BUDIMEX SA

FINANCIAL STATEMENTS

for the year ended 31 December 2017

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	31.12.2017	31.12.2016
Non-current (long-term) assets			
Property, plant and equipment	10	115 521	92 668
Investment properties	11	3 306	3 762
Intangible assets	13	29 937	29 707
Investments in subsidiaries	15	727 827	724 473
Investments in associates	15	61 246	61 246
Investments in other entities	15	6 417	6 417
Other financial assets	16	70 384	16 537
Trade and other receivables	17	18 124	12 878
Retentions for construction contracts	28	54 685	39 835
Deferred tax assets	23	360 149	400 046
Total non-current (long-term) assets		**1 447 596**	**1 387 569**
Current (short-term) assets			
Inventories	18	242 103	159 498
Trade and other receivables	17	638 335	462 329
Retentions for construction contracts	28	46 306	46 767
Long-term construction contracts valuation	26	472 740	290 016
Current tax assets		29 995	-
Other financial assets	16	295 836	1 717
Cash and cash equivalents	19	1 680 371	2 272 110
Total current (short-term) assets		**3 405 686**	**3 232 437**
TOTAL ASSETS		**4 853 282**	**4 620 006**

Warsaw, 19 March 2018

(all amounts are expressed in PLN thousand)

Statement of financial position (cont.)

EQUITY AND LIABILITIES	Note	31.12.2017	31.12.2016
EQUITY			
Issued capital	20	145 848	145 848
Share premium	20	80 199	80 199
Other reserves	20	52 452	54 001
Foreign exchange differences on the translation of foreign operations		5 682	5 670
Retained earnings / (accumulated losses)	20	449 995	382 856
Total shareholders' equity		**734 176**	**668 574**
LIABILITIES			
Long-term liabilities			
Loans, borrowings and other external sources of finance	21	45 885	29 374
Retentions for construction contracts	28	192 314	194 624
Provisions for non-current liabilities and other charges	25	219 909	180 765
Retirement benefits and similar obligations	24	7 857	5 348
Other financial liabilities	16	713	7
Total long-term liabilities		**466 678**	**410 118**
Current liabilities			
Loans, borrowings and other external sources of finance	21	26 381	18 463
Trade and other liabilities	22	1 579 248	1 397 654
Retentions for construction contracts	28	207 272	174 635
Provision for construction contract losses	26	234 876	400 146
Long-term construction contracts valuation	26	767 855	937 634
Deferred revenue	27	671 844	408 741
Provisions for current liabilities and other charges	25	157 814	157 540
Current tax liability		-	45 272
Retirement benefits and similar obligations	24	985	1 025
Other financial liabilities	16	6 153	204
Total current liabilities		**3 652 428**	**3 541 314**
Total liabilities		**4 119 106**	**3 951 432**
TOTAL EQUITY AND LIABILITIES		**4 853 282**	**4 620 006**

Warsaw, 19 March 2018

(all amounts are expressed in PLN thousand)

Profit and loss account

	Note	Year ended 31 December 2017	2016
Continuing operations			
Net sales of finished goods and services, goods for resale and raw materials	29	5 824 859	5 207 194
Cost of finished goods, services, goods for resale and raw materials sold	31	(5 148 144)	(4 570 979)
Gross profit on sales		**676 715**	**636 215**
Selling expenses	31	(10 722)	(11 665)
Administrative expenses	31	(194 220)	(179 368)
Other operating income	33	55 684	38 677
Other operating expenses	33	(23 495)	(54 951)
Operating profit		**503 962**	**428 908**
Finance income	34	80 311	69 670
Finance costs	34	(36 563)	(31 489)
Gross profit		**547 710**	**467 089**
Income tax	23	(97 875)	(85 173)
Net profit from continuing operations		**449 835**	**381 916**
Net profit for the period		**449 835**	**381 916**

Basic and diluted earnings per share attributable to the shareholders (in PLN)	35	*17.62*	*14.96*

Statement of comprehensive income

	Note	Year ended 31 December 2017	2016
Net profit for the period		**449 835**	**381 916**
Other comprehensive income which:			
Shall be reclassified to profit or loss upon satisfaction of certain conditions:			
Foreign exchange differences on translation of foreign operations		12	40
Deferred tax related to components of other comprehensive income		-	-
Shall not be reclassified to profit or loss:			
Actuarial gains/(losses)	24	(1 912)	336
Deferred tax related to components of other comprehensive income	23	363	(64)
Other comprehensive income, net		**(1 537)**	**312**
Total comprehensive income for the period		**448 298**	**382 228**

Warsaw, 19 March 2018

(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 01.01.2017	**145 848**	**80 199**	**54 001**	**5 670**	**382 856**	**668 574**
Profit for the period	-	-	-	-	449 835	**449 835**
Other comprehensive income	-	-	(1 549)	12	-	**(1 537)**
Total comprehensive income for the period	**-**	**-**	**(1 549)**	**12**	**449 835**	**448 298**
Payment of dividend (note 36)	-	-	-	-	(382 696)	**(382 696)**
Balance as at 31.12.2017	**145 848**	**80 199**	**52 452**	**5 682**	**449 995**	**734 176**

Warsaw, 19 March 2018

(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 01.01.2016	**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 36)	-	-	-	-	(207 815)	**(207 815)**
Share-based payments (note 38)	-	-	(180)	-	-	**(180)**
Other adjustments (rounding)	-	-	-	-	2	**2**
Balance as at 31.12.2016	**145 848**	**80 199**	**54 001**	**5 670**	**382 856**	**668 574**

Warsaw, 19 March 2018

(all amounts are expressed in PLN thousand)

Statement of cash flows

	Note	Year ended 31 December 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax		**547 710**	**467 089**
Adjustments for:			
Depreciation/amortisation	31	34 269	23 358
Foreign exchange (gains)/losses		553	(157)
Interest and shares in profits (dividends)		(56 515)	(36 364)
(Gain)/loss from investing activities		(6 046)	1 446
Change in valuation of derivative financial instruments	16	(4 437)	(2 512)
Change in provisions and liabilities arising from retirement benefits and similar obligations		39 975	54 271
Other adjustments	37	798	(171)
Operating profit/(loss) before changes in working capital		**556 307**	**506 960**
Change in receivables and retentions for construction contracts		(194 910)	(123 050)
Change in inventories		(82 605)	(80 169)
Change in retentions for construction contracts and in liabilities, except for borrowings and loans		212 115	393 547
Change in long-term construction contracts valuation and provision for construction contract losses	26	(517 773)	(26 010)
Change in deferred revenue		263 103	(55 875)
Change in cash and cash equivalents of restricted use	19	(8 033)	15 206
Cash flow from operating activities		**228 204**	**630 609**
Income tax paid		(132 881)	(96 500)
NET CASH FROM OPERATING ACTIVITIES		**95 323**	**534 109**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of intangible assets and property, plant and equipment		986	1 046
Purchase of intangible assets and property, plant and equipment		(20 253)	(40 751)
Proceeds from sale of investment properties		5 364	-
Acquisition of shares in related parties		(3 354)	(150)
Acquisition of financial assets held to maturity		(665 619)	-
Proceeds from financial assets held to maturity		387 610	-
Borrowings granted	16	(104 253)	(9 163)
Repayment of loans granted	16	46 636	-
Dividends received	34	51 686	36 586
Interest received		3 112	1 918
Other inflows from investing activities		-	47
NET CASH USED IN INVESTING ACTIVITIES		**(298 085)**	**(10 467)**

Warsaw, 19 March 2018

(all amounts are expressed in PLN thousand)

Statement of cash flows (cont.)

CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(382 696)	(207 815)
Payments of liabilities under finance lease agreements		(11 705)	(11 318)
Interest paid		(1 531)	(821)
NET CASH USED IN FINANCING ACTIVITIES		**(395 932)**	**(219 954)**
TOTAL NET CASH FLOWS		**(598 694)**	**303 688**
Foreign exchange differences, net (on cash and cash equivalents)		(1 078)	492
CASH AND CASH EQUIVALENTS – OPENING BALANCE	**19**	**2 239 546**	**1 935 366**
CASH AND CASH EQUIVALENTS – CLOSING BALANCE	**19**	**1 639 774**	**2 239 546**

Warsaw, 19 March 2018

Notes to the financial statements

1. General information

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

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

The duration of the Company is unlimited.

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

In accordance with the Polish Classification of Activities ("PKD" 2007), on 31 December 2017, 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 2017, 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 19 March 2018.

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 2017, the value of the Company's current liabilities exceeds the value of its current assets by PLN 246 742 thousand. Taking into account the good liquidity of the Budimex Group, whose consolidated statement of financial position as at 31 December 2017 provides for a positive difference between the current assets and the current liabilities in the amount of PLN 569 717 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 and statement of compliance

These financial statements for the year ended 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted by the European Union ("EU"), prevailing as at the reporting date of these financial statements.

Standards and amendments to standards applied for the first time in 2017

The Company has elected to use the opportunity of early adoption of IFRS 15 "Revenue from Contracts with Customers" and amendments to IFRS 15 – "Effective date of IFRS 15" and started to apply it as of 1 January 2017. The Company decided to apply the standard retrospectively with the cumulative effect of initial application recognised at the date of initial application. According to the Company, the early application of IFRS 15 did not have any significant impact on the financial statements prepared in previous years, therefore no adjustment was made as at 1 January 2017 which would be included in the profit/loss from previous years. Details of the accounting policy with respect to revenues are presented in note 4.17.

In addition, the Company applied the following amendments to standards for the first time during the year ended 31 December 2017:

- Amendments to IAS 7 "Statement of cash flows" – Disclosure initiative,
- Amendments to IAS 12 "Income taxes" – Recognition of deferred tax assets for unrealised losses.

The above amendments to standards did not have any material impact on the financial statements.

Standards and amendments to standards that have been issued but are not yet effective

At the date of approving these financial statements the Company had not applied the following standards and 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 16 "Leases", endorsed in the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- Clarifications to IFRS 15 "Revenue from contracts with customers", endorsed in the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 2 "Share-based payments" – Classification and measurement of share-based payment transactions, endorsed in the EU on 26 February 2018 (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", endorsed in the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or upon first-time application of IFRS 9 "Financial Instruments"),
- Amendments to IAS 40 "Investment properties" – Transfers of investment property, endorsed in the EU on 14 March 2018 (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, endorsed in the EU on 7 February 2018 (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),

The Company has elected not to use the opportunity of early adoption of IFRS 9. According to the Company's preliminary estimates, an impairment write-down on trade receivables (a write-down calculated based on the expected credit losses concept) that would have been recognised as at 31 December 2017 – if the Company had decided to apply IFRS 9 early – would have amounted to approx. PLN 1 000 thousand and would not have a material impact on the financial statements. The Company has not yet estimated IFRS 9 impact on other financial statements items.

Moreover, the Company has elected not to use the opportunity of early adoption of IFRS 16. 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. The value of future (undiscounted) operating lease payments which would have been recognised in accordance with IFRS 16 as at 31 December 2017 was disclosed in note 44.

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.

Standards, amendments to standards and interpretations issued by the IASB but not yet endorsed 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 the date of these financial statements:

- IFRS 17 “Insurance contracts” (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 9 “Financial instruments” – “Prepayment features with negative compensation” (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 28 “Investments in associates and joint ventures” - Long-term interests in associates and joint ventures (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 19 “Employee benefits” – Plan amendments, curtailment or settlement (effective for annual periods beginning on or after 1 January 2019),
- Amendments to various standards “Improvements to IFRSs (Cycle 2015-2017)” (effective for annual periods beginning on or after 1 January 2019),
- IFRIC 22 “Foreign currency transactions and advance consideration” (effective for annual periods beginning on or after 1 January 2018),
- IFRIC 23 “Uncertainty over Income Tax treatments” (effective for annual periods beginning on or after 1 January 2019).

