, PPHU Promos Sp. z o.o., are as follows:

PPHU Promos Sp. z o.o.	2014	2013
Non-current assets	5 665	5 727
Current Assets	2 936	3 564
Non-current liabilities	(195)	(647)
Current Liabilities	(1 188)	(1 450)
Revenue	9 023	9 949
Profit (loss) on continuing activities	10	75
Profit (loss) on discontinued operations after tax	-	-
Other comprehensive income	-	-
Total comprehensive income for the period	10	75
Dividend received from associates	16	-

Reconciliation of the above financial information with the carrying value of shares in PPHU Promos Sp. z o.o. included in the consolidated financial statements:

PPHU Promos Sp. z o.o.	31 December 2014	31 December 2013
Net assets	7 218	7 194
The Group's share in the associate	26.31%	26.31%
Other adjustments	(38)	(19)
Carrying value of the Group's share in the associate	**1 861**	**1 874**

Selected financial data of a joint venture, Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o., are as follows:

Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o.	2014	2013
Non-current assets	62	57
Current Assets	222	245
Non-current liabilities	(1)	-
Current Liabilities	(4)	(5)
The above assets and liabilities include:		
Cash and cash equivalents	218	243
Current financial liabilities (except trade liabilities and other liabilities and provisions)	-	-
Long-term financial liabilities (except trade liabilities and other liabilities and provisions)	-	-
Revenue	6	570
Profit (loss) on continuing activities	(19)	(309)
Profit (loss) on discontinued operations after tax	-	-
Other comprehensive income	-	-
Total comprehensive income for the period	(19)	(309)
Dividend received from joint ventures	-	-
The above items include:		
Depreciation/ amortisation	-	(31)
Interest income	-	3
Interest expenses	-	(1)
Income tax income/ (expense)	4	64

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

Reconciliation of the above financial information with the carrying value of shares in Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. included in the consolidated financial statements:

Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o.	**31 December 2014**	**31 December 2013**
Net assets	279	297
Share of the Group in joint venture	30.00%	30.00%
Other adjustments	-	-
Carrying value of the Group's share in joint venture	**84**	**89**

The Group's share in the results of associates/joint ventures was as follows:

	2014	**2013**
Shares in profits of associates/joint ventures	3	46
Share in losses of associates/joint ventures	(5 855)	(4 730)
Total	**(5 852)**	**(4 684)**

In 2014, the Group's share in comprehensive income of associates amounted to PLN 0.00 (in 2013 also PLN 0.00).

As at 31 December 2014 and 31 December 2013, the Budimex Group had no share in the contingent liabilities of associates. The share of the Budimex Group in the contingent receivables of associates as at 31 December 2014 was PLN 5 456 thousand and as at 31 December 2013 was PLN 3 566 thousand.

The associates conduct broadly understood activities within the scope of management concerning infrastructure, public utility properties and communal services.

16. Available for sale financial assets

	2014	**2013**
Opening balance	**8 381**	**17 135**
Increases:	**-**	**885**
– acquisition	-	885
Decreases	**(5)**	**(9 639)**
– sale	-	(60)
– including in consolidation scope	(5)	(9 578)
– change in the composition of the Group	-	(1)
Closing balance	**8 376**	**8 381**
including:		
– long-term	***8 376***	***8 381***
– short-term	-	-

Available for sale financial assets comprise solely shares in companies.

The carrying value of long-term financial assets available for sale as at 31 December 2014 and 31 December 2013 equated their acquisition cost. The fair value of these assets cannot be established as there is no active market for them.

During the period of the next 12 months, the Group does not intend to dispose any available-for-sale financial assets.

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

17. Other financial assets/liabilities

	31 December 2014	31 December 2013 transformed
Other financial assets - long-term	**-**	**692**
Derivative financial instruments	-	692
– 1-2 years	-	-
– 2-5 years	-	*189*
– above 5 years	-	*503*
Other financial assets - current	**19 800**	**3 295**
Derivative financial instruments	812	131
Loans granted	18 988	3 164
Other financial assets - total	**19 800**	**3 987**
Other liabilities - long-term	**4 925**	**226**
Derivative financial instruments	4 925	226
– 1-2 years	*2 066*	*181*
– 2-5 years	*1 513*	*45*
– above 5 years	*1 346*	-
Other liabilities - current	**2 316**	**499**
Derivative financial instruments	2 316	499
Other liabilities - total	**7 241**	**725**

17.1 Derivative instruments

Policies concerning use of derivative financial instruments are defined in the Group Risk Management Policy adopted by the Management Board.

Derivative instruments are valued at the balance sheet date at a reliably determined fair value. Fair value of forward transactions is estimated using the model based on currency exchange rates (average NBP rates) prevailing on the balance sheet date and on differences in interest rates of the quotations and base currencies. Fair value of interest rate swaps is estimated based on discounted future cash flows related to interest swaps. An IRS interest rate curve as at the balance sheet date is applied for the discount purposes.

The effects of periodic valuation and settlement of FX forward contracts and currency options are reported in the profit and loss account as part of operating activity, while the effects of periodic valuation and settlement of interest rate swaps are reported in financial activity.

	2014	2013
Gains/ (losses) on valuation of FX forward derivative financial instruments and currency options	(2 327)	(5 776)
Gains / (losses) on realisation of FX forward derivative financial instruments and currency options	(300)	4 645
Total gains / (losses) on derivative financial instruments recognised as part of operating business (note35)	**(2 627)**	**(1 131)**
Gains/ (losses) on the valuation of IRS derivative financial instruments	(4 527)	407
Gains/ (losses) on realisation of IRS derivative financial instruments	(121)	-
Total gains / (losses) on derivative financial instruments recognised as part of financing business (note36)	**(4 648)**	**407**

The fair value of transactions concluded by the Group companies and open as at 31 December 2014 and 31 December 2013 is presented in the table below:

	Financial assets arising from valuation of derivative instruments		Financial liabilities arising from valuation of derivative instruments	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
FX forward contracts and currency options	812	131	3 122	440
Interest rate swap	-	692	4 119	285

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

The total nominal value of FX forward contracts as at 31 December 2014 was EUR 45 715 thousand and USD 408 thousand, while as at 31 December 2013 it was EUR 7 967 thousand and USD 817 thousand.

Forward selling/ buying rate for transactions open as at 31 December 2014, concluded in EUR, ranged EUR/ PLN 4.1691-4.2946 and USD/PLN 3.1006-3.1389 (as at 31 December 2013 – EUR/PLN 4.1878-4.2890 and USD/PLN 3.0460-3.2555). Forward transactions in EUR open as at 31 December 2014 are to be settled within 29-638 days (as at 31 December 2013, transaction settlement date was 30-324 days), and open forward transactions in USD within 85-120 days (as at 31 December 2013 - 30-212 days).

As at 31 December 2014, the value of acquired currency options amounted to EUR 9 032 thousand, as at 31 December 2013 the Group did not hold any currency options. As at 31 December 2014, the exchange rate for acquired currency options (call on call) amounted to EUR/PLN 4.53.

As at 31 December 2014 and as at 31 December 2013, the Group had IRS transactions open. In connection with such transactions, the Group will pay the fixed interest rate and will receive the floating 3M WIBOR rate. The nominal value of individual IRS transactions did not exceed PLN 10 000 thousand. The transactions were concluded for 5 and 10 years.

17.2 Loans granted

In 2013, the Group granted a loan to its associate, the company FBSerwis SA. The effective interest rate was 6.3% in 2014 and 6.43% in 2013. The fair value of the loan is approximately the same as the carrying value.

	2014	2013
Opening balance	**3 164**	**-**
- loan granted	24 696	3 111
– charged interest (note 36)	802	53
– repayments	(9 674)	-
Closing balance	**18 988**	**3 164**
including:		
– long-term	-	-
- short-term	*18 988*	*3 164*

18. Concession agreement receivables

A company of the Group (concessionaire) concluded with a public sector entity an agreement on drafting design documentation and construction of an underground car park in Wrocław. As remuneration, the company will be entitled to exclusive, paid-for use of the car park and to collect payments for parking tickets from the users. The concession agreement was executed for a period of 30 years and 4 months. In compliance with the agreement, the concessionaire is obligated to maintain an unchanged service level throughout the term of the agreement. The agreement defines also the guaranteed level of revenue to be received by the concessionaire, should the level of income under parking fees differ from the base income established in the agreement for the given year. The price for provision of the service (parking tickets) is determined in the agreement. The concessionaire is entitled to modify the price, at least annually and at least by the value of indexation.
A test was performed as at the agreement signing date which confirmed that the payments guaranteed under the concession agreement cover the remuneration for the construction services expressed at fair value. Thus, the revenues under the construction services were recognised entirely as financial assets.

