

**REPORT**  
**of the Supervisory Board of Budimex SA**

- on the results of examination of the Report on the Activities of the Company in 2014, including the financial statements, as to their compliance with the books of account, the documents and the actual status, as well as the Management Board proposal for the coverage of loss from previous years and the distribution of profit for 2014,
- on the assessment of the Company standing, including evaluation of the internal control system and risk management system for the risks significant to the Company (in accordance with Principle 1.1 Division III of the corporate governance principles set out in “The Code of Best Practices of WSE Listed Companies”);

for the 2015 Ordinary General Meeting of Budimex SA.

Pursuant to Article 382 § 3 and § 4 of the Code of Commercial Companies and in accordance with § 11.1.e of the Bylaws of Budimex SA Supervisory Board, the Board — in the meeting held on 16 March 2015 — examined and assessed the Reports on the Activities of the Company and the Budimex Group as well as the respective financial statements for the reporting year 2014, as to their compliance with the books and documents and the actual status, and also the Management Board proposal for the coverage of loss from previous years and the distribution of profit, as a result of which the Board states as follows:

- 1 During the examination of the documents referring to Budimex SA for the reporting year 2014:
  - 1) the Board read the financial statements and analysed the report on financial standing, profit and loss account, statement of comprehensive income, statement of changes in equity, cash flow statement, and additional notes and explanations;
  - 2) the Board read the Opinion and the Report on the Financial Statements Audit by an independent statutory auditor and heard the auditor’s explanations and replies to the questions asked by the Supervisory Board Members;
  - 3) the Board read the Report on the Activities of the Company and heard explanations of the Management Board regarding that Report.
- 2 During the examination of the documents referring to the Budimex Group for the reporting year 2014:
  - 1) the Board read the consolidated financial statements and analysed the consolidated report on financial standing, consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement, and additional notes and explanations;
  - 2) the Board read the Opinion and the Report on the Consolidated Financial Statements Audit by an independent certified auditor and heard the auditor’s explanations and replies to the

questions asked by the Supervisory Board Members;

- 3) the Board read the Report on the Activities of the Budimex Group and heard explanations of the Management Board regarding that Report.
- 3 On the basis of the examination of the Reports on the Activities in 2014 mentioned in clauses 1 and 2 as well as the examination of the reports on the audit of 2014 financial statements prepared by the statutory auditor, the Supervisory Board states that the information provided in those documents is a correct and fair reflection of the result of business activities of the Company and the Budimex Group as well as the assets and the financial standing of the Company.
- 4 In accordance with the statement presented in clause 3, the Supervisory Board requests the Annual General Meeting of Budimex SA to pass resolutions regarding:
  - 1) review and approval of the financial statements of Budimex SA for the year ending 31 December 2014 and the directors' report on the operations of the Company in;
  - 2) review and approval of the consolidated financial statements for the year ending 31 December 2014 and the directors' report on the operations of the Budimex Group in 2014;
  - 3) coverage of loss from previous years;
  - 4) distribution of profit for 2014;
  - 5) grant of discharge to Members of the Management Board of Budimex SA for performance of their duties in 2014;
  - 6) amendment to the Company's Articles of Association and adoption of a consolidated text of the Articles of Association; and also provides its positive opinion on the formal contents of resolutions regarding:
  - 7) granting discharge for the performance of duties in 2014 by the Members of the Supervisory Board;
  - 8) determination of the rules and the amount of remuneration for the Members of the Supervisory Board.
- 5 On 16 March 2015, the Supervisory Board adopted Resolution No 233 on the examination of the financial statements and the Reports on the Activities of the Company and the Budimex Group in 2014, proposal regarding loss coverage and distribution of profit for 2014 and discharge for the Members of the Management Board;  
Appendices to the aforesaid Resolution of the Supervisory Board are draft resolutions of the Ordinary General Shareholders Meeting listed in items 4(1)–(6) hereof.
- 6 Company assessment in consideration of the internal control system and risk management system.

The basic object of Budimex SA activity is the provision of construction and assembly works, real estate development services as well as provision of management and advisory services to the Budimex Group companies. Execution by Budimex SA of the advisory, management and financial functions serves to:

- ensure quick flow of information across the Group,
- improvement of finance and cash management effectiveness at the particular companies;
- strengthen the market position of the Group.

Within the twelve-month period of 2014, Budimex SA generated revenue from sales in the amount of PLN 4,553 million, which represents an increase by 13.8% as compared to the revenue earned in 2013.

In 2014, gross profit on sales was PLN 353 million, while in the prior year it was PLN 298 million. The gross sales profitability ratio for 2014 was therefore 7.8% and was higher than in 2013, when it reached 7.5%.

The balance of cash for the purposes of the cash flow statement in Budimex SA at the beginning of 2014 amounted to PLN 1,076 million. Net cash flows in the period of 12 months of 2014 were positive and amounted to PLN 286 million. The balance of cash as at 31 December 2014 amounted, therefore, to PLN 1,362 million.

The Company balance of cash for investing activities increased by PLN 185 million. The reimbursement of the additional payment to capital made by a subsidiary was the main driver of that amount. Cash flows from financing activities in 2014 were negative and amounted to PLN 314 million. The expenditures consisted of the payout of dividend by the Company in the amount of PLN 303 million and repayment of liabilities under financial lease agreement, including interest.

In 2014, the Budimex Group generated total sales revenue of PLN 4,950 million, which was 4.2% higher than the revenue generated in 2013.

In 2014, the sales volume in the construction segment of the Budimex Group rose by 13.9% in comparison to 2013.

Sales in the infrastructural construction segment increased by 9.1% (from PLN 2,456 million in 2013 to PLN 2,680 million in 2014) and in the building objects segment sales increased by 20.9% (from PLN 1,685 million in 2013 to PLN 2,037 million in 2014). The share of the infrastructure segment in the total construction and assembly services revenues of the Group dropped from 59.3% in 2013 to 56.8% in 2014.

In 2014, sales of the development business amounted to PLN 251 million, recording 11.3% increase compared to the previous year. Sales revenue on development activities are recognised upon transfer of the ownership title to a flat/premises to the buyer after the technical acceptance report has been

signed for the entire building. Therefore, the notarised sales of apartments depends on the construction projects completion dates and handing over the finished apartments to the customers. It is not a seasonal phenomenon and it cannot be compared on a year-over-year basis.

As a result of the macroeconomic factors, in 2014 a significant revival and dynamic growth in demand for flats could be observed on the entire development market. This was directly reflected in the unprecedented level of pre-sales of flats. In 2014, 1,685 flats were sold in the pre-booking system, compared to 742 flats sold in the prior year.

In 2014, the Budimex Group companies signed construction contracts for the total value of PLN 6,310 million (with annexes). The value of the construction order book of the Budimex Group as at 31 December 2014 amounted to PLN 6,107 mln and was higher by 41% as compared to the end of 2013.

In 2014, gross profit on sales was PLN 433 million, while in the prior year it was PLN 395 million. Hence, gross sales profitability in 2014 was 8.7%, as compared with 8.3% in 2013.

The financial standing of the Group in 2014 remained on a good level. Net cash flows in 2014 were positive and amounted to PLN 137 million. In 2014, the balance of cash from operating activities increased by PLN 486 million. The cash flows from investing activities closed with a negative balance of PLN 49 million.

Cash flow from financing activities for 2014 showed a negative balance which amounted to PLN 300 million and resulted mainly from the 2013 dividend payment.

The current financial standing of the Budimex Group as regards liquidity and access to external sources of finance does not pose any hazard to financing the activities in 2015.

Considering the recommendations of the Audit Committee, the Supervisory Board positively assesses the functioning of the internal control system and the risk management system as regards the risks significant to the Company.

The Supervisory Board positively assessed the activities of the Company Management Board in 2014.

## 7 Activities of the Supervisory Board of Budimex SA in 2014

In 2014, the Supervisory Board consisted of nine persons, except for the period between 7 February 2014 and 24 April 2014, when it consisted of 8 persons. As at the end of 2014, the composition of the

Supervisory Board of Budimex S.A. was as follows:

Chairman	Marek Michałowski;
Deputy Chairman	Alejandro de la Joya Ruiz de Velasco,
Secretary	Igor Chalupiec,
Members:	Marzenna Weresa, Ignacio Clopes Estela, Janusz Dedo, Javier Galindo Hernandez, Jose Carlos Garrido Lestache Rodriguez, Piotr Kamiński.

In 2014, the following changes in the composition and structure of the Supervisory Board of Budimex S.A. took place:

- Mr Tomasz Sielicki submitted his resignation from membership in the Supervisory Board and from the function of the Secretary, effective as of 7 January 2014;
- on 29 January 2014, the Supervisory Board adopted resolution No 218 on supplementing the composition of the Supervisory Board by co-opting Mr Janusz Dedo to replace Mr Tomasz Sielicki. Supplementing of the Supervisory Board's composition was approved by the Ordinary General Meeting on 24 April 2014;
- on 29 January 2014, the Supervisory Board adopted resolution No 219 on the appointment of the existing member of the Board, Mr Maciej Stańczuk, as Secretary of the Supervisory Board;
- Mr Maciej Stańczuk submitted his resignation from membership in the Supervisory Board and from the function of the Secretary, effective as of 7 February 2014;
- on 12 March 2014, the Supervisory Board adopted resolution No 220 on the appointment of the existing member of the Board, Mr Igor Chalupiec, as Secretary of the Supervisory Board;
- on 24 April 2014, the Ordinary General Meeting of Budimex S.A. appointed Mr Ignacio Clopes Estela to the position of the member of the Supervisory Board of the 8<sup>th</sup> term of office, effective as of 1 May 2014.

The Board held seven meetings in 2014, six of which were focused on analysing the current standing of the Company based on the materials and information regarding:

- acquisitions, order portfolio, major contracts awarded;
- financial results and the net cash position of the Budimex Group;
- evolution of the development activities;
- investments and divestments within the Budimex Group;
- risks in public procurement procedures, including information on planned and implemented

amendments to the Act “Public Procurement Law”.

The meeting held at the request of the Management Board on 19 November 2014 was organised to consider the request of the Management Board of Budimex S.A. for granting a consent to continued financing of operations of FBSerwis S.A., a company whose 49% of share capital is held by Budimex S.A.

Moreover, in the meetings held, the Board analysed also other aspects of the Company and the Group standing on the basis of the materials and information regarding:

- the results of the companies competing with Budimex SA in the construction market;
- current situation of FBSerwis S.A. and Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in composition bankruptcy, in consideration of the events expected in the composition proceedings;
- progress of implementation of the new model of cooperation between Budimex and Ferrovia;
- assessment of the situation in the construction sector on the Polish market.

The Supervisory Board prepared recommendations and requests for the Management Board, the implementation of which was accounted for in the subsequent meetings of the Board.

The recommendations and requests referred to the following affairs:

- analysis and planned actions related to the standing of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in composition bankruptcy;
- assessment of the action plan for FBSerwis SA as well as the principles of providing financial support to the company by Budimex SA as its shareholder;
- method of presenting to the Board of the investment project applications considered by the Investment Committee;
- informing the Board about the process of implementing the new model of cooperation between Ferrovia and Budimex (BAPA).

On 12 March 2014, the Supervisory Board met the representatives of the external auditor, receiving information on the approach to auditing financial statements and the results of activities undertaken by the statutory auditor.

Within the Supervisory Board there were the following three-person Board Committees functioning in 2014:

1. **Investment Committee** whose tasks and competencies are specified in the Procedure No 09-01 of the Integrated Management System – *The Principles of providing opinions and making investment, financial and corporate decisions*, which was earlier accepted by the Board and approved by the Chairman of the Board. The competencies and tasks of the Investment

- Committee are also provided in § 12 Clauses 7–11 of the Bylaw of the Supervisory Board;
2. **Audit Committee** whose tasks are specified in § 12.6 of the Bylaws of Budimex SA Supervisory Board and the Rules of the Audit Committee;
  3. **Remuneration Committee** whose tasks are specified in § 12.14 of the Bylaw of Budimex SA Supervisory Board and the Rules of the Remuneration Committee.

The membership of the **Supervisory Board Committees** at the end 2014 was as follows:

**Investment Committee:**

Piotr Kamiński – Chairperson (Mr Piotr Kamiński replaced Mr Maciej Stańczuk following his resignation and supplementing the composition of the Committee by the Board) Alejandro de la Joya Ruiz de Velasco,  
Javier Galindo Hemandez;

**Remuneration Committee:**

Marek Michałowski – Chairman,  
Igor Chalupec,  
Alejandro de la Joya Ruiz de Yelasco

**Audit Committee:**

Marzenna Weresa – Chairman,  
Javier Galindo Hemandez,  
Jose Carlos Garrido Lestache Rodriguez.

The **Investment Committee** considered the submitted motions on an ongoing basis. The Supervisory Board was informed about the activities and results of activities of the **Investment Committee** in meetings held in 2014, on the basis of the materials regarding the motions considered and pending consideration, which were prepared in accordance with the Procedure No 09-01 of the Integrated Management System —*The Principles of providing opinions and making investment, financial and corporate decisions*.

In 2015, the **Remuneration Committee** submitted to the Supervisory Board a written Report for the reporting year 2014, which was accepted by the Board.

The **Remuneration Committee** held four meetings in 2014. The Supervisory Board was informed about the activities and results of activities of the Remuneration Committee on an ongoing basis during the meetings held in 2014.

In 2014, the **Remuneration Committee** performed the following activities within its functions:

- It acknowledged the level of completion of individual tasks of the President of the Management Board.
- It approved the assessment of the level of completion of individual tasks of the Management Board Members.
- It accepted the proposals for bonuses for members of the Management Board for the year 2013.
- It accepted the proposal for 2013 bonus indicator for the Head Office staff.
- It determined the proposal of the value of 2014 bonus indicators and their weights for the Members of the Management Board and the Head Office staff.
- It accepted the proposals for individual objectives and their weights for the President of the Management Board for 2014.
- It recommended a change of basic salaries of the President and Members of the Management Board.
- It reviewed the information regarding the utilisation of the pay rise budgeted in 2013, as well as the number of persons covered by the project.
- It acknowledged the recommended manner of carrying out the pay rise process.
- It accepted the proposal for 2014 salary increase percentage for Budimex S.A. staff.
- It provided its opinion and recommendation to the Supervisory Board on an agreement between Ferrovial SA and Budimex SA for the financing of the Performance Shares Plan – PSP.
- It reviewed the remuneration policy of Budimex S.A.
- It recommended the proposal for the level of remuneration for the Vice-President of the Management Board, Mr. Fernando Luis Pascual Larragotti.
- It approved the proposed changes in compositions of Supervisory Boards of subsidiaries:
  - a) Budimex Nieruchomości Sp. z o.o.,
  - b) Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.
  - c) Budimex Kolejnictwo Sp. z o.o.
  - d) Budimex Autostrada S.A.
  - e) Budimex Autostrada AI S.A.
  - f) Budimex Most Wschodni S.A.
  - g) Budimex PPP S.A.
  - h) FBSerwis S.A.
- It reviewed the report on market practices related to remuneration in the form of share plans in subsidiaries.
- It reviewed the agreement signed between Budimex S.A. and Ferrovial S.A. concerning the issue of financing the Performance Share Plan.
- It reviewed the results of the pay rise process completed at the Company in 2014.



- It reviewed the information on the staff turnover at Budimex S.A. and the overview of trends in the labour market and in remuneration.
- It reviewed the result of the analysis of remuneration, current situation and trends in the labour market.
- It reviewed the information on the situation in the infrastructure market.

On 16 March 2015, the **Remuneration Committee** submitted to the Supervisory Board a written Report for the Activities in 2014, which was accepted by the Board.

The Supervisory Board was informed about the activities and results of activities of the **Audit Committee** by the Chairman of the Committee.

In its meetings, the Audit Committee met three times with the representatives of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. audit company.

Before the 2014 Ordinary General Shareholders Meeting of Budimex SA, the **Audit Committee** recommended to the Board and the Ordinary General Shareholders Meeting:

- approval of the financial statements and reports of the Management Board on the activities in 2013;
- method of profit distribution;
- granting discharge for the performance of duties in 2013 to a Member of the Management Board — the CFO;
- selection of an audit company to audit the financial statements for the reporting year 2014;
- positive assessment of the internal control system and risk management system at the Company.

On 12 March 2014, the Audit Committee submitted to the Supervisory Board a written Report on the Activities of the Committee in 2013 and on 19 September 2014 — a written Report on the Activities in the First Half-Year of 2014. On 16 March 2015, the Committee submitted to the Supervisory Board an Annual Report on Activities. The aforesaid Reports were accepted by the Board.

The **Supervisory Board** passed fifteen resolutions in 2014, regarding:

- supplementing the composition of the Supervisory Board of Budimex S.A. (co-opting of Mr Janusz Dedo in accordance with § 16.3 of the Company's Articles of Association);
- appointment of the Secretary of the Supervisory Board of Budimex S.A. (Mr. Maciej Stańczuk);
- appointment of the Secretary of the Supervisory Board of Budimex S.A. (Mr. Igor Chalupec);
- supplementing the composition of the Investment Committee of the Supervisory Board (Mr. Piotr

Kamiński);

- examination of the financial statements and the Reports on the Activities of the Company and the Budimex Group in 2013, 2013 profit distribution proposal and discharge for the Members of the Management Board; preparation by Budimex S.A. of separate financial statements in accordance with International Accounting Standards;
- acceptance of the Annual Report on the Activities of the Supervisory Board in 2013;
- granting bonuses to the Members of the Management Board of Budimex SA for the year 2013;
- appointment of the President of the Management Board of Budimex S.A.;
- appointment of the Vice-President and Members of the Management Board of Budimex SA;
- appointment of an audit company to review the semi-annual financial statements for the first six months of 2014 and audit of the financial statements of Budimex S.A. and the selected companies of the Budimex Group, including the consolidated financial statements of the Budimex Group for the reporting year 2014;
- granting consent to the conclusion by Budimex S.A. of an agreement with Ferrovia S.A. concerning the execution by Ferrovia S.A. of the Ferrovia S.A.'s Incentive Scheme in relation to members of the executive and managerial staff of Budimex S.A. indicated by Ferrovia S.A.;
- appointment of the Vice-President of the Management Board of Budimex S.A.;
- granting consent to the participation of Budimex S.A. in increasing the share capital of FBSerwis S.A., as well as to increasing the loan facility line for that company;
- granting consent to an increase in financing for FBSerwis S.A.;
- granting consent to
- the purchase and implementation of the inSite operating system by Budimex S.A.

**Secretary of the Supervisory Board**

Igor CHALUPIEC

**For and on behalf of the Supervisory Board  
of Budimex SA:**

**Chairman of the Supervisory Board**

Marek MICHAŁOWSKI

**Resolution No 234 of the Supervisory Board of Budimex**

**S.A. of 16 March 2015**

on: acceptance of the Annual Report on the Activities of the Supervisory Board in 2014.

Pursuant to § 16(9)(d) of the Articles of Association of Budimex SA, it is hereby resolved as follows:

**§1.**

The Supervisory Board accepts the Report for the Ordinary General Meeting (AGM) of Budimex SA.:

- on the results of examination of the Report on the Activities of the Company in 2014, including the financial statements, as to their compliance with the books of account, the documents and the actual status, as well as the Management Board proposal for the coverage of loss from previous years and the distribution of profit for 2014,
- on the assessment of the Company standing, including evaluation of the internal control system and risk management system for the risks significant to the Company (in accordance with Principle 1.1 Section III of the corporate governance principles set out in “The Code of Best Practices of WSE Listed Companies”);

with the wording included in the appendix to this Resolution.

**§2.**

The resolution takes effect as of the date of its adoption.

**1 Appendix**

Report of the Supervisory Board of Budimex S.A. for 2014.

The voting was attended by 9 members of the Board

Votes cast: 9

Votes against: 0

Votes abstained: 0

**Secretary of the Supervisory Board**

Igor CHALUPIEC

**For and on behalf of the Supervisory Board  
of Budimex SA:**

**Chairman of the Supervisory Board**

Marek MICHAŁOWSKI