

REPORT
Of the Supervisory Board of Budimex S.A.
for the Ordinary General Meeting (ZWZ) of Budimex S.A. in 2019

- from the evaluation of the report on the Company's operations in 2018, together with the financial statements in terms of their compliance with books, documents and facts as well as the Management Board's proposal concerning the distribution of profit for 2018, from the evaluation of the report on non-financial information of Budimex S.A. for 2018, and the report on the non-financial information of the Budimex Group for 2018,
- from the assessment of the Company's standing, taking into account the assessment of internal control systems, risk management, compliance and the internal audit function (in accordance with principle II.Z.10.1. Chapter II, the Management Board and the Supervisory Board of “Good Practices of Companies Quoted at the Warsaw Stock Exchange 2016”), including the evaluation of the effectiveness of the above-mentioned systems and functions,
- from the assessment of the Company's fulfilment of information obligations relating to the application of corporate governance principles specified in the Warsaw Stock Exchange Rules and Regulations and the provisions on current and periodic information to be submitted by the Company as a securities issuer (in accordance with principle II.Z.10.3. Chapter II, the Management Board and the Supervisory Board of “Good Practices of Companies Quoted at the Warsaw Stock Exchange 2016”),
- from the assessment of the rationality in the Company's sponsoring and charity activities (in accordance with principle II.Z.10.4. Chapter II, the Management Board and the Supervisory Board of “Good Practices of Companies Quoted at the Warsaw Stock Exchange 2016”),
- from the self-assessment of work of the Supervisory Board (in accordance with principle II.Z.10.2 Chapter II, the Management Board and the Supervisory Board of “Good Practices of Companies Quoted at the Warsaw Stock Exchange 2016”).

Pursuant to Article 382 § 3 and 4 of the Commercial Companies Code and in accordance with § 11 (1)(e) of the Rules and Regulations of the Supervisory Board of Budimex S.A., the Supervisory Board, during the meeting held on 10 April 2019, analysed and evaluated the management report of the Budimex Group and Budimex S.A. and the separate and consolidated financial statements for 2018 with regard to their conformity with the books and documents and with the actual state, as well as upon the evaluation of the Management Board's proposal on the distribution of profit for 2018 and read the separate and consolidated report on non-financial information for 2018, as a result of which it stated as follows:

1. During the audit of the documents for the financial year 2018:
 - 1) we have read the management report of Budimex Group and Budimex S.A. and heard the explanations of the Management Board concerning this report,
 - 2) we have read the separate and consolidated financial statements, analysing: the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows, additional information and explanations,
 - 3) we have read the statutory auditor's reports on the progress and results of the audit of the separate and consolidated financial statements as well as heard the explanations and answers to the questions of the Members of the Supervisory Board,
 - 4) we have read the reports on non-financial information of Budimex S.A. and Budimex Group for 2018 describing issues concerning the influence of Budimex S.A. and Budimex Group on the environment, social and employee matters, the respect for human rights, on counteracting corruption and bribery and heard the explanations of the