Fair value of concession agreement receivables corresponds approximately to its carrying value.

Movements of concession agreement receivables

	2014	2013
Opening balance	**22 376**	**-**
Increases:	**23 809**	**22 376**
– change in the composition of the Group	-	1 473
– revenue on construction services	21 448	20 379
– financial asset measurement at amortised cost (Note 36)	2 361	524
Decreases	**(971)**	**-**
– impairment write-downs	-	-
– repayments	(971)	-
Closing balance	**45 214**	**22 376**
of which:		
– long-term	***45 214***	***22 376***
- short-term	-	-

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

Revenue and profit/(loss) on concession agreement

	2014	2013
Revenue on construction services	21 448	20 379
Profit/(loss) on construction services	765	1 011

19. Trade and other receivables

	31 December 2014	31 December 2013 transformed
Long-term trade receivables and other receivables		
Prepayments and accruals	6 871	4 793
Other receivables	23 074	20 703
Long-term trade receivables and other receivables net	**29 945**	**25 496**
Impairment write-down against long-term receivables	100	100
Long-term trade receivables and other receivables gross	**30 045**	**25 596**
Short-term trade and other receivables		
Trade receivables	418 369	493 929
Advances made	55 110	21 724
Taxation, subsidies, customs duties, social security, health insurance and other benefits	3 326	2 473
Prepayments and accruals	11 593	14 546
Other receivables	6 966	7 549
Short-term trade and other receivables, net	**495 364**	**540 221**
Impairment write-down against receivables	138 879	139 852
Short-term trade and other receivables, gross	**634 243**	**680 073**
Total trade and other receivables, net	**525 309**	**565 717**

There is no credit risk concentration in respect of trade receivables taking into consideration the fact that the main customer of the Group is a government agency.

The fair value of trade and other receivables approximates their carrying value.

As at 31 December 2014 and 31 December 2013 no securities or collaterals were established on these assets.

Write-downs for long-term and short-term trade and other receivables

	2014	2013
Impairment write-downs against receivables - opening balance	**139 952**	**131 346**
Charged to other operating expenses (note 35)	6 827	15 721
Reversed to other operating income (note 35)	(5 740)	(4 146)
Utilised	(2 203)	(1 326)
Translation differences	252	199
Change in the composition of the Group	-	(1 842)
Other	(109)	-
Impairment write-downs against receivables - closing balance	**138 979**	**139 952**

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

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 balance sheet date. As at 31 December 2014 and 31 December 2013 there were no overdue debts, which were not subject to impairment write-down.

	31 December 2014	31 December 2013
Past due trade receivables, outstanding for:		
– up to 1 month	23 429	22 186
– 1-3 months	5 900	10 116
– 3-6 months	5 003	3 740
– 6 months to 1 year	1 508	2 679
– above 1 year	28 196	40 252
Total past due trade receivables	**64 036**	**78 973**

Receivables which were not subject to impairment write-down and are not past due, do not pose a high credit risk.

20. Inventories

	31 December 2014	31 December 2013
Materials	57 686	86 942
Semi-finished products and work in progress	293 392	213 526*
Finished products	32 578	131 209
Goods	264 999	265 369*
Net value of inventories - closing balance	**648 655**	**697 046**
Impairment write-downs against inventories	72 984	80 567
Gross value of inventories - closing balance	**721 639**	**777 613**

** in comparative data, the lands where residential construction projects are conducted, have been reclassified from goods to semi-finished goods and work in progress*

Impairment write-downs against inventories

	2014	2013
Inventory impairment write-downs - opening balance	**80 567**	**23 543**
Charged to other operating expenses (note 35)	637	61 881
Reversed to other operating income (note 35)	(704)	(3 582)
Change in the Group composition	-	684
Utilised	(7 516)	(1 959)
Inventory impairment write-downs - closing balance	**72 984**	**80 567**

Reasons for reversing inventory impairment write-downs are presented in the table below:

	2014	2013
Disposal of inventories	671	-
Increase of the recoverable value	-	3 582
Inventory scrapping	33	-
Total	**704**	**3 582**

The value of collaterals established on inventories is described in note 40.

Total value of interest capitalised to the Group companies' inventories (developer companies) was PLN 73 thousand as at 31 December 2014 and PLN 36 thousand as at 31 December 2013. In 2014, the companies capitalised to inventories interest with a value of PLN 61 thousand, while in 2013, the companies capitalised to inventories interest with a value of PLN 1 774 thousand. The effective interest rate of loans taken out to finance inventories in 2014 was 4.18% (in 2013: 4.94%).

The value of inventories to be utilised or sold in the period of more than 12 months as at 31 December 2014 is PLN 166 953 thousand and as at 31 December 2013 – PLN 474 945 thousand.

Inventories in the amount of PLN 589 146 thousand relate to investment expenditures incurred in respect of realised residential projects in order to sell the apartments subsequently. Due to the general situation on the residential market the Group is subject to risk of fluctuations of prices of apartments and service premises. The risk of price fluctuations was limited in respect of apartments

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

that had been sold based on preliminary sales agreements. Regarding investment projects for which the construction phase did not start, the Group did not conclude the binding agreements for construction services.
In order to verify the market value of the assets held, the Management Board Board commissioned an external surveyor, Ernst & Young Real Estate Sp. z o.o., to perform an impairment test for a portion of the inventories. The market value of the inventories as at 31 December 2014 on the basis of the valuation made by the surveyor and on the basis of in-house valuations exceeds the carrying value of the assets being measured. Based on the above valuations, the Management Board decided that no other impairment adjustment should be recognised except for those already recognised in the financial statements. However, taking into consideration the instability of the real estate market, it cannot be excluded that future sale prices can be significantly different from prices used by the Group and the independent surveyor for the impairment test purposes, and further write-downs or reversal of such write-downs may be necessary.

Up to the date of preparation the consolidated financial statements there were no events that should be reflected in the form of adjustment or disclosure in the consolidated financial statements.

21. Cash and cash equivalents

	31 December 2014	31 December 2013
Cash on hand	82	22
Cash at bank	1 830 188	1 654 379
Other cash and cash equivalents	1 382	4 382
Total cash and cash equivalents	**1 831 652**	**1 658 783**
Cash and cash equivalents of restricted use	(104 962)	(69 185)*
Cash recognised in the statement of cash flows	**1 726 690**	**1 589 598**

Included in cash and cash equivalents of restricted use are the following:

	31 December 2014	31 December 2013
Cash of the consortia in the portion attributable to other consortium members	42 036	36 096*
Escrow accounts of development companies	38 660	11 560
Blocked development project bank accounts	20 652	16 426
Cash and cash equivalents serving as bank guarantees	2 688	4 839
Other	926	264
Total cash and cash equivalents of restricted use	**104 962**	**69 185**

** Cash of the consortia in the portion attributable to other consortium members were not previously recognised in cash and cash equivalents of restricted use. As a result of a change in classification, the value of cash and cash equivalents of restricted use was adjusted accordingly as at as at 31 December 2013.*

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 2014 of 2.01% per annum for deposits in PLN (as at 31 December 2013: 2.58% p.a. for deposits in PLN). The average maturity period for these deposits is 36 days (31 December 2013: 24 days).

In 2014, the Group obtained cash in the amount of PLN 1 371 thousand as a result of guarantee realisation (in 2013: PLN 4 959 thousand).

22. Equity

At the date of transition to IFRS, the Group adjusted the share capital and share premium for the period in which the Polish economy was hyperinflationary. The effects of translation and reconciliation of balances shown in the books of account and corporate records of the Parent Company as at 31 December 2014 and 31 December 2013 with balances recognised in the financial statements were presented in the table below.

	31 December 2014		31 December 2013	
	Ordinary shares	Share premium	Ordinary shares	Share premium
Capitals as per books of account	**127 650**	**232 719**	**127 650**	**232 719**
Translation of equity due to hyperinflation	18 198	2 080	18 198	2 080
Loss coverage	-	(147 636)	-	(147 636)
Value disclosed in the financial statements	**145 848**	**87 163**	**145 848**	**87 163**

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

The value by which the share capital and share premium were adjusted above their nominal value in connection with hyperinflation was recognised in equity under "retained earnigs".
Share capital of the Parent Company consists of 25 530 098 shares of a total value of PLN 127 650 thousand. The structure of the share capital of the Parent Company as at 31 December 2014 is as follows:

Share series/ issue	Class of shares	Type of preference	Type of limitations of rights to shares	Number of shares	Value of series/issue according to 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 comprising the approved share capital equates to the number of the shares issued. The nominal value of one share in PLN 5.

