BUDIMEX SA

FINANCIAL STATEMENTS

for the year ended 31 December 2016

prepared in accordance with the International Financial Reporting Standards

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(all amounts are expressed in PLN thousand)

Statement of financial position

ASSETS	Note	31.12.2016	31.12.2015
Non-current (long-term) assets			
Property, plant and equipment	10	92 668	61 821
Investment properties	11	3 762	3 888
Intangible assets	13	29 707	3 761
Investments in subsidiaries	15	724 473	724 323
Investments in associates	15	61 246	61 246
Investments in other entities	15	6 417	6 597
Other financial assets	16	16 537	6 666
Trade and other receivables	17	12 878	11 120
Retentions for construction contracts	28	39 835	35 404
Deferred tax assets	23	400 046	401 824
Total non-current (long-term) assets		**1 387 569**	**1 316 650**
Current (short-term) assets			
Inventories	18	159 498	79 329
Trade and other receivables	17	462 329	379 325
Retentions for construction contracts	28	46 767	25 649
Amounts due and receivable from customers under construction contracts	26	290 016	155 241
Other financial assets	16	1 717	2 333
Cash and cash equivalents	19	2 272 110	1 983 136
Total current (short-term) assets		**3 232 437**	**2 625 013**
TOTAL ASSETS		**4 620 006**	**3 941 663**

Warsaw, 16 March 2017

(all amounts are expressed in PLN thousand)

Statement of financial position (cont.)

EQUITY AND LIABILITIES	Note	31.12.2016	31.12.2015
EQUITY			
Issued capital	20	145 848	145 848
Share premium	20	80 199	80 199
Other reserves	20	54 001	53 909
Foreign exchange differences on translation of foreign operations		5 670	5 630
Retained earnings	20	382 856	208 753
Total shareholders' equity		**668 574**	**494 339**
LIABILITIES			
Long-term liabilities			
Loans, borrowings and other external sources of finance	21	29 374	11 551
Retentions for construction contracts	28	194 624	196 185
Provisions for non-current liabilities and other charges	25	180 765	153 495
Retirement benefits and similar obligations	24	5 348	5 358
Other financial liabilities	16	7	5
Total long-term liabilities		**410 118**	**366 594**
Current liabilities			
Loans, borrowings and other external sources of finance	21	18 463	18 382
Trade and other liabilities	22	1 397 654	1 019 137
Retentions for construction contracts	28	174 635	158 641
Amounts due and payable to customers under construction contracts	26	1 337 780	1 229 015
Deferred revenue	27	408 741	464 616
Provisions for current liabilities and other charges	25	157 540	130 964
Current tax liability		45 272	58 313
Retirement benefits and similar obligations	24	1 025	926
Other financial liabilities	16	204	736
Total current liabilities		**3 541 314**	**3 080 730**
Total liabilities		**3 951 432**	**3 447 324**
TOTAL EQUITY AND LIABILITIES		**4 620 006**	**3 941 663**

Warsaw, 16 March 2017

(all amounts are expressed in PLN thousand)

Profit and loss account

	Note	Year ended 31 December 2016	2015
Continuing operations			
Net sales of finished goods and services, goods for resale and raw materials	29	5 207 194	4 768 675
Cost of finished goods, services, goods for resale and raw materials sold	30	(4 570 979)	(4 355 182)
Gross profit on sales		**636 215**	**413 493**
Selling expenses	30	(11 665)	(11 157)
Administrative expenses	30	(179 368)	(172 749)
Other operating income	32	38 677	52 201
Other operating expenses	32	(54 951)	(33 978)
Operating profit		**428 908**	**247 810**
Finance income	33	69 670	43 668
Finance costs	33	(31 489)	(32 569)
Gross profit		**467 089**	**258 909**
Income tax	34	(85 173)	(50 901)
Net profit from continuing operations		**381 916**	**208 008**
Net profit for the period		**381 916**	**208 008**

Basic and diluted earnings per share attributable to the shareholders (in PLN)	35	14.96	8.15

Statement of comprehensive income

	Note	Year ended 31 December 2016	2015
Net profit for the period		**381 916**	**208 008**
Other comprehensive income which:			
Shall be reclassified to profit or loss upon satisfaction of certain conditions:			
Foreign exchange differences on translation of foreign operations		40	123
Deferred tax related to components of other comprehensive income		-	-
Shall not be reclassified to profit or loss:			
Actuarial gains/(losses)	24	336	(544)
Deferred tax related to components of other comprehensive income	23	(64)	103
Other comprehensive income, net		**312**	**(318)**
Total comprehensive income for the period		**382 228**	**207 690**

Warsaw, 16 March 2017

(all amounts are expressed in PLN thousand)

Statement of changes in equity

	Issued capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign operations	Retained earnings	Total
Balance as at 01.01.2016	**145 848**	**80 199**	**53 909**	**5 630**	**208 753**	**494 339**
Profit for the period	-	-	-	-	381 916	**381 916**
Other comprehensive income	-	-	272	40	-	**312**
Total comprehensive income for the period	**-**	**-**	**272**	**40**	**381 916**	**382 228**
Payment of dividend (note 38)	-	-	-	-	(207 815)	**(207 815)**
Share-based payments (note 38)	-	-	(180)	-	-	**(178)**
Other changes (roundings)	-	-	-	-	2	**2**
Balance as at 31.12.2016	**145 848**	**80 199**	**54 001**	**5 670**	**382 854**	**668 574**

Warsaw, 16 March 2017

(all amounts are expressed in PLN thousand)

Statement of changes in equity (cont.)

	Issued capital	Share premium	Other reserves	Foreign exchange differences on translation of foreign operations	Retained earnings	Total
Balance as at 01.01.2015	**145 848**	**80 199**	**59 520**	**5 507**	**150 926**	**442 000**
Profit for the period	-	-	-	-	208 008	**208 008**
Other comprehensive income	-	-	(441)	123	-	**(318)**
Total comprehensive income for the period	**-**	**-**	**(441)**	**123**	**208 008**	**207 690**
Payment of dividend (note)	-	-	-	-	(155 989)	**(155 989)**
Share-based payments (note 38)	-	-	638	-	-	**638**
Coverage of loss from prior years	-	-	(5 808)	-	5 808	**-**
Balance as at 31.12.2015	**145 848**	**80 199**	**53 909**	**5 630**	**208 753**	**494 339**

Warsaw, 16 March 2017

(all amounts are expressed in PLN thousand)

Statement of cash flows

	Note	Year ended 31 December 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax		**467 089**	**258 909**
Adjustments for:			
Depreciation/amortisation	30	23 358	19 408
Foreign exchange (gains)/losses		(157)	208
Interest and shares in profits (dividends)		(36 364)	(13 550)
(Profit)/loss from investing activities		1 446	(11 717)
Change in valuation of derivative financial instruments	16	(2 512)	(1 577)
Change in provisions and liabilities arising from retirement benefits and similar obligations		54 271	24 019
Other adjustments	37	(171)	672
Operating profit/(loss) before changes in working capital		**506 960**	**276 372**
Change in receivables and retentions for construction contracts		(123 050)	57 396
Change in inventories		(80 169)	(23 784)
Change in retentions for construction contracts and in liabilities, except for borrowings and loans		393 547	(14 382)
Change in amounts due and receivable under construction contracts		(26 010)	329 239
Change in deferred revenue		(55 875)	216 630
Change in cash and cash equivalents of restricted use	19	15 206	(5 734)
Cash flow from operating activities		**630 609**	**835 737**
Income tax paid		(96 500)	(73 838)
NET CASH FLOW FROM OPERATING ACTIVITIES		**534 109**	**761 899**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of intangible assets and property, plant and equipment		1 046	6 037
Purchase of intangible assets and property, plant and equipment		(40 751)	(29 488)
Proceeds from sale of investment properties		-	14 000
Acquisition of shares in related parties		(150)	(58 205)
Loans granted	16	(9 163)	(21 302)
Repayment of loans granted	16	-	54 921
Dividends received		36 586	11 362
Interest received		1 918	1 120
Other inflows from investing activities		47	1 911
NET CASH USED IN INVESTING ACTIVITIES		**(10 467)**	**(19 644)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(207 815)	(155 989)
Payments of liabilities under finance lease agreements		(11 318)	(11 953)
Interest paid		(821)	(668)
NET CASH USED IN INVESTING ACTIVITIES		**(219 954)**	**(168 610)**
TOTAL NET CASH FLOWS		**303 688**	**573 645**
Foreign exchange differences, net		492	(213)
CASH AND CASH EQUIVALENTS – OPENING BALANCE	**19**	**1 935 366**	**1 361 934**
CASH AND CASH EQUIVALENTS – CLOSING BALANCE	**19**	**2 239 546**	**1 935 366**

Warsaw, 16 March 2017

Notes to the financial statements

1. General information

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

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

The Company has an unlimited period of operation.

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

In accordance with the Polish Classification of Activities (“PKD” 2007), on 31 December 2016, the main area of business activity of the Company consisted in construction of civil and water engineering facilities (PKD no. 42.11.Z). The branch of industry in which the Company operates was classified by the Warsaw Stock Exchange as general construction and civil engineering business.

As at 31 December 2016, the Company had the following branches:

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

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

These financial statements were approved by the Company Management Board on 16 March 2017.

2. Going concern assumption

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

As at 31 December 2016, the value of the Company’s current liabilities exceeds the value of its current assets by PLN 308 877 thousand. Taking into account the good liquidity of the Budimex Group, whose consolidated statement of financial position as at 31 December 2016 provides for a positive difference between the current assets and the current liabilities in the amount of PLN 437 588 thousand. As at the date of signing the financial statements, the Management Board of the Company is not aware of any facts or circumstances that would indicate a threat to the Company’s continued activities in the foreseeable future.

3. Basis for preparation of the financial statements

These financial statements for the year ended 31 December 2016 have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) adopted by the European Union (“EU”), prevailing as at the reporting date.

Amendments to standards applied for the first time in 2016

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU entered into force in 2016:

- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisition of Interests in Joint Operations, adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure Initiative, adopted by the EU on 18 December 2015 (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, adopted by the EU on 23 November 2015 (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, adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions, adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- Amendments to IAS 27 "Separate Financial Statements" – Equity Method in Separate Financial Statements, adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards "Improvements to IFRSs (2010-2012 Cycle)" resulting from the annual IFRS improvement project (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying the wording – adopted by the EU on 17 December 2014 (applicable to annual periods beginning on or after 1 February 2015),
- Amendments to various standards "Improvements to IFRSs (2012-2014 Cycle)" resulting from the annual IFRS improvement project (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying the wording – adopted by the EU on 15 December 2015 (applicable to 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, adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016).

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

Standards that have been issued but are not yet effective

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

- IFRS 9 "Financial instruments", endorsed in the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- IFRS 15 "Revenue from Contracts with Customers" including Amendments to IFRS 15: Effective date of IFRS 15, endorsed in the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

The Company has elected not to use the opportunity of early adoption of IFRS 9. The Company estimates that IFRS 9 would not have any material impact on the financial statements, had it been applied at the reporting date. With respect to IFRS 15, the Company has decided to adopt it in 2017. The Company estimates however that the early adoption of IFRS 15 will not have a material impact on the financial statements in the coming years.

Standards, amendments to standards and interpretations issued by the IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to the standards and interpretations which were not yet approved for use as at 16 March 2017:

- IFRS 14 "Regulatory Deferral Accounts" (the process of adoption by the EU has been suspended),
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 2 "Share-based Payments" - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 4 "Insurance Contracts" – Applying IFRS 9 "Financial instruments" with IFRS 4 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2018 or upon first-time application of IFRS 9 "Financial Instruments"),

- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or contribution of assets between an investor and its associate or joint venture (the process of adoption by the EU has been suspended for an indefinite period),
- Amendments to IAS 7 "Statement of Cash Flows" – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 12 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- Clarifications to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018),
- Amendments to various standards "Improvements to IFRSs (2014-2016 Cycle)" resulting from the annual IFRS improvement project (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying the wording (amendments to IFRS 12 are effective for annual periods beginning on or after 1 January 2017, whereas amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018),
- Amendments to IAS 40 "Investment properties" – Transfers of investment property (effective for annual periods beginning on or after 1 January 2018),
- IFRIC 22 Interpretation "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018).

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

At the same time, the hedge accounting for the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. The Company does not apply hedge accounting in relation to its portfolio of financial assets and liabilities, and thus any possible amendments would have no impact on the financial statements.

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

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

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

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

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities, to which the Company has access on the measurement date,
- Level 2 inputs: 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 inputs: source data for the asset or liability that are not based on observable market data (i.e. unobservable source data).

4. Key accounting policies

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

4.1 Transactions and valuation of foreign currency items

Functional and presentation currency

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

Transactions and balances

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

At each reporting date:

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

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

Foreign operations

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

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

4.2 Property, plant and equipment

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

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

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

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

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

4.3 Investment properties

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

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

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

4.4 Intangible assets

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

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

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

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

- patents and licences — 5-10 years
- software — 2-5 years

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

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

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

4.6 Borrowing costs

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

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

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

4.7 Lease

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

In the case of finance lease agreements, which transfer substantially all of the risks and rewards of ownership of assets, the leased assets are recorded under non-current assets or investments at fair value or at the 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.

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

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

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

4.8 Impairment of non-financial assets

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

In order to assess the impairment, assets are grouped at the lowest possible level with respect to which separate cash flows may be identified (cash-generating units). A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment losses are recognised in the profit and loss account.

If impairment loss is subsequently reversed, the net value of an asset (or cash generating unit) is increased to the new recoverable value, however not exceeding the carrying 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 account.