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

4. Key accounting policies

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

4.1 Transactions and valuation of foreign currency items

Functional and reporting currency

Items recognised in the financial statements of the Company are valued using the currency of the main economic environment in which the business operations are conducted (“functional currency”). Financial data is presented in Polish zloty, which is the functional and presentation currency of the Company. Figures are rounded up to PLN thousands, unless 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 (in euro) 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. The Company depreciates its property, plant and equipment using the straight-line method. 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 2-40 years
- plant and machinery 2-14 years
- motor vehicles 3-14 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 finance costs, less any impairment losses. Construction-in-progress is not depreciated until completed and brought into use.

4.3 Investment properties

Investment properties are initially valued at purchase or production price, account being taken of transaction costs. After initial recognition, investment properties, except for land and properties meeting the criteria of classification as held for sale, are depreciated on a straight-line basis 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 10-40 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 on a straight-line basis 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.

Borrowing costs include interest calculated using the effective interest rate, finance charges under finance lease agreements and foreign exchange gains or losses arising from borrowing costs to the extent they are regarded as an adjustment to interest expense

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

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

4.7 Lease

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

In the case of finance lease agreements, which transfer substantially all of the risks and rewards of ownership of assets, the leased assets are recorded under non-current assets or investments at fair value or at the current value of the minimum lease payments established at the inception of the lease term, if the 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 using the straight-line method 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.

The Company does not act as a lessor in lease agreements.

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 Advances for purchases of 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.

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

4.11 Cash and cash equivalents

Cash 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, demand deposits and bank deposits within 12 month maturity period 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: trade liabilities, retentions for construction contracts, bank loans and borrowings, liabilities at fair value through profit or loss (inclusive of derivative financial instruments).

The above classification is based on the criterion of the purpose of the investment acquired or the liability incurred. The Management Board determines the classification of a given item upon item initial recognition, and subsequently verifies this initial classification at each reporting date.

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

Receivables from retentions for construction contracts and loans with maturities of less than 12 months are recognised as current assets. Long-term receivables arising from retentions for construction contracts are discounted to the 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. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of allowance account. The amount of the loss is recognised in the profit or loss

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

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

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in the profit or loss.

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, the ultimate parent, 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 other reserves or liabilities, 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). The fair value of instruments granted in 2010-2013 was recognised under other reserves.

4.16 Provisions

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

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

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 costs of products sold.

4.17 Recognition of revenues and expenses

Revenues from contracts with customers are recognised only when all of the following conditions are met:

- the parties have approved the contract and are committed to perform their respective obligations;
- the Company can identify each party's rights regarding the goods or services to be transferred;
- the Company can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance; and
- it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The Company combines two or more contracts entered into at or near the same time with the same customer (or related parties of the customer) and account for the contracts as a single contract if:

- the contracts are negotiated as a package with a single commercial objective;
- the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- the goods or services promised in the contracts are a single performance obligation.

The Company accounts for a contract modification as a separate contract if the scope of the contract increases because of the addition of promised goods or services that are distinct and if the price of the contract increases by an amount of consideration that reflects the stand-alone selling prices of the additional promised goods or services.

The Company recognises revenues when (or as) the Company satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Revenues are recognised as the amounts of the transaction price that is allocated to that performance obligation.

At contract inception, the Company assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

The Company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
- the performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

It is considered that in the case of construction services provided by the Company, in principle, a single performance obligation arises. Consequently, the issue of allocating the transaction price to a performance obligation does not require estimation.

IFRS 15 requires that a uniform method is applied to recognise revenue from contracts and obligations which show similar characteristics. The method selected by the Company as the preferred method to measure the value of goods and services transferred to the customer as the respective performance obligations are satisfied over time is the method of the surveys of work performed or the work progress measurement method (metoda obmiaru wykonanych prac), which is the results-based method, as long as during the course of contract performance measuring the progress towards complete satisfaction of that performance obligation is possible.

In the contracts for services, under which goods and services are principally the same and under which goods and services have the same consumption pattern in such way that the customer consumes the goods and services as it receives them, the revenue recognition method selected by the Company is based on the time that has passed, while the costs are recognised in accordance with the accruals concept.

Given the above, the method of the proportion that the costs incurred to the date of revenue determining bear in the total cost of goods or services (the expenditure-based method) is applied only where measuring the progress of works may not be reliably measured using the work progress measurement (results-based) method (metoda obmiaru wykonanych prac).

If it is not possible to reasonably measure the outcome of a performance obligation, revenues are recognised only to the extent of the costs incurred that the Company expects to recover.

If a performance obligation is not satisfied over time, it is considered that the Company satisfies the performance obligation at a point in time.

Where it is possible that total contract costs may exceed total contract revenues, in accordance with IAS 37, expected loss (excess of cost over revenues) is recognised as an operating expense and, simultaneously, a provision for onerous contracts (provision for contract losses) is recognised.

Included in assets is the amount of “Long-term construction contracts valuation” for all construction work in progress, for which revenues recognised 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 amount of “Long-term construction contracts valuation” in reference to all contracts in progress, for which progress billings exceed recognised revenues. Provision for construction contract losses is presented under: “Provision for construction 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”.

Incremental costs of obtaining a contract with a customer are recognised as an expense in the reporting period as there is no certainty that they will be recovered.

Contracts concluded by the Company do not include a significant financing component. In case of construction contracts, investor advance payments are consumed by the expenditure incurred at construction initial stages, and so no long-term financing of executed construction with received advance payment exists.

The Company is not party to any agreements providing for variable remuneration.

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

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 liabilities on account of uninvoiced costs (under “trade and other liabilities”).

4.18 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.

4.19 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.

4.20 Taxation (including deferred income tax)

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

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

Due to the temporary differences between the 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 recordedin 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.

4.21 Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- receivables and payables, which are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in statement of financial position.

4.22 Tax settlement uncertainties assessment

If according to the Company’s assessment it is probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Company determines taxable income (tax loss), tax base, unused tax losses and unused tax credits and tax rates, after considering in its tax return the applied or planned approach to taxation.

If the Company ascertains that it is not probable that the tax authorities will accept an uncertain tax treatment or a group of uncertain tax treatments, the Company reflects the impact of this uncertainty in determining taxable income (tax loss), unused tax losses, unused tax credits or tax rates. The Company accounts for this effect determining the most probable amount – it is a single amount from among possible results.

4.23 Joint arrangements

The Company recognises its interest in joint arrangements depending on their classification. In case of:

(all amounts are expressed in PLN thousand)

- a joint operation – (general partnerships, civil law partnerships – where the partners have rights to their portions of the partnership's assets and liabilities) – the Company recognises its assets and liabilities (including the share in jointly held/contracted assets and liabilities) and its portion of revenues and costs in its books of account;
- a joint venture – (incorporated companies – where shareholders have rights to the company's net assets) – the Company recognises its share using the equity method.

4.24 Changes in the method of financial statements preparation

The statement of financial position as at 31 December 2016 was changed due to a different presentation of provision for construction contracts losses in separate line. Moreover, the description of lines where the valuation of long-term construction contracts is presented were changed on both the assets' and liabilities' side.
These changes did not have any impact on earnings per share or diluted earnings per share.
The respective presentation changes are shown in the table below (the non-affected items were omitted):

Statement of financial position

	31 December 2016		
	after reclassification	**before reclassification**	**difference**
Current (short-term) assets			
Long-term construction contracts valuation	290 016	-	290 016
Amounts due and receivable from customers under construction contracts	-	290 016	(290 016)
Current (short-term) liabilities			
Provisions for construction contract losses	400 146	-	400 146
Long-term construction contracts valuation	937 634	-	937 634
Amounts due and payable to customers under construction contracts	-	1 337 780	(1 337 780)
	1 January 2016		
	after reclassification	**before reclassification**	**difference**
Current (short-term) assets			
Long-term construction contracts valuation	155 241	-	155 241
Amounts due and receivable from customers under construction contracts	-	155 241	(155 241)
Current (short-term) liabilities			
Provisions for construction contract losses	629 426	-	629 426
Long-term construction contracts valuation	599 589	-	599 589
Amounts due and payable to customers under construction contracts	-	1 229 015	(1 229 015)

5. Key estimates and assumptions

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

5.1 Key accounting estimates

The estimates and assumptions regarding the future made by the Management Board are reflected in these financial statements. The actual results may differ from these estimates. The estimates relate, among others, to provisions recognised, 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 report and an invoice. At each reporting date, a material part of completed, yet not accepted and uninvoiced by subcontractors, construction projects is recorded. In accordance with the accruals principle, these are recognised by the Company as costs of contracts. The value of costs of completed and uninvoiced projects is determined by technical surveyors on the basis of quantity surveys and may be different from that determined in the formal process of technical acceptance of construction works.

Tax settlements

Polish law contains numerous regulations concerning VAT, excise tax, corporate income tax and social security contributions, 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.

On 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rule (GAAR). GAAR are targeted to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland. GAAR define tax evasion as an activity performed mainly with a view to realising tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. In accordance with GAAR, an activity does not bring about tax gains, if its modus operandi was false. Any instances of (i) unreasonable division of an operation (ii) involvement of agents despite lack of economic rationale for such involvement, (iii) mutually exclusive or mutually compensating elements, as well as (iv) other activities similar to those referred to earlier may be treated as a hint of artificial activities subject to GAAR. New regulations will require considerably greater judgment in assessing tax effects of individual transactions.

The GAAR clause should be applied to the transactions performed after clause effective date and to the transactions which were performed prior to GAAR clause effective date, but for which after the clause effective date tax gains were realised or continue to be realised. The implementation of the above provisions will enable Polish tax authority challenge such arrangements realised by tax remitters as restructuring or reorganization.

The Company measures and recognises current and deferred income tax assets and liabilities in accordance with the provisions of IAS 12 Income taxes based on taxable profit (tax loss), taxable base, carry-forward of unused tax losses, tax credits and tax rates, while considering assessment of tax treatment uncertainty.

If there is any uncertainty as to whether or to what extent the tax authority will accept individual tax settlements of transactions, the Company recognises these settlements while considering uncertainty assessment.

Provisions for costs of future warranty repairs

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

Provision for legal proceedings

The Company is a party to litigation proceedings. The Company’s Management Board prepares detailed analyses of potential risks relating to the legal cases pending and, based on these, 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 revenues and losses on construction contracts

As described in section 4.17, the Company's preferred method of measuring the value of goods and services that are transferred to customers over time is the output method (method of measurement of completed works). This method requires physical measurements of the construction work performed and allocation of sales prices and unit costs to individual components produced under the contract.

The input method (method of share of costs incurred up to the date of determining revenues in total performance costs) is applied only where progress cannot be measured reliably using the output method. For this method, 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 as the share of the costs incurred from the contract date to the date of determining contract revenue in total contract costs.

Irrespective of the applied method for measuring progress towards complete satisfaction of a performance obligation, the key element enabling valuation of sales revenues are budgets of individual contracts. Twice a year, budgets 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 it is possible that total construction contract costs may exceed total contract revenues, in accordance with IAS 37, expected loss (excess of cost over revenues) is recognised as an operating expense and, simultaneously, a provision for onerous contracts (provision for contract losses) is recognised. The amount of the expected loss is also updated upon revision of the budgets and is the best estimate of the costs that the Company will have to incur in order to complete the given construction contract.

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6. Discontinued operations

In 2017 and 2016, 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 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. It is the Management Board's policy to hedge the net foreign currency exposure on individual contracts. As at 31 December 2017, approx. 92 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, 78 per cent of the Company's foreign currency exposure is hedged.

(all amounts are expressed in PLN thousand)

The Company does not apply hedge accounting.

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 2017 and as at 31 December 2016.

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 31.12.2017	
		Depreciation	Appreciation
		of the Polish zloty against other currencies	
		+10%	-10%
Forward contracts:			
– EUR	63 417	(2 076)	2 076
– USD	977	308	(308)
– CZK	191 859	3 120	(3 120)
Financial instruments denominated in foreign currencies – net currency exposure:			
– EUR	12 324	5 140	(5 140)
– USD	(389)	(135)	135
– CZK	22 560	368	(368)
Gross effect on the result for the period and net assets		**6 725**	**(6 725)**
Deferred tax		(1 278)	1 278
Total		**5 447**	**(5 447)**

	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**

(all amounts are expressed in PLN thousand)

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).

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 2017 (as at 31 December 2016 – at the same level) for PLN, at -0.25 pp / +0.25 pp for EUR (as at 31 December 2016 – at the same level), at -0.75 pp / +0.75 pp for USD (as at 31 December 2016 – at the same level) and at -0.5 pp/+0.5 pp for CZK.

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.

Presented below is the effect of interest rate fluctuations on the net result and net assets as at 31 December 2017 and 31 December 2016.

	Value as at the reporting date	Sensitivity to fluctuations as at 31.12.2017	
		+50 bp (PLN) +25 bp (EUR) +75 bp (USD) +50 bp (CZK)	**-50 bp (PLN) -25 bp (EUR) -75 bp (USD) -50 bp (CZK)**
Borrowings granted (principal)	75 381	377	(377)
Bonds acquired (value at acquisition price)	278 009	1 390	(1 390)
Cash at bank (fair value)	1 680 359	8 248	(8 248)
Bank loans and borrowings (principal)	(8 694)	(22)	22
Finance lease liabilities (present value)	(63 568)	(318)	318
Gross effect on the result for the period and net assets		**9 675**	**(9 675)**
Deferred tax		(1 838)	1 838
Total		**7 837**	**(7 837)**

	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)**
Borrowings 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)**

In the calculation of sensitivity to interest rates, cash on hand was 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 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.

(all amounts are expressed in PLN thousand)

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 2017 and 2016, 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, valuation of long-term construction contracts (liabilities) and provision for construction contract losses, and current tax liabilities less cash and cash equivalents.

	31.12.2017	31.12.2016
Interest-bearing borrowings and other external sources of finance	72 266	47 837
Trade and other liabilities	3 423 776	3 348 878
Less cash and cash equivalents	(1 680 371)	(2 272 110)
Net debt	**1 815 671**	**1 124 605**
Shareholders' equity	734 176	668 574
Equity and net debt	**2 549 847**	**1 793 179**
Gearing ratio	**71.21%**	**62.72%**

9. Information on operating and geographical segments

Operations of Budimex SA focus on 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 2017, sales revenue from one customer amounted to PLN 2 464 192 thousand, while in 2016 they amounted to PLN 2 823 863 thousand.

The Company operates on the domestic market and in Germany.

Revenues from sale of finished goods, goods for resale and raw materials	2017	2016
Domestic market	5 649 368	5 043 204
German market	175 491	163 990
Total	**5 824 859**	**5 207 194**

Capital expenditure	2017	2016
Domestic market	55 744	67 427
German market	311	162
Total	**56 055**	**67 589**

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

Capital expenditure includes expenditure on property, plant and equipment, investment properties and intangible assets. The split of total capital expenditure matches the location of the Company's branches.

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

10. Property, plant and equipment

	- land (including right of perpetual usufruct)	- buildings and constructions	- plant and machinery	- motor vehicles	- other property, plant and equipment	- construction-in-progress	Total
Gross value as at 01.01.2017	**2 876**	**11 464**	**186 523**	**20 053**	**31 838**	**8 429**	**261 183**
Increases:	**-**	**691**	**47 877**	**5 663**	**5 887**	**(7 981)**	**52 137**
– purchase (including acceptance for use under lease contracts)	-	691	41 295	4 028	5 771	352	52 137
– transfer from construction-in-progress	-	-	6 582	1 635	116	(8 333)	-
Decreases:	**-**	**(136)**	**(7 136)**	**(841)**	**(493)**	**-**	**(8 606)**
– sale	-	(130)	(4 500)	(809)	(50)	-	(5 489)
- liquidation	-	-	(2 618)	(32)	(377)	-	(3 027)
- other	-	(6)	(18)	-	(66)	-	(90)
Gross value as at 31.12.2017	**2 876**	**12 019**	**227 264**	**24 875**	**37 232**	**448**	**304 714**
Accumulated amortisation as at 01.01.2017	**-**	**(6 576)**	**(128 476)**	**(14 012)**	**(17 774)**	**-**	**(166 838)**
Changes for the period:	**-**	**(815)**	**(14 253)**	**(927)**	**(4 683)**	**-**	**(20 678)**
– current amortisation	-	(852)	(21 335)	(1 768)	(5 134)	-	(29 089)
– sale	-	31	4 493	809	50	-	5 383
- liquidation	-	-	2 577	32	354	-	2 963
– other	-	6	12	-	47	-	65
Accumulated depreciation as at 31.12.2017	**-**	**(7 391)**	**(142 729)**	**(14 939)**	**(22 457)**	**-**	**(187 516)**
Impairment write-downs as at 01.01.2017	**(1 677)**	**-**	**-**	**-**	**-**	**-**	**(1 677)**
– increase	-	-	-	-	-	-	-
– decrease	-	-	-	-	-	-	-
Impairment write-downs as at 31.12.2017	**(1 677)**	**-**	**-**	**-**	**-**	**-**	**(1 677)**
Net value as at 01.01.2017	**1 199**	**4 888**	**58 047**	**6 041**	**14 064**	**8 429**	**92 668**
Net value as at 31.12.2017	**1 199**	**4 628**	**84 535**	**9 936**	**14 775**	**448**	**115 521**

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

	- land (including right of perpetual usufruct)	- buildings and constructions	- plant and machinery	- motor vehicles	- other property, plant and equipment	- construction-in-progress	Total
Gross value as at 01.01.2016	**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 amortisation	-	(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)

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

	2017	2016
Cost of finished goods and services sold	27 844	19 736
Administrative expenses	1 164	980
Other costs	81	92
Total	**29 089**	**20 808**

No impairment write-downs against property, plant and equipment were made in 2017.

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 surveyor. The amount of the write-down was recognised under other operating expenses (note 33).

As at 31 December 2017 and 31 December 2016, 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 2017 was PLN 134 thousand (in 2016: PLN 220 thousand).

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

	31.12.2017		31.12.2016	
	Initial value – capitalised finance lease	Carrying value, net	Initial value – capitalised finance lease	Carrying value, net
Plant and machinery	91 147	66 926	56 931	41 007
Motor vehicles	4 987	3 996	2 037	1 388
Other fixed assets	271	245	-	-
Total	**96 405**	**71 167**	**58 968**	**42 395**

11. Investment properties

	Buildings and constructions	Other	Total
Value as at 01.01.2017	**3 283**	**479**	**3 762**
Increases:	**-**	**-**	**-**
Decreases:	**(124)**	**(332)**	**(456)**
– current amortisation	(123)	(11)	**(134)**
– sale	(1)	(321)	**(322)**
Value as at 31.12.2017	**3 159**	**147**	**3 306**

	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 amortisation	(123)	(15)	(138)
Value as at 31.12.2016	**3 283**	**479**	**3 762**

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

As at 31 December 2017 and 31 December 2016, the Company did not report any significant legal or obligatory charges established on its investment properties.

Depreciation of investment properties for the years 2017 and 2016 was recognised in the profit and loss account under cost of finished goods and services sold.

As at 31 December 2017 and 31 December 2016, 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. In addition, in 2017 the Company sold investment properties with profit, which indicates that the likelihood of impairment of other properties is low. The fair value measurement of investment properties was classified as level 2 according to IFRS 13. In 2017, there were no movements between the fair value levels.

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

	2017	2016
Rental charge income	844	961
Direct operating expenses (including costs of repair and maintenance) relating to investment properties that generated income on rentals	671	762
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 2017 and 31 December 2016, there were no material non-current assets which the Company would intend to sell within the next 12 months.

13. Intangible assets

	Computer software	Total
Gross value as at 01.01.2017	**53 249**	**53 249**
Increases	**5 290**	**5 290**
- purchase	3 918	3 918
- settlement of advance payments	1 372	1 372
Decreases	**(3 904)**	**(3 904)**
- liquidation	(3 892)	(3 892)
– other	(12)	(12)
Gross value as at 31.12.2017	**54 635**	**54 635**
Accumulated amortisation as at 01.01.2017	**(23 542)**	**(23 542)**
Changes for the period:	(1 156)	(1 156)
– current amortisation	(5 046)	(5 046)
- liquidation	3 881	3 881
- other	9	9
Accumulated depreciation as at 31.12.2017	**(24 698)**	**(24 698)**
Net value as at 01.01.2017	**29 707**	**29 707**
Net value as at 31.12.2017	**29 937**	**29 937**

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

	Computer software	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 depreciation 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 depreciation 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**

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

	2017	2016
Cost of finished goods and services sold	4 359	654
Administrative expenses	658	1 734
Other costs	29	24
Total	**5 046**	**2 412**

The Company does not hold any internally developed intangible assets.

As at 31 December 2017 and 31 December 2016, 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 2017 and 2016.

14. Joint arrangements

14.1 Jointly controlled entities

The financial data of Budimex SA as at 31 December 2017 and 31 December 2016 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),

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

- 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,
- "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 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.
- "Modernisation of the Northern Plant — stage II. "Modernisation of the pumping station" performed by the partnership Budimex SA – Cadagua SA V 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) 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 2017 and 31 December 2016 relating to the contracts realised by special purpose companies:

Statement of Financial Position data:	**31.12.2017**	**31.12.2016**
Non-current assets	7 273	6 630
Current assets	222 347	121 170
Liabilities and provisions for liabilities	166 192	136 767
Contingent liabilities	175 503	199 498

Profit and Loss Account:	**2017**	**2016**
Revenues	273 413	96 942
Costs	270 790	91 145

14.2 Jointly controlled business

As at 31 December 2017 and 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. 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%

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

Consortia with other entities:	
Construction of A1 motorway: Stryków – Tuszyn	99%
Modernisation of a Railway Station in Olszamowice	85%
Redevelopment of the “Start Lublin” Stadium	74%
Redevelopment of a barracks building in Gliwice	67%
Construction of Siedlce Oncology Center	64%
Expressway S5 Korzeńsko – Widawa	51%
Further construction of the A4 motorway: Rzeszów - Jarosław	48%
Works on the ring road in Warsaw	31%

Presented below is selected financial data recognised in the books of account of the Company as at 31 December 2017 and 2016 relating to the contracts realised by consortia:

Statement of Financial Position data:	**31.12.2017**	**31.12.2016**
Non-current assets	809	554
Current assets	277 890	309 200
Liabilities and provisions for liabilities	160 300	233 093
Contingent liabilities	**91 495**	**123 124**

Profit and Loss Account:	**2017**	**2016**
Revenues	122 916	379 244
Costs	63 908	242 213

15. Investments in subsidiaries, associates and other entities

	31.12.2017	**31.12.2016**
Investments in subsidiaries	**727 827**	**724 473**
- shares or equities	727 827	724 473
Investments in associates	**61 246**	**61 246**
- shares or equities	61 246	61 246
Investments in other entities	**6 417**	**6 417**
- shares or equities in other related parties	4 292	4 292
- shares or equities in other entities	2 125	2 125
Total	**795 490**	**792 136**

Shares and equities in subsidiaries, associates and joint ventures are measured at historical cost less impairment losses. Equities and shares in other entities are classified as available-for-sale financial assets. The carrying value of such assets as at 31 December 2017 and 31 December 2016 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 2017, *Investments in subsidiaries* included payments to increase equity in a subsidiary, Budimex PPP SA, in the amount of PLN 105 thousand. These payments were not registered in the National Court Register as at 31 December 2017 As at 31 December 2017 and 31 December 2016, there were no legal or obligatory charges established on long-term financial assets.

The Management Board of Budimex SA made a test for impairment of investments in FBSerwis SA. The recoverable amount of FBSerwis was determined based on financial flows presented by the Management Board of FBSerwis SA. The forecasts were divided into individual cash generating units, i.e. separately for FBSerwis SA and for individual operating subsidiary of FBSerwis SA. Cash flows were calculated in the nine-year period for units with infinite period of operation. In the case of cash generating units with a limited time horizon (landfills), flows were estimated for the entire lifetime (which in each case goes beyond 2040). Forecasts were prepared on the basis of historical results and predictions of the Management Board of FBSerwis SA regarding the development of the market on which the company and its subsidiaries operate. The applied discount rate is a pre-tax rate that reflects the specific nature of FBSerwis SA's operations and specific opportunities and threats regarding individual segment of its operations.

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

Based on the impairment test described above, the Management Board stated that there was no need to recognise any impairment write-down.

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

Shares or equities	31.12.2017	31.12.2016
Opening balance	**792 136**	**792 166**
Increases:	**3 354**	**150**
- purchase / capital increase	3 354	150
Decreases:	**-**	**(180)**
- liquidation	-	(180)
Total	**795 490**	**792 136**

In 2017 and 2016, the Company did not recognise impairment write-downs on investments in subsidiaries, associates and other entities, and the balance of such write-downs amounted to PLN 76 376 thousand as at 31 December 2017 and 31 December 2016.

(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	1 395	-	1 395	100.00%	100.00%
Budimex Budownictwo Sp. z o.o.	Warsaw	construction	subsidiary	1 810	-	1 810	100.00%	100.00%
Budimex Autostrada SA (w likwidacji)	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. (w likwidacji)	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. (w likwidacji)	Warsaw	construction	subsidiary	2 175	(2 175)	-	98.00%	98.00%
Elektromontaż Poznań SA	Poznań	energy infrastructure works	subsidiary	40 792	-	40 792	98.95%	98.95%
Subsidiaries in total				**789 995**	**(62 168)**	**727 827**		
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				**867 987**	**(74 622)**	**793 365**		

(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

	31.12.2017	31.12.2016
Other financial assets – long-term	**70 384**	**16 537**
- borrowings granted	65 834	15 733
- derivative financial instruments	4 550	804
Other financial assets – short-term	**295 836**	**1 717**
- derivative financial instruments	7 030	1 717
- borrowings granted	9 834	-
- bonds acquired	278 972	-
Total other financial assets	**366 220**	**18 254**
Other financial liabilities – long-term	**713**	**7**
- derivative financial instruments	713	7
Other financial liabilities – short-term	**6 153**	**204**
- derivative financial instruments	6 153	204
Other financial liabilities – total	**6 866**	**211**

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 2017 and 31 December 2016 are presented in the tables below:

	Financial assets arising from valuation of derivative instruments		Financial liabilities arising from valuation of derivative instruments	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
FX forward contracts	11 580	2 279	6 866	211
FX options	-	242	-	-
Total	**11 580**	**2 521**	**6 866**	**211**

As at 31 December 2017, the total nominal value of FX forward contracts amounted to EUR 63 417 thousand and USD 977 thousand and CZK 191 859 thousand. As at 31 December 2017, the Company had no FX options concluded.

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

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.

Forward selling/buying rates for transactions open as at 31 December 2017 were in the EUR/PLN 4.2105-4.7035, USD/PLN 3.5349-4.0927 and CZK/PLN 0.1667-0.1732 range (as at 31 December 2016: EUR/PLN 4.3163-4.7035 and USD/PLN 3.8202-4.1970).

Forward contracts open as at 31 December 2017, concluded in EUR, are to be settled within 25-711 days, while as at 31 December 2016 it was 26-1 034 days.

Forward transactions open as at 31 December 2017, concluded in USD, are to be settled within 25-270 days, while as at 31 December 2016 it was 26-180 days.

Forward transactions open as at 31 December 2017, concluded in CZK, are to be settled within 25-606 days, while as at 31 December 2016 the Company had no open forward transactions in CZK.

As at 31 December 2017, the Company had no FX options. As at 31 December 2016, the value of FX options purchased was EUR 4 014 thousand and the exchange rate applied to exercise the FX options was EUR/PLN 4.53.

As at 31 December 2017 and 31 December 2016, the Company did not apply hedge accounting.

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

	31.12.2017	31.12.2016
- less than 1 year	7 030	1 717
- 1-2 years	4 550	774
- 2-3 years	-	30
Total	**11 580**	**2 521**

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

	31.12.2017	31.12.2016
- less than 1 year	6 153	204
- 1-2 years	713	-
- 2-3 years	-	7
Total	**6 866**	**211**

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.

	2017	2016
Gains / (losses) on valuation of FX forward derivative financial instruments and FX options	4 437	2 512
Gains / (losses) on realisation of FX forward derivative financial instruments and FX options	(1 750)	(2 566)
Total gains / (losses) on derivative instruments recognised as part of operating business (note 33)	**2 687**	**(54)**

16.2 Loans granted

Loan granted – long-term	**31.12.2017**	**31.12.2016**
Opening balance	**15 733**	**6 270**
Increases:	**61 586**	**10 130**
- loans granted	56 953	9 163
- accrued interest	2 498	670
- capitalisation of interest	2 135	297
Decreases:	**(11 485)**	**(667)**
- repayment of the loan and interest	(157)	(369)
- reclassification to short-term loans	(9 193)	-
- other	(2 135)	(298)
Total	**65 834**	**15 733**

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

Loans granted – short-term	**31.12.2017**	**31.12.2016**
Opening balance	**-**	**1 549**
Increases:	**57 034**	**-**
- borrowing granted	47 300	-
- accrued interest	541	-
- reclassification from long-term loans	9 193	-
Decreases:	**(47 200)**	**(1 549)**
- repayment of the loan and interest	(47 200)	(1 549)
Total	**9 834**	**-**

As at 31 December 2017, 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. As at 31 December 2017, the value of tranches disbursed under the loan agreement was PLN 2 500 thousand, capitalised interest amounted to PLN 788 thousand and interest accrued amounted to PLN 53 thousand. The effective interest rate was 4.85 per cent in 2017 and 4.81 per cent in 2016. The loan repayment date is 19 December 2032,
- a loan in the amount of PLN 42 thousand granted to a subsidiary, Budimex Bau GmbH, under an agreement dated 15 January 2015. In 2017 and 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 2017, the value of tranches disbursed under the loan agreement was PLN 10 633 thousand and capitalised interest amounted to PLN 448 thousand. The effective interest rate was 5.73 per cent in 2017 and 5.71 per cent in 2016. The loan repayment date is 4 January 2021.
- a loan granted to FBSerwis SA (an associate of Budimex SA) under an agreement dated 24 March 2015, up to the amount of PLN 3 969 thousand. As at 31 December 2017, the value of tranches disbursed under the loan agreement was PLN 294 thousand and capitalised interest amounted to PLN 9 thousand. In 2017, the effective interest rate was 5.73 per cent. The loan repayment date is 24 March 2020.
- a loan granted to FBSerwis SA (an associate of Budimex SA) under an agreement dated 30 May 2017, up to the amount of PLN 78 400 thousand. As at 31 December 2017, the value of tranches disbursed under the loan agreement was PLN 49 389 thousand and capitalised interest amounted to PLN 1 678 thousand. In 2017, the effective interest rate was 5.73 per cent. The loan repayment date is 26 May 2020.

As at 31 December 2017, the balance of short-term loans granted comprises:

- interest accrued on a loan granted to Budimex Kolejnictwo Sp. z o.o. (a subsidiary of Budimex SA) under an agreement dated 26 October 2017. As at 31 December 2017, the value of interest accrued amounted to PLN 234 thousand. In 2017, the effective interest rate was 5.81 per cent. The loan repayment date is 25 April 2018,
- a loan granted to a subsidiary, Budimex Nieruchomości SA, under an agreement dated 18 April 2017, up to the amount of PLN 100 000 thousand. As at 31 December 2017, the value of tranches disbursed under the loan agreement was PLN 9 600 thousand. In 2017, the effective interest rate was 3.86 per cent. The loan repayment date is 29 June 2018.

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

16.3 Bonds issued by banks

In 2017, the Company acquired corporate bonds as part of investing surplus cash. As at 31 December 2017, the Company held short-term unquoted corporate bonds in the amount of PLN 278 972 thousand (including accrued interest of PLN 963 thousand). The bonds held are issued by Polish mortgage banks which have a long-term investment rating.

The average maturity of the bonds acquired as at 31 December 2017 amounted to 119 days and their average yield in 2017 was 2.05 per cent p.a.

As at 31 December 2016, the Company did not hold any acquired debt securities.

The bonds were classified as financial assets held to maturity. Their fair value approximates the value presented in the statement of financial position because they are short-term instruments.

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

17. Trade and other receivables

Long-term trade and other receivables	**31.12.2017**	**31.12.2016**
Prepayments and accruals	18 124	12 878
Total receivables, net	**18 124**	**12 878**
impairment write-down against receivables	-	-
Total receivables, gross	**18 124**	**12 878**

Short-term trade receivables	**31.12.2017**	**31.12.2016**
Trade receivables	549 318	414 794
Taxation, subsidies, customs duties, social security and other debtors	-	-
Advances made	41 041	26 370
Prepayments and accruals	22 023	14 965
Other receivables	25 953	6 200
Total receivables, net	**638 335**	**462 329**
impairment write-down against receivables	124 503	127 594
Total receivables, gross	**762 838**	**589 923**

Prepayments and accruals	**31.12.2017**	**31.12.2016**
- insurance	5 063	4 740
- costs of contracts to be settled over time	12 267	7 889
- other	794	249
Long-term in total	**18 124**	**12 878**
- insurance	10 872	9 336
- costs of contracts to be settled over time	7 244	4 196
- other	3 907	1 433
Short-term in total	**22 023**	**14 965**

Change in balance of impairment write-downs against receivables	**31.12.2017**	**31.12.2016**
Opening balance	**127 594**	**118 779**
Increases:	**2 413**	**14 564**
- doubtful and overdue receivables (note 33)	2 388	14 053
- write-offs of receivables not covered by impairment write-downs (note 33)	25	143
- valuation of impairment write-downs in foreign operations	-	368
Decreases:	**(5 504)**	**(5 749)**
- repayment of debts by debtors (note 33)	(2 952)	(3 226)
- write-offs of receivables covered by impairment write-downs	(2 077)	(2 380)
- receivables written off with no write-downs	(25)	(143)
- valuation of impairment write-downs in a foreign operation	(450)	-
Impairment write-downs of receivables – closing balance	**124 503**	**127 594**

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 2017 and 31 December 2016, there were no overdue other receivables not covered by impairment write-downs.

Past-due trade receivables, outstanding for:	**31.12.2017**	**31.12.2016**
– up to 1 month	61 251	52 719
– 1-3 months	4 248	2 637
– 3-6 months	1 721	4 654
– 6 months to 1 year	3 085	1 153
– above 1 year	29 509	27 942
Total receivables (net)	**99 814**	**89 105**

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

There is no credit risk concentration in respect of trade receivables as the Company's main customer is a government agency.

The fair value of trade and other receivables approximates their carrying value. As at 31 December 2017 and 31 December 2016, 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, because the Company holds collateral in the form of bank guarantees or suretyships.

As at 31 December 2017 and 31 December 2016, no collateral was established on these assets.

18. Inventories

	31.12.2017	31.12.2016
- raw materials	234 441	156 038
- semi-finished goods and work in progress	7 662	3 460
Net book value of inventories – closing balance	**242 103**	**159 498**
Inventory impairment write-downs – closing balance	2 425	2 493
Gross book value of inventories – closing balance	**244 528**	**161 991**

Impairment write-downs against inventories

	2017	2016
Inventory impairment write-downs – opening balance	**2 493**	**1 717**
Charged to other operating expenses (note 33)	-	1 751
Reversed to other operating income (note 33)	(68)	(975)
Utilised	-	-
Inventory impairment write-downs – closing balance	**2 425**	**2 493**

As at 31 December 2017 and 31 December 2016, 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 2017 and 31 December 2016 is no longer than 12 months.

19. Cash and cash equivalents

	31.12.2017	31.12.2016
Cash in hand	12	14
Cash at bank	1 679 296	2 269 211
- current accounts	77 080	57 637
- overnight (one-day) deposits	88 325	156 335
- other deposits	1 513 891	2 055 239
Other cash	1 063	2 885
Total cash and cash equivalents	**1 680 371**	**2 272 110**
Cash and cash equivalents of restricted use	(40 597)	(32 564)
Cash recognised in the statement of cash flows	**1 639 774**	**2 239 546**

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 2017 of 1.55 per cent per annum for deposits in PLN (as at 31 December 2016: 1.5 per cent p.a. for deposits in PLN). The average maturity period for these deposits is 49 days (31 December 2016: 91 days).

In 2017, the Company obtained cash in the amount of PLN 8 395 thousand following the execution of guarantees (in 2016: PLN 1 322 thousand).

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

20. Equity

Issued capital of the Company consists of 25 530 098 shares of a total value of PLN 127 650 thousand. The structure of the Company's issued capital as at 31 December 2017 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	2 250	11
A	ordinary/bearer	None	None	2 997 750	14 989
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 2017 and 31 December 2016 with values reported in the financial statements are presented in the table below:

	31.12.2017	31.12.2016
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	**31.12.2017**	**31.12.2016**
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	31.12.2017	31.12.2016
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)	(3 039)	(1 490)
Share-based payments	7 171	7 171
- other	1 526	1 526
Total	**52 452**	**54 001**

Retained earnings (losses)	31.12.2017	31.12.2016
Retained earnings recognised in reserve capital	160	940
Current year result	449 835	381 916
Total	**449 995**	**382 856**

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

21. Loans, borrowings and other external sources of finance

	31.12.2017	31.12.2016
Long-term		
Finance lease liabilities	45 885	29 374
	45 885	**29 374**
Short-term		
Bank loans and borrowings	8 694	9 160
Interest accrued on short-term loans and borrowings	4	5
Finance lease liabilities	17 683	9 298
	26 381	**18 463**
Total	**72 266**	**47 837**

21.1 Bank loans and borrowings

Based on an agreement dated 1 December 2004, Budimex SA received from Ferrovial Infraestructuras SA (currently Ferrovial 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 2017, 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.

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

At the same time, as at 31 December 2017 and 31 December 2016, 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 2017, the net value of machines used under finance lease was PLN 66 926 thousand, of motor vehicles: PLN 3 996 thousand and of other fixed assets: PLN 245 tangible assets (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 2017 are as follows:

	Minimum lease payments	Present value of minimum lease payments
- less than 1 year	19 465	17 683
- 1-5 years	48 232	45 885
Finance lease liabilities, total	**67 697**	**63 568**
of which: future finance costs under finance lease	4 129	-
Present value	**63 568**	**63 568**

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

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 2017 and 31 December 2016 were as follows:

	31.12.2017		31.12.2016	
	PLN	EUR	PLN	EUR
Bank loans and borrowings	-	0.56%	-	0.67%
Finance lease liabilities	3.08%		3.09%	-

21.3 Changes in (monetary and non-monetary) financial liabilities

	31.12.2016	Cash flows	Non-monetary changes				31.12.2017
			Value of non-current assets acquired under finance lease agreements	Accrual and capitalisation of interest	Exchange rate fluctuations	Other	
Long-term and short-term finance lease liabilities	38 672	(13 236)	36 631	1 531	-	(30)	63 568
Short-term liabilities on account of loans	9 165	-	-	58	(525)	-	8 698
Total financing commitments	**47 837**	**(13 236)**	**36 631**	**1 589**	**(525)**	**(30)**	**72 266**

22. Trade and other liabilities

	31.12.2017	31.12.2016
Trade liabilities	462 276	482 151
Uninvoiced costs	664 046	550 786
Taxation and social security liabilities	211 897	142 373
Liabilities relating to settlement of consortia	6 933	10 561
Payroll	5 953	5 854
Accrued expenses	223 676	202 702
Other liabilities	4 467	3 227
Total liabilities	**1 579 248**	**1 397 654**

Accrued expenses	31.12.2017	31.12.2016
- bonuses	161 501	143 341
- holiday pay	39 399	36 894
- costs of contract completion	21 426	22 423
- other	1 350	44
Total	**223 676**	**202 702**

All trade liabilities and other liabilities as at 31 December 2017 and 31 December 2016 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.

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

The non-financial liabilities include taxation and social security liabilities, accruals connected with costs of contract completion as well as other liabilities.

23. Income tax

Deferred tax assets	31.12.2017	31.12.2016
- to be realised after 12 months	92 699	130 310
- to be realised within 12 months	387 223	347 429
Total	**479 922**	**477 739**
Amount to be netted off	(119 773)	(77 693)
Deferred tax assets, after set-off	**360 149**	**400 046**

Deferred tax liabilities	31.12.2017	31.12.2016
– to be settled after 12 months	13 671	11 603
– to be settled within 12 months	106 102	66 090
Total	**119 773**	**77 693**
Amount to be netted off	(119 773)	(77 693)
Deferred tax liability, after set-off	**-**	**-**

Changes in net balance of deferred tax are as follows:

	2017	2016
Opening balance	**400 046**	**401 824**
Credited / (charged) to financial result	(40 260)	(1 714)
Credited / (charged) to other comprehensive income	363	(64)
Closing balance	**360 149**	**400 046**

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 2017, deductible temporary differences for which no deferred tax assets were recognised in the statement of financial position amounted to PLN 28 thousand (respectively, the deferred tax asset amounted to PLN 5 thousand) and were connected with receivables impairment write-downs.

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.

(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 01.01.2016	**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**
Increases:	**-**	**-**	**38 172**	**13 614**	**9 427**	**-**	**3 240**	**-**	**510**	**469**	**1 565**	**66 997**
recognised in profit or loss in connection with change in temporary differences	-	-	38 172	13 614	9 427	-	3 240	-	510	106	1 565	**66 634**
temporary differences recognised in comprehensive income	-	-	-	-	-	-	-	-	-	363	-	**363**
Decreases:	**(32 332)**	**(31 401)**	**-**	**-**	**-**	**(786)**	**-**	**(253)**	**-**	**-**	**(42)**	**(64 814)**
charged to financial result in connection with change in balance of temporary differences	(32 332)	(31 401)	-	-	-	(786)	-	(253)	-	-	(42)	(64 814)
Balance of deferred tax assets as at 31.12.2017	**145 606**	**44 625**	**82 703**	**53 856**	**58 663**	**35 789**	**29 935**	**12 363**	**7 103**	**1 680**	**7 599**	**479 922**

(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 assets as at 01.01.2016	**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 assets as at 31.12.2016	**54 817**	**8 862**	**3 799**	**479**	**1 896**	**567**	**217**	**7 056**	**77 693**
Increases:	**33 429**	**5 133**	**542**	**1 963**	**-**	**285**	**-**	**749**	**42 101**
charged to financial result in connection with change in balance of temporary differences	33 429	5 133	542	1 963	-	285	-	749	42 101
Decreases:	**-**	**-**	**-**	**-**	**-**	**-**	**(21)**	**-**	**(21)**
recognised in financial result in connection with change in balance of temporary differences	-	-	-	-	-	-	(21)	-	(21)
Balance of deferred tax assets as at 31.12.2017	**88 246**	**13 995**	**4 341**	**2 442**	**1 896**	**852**	**196**	**7 805**	**119 773**

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

	2017	2016
Current income tax	57 615	83 459
Deferred tax	40 260	1 714
Charge on / (credit to) profit or loss	**97 875**	**85 173**

Current income tax	**2017**	**2016**
Gross profit (loss)	547 710	467 089
Differences between gross profit (loss) and income tax base (by type):	(273 223)	58 462
- permanent differences between gross profit and taxable income	*(45 265)*	*(24 084)*
- temporary differences between gross profit and taxable income	*(212 151)*	*98 641*
- other differences	*(15 807)*	*(16 095)*
Income tax base	274 487	525 551
Income tax according to enacted tax rate of 19 per cent	52 153	99 855
Income tax on profits generated abroad	2 721	2 123
Tax increases, abandonments, exemptions, deductions and reductions	1 744	745
Adjustments to prior periods' income tax	997	(19 264)
Current income tax	**57 615**	**83 459**

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:

	2017	2016
Pre-tax profit / (loss)	**547 710**	**467 089**
Tax calculated using national tax rates	104 065	88 747
Differences in taxation of income of foreign operations	(554)	(511)
Adjustments to prior periods' income tax	997	(19 264)
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	(8 600)	(4 576)
Utilisation of tax losses or deductible temporary differences not recognised previously	(76)	(147)
Deductible temporary differences, unused tax losses and unused tax reliefs for which no deferred tax assets were recognised in the statement of financial position	5	1 167
Charge on / (credit to) the profit or loss on account of tax on industrial and commercial business operations in Germany	2 038	1 600
Income tax charge on / (credit to) profit or loss	**97 875**	**85 173**
Effective tax rate	17.87%	18.23%

(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 2017 and 31 December 2016, 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:

	31.12.2017	31.12.2016
Retirement severance payments, of which:	**8 842**	**6 373**
– present value of the obligation as at the reporting date	8 842	6 373
– 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	**8 842**	**6 373**
of which:		
- long-term portion	*7 857*	*5 348*
- short-term portion	*985*	*1 025*

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

	31.12.2017	31.12.2016
Discount rate	1.81% – 2.98%	1.77% – 2.98%
Forecast inflation rate	(0.9%) – 2.5%	1.3% – 2.5%
Forecast remuneration increase rate	6.00% – 6.50%	3.75% – 4.15%

Assumptions regarding mortality are based on the Life Length Charts for Poland for 2016 as published by the Central Statistical Office – with respect to the valuation as at 31 December 2017, and the Life Length Charts for Poland for 2013 – with respect to the valuation as at 31 December 2016.
The last valuation of employee benefits was made by an independent actuary as at 31 December 2017.

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

	2017	2016
Present value of the obligation – opening balance	**6 373**	**6 284**
Interest costs	153	120
Employment costs	719	703
Benefits paid	(315)	(398)
Actuarial (gains) / losses, of which:	**1 912**	**(336)**
- change in assumptions	*2 033*	*(456)*
- other	*(121)*	*120*
Present value of the obligation at the end of the period	**8 842**	**6 373**

(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:

	2017	2016
Employment costs	719	703
Interest costs	153	120
Costs recognised in the profit and loss account – administrative expenses (note 32)	**872**	**823**
Actuarial (gains) / losses to be recognised in the period	1 912	(336)
(Gains) / loses recognised in other comprehensive income	**1 912**	**(336)**

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 950 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 1 167 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 1 110 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 927 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 1 045 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 1 284 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	31.12.2017	31.12.2016
Warranty repairs		
opening balance	180 765	153 495
creation	80 263	86 946
reversal:	(41 119)	(59 676)
- revision of value	(9 746)	(16 656)
- transfer to current provisions	(31 373)	(43 020)
Total other non-current provisions	**219 909**	**180 765**

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

Current provisions for liabilities and other charges	**31.12.2017**	**31.12.2016**
Legal proceedings		
opening balance	**23 565**	**26 090**
creation	2 502	236
utilisation	-	-
reversal	(2 512)	(2 761)
other	(5)	-
closing balance	**23 550**	**23 565**
Warranty repairs		
opening balance	**84 191**	**59 319**
creation	-	-
- transfer from non-current provisions	31 373	43 020
utilisation	(20 327)	(18 148)
closing balance	**95 237**	**84 191**
Provisions for penalties / compensations		
opening balance	**49 784**	**45 555**
creation	1 575	10 418
utilisation	-	-
reversal	(12 332)	(6 189)
closing balance	**39 027**	**49 784**
Total other current provisions	**157 814**	**157 540**

Creation / (reversal) of provisions for litigation, compensations and of restructuring provisions was recognised under other operating expenses (note 33), while creation / (reversal) of provisions for warranty repairs – under operating expenses.

26. Long-term construction contracts

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

Selected financial data:

	31.12.2017	**31.12.2016**
Assets		
-Long-term construction contracts valuation (note 30)	472 740	290 016
Liabilities		
- Long-term construction contracts valuation (note 30)	767 855	937 634
- Provision for construction contract losses	234 876	400 146
Advances received for construction contracts in progress (note 27)	665 887	401 615

The fair value of valuation of long-term construction contracts approximates their carrying amounts.

27. Deferred income

Deferred income comprises:

	31.12.2017	**31.12.2016**
Advances for construction contracts in progress	665 887	401 615
- other	5 957	7 126
Total	**671 844**	**408 741**

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

All advance payments received and other deferred income at 31 December 2017 and 31 December 2016 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

	31.12.2017	31.12.2016
Retained by customers – to be returned after 12 months	54 685	39 835
Retained by customers – to be returned within 12 months	46 306	46 767
Total retentions for construction contracts retained by customers	**100 991**	**86 602**
Received from suppliers – to be returned after 12 months	192 314	194 624
Received from suppliers – to be returned within 12 months	207 272	174 635
Total retentions for construction contracts kept for suppliers	**399 586**	**369 259**

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 specific periods. The amounts of discount appropriately reduce the nominal value of receivables and liabilities under retentions for construction contracts. In addition, a deferred tax asset is recognised in the statements of financial position on the amounts stated calculated using the tax rate prevailing in Poland, i.e. 19 per cent, and on the effect of change in the value of discount in the profit and loss account.

	31.12.2017	31.12.2016
Discount of long-term retentions for construction contracts held by customers	2 997	1 483
Discount of long-term retentions for construction contracts received from suppliers	22 851	19 995

Amount of discount recognised in the profit and loss account:

	2017	2016
Decrease in sales revenues	(2 018)	(1 072)
Reduction in the cost of services sold	11 565	10 268
Total adjustment to gross margin	**9 547**	**9 196**
Adjustment to finance income / (costs) (note 34)	(8 205)	(6 109)
Deferred tax on above adjustments	(255)	(587)
Net effect on the profit and loss account	**1 087**	**2 500**

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

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

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

	31.12.2017	31.12.2016
– up to 1 month	1 051	2 769
– 1-3 months	6 610	3 964
– 3-6 months	2 774	2 219
– 6 months to 1 year	2 927	5 732
– above 1 year	7 919	1 952
Total overdue retentions for construction contracts	**21 281**	**16 636**

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

Change in balance of impairment write-downs of retentions kept by customers	31.12.2017	31.12.2016
opening balance	**4 445**	**4 724**
Increases (note 33)	270	-
Decreases:	(1 286)	(279)
- repayment of debts by debtors (note 33)	(1 121)	(279)
- receivables written-off	(165)	-
Impairment write-downs of receivables – closing balance	**3 429**	**4 445**

29. Revenue from contracts with customers

Revenues from sales of finished goods and services, goods for resale and raw materials by category

Revenues from sales of finished goods and services, goods for resale and raw materials by category were as follows:

Type of services	2017	2016
Revenues from sales of construction and assembly services	5 786 248	5 168 851
Revenues from sales of other services	34 824	34 643
Revenues from sales of goods for resale and raw materials	3 787	3 700
Net sales of finished goods and services, goods for resale and raw materials	**5 824 859**	**5 207 194**

Revenues from sales of finished goods and services, goods for resale and raw materials by geographical area were as follows:

Country	2017	2016
Poland	5 640 511	5 043 204
Germany	175 491	163 990
Other EU countries	8 857	-
Net sales of finished goods and services, goods for resale and raw materials	**5 824 859**	**5 207 194**

Revenues from sales of finished goods and services, goods for resale and raw materials by construction type were as follows:

Type of construction	2017	2016
Civil engineering	2 957 807	2 958 518
Rail	222 320	130 644
General construction, of which:	2 606 121	2 079 689
- non-residential buildings	*1 798 103*	*1 398 981*
- residential buildings	*808 018*	*680 708*
- other	38 611	38 343
Net sales of finished goods and services, goods for resale and raw materials	**5 824 859**	**5 207 194**

30. Assets and liabilities from contracts with customers

Deadline to satisfy contract obligations vs applied payment deadlines

Long-term construction contracts are settled with investors in the following manner:

- during contract performance – partially, as the work progresses, most often in monthly periods based on settlement documents confirming completion of certain types of work and satisfaction of other contract obligation (interim certificate of payment, interim technical acceptance (OT) protocols, progress billings), and
- after work completion – based on final documents (final technical acceptance (OT) protocol, final invoice), confirming completion of contract work and confirming satisfying of contract obligations necessary for final contract settlement.

Deadlines for payment for construction works performed by the Company are usually set at 30 days, with the provision that for certain construction contracts the Company obtains financing prior to commencement of contract work in the form of advance payments which are successively settled under progress billings and final invoices.

In 2017 no revenues from contracts with customers, for which performance obligations were satisfied in previous reporting periods, were recognised.

During 2017 there were no adjustments to revenues which would affect the assets or liability from contracts with customers and which would result from a change in the manner of measuring progress towards complete satisfaction of the obligation or from a contract modification.

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

	31.12.2016	Change in long-term contract valuation	Revenues recognised in 2017, included in the balance of liabilities as at 31 December 2016	Change in the time frame for a right to consideration to become unconditional	31.12.2017
Long-term construction contracts valuation	290 016	472 740	-	(290 016)	472 740
Assets from contracts with customers	**290 016**	**472 740**	**-**	**(290 016)**	**472 740**
Long-term construction contracts valuation	937 634	109 716	(279 495)	-	767 855
Liabilities from contracts with customers	**937 634**	**109 716**	**(279 495)**	**-**	**767 855**

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

Remaining performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period, to be satisfied:	31.12.2017
- up to 1 year	6 482 348
– above 1 year	3 658 291
Total	**10 140 639**

31. Costs by type

	2017	2016
Depreciation / Amortisation, of which:	34 269	23 358
– property, plant and equipment (note 10)	*29 089*	*20 808*
– investment properties (note 11)	*134*	*138*
– intangible assets (note 13)	*5 046*	*2 412*
Employee benefit costs (note 32)	754 423	648 126
Consumption of materials and energy	1 640 270	1 402 437
External services	2 942 508	2 424 641
Taxes and charges	5 972	4 820
Advertising and representation expenses	4 659	4 935
Life and non-life (property) insurance	11 409	8 330
Change in the balance of the provision for construction contract losses (note 26)	(165 270)	(229 280)
Other costs by type	123 469	471 069
Selling expenses (negative value)	(10 722)	(11 665)
Administrative expenses (negative value)	(194 220)	(179 368)
Change in the balance of finished goods and work in progress	-	-
Cost of goods produced for the entity's own use (negative value)	-	-
Cost of finished goods and services sold	**5 146 767**	**4 567 403**
Value of goods for resale and raw materials sold	1 377	3 576
Cost of finished goods, services, goods for resale and raw materials sold	**5 148 144**	**4 570 979**

32. Employee benefit costs

	2017	2016
Costs of remuneration, of which:	**628 802**	**540 637**
- costs of retirement benefits (note 24)	*872*	*823*
- costs of share-based payments (note 38)	*2 560*	*2 181*
- severance payments	*3 297*	*2 585*
Costs of social security benefits and other allowances, of which:	**125 621**	**107 489**
- social security	*96 612*	*81 396*
- severance payments	*511*	*538*
Total costs of employee benefits recognised in costs by type (note 30)	**754 423**	**648 126**

33. Other operating income and expenses

Other operating income	2017	2016
Profit on disposal of non-financial non-current assets	6 054	1 001
Reversal of impairment write-downs, of which:	4 141	4 480
– receivables (following repayment of amounts due by debtors) (note 17, 28)	*4 073*	*3 505*
– inventories (following the sale) (note 18)	*68*	*975*
Reversal of provisions, of which:	14 844	8 950
– for legal proceedings (note 25)	*2 512*	*2 761*
– for penalties and sanctions (note 25)	*12 332*	*6 189*
Penalties / compensations received	24 533	20 724
Write-off of time-barred liabilities	2 656	2 545
Gain on derivative financial instruments (note 16.1)	2 687	-
- other	769	977
Total	**55 684**	**38 677**

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

Other operating expenses	**2017**	**2016**
Impairment write-downs, of which:	2 683	17 624
– receivables (note 17, 28)	*2 683*	*14 196*
– inventories (note 18)	-	*1 751*
– property, plant and equipment (note 10)	-	*1 677*
Creation of provisions, of which:	4 077	10 654
– for legal proceedings (note 25)	*2 502*	*236*
– for penalties and sanctions (note 25)	*1 575*	*10 418*
Compensations and liquidated damages paid	13 216	23 736
Court charges and executions, costs of litigation	702	1 262
Donations given	1 012	958
Loss on derivative financial instruments (note 16.1)	-	54
- other	1 805	663
Total	**23 495**	**54 951**

34. Finance income and finance costs

Finance income	**2017**	**2016**
Interest earned on financial instruments, of which:	23 737	23 656
– on bank deposits and cash on bank accounts	*17 344*	*22 986*
– on loans granted	*3 040*	*670*
– on bonds acquired	*3 353*	-
Other interest income, of which:	4 863	8 613
– interest income on discounts received and penalty interest	*4 861*	*8 613*
– other	*2*	*0*
Dividends and shares in profits	51 686	36 586
Foreign exchange gains	-	815
- other	25	-
Total	**80 311**	**69 670**

Finance costs	**2017**	**2016**
Interest expense in respect of financial instruments, of which:	1 589	892
– interest on borrowings, loans and other external sources of finance taken out	*58*	*71*
– interest on lease contracts	*1 531*	*821*
Other interest expense, of which:	2 080	989
– penalty interest paid to suppliers and interest on discounts	*1 806*	*737*
– other interest	*274*	*252*
Discount of retentions for construction contracts (note 28)	8 205	6 109
Loss on disposal/liquidation of assets available for sale	-	154
Cost of bank commissions and guarantees	23 754	23 339
Foreign exchange losses	42	-
- other	893	6
Total	**36 563**	**31 489**

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

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).

	2017	2016
Net profit / (loss)	449 835	381 916
Weighted average number of ordinary shares	25 530 098	25 530 098
Basic earnings / (loss) per share (in PLN per share)	**17.62**	**14.96**

Diluted

Diluted earnings / (loss) per share equated to basic earnings per share in both periods as there was no instruments causing dilution.

36. Dividend per share

On 5 June 2017, the Company paid a dividend in the amount of PLN 382 696 thousand. To pay the dividend, the Company used the individual net profit for the period from 1 January 2016 to 31 December 2016 in the amount of PLN 381 916 thousand, and PLN 780 thousand from retained earnings, i.e. PLN 14.99 gross per share.
Until the date of preparation of these financial statements for the year ended 31 December 2017, the Management Board of Budimex SA has not made a resolution in respect of profit appropriation for the year 2017.

37. Statement of cash flows

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

	2017	2016
Foreign exchange differences on the translation of foreign operations	12	40
Share-based payments (note 38)	-	(180)
Option premium costs	759	-
- other	27	(31)
Total	**798**	**(171)**

Non-monetary transactions

In 2017, 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 36 631 thousand, used under finance lease agreements.
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.

38. Share-based payments

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

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

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

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

As at 31 December 2017 and 31 December 2016, the total fair value of services recorded under other reserves was PLN 7 171 thousand. As at 31 December 2017, the total fair value of services recorded under liabilities amounted to PLN 7 260 thousand, and as at 31 December 2016 – PLN 4 700 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 2014-2017, 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	Cost of shares granted*
2017	38 150	15-02-2017	74.00	100%	2 560
2016	36 712	15-02-2016	79.22	100%	2 181
2015	40 343	15-02-2015	76.93	100%	2 125
2014	50 200******	11-02-2014	59.94	100%	2 195
2013	48 464*****	15-02-2013	51.84	100%	2 665
2012	55 650****	12-02-2012	38.84	100%	1 422
2011	50 900***	28-02-2011	33.98	100%	1 027
2010	41 800**	31-03-2010	24.47	100%	256
Total	362 219	-	-	-	**14 431**

*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.
- 2017 – 2/36th of the cost of shares granted in 2014, 12/36th of the cost of shares granted in 2015, 12/36th of the cost of shares granted in 2016 and 10/36th of the cost of shares granted in 2017.

**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 February 2014. As the conditions were satisfied, 59 800 shares in Ferrovial SA were formally handed over to the employees entitled to obtain such shares in this tranche. The number of shares actually granted differs from the originally defined number due to adjustments made at a later date.

**** The three-year vesting period for shares granted in 2012 ended in February 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 February 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.

****** The three-year vesting period for shares granted in 2014 ended in February 2017. As the conditions were satisfied, 35 150 shares in Ferrovial SA were formally handed over to the employees entitled to obtain such shares in this tranche. The number of shares actually granted differs from the originally defined number due to adjustments made at a later date.

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

39. Related party transactions

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

Transactions with related parties concluded in 2017 and 2016 and the amount of outstanding balances of receivables and liabilities with these parties as at 31 December 2017 and 31 December 2016 are presented below.

	Receivables		Liabilities	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
The parent company and related entities of the parent (the Ferrovial Group)	20 679	20 472	73 553	95 843
Subsidiary companies	105 478	66 033	106 756	27 723
Associates	289	341	175	118
Jointly controlled entities	3 754	1 920	682	660
Other related parties*	11	7	-	-
Total	**130 211**	**88 773**	**181 166**	**124 344**

	Borrowings granted		Loans received	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
The parent company and related entities of the parent (the Ferrovial Group)	-	-	8 698	9 165
Subsidiary companies	13 217	6 570	-	-
Associates	62 451	9 163	-	-
Total	**75 668**	**15 733**	**8 698**	**9 165**

	Revenues from sale of finished goods and services and other operating income		Purchase of finished goods and services	
	2017	2016	2017	2016
The parent company and related entities of the parent (the Ferrovial Group)	856	7 462	45 522	39 275
Subsidiary companies	388 335	315 639	111 757	56 896
Associates	1 068	811	599	330
Jointly controlled entities	1 232	791	2	-
Other related parties*	-	-	-	15
Total transactions with related parties	**391 491**	**324 703**	**157 880**	**96 516**

	Finance income		Finance costs	
	2017	2016	2017	2016
The parent company and related entities of the parent (the Ferrovial Group)	-	-	58	71
Subsidiary companies	52 462	36 865	-	-
Associates	2 264	384	-	-
Total transactions with related parties	**54 726**	**37 249**	**58**	**71**

*) Other related parties comprise also entities on which the key management person of the Company or his/her 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].

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 by approving the BAPA agreement, Budimex SA will be remitting to Ferrovial Agroman SA payments reduced by 25 per cent.

In 2017, under Annex No 1 to the agreement of 29 October 2012, the outstanding 25 per cent of remuneration for the period from 1 January 2012 to 31 December 2016, amounting to PLN 28 796 thousand, was repaid, despite the failure to obtain approval of the BAPA agreement.

On 28 March 2017 a new agreement was signed, effective from 1 January 2017 for the next 5 years. The rules for determining the remuneration remained unchanged; the remuneration is paid in full despite the lack of approval of the BAPA agreement. In connection with the performance of those contracts, in 2017 Budimex SA incurred costs of PLN 29 357 thousand and in 2016 total costs of PLN 26 115 thousand.

Moreover, Budimex SA signed 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 2017 Budimex SA incurred costs of PLN 4 183 thousand and PLN 5 601 thousand, while in 2016: PLN 3 743 thousand and PLN 5 586 thousand, respectively.

39.1 Transactions with related parties involving transfer of rights or liabilities

On **15 February 2017**, Budimex SA commenced the process of acquisition of shares in Elektromontaż-Poznań SA. This process ended with the acquisition of 359 527 shares representing 6.64 per cent of issued capital and votes at the General Shareholders' Meeting of the company, for a total purchase price of PLN 3 249 thousand.

On **28 November 2017**, the Extraordinary General Shareholders' Meeting of Budimex PPP SA (a subsidiary of Budimex SA) resolved to increase the company's issued capital by PLN 105 thousand, i.e. from PLN 1 290 thousand to PLN 1 395 thousand by issuing 105 ordinary registered shares of nominal value of PLN 1 thousand each. All shares were acquired by the sole shareholder – Budimex SA, at the issue price equal to the nominal price. As of the date of the financial statements issuance the above capital increase was not registered in 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 2017, the total value of remuneration, bonuses and awards for the members of the Management Board of Budimex SA amounted to PLN 12 092 thousand (of which PLN 4 066 thousand represented performance bonuses for completing the tasks performed in 2016), of which PLN 10 781 thousand was recognised as costs of Budimex SA. The remaining balance was recognised as costs of its subsidiaries.

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 2017, remuneration of the members of the Management Board was as follows:

Dariusz Blocher	PLN 2 240 thousand
Fernando Pascual Larragoiti	PLN 1 935 thousand
Artur Popko	PLN 1 862 thousand
Henryk Urbański	PLN 1 311 thousand
Marcin Węgłowski	PLN 1 212 thousand
Jacek Daniewski	PLN 1 200 thousand
Radosław Górski	PLN 1 195 thousand
Cezary Mączka	PLN 1 137 thousand

Additionally, apart from the amounts presented above, in the 12-month period ended 31 December 2017, the estimated costs of share-based payments under Ferrovial SA incentive programmes allocated to the Company's Management Board amounted to PLN 2 025 thousand (of which PLN 1 786 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 759 thousand
Henryk Urbański	PLN 239 thousand
Fernando Pascual Larragoiti	PLN 227 thousand
Artur Popko	PLN 191 thousand
Marcin Węgłowski	PLN 165 thousand
Jacek Daniewski	PLN 165 thousand
Radosław Górski	PLN 157 thousand
Cezary Mączka	PLN 122 thousand

The above costs consist of: 2/36th of the cost of shares granted in 2014, 12/36th of the cost of shares granted in 2015, 12/36th of the cost of shares granted in 2016 and 10/36th of the cost of shares granted in 2017.

The three-year vesting period for shares granted in 2014 ended in February 2017. 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	10 000 shares
Henryk Urbański	3 950 shares
Fernando Pascual Larragoiti	3 600 shares
Marcin Węgłowski	3 200 shares
Jacek Daniewski	3 200 shares
Artur Popko	2 700 shares
Radosław Górski	2 500 shares

The market value of Ferrovial SA shares as at the date of actual grant amounted to PLN 77.30.

(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 2017 was PLN 816 thousand, while in 2016 it was PLN 350 thousand (for the period from 11 May 2016 to 31 December 2016).

Individual remuneration of proxies in 2017 was as follows:

Piotr Świecki	PLN 816 thousand

Additionally, apart from the amounts presented above, in the 12-month period ended 31 December 2017, the estimated costs of share-based payments under Ferrovial SA incentive programmes allocated to the Company's proxy — Piotr Świecki — amounted to PLN 93 thousand.

The Supervisory Board

Total value of remuneration paid to the members of the Supervisory Board in 2017 amounted to PLN 1 284 thousand (PLN 1225 thousand in 2016).

In 2017, remuneration of the members of the Supervisory Board of Budimex SA was as follows:

Marek Michałowski	PLN 203 thousand
Marzenna Anna Weresa	PLN 161 thousand
Igor Chalupec	PLN 139 thousand
Piotr Kamiński	PLN 139 thousand
Alejandro de la Joya Ruiz de Velasco	PLN 139 thousand
Javier Galindo Hernandez	PLN 139 thousand
Jose Carlos Garrido-Lestache Rodriguez	PLN 128 thousand
Janusz Dedo	PLN 118 thousand
Ignacio Clopes Estela	PLN 118 thousand

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

As at 31 December 2017 and 31 December 2016, 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 2017 amounted to PLN 59 409 thousand, of which PLN 56 055 thousand was allocated to the acquisition of non-financial non-current assets. In 2016, capital expenditure amounted to PLN 67 739 thousand, of which PLN 67 589 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 2018 capital expenditure of approx. PLN 39 000 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 2017, the amount of committed investment expenditure was PLN 51 385 thousand and related to the purchase of railway machinery.
As at 31 December 2016, the amount of committed investment expenditures was PLN 69 302 thousand

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

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 and to rental/lease of real property.

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

	31.12.2017	31.12.2016
- up to 1 year	36 057	29 469
- 1-5 years	25 245	38 503
- above 5 years	125	90
Total	**61 427**	**68 062**
Lease payments taken to costs	43 134	37 521

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:

	31.12.2017	31.12.2016
- up to 1 year	129	147
- 1-5 years	516	588
- above 5 years	8 663	10 001
Total	**9 308**	**10 736**
Fees for perpetual usufruct taken to costs	140	147

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

45. Financial instruments

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

Balance as at 31.12.2017

Classes of financial instruments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Financial assets held to maturity	Borrowings and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Borrowings granted	-	-	-	75 668	-	-	**75 668**
Bonds acquired	-	-	278 972				**278 972**
Investments in other entities	6 417	-	-	-	-	-	**6 417**
Retentions for construction contracts	-	-	-	100 991	-	(399 586)	**(298 595)**
Trade and other receivables*	-	-	-	575 271	-	-	**575 271**
Long-term construction contracts valuation	-	-	-	472 740	-	-	**472 740**
Derivative financial instruments	-	11 580	-	-	(6 866)	-	**4 714**
Cash and cash equivalents	-	1 680 371	-	-	-	-	**1 680 371**
Loans, borrowings and other external sources of finance	-	-	-	-	-	(72 266)	**(72 266)**
Trade liabilities and other financial liabilities**	-	-	-	-	-	(1 340 108)	**(1 340 108)**
Total	**6 417**	**1 691 951**	**278 972**	**1 224 670**	**(6 866)**	**(1 811 960)**	**1 383 184**

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

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
Borrowings 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**
Long-term construction contracts valuation	-	-	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)**
Trade liabilities and other financial liabilities**	-	-	-	-	(1 229 587)	**(1 229 587)**
Total	**6 417**	**2 274 631**	**813 345**	**(211)**	**(1 646 683)**	**1 447 499**

*) 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 2017 and 31 December 2016 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.

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

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

For the period from 01.01.2017 to 31.12.2017

	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Financial assets held to maturity	Borrowings and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Interest income / (expense)	-	17 344	3 353	2 482	-	2 025	**25 204**
Foreign exchange gains / (losses)	-	(2 537)	-	(211)	-	2 706	**(42)**
Reversal / (creation) of impairment write-downs	-	-	-	1 390	-	-	**1 390**
Dividends received	-	-	-	-	-	-	**-**
Valuation gains / (losses)	-	9 818	-	(2 018)	(5 381)	3 360	**5 779**
Gains / (losses) from disposal / realisation of financial instruments	-	(1 312)	-	-	(438)	-	**(1 750)**
Total	**-**	**23 313**	**3 353**	**1 643**	**(5 819)**	**8 091**	**30 581**

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	Borrowings 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)

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.

	31.12.2017			
	Fair value measurement			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	11 580	-	11 580
Cash and cash equivalents	-	1 680 371	-	1 680 371
Total financial assets at fair value through profit or loss	**-**	**1 691 951**	**-**	**1 691 951**
Derivative financial instruments	-	6 866	-	6 866
Total financial liabilities at fair value through profit or loss	**-**	**6 866**	**-**	**6 866**

	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**

During the 12 months ended 31 December 2017 and 31 December 2016, there was no transfer between Level 1 and Level 2 of the fair value hierarchy, and no transfer into and out of Level 3 of the fair value hierarchy (note 4.11).

46. Legal proceedings pending as at 31 December 2017

The total value of legal proceedings pending in respect of liabilities of Budimex SA as at 31 December 2017 was PLN 316 712 thousand. The proceedings pending relate to the operating activities of the Company.

The proceedings in the highest value case are pending before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw, which involve the consortium members: Ferrovial Agroman SA, Budimex SA and Estudio Lamela S.L. (the 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 Budimex SA was PLN 35 168 thousand, of which PLN 21 612 thousand as reimbursement of the performance bond). The court enforcement officer transferred that amount to the indicated bank account of Budimex SA on 28 September 2012. After the cassation appeal of PPL was dismissed by the Supreme Court, the enforcement proceedings became final and PPL cannot submit now any further claims against the FBL Consortium regarding reimbursement of the amounts adjudicated in the partial judgement.

In the course of the proceedings before the Court of Arbitration, PPL filed a counter-claim of a total amount of PLN 135 719 thousand, covering claims for the redress of damage, including lost benefits, return of unjust enrichment and liquidated damages. On 31 July and 26 October 2009, PPL filed to the Court of Arbitration further written statements of claim including extension of the counter-claim, changing the original amount of counter-claim from PLN 135 719 thousand to PLN 280 894 thousand. As a result of subsequent procedural steps, in August 2012, the PPL's claim was raised to PLN 298 892 thousand.

According to the value of the shares set forth in the consortium agreement, the risk allocated to Budimex SA does not exceed a total of PLN 119 556 thousand.

According to Budimex SA, all claims under the PPL's 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, and hence the statement on the groundlessness of PPL's claims. Until now, during several hearings, the court has examined all witnesses for the claimant and the counter-claimant with respect to the circumstances included in PPL's counter-claim. The evidence from 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 hearing of evidence concerning filed claims. 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 the PPL's counter-claim and in accordance with former announcements, on 27 February 2009 the FBL Consortium submitted a statement of claim including an extension of the main claim by the amount of PLN 216 458 thousand, covering: remuneration for the works performed, but not paid by the Investor, remuneration for additional works, and reimbursement for the retained amounts and interest on late payments. Under the consortium contract, the share of Budimex SA in this 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 evaluating 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 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. the BS Consulting Group, was to draft an opinion – an assessment of the value of claims submitted by the FBL Consortium in the extended claim by the end of October 2013. Due to the fact that the expert did not prepare this opinion to a set deadline, the Court of Arbitration, during the hearing on 20 December 2013, decided to appoint another court expert. In 2015, the final scope of the opinion was determined as well as the composition of a new team of experts. Consequently, only in October 2016, the parties received an opinion on the Consortium's claims prepared by the new team of experts. This opinion proves that the experts considered, in principle, all claims of the Consortium, which account for the majority of the amount of the claim. Nevertheless, in the opinion of the Consortium, the amount of claim recognised by experts is still underestimated because it does not account for all claims that were filed. At the beginning of August 2017, the experts forwarded to the Arbiter Team and to the concerned Parties yet another (third) supplementary opinion. In this opinion, the experts upheld their then current conclusions - this opinion does not bear any unfavourable impact on the amount of the Consortium's claim. As part of the summary of the parties' positions, PPL submitted to members of the Consortium a statement on deduction and possible charge of deduction in the proceedings, which resulted in a change of the Arbitration Court decision, which in its order of 6 March 2018 decided not to issue a second partial court order covering the plaintiff's claims and decided to recognize together the principal claim and the counterclaim together with the abovementioned charge of deduction. As a result, the evidentiary proceedings regarding the opinion of experts regarding PPL claims filed in the counterclaim will be continued and probably this stage will not end earlier than in the first half of 2019.

The Management Board is of the opinion that the final judgement of the Court of Arbitration will be favourable to the FBL Consortium.

On 24 July 2017, a lawsuit against Budimex SA and Ferrovial Agroman SA in Madrid, members of the consortium related to implementation of the contract “Construction of the new premises for the Silesian Museum in Katowice” concluded on 7 June 2011, was filed by the petitioner – the Silesian Museum in Katowice.

The petitioner requests that the plaintiffs are either condemned in solidum to pay the amount of PLN 122 758 thousand plus statutory interest from the date the lawsuit was filed for improper performance of the obligation under the Contract, either alternatively the court adjudges the claim for decreasing the price by PLN 34 675 thousand as the reimbursement of part of the remuneration, which was wrongly paid in petitioner’s opinion. Article 471 of the civil code was specified as the grounds for pursuing the main claim, and the provisions on statutory warranty were specified for the alternative claim.

In the opinion of the Management Board of Budimex SA the claims in the lawsuit are groundless. The irregularities, which in the Petitioner’s opinion constitute actual grounds of the claims, provided that these do exist, do not result from actions or omissions of the consortium. Moreover, proper performance of the building by the consortium was confirmed by the Petitioner issuing the Work Acceptance Certificate and Implementation Certificate for the Silesian Museum building in Katowice. The Management Board assesses that the provisions for warranty repairs recognised beforehand fully cover the risks related to contract implementation. Budimex SA filed its response to the claim on 31 October 2017. It was supplemented by Budimex SA in January 2018. At the same time, the court attempted to deliver a copy of the claim to Ferrovial Agroman SA. Due to the non-translation of all documents into Spanish, Ferrovial Agroman SA refused to accept the parcel. As at the date of the report, it was not possible to successfully deliver a copy of the claim to Ferrovial Agroman SA.

Another material in value legal proceedings relate to the claim filed on 5 March 2008 by Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. requesting that the amount of PLN 25 252 thousand be awarded jointly and severally against the consortium to which the Budimex SA and Budimex Dromex SA belonged. The claim relates to the replacement of contractor costs incurred by the investor when the consortium rescinded the contract. The share of the companies in the consortium was 90 per cent; therefore the value of the claim for which the Company is presently liable is PLN 22 727 thousand. The court ended examination of witnesses of both parties, then heard the parties, and on 6 February 2014 accepted the evidence from the construction expert opinion with regard, inter alia, to the assessment of quality and value of works completed by the defendant, the scope and completeness of works to be performed as well as the 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. The claimant filed another request for an opinion a new expert; which turned out to be the same as the first expert’s opinion. On 12 July 2017 the court of first instance issued a judgement in which it ordered Budimex SA to pay only PLN 22 thousand (in return for the costs of the expert's investigations) and dismissed the claim entirely. An appeal against the judgment was filed both by the claimant (against the entire judgment) and the defendant (against a part of the judgment - i.e. the amount of PLN 22 thousand). Currently, the parties are waiting for the date of the hearing before the court of second instance.

As at the date of these financial statements, 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 131 549 thousand as at 31 December 2017. 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 is material.

As at the date of these financial statements, the final outcome of the proceedings is not known.

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

47. Events after the reporting date

On **1 February 2018**, the demerger of Elektromontaż Poznań SA by spinning off the part of the business related to property management to Budimex Inwestycje Grunwald SA was registered. As a result of the demerger, the issued capital of Elektromontaż Poznań SA was decreased from PLN 54 082 thousand to PLN 18 388 thousand (decrease of the nominal value of shares from PLN 10 to PLN 3.40 per share). At the same time, the issued capital of Budimex Inwestycje Grunwald SA was increased from PLN 100 thousand to PLN 35 794 thousand (issue of new shares with the nominal value of PLN 0.10 per share).

48. Contingent liabilities and contingent receivables

	31.12.2017	31.12.2016
1. Contingent receivables	**587 855**	**494 864**
1.1. From related parties	15 066	15 654
- guarantees and suretyships received	2 518	-
- bills of exchange received as security	2 548	5 016
- other contingent receivables	10 000	10 638
1.2. From other entities	558 021	463 093
- guarantees and suretyships received	557 169	454 607
- bills of exchange received as security	852	8 486
1.3. Other	14 768	16 117
- other contingent receivables	14 768	16 117
2. Contingent liabilities	**3 966 135**	**3 139 145**
2.1. To related parties	347 754	109 011
- guarantees and suretyships issued	347 754	109 011
2.2. To other entities	3 484 000	2 896 580
- guarantees and suretyships issued	3 470 248	2 895 488
- bills of exchange issued as security	13 752	1 092
2.3. Other	134 381	133 554
- other contingent liabilities	134 381	133 554
Total contingent liabilities and contingent receivables	**(3 378 280)**	**(2 644 281)**

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

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

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

Other contingent liabilities include, among others, voluntary submission to enforcement which secures the payment in the amount of up to PLN 134 381 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 as at 31 December 2017 and 31 December 2016 was as follows:

Employee group	31.12.2017	31.12.2016
White collar employees	3 368	3 011
Blue collar employees	2 001	1 769
Total employment	**5 369**	**4 780**

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

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

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

On 21 December 2011 Autostrada Południe SA filed a claim to court against the State Treasury represented by the Ministry of Transportation, Construction and Naval Economy, calling for payment of PLN 176 855 thousand regarding design works performed by Spółka Jawna. In 2012 and 2013, partial evidence proceedings and witness interrogation took place, and an expert opinion was drafted. Autostrada Południe SA submitted a request for the drafting of a supplementary opinion which was prepared and delivered to the parties in October 2014. As follows from the opinion, all stages of design works with respect to which the claimant demands payment were performed, and thus the comments of the former expert were not justified. Subsequently, in October 2015 the court accepted the defendant's motion to examine another witness, which resulted in the need to draft an additional expert opinion. The opinion was to be prepared by the end of November 2017, but the experts indicated that an extension of this deadline was necessary due to the significant passage of time. At the same time, the experts were obligated to indicate the deadline by which the opinion would be submitted.

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 96 035 thousand as at 31 December 2017 (as at 31 December 2016: PLN 89 957 thousand). In view of the legal proceedings pending and the fact that the Consortium has not completed its financial settlements with PPL and its subcontractors, the final result of the contract performance may change.

Dariusz Blocher	President of the Management Board	.... 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, 19 March 2018	