The Parent Company does not hold its own shares. Subsidiary and associated companies do not hold any shares in the Parent Company. No shares were reserved in connection with share issue for the realisation of share options and sales agreements.

The amount of profit set aside for appropriation results from the financial statements of the Parent Company.

23. Equity attributable to non-controlling interests

	2014	2013
Opening balance	**18 852**	**-**
– share in profit/(loss) throughout the year	1 965	820
– non-controlling interests arose as a result of taking over control of Elektromontaż Poznań SA	-	18 032
– increase in participation in Elektromontaż Poznań SA Group	(17 573)	-
Closing balance	**3 244**	**18 852**

As at 31 December 2014, non-controlling interests represent 7.69 per cent in the share capital, and in the number of votes at the General Meeting of the company Elektromontaż Poznań SA.

As at 31 December 2013, non-controlling interests represented 49.34 per cent in the share capital, and in the number of votes at the General Meeting of the company Elektromontaż Poznań SA.

On 18 December 2014, Budimex Budownictwo Sp. z o.o., a wholly owned subsidiary of Budimex SA, acquired 41.65% of shares in Elektromontaż Poznań SA., increasing the total participation of the Budimex Group to 92.31%. The cost of acquired shares amounted to PLN 14 529 and the proportional net value of assets of Elektromontaż Poznań SA corresponding to non-controlling interest amounted to PLN 17 573. The difference in the amount of PLN 3 044 was recognised in retained earnings.

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

24. Loans, borrowings and other external sources of financing

	31 December 2014	31 December 2013
	Carrying value	
Long-term		
Bank loans and borrowings	32 779	17 126
Finance lease liabilities	13 519	17 229
	46 298	**34 355**
Short-term		
Bank loans and borrowings	9 222	9 757
Finance lease liabilities	12 172	9 963
Interest accrued on short-term loans and borrowings	8	9
	21 402	**19 729**
Total	**67 700**	**54 084**

Maturity analysis of loans and borrowings based on undiscounted contractual cash flows is as follows:

	31 December 2014		31 December 2013	
	Carrying value	Undiscounted contractual cash flows*	Carrying value	Undiscounted contractual cash flows*
– up to 1 year	9 230	10 627	9 766	9 892
– 1-3 years	1 921	4 451	5 000	7 034
– 3-5 years	2 059	4 427	2 008	2 866
– above 5 years	28 799	37 211	10 118	11 584
	42 009	**56 716**	**26 892**	**31 376**

*) includes both nominal and interest payments; as at 31 December 2014 and 31 December 2013 amounts in foreign currency were translated at the NBP period-end exchange rates and the interest payments were calculated using the latest interest rates fixed before 31 December 2014 and 31 December 2013.

The Group companies are allowed to repay their loans and borrowings before the maturity date. No penalty clause for earlier loan repayment has been included in the loan agreements signed by Group companies.

In the period covered by the financial statements there were no problems with fulfilling the obligation of repayment of capital, interest, terms and conditions of escrow accounts and terms of redemption the liabilities arising from borrowings.

The Group companies did not breach or renegotiate the terms of bank loans and borrowings before the approval of the consolidated financial statements.

The carrying value of long-term loans and borrowings approximates their fair value as interest rate terms and conditions set in the agreements are based on a variable interest rate.

Credits and loans divided into currencies (translated into PLN):

	31 December 2014		31 December 2013	
	Outstanding amount	Agreement amount	Outstanding amount	Agreement amount
Long-term part	32 779	33 007	17 126	91 894
PLN	*32 779*	*33 007*	*17 126*	*91 894*
Short-term part	9 230	9 222	9 766	9 757
PLN	*560*	*560*	*1 433*	*1 433*
EUR	*8 670*	*8 662*	*8 333*	*8 324*
	42 009	**42 229**	**26 892**	**101 651**

Loans and borrowings according to interest rate:

	31 December 2014		31 December 2013	
	Outstanding amount	Agreement amount	Outstanding amount	Agreement amount
Long-term part	32 779	33 007	17 126	91 894
WIBOR	*32 779*	*33 007*	*17 126*	*91 894*
Short-term part	9 230	9 222	9 766	9 757
WIBOR	*560*	*560*	*1 433*	*1 433*
EURIBOR	*8 670*	*8 662*	*8 333*	*8 324*
	42 009	**42 229**	**26 892**	**101 651**

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

Risk of interest rate fluctuations

The effective interest rates as at 31 December 2014 and 31 December 2013 were as follows:

	31 December 2014		31 December 2013	
	PLN	EUR	PLN	EUR
Bank loans and borrowings	3.63%	1.08%	4.33%	1.25%
Finance lease liabilities	3.52%	-	4.04%	-

Finance lease liabilities

Group companies signed finance lease agreements for financing mainly technical equipment and machines, as well as means of transport. Leased assets were made available for the period of 36 - 60 months. After the completion of the above lease terms and after discharging its liabilities, Group companies will have the right to acquire some of the leased assets for the price equating their residual value. The contractual liabilities are partly secured with the blank bill of exchange issued by the Lessee together with a written authorisation for its drawing. Future minimum lease payments under the above lease agreements and the present value of minimum net lease payments as at 31 December 2014 are as follows:

	Minimum lease payments	Present value of minimum lease payments
– less than 1 year	13 196	12 172
– 1-5 years	14 253	13 519
– above 5 years	-	-
Finance lease liabilities, in total	**27 449**	**25 691**
of which: future finance costs under finance lease	(1 758)	-
Present value	**25 691**	**25 691**

With respect to certain agreements, Group companies have 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.

25. Trade and other liabilities

	31 December 2014	31 December 2013 transformed
Short-term trade and other liabilities		
Financial liabilities		
Trade liabilities	302 065	535 433
Uninvoiced costs	465 107	473 897
Payroll	6 848	5 996
Accrued expenses	190 625	147 593
- holiday pay	*34 795*	*28 778*
- employee bonus	*155 830*	*118 815*
Liabilities relating to settlement of consortia	35 149	28 653
Non-financial liabilities		
Taxation and social security liabilities	104 211	171 181
Accrued expenses	10 446	9 338
- costs of contract completion	*10 090*	*8 932*
- other	*356*	*406*
Other liabilities	3 292	2 824
Total short-term trade and other liabilities	**1 117 743**	**1 374 915**
Total trade and other liabilities	**1 117 743**	**1 374 915**

All trade liabilities and other liabilities as at 31 December 2014 and 31 December 2013 were recognised under current liabilities as they will be settled in the course of the normal operating cycle of the Group.

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

26. Income tax

	31 December 2014	31 December 2013
Deferred tax assets		
- to be realised after 12 months	262 435	240 179
- to be realised within 12 months from the reporting date	168 320	160 995
Total	**430 755**	**401 174**
Compensation	(54 494)	(49 838)
Deferred tax assets, after netting off	**376 261**	**351 336**
Deferred tax liabilities		
– to be settled after 12 months from the reporting date	35 752	30 076
– to be settled within 12 months from the reporting date	18 742	19 762
Total	**54 494**	**49 838**
Compensation	(54 494)	(49 838)
Deferred tax liability, after netting off	-	-

Change in net balance of deferred tax are as follows:

	2014	2013
Balance at the beginning of the year	**351 336**	**311 651**
Credited/(charged) to financial result	24 690	36 726
Credited/(charged) to other comprehensive income	261	185
Other (incl. due to a change in Group composition)	(26)	2 774
Balance at the end of the year	**376 261**	**351 336**

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 balance sheet items 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 2014, negative temporary differences and unused tax losses for which no deferred tax asset was recognised in the statement of financial position amounted to PLN 6 639 thousand (as at 31 December 2013: PLN 13 138 thousand) and expire as follows: PLN 475 thousand in 2015, PLN 5 149 thousand in 2016, PLN 592 thousand in 2017 and PLN 423 thousand in 2019. The reason for non-recognition of deferred tax asset is the remote probability of earning by certain Group entities of taxable profit against which the deductible temporary differences may be utilised.