- Management Board in this respect. The reports describe the business model, the implemented policies, main risks and key non-financial ratios related to the business.
2. Based on the analyses conducted with regard to the following documents cited in the following sections: 1) - 2) management report and financial statements and the reports indicated in section 3) the report of the statutory auditor, the Supervisory Board states that the information presented in these documents reflects the result of the business activities of the Company and Budimex Group, as well as the Company's economic and financial standing accurately and reliably. In the opinion of the Supervisory Board, the report on non-financial information referred to in section 4) covers the scope of information required by the Accounting Act and correctly and reliably describes the activities of Budimex S.A. and Budimex Group presented in the context of environmental, social and labour issues, the respect for human rights, counteracting corruption and bribery.
 3. In conformity with the position presented in section 2., the Supervisory Board requests that the Ordinary General Meeting of Budimex S.A. adopts resolutions regarding:
 - 1) the review and approval of the management report of the Budimex Group and Budimex S.A. for 2018,
 - 2) the review and approval of the report on non-financial information of Budimex S.A. for 2018,
 - 3) the review and approval of the report on non-financial information of the Budimex Group for 2018,
 - 4) the review and approval of the financial statements of Budimex S.A. for the financial year 2018;
 - 5) the review and approval of the consolidated financial statements of the Budimex Group for the year ended 31 December 2018,
 - 6) the distribution of the profit for 2018,
 - 7) the acknowledgement of the fulfilment of duties by the Board Members of Budimex S.A. in 2018,and also provides a formal positive opinion on the content of resolutions regarding:
 - 8) the approval of supplementation of the composition of the Supervisory Board of the 9th term of office, which took place on 19 December 2018 by way of adding, under par. 16 (3) of the Company's Statute, a new Member of the Supervisory Board - Mr Juan Ignacio Gaston Najarro, in connection with the resignation of Mr Alejandro de la Joya Ruiz de Velasco,
 - 9) 9 took place on 19 December 2018 by way of adding, under par. 16 (3) of the Company's Statute, a new Member of the Board - Mr Fernando Luis Pascual Larragoiti, in connection with the resignation of Mr. Ignacio Clopes Estela,
 - 10) the acknowledgement of the fulfilment of duties by the Members of the Supervisory Board of Budimex S.A. in 2018,
 - 11) the appointment of the Supervisory Board of the tenth term of office,
 - 12) the amendment of § 12 (5) and § 16 (3) of the Company's Statute and the adoption of the consolidated text of the Statute.
 4. On 10 April 2019, the Supervisory Board adopted Resolution no.... reviewing and expressing opinions on draft resolutions of the Ordinary General Meeting of Budimex S.A. in 2019, including on the audit of the financial statements and the management report of the Budimex Group and Budimex S.A. for 2018, on the proposal regarding the distribution of profit for 2018 and acknowledging the fulfilment of duties by members of the Management Board.

Appendices to the above resolution of the Supervisory Board are the draft resolutions of the Ordinary General Meeting listed in section 3 of this Report.
 5. The assessment of the Company's standing, taking into account the assessment of internal

control systems, risk management, compliance and the internal audit function, including the evaluation of the effectiveness of their operation.

The core business activity of Budimex S.A. is the provision of construction and assembly services, building development activities and the provision of management and consulting services for Budimex Group companies. The implementation of the advisory, management and financial function by Budimex S.A. is aimed at:

- quick flow of information within the structure of the Group,
- strengthening the efficiency of the financial activity of individual companies,
- the consolidation the Group's market position.

During the 12 months of 2018, Budimex S.A. achieved sales income of PLN 6,797 million, which means an increase by 16.7% in comparison to the income achieved in 2017.

In 2018, the gross profit on sales was PLN 483 million, in comparison with PLN 677 million in the previous year. Thus, in 2018, gross sales profitability was 7.1%, in comparison with 11.6% in 2017.

The balance of cash for the purpose of the cash flow statement in Budimex SA at the beginning of 2018 amounted to PLN 1,680 million. Net cash flows in the period of 12 months of 2018 were negative and amounted to PLN 504 million. Therefore, as at 31 December 2018, cash amounted to PLN 1,160 million.

The Company's cash from investing activities increased by PLN 444 million, with the largest share in the proceeds from the corporate bonds issued by Polish mortgage banks and the sale of shares in subsidiaries. The financial cash flows for 2018 were negative and amounted to PLN 475 million. The expenses related to the Company's payment of dividends in the amount of PLN 450 million and the repayment of liabilities under finance lease, including interest.

In 2018 the Budimex Group achieved a total sales income of PLN 7,387 million – higher by 16.0% in relation to the income recorded in 2017. In 2018, the Budimex Group's value of sales in the construction segment increased by 16.1%, in comparison with 2017.

Sales in the construction sector increased by 13.4% (from PLN 2,866 million in 2017 to PLN 3,250 million in 2018), sales of the infrastructure sector increased by 6.6% (from PLN 2,967 million in 2017 to PLN 3,163 million in 2018) and the sales in the rail road building industry increased by 167.5% (from PLN 237 million in 2017 to PLN 634 million in 2018).