4.9 Prepayments for non-financial assets

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

4.10 Inventories

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

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

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

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

Issues/ decreases of raw materials are measured at cost determined as the weighted average price of raw materials, Issues/ decreases of goods for resale are measured at cost determined on the "first in – first out" basis, while those of 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.

4.11 Cash and cash equivalents

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

"Cash and cash equivalents" included in the statement of cash flows comprise cash on hand, a-vista deposits and bank deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Included in cash of restricted use are mainly cash items representing:

- security for bank guarantees,
- cash in escrow accounts and current accounts in the part due to construction contract partners,

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

4.12 Financial instruments

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

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

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

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

This category comprises:

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

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

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

Transactions of investment purchase or sale, commitment or liability discharge are recognised as at the transaction date i.e. the date on which the Company becomes party to the relevant contract. Investments are initially measured at fair value. Transaction costs concerning acquisition are recognised in the 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 arising from executed construction contracts or prepayments made (but not classified as financial instruments) are recognised as current receivables, since it is expected that these will be settled during the course of a normal operating cycle of the entity.

Receivables from retentions for construction contracts and loans with maturities of less than 12 months are recognised as current assets. Long-term receivables arising from retentions for construction contracts are discounted to the 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 Company will not be able to recover all amounts due under the original terms and conditions applicable to such receivables.

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 fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity.

Transactions of purchase or sale of investments are recognised as at the transaction date, i.e. the date on which the Company undertakes to purchase or sell a given asset. Investments held to maturity are initially recorded at fair value increased by transaction costs, while in the subsequent periods – at amortised cost less impairment losses, if any.

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 non-current assets, unless the Company intends to dispose of these investments within 12 months of the reporting date. If it is intended to dispose of the investments within 12 months of the reporting date, such assets are reclassified as current assets.

Asset purchase or sale transactions are recognised as at the transaction date i.e. the date on which the Group commits to purchase or sell a given asset. Assets are initially recognised at fair value increased by transaction costs. This relates to all financial assets not classified as at fair value through profit or loss. Assets are derecognised when the rights to the underlying cash flow expired or where the Company transferred substantially all of the risks and rewards of the ownership of the assets.

Following initial recognition, financial assets available for sale are measured at fair value. Gains or losses arising from changes in asset fair value are recognised in the period in which they originated. 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 loses arising from changes in the fair value of available-for-sale financial assets which are monetary items that result from foreign exchange differences are recognised in the profit and loss account in the period in which they arose. Where the fair value is not determinable, financial assets available for sale constituting non-monetary items are valued at purchase price less impairment losses, if any. In the case of disposal of securities classified as "available for sale" or in the case of their loss of value, total fair value adjustments recognised in other comprehensive income and accumulated in equity are taken to the profit and loss account as gains / losses on financial assets.

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

Trade liabilities and retentions for construction contracts

Initially, trade liabilities are measured at the present value of the amount due and payable, while in the subsequent reporting periods – at amortised cost.

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

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

Bank loans and borrowings and other external sources of finance

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

Derivative instruments

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

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

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

The Company does not apply hedge accounting.

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

4.13 Equity

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

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

Other reserves cover the capital established in compliance with Polish statutory requirements, capital established in accordance with the Company's articles of association above the statutory requirement, costs of the Ferrovial SA (note 38) share-based payment plan, actuarial gains/(losses) on retirement benefits and similar obligations, and other items.

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

4.14 Employee benefits

The Company operates retirement severance payment plans and creates provisions for the present value of the 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 Company. The value of the provision is determined by an independent actuary using the projected unit credit method. Actuarial gains and losses are recognised in other comprehensive income and not transferred to the profit and loss account.

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

4.15 Share-based payments

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

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

4.16 Provisions

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

- the Company has a present obligation (legal or constructive) as a result of past events and
- it is 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 the obligation.

The Company recognises provisions especially for the following:

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

Provision for litigation

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

Provision for costs of future warranty repairs

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

Restructuring provisions

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

4.17 Recognition of revenues and expenses

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

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

- significant risks and rewards of ownership were transferred to the buyer,
- management functions to the extent generally associated with ownership right and effective control over goods sold were transferred,
- the amount of revenues may be reliably estimated,
- it is probable that the economic benefits associated with the transaction will flow to the entity,
- the costs already incurred or anticipated and associated with the transaction can be reliably measured.

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

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

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

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

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

4.18 Construction contracts

Revenues from performance of not-completed construction services for the period from contract date to the reporting date, after deducting revenues that affected the financial result in the previous accounting periods, are determined in proportion to stage of service completion, if this can be reliably measured. The Company measures stage of service completion using the proportion method that measures the proportion that the contract costs incurred for work performed to date bear to the estimated total contracts costs, and using the surveys of work performed method.

Where it is possible that total contract costs may exceed total contract revenues, expected loss (excess of cost over revenues) is recognised as an operating expense.

If the result of the completion

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

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

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

4.19 Gross profit/(loss) on sales

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

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

4.20 Operating profit / (loss)

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

4.21 Taxation (including deferred tax)

The item “Income tax” in the profit and loss account includes current and deferred tax.

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

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

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

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

5. Key estimates and assumptions

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

5.1 Key accounting estimates

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

Uninvoiced services

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

Tax settlements

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

Provisions for costs of future warranty repairs

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

Provision for ligitation

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

5.2 Professional judgement in applying accounting policies

Recognition of sales on construction contracts

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

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

6. Discontinued operations

In 2016 and 2015, no operations were discontinued within the meaning of IFRS 5.

7. Financial risk management

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

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

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

Currency risk

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

In accordance with the Company policy, exposure to FX risk is systematically measured both for individual construction contracts (analysis of foreign currency inflows and outflows for the purposes of contracts concluded in foreign currency 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 2016, approx. 90 per cent of the Company's foreign currency exposure from construction contracts was hedged. The Company is also exposed to currency risk from planned future payments in foreign currencies, resulting from concluded agreements for the purchase of fixed assets, where such payments were not hedged against currency risk. Taking these additional planned future payments in foreign currencies, 71 per cent of the Company's foreign currency exposure is hedged.

The Company does not apply hedge accounting.

(all amounts are expressed in PLN thousand)

Currency risk – sensitivity to fluctuations

In order to conduct analysis of sensitivity to fluctuations in exchange rates, on the basis of historical changes in values and the Company's knowledge of and experience in the financial markets, "feasible and possible" fluctuations in exchange rates were assessed at -10 per cent / +10 per cent as at 31 December 2016 and as at 31 December 2015.

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

	Nominal value as at reporting date	**Sensitivity to fluctuations as at 31.12.2016**	
		Depreciation	**Appreciation**
		of the Polish zloty against other currencies	
		+10%	**-10%**
Forward contracts / FX options:			
– EUR	57 774	(8 761)	8 761
– USD	2 547	877	(877)
Financial instruments denominated in foreign currencies – net currency exposure:			
– EUR	7 361	3 257	(3 257)
– USD	(1 139)	(476)	476
Gross effect on the result for the period and net assets		**(5 103)**	**5 103**
Deferred tax		970	(970)
Total		**(4 133)**	**4 133**

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

Interest rate risk

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

(all amounts are expressed in PLN thousand)

Interest rate risk – sensitivity to fluctuations

In order to conduct an analysis of sensitivity to fluctuations in interest rates, on the basis of historical changes in values and the Company's knowledge of and experience in the financial markets, "feasible and possible" fluctuations in interest rates were assessed at -0.5 pp / +0.5 pp as at 31 December 2016 (as at 31 December 2015 – at the same level) for PLN, at -0.25 pp / +0.25 pp for EUR (as at 31 December 2015 – at the same level) and at -0.75 pp / +0.75 pp for USD (as at 31 December 2015 – at -0.25 pp / +0.25 pp).

At the same time, a parallel shift of the interest rate curve was assumed for the purpose of the calculation of sensitivity of discount to fluctuations in interest rates. The level of estimated fluctuations in interest rates for USD as compared to 2015 has been increased due to the expected interest rate increases for USD.

Presented below is the effect of interest rate fluctuations on the net result and net assets as at 31 December 2016 and 31 December 2015.

	Value as at the reporting date	Sensitivity to fluctuations as at 31.12.2016	
		+50 bp (PLN) +25 bp (EUR) +75 bp (USD)	-50 bp (PLN) -25 bp (EUR) -75 bp (USD)
Loans granted (principal)	15 631	78	(78)
Cash at bank (fair value)	2 269 211	11 235	(11 235)
Bank loans and borrowings (principal)	(9 160)	(23)	23
Finance lease liabilities (present value)	(38 672)	(193)	193
Gross effect on the result for the period and net assets		**11 097**	**(11 097)**
Deferred tax		(2 108)	2 108
Total		**8 989**	**(8 989)**

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

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

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

Price risk

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

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

Credit risk

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

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

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

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

Liquidity risk

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

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

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

8. Capital management

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

The Company manages its capital structure and modifies it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Company may return equity to the shareholders, issue new shares or pay out dividend. In 2016 and 2015, no changes were made to objectives or policies of processes applicable in this area.

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

(all amounts are expressed in PLN thousand)

	31.12.2016	31.12.2015
Interest-bearing borrowings and other external sources of finance	47 837	29 933
Trade and other liabilities	3 348 878	2 926 120
Less cash and cash equivalents	(2 272 110)	(1 983 136)
Net debt	**1 124 605**	**972 917**
Shareholders' equity	668 574	494 339
Equity and net debt	**1 793 179**	**1 467 256**
Gearing ratio	**62.72%**	**66.31%**

9. Information on operating and geographical segments

Operations of Budimex SA consist in widely understood construction and assembly services provided at home and abroad, which in accordance with the classification of the Company represents the entire construction operating segment. In 2016 sales revenue from one customer amounted to PLN 2 823 863 thousand.

The Company operates in the domestic market and in Germany.

Revenues from sale of finished goods, goods for resale and raw materials	2016	2015
Domestic market	5 043 204	4 616 373
German market	163 990	152 302
Total	**5 207 194**	**4 768 675**

Capital expenditure	2016	2015
Domestic market	67 427	26 716
German market	162	137
Total	**67 589**	**26 853**

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

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

10. Property, plant and equipment

	- land (including right of perpetual usufruct)	- buildings and constructions	- plant and machinery	- motor vehicles	- other property, plant and equipment	- fixed assets - construction-in-progress	Total
Gross value as at 01.01.2016	**2 875**	**10 556**	**161 535**	**16 335**	**21 361**	**1 055**	**213 717**
Increases:	**1**	**908**	**30 177**	**3 984**	**10 974**	**7 374**	**53 418**
– purchase (including acceptance for use under lease contracts)	-	908	29 630	3 869	10 606	8 357	53 370
– transfer from construction-in-progress	-	-	541	113	329	(983)	-
– other	1	-	6	2	39	-	48
Decreases:	**-**	**-**	**(5 189)**	**(266)**	**(497)**	**-**	**(5 952)**
– sale	-	-	(3 447)	(266)	(21)	-	(3 734)
– liquidation	-	-	(1 742)	-	(476)	-	(2 218)
Gross value as at 31.12.2016	**2 876**	**11 464**	**186 523**	**20 053**	**31 838**	**8 429**	**261 183**
Accumulated depreciation as at 01.01.2016	**-**	**(5 998)**	**(117 790)**	**(13 127)**	**(14 981)**	**-**	**(151 896)**
Changes for the period:	**-**	**(578)**	**(10 686)**	**(885)**	**(2 793)**	**-**	**(14 942)**
– current depreciation	-	(578)	(15 829)	(1 148)	(3 253)	-	(20 808)
– sale	-	-	3 447	266	21	-	3 734
– liquidation	-	-	1 698	-	476	-	2 174
– other	-	-	(2)	(3)	(37)	-	(42)
Accumulated depreciation as at 31.12.2016	**-**	**(6 576)**	**(128 476)**	**(14 012)**	**(17 774)**	**-**	**(166 838)**
Impairment write-downs as at 01.01.2016	**-**	**-**	**-**	**-**		**-**	**-**
– increase	(1 677)	-	-	-	-	-	(1 677)
– decrease	-	-	-	-	-	-	-
Impairment write-downs as at 31.12.2016	**(1 677)**	**-**	**-**	**-**	**-**	**-**	**(1 677)**
Net value as at 01.01.2016	**2 875**	**4 558**	**43 745**	**3 208**	**6 380**	**1 055**	**61 821**
Net value as at 31.12.2016	**1 199**	**4 888**	**58 047**	**6 041**	**14 064**	**8 429**	**92 668**

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

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

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

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

	2016	**2015**
Cost of finished goods and services sold	19 736	16 755
Administrative expenses	980	856
Other costs	92	92
Total	**20 808**	**17 703**

In 2016, the Company recognised an impairment write-down against land property in the amount of PLN 1 677 thousand. The amount of the write-down was calculated as the difference between the carrying amount and lower recoverable value of the real property, estimated by a property valuer. The amount of the write-down was recognised under other operating expenses (note 32). No impairment write-downs against property, plant and equipment were made in 2015.

As at 31 December 2016 and 31 December 2015, there was no collateral established on items of property, plant and equipment.

The total value of received or receivable compensations in respect of fixed assets that were impaired or lost in 2016 was PLN 220 thousand (in 2015: PLN 110 thousand).

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

	31.12.2016		**31.12.2015**	
	Initial value – capitalised finance lease	**Carrying value, net**	**Initial value – capitalised finance lease**	**Carrying value, net**
Plant and machinery	56 931	41 007	53 048	27 551
Motor vehicles	2 037	1 388	3 115	1 814
Other tangible fixed assets	-	-	208	21
Total	**58 968**	**42 395**	**56 371**	**29 386**

11. Investment properties

	Buildings and constructions	**Other**	**Total**
Value as at 01.01.2016	**3 406**	**482**	**3 888**
Increases:	**-**	**12**	**12**
- modernisation	-	11	11
- other	-	1	1
Decreases:	**(123)**	**(15)**	**(138)**
– current depreciation	(123)	(15)	(138)
Value as at 31.12.2016	**3 283**	**479**	**3 762**

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

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

As at 31 December 2016 and 31 December 2015, the Company did not report any significant legal or obligatory charges established on its investment properties.

Depreciation of investment properties for the years 2016 and 2015 was recognised in the profit and loss account under cost of finished goods and services sold.

As at 31 December 2016 and 31 December 2015, the fair value of investment properties amounted to PLN 7 320 thousand as per the valuation drafted in 2011. As at 31 December 2016 and 31 December 2015, the Company did not commission appraisals of investment properties by independent experts in connection with negligible price fluctuations on the market and thus a very low level of probability of impairment of value of the investment properties held. The fair value measurement of investment properties was classified as level 2 according to IFRS 13. In 2016 there were no movements between the fair value levels. The properties were valued with the income method, using observable rental rates on the local markets for properties similar to those appraised.

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

	2016	2015
Rental charge income	961	1 618
Direct operating expenses (including costs of repair and maintenance) relating to investment properties that generated income on rentals	762	943
Direct operating expenses (including costs of repair and maintenance) relating to investment properties that did not generate income on rentals.	-	-

12. Non-current assets held for sale

As at 31 December 2016 and 31 December 2015, there were no material non-current assets which the Company would intend to sell within the next 12 months.

13. Intangible assets

	Computer software	Other	Total
Gross value as at 01.01.2016	**24 888**	**-**	**24 888**
Increases	**28 364**	**-**	**28 364**
- purchase	14 208	-	14 208
- settlement of advance payments	14 149	-	14 149
- other	7	-	7
Decreases	**(3)**	**-**	**(3)**
- other	(3)	-	(3)
Gross value as at 31.12.2016	**53 249**	**-**	**53 249**
Accumulated amortisation as at 01.01.2016	**(21 127)**	**-**	**(21 127)**
Changes for the period:	(2 415)	-	(2 415)
- current amortisation	(2 412)	-	(2 412)
- liquidation	3	-	3
- other	(6)	-	(6)
Accumulated amortisation as at 31.12.2016	**(23 542)**	**-**	**(23 542)**
Net value as at 01.01.2016	**3 761**	**-**	**3 761**
Net value as at 31.12.2016	**29 707**	**-**	**29 707**

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

	Computer software	Other	Total
Gross value as at 01.01.2015	**23 574**	**-**	**23 574**
Increases	**1 356**	**-**	**1 356**
- purchase	1 356	-	1 356
- other	-	-	-
Decreases	**(42)**	**-**	**(42)**
- liquidation	(42)	-	(42)
Gross value as at 31.12.2015	**24 888**	**-**	**24 888**
Accumulated amortisation as at 01.01.2015	**(19 628)**	**-**	**(19 628)**
Changes for the period:	(1 499)	-	(1 499)
- current amortisation	(1 540)	-	(1 540)
- liquidation	42	-	42
- other	(1)		(1)
Accumulated amortisation as at 31.12.2015	**(21 127)**	**-**	**(21 127)**
Net value as at 01.01.2015	**3 946**	**-**	**3 946**
Net value as at 31.12.2015	**3 761**	**-**	**3 761**

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

	2016	2015
Cost of finished goods and services sold	654	447
Administrative expenses	1 734	1 071
Other costs	24	22
Total	**2 412**	**1 540**

The Company does not hold any internally developed intangible assets.

As at 31 December 2016 and 31 December 2015, the Company did not report any significant legal or obligatory charges established on its intangible assets. No impairment write-downs against intangible assets were made in the years 2016 and 2015.

14. Joint ventures

14.1 Jointly controlled entities

The financial data of Budimex SA as at 31 December 2016 and 31 December 2015 contain values attributable to the Company in connection with the shares in the following jointly controlled entities which in accordance with IFRS 11 are treated as joint operation (the Company's share in joint arrangements is recognised as joint operation where the Company has rights to its portion of assets and liabilities):

- "Development of the landing area in the Frederic Chopin Airport – conversion and development of PSS 2, PPS 4, PPS 6 (including DK D1), reconstruction of the runway strip and development of the taxiway" performed by the partnership Budimex SA – Budimex Budownictwo Sp. z o.o. s.c.; the share of Budimex SA in this partnership is 99.975 per cent (contract completed in 2015),
- "Construction and modernisation of a sewage treatment plant in Gorzów Wielkopolski" performed by the partnership Budimex SA – Cadagua SA s.c.; the share of Budimex SA in this partnership is 50 per cent (contract completed in 2015),
- "Modernisation of the DS.-1 runway, taxi roads, patrol and safety-exit roads in the Warsaw Chopin Airport" performed by the partnership Budimex SA – Ferrovial Agroman SA s.c.; the share of Budimex SA in this partnership is 99.975 per cent (contract completed in 2011),
- "Construction of premises for Transmission System Operator" performed by the partnership Budimex SA Sygnity SA Sp. j.; the share of Budimex SA in the partnership is 67 per cent (contract completed in 2009),
- Phase I of the contract "Design and construction of A-1 Motorway Stryków-Pyrzowice" performed by the partnership Budimex SA Ferrovial Agroman SA Sp. j.; the share of Budimex SA in the partnership is 50 per cent,

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

- "Construction of a new power unit at Turów Power Plant" performed by the partnership Budimex SA – Técnicas Reunidas SA – Turów s.c.; the share of Budimex SA in the partnership is 50 per cent,
- "Modernisation of an initial ozonation system at the Northern Plant of the Municipal Water and Sewerage Company" performed by the partnership Budimex SA – Cadagua SA III s.c.; the share of Budimex SA in the partnership is 60 per cent,
- "Modernisation of the Northern Plant — stage II. Modernisation of rapid sand filters" performed by the partnership Budimex SA – Cadagua SA IV s.c.; the share of Budimex SA in the partnership is 60 per cent.

No future investment commitments relating to these contracts were recorded.

Furthermore, the Company held a 50 per cent share in the following partnerships: Budimex SA Energetyka 1 Sp.j., Budimex SA Energetyka 2 Sp.j., Budimex SA Energetyka 3 Sp.j., Budimex SA Cadagua S.A. s.c. (liquidated in 2016), a 40 per cent share in Budimex SA Ferrovial Agroman (UK) Limited-Metro II Sp.j. (liquidated in 2016) and a 60 per cent share in Budimex SA – Cadagua SA V s.c., which were established for the purpose of preparing bids, concluding and implementing construction contracts, but none of these partnerships was implementing a construction contract as at the date of drafting these financial statements of the Company.

Presented below is selected financial data recognised in the books of account of the Company as at 31 December 2016 and 31 December 2015 relating to the contracts realised by special purpose companies:

Statement of Financial Position data:	**31.12.2016**	**31.12.2015**
Non-current assets	6 630	1 161
Current assets	121 170	90 465
Liabilities and provisions for liabilities	136 767	104 339
Contingent liabilities	199 498	197 796

Profit and Loss Account:	**2016**	**2015**
Revenues	96 942	42 076
Costs	91 145	39 694

14.2 Jointly controlled business

As at 31 December 2016, the Company was a party to consortium agreements on the performance of construction contracts. Revenues and expenses, assets and liabilities relating to the performance of these contracts in the part allocated to Budimex SA were appropriately accounted for in the Company's books. As at 31 December 2016, the contingent liabilities underlying these projects included performance bonds and guarantees to return contract prepayments received, and were recorded in the total balance of contingent liabilities reported in the financial statements. No future investment commitments relating to these contracts were recorded.

List of consortia with Budimex SA's share:

Contract name	**Company share in the consortium**
Consortia with the Ferrovial Group companies:	
Technology modernisation in the Central Pipeline Facility	50%
Modernisation of a sewage treatment plant and construction of a sewage system in part of the agglomeration of Tomaszów Mazowiecki	50%
Consortia with other entities:	
Construction of A1 motorway: Stryków – Tuszyn	99%
Construction of an Integrated Communication Centre in Bydgoszcz	90%
Modernisation of a Railway Station in Olszamowice	87%

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

Contract name	Company share in the consortium
Construction of a production hall in Bydgoszcz	79%
Redevelopment of the "Start Lublin" Stadium	74%
Redevelopment of a barracks building in Gliwice	67%
Expressway S5 Korzeńsko – Widawa	51%
Construction of a Municipal Waste Processing Plant in Białystok	50%
Further construction of the A4 motorway: Rzeszów - Jarosław	48%

Presented below is selected financial data recognised in the books of account of the Company as at 31 December 2016 and 2015 relating to the contracts realised by consortia:

Statement of Financial Position data:	31.12.2016	31.12.2015
Non-current assets	554	1 160
Current assets	309 200	446 777
Liabilities and provisions for liabilities	233 093	467 032
Contingent liabilities	123 124	166 544

Profit and Loss Account:	2016	2015
Revenues	379 244	896 584
Costs	242 213	890 054

15. Investments in subsidiaries, associates and other entities

	31.12.2016	31.12.2015
Investments in subsidiaries	**724 473**	**724 323**
- shares or equities	724 473	724 323
Investments in associates	**61 246**	**61 246**
- shares or equities	61 246	61 246
Investments in other entities	**6 417**	**6 597**
- shares or equities in jointly controlled companies	-	180
- shares or equities in other related parties	4 292	4 292
- shares or equities in other entities	2 125	2 125
Total	**792 136**	**792 166**

Equities and shares in companies are classified as available-for-sale financial assets. The carrying value of such assets as at 31 December 2016 and 31 December 2015 equalled their purchase price. The fair value of these assets cannot be established as there is no active market for them.

As at 31 December 2015, "Investments in associates" included payments to increase equity in the company FB Serwis SA in the amount of PLN 41 650 thousand, and in subsidiaries, i.e. Budimex PPP SA in the amount of PLN 360 thousand, Budimex Autostrada SA in the amount of PLN 240 thousand, and Budimex Most Wschodni SA in the amount of PLN 120 thousand. These payments were not registered in the National Court Register as at 31 December 2015 (the registration was completed in 2016).

As at 31 December 2016 and 31 December 2015, there were no legal or obligatory charges established on long-term financial assets.

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

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

Shares or equities	31.12.2016	31.12.2015
Opening balance	**792 166**	**739 132**
Increases:	**150**	**58 207**
- purchase / capital increase	150	58 207
Decreases:	**(180)**	**(5 173)**
- liquidation	(180)	(75)
- impairment write-down	-	(5 054)
- other	-	(44)
Total	**792 136**	**792 166**

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

	31.12.2016	31.12.2015
Opening balance	**76 376**	**71 322**
- recognition	-	5 054
- reversal	-	-
Closing balance	**76 376**	**76 376**

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

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

SHARES OR EQUITIES IN RELATED PARTIES

Company name	Registered office	Area of business activities	Nature of relationship	Purchase price of shares/equities	Revaluation adjustments (total)	Carrying value of shares/equities	Percentage of issued capital held	Share in the total number of votes at GM
Budimex Nieruchomości Sp. z o.o.	Warsaw	developer services	subsidiary	717 519	(54 913)	662 606	100.00%	100.00%
Budimex Kolejnictwo SA	Warsaw	construction	subsidiary	8 001	(5 054)	2 947	100.00%	100.00%
Mostostal Kraków SA	Kraków	production and assembly of steel structures	subsidiary	11 156	-	11 156	100.00%	100.00%
Budimex Parking Wrocław Sp. z o.o.	Warsaw	car park management	subsidiary	5 652	-	5 652	100.00%	100.00%
Budimex PPP SA	Warsaw	construction	subsidiary	1 290	-	1 290	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw	construction	subsidiary	1 810	-	1 810	100.00%	100.00%
Budimex Autostrada SA	Warsaw	construction	subsidiary	682	-	682	100.00%	100.00%
Budimex Most Wschodni SA	Warsaw	construction	subsidiary	342	-	342	100.00%	100.00%
Budimex A Sp. z o.o.	Warsaw	construction	subsidiary	225	-	225	100.00%	100.00%
Budimex Bau GmbH	Cologne / Germany	construction	subsidiary	120	-	120	100.00%	100.00%
MK Logistic Sp. z o.o. (in liquidation)	Zabrze	transportation services	subsidiary	26	(26)	-	100.00%	100.00%
Budimex Inwestycje "Grunwald" SA	Poznań	developer services	subsidiary	100	-	100	100.00%	100.00%
Dromex Oil Sp. z o.o. (in liquidation)	Warsaw	construction	subsidiary	2 175	(2 175)	-	98.00%	98.00%
Elektromontaż Poznań SA	Poznań	energy infrastructure works	subsidiary	37 543	-	37 543	92.31%	92.31%
Subsidiaries in total				**786 641**	**(62 168)**	**724 473**		
FB Serwis SA	Warsaw	urban waste management	associate	61 055	-	61 055	49.00%	49.00%
Promos Sp. z o.o.	Kraków	industrial services	associate	191	-	191	26.31%	26.31%
Associates in total				**61 246**	**-**	**61 246**		
Budimex SA Ferrovial Agroman SA s.c.	Warsaw	construction	jointly controlled	-	-	-	99.98%	99.98%
Budimex SA Budimex Budownictwo Sp. z o.o. s.c.	Warsaw	construction	jointly controlled	-	-	-	99.98%	99.98%
Budimex SA Ferrovial Agroman SA 2 s.c.	Warsaw	construction	jointly controlled	-	-	-	95.00%	95.00%
Budimex SA Sygnity SA Sp. j.	Warsaw	construction	jointly controlled	-	-	-	67.00%	67.00%
Budimex SA Cadagua SA III s.c.	Warsaw	construction	jointly controlled	-	-	-	60.00%	60.00%
Budimex SA Cadagua SA IV s.c.	Warsaw	construction	jointly controlled	-	-	-	60.00%	60.00%
Budimex SA Cadagua SA V s.c.	Warsaw	construction	jointly controlled	-	-	-	60.00%	60.00%
PKZ Budimex GmbH	Cologne / Germany	construction	jointly controlled	50	(50)	-	50.00%	50.00%
Budimex SA Ferrovial Agroman S.A. Sp. j.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex SA Cadagua SA II s.c.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex S.A. Tecnicas Reunidas S.A. - Turów s.c.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex SA Energetyka 1 Sp. j.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex SA Energetyka 2 Sp. j.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Budimex SA Energetyka 3 Sp. j.	Warsaw	construction	jointly controlled	-	-	-	50.00%	50.00%
Jointly controlled entities in total				**50**	**(50)**	**0**		
Autostrada Południe SA	Warsaw	construction and exploitation of motorways	other related party	4 292	-	4 292	5.05%	5.05%
Inversora de Autopistas del Levante S.L.	Madrid	construction and exploitation of motorways	other related party	12 404	(12 404)	-	3.16%	3.16%
Other related parties in total				**16 696**	**(12 404)**	**4 292**		
Total				**864 633**	**(74 622)**	**790 011**		

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

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

16. Other financial assets/liabilities

	31.12.2016	31.12.2015
Other financial assets – long-term	**16 537**	**6 666**
- loans granted	15 733	6 270
- derivative financial instruments	804	396
Other financial assets – short-term	**1 717**	**2 333**
- derivative financial instruments	1 717	784
- loans granted	-	1 549
Total other financial assets	**18 254**	**8 999**
Other financial liabilities – long-term	**7**	**5**
- derivative financial instruments	7	5
Other financial liabilities – short-term	**204**	**736**
- derivative financial instruments	204	736
Other financial liabilities – total	**211**	**741**

16.1 Derivative instruments

The Company enters into derivative transactions in order to hedge against FX risk. Policies relating to the use of derivative instruments are presented in the risk management policy approved by the Management Board as described in detail in note 7.

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

The effects of the periodic valuation of derivative instruments as well as gains and losses determined as at the settlement date are taken to other income or operating expenses of the reporting period, as appropriate.

The fair value and changes in valuation of transactions concluded by the Company and open as at 31 December 2016 and 31 December 2015 are presented in the tables below:

	Financial assets arising from valuation of derivative instruments		Financial liabilities arising from valuation of derivative instruments	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
FX forward contracts	2 279	607	211	741
FX options	242	573	-	-
Total	**2 521**	**1 180**	**211**	**741**

As at 31 December 2016, the total nominal value of FX forward contracts amounted to EUR 53 760 thousand and USD 2 547 thousand, while the total nominal value of FX options amounted to EUR 4 014 thousand.

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

As at 31 December 2015, the total nominal value of FX forward contracts amounted to EUR 39 574 thousand (as at 31 December 2015, the Company had no open forward transactions in USD), while the total nominal value of FX options amounted to EUR 8 613 thousand.

Forward selling/buying rates for transactions open as at 31 December 2016 were in the EUR/PLN 4.3163-4.7035 and USD/PLN 3.8202-4.1970 range (as at 31 December 2015: EUR/PLN 4.0640-4.4045).

Forward contracts open as at 31 December 2016, concluded in EUR, are to be settled within 29-1 074 days, while as at 31 December 2015 it was 30-673 days.

Forward contracts open as at 31 December 2016, concluded in USD, are to be settled within 45-311 days. As at 31 December 2015, the Company had no open forward contracts concluded in USD.

As at 31 December 2016, the value of FX options purchased was EUR 4 014 thousand and on 31 December 2015 — EUR 8 613 thousand. As at 31 December 2016 and 31 December 2015, the exchange rate applied to exercise the FX options was EUR/PLN 4.53.

As at 31 December 2016 and 31 December 2015, the Company did not apply hedge accounting.

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

	31.12.2016	31.12.2015
- less than 1 year	1 717	784
- 1-2 years	774	396
- 2-3 years	30	-
Total	**2 521**	**1 180**

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

	31.12.2016	31.12.2015
- less than 1 year	204	736
- 1-2 years	-	5
- 2-3 years	7	-
Total	**211**	**741**

Profit / (loss) on derivative financial instruments

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

	2016	2015
Gains / (losses) on valuation of FX forward derivative financial instruments and FX options	2 512	1 577
Gains / (losses) on realisation of FX forward derivative financial instruments and FX options	(2 566)	737
Total gains / (losses) on derivative instruments recognised as part of operating business (note 32)	**(54)**	**2 314**

16.2 Loans granted

Loans granted – long-term	31.12.2016	31.12.2015
Opening balance	**6 270**	**5 908**
Increases:	**10 130**	**13 989**
- loan granted	9 460	13 670
- accrued interest	670	319
Decreases:	**(667)**	**(13 627)**
- repayment of the loan and interest	(667)	(13 627)
Total	**15 733**	**6 270**

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

Loans granted – short-term	31.12.2016	31.12.2015
Opening balance	**1 549**	**33 703**
Increases:	**-**	**10 591**
- loan granted	-	7 963
- accrued interest	-	2 628
Decreases:	**(1 549)**	**(42 745)**
- repayment of the loan and interest	(1 549)	(42 745)
Total	**-**	**1 549**

As at 31 December 2016, the balance of long-term loans granted comprises:

- a loan granted to Budimex Parking Wrocław Sp. z o.o. (a subsidiary of Budimex SA) under an agreement dated 19 December 2012. The effective interest rate was 4.81 per cent in 2016 and 4.83 per cent in 2015. The loan repayment date is 19 December 2032,
- a loan granted to a subsidiary, Budimex Bau GmbH, under an agreement dated 15 January 2015. In 2016, the effective interest rate of the loan denominated in EUR was 3.00 per cent. The loan repayment date is 18 January 2020,
- a loan granted to FBSerwis SA (an associate of Budimex SA) under an agreement dated 4 January 2016, up to the amount of PLN 13 720 thousand. As at 31 December 2016, the value of tranches disbursed under the loan agreement was PLN 9 163 thousand. In 2016, the effective interest rate was 5.71 per cent. The loan repayment date is 4 January 2021.

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

17. Trade and other receivables

Long-term trade and other receivables	31.12.2016	31.12.2015
Prepayments and accruals	12 878	11 120
Total receivables, net	**12 878**	**11 120**
impairment write-down against receivables	-	-
Total receivables, gross	**12 878**	**11 120**

Short-term trade receivables	31.12.2016	31.12.2015
Trade receivables	414 794	315 841
Taxation, subsidies, customs duties, social security and other debtors	-	-
Advances made	26 370	42 550
Prepayments and accruals	14 965	13 119
Other receivables	6 200	7 815
Total receivables, net	**462 329**	**379 325**
impairment write-down against receivables	127 594	118 779
Total receivables, gross	**589 923**	**498 104**

Prepayments and accruals	31.12.2016	31.12.2015
- insurance	4 740	6 934
- costs of contracts to be settled over time	7 889	3 787
- other	249	399
Long-term in total	**12 878**	**11 120**
- insurance	9 336	8 491
- costs of contracts to be settled over time	4 196	4 040
- other	1 433	588
Non-current in total	**14 965**	**13 119**

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

Change in balance of impairment write-downs against receivables	**31.12.2016**	**31.12.2015**
Opening balance	**118 779**	**125 582**
Increases:	**14 564**	**4 102**
- doubtful and overdue receivables (note 32)	14 053	4 064
- write-offs of receivables not covered by impairment write-downs (note 32)	143	38
- valuation of impairment write-downs in foreign operations	368	-
Decreases:	**(5 749)**	**(10 905)**
- repayment of debts by debtors (note 32)	(3 226)	(6 690)
- write-offs of receivables covered by impairment write-downs	(2 380)	(4 065)
- receivables written off with no write-downs	(143)	(38)
- valuation of impairment write-downs in a foreign operation	-	(112)
Impairment write-downs of receivables – closing balance	**127 594**	**118 779**

Maturity analysis of past-due trade receivables

The table below shows the maturity analysis of trade and other receivables which are overdue but not impaired at the reporting date. As at 31 December 2016 and 31 December 2015, there were no overdue other receivables not covered by impairment write-downs.

Past-due trade receivables, outstanding for:	**31.12.2016**	**31.12.2015**
– up to 1 month	52 719	29 684
– 1-3 months	2 637	9 428
– 3-6 months	4 654	1 058
– 6 months to 1 year	1 153	2 008
– above 1 year	27 942	28 263
Total receivables (net)	**89 105**	**70 441**

There is no credit risk concentration in respect of trade receivables as the Company's main customer is a government agency.
The fair value of trade and other receivables approximates their carrying value. As at 31 December 2016 and 31 December 2015, there were no overdue other receivables not covered by impairment write-downs.
Receivables which were not impaired and not overdue at the reporting date, were not subject to high credit risk concentration.
As at 31 December 2016 and 31 December 2015, no collateral was established on these assets.

18. Inventories

	31.12.2016	**31.12.2015**
- raw materials	156 038	79 035
- semi-finished goods and work in progress	3 460	294
- finished goods	-	-
- goods for resale	-	-
Net book value of inventories – closing balance	**159 498**	**79 329**
Inventory impairment write-downs – closing balance	2 493	1 717
Gross book value of inventories – closing balance	**161 991**	**81 046**

Impairment write-downs against inventories

	2016	**2015**
Inventory impairment write-downs – opening balance	1 717	385
Charged to other operating expenses (note 32)	1 751	1 332
Reversed to other operating income (note 32)	(975)	-
Utilised	-	-
Inventory impairment write-downs – closing balance	**2 493**	**1 717**

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

As at 31 December 2016 and 31 December 2015, there were no legal or obligatory charges established on inventories. The Company did not hold interest capitalised in inventories.
The expected time for consumption of the entire inventories as at 31 December 2016 and 31 December 2015 is no longer than 12 months.

19. Cash and cash equivalents

	31.12.2016	31.12.2015
Cash in hand	14	23
Cash at bank	2 269 211	1 980 590
- current accounts	57 637	47 931
- overnight (one-day) deposits	156 335	4 317
- other deposits	2 055 239	1 928 342
Other cash	2 885	2 523
Total cash and cash equivalents	**2 272 110**	**1 983 136**
Cash and cash equivalents of restricted use	(32 564)	(47 770)
Cash recognised in the statement of cash flows	**2 239 546**	**1 935 366**

The balance of cash and cash equivalents of restricted use consists mainly of cash of the consortia in the portion attributable to other consortium members.
Short-term bank deposits and investments of high liquidity included in cash and cash equivalents consist mainly of "overnight" deposits and short-term deposits with a maturity date of 2-365 days with an average effective interest rate as at 31 December 2016 of 1.5 per cent per annum for deposits in PLN (as at 31 December 2015: 1.7 per cent p.a. for deposits in PLN). The average maturity period for these deposits is 91 days (31 December 2015: 76 days).
In 2016, the Company obtained cash in the amount of PLN 1 322 thousand following the execution of guarantees (in 2015: PLN 2 343 thousand).

20. Equity

Issued capital of the Company consists of 25 530 098 shares of a total value of PLN 127 650 thousand. The structure of the Company's issued capital as at 31 December 2016 is as follows:

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

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

At the date of transition to IFRS, the Company adjusted the issued capital and share premium for the period in which the Polish economy was hyperinflationary. The effects of translation and reconciliation of values shown in the books of account and corporate documents of the Company as at 31 December 2016 and 31 December 2015 with values reported in the financial statements are presented in the table below:

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

	31.12.2016	31.12.2015
Issued capital	**127 650**	**127 650**
Translation of capital due to hyperinflation	18 198	18 198
Value disclosed in the financial statements	**145 848**	**145 848**

Share premium	31.12.2016	31.12.2015
Capital as per books of account	**78 119**	**78 119**
Translation of capital due to hyperinflation	2 080	2 080
Value disclosed in the financial statements	**80 199**	**80 199**

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

Other reserves	31.12.2016	31.12.2015
Statutory	42 550	42 550
Established according to statute/articles of association, above the statutory (minimum) value of revaluation	4 244	4 244
Actuarial gains (losses)	(1 490)	(1 762)
Share-based payments	7 171	7 351
Other	1 526	1 526
Total	**54 001**	**53 909**

Retained earnings (losses)	31.12.2016	31.12.2015
Retained earnings recognised in reserve capital	940	745
Current year result	381 916	208 008
Total	**382 856**	**208 753**

21. Loans, borrowings and other external sources of finance

	31.12.2016	31.12.2015
Long-term		
Finance lease liabilities	29 374	11 551
	29 374	**11 551**
Short-term		
Bank loans and borrowings	9 160	8 754
Interest accrued on short-term loans and borrowings	5	6
Finance lease liabilities	9 298	9 622
	18 463	**18 382**
Total	**47 837**	**29 933**

21.1 Bank loans and borrowings

Based on an agreement dated 1 December 2004, Budimex SA received from Ferrovial Infraestructuras SA (currently Cintra Infraestructuras SA) a loan in the amount of EUR 1 500 thousand; the purpose of the loan was to cover the increase in the issued capital of Inversora de Autopistas del Levante S.L. The company Inversora de Autopistas del Levante, S.L. was incorporated on 23 June 2004 as the sole shareholder of Autopista Madrid Levante Concesionaria Española, SA. The main area of business activities of this company is highway building, maintenance and operating a paid motorway Ocaña – La Roda and a free of charge carriageway A–42, section N301, Atalaya del Cañavate. In accordance with the provisions of the agreement, the loan was granted for a period of 12 months from the agreement date with the possibility to extend the term. In the case of sale of the shares in Inversora de Autopistas del Levante S.L., the loan will become immediately due and payable. After the maturity date, the loan will be repaid together with interest calculated based on 1Y EURIBOR+0.75 per cent. On 1 December 2016, the repayment date was extended for one more year and the amount of the loan was increased by the amount of interest accrued as at that date.

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

The carrying value of the loan is approximately the same as its fair value.

At the same time, as at 31 December 2016 and 31 December 2015, the Company had overdraft facility agreements with the banks which were not used as at the reporting date.

In the period covered by the financial statements there were no cases of default connected with the obligations of repayment of the principal amount or interest or compliance with terms and conditions of the loan referred to above. The Company did not breach or renegotiate the terms of the loan before the date of approval of these financial statements.

21.2 Finance lease liabilities

The Company signed finance lease agreements for the use of construction equipment and machines and motor vehicles. As at 31 December 2016, the net value of machines used under finance lease was PLN 41 007 thousand, of motor vehicles: PLN 1 388 thousand (note 10). Leased assets were made available for a period of 48-60 months. After the end of the above lease terms and after covering its liabilities, the Company will have the right to acquire some of the leased assets for a price equivalent to their residual value. The contractual liabilities are partly secured with a blank bill of exchange issued by the Company together with a written authorisation for its drawing. Future minimum lease payments under the above lease agreements and the present value of minimum net lease payments as at 31 December 2016 are as follows:

	Minimum lease payments	Present value of minimum lease payments
- less than 1 year	10 472	9 298
- 1-5 years	31 040	29 374
Finance lease liabilities, total	**41 512**	**38 672**
of which: future finance costs under finance lease	2 840	-
Present value	**38 672**	**38 672**

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

Risk of interest rate fluctuations

The effective interest rates as at 31 December 2016 and 31 December 2015 were as follows:

	31.12.2016		31.12.2015	
	PLN	EUR	PLN	EUR
Bank loans and borrowings	-	0.67%	-	1.08%
Finance lease liabilities	3.09%	-	3.03%	-

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

22. Trade and other liabilities

	31.12.2016	31.12.2015
Trade liabilities	482 151	250 034
Uninvoiced costs	550 786	463 364
Taxation and social security liabilities	142 373	61 149
Liabilities relating to settlement of consortia	10 561	41 490
Payroll	5 854	4 954
Accrued expenses	202 702	194 727
Other liabilities	3 227	3 419
Total liabilities	**1 397 654**	**1 019 137**

Accrued expenses	**31.12.2016**	**31.12.2015**
- bonuses	143 341	147 690
- holiday pay	36 894	34 210
- costs of contract completion	22 423	12 784
- other	44	43
Total	**202 702**	**194 727**

All trade liabilities and other liabilities as at 31 December 2016 and 31 December 2015 were recognised under current liabilities as they will be settled in the course of the normal operating cycle of the Company.
The financial liabilities comprise trade liabilities, uninvoiced costs, payroll, liabilities relating to settlement of consortia as well as accruals related to unused holidays and employee bonuses.
The non-financial liabilities include taxation and social security liabilities, accruals connected with costs of contract completion as well as other liabilities.

23. Deferred income tax

Deferred tax assets	**31.12.2016**	**31.12.2015**
- to be realised after 12 months	130 310	214 597
- to be realised within 12 months	347 429	230 523
Total	**477 739**	**445 120**
Offsetting	(77 693)	(43 296)
Deferred tax assets, after set-off	**400 046**	**401 824**

Deferred tax liabilities	**31.12.2016**	**31.12.2015**
– to be settled after 12 months	11 603	11 750
– to be settled within 12 months	66 090	31 546
Total	**77 693**	**43 296**
Offsetting	(77 693)	(43 296)
Deferred tax liability, after set-off	**-**	**-**

Changes in net balance of deferred tax are as follows:

	2016	2015
Opening balance	**401 824**	**346 027**
Credited / (charged) to financial result (note 34)	(1 714)	55 694
Credited / (charged) to other comprehensive income	(64)	103
Closing balance	**400 046**	**401 824**

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

As at 31 December 2016, deductible temporary differences for which no deferred tax assets were recognised in the statement of financial position amounted to PLN 6 142 thousand (respectively, the deferred tax asset amounted to PLN 1 167 thousand) and were connected with receivables impairment write-downs.As at 31 December 2015, there were no deductible temporary differences for which no deferred tax assets were recognised.

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

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

	valuation of construction contracts	provision for contract losses	contract costs connected with deferred revenues	provision for uninvoiced costs of services	provision for warranty repairs	other provisions for liabilities	provision for bonuses	receivables impairment write-downs	provision for unused holidays	provision for retirement severance payments for employees	other	Total
Balance of deferred tax assets as at 01.01.2015	**89 657**	**84 929**	**38 558**	**42 471**	**36 158**	**45 938**	**27 671**	**12 712**	**5 911**	**1 026**	**8 336**	**393 367**
Increases:	**25 031**	**34 662**	**-**	**-**	**3 535**	**5 073**	**-**	**-**	**70**	**168**	**86**	**68 625**
temporary differences recognised in comprehensive income	-	-	-	-	-	-	-	-	-	103	-	103
recognised in profit or loss in connection with change in temporary differences	25 031	34 662	-	-	3 535	5 073	-	-	70	65	86	68 522
Decreases:	**-**	**-**	**(12 848)**	**(1 176)**	**-**	**-**	**(123)**	**(917)**	**-**	**-**	**(1 808)**	**(16 872)**
charged to financial result in connection with change in balance of temporary differences	-	-	(12 848)	(1 176)	-	-	(123)	(917)	-	-	(1 808)	(16 872)
Balance of deferred tax assets as at 31.12.2015	**114 688**	**119 591**	**25 710**	**41 295**	**39 693**	**51 011**	**27 548**	**11 795**	**5 981**	**1 194**	**6 614**	**445 120**
Increases:	**63 250**	**-**	**18 821**	**-**	**9 543**	**-**	**-**	**821**	**612**	**81**	**758**	**93 886**
recognised in profit or loss in connection with change in temporary differences	63 250	-	18 821	-	9 543	-	-	821	612	81	758	93 886
Decreases:	**-**	**(43 565)**	**-**	**(1 053)**	**-**	**(14 436)**	**(853)**	**-**	**-**	**(64)**	**(1 296)**	**(61 267)**
charged to financial result in connection with change in balance of temporary differences	-	(43 565)	-	(1 053)	-	(14 436)	(853)	-	-	-	(1 296)	(61 203)
temporary differences recognised in comprehensive income	-	-	-	-	-	-	-	-	-	(64)	-	(64)
Balance of deferred tax assets as at 31.12.2016	**177 938**	**76 026**	**44 531**	**40 242**	**49 236**	**36 575**	**26 695**	**12 616**	**6 593**	**1 211**	**6 076**	**477 739**

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

Movements in the balance of deferred tax liabilities (by title) are presented in the table below:

	valuation of construction contracts	lease	discount of retentions	valuation of derivative instruments	compensation due	accrued interests	unrealised exchange gains	other	Total
Balance of deferred tax liabilities as at 01.01.2015	**32 668**	**7 145**	**2 288**	**87**	**73**	**281**	**43**	**4 755**	**47 340**
Increases:	**-**	**-**	**813**	**137**	**6**	**511**	**-**	**-**	**1 467**
charged to financial result in connection with change in balance of temporary differences	-	-	813	137	6	511	-	-	1 467
Decreases:	**(3 458)**	**(748)**	**-**	**-**	**-**	**-**	**(2)**	**(1 303)**	**(5 511)**
recognised in financial result in connection with change in balance of temporary differences	(3 458)	(748)	-	-	-	-	(2)	(1 303)	(5 511)
Balance of deferred tax liabilities as at 31.12.2015	**29 210**	**6 397**	**3 101**	**224**	**79**	**792**	**41**	**3 452**	**43 296**
Increases:	**25 607**	**2 465**	**698**	**255**	**1 817**	**-**	**176**	**3 604**	**34 622**
charged to financial result in connection with change in balance of temporary differences	25 607	2 465	698	255	1 817	-	176	3 604	34 622
Decreases:	**-**	**-**	**-**	**-**	**-**	**(225)**	**-**	**-**	**(225)**
recognised in financial result in connection with change in balance of temporary differences	-	-	-	-	-	(225)	-	-	(225)
Balance of deferred tax liabilities as at 31.12.2016	**54 817**	**8 862**	**3 799**	**479**	**1 896**	**567**	**217**	**7 056**	**77 693**

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

24. Liabilities arising from retirement benefits and similar obligations

As at 31 December 2016 and 31 December 2015, the Company's employees took advantage of the retirement severance payment. Retirement severance payments are provided to the employees on a one-off basis, upon retirement. The amount of the severance benefit due is the product of the base of benefit calculation at the date of entitlement and the appropriate cumulative ratio (progressing in proportion to years of service).
Usually, the Company's obligation to pay the retirement severance payment entails the actuarial risk consisting of:

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

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

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

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

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

	31.12.2016	31.12.2015
Retirement severance payments, of which:	**6 373**	**6 284**
– present value of the obligation as at the reporting date	6 373	6 284
– actuarial gains / (losses) not recognised as at the reporting date	-	-
– past service costs not recognised at the reporting date	-	-
Total liabilities arising under retirement benefits and similar obligations	**6 373**	**6 284**
of which:		
- long-term portion	*5 348*	*5 358*
- short-term portion	*1 025*	*926*

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

	31.12.2016	31.12.2015
Discount rate	1.77% – 2.98%	1.51% – 2.33%
Forecast inflation rate	1.3% – 2.5%	-0.8% – 1.5%
Forecast remuneration increase rate	3.75% – 4.15%	4.50% – 5.60%

Assumptions regarding mortality are based on the life length charts for Poland for 2013 as published by the Central Statistical Office (with respect to the valuation as at 31 December 2016 and 2015).
The last valuation of employee benefits was made by an independent actuary as at 31 December 2016.

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

	2016	2015
Present value of the obligation – opening balance	**6 284**	**5 399**
Interest costs	120	101
Employment costs	703	551
Benefits paid	(398)	(311)
Actuarial (gains) / losses, of which:	(336)	544
- change in assumptions	*(456)*	*647*
- other	*120*	*(103)*
Present value of the obligation at the end of the period	**6 373**	**6 284**

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

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

	2016	2015
Employment costs	703	551
Interest costs	120	101
Costs recognised in the profit and loss account – administrative expenses (note 31)	**823**	**652**
Actuarial (gains) / losses to be recognised in the period	(336)	544
(Gains) / loses recognised in other comprehensive income	**(336)**	**544**

Sensitivity analysis

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

Analysis of sensitivity to fluctuations in interest rates

An increase in the assumed discount rate by 1 percentage point would result in a decrease in retirement benefits and similar obligations by PLN 549 thousand, while a decrease in the assumed discount rate by 1 percentage point would bring about an increase in retirement benefits and similar obligations by PLN 662 thousand.

Analysis of sensitivity to fluctuations in remuneration growth rates

An increase in the assumed remuneration growth rate by 1 percentage point would result in an increase in retirement benefits and similar obligations by PLN 645 thousand, while a decrease in the assumed remuneration growth rate by 1 percentage point would bring about a decrease in retirement benefits and similar obligations by PLN 547 thousand.

Analysis of sensitivity to staff turnover

An increase in the assumed staff turnover by 1 percentage point would result in a decrease in retirement benefits and similar obligations by PLN 603 thousand, while a decrease in the assumed staff turnover by 1 percentage point would bring about an increase in retirement benefits and similar obligations by PLN 727 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.

25. Provisions for liabilities and other charges

Non-current provisions for liabilities and other charges	**31.12.2016**	**31.12.2015**
Warranty repairs		
opening balance	153 495	154 125
creation	86 946	48 518
reversal:	(59 676)	(49 148)
- revision of value	(16 656)	(7 767)
- transfer to current provisions	(43 020)	(41 381)
Total other long-term provisions	**180 765**	**153 495**

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

Current provisions for liabilities and other charges	31.12.2016	31.12.2015
Legal proceedings		
opening balance	**26 090**	**25 629**
creation	236	779
utilisation	-	-
reversal	(2 761)	(318)
closing balance	**23 565**	**26 090**
Warranty repairs		
opening balance	**59 319**	**39 575**
creation	-	755
transfer from long-term provisions	43 020	41 381
utilisation	(18 148)	(22 392)
closing balance	**84 191**	**59 319**
Provisions for penalties / compensations		
opening balance	**45 555**	**38 683**
creation	10 418	11 212
utilisation	-	-
reversal	(6 189)	(4 340)
closing balance	**49 784**	**45 555**
Restructuring		
opening balance	**0**	**2 769**
utilisation	-	-
reversal	-	(2 769)
closing balance	**0**	**0**
Total other current provisions	**157 540**	**130 964**

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

26. Construction contracts

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

Selected financial data:

	31.12.2016	31.12.2015
Assets		
Amounts due and receivable from customers under construction contracts, of which:	**290 016**	**155 241**
- contract valuation	290 016	155 241
Liabilities		
Amounts due and payable to customers under construction contracts, of which:	**1 337 780**	**1 229 015**
- contract valuation	937 634	599 589
- provision for contract losses	400 146	629 426
Advances received for construction contracts in progress (note 27)	**401 615**	**459 556**

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

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

Selected data – profit and loss account

	2016	2015
Revenues from construction contracts	5 032 936	4 596 076
Cost of construction contracts	4 519 964	4 231 978
Gross profit	**512 972**	**364 098**

27. Deferred income

Deferred income comprises:

	31.12.2016	31.12.2015
Advances for construction contracts in progress	401 615	459 556
Other	7 126	5 060
Total	**408 741**	**464 616**

All advance payments received and other deferred income at 31 December 2016 and 31 December 2015 were recognised under current liabilities as they will be settled in the course of the normal operating cycle of the Company.

28. Retentions for construction contracts

	31.12.2016	31.12.2015
Retained by customers – to be returned after 12 months	39 835	35 404
Retained by customers – to be returned within 12 months	46 767	25 649
Total retentions for construction contracts retained by customers	**86 602**	**61 053**
Received from suppliers – to be returned after 12 months	194 624	196 185
Received from suppliers – to be returned within 12 months	174 635	158 641
Total retentions for construction contracts kept for suppliers	**369 259**	**354 826**

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

	31.12.2016	31.12.2015
Discount of long-term retentions for construction contracts held by customers	1 483	897
Discount of long-term retentions for construction contracts received from suppliers	19 995	16 322

Amount of discount recognised in the profit and loss account:

	2016	2015
Decrease in sales revenues	(1 072)	(767)
Reduction in the cost of services sold	10 268	9 941
Total adjustment to gross margin	**9 196**	**9 174**
Adjustment to finance income / (costs) (note 33)	(6 109)	(4 858)
Deferred tax on above adjustments	(587)	(820)
Net effect on the profit and loss account	**2 500**	**3 496**

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

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

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

The table below shows the maturity analysis of retentions for construction contracts, classified as the Company's receivables, which are overdue, but not impaired at the reporting date:

	31.12.2016	31.12.2015
– up to 1 month	2 769	435
– 1-3 months	3 964	691
– 3-6 months	2 219	1 472
– 6 months to 1 year	5 732	500
– above 1 year	1 952	1 467
Total overdue retentions for construction contracts	**16 636**	**4 565**

Change in balance of impairment write-downs of retentions kept by customers	31.12.2016	31.12.2015
opening balance	**4 724**	**7 660**
Increases	-	-
Decreases:	(279)	(2 936)
- repayment of debts by debtors (note 32)	(279)	(2 936)
Impairment write-downs of receivables – closing balance	**4 445**	**4 724**

29. Sales revenues

Net sales revenues – by type	2016	2015
Revenues from sales of construction and assembly services	5 168 851	4 743 249
Revenues from sales of other services	34 643	20 700
Revenues from sales of goods for resale and raw materials	3 700	4 726
Total net sales revenues	**5 207 194**	**4 768 675**

30. Costs by type

	2016	2015
Depreciation / Amortisation, of which:	23 358	19 408
– property, plant and equipment (note 10)	*20 808*	*17 703*
– investment properties (note 11)	*138*	*165*
– intangible assets (note 13)	*2 412*	*1 540*
Employee benefit costs (note 31)	648 126	589 030
Consumption of materials and energy	1 402 437	1 119 356
External services	2 424 641	2 282 549
Taxes and charges	4 820	2 802
Advertising and representation expenses	4 935	2 950
Life and non-life (property) insurance	8 330	9 346
Change in the balance of the provision for construction contract losses (note 26)	(229 280)	182 430
Other costs by type	471 069	328 933
Selling expenses (negative value)	(11 665)	(11 157)
Administrative expenses (negative value)	(179 368)	(172 749)
Change in the balance of finished goods and work in progress	-	64
Cost of goods produced for the entity's own use (negative value)	-	-
Cost of finished goods and services sold	**4 567 403**	**4 352 962**
Value of goods for resale and raw materials sold	3 576	2 220
Cost of finished goods, services, goods for resale and raw materials sold	**4 570 979**	**4 355 182**

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

31. Employee benefit costs

	2016	2015
Costs of remuneration, of which:	**540 637**	**496 053**
- costs of retirement benefits (note 24)	*823*	*652*
- costs of share-based payments (note 38)	*2 181*	*2 125*
- severance payments	*2 585*	*2 033*
Costs of social security benefits and other allowances, of which:	**107 489**	**92 977**
- social security	*81 396*	*71 270*
- severance payments	*538*	*331*
Total costs of employee benefits recognised in costs by type (note 30)	**648 126**	**589 030**

32. Other operating income and expenses

Other operating income	**2016**	**2015**
Profit on disposal of non-financial non-current assets	1 001	13 920
Reversal of impairment write-downs, of which:	4 480	9 626
– receivables (following repayment of amounts due by debtors) (note 17, 28)	*3 505*	*9 626*
– inventories (following the sale) (note 18)	*975*	*-*
Reversal of provisions, of which:	8 950	7 427
– for legal proceedings (note 25)	*2 761*	*318*
– for penalties and sanctions (note 25)	*6 189*	*4 340*
– restructuring (note 25)	*-*	*2 769*
Penalties / compensations received	20 724	14 647
Write-off of time-barred liabilities	2 545	3 682
Gain on derivative financial instruments (note 16.1)	-	2 314
Other	977	585
Total	**38 677**	**52 201**

Other operating expenses	**2016**	**2015**
Impairment write-downs, of which:	17 624	5 434
– receivables (note 17)	*14 196*	*4 102*
– inventories (note 18)	*1 751*	*1 332*
– property, plant and equipment (note 10)	*1 677*	*-*
Creation of provisions, of which:	10 654	11 991
– for legal proceedings (note 25)	*236*	*779*
– for penalties and sanctions (note 25)	*10 418*	*11 212*
Compensations and liquidated damages paid	23 736	14 753
Court charges and executions, costs of litigation	1 262	944
Loss on derivative financial instruments (note 16.1)	54	-
Other	1 621	856
Total	**54 951**	**33 978**

33. Finance income and finance costs

Finance income	**2016**	**2015**
Interest earned on financial instruments, of which:	23 656	24 811
– on bank deposits and cash on bank accounts	*22 986*	*21 865*
– on loans granted	*670*	*2 946*
Other interest income, of which:	8 613	5 409
– interest income on discounts received and penalty interest	*8 613*	*5 396*
– other	*-*	*13*
Profit on disposal of financial assets available for sale	-	1 836
Dividends and shares in profits	36 586	11 361
Exchange gains	815	251
Total	**69 670**	**43 668**

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

Finance costs	**2016**	**2015**
Interest expense in respect of financial instruments, of which:	892	758
– interest on borrowings, loans and other external sources of finance taken out	*71*	*90*
– interest on lease contracts	*821*	*668*
Other interest expense, of which:	989	1 551
– penalty interest paid to suppliers and interest on discounts	*737*	*1 217*
– other interest	*252*	*334*
Revaluation of financial assets	-	5 054
Discount of retentions for construction contracts (note 28)	6 109	4 858
Loss on disposal/liquidation of assets available for sale	154	-
Cost of bank commissions and guarantees	23 339	20 011
- other	6	337
Total	**31 489**	**32 569**

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

34. Income tax

	2016	**2015**
Gross profit (loss)	467 089	258 909
Differences between gross profit (loss) and income tax base (by type):	58 462	287 175
- permanent differences between gross profit and taxable income	*(24 084)*	*2 889*
- temporary differences between gross profit and taxable income	*98 641*	*296 681*
- other differences	*(16 095)*	*(12 395)*
Income tax base	525 551	546 084
Income tax according to enacted tax rate of 19 per cent	99 855	103 756
Income tax on profits generated abroad	2 123	1 622
Tax increases, abandonments, exemptions, deductions and reductions	745	1 135
Adjustments to prior periods' income tax	(19 264)	82
Current income tax	**83 459**	**106 595**

	2016	**2015**
Current income tax	83 459	106 595
Deferred tax (note 23)	1 714	(55 694)
Charge on / (credit to) the financial result	**85 173**	**50 901**

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

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

	2016	2015
Pre-tax profit / (loss)	**467 089**	**258 909**
Tax calculated using national tax rates	88 747	49 193
Differences in taxation of revenues of foreign operations	(511)	(394)
Adjustments to prior periods' income tax	(19 264)	82
Utilisation of the deferred tax asset related to the adjustment of current tax for previous periods.	18 157	-
Tax effects of permanent differences between gross profit and taxable income	(4 576)	549
Utilisation of tax losses or deductible temporary differences not recognised previously	(147)	(212)
Deductible temporary differences, unused tax losses and unused tax reliefs for which no deferred tax assets were recognised in the statement of financial position	1 167	43
Charge on / (credit to) the financial result on account of tax on industrial and commercial business operations in Germany	1 600	1 640
Income tax charge on / (credit to) the financial result	**85 173**	**50 901**
Effective tax rate	*18.23%*	*19.66%*

35. Earnings / (loss) per share

Basic

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

	2016	2015
Net profit / (loss)	381 916	208 008
Weighted average number of ordinary shares	25 530 098	25 530 098
Basic earnings / (loss) per share (in PLN per share)	**14.96**	**8.15**

Diluted

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

36. Dividend per share

On 24 May 2016, the Company paid a dividend in the amount of PLN 207 815 thousand. To pay the dividend, the Company used the individual net profit for the period from 1 January 2015 to 31 December 2015, i.e. PLN 8.14 gross per share.
Until the date of preparation of these financial statements for the year ended 31 December 2016, the Management Board of Budimex SA has not made a resolution in respect of profit appropriation for the year 2016.

37. Statement of Cash Flows

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

	2016	2015
Foreign exchange differences on the translation of foreign operations	40	123
Share-based payments	(180)	638
Other	(31)	(89)
Total	**(171)**	**672**

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

Non-monetary transactions

In 2016, non-monetary transactions relating to investing and financing activities not recognised in the statement of cash flows comprised increases in property, plant and equipment by PLN 28 905 thousand, used under finance lease agreements.
In 2015, non-monetary transactions relating to investing and financing activities not recognised in the statement of cash flows comprised increases and decreases in property, plant and equipment by the total value of PLN 386 thousand, used under finance lease agreements.

38. Share-based payments

In 2010 Ferrovial SA established an incentive scheme, which is classified as a share-based payment transaction settled in equity instruments.

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

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

As at 31 December 2016, the total fair value of services recorded under other reserves was PLN 7 171 thousand, and as at 31 December 2015 – PLN 7 351 thousand. As at 31 December 2016, the total fair value of services recorded under liabilities amounted to PLN 4 700 thousand, and as at 31 December 2015 – PLN 2 339 thousand.
Pursuant to an agreement executed with the Ferrovial Group in 2014, Budimex SA undertook to cover the programme costs with respect to the tranche of instruments granted in 2014 and later on. Therefore, the fair value of the employee services, related to the instruments granted in 2016, 2015 and 2014, was classified as liabilities (correspondingly as an expense).

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

Year	Number of initially granted shares	Grant date	Fair value of 1 share at grant date (PLN)	Achievement of specific financial results	Discount rate adopted	Cost of shares granted*
2016	36 712	15-02-2016	79.22	100%	5%	2 181
2015	40 343	15-02-2015	76.93	100%	5%	2 125
2014	50 200	11-02-2014	59.94	100%	5%	2 195
2013	48 464*****	15-02-2013	51.84	100%	5%	2 665
2012	55 650****	12-02-2012	38.84	100%	5%	1 422
2011	50 900***	28-02-2011	33.98	100%	5%	1 027
2010	41 800**	31-03-2010	24.47	100%	5%	256
Total	324 069	-	-	-	-	**11 871**

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

- 2010 – 9/36th of the cost of shares granted in 2010,
- 2011 – 12/36th of the cost of shares granted in 2010 and 10/36th of the cost of shares granted in 2011,
- 2012 – 12/36th of the cost of shares granted in 2010, 12/36th of the cost of shares granted in 2011 and 10/36th of the cost of shares granted in 2012,
- 2013 – 3/36th of the cost of shares granted in 2010, 12/36th of the cost of shares granted in 2011, 12/36th of the cost of shares granted in 2012 and 10/36th of the cost of shares granted in 2013,
- 2014 – 2/36th of the cost of shares granted in 2011, 12/36th of the cost of shares granted in 2012, 12/36th of the cost of shares granted in 2013 and 10/36th of the cost of shares granted in 2014,
- 2015 – 2/36th of the cost of shares granted in 2012, 12/36th of the cost of shares granted in 2013, 12/36th of the cost of shares granted in 2014 and 10/36th of the cost of shares granted in 2015.
- 2016 – 2/36th of the cost of shares granted in 2013, 12/36th of the cost of shares granted in 2014, 12/36th of the cost of shares granted in 2015 and 10/36th of the cost of shares granted in 2016.

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

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

**** The three-year vesting period for shares granted in 2012 ended in March 2015. As the conditions were satisfied, 49 650 shares in Ferrovial SA were formally handed over to the employees entitled to obtain such shares in this tranche. The number of shares actually granted differs from the originally defined number due to adjustments made at a later date.
***** The three-year vesting period for shares granted in 2013 ended in March 2016. As the conditions were satisfied, 33 436 shares in Ferrovial SA were formally handed over to the employees entitled to obtain such shares in this tranche. The number of shares actually granted differs from the originally defined number due to adjustments made at a later date.

39. Related party transactions

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

Transactions with related parties concluded in 2016 and 2015 and the amount of outstanding balances of receivables and liabilities with these parties as at 31 December 2016 and 31 December 2015 are presented below.

	Receivables		Liabilities	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
The parent company and related entities of the parent (the Ferrovial Group)	20 472	22 111	95 843	100 925
Subsidiary companies	66 033	62 763	27 723	19 013
Associates	341	210	118	118
Jointly controlled entities	1 920	1 197	660	833
Other related parties*	7	3	-	-
Total	**88 773**	**86 284**	**124 344**	**120 889**

	Loans granted		Loans received	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
The parent company and related entities of the parent (the Ferrovial Group)	-	-	9 165	8 760
Subsidiary companies	6 570	6 270	-	-
Associates	9 163	1 549	-	-
Total	**15 733**	**7 819**	**9 165**	**8 760**

	Revenues from sale of finished goods and services and other operating income		Purchase of finished goods and services	
	2016	2015	2016	2015
The parent company and related entities of the parent (the Ferrovial Group)	7 462	71 554	39 275	103 674
Subsidiary companies	315 639	462 486	56 896	39 517
Associates	811	603	330	305
Jointly controlled entities	791	320	-	106
Other related parties*	-	4	15	3
Total transactions with related parties	**324 703**	**534 967**	**96 516**	**143 605**

	Finance income		Finance costs	
	2016	2015	2016	2015
The parent company and related entities of the parent (the Ferrovial Group)	-	-	71	90
Subsidiary companies	36 865	12 423	-	-
Associates	384	1 849	-	-
Jointly controlled entities	-	-	-	-
Total transactions with related parties	**37 249**	**14 272**	**71**	**90**

*) Other related parties comprise also entities on which the key management person of the Company or his close relative exercises significant influence, or has a significant number of votes at the shareholders' meeting of this company.

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

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

In 2010, Budimex SA signed two agreements with Ferrovial Agroman SA under which Ferrovial renders to the Company services relating to maintenance and development of IT and staff secondment. In connection with the performance of those agreements, in 2016 Budimex SA incurred costs of PLN 3 743 thousand and PLN 5 586 thousand, while in 2015: PLN 2 236 thousand and PLN 5 416 thousand, respectively.

On 29 October 2012 Budimex SA concluded, with Ferrovial Agroman SA, a conditional agreement for operational know-how support, streamlining processes and procedures in key areas of construction, investment and management activity. The remuneration under the contract was established as 0.5 per cent of the value of the annual sales revenues of the Budimex Group, less sales revenues of Budimex Nieruchomości Sp. z o.o., with the stipulation that until the correctness of the transaction price is approved by the Polish and Spanish tax authorities, Budimex SA will be remitting to Ferrovial Agroman SA payments reduced by 25 per cent. The contract covers the period from 1 January 2012 to 31 December 2016. In connection with the performance of those contracts, in 2016 Budimex SA incurred costs of PLN 26 115 thousand and in 2015 total costs of PLN 24 140 thousand.

39.1 Transactions with related parties involving transfer of rights or liabilities

On **20 January 2016**, the Shareholders' Meeting of Budimex A Sp. z o.o. (a subsidiary of Budimex SA) resolved to increase the company's issued capital by PLN 50 thousand, i.e. from PLN 175 thousand to PLN 225 thousand by creating 1 000 shares of a nominal value of PLN 50 thousand each, which were acquired entirely by Budimex SA. The above issued capital increase was registered in the National Court Register on 24 February 2016.

On **12 February 2016**, the partnership deed of Budimex SA – Ferrovial Agroman SA 2 s.c. was signed. Budimex SA holds 95 per cent of the shares in this partnership, and Ferrovial Agroman SA holds the remaining 5 per cent.

On **25 February 2016**, Budimex Inwestycje "Grunwald" SA was entered in the National Court Register. Budimex SA holds 100 per cent of the shares in this company with the nominal value of PLN 100 thousand.

On **9 March 2016**, the partnership deed of Budimex SA – Cadagua SA III s.c. was signed. Budimex SA holds 60 per cent of the shares in this partnership, and Cadagua SA holds the remaining 40 per cent.

On **13 April 2016**, pursuant to the partners' resolution dated 31 March 2016 on the dissolution of the partnership, the jointly controlled partnership Budimex SA Ferrovial Agroman (UK) Limited - Metro II s.j. was removed from the National Court Register.

On **1 August 2016**, the partnership deed of Budimex SA – Cadagua SA IV s.c. was signed. Budimex SA holds 60 per cent of the shares in this company, and Cadagua SA holds the remaining 40 per cent.

On **23 August 2016**, Budimex SA – Cadagua SA s.c. (a jointly controlled partnership) was removed from the National Official Business Register.

On **7 December 2016**, the partnership deed of Budimex SA – Cadagua SA V s.c. was signed. Budimex SA holds 60 per cent of the shares in this company, and Cadagua SA holds the remaining 40 per cent.

On **15 December 2016**, a jointly controlled company Budimex SA Tecpresa –Techniki Sprężania i Usługi Dodatkowe Sp. z o.o. (in liquidation) was removed from the National Court Register.

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

40. Remuneration of key members of management

The Management Board

In 2016, the total value of remuneration, bonuses and awards for the members of the Management Board of Budimex SA amounted to PLN 11 843 thousand (of which PLN 3 768 thousand represented performance bonuses for completing the tasks performed in 2015), of which PLN 10 505 thousand was recognised as costs of Budimex SA. The remaining balance was recognised as costs of its subsidiaries.

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

In 2016, remuneration of the members of the Management Board was as follows:

Dariusz Blocher	PLN 2 190 thousand
Fernando Pascual Larragoiti	PLN 1 912 thousand
Henryk Urbański	PLN 1 338 thousand
Artur Popko	PLN 1 943 thousand **
Marcin Węgłowski	PLN 1 203 thousand
Jacek Daniewski	PLN 1 199 thousand
Radosław Górski	PLN 1 230 thousand **
Cezary Mączka	PLN 704 thousand
Andrzej Artur Czynczyk	PLN 124 thousand *

** remuneration related to the non-competition clause for 2016*

*** remuneration also includes the period of performing the duties of a proxy (from 1 January to 13 March 2016)*

Additionally, apart from the amounts presented above, in the 12-month period ended 31 December 2016, the estimated costs of share-based payments under Ferrovial SA incentive programmes allocated to the Company's Management Board amounted to PLN 1 965 thousand (of which PLN 1 714 thousand was recognised as costs of Budimex SA; the remaining amount was recognised as costs of subsidiaries) and were distributed as follows:

Dariusz Blocher	PLN 713 thousand
Henryk Urbański	PLN 251 thousand
Fernando Pascual Larragoiti	PLN 220 thousand
Artur Popko	PLN 184 thousand
Marcin Węgłowski	PLN 182 thousand
Jacek Daniewski	PLN 182 thousand
Radosław Górski	PLN 161 thousand
Cezary Mączka	PLN 72 thousand

The above costs consist of: 2/36th of the cost of shares granted in 2013, 12/36th of the cost of shares granted in 2014, 12/36th of the cost of shares granted in 2015 and 10/36th of the cost of shares granted in 2016.

The three-year vesting period for shares granted in 2013 ended in March 2016. 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	10 920 shares
Henryk Urbański	4 940 shares
Marcin Węgłowski	3 224 shares
Jacek Daniewski	3 224 shares
Artur Popko	3 120 shares
Radosław Górski	3 120 shares

The market value of Ferrovial SA shares as at the date of actual grant amounted to PLN 79.04.

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

Proxies

The total value of remuneration paid to proxies of Budimex SA in 2016 was PLN 350 thousand, while in 2015 it was PLN 3 858 thousand.

Individual remuneration of proxies in 2016 was as follows:

Piotr Świecki	PLN 350 thousand (from 11 May 2016)

Additionally, apart from the amounts presented above, in the 12-month period ended 31 December 2016, the estimated costs of share-based payments under Ferrovial SA incentive programmes allocated to the Company's proxy — Piotr Świecki — amounted to PLN 56 thousand.

The Supervisory Board

Total value of remuneration paid to the members of the Supervisory Board in 2016 amounted to PLN 1 225 thousand (PLN 1 122 thousand in 2015).

In 2016, remuneration of the members of the Supervisory Board of Budimex SA was as follows:

Marek Michałowski	PLN 194 thousand
Igor Chalupec	PLN 133 thousand
Javier Galindo Hernandez	PLN 133 thousand
Jose Carlos Garrido-Lestache Rodriguez	PLN 122 thousand
Marzenna Anna Weresa	PLN 153 thousand
Piotr Kamiński	PLN 133 thousand
Alejandro de la Joya Ruiz de Velasco	PLN 133 thousand
Janusz Dedo	PLN 112 thousand
Ignacio Clopes Estela	PLN 112 thousand

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

As at 31 December 2016 and 31 December 2015, the Members of the Management and Supervisory Boards of the Company, their spouses, direct and second degree relatives or persons who are connected by a guardianship or wardship relationship and other persons who are related to them in person did not have any unpaid loans or borrowings or guarantees issued by Budimex SA or its subsidiaries, jointly controlled entities or associates and were not parties to other agreements obligating them to provide benefits to Budimex SA or its subsidiaries, jointly controlled entities or associates.

42. Capital expenditure incurred and planned

Capital expenditure incurred in the year 2016 amounted to PLN 67 739 thousand, of which PLN 67 589 thousand was allocated to the acquisition of non-financial non-current assets. In 2015, capital expenditure amounted to PLN 85 060 thousand, of which PLN 26 853 thousand was allocated to the acquisition of non-financial non-current assets. In both periods, the capital expenditure incurred did not relate to investments into environmental protection.
The Company intends to incur in 2017 capital expenditure of approx. PLN 90 000 thousand and this amount will be allocated in full to non-financial non-current assets. The Company does not plan to incur capital expenditure for natural environment protection.

43. (Off-balance sheet) investment expenditure

As at 31 December 2016, the amount of committed investment expenditures was PLN 69 302 thousand.
As at 31 December 2015, there were no committed investment expenditures.

44. Future liabilities under rental or operating lease agreements

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

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

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

	31.12.2016	31.12.2015
- up to 1 year	29 469	28 650
- 1-5 years	38 503	40 314
- above 5 years	90	196
Total	**68 062**	**69 160**

Lease payments taken to costs	37 521	31 708

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

	31.12.2016	31.12.2015
- up to 1 year	147	63
- 1-5 years	588	252
- above 5 years	10 001	4 352
Total	**10 736**	**4 667**

Fees for perpetual usufruct taken to costs	147	82

45. Financial instruments

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

Balance as at 31.12.2016

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
Loans granted	-	-	15 733	-	-	**15 733**
Investments in other entities	6 417	-	-	-	-	**6 417**
Retentions for construction contracts	-	-	86 602	-	(369 259)	**(282 657)**
Trade and other receivables*	-	-	420 994	-	-	**420 994**
Amounts due and receivable from customers under construction contracts	-	-	290 016	-	-	**290 016**
Derivative financial instruments	-	2 521	-	(211)	-	**2 310**
Cash and cash equivalents	-	2 272 110	-	-	-	**2 272 110**
Loans, borrowings and other external sources of finance	-	-	-	-	(47 837)	**(47 837)**
Amounts due and payable to customers under construction contracts	-	-	-	-	(1 337 780)	**(1 337 780)**
Trade liabilities and other financial liabilities**	-	-	-	-	(1 229 587)	**(1 229 587)**
Total	**6 417**	**2 274 631**	**813 345**	**(211)**	**(2 984 463)**	**109 719**

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

Balance as at 31.12.2015

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

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

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

The carrying value of available-for-sale financial assets as at 31 December 2016 and 31 December 2015 was equal to their purchase price. The fair value of these assets cannot be established as there is no active market for them.

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

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

For the period from 01.01.2016 to 31.12.2016

	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)	-	22 986	5 485	-	2 166	**30 637**
Foreign exchange gains / (losses)	-	413	1 699	-	(1 297)	**815**
Reversal / (creation) of impairment write-downs	-	-	(10 691)	-	-	**(10 691)**
Dividends received	7	-	-	-	-	**7**
Valuation gains / (losses)	-	1 982	(1)	530	4	**2 515**
Gains / (losses) from disposal / realisation of financial instruments	-	(2 802)	-	236	-	**(2 566)**
Total	**7**	**22 579**	**(3 508)**	**766**	**873**	**20 717**

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

For the period from 01.01.2015 to 31.12.2015

	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Interest income / (expense)	-	21 865	4 113	-	2 250	**28 228**
Foreign exchange gains / (losses)	-	(39)	258	-	32	**251**
Reversal / (creation) of impairment write-downs	-	-	5 524	-	-	**5 524**
Dividends received	35	-	-	-	-	**35**
Valuation gains / (losses)	-	(666)	37	2 243	4 279	**5 893**
Gains / (losses) from disposal / realisation of financial instruments	-	100	-	637	-	**737**
Total	**35**	**21 260**	**9 932**	**2 880**	**6 561**	**40 668**

Financial assets and liabilities measured at fair value

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

	31.12.2016			
	Fair value measurement			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	2 521	-	2 521
Cash and cash equivalents	-	2 272 110	-	2 272 110
Total financial assets at fair value through profit or loss	**-**	**2 274 631**	**-**	**2 274 631**
Derivative financial instruments	-	211	-	211
Total financial liabilities at fair value through profit or loss	**-**	**211**	**-**	**211**

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

During the 12 months ended 31 December 2016 and 31 December 2015, there was no transfer between Level 1 and Level 2 fair value hierarchy, and no transfer into and out of Level 3 fair value hierarchy (note 4.12).

46. Legal proceedings pending as at 31 December 2016

The total value of legal proceedings pending in respect of liabilities of Budimex SA as at 31 December 2016 was PLN 882 289 thousand. The proceedings pending relate to the operating activities of the Company.

The proceedings in the highest value case concern a claim filed on 7 December 2016 by the General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad – GDDKiA) against a consortium in which Budimex – Dromex SA (a company merged in 2009 with Budimex SA) is a member (the "Consortium"). GDDKiA demands, before the Regional Court in Warsaw, adjudication of its claims severally from the three defendant Consortium members. The case is related to the public tender "Construction of a section of the S8 road Piotrków Trybunalski – Rawa Mazowiecka", which was settled in 2009 and has not been awarded to the Consortium. GDDKiA alleged that the defendants applied forbidden "agreed practices" "by substituting autonomous economic decisions with arrangements made between competitors that submitted bids in a single public tender". In the GDDKiA's opinion, as a result of that breach the subject of the contract specified above had been performed at a price much higher than that which would hypothetically have been paid had no competition-limiting practices been in place. The value of the subject matter of the lawsuit is PLN 539 957 thousand plus interest accruing since 17 July 2009.

An analysis of the statement of claim demonstrates that the fundamental evidence in the civil action in which the aforesaid claim was filed includes materials used during a previous criminal procedure, which Budimex SA was not a party to and did not participate in. The procedure was concluded with a final acquittal in two instances. The Courts of both instances deemed that the witness testimonies and explanations provided by the defendants did not confirm entering into an arrangement and acting to the detriment of an institution (GDDKiA) for the benefit of which the tender was held. A last-resort appeal concerning the criminal case has been filed with the Supreme Court. On 18 January 2017, the last-resort appeal was considered wholly unfounded by the Supreme Court. In particular, the Supreme Court found that there was no price-fixing or bid-rigging — including with the participation of Budimex Dromex SA.
On 31 January 2017 Budimex SA filed an answer to the lawsuit, but on 15 March 2017 it was informed that the proceedings would be discontinued because GDDKiA withdrew the lawsuit. The decision on discontinuance of the proceedings is not legally valid and can be appealed within 7 days. It will become final and valid upon ineffective lapse of the aforementioned time limit.

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

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

In the course of the proceedings before the Court of Arbitration, PPL filed a counter-claim of a total amount of PLN 135 719 thousand, covering claims for the redress of damage, including lost benefits, return of unjust enrichment and liquidated damages. On 31 July and 26 October 2009 PPL filed further written statements of claim with the Court of Arbitration, including an extension of the counter-claim, changing the original amount of the counter-claim from PLN 135 719 thousand to PLN 280 894 thousand. As a result of subsequent procedural steps, in August 2012, PPL's claim was raised to PLN 298 892 thousand. According to the value of the shares set forth in the consortium agreement, the risk allocated to the Company does not exceed a total of PLN 119 556 thousand.

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

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

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

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

Pursuant to a decision of the Court of Arbitration dated 28 January 2013 and based on a site inspection performed in July 2013, the expert, i.e. BS Consulting Group was to draft an opinion on assessment on value of claims submitted by the FBL Consortium in the extended claim by the end of October 2013. Since the expert did not draft the opinion on time, at the hearing held on 20 December 2013 the Court of Arbitration made a decision on appointment of a new expert. In 2015, the final scope of the opinion and composition of the new expert team was determined. Consequently, not until October 2016 did the parties receive the new experts' opinion on the claims of the Consortium. The experts acknowledged the scope of all claims of the Consortium, which in value represent the greater majority of the amount claimed. However, according to the Consortium the claim value recognised by the experts is still too low because it does not reflect all the claims which were made. At the most recent hearings, the parties asked questions to experts in order to conclude whether requesting for supplementary experts' opinion would be necessary.
In the opinion of the Management Board, the final decision of the Court of Arbitration will be favourable for the FBL Consortium.

On 16 December 2010, Tomasz Ryskalok and Rafał Ryskalok, conducting business activity as a civil law partnership under the name Cerrys S.C., with its registered office in Wykroty, filed a lawsuit against the Company for payment of a contractual penalty for delay in the removal of defects identified during the warranty period. The lawsuit concerns the construction of a concrete plant in line with agreement concluded on 19 May 2003 with the value of the agreement amounting to PLN 4 189 thousand. The initial value of the subject matter of the lawsuit was PLN 90 000 thousand including statutory interest calculated from 19 October 2006 until the day of payment.

In the opinion of the Company, the claim constituting the subject matter of the argument is absolutely groundless and there is no basis, either formal or factual, for considering it (the deadline for submitting the claims in question expired, the limit concerning contractual penalties – i.e. up to 15 per cent of the value of the agreement – has not been taken into account, and the defect is not material). To date, there have been several hearings during which witnesses for the claimant and defendant were examined. Having heard the parties, on 19 December 2013, the Court issued a decision under which the evidence from the expert's opinion regarding the evaluation of the reasonableness of the PPL claims was accepted. The inspection of the facility was carried out in June 2014. In October 2014, the court delivered the opinion of the construction expert. Upon a request of the Company, the court commissioned the drafting of a supplementary opinion. The parties raised objections to this opinion. Despite the fact that the expert submitted oral explanations at a hearing held in November 2015, a request for another supplementary opinion has been filed. In July 2016 the court obligated the expert to prepare it. The opinion was delivered to the parties in October 2016. On 17 November 2016, an extension of the claim by the amount of PLN 57 266 thousand, i.e. to the total amount of PLN 147 266 thousand, was filed. On behalf of Budimex SA, a response to the extended claim was filed, demanding its dismissal due to the inadmissibility of the claim extension as well as to its groundlessness and the expiry of the limitation period. At the hearing on 7 December 2016, due to the expert's failure to produce the missing cost estimates, the Court postponed the hearing till 31 March 2017.

A further case in terms of value relates 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 Budimex SA and Budimex Dromex SA belonged. The claim relates to the replacement of contractor costs incurred by the investor when the consortium rescinded the contract. The share of the companies in the consortium was 90 per cent; therefore the value of the claim for which the Company is presently liable is PLN 22 727 thousand. The court ended examination of witnesses of both parties, and then heard the parties. On 6 February 2014, the court accepted evidence from the construction expert opinion with regard, inter alia, to: assessment of quality and value of works completed by the defendant, the scope and completeness of works to be performed as well as value of corrections. The expert drafted an opinion which the defendant considers to be in its favour. This assessment is confirmed by the actions of the claimant who submitted a request for the appointment of a new expert. The court rejected the claimant's request in this respect, allowing only for recording a supplementary oral opinion of the expert, submitted at a hearing held on 21 April 2015. The claimant again requested the appointment of a new expert. This request was rejected by the court at the hearing held in December 2015. At the same time, the court allowed the drafting of a supplementary opinion which was prepared in June 2016. The defendant maintained its previous position in relation to the content of the supplementary opinion. According to the defendant the supplementary opinion is favourable for him. However, the claimant requested an opinion of another expert. This opinion is to be prepared by the end of March 2017.

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

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

The total value of legal proceedings pending in respect of claims of Budimex SA amounted to PLN 151 336 thousand as at 31 December 2016. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed. Apart from the case brought to court by the FBL Consortium against PPL, no value of other proceedings concerning claims exceeds 10 per cent of the shareholders' equity of the Company. As at the date of this report, the final outcome of the proceedings is not known.

47. Events after the reporting date

On **1 February 2017**, the Extraordinary General Meeting of Shareholders of Budimex Autostrada SA (a subsidiary of Budimex SA) adopted a resolution on the liquidation of the company.

On **15 February 2017,** Budimex SA began shares acquisition process of Elektromontaż-Poznań SA from minority interests shareholders. During the period from 15 February 2017 till 7 March 2017 Budimex SA concluded 140 share purchase agreements and based on them acquired 66 929 ordinary registered shares of "A" series (constituting in total 1.24 per cent share in issued capital of Elektromontaż-Poznań SA). The total purchase price for above mentioned shares amounted to PLN 590 thousand. The share acquisition process has not been finalized yet and will continue during forthcoming weeks.

48. Contingent liabilities and contingent receivables

	31.12.2016	31.12.2015
1. Contingent receivables	**494 864**	**341 921**
1.1. From related parties	15 654	12 128
- guarantees and suretyships received	-	-
- bills of exchange received as security	5 016	1 490
- other contingent receivables	10 638	10 638
1.2. From other entities	463 093	328 443
- guarantees and suretyships received	454 607	327 738
- bills of exchange received as security	8 486	705
1.3. Other	16 117	1 350
- other contingent receivables	16 117	1 350
2. Contingent liabilities	**3 139 145**	**2 815 136**
2.1. To related parties	109 011	117 435
- guarantees and suretyships issued	109 011	117 435
2.2. To other entities	2 896 580	2 564 147
- guarantees and suretyships issued	2 895 488	2 562 552
- bills of exchange issued as security	1 092	1 595
2.3. Other	133 554	133 554
- other contingent liabilities	133 554	133 554
Total contingent liabilities and contingent receivables	**(2 644 281)**	**(2 473 215)**

Contingent receivables arising from guarantees and sureties comprise guarantees issued by banks or other entities in favour of the Company securing the Company's claims against its business partners in connection with executed construction contracts. Contingent liabilities arising from guarantees and sureties comprise mainly guarantees issued by banks to business partners of the Company to secure their claims against the Company that may arise on the grounds of executed construction contracts. The banks have the right to recourse against the Company on that account. Guarantees issued to the investors of the Company represent an alternative, to the retentions held, method of securing potential investor claims relating to construction contracts. At the same time, the risk relating to warranty repairs assessed by the Company Management Board as probable was appropriately reflected in the warranty repair provision, as described in note 5 to these statements.

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

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

Other contingent liabilities include, among others, voluntary submission to enforcement which secures the payment in the amount of up to PLN 133 554 thousand payable in the case of improper performance by the Company of its obligations under the agreement of acquisition of shares of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.

49. Employment structure

The employment structure at Budimex SA in 2016 and 2015 was as follows:

Employee group	31.12.2016	31.12.2015
White collar employees	3 011	2 596
Blue collar employees	1 769	1 657
Total employment	**4 780**	**4 253**

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

On 23 January 2010, the Management Board of Budimex SA learned that the condition concerning the construction and operation of the A1 motorway between Stryków and Pyrzowice in the concession system in accordance with the agreement signed on 22 January 2009 between Autostrada Południe SA and the State Treasury had not been fulfilled. Due to the above, Phase II (referring to construction work) of the agreement concluded on 19 January 2010 by and between Budimex SA Ferrovial Agroman SA Sp. J. (formerly: Budimex Dromex SA Ferrovial Agroman SA Sp. J.) and Autostrada Południe SA for the design and construction of the section of the A1 motorway section between Stryków and Pyrzowice did not become effective. Phase I covered design work with a value of PLN 180 000, which commenced in 2009 pursuant to the preliminary agreement concluded by Autostrada Południe SA, Budimex Dromex SA and Ferrovial Agroman SA on 30 May 2008.

In March 2010, the Management Board of Budimex SA learned that the design works realised by Spółka Jawna on behalf of Autostrada Południe SA had not been accepted by the Ministry of Infrastructure. Due to the above, there is a risk that the full amount of contract costs incurred by that company (in which Budimex SA holds 50 per cent of shares) will not be recovered from Autostrada Południe SA unless it is proved that the lack of payments in favour of Autostrada Południe SA from the State Treasury does not result from the defect of the project delivered by Spółka Jawna or the defects are the consequence of the requirements of Autostrada Południe SA, different from the requirements of the State Treasury as an investor.

On 21 December 2011 Autostrada Południe SA filed a claim to court against the State Treasury represented by the Ministry of Transportation, Construction and Naval Economy, calling for payment of PLN 176 855 thousand regarding design works performed by Spółka Jawna. In 2012 and 2013, partial evidence proceedings and witness interrogation took place, and an expert opinion was drafted. Autostrada Południe SA submitted a request for the drafting of a supplementary opinion which was prepared and delivered to the parties in October 2014. As follows from the opinion, all stages of design works with respect to which the claimant demands payment were performed, and thus the comments of the former expert were not justified. Subsequently, in October 2015 the court accepted the defendant's motion to examine another witness, which resulted in the need to draft an additional expert opinion. During 2016, the scope of the supplementary opinion was agreed. Before ordering its preparation, in November 2016 the court requested the return of the case files. The files were returned to the court at the beginning of December 2016. At present, the parties are awaiting further decisions of the court.

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.

With reference to the court proceedings described in note 46 and related to the Contract for the Development of Terminal 2 of the Warsaw Frederic Chopin International Airport, according to the Management Board's best estimates as at the date of drafting these financial statements, 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 minimise the FX risk) was PLN 89 957 thousand as at 31 December 2016 (as at 31 December 2015: PLN 91 865 thousand). The loss of Budimex SA on the entire contract, without taking into account the result of other operating and financial activities, was PLN 132 182 thousand as at 31 December 2016 (as at 31 December 2015: PLN 134 090 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.

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

Dariusz Blocher	President of the Management Board	.... signature	Henryk Urbański	Member of the Management Board	.... signature
Fernando Luis Pascual Larragoiti	Vice-President of the Management Board	.... signature	Marcin Węgłowski	Member of the Management Board	.... signature
Jacek Daniewski	Member of the Management Board	.... signature	Artur Popko	Member of the Management Board	.... signature
Cezary Mączka	Member of the Management Board	.... signature	Grzegorz Fąfara	chief accountant	.... signature
Radosław Górski	Member of the Management Board	.... signature		Warsaw, 16 March 2017	