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

Movements in the balance of deferred tax assets, by title (before netting off), are presented in the table below:

	Assets as at 1 January 2013	Recognition/ (utilisation) of an asset through the profit and loss account	Recognition/ (utilisation) of an asset through other comprehensive income	Change in the composition of the Group	Other movements	Assets as at 31 December 2013	Recognition/ (utilisation) of an asset through the profit and loss account	Recognition/ (utilisation) of an asset through other comprehensive income	Change in the composition of the Group	Other movements	Assets as at 31 December 2014
Amounts due and payable to customers under construction contracts	106 220	28 729	-	467	-	135 416	44 102	-	-	-	179 518
Contract costs connected with accrued income	44 130	(4 569)	-	1	-	39 562	(1 004)	-	-	-	38 558
Liabilities – uninvoiced costs	52 878	(5 030)	-	(114)	-	47 734	(13)	-	-	-	47 721
Tax loss	58 248	(30 451)	-	1 776	-	29 573	(28 565)	-	(17)	-	991
Provisions for warranty repairs	29 565	2 438	-	(150)	-	31 853	5 852	-	-	-	37 705
Other provisions for liabilities	29 016	10 638	-	3	-	39 657	9 910	-	-	-	49 567
Receivables - impairment write-downs	16 585	11 614	-	66	-	28 265	(1 502)	-	-	-	26 763
Employee bonus	22 740	(657)	-	27	-	22 110	7 057	-	-	-	29 167
Holiday pay	5 311	(64)	-	(10)	-	5 237	1 109	-	-	-	6 346
Discount of retentions for construction contracts	432	(16)	-	-	-	416	(234)	-	-	-	182
Derivative valuation	49	89	-	-	-	138	1 238	-	-	-	1 376
Retirement benefits and similar obligations	926	(7)	185	(59)	-	1 045	62	261	-	-	1 368
Impairment write-down against long-term financial assets	2 400	31	-	-	-	2 431	(15)	-	-	-	2 416
Other	9 560	3 894	-	(1 353)	5 636	17 737	(8 651)	-	-	(9)	9 077
Total	**378 060**	**16 639**	**185**	**654**	**5 636**	**401 174**	**29 346**	**261**	**(17)**	**(9)**	**430 755**
Compensation	(66 409)					(49 838)					(54 494)
After netting off (recognised in the statement of financial position)	**311 651**					**351 336**					**376 261**

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

Movements in the balance of deferred tax liability, by title (before netting off), are presented in the table below:

	Provisions as at 1 January 2013	Recognition / (utilisation) of a provision through profit or loss	Recognition / (utilisation) of a provision through other comprehensive income	Change in the composition of the Group	Provisions as at 31 December 2013	Recognition / (utilisation) of a provision through profit or loss	Recognition / (utilisation) of a provision through other comprehensive income	Change in the composition of the Group	Provisions as at 31 December 2014
Amounts due and receivable from customers under construction contracts	44 729	(12 398)	-	1 383	33 714	1 116	-	-	34 830
Derivative valuation	1 088	(932)	-	-	156	(2)	-	-	154
Discount of retentions for construction contracts	3 595	320	-	-	3 915	(1 487)	-	-	2 428
Receivables – accrued interest	670	348	-	-	1 018	705	-	-	1 723
Deferred tax liability - German market	5 179	(4 547)	-	-	632	29	-	-	661
Lease	10 162	(2 388)	-	48	7 822	(487)	-	-	7 335
Other	986	(490)	-	2 085	2 581	4 782	-	-	7 363
Total	**66 409**	**(20 087)**	**-**	**3 516**	**49 838**	**4 656**	**-**	**-**	**54 494**
Compensation	(66 409)				(49 838)				(54 494)
After netting off (recognised in the statement of financial position)	-				-				-

	2014	2013
Current tax	72 426	65 642
Deferred tax	(24 690)	(36 726)
Adjustments to prior periods current income tax	945	1 055
Charge on / (credit to) the financial result	**48 681**	**29 971**

The reconciliation of the accounting gross profit of the Group to the theoretical amount that would be recognised if the weighted average rate of tax were applied to the profits of consolidated companies is as follows:

	2014	2013
Gross profit/ (loss)	**242 619**	**331 271**
Shares in (profits)/ losses of equity accounted entities	5 852	4 684
Pre-tax profit/ (loss)	**248 471**	**335 955**
Tax calculated using national tax rates	47 209	63 831
Differences in taxation of revenues of foreign operations	(408)	(646)
Adjustments to prior periods current income tax	945	1 055
Tax effects of permanent differences between gross profit and taxable income	1 326	(36 878)
Utilisation of tax losses or deductible temporary differences not recognised previously	(2 615)	(1 598)
Deductible temporary differences, unused tax losses and unused tax reliefs for which no deferred tax assets were recognised in the statement of financial position	431	1 309
Charge on / (credit to) the financial result on account of tax on industrial and commercial business operations in Germany	1 793	2 898
Income tax charge on / (credit to) the financial result	**48 681**	**29 971**
Effective tax rate	*19.59%*	*8.92%*

27. Liabilities arising from retirement benefits and similar obligations

As at 31 December 2014, all employees of the Budimex Group companies enjoy only one type of employee benefits, i.e. retirement and pension benefits. The situation did not change as compared to 31 December 2013.

Retirement and pension benefits are one-off payments upon retirement. The amount of the retirement benefit/ pension benefit due and payable 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 obligation to pay the retirement and pension benefits entails the actuarial risk consisting of:

Interest rate risk – the current 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 of a low level of risk. In case of a decrease in interest rates of the bonds, the liabilities under the retirement benefits and similar obligations increase.

Remuneration risk - the current value of liabilities under retirement benefits and similar obligations is calculated by reference to the future level of remunerations of employees of the Budimex Group companies. Thus, an increase in employee remuneration will result in an increase in liabilities under the retirement benefits.

Risk of longevity - the current 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 current 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 current value of liabilities under retirement benefits will decrease.

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

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

	31 December 2014	31 December 2013
Retirement/ pension benefits, of which:	**7 201**	**5 498**
– present value of the obligation at the balance sheet date	7 201	5 498
– actuarial gains/ (losses) not recognised at the balance sheet date	-	-
– past service costs not recognised at the balance sheet date	-	-
Retirement benefits and similar obligations in total	**7 201**	**5 498**
of which:		
- long-term portion	*6 121*	*4 381*
- short-term portion	*1 080*	*1 117*

Main actuarial assumptions (the table below shows the ranges of rates adopted by actuary; these assumptions differ between Group companies and years):

	31 December 2014	31 December 2013
Discount rate	1.61% – 2.38%	2.7% – 4.33%
Forecast inflation rate	1.1% – 1.6%	1.2% – 2.5%
Forecast remuneration increase rate	0.0% – 4.6%	0.0% – 4.7%

Assumptions regarding mortality are based on the life length charts for Poland for 2013 as published by the Central Statistical Office (with respect to valuation as at 31 December 2014) and life length charts for Poland for 2012 as published by the Central Statistical Office (with respect to valuation as at 31 December 2013).

The last valuation of employee benefits was made by an independent actuary as at 31 December 2014.

Retirement and pension benefits

Changes in the balance of obligation under retirement and pension benefits are presented in the table below.

	2014	2013
Present value of the liability - opening balance	**5 498**	**4 783**
Interest costs	175	148
Employment costs	510	365
Benefits paid	(353)	(456)
Actuarial (gains)/losses, of which:	1 371	971
- change in the assumptions	*1 340*	*948*
- experience relative to programme obligations	*31*	*23*
Change in the composition of the Group	-	(313)
Present value of the liability - closing balance	**7 201**	**5 498**

Costs of future employee benefits charged to the profit and loss account are presented in the table below:

	2014	2013
Employment costs	510	365
Interest costs	175	148
Costs recognised in the Profit and Loss Account (Note 34)	**685**	**513**
Actuarial losses to be recognised in the period	1 371	971
Costs recognised in other comprehensive income	**1 371**	**971**
of which, employee allowance costs recognised in the profit and loss account under the following items:		
- cost of finished goods, goods for resale and raw materials sold	*106*	*404*
- selling expenses	*13*	*5*
- administrative expenses	*566*	*104*

Sensitivity analysis

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

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

Analysis of sensitivity to fluctuations in interest rates

Increase in the assumed discount rate by 1 percentage point would result in a decrease in the liabilities under retirement and similar benefits by PLN 710 thousand, while the decrease in the assumed discount rate by 1 percentage point would bring about an increase in the liability under retirement and similar benefits by PLN 868 thousand.

Analysis of sensitivity to fluctuations in remuneration growth rates

Increase in the assumed remuneration growth rate by 1 percentage point would result in an increase in the liabilities under retirement and similar benefits by PLN 838 thousand, while the decrease in the assumed remuneration growth rate by 1 percentage point would bring about a decrease in the liability under retirement and similar benefits by PLN 702 thousand.

Analysis of sensitivity to staff turnover

Increase in the assumed staff turnover by 1 percentage point would result in a decrease in the liabilities under retirement and similar benefits by PLN 774 thousand, while the decrease in the assumed staff turnover by 1 percentage point would bring about an increase in the liability under retirement and similar benefits by PLN 944 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.

28. Provisions for liabilities and other charges

	Litigation proceedings	Penalties and other sanctions	Warranty repairs	Restructuring	Other	Total
Balance as at 1 January 2013	**35 888**	**42 916**	**170 625**	**8 152**	-	**257 581**
Creation of additional provisions (note 35)	3 688[1]	14 901[2]	47 124	90	-	65 803
Change in the composition of the Group	1 166	-	(14 530)	-	-	(13 364)
Reversal of unused provisions (note 35)	(1 426)	(2 494)[3]	(18 640)	(2 354)	-	(24 914)
Utilization of provisions	(1 449)	(1 480)	(12 013)	(2 646)	-	(17 588)
Other movements	-	-	284	-	-	284
Balance as at 31 December 2013	**37 867**	**53 843**	**172 850**	**3 242**	**-**	**267 802**
Balance as at 1 January 2014	**37 867**	**53 843**	**172 850**	**3 242**	**-**	**267 802**
Creation of additional provisions (note 35)	3 691	13 430[4]	65 581	-	2 374[5]	85 076
Reversal of unused provisions (note 35)	(12 536)[6]	(9 736)[7]	(16 962)	-	-	(39 234)
Utilization of provisions	(1 733)	(3 013)	(18 167)	-	-	(22 913)
Other movements	-	-	36	-	-	36
Balance as at 31 December 2014	**27 289**	**54 524**	**203 338**	**3 242**	**2 374**	**290 767**

[1)] of which PLN 55 thousand recognised as finance costs
[2)] of which PLN 1 084 thousand recognised as finance costs
[3)] of which PLN 42 thousand recognised as finance income
[4]) of which PLN 1 106 thousand recognised as finance costs
[5)] of which PLN 71 thousand recognised as costs of finished goods and services and PLN 1 thousand was recognised in finance costs
[6]) of which PLN 420 thousand recognised as a decrease in finance costs
[7)] of which PLN 37 thousand recognised as a decrease in finance costs

Creation/(reversal) of provisions for litigation, compensations and of restructuring provisions was recognised under other operating expenses (note 35), while creation/(reversal) of provisions for warranty repairs – under operating expenses.

The structure of total provisions is as follows:

	31 December 2014	31 December 2013
Non-current	179 169	147 676
Short-term	111 598	120 126
	290 767	**267 802**

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

29. Long-term construction contracts

The tables below present data relating to construction contracts valued by Group companies in accordance with the percentage of completion method:

Selected consolidated data – statement of financial position

	31 December 2014	31 December 2013
Assets		
Amounts due and receivable from customers under construction contracts, of which:	172 548	146 630
- contract valuation	*172 548*	*146 630*
Liabilities		
Amounts due and payable to customers under construction contracts, of which:	920 668	689 915
- contract valuation	*475 510*	*480 548*
- provision for contract losses	*445 158*	*209 367*
Advance payments received for construction contracts in progress (note 30)	255 894	81 505

The fair value of amounts due and payable to customers under construction contracts approximates their carrying value.

Selected consolidated data – profit and loss account

	2014	2013
Revenue from construction contracts	4 410 649	3 921 373
Cost of construction contracts	4 047 514	3 653 048
Gross profit	**363 135**	**268 325**

30. Deferred income

Deferred income includes:

	31 December 2014	31 December 2013 transformed
Advance payments for construction contracts in progress (note 29)	255 894	81 505
Advance payments for flats in developer companies	262 038	194 820
Other deferred income	2 834	5 354
Total	**520 766**	**281 679**

All advance payments received and other accrued income as at 31 December 2014 and 31 December 2013 were recognised under current liabilities as they will be settled in the course of the normal operating cycle of the Group.

31. Retentions for construction contracts

	31 December 2014	31 December 2013
Retained by customers – to be returned after 12 months	27 923	24 804
Retained by customers – to be returned within 12 months	10 248	18 217
Total retentions for construction contracts retained by customers	**38 171**	**43 021**
Received from suppliers – to be returned after 12 months	176 116	161 347
Received from suppliers – to be returned within 12 months	201 207	189 466
Total retentions for construction contracts retained by suppliers	**377 323**	**350 813**

Retentions for construction contracts with a payment date of more than one year are discounted and are recognised in the statement of finance position at present value. The table below shows the results of discounting recognised in the statements of financial position and profit and loss accounts of Group companies in individual periods. The amounts of discount reduce the nominal value of receivables from 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%, and on the effect of change in the value of discount in the profit and loss account.

	31 December 2014	31 December 2013
Discount of long-term retentions for construction contracts held by customers	955	2 192
Discount of long-term retentions for construction contracts received from suppliers	12 780	20 607

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

Amount of discount recognised in the profit and loss account:

	2014	2013
Decrease in sales revenues	(467)	(612)
Reduction in the cost of services sold	10 809	9 433
Total adjustment to gross margin	**10 342**	**8 821**
Adjustment to finance income / (costs) (note 36)	(16 932)	(7 053)
Deferred tax on above adjustments	1 252	(336)
Net effect on the profit and loss account	**(5 338)**	**1 432**

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 values 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 December 2014	31 December 2013
Retentions for construction contracts overdue for the period of:		
– up to 1 month	910	1 057
– 1-3 months	-	497
– 3-6 months	-	5 904
– 6 months to 1 year	1 104	218
– above 1 year	700	3 740
Total overdue retentions for construction contracts	**2 714**	**11 416**

Risk of interest rate fluctuations

The effective interest rates as at 31 December 2014 and 31 December 2013 applied in the process of discounting of retentions for construction contracts are as follows:

	31 December 2014			31 December 2013		
	PLN	**USD**	**EUR**	**PLN**	**USD**	**EUR**
Receivables	1.88%	1.59%	0.33%	3.60%	1.79%	1.23%
Liabilities	2.08%	1.79%	0.53%	3.80%	1.99%	1.43%

32. Sales revenues

	2014	2013
Revenue from sale of construction and assembly services	4 626 474	4 077 638
Revenue from sale of prefabricated houses	-	374 636
Revenue from sale of other services	29 762	15 500
Revenue from sale of finished goods	286 923	262 833
Revenues from sales of goods for resale and raw materials	6 780	18 852
	4 949 939	**4 749 459**

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

33. Costs by type

	2014	2013
Depreciation / Amortisation, of which:	23 031	28 893
– property, plant and equipment (note 10)	*20 930*	*26 446*
– investment properties (note 11)	*139*	*155*
– intangible assets (note 12)	*1 962*	*2 292*
Costs of employee benefits (note 34)	637 926	622 327
Consumption of materials and energy	1 392 219	1 593 017
External services	2 260 368	2 147 341
Taxes and charges	7 083	12 208
Advertising and representation expenses	7 354	12 334
Non-life and property insurance	11 607	12 383
Change in the balance of the provision for contract losses (note 29)	235 791	(19 666)*
Other costs by type	196 816	78 664
Selling expenses (negative value)	(27 660)	(28 364)
Administrative expenses (negative value)	(177 743)	(162 917)
Change in the balance of finished goods and work in progress	(50 857)	44 538
Cost of goods produced for the entity's own use (negative value)	(124)	(113)
Cost of finished goods and services sold	**4 515 811**	**4 340 645**
Value of goods for resale and raw materials sold	1 448	13 398
Cost of finished goods, services, goods for resale and raw materials sold	**4 517 259**	**4 354 043**

*) the 2013 balance sheet change includes PLN 594 thousand pertaining to the change in the Group composition.

34. Costs of employee benefits

	2014	2013
Costs of remuneration, of which:	**541 312**	**521 823**
– retirement and pension benefits (note 27)	*685*	*513*
– share-based payment	*2 194*	*2 665*
– redundancy payments	*1 706*	*4 442*
Costs of social security benefits and other allowances, of which:	**96 614**	**100 504**
– social security	*71 000*	*76 122*
– redundancy payments	*202*	*417*
Total costs of employee allowances recognised in the costs by type (note 33)	**637 926**	**622 327**

35. Other operating income and expenses

Other operating income

	2014	2013
Profit on disposal of non-financial non-current assets	694	1 854
Reversal of impairment write-downs, of which against:	6 444	7 728
– receivables (following debtor repayment of the amounts due) (note 19)	*5 740*	*4 146*
– inventories (following inventory scrapping and increase in the recoverable value (note20)	*704*	*3 582*
Reversal of provisions, of which for:	21 815	6 232
– legal proceedings and compensations (Note 28)	*12 116*	*1 426*
– penalties and sanctions (note 28)	*9 699*	*2 452*
– restructuring (note 28)	-	*2 354*
Penalties / compensations received	26 743	20 174
Write-off of time-barred liabilities	1 753	3 113
Gain from a bargain purchase	-	1 802
Gain on revaluation to fair value of the capital share held prior to taking over control	-	1 390
Profit on sale of a subsidiary	1 759	-
Other	983	1 888
Total	**60 191**	**44 181**

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

Other operating expenses

	2014	2013 transformed
Recognition of impairment write-downs, of which against:	7 464	77 602
– receivables (note 19)	*6 827*	*15 721*
– inventories (note 20)	*637*	*61 881*
Creation of provisions, of which:	18 317	17 540
– for legal proceedings (note 28)	*3 691*	*3 633*
– for penalties and compensations (note 28)	*12 324*	*13 817*
– for restructuring (note 28)	*-*	*90*
– other (note 28)	*2 302*	*-*
Compensations and liquidated damages paid	9 298	9 983
Court charges and executions, costs of legal proceedings	1 471	2 043
Loss on derivative financial instruments (note 17)	2 627	1 131
Other	973	823
Total	**40 150**	**109 122**

36. Finance income and finance costs

Finance income

	2014	2013 transformed
Interest earned on financial instruments, of which:	28 901	24 171
– on bank deposits and cash on bank accounts	*28 099*	*24 026*
– on loans granted	*802*	*145*
Other interest income, of which:	9 071	5 554
– interest on discounts received and penalty interest	*9 063*	*5 376*
– other	*8*	*178*
Profit on disposal of assets available for sale	-	100
Dividends and share in profits	25	5
Valuation of concession agreement receivables (note18)	2 361	524
Reversal of long-term receivables discount	2 380	-
Gains on derivative financial instruments (note 17)	-	407
Other	103	144
Total	**42 841**	**30 905**

Finance costs

	2014	2013
Interest expense in respect of financial instruments, of which:	2 169	1 874
– interest on borrowings, loans and other external sources of financing	*1 160*	*335*
– interest on lease contracts	*1 009*	*1 539*
Other interest expense, of which:	3 334	3 639
– penalty interest paid to suppliers and interest on discounts	*2 565*	*2 442*
– other interest	*769*	*1 197*
Exchange losses	189	1 813
Discount of retentions for construction contracts (note 31)	16 932	7 053
Cost of bank commissions and guarantees	14 409	13 684
Loss on derivative financial instruments (note 17)	4 648	-
Other	7	193
Total	**41 688**	**28 256**

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

37. Earnings (loss) per share

Basic

Basic earnings (loss) per share are calculated as the quotient of profit/ (loss) attributable to the shareholders of the Parent Company and the weighted average number of ordinary shares outstanding during the year (note 22).

	2014	2013
Earnings / (loss) attributable to the shareholders of the Parent Company	191 973	300 480
Weighted average number of ordinary shares	25 530 098	25 530 098
Basic earnings / (loss) per share (in PLN per share)	**7.52**	**11.77**

Diluted

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

38. Dividend per share

On 21 May 2014, Budimex SA paid out a dividend in the amount of PLN 302 532 thousand, for which the separate net profit for the period from 1 January 2013 until 31 December 2013 was allocated, i.e. the gross amount of PLN 11.85 per one share.

To the date of preparation of these consolidated financial statements for the year ended 31 December 2014, the Management Board of Budimex SA has not adopted a resolution in respect of profit appropriation for the year 2014.

39. Cash flow statement

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

	2014	2013 transformed
Foreign exchange differences on translation of foreign operations	225	(261)
Share-based payments – part settled in equity (note 41)	1 342	2 665
Other	(1 355)	1 515
Total	**212**	**3 919**

Non-monetary transactions

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 8 992 thousand under finance lease agreements.

In 2013, non-monetary transactions relating to investing and financing activities not recognized in the statement of cash flow related solely to the acquisition of property, plant and equipment with a value of PLN 571 thousand under finance lease contracts.

40. Assets securing liabilities

The established collaterals for bank guarantees and loans include:

	31 December 2014		31 December 2013	
	Assets securing liabilities	Contractual value of the collateral	Assets securing liabilities	Contractual value of the collateral
Property, plant and equipment	6 922*	6 000*	7 139*	6 000*
Investment properties	19 320*	26 860*	19 233*	52 860*
Inventories	19 641	42 510	95 701	213 837
Cash and cash equivalents	2 688	7 898	4 839	16 080
Total	**48 571**	**83 268**	**126 912**	**288 777**

** the collateral was established jointly on property, plant and equipment and investment properties*

Collaterals established on cash and cash equivalents refer to blocked deposits for the received advance payment reimbursement guarantee, performance bond and warranty. Collaterals will be released after the end of the guarantee period.

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

41. Share-based payments

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

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 the 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 total or proportionate number of shares is set every year.

As at 31 December 2014, the total fair value of services recorded under other reserves was PLN 6 712 thousand and as at 31 December 2013 - PLN 5 370 thousand. As at 31 December 2014, the total fair value of services recorded under liabilities amounted to PLN 852 thousand. As at 31 December 2013, there were no liabilities connected with share-based payments.

Pursuant to an agreement concluded 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 2014 was classified as liabilities (correspondingly as an expense).

Detailed information on the 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	Financial performance conditions	Discount rate	Cost of shares granted*
2014	50 200	11-02-2014	59.94	100%	5%	2 194
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	**247 014**	**-**	**-**	**-**	**-**	**7 564**

*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.

**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 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 later date.

42. Related party transactions

Transactions with related parties made in 2014 and 2013 and unsettled balances of receivables and liabilities as at 31 December 2014 and 31 December 2013 are presented below.

	Receivables		Liabilities	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
The parent company and related entities of the parent (the Ferrovial Group)	23 989	47 259	99 770	99 370
Jointly controlled entities	959	1 133	727	727
Associates	738	6 710	1 525	1 436
Other related parties*	64	140	8 128	28 744
Total settlements with related parties	**25 750**	**55 242**	**110 150**	**130 277**

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

	Revenues on sales of products and services and other operating income		**Purchase of goods and services**	
	2014	**2013**	**2014**	**2013**
The parent company and related entities of the parent (the Ferrovial Group)	20 917	8 271	32 337	39 349
Jointly controlled entities	1 247	797	-	1 454
Associates	860	358	7 016	7 190
Other related parties*	418	770	755	24 540
Total settlements with related parties	**23 442**	**10 196**	**40 108**	**72 533**

	Loans granted / (received); debt securities acquired / (issued)		**Finance income / (costs)**	
	31 December 2014	**31 December 2013**	**2014**	**2013**
The parent company and related entities of the parent (the Ferrovial Group)	(8 670)	(8 333)	(424)	(168)
Jointly controlled entities	-	-	-	-
Associates	18 988	3 164	802	53
Other related parties*	-	-	-	92
Total settlements with related parties	**10 318**	**(5 169)**	**378**	**(23)**

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

In the table above, included under "Parent company and related parties (the Ferrovial Group)" are the financial data relating to transactions with Ferrovial Group companies: Ferrovial Agroman SA, including Ferrovial Agroman SA Oddział w Polsce [Branch in Poland] and other Ferrovial Group companies: Cintra Infraestructuras SA, Tecpresa SA, Ferrovial Servicios SA, Cadagua SA and Cadagua SA Oddział w Polsce [Branch in Poland].

Sales revenue / purchase of finished goods and services

Revenues on sale of goods and services include mainly revenues under construction contracts carried out in consortia with companies from the Ferrovial Group.

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. The costs of these agreements incurred by Budimex SA in 2014 were PLN 4 089 thousand and PLN 6 719 thousand, respectively, and in 2013: PLN 4 055 thousand and PLN 6 270 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. Furthermore, on 3 December 2012, Budimex SA renewed for 2011 the existing contract in the above respect, which had expired on 31 December 2010. In connection with the performance of those contracts, in 2014 Budimex SA incurred costs of PLN 23 514 thousand and in 2013 total costs of PLN 22 612 thousand.

Loans

Based on the 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. Under the agreement, the loan was granted for the term of 12 months from the date of its conclusion, with an option to extend. If the shares in Inversora de Autopistas del Levante, S.L. are sold, loan will become immediately due and payable. After the maturity date, the loan will be repaid together with interest calculated based on the 1Y EURIBOR+0.75 per cent. On 1 December 2014, 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.

Transactions with related parties are made on an arm's length basis.

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

42.1 Remuneration of key members of management

The Management Board

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 completing the tasks performed in 2013), of which PLN 6 829 thousand was recognised as costs of Budimex SA. The remaining balance was recognised as costs of its subsidiaries.

In 2013, the total value of remuneration, bonuses and awards for the members of the Management Board of Budimex SA amounted to PLN 6 519 thousand (of which PLN 1 406 thousand represented performance bonuses for completing the 2012 bonus tasks), of which PLN 5 530 thousand was entered as a cost of Budimex SA. The remaining balance was recognised as costs of its subsidiaries.

In 2014, remuneration of the members of the Management Board was as follows:

Dariusz Blocher	PLN 1 880 thousand
Henryk Urbański	PLN 1 185 thousand
Marcin Węgłowski	PLN 1 071 thousand
Jacek Daniewski	PLN 1 070 thousand
Andrzej Artur Czynczyk	PLN 1 071 thousand
Fernando Pascual Larragoiti	PLN 1 154 thousand (from 24 April to 31 December 2014)
Ignacio Botella Rodriguez	PLN 583 thousand (from 1 January to 24 April 2014).

Additionally, apart from the amounts presented above, in the 12-month period ended 31 December 2014, the estimated costs of share-based payments under Ferrovial SA incentive programmes allocated to the Company's Management Board amounted to PLN 1 340 thousand and were distributed as follows:

Dariusz Blocher	PLN 542 thousand
Fernando Pascual Larragoiti	PLN 61 thousand
Henryk Urbański	PLN 244 thousand
Marcin Węgłowski	PLN 170 thousand
Jacek Daniewski	PLN 170 thousand
Andrzej Artur Czynczyk	PLN 153 thousand

The above costs consist of: 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.

The three-year vesting period for shares granted in 2011 ended in March 2014. 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	13 500 shares
Ignacio Botella Rodríguez	6 600 shares
Henryk Urbański	6 750 shares
Marcin Węgłowski	4 400 shares
Jacek Daniewski	4 400 shares

The market value of Ferrovial SA shares as at the date of actual grant amounted to PLN 65.28.

Proxies

The total value of remuneration paid to proxies of Budimex SA in 2014 was PLN 1 243 thousand, while in 2013 it was PLN 2 936 thousand.

Individual remuneration of proxies in 2014 was as follows:

Jaime Rontome Perez	PLN 366 thousand (from 1 January to 26 March 2014)
Jose Pont Perez	PLN 366 thousand (from 1 January to 26 March 2014)
Andrzej Goławski	PLN 160 thousand (from 19 September to 31 December 2014)
Artur Popko	PLN 191 thousand (from 19 September to 31 December 2014)
Radosław Górski	PLN 160 thousand (from 19 September to 31 December 2014)

Additionally, apart from the amounts presented above, in the 12-month period ended 31 December 2014, the estimated costs of share-based payments under Ferrovial SA incentive programmes allocated to the Company's proxies amounted to PLN 181 thousand and were distributed as follows:

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

Jaime Rontome Perez	PLN 29 thousand (from 1 January to 26 March 2014)
Jose Pont Perez	PLN 29 thousand (from 1 January to 26 March 2014)
Andrzej Goławski	PLN 40 thousand (from 19 September to 31 December 2014)
Artur Popko	PLN 43 thousand (from 19 September to 31 December 2014)
Radosław Górski	PLN 40 thousand (from 19 September to 31 December 2014)

The three-year vesting period for shares granted in 2011 ended in March 2014. 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:

Jaime Rontome Perez	3 350 shares
Jose Pont Perez	3 350 shares

The market value of Ferrovial SA shares as at the date of actual grant amounted to PLN 65.28.

The Supervisory Board

Total value of remuneration paid to the members of the Supervisory Board in 2014 amounted to PLN 967 thousand (PLN 944 thousand in 2013).

In 2014, remuneration of the members of the Supervisory Board of Budimex SA was as follows:

Marek Michałowski	PLN 161 thousand
Igor Chalupec	PLN 102 thousand
Tomasz Sielicki	PLN 11 thousand (from 1 January to 7 January 2014)
Javier Galindo Hernandez	PLN 95 thousand
Jose Carlos Garrido-Lestache Rodriguez	PLN 95 thousand
Marzenna Anna Weresa	PLN 132 thousand
Piotr Kamiński	PLN 95 thousand
Maciej Stańczuk	PLN 16 thousand (from 1 January to 7 February 2014)
Alejandro de la Joya Ruiz de Velasco	PLN 109 thousand
Janusz Dedo	PLN 88 thousand (from 29 January to 31 December 2014)
Ignacio Clopes Estela	PLN 63 thousand (from 24 April to 31 December 2014)

42.2 Advance payments, loans, guarantees and suretyships and other agreements with Members of the Management or Supervisory Boards

As at 31 December 2014 and 31 December 2013, Members of the Management or Supervisory Boards of the Parent Company, their spouses, direct 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.

As at 31 December 2014 and 31 December 2013, Members of the Management or Supervisory Boards of the subsidiary companies did not have any unpaid loans or borrowings or guarantees issued by those companies and were not parties to any agreements obligating them to provide services to Group companies.

43. Capital expenditure incurred and planned

Capital expenditure incurred in 2014 amounted to PLN 48 401 thousand, of which PLN 24 329 thousand was allocated to financial long-term assets and the remaining part was allocated to non-financial non-current assets. In 2013, capital expenditure amounted to PLN 17 724 thousand, of which PLN 7 444 thousand was allocated to financial fixed assets and the remaining part was allocated to non-financial non-current assets.

Capital expenditure planned to be incurred in 2015 for non-financial non-current assets amount to PLN 68 000 thousand.

In 2014 and in 2013, Group companies did not incur any environmental protection expenditure and have no plans to incur any such expenditure in the 12-month period after the balance sheet date.

44. (Off-balance sheet) investment expenditure

As at 31 December 2014, the committed investment expenditures amounted to PLN 453 thousand. As at 31 December 2013, there were no committed investment expenditures.

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

45. 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 December 2014	31 December 2013
– up to 1 year	19 195	19 234
– 1-5 years	37 457	20 926
– above 5 years	423	1 622
Total	**57 075**	**41 782**

	2014	2013
Lease payments taken to costs	29 652	31 978

In addition, the Group uses land under perpetual usufruct which it received based on an administrative decision. Estimated future payments for the perpetual usufruct are as follows:

	31 December 2014	31 December 2013
– up to 1 year	834	956
– 1-5 years	2 895	2 912
– above 5 years	45 751	50 795
Total	**49 480**	**54 663**

	2014	2013
Fees for perpetual usufruct taken to costs	989	758

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

46. Financial instruments

46.1 Carrying value

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

Balance as at 31 December 2014

Classes of financial instruments	Available for sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Available for sale financial assets	8 376	-	-	-	-	**8 376**
Retentions for construction contracts	-	-	38 171	-	(377 323)	**(339 152)**
Trade and other receivables*	-	-	448 409	-	-	**448 409**
Concession agreement receivables	-	-	45 214	-	-	**45 214**
Amounts due and receivable from customers under construction contracts	-	-	172 548	-	-	**172 548**
Other financial assets/(liabilities)	-	812	18 988	(7 241)	-	**12 559**
Cash and cash equivalents	-	1 831 652	-	-	-	**1 831 652**
Loans, borrowings and other external sources of financing	-	-	-	-	(67 700)	**(67 700)**
Amounts due and payable to customers under construction contracts	-	-	-	-	(920 668)	**(920 668)**
Trade liabilities and other financial liabilities (note 25)	-	-	-	-	(999 794)	**(999 794)**
Total	**8 376**	**1 832 464**	**723 330**	**(7 241)**	**(2 365 485)**	**191 444**

Balance as at 31 December 2013

Classes of financial instruments	Available for sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Available for sale financial assets	8 381	-	-	-	-	**8 381**
Retentions for construction contracts	-	-	43 021	-	(350 813)	**(307 792)**
Trade and other receivables*	-	-	522 181	-	-	**522 181**
Concession agreement receivables	-	-	22 376	-	-	**22 376**
Amounts due and receivable from customers under construction contracts	-	-	146 630	-	-	**146 630**
Other financial assets/(liabilities)	-	823	3 164	(725)	-	**3 262**
Cash and cash equivalents	-	1 658 783	-	-	-	**1 658 783**
Loans, borrowings and other external sources of financing	-	-	-	-	(54 084)	**(54 084)**
Amounts due and payable to customers under construction contracts	-	-	-	-	(689 915)	**(689 915)**
Trade liabilities and other financial liabilities (note 25)	-	-	-	-	(1 191 572)	**(1 191 572)**
Total	**8 381**	**1 659 606**	**737 372**	**(725)**	**(2 286 384)**	**118 250**

*) excluding prepayments and accruals, receivables due to taxation, subsidies, custom duties, social securities, health insurance and except for advances made.

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

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

For the period from 1 January 2014 to 31 December 2014

	Available for sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Interest income/ (expense)	-	28 099	4 591	-	540	**33 230**
Foreign exchange gains / (losses)	-	366	(142)	-	(413)	**(189)**
Reversal / (creation) of impairment write-downs	-	-	(1 087)	-	1 753	**666**
Dividends received	25	-	-	-	-	**25**
Valuation gains / (losses)	-	808	5 977	(7 662)	(7 826)	**(8 703)**
Gains / (losses) from disposal / realisation of financial instruments	-	4 180	-	(4 601)	-	**(421)**
Total	**25**	**33 453**	**9 339**	**(12 263)**	**(5 946)**	**24 608**

For the period from 1 January 2013 to 31 December 2013

	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Interest income/ (expense)	-	24 026	550	-	655	**25 231**
Foreign exchange gains / (losses)	-	(104)	(104)	-	(1 605)	**(1 813)**
Reversal / (creation) of impairment write-downs	-	-	(11 575)	-	3 113	**(8 462)**
Dividends received	5	-	-	-	-	**5**
Valuation gains / (losses)	-	(4 783)	(3 466)	(586)	1 688	**(7 147)**
Gains / (losses) from disposal / realisation of financial instruments	100	4 993	-	(348)	-	**4 745**
Total	**105**	**24 132**	**(14 595)**	**(934)**	**3 851**	**12 559**

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

46.3 Financial assets and liabilities measured at fair value

The following tables provide an analysis of the Group'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 (see note 2.1).

	31 December 2014			
	Fair value measurement			
	Level 1	Level 2	Level 3	Total
Other financial assets	-	812	-	**812**
Cash and cash equivalents	-	1 831 652		**1 831 652**
Financial assets measured at fair value through profit and loss account total	**-**	**1 832 464**	**-**	**1 832 464**
Other financial liabilities	-	7 241	-	**7 241**
Financial liabilities measured at fair value through profit and loss account total	**-**	**7 241**	**-**	**7 241**

	31 December 2013			
	Fair value measurement			
	Level 1	Level 2	Level 3	Total
Other financial assets	-	823	-	**823**
Cash and cash equivalents	-	1 658 783		**1 658 783**
Financial assets measured at fair value through profit and loss account total	**-**	**1 659 606**	**-**	**1 659 606**
Other financial liabilities	-	725	-	**725**
Financial liabilities measured at fair value through profit and loss account total	**-**	**725**	**-**	**725**

During the 12 months periods ended 31 December 2014 and 31 December 2013, 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.

47. Legal proceedings pending as at 31 December 2014

Based on the information held, the total value of legal proceedings in progress in respect of liabilities of Budimex SA and its subsidiaries as at 31 December 2014 was PLN 289 195 thousand. The proceedings involving Budimex SA and its subsidiaries concern the Group companies' operating activity.

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 modernization 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 warranty for a total amount of PLN 54 382 thousand. That case has been finally resolved by judgment 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 Budimex SA was PLN 35 168 thousand, of which PLN 21 612 thousand as reimbursement of the performance bond). The court enforcement officer transferred that amount to the bank account of Budimex SA 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 judgment.

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 Budimex SA does not exceed the total of PLN 119 556 thousand.

According to Budimex SA, 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. The court has already heard all witnesses for the claimant and the counter-claimant with respect to the circumstances included in PPL's counter-claim. The 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, on 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 share of Budimex SA 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, Grupa BS Consulting, started to work at the end of 2010. To date, there have been several meetings with proxies of parties and the expert and there was an inspection of the airport objects with the participation of the aforementioned expert in March 2011. 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 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. Grupa BS Consulting 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. At present, the parties are awaiting the Court's decision regarding the appointment of a new expert selected among proposals submitted. The procedure of selection is expected to be completed in the first quarter of 2015.

The Management Board is of the opinion that the final judgement of the Arbitration Court will be favourable to 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 Budimex SA 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 contractual interest calculated from 19 October 2006 until the day of payment. In the opinion of Budimex SA, the claim constituting the subject matter of the argument is absolutely groundless and there is no basis, either formal or factual, for considering it (the deadline for submitting the claims in question expired, the limit concerning contractual penalties - i.e. up to 15 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 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 Budimex, the court is to commission the drafting of a supplementary opinion.

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%, therefore the value of the claim for which Budimex SA 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 appointment of a new expert. Presently, the parties expect the court to consider this request. The court has set the date for another hearing in order to hear the witnesses for the defendant.

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 and its subsidiaries amounted to PLN 224 298 thousand as at 31 December 2014. 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, the value of no other proceedings concerning claims exceeds 10% of the shareholders' equity of Budimex SA. As at the date of this report, the final outcome of the proceedings is not known.

48. Events after the balance sheet date

On 24 February 2015, the final agreement was signed off with respect to the sale of the plot of land with buildings which had been recognised as fixed assets held for sale as at 31 December 2014. Until the date of publication of these consolidated financial statements, there were no other significant events that should be disclosed.

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

49. Contingent liabilities and contingent receivables

	31 December 2014	31 December 2013
Contingent receivables		
From related parties		
– guarantees and suretyships received	-	-
– bills of exchange received as security	-	-
From related parties, total	**-**	**-**
From other entities		
– guarantees and suretyships received	316 777	353 159
– bills of exchange received as security	8 519	13 074
From other entities, total	**325 296**	**366 233**
Other contingent receivables	86	-
Total contingent receivables	**325 382**	**366 233**
Contingent liabilities		
To related parties		
– guarantees and suretyships issued	5 456	3 566
– bills of exchange issued as security	-	-
To related parties, in total	**5 456**	**3 566**
To other entities		
– guarantees and suretyships issued	2 035 036	1 497 507
– bills of exchange issued as security	6 746	8 733
To other entities, in total	**2 041 782**	**1 506 240**
Other contingent liabilities	135 480	143 180
Total contingent liabilities	**2 182 718**	**1 652 986**
Total contingent items	**(1 857 336)**	**(1 286 753)**

Contingent receivables arising from guarantees and sureties represent guarantees issued by banks or other entities in favour of Budimex Group companies serving as security for the Group's claims against 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 Group companies to secure their claims against the Group companies that may arise on the grounds of executed construction contracts. The banks are entitled to recourse claims against Group companies under these guarantees. Guarantees issued to the investors of the Group 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 Management Board of the Group as probable was appropriately reflected in the warranty repair provision, as described in note 28 to these statements.

The bills of exchange issued represent security for the settlement of liabilities towards strategic suppliers of the Group companies, while the bills of exchange received and recognised under contingent receivables represent security for the payment of the receivables due to the Group companies by its customers.

In addition, the Group has contingent liabilities resulting from collateral established on its assets, as described in note 40.

Other contingent liabilities include among others voluntary submission to enforcement which secures the payment in the amount of up to PLN 135 010 thousand payable in the case of improper performance by the Budimex SA of its obligations under the agreement of acquisition of shares of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.

50. Employment structure

Employee group	Number of employees as at 31 December	
	2014	2013
Blue collar employees	2 064	2 028
White collar employees	2 592	2 283
Total	**4 656**	**4 311**

51. Significant events with an impact on the Group financial situation

On 23 January 2010, the Management Board of Budimex SA learned that the condition concerning the construction and operation of the A1 highway between Stryków and Pyrzowice in the concession system in accordance with the agreement signed on 22 January 2009 between Autostrada Południe SA and the State Treasury had not been fulfilled. Due to the above, Phase II (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 highway 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% 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. At present, the parties have the right to submit potential comments or queries to the expert. As the conclusions of the supplementary opinion were positive for the claimant, the claimant is not supposed to submit any reservations, comments or queries.

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 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.

In reference to the court proceedings described in note 47 concerning the Contract for the development project at Warsaw Frederic Chopin Airport - Terminal 2 Construction, according to the Management Board's best estimates as at the date of drafting these financial statements, the total loss incurred by Budimex on this contract (proportionate to the share of Budimex in the Consortium), taking into account other operating costs/revenues and finance costs/income (including the result on forward contracts entered into to minimize the FX risk) was PLN 94 885 thousand as at 31 December 2014 (as at 31 December 2013: PLN 99 211 thousand). The loss of Budimex on the entire contract, without taking into account the result of other operating and financial activities, was PLN 137 110 thousand as at 31 December 2014 (as at 31 December 2013: PLN 141 436 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
Andrzej Artur Czynczyk	Member of the Management Board	....			
name and surname	position	signature		Warsaw, 11 March 2015	