In 2018, the sales revenue from the property development business was equal to PLN 548 million, which was an increase by 8.8% in comparison with the previous year. Revenues from the sale of property development activities are recognised at the time of transfer of ownership of the apartment / premises to the buyer after the technical acceptance of the entire facility. Therefore, the notarial sales of apartments depends on the completion dates of construction projects and the delivery of finished apartments to customers and is not a seasonal phenomenon or one which is possible to compare year on year.

As a result of macroeconomic factors in 2018 on the whole property development market it was possible to observe a slight slowdown in the presales of new apartments compared to the previous year. Net pre-sales of new apartments in the entire 2018 was 1,208 apartments in relation to 1,457 apartments in the previous year. The decrease in the number of apartments sold by 17% was in line with the downward trend observed in the largest cities in Poland. The main inhibitor of sales was the noticeable increase in the prices of apartments due to a very

dynamic growth in construction costs, consisting primarily of construction materials and a significant increase in the costs of subcontractors' services.

In 2018, Budimex Group's companies signed construction contracts of the total value of PLN 6,569 million (including Annexes). As of 31 December 2018, the value of the Budimex Group's construction order portfolio was PLN 10,132 million, i.e. reduction by 2% in comparison with the end of 2017.

In 2018, the gross profit on sales was PLN 629 million, in comparison with PLN 810 million in the previous year. Thus, in 2018, gross sales profitability was 8.5%, in comparison with 12.7% in 2017.

The financial standing of the Group in 2018 was maintained at a good level. Net cash flows for 2018 were negative and amounted to PLN 695 million. In 2018, the balance of cash from operating activities increased by PLN 523 million. Cash flows from investing activities was negative and amounted to PLN 310 million. The cash flow from financing activities for 2018 showed a negative balance and amounted to PLN 481 million and were mainly the payment of dividend in and of lease liabilities.

Current financial situation of the Budimex Group with regard to liquidity and access to external sources of financing does not pose any threats to the financing of operations in 2019.

Budimex S.A. has an internal control system in the process of preparing financial statements and the Management Board of the Company is responsible for its implementation and operation. The financial statements are prepared by qualified employees of the economic and financial department of Budimex S.A. under the supervision of a member of the Management Board - the Director of the Department. The preparation of annual statements precedes a meeting of the Audit Committee with independent auditors, the subject of which is to establish a plan and scope of audit of financial statements and to discuss potential areas of risks that may affect the reliability and correctness of financial statements. The Budimex Group also uses a computer program to support the identification and management of risks associated with the preparation of all financial information, including financial statements.

The preparation of financial statements is a planned process, taking into account the appropriate division of tasks among employees of the Economic and Financial Department of Budimex S.A., which are adequate to their competence and qualifications. The basis for preparing separate financial statements are the accounting books. The accounting books of the Group's most significant companies are kept using the SAP R/3 financial and accounting programme, which provides for the basic information needs for financial and management accounting from 1 January 2003. SAP R/3 is managed centrally by qualified employees of Budimex S.A., who determine authorization levels in terms of entering and modifying transactional data, the layout of the basic reports and changes in the chart of accounts.

The consolidated financial statements are prepared based on consolidated consolidation packages prepared in electronic form by individual Group companies. The process of data consolidation takes place within the Reporting and Consolidation Team under the supervision of the Director of the Accounting Office.

The companies of the Budimex Group apply the uniform accounting principles approved by the Boards of Budimex S.A. and individual subsidiaries. The correctness of application of the accounting principles by particular companies is monitored on an on-going basis by the

employees of the Reporting and Consolidation Team and the Controlling Department of Budimex S.A.

The Reporting and Consolidation Team of Budimex S.A. is responsible for recommending solutions in the scope of modifications and updating of accounting policies and other requirements of the stock exchange, as well as their implementation upon prior approval by the Management Board.

During the preparation of financial statements, the following control activities are taken:

- the assessment of significant and atypical transactions in terms of their impact on the Group's financial situation and the manner of presentation in the financial statements,
- the verification of the adequacy of the assumptions adopted for the measurement of estimates,
- comparative and substantive analysis of financial data,
- the verification of the arithmetical correctness and cohesion of data,
- the analysis of the completeness of disclosures.

The prepared annual financial statements are submitted for preliminary verification to the Director of the Economic and Financial Department, and then to the entire Management Board for final verification and authorization.

The annual financial statements are subject to audit by an independent statutory auditor who, after the audit, presents its conclusions and observations to the Audit Committee, and then to the Supervisory Board.

The Company has the Internal Control Office reporting to the President of the Management Board, separate in terms of the structure, which is responsible for:

- the identification and analysis of risks in the Budimex Group,
- the prevention of risk factors,
- auditing the activity of organisational units and Group companies,
- the control of compliance with the normative acts applicable within the Group and general external legislation in force,
- the analysis of the processes of contract performance,
- the control of the use of the available resources,
- preparing reports and issuing instructions for making corrective actions and supervising their implementation.

The Audit Committee of the Supervisory Board monitors the effectiveness of internal control systems and internal audit, i.e. the activities of the Internal Control Office, it is informed about the schedule of internal audit activities, it receives the report on these activities or periodical summaries from the Internal Control Office, the employees of the Internal Control Office are obliged to perform such inspections as at the request of the Management Board, the Supervisory Board and the Audit Committee of the Supervisory Board.

Budimex S.A. implemented the "Compliance Policy" in order to ensure compliance of the organisation's operations with applicable laws, standards and internal regulations. As one of the largest construction companies operating on the Polish market, in its operations, Budimex S.A. pays particular attention to the implementation and application of the best standards of compliance with the applicable Polish law and other regulations related to the Company's activities.

The basic principles of the Compliance Policy of Budimex S.A. aimed at eliminating or minimising the risks associated with all areas of the business activity of Budimex S.A. are:

- the respect for law,
- ethics and honesty,
- transparency of operations,
- no tolerance for activities contrary to the law or the Compliance System.

The objectives of the Compliance Policy are achieved by way of the Company and its stakeholders applying the applicable law as well as

- the Company’s Statute,
- Budimex S.A.’s Code of Ethics
- Rules and Regulations, Policies, Procedures, Instructions, Orders, etc. in force at the Company, including, in particular, those which regard the minimisation of the risk that the Company and its stakeholders would participate in any activities resembling corruption or influence peddling, as well as aimed at preventing embezzlement of the Company's money.

The persons directly responsible for the application and observance of the Compliance Policy are mainly employees and their immediate superiors.

The Company’s Management Board, within its competence or after obtaining appropriate recommendations of the Company’s Supervisory Board, adopts the internal Policies, Procedures or Instructions related to particular areas of the Company’s activity, including the Company’s internal relationships and relationships with third parties, aimed at limiting the risks associated with the Company’s activities (including the Compliance area) and preventing situations that may expose Budimex SA to criminal, civil, administrative or criminal and fiscal liability.

The direct supervision over the application and observance of the Compliance Policy by the Company and the stakeholders is held by the Chief Compliance Officer appointed by the Company’s Management Board, and the Deputy Chief Compliance Officer, as well as the Compliance Committee established at the request of the Chief Compliance Officer which comprises of representatives of each organisational division unit of the Company.

The Compliance Committee presents information on its operations to the Supervisory Board of the Company at regular meetings.

The Supervisory Board assesses the Company's situation, its operations, including the effectiveness of the internal control system (internal audit), risk management, as well as the supervision of compliance with the law.

The Supervisory Board positively evaluated the operations of the Company's Management Board in 2018.

6. Information on the composition and structure of the Supervisory Board and its committees in 2018.

As at 31 December 2018, the Supervisory Board of Budimex SA was composed of:

Marek Michałowski	Chairman of the Supervisory Board,
Juan Ignacio Gaston Najarro	Vice-Chairman of the Board,
Igor Adam Chalupiec	Secretary of the Supervisory Board,
Marzenna Anna Weresa	Member of the Supervisory Board,
Javier Galindo Hernandez	Member of the Supervisory Board,
Jose Carlos Garrido-Lestache Rodriguez	Member of the Supervisory Board,
Piotr Kamiński	Member of the Supervisory Board,

Janusz Dedo
Fernando Luis Pascual Larragoiti

Member of the Supervisory Board,
Member of the Supervisory Board.

In 2018, the following changes occurred in the composition of the Supervisory Board:

- on 18 December 2018 Alejandro de la Joya Ruiz de Velasco and Ignacio Clopes Estela resigned as members of the Supervisory Board,
- on 19 December 2018, the Supervisory Board, under the powers referred to in section 16 (3) of the Statute of Budimex SA has supplemented the composition of the Supervisory Board by appointing Mr Juan Ignacio Gaston Najarro in the place of Mr. Alejandro de la Joya Ruiz de Velasco (resolution no. 279) and by appointing Mr. Fernando Luis Pascual Larragoiti in the place of Ignacio Clopes Estela (resolution no. 280). In accordance with section 16 (3) of the Statute, the Board decided to present the above persons for the approval of the nearest General Meeting as members of the Supervisory Board,
- On 19 December 2018, Mr Juan Ignacio Gaston Najarro was appointed Vice-Chairman of the Supervisory Board (resolution no. 281).

The following Members of the Supervisory Board meet the independence criteria specified in principle II.Z.4 of Good Practices of Companies Quoted at the Warsaw Stock Exchange 2016, including in Appendix II to the Commission Recommendation 2005/162/EC:

- Marzenna Anna Weresa,
- Janusz Dedo,
- Piotr Kamiński.

During the entire financial year 2018, three three-members Committees operated within the Supervisory Board:

1. The **Investment Committee**, with the tasks and powers defined in the Operating Procedure PO-01-04, *The principles of opining on and making investment, financial and corporate decisions*, accepted by the Supervisory Board and approved by the Chairman of the Board. The powers and tasks of the Investment Committee were also included in § 12 sections 9-11 of the Rules and Regulations of the Supervisory Board.
2. The **Audit Committee** manages the tasks determined in § 12 (6) of the Rules and Regulations of the Supervisory Board of Budimex S.A. and in the Rules and Regulations of the Audit Committee approved the Supervisory Board,
3. **The Remuneration Committee** manages the tasks determined in § 12 section 14 of the Rules and Regulations of the Supervisory Board of Budimex S.A. and in the Rules and Regulations of the Remuneration Committee approved by the Supervisory Board.

The composition of all **the Committees of the Supervisory Board** at the end of 2018 was as follows:

The Investment Committee:

Piotr Kamiński - Chairman of the committee,
Javier Galindo Hernandez - member of the committee.
Fernando Luis Pascual Larragoiti - member of the committee.

In 2018, the composition of the Investment Committee changed due to the resignation of Alejandro de la Joya Ruiz de Velasco from the Supervisory Board on 18 December 2018. Fernando Luis Pascual Larragoiti added to the Board by the Supervisory Board was appointed as member of the Investment Committee on 19 December 2018.

The Remuneration Committee:

Marek Michałowski - Chairman of the committee,
Igor Chalupec - member of the committee,
Juan Ignacio Gaston Najarro - member of the committee.

In 2018, the composition of the Remuneration Committee changed due to the resignation of Alejandro de la Joya Ruiz de Velasco from the Supervisory Board on 18 December 2018. Juan Ignacio Gaston Najarro added to the Board by the Supervisory Board was appointed as member of the Remuneration Committee on 19 December 2018.

The Audit Committee:

Marzenna Weresa - Chairman of the committee,
Janusz Dedo - member of the committee,
Javier Galindo Hernandez - member of the committee.

On 27 June 2017 Marzenna Weres and Janusz Dedo submitted the declarations of the independence of a member of the Audit Committee in accordance with the criteria defined in the Act of 11 May 2017 on statutory auditors, audit firms and public supervision.

The composition of the Audit Committee remained unchanged during the year 2018.

7. Activities of the Supervisory Board of Budimex S.A. and its committees in 2018

In 2018, the Board held four meetings devoted to analysing the Company's current situation based on materials and information concerning in particular:

- acquisitions, the order portfolio, the most important winning contracts,
- financial results and net cash position of the Budimex Group,
- the evolution of property development activities,
- investments and disinvestments in the Budimex Group,
- current situation in material court disputes in which the Company and public entities are involved,
- activities performed by the Compliance Team.

On 3 April 2018, the Supervisory Board met with representatives of the external auditor, gaining information on the approach to the audit of the financial statements and the results of the actions taken by the statutory auditor.

In 2018, the **Supervisory Board** adopted eleven resolutions which included:

- the examination and opining on materials and draft resolutions of the Ordinary General Meeting of Budimex S.A. in 2018,
- the approval of the annual report on the activities of the Supervisory Board in 2017,
- awarding the bonus for 2017 to members of the Management Board of Budimex S.A.,
- the amendment of the employment contracts and the employment contracts of the members of the Management Board of Budimex S.A.,
- opining on the reservation expressed by the audit firm in the report on the review of the condensed financial statements of Budimex SA for the 6-month period ended on 30 June 2018 and the condensed consolidated financial statements of the Budimex Group for the 6-month period ended on 30 June 2018,
- the approval of the disposal of all shares held in the share capital of Elektromontaż-Poznań S.A. and Biuro Inwestycji Grunwald S.A. by Budimex S.A.
- the supplementation of the composition of the Supervisory Board after the resignations of Alejandro de la Joya Ruiz de Velasco and Ignacio Clopes Estela,

- changes in the composition of the Supervisory Board - appointment of the Vice-Chairman of the Board following the resignation of Mr Alejandro de la Joya Ruiz de Velasco,
- the supplementation of the composition of the Investment Committee and Remuneration Committee after the resignation of Alejandro de la Joya Ruiz de Velasco.

All meetings of the Supervisory Board in 2018 were held at the Company's registered office on dates set by the Supervisory Board. The Company's Statute and the Rules and Regulations of the Supervisory Board provide for the possibility of adopting resolutions by the Supervisory Board by way of voting in writing or by way of direct remote communication. In 2018, the Supervisory Board voted twice in writing, when adopting resolutions on the reservations as to the reports on the review of the condensed financial statements and the condensed consolidated financial statements, as well as on the sale of shares in Elektromontaż-Poznań S.A. and Biuro Inwestycji Grunwald S.A. by Budimex S.A.

The **Investment Committee** of the Supervisory Board reviewed the motions submitted on an ongoing basis in its full composition. In 2018, 21 requests were submitted to the Investment Committee. In 2018 the Supervisory Board was informed about the actions undertaken by **the Investment Committee** and their results at regular meetings based on materials on requests processed and pending processing, prepared in accordance with the Operational Procedure PO-01-04 , *The principles of opining on and making investment, financial and corporate decisions*, as well as based on possible additional verbal explanations.

On 10 April 2019, the **Investment Committee** submitted to the Supervisory Board a written Report for the financial year 2018, which was accepted by the Supervisory Board.

The Remuneration Committee held four meetings in 2018, each time in full composition. The Board was informed about significant decisions taken by the Remuneration Committee and their results.

In 2018 the Remuneration Committee took the following actions:

1. It discussed the situation on the labour market in 2017.
2. It approved bonus rates for 2017 for the Head Office Employees.
3. It discussed the results of the analysis with the comparison of salaries of Budimex employees against market rates.
4. It discussed recommendations and made decisions regarding the rate of salaries increase during the process of salary increase.
5. It evaluated the achievement of the individual objectives of the President of the Management Board and the Members of the Management Board of Budimex for 2017.
6. It approved the bonus rates for 2017 for the President and Members of the Management Board and approved the amount of individual bonuses.
7. It approved bonus objectives for 2018 for the President, Members of the Management Board and the Employees of the Head Office.
8. It made decisions on the review of base salaries of the President and the Members of the Management Board of Budimex S.A.
9. It took the decision on the participation in the remuneration scheme using the shares of Ferrovial.
10. It took the decision on the approval of the supervisory board members of "Elektromontaż Warszawa S.A"
11. It discussed the presented recommendations regarding salaries increase in 2019.
12. It acquired the presented information concerning the draft government Act on Employee Capital Plans (PPK).

13. It discussed the assumptions of the Act of 15 December 2017 amending the act on social security system and certain other acts (abolishing the limit on annual base retirement and pension insurance contributions, the so called 30 times the social security contributions).
14. It discussed the most important indicators that illustrate the situation in the HR area and the key risks in the company in this area.
15. It acquired information concerning the dynamics of changes in salaries and the comparison of salaries on key building positions.
16. 16. It read the recommendation on salaries increase in 2019 during the process of salary increase.
17. It acquired information regarding Employee Capital Plans.
18. It made decisions on the remuneration of the Supervisory Board of approve the members of the Supervisory Board of "Parking Wrocław Sp. z o.o."

At the same time, the committee members regularly reviewed information on macroeconomic indicators, unemployment, the availability of employees, changes in the labour market and forecasts regarding changes in salaries.

On 10 April 2019 **the Remuneration Committee** submitted to the Supervisory Board a written report on its activities in 2018, which was accepted by the Supervisory Board.

The **Audit Committee** held 6 meetings in 2018.

At its meetings, the Audit Committee was meeting the representatives of the audit firm Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. with regard to the financial statements for 2017 and 2018.

Prior to the Ordinary General Meeting of Budimex SA in 2018 (ZWZ), **the Audit Committee** recommended to the Supervisory Board and the ZWZ:

- the approval of the financial statements, reports on non-financial data and the management report for 2017,
- the method of distributing the net profit for 2017, taking into account the payment of dividend,
- the acknowledgement of the fulfilment of duties by a member of the Management Board, Director of the Economic and Financial Department in 2017,
- the positive assessment of the internal control system and the risk management system in the Company.

On 18 September 2018 the Audit Committee submitted to the Supervisory Board a written report on its activities for H1 2018. On 10 April 2019 the Committee submitted the annual report on its activities. These above reports were accepted by the Supervisory Board.

8. The assessment of the Company's fulfilment of information obligations.

Due to the adoption of the new "Good Practices of Companies Quoted at the Warsaw Stock Exchange 2016" by the Board of Exchange, upon adopting resolutions on the application of the above new principles by the Management Board (Resolution No. 22 of 11 December 2015) and by the Supervisory Board (Resolution No. 240 of 16 December 2015), on 4 January 2016 the Company sent report no. 01/2016 on the scope of application of the above new principles in accordance with the new format introduced by the Stock Exchange on 1 January 2016.

Pursuant to par. 91 (5) (4) of the Regulation of the Minister of Finance on current and periodic information to be submitted by issuers of securities and on the conditions for considering information required under the laws of a non-member state as equivalent information of 26

March 2019, the Company published a statement on the activities of the issuer for 2018, including the report on the application of corporate government (section 6 of the management report for 2018) which constitutes a separate part.

Therefore, it should be stated that in 2018 the Company correctly fulfilled its information obligations on the application of corporate governance principles set out in the WSE Rules and the provisions on current and periodic information to be submitted by issuers of securities.

The Company has Operating Instruction IO-01-07-01 The protection of confidential information and trading in financial instruments by persons with confidential information concerning Budimex S.A. and the Operating Instruction no. IO-01-07-04 regulating the rules and the procedure of providing information published in current reports in connection with the listing of Budimex S.A. shares on the Warsaw Stock Exchange. The overriding objective of both instructions is the correct execution of information obligations specified in individual regulations by Budimex S.A. as a listed company. In 2018 the Supervisory Board did not find any irregularities in the performance of the aforementioned information obligations by Budimex S.A.

9. The assessment of the Company's rationality in sponsoring and charity activities

Since 2011 the Company has been carrying out the adopted CSR policy "*Corporate Social Responsibility*", which generated two original programmes in 2018:

- „Parent Zone. Budimex Dzieciom” programme involving the creation spaces in children's hospitals, where children could play with their parents in good conditions, and where their parents could prepare their meals, relax on dedicated furniture, use sanitary facilities. So far Budimex S.A. launched 28 Parent Zones in children's hospitals,
- “Domofon ICE. Budimex Dzieciom” programme, whose idea is to provide schoolchildren with plastic cards containing contact details to their relatives in the event of an accident. Additionally, the campaign has a broader educational dimension as it promotes the principles of road safety and first aid among young people.

In 2018, the Company developed the programme “Grant for Voluntary Service” initiated in 2015, in which Budimex personnel can suggest their own voluntary service initiatives. The related projects can be submitted all year long. They are discussed during quarterly CSR Committee meetings when decisions regarding grants are taken. In 2018, our volunteers implemented 8 projects.

A special manifestation of social activities is the sponsoring activities and the charitable support for social goals. In 2018, Budimex Group allocated PLN 1,890 thousand on donations, mainly supporting the foundations engaged in various forms of help for children, such as: “Na ratunek dzieciom z chorobą nowotworową” (“Save children with cancer”) foundation in Wrocław or Fundacja Pomocy Dzieciom Poszkodowanym w Wypadkach Komunikacyjnych (“Help children injured in traffic accidents foundation”) “WRÓĆ” in Gdańsk.

In 2018 the Company celebrated 50 years of its existence, which is why a special jubilee social programme “Zmieniaj Świat. Budimex 50 lat” (“Change the world. 50 years of Budimex”) was implemented, in which the Company donated PLN 500 thousand for the construction of “Puszczyk” Forest School near Białystok. Financial awards for the statutory goals of the two other winners of the programme, i.e. St. Lawrence Childrens’ Hospice (Hospicjum dla dzieci im. św. Wawrzyńca) (2nd place and internet users’ award) and the Habitat for Humanity Poland Foundation (3rd place) were awarded apart from the main award.

In 2018 Budimex S.A. was also involved in sponsoring mainly social, cultural and educational initiatives, and the development of sports, through such activities as the

- protection of monuments by supporting J. Waldorff's Social Committee of Care for Old Powązki Cemetery
- the support for the organisation of the charity match of the Volleyball Stars in Szczecin,
- Polish Women's Chess Championship,
- Polish Sailing Championships for the Disabled,
- Stomil Olsztyn Football Team,
- Polish Sport Bridge Association
- "Katarzynki" Women's Basketball Club in Toruń.
- Augustów Half Marathon
- Fairytale Days,

In cooperation with local social partners and within the limits of its possibilities, the Company also undertakes individual activities aimed at minimising inconveniences related to its contracts.

Currently, the Company also implements objectives of the CSR Strategy adopted in 2016 for the years 2016-2020.

The Supervisory Board positively evaluates the above-mentioned activities, understood as a constant element of the Company's operations as well as individual initiatives, which, in the opinion of the Board, reflect the assumptions of corporate social responsibility, bringing the Company an important image benefit.

10. The self-assessment of the activities of the Supervisory Board.

In 2018, the Supervisory Board operated in accordance with the rules specified in the Company's Statute and the Rules and Regulations of the Supervisory Board. The Board examined and at the Management Board's request reviewed issues relevant to the Company and the Budimex Group related to the Company's current operations, creating potential recommendations for the Management Board as to the implementation of remedial instruments or improvements. The Members of the Board allocated their time to the Company to the extent necessary for the proper performance of the entrusted obligations, both within the scope of the Supervisory Board and the functions performed in individual committees. Apart from the above-mentioned obligations, the Chairman of the Board performed activities connected with convening individual meetings of the Board and chaired the sessions.

During three of the four meetings of the Supervisory Board in 2018, the Board held its meeting in the absence of one of the Supervisory Board members, justified by professional duties. One meeting was held in the full composition of the Supervisory Board. The members of the Management Board responsible for particular areas of the Company's activity participated in the meetings of the Supervisory Board.

According to the Good Practices of Companies Quoted at the Warsaw Stock Exchange 2016, which the Company follows, members of the Supervisory Board participated in the Ordinary General Meeting of Budimex S.A. in 2018.

The Supervisory Board evaluates communication between the Board and the Management Board as good.

Members of the Supervisory Board delegated to its individual Committees actively participated in the meetings of Committees and in the decision-making process, providing the Supervisory Board with information on the arrangements and decisions made on an on-going basis. Based on the decision of the Supervisory Board's, Mr. Javier Galindo Hernandez monitored and opined on the operations on derivative instruments conducted by the Company.

The Supervisory Board assesses the competences of the members of the Supervisory Board as good in the light of the Company's profile and business activity, taking into account that the Board comprises of scientists, lawyers, economists and engineers.

Three of the nine members of the Board meet the independence criteria specified in principle II.Z.4 of Good Practices of Companies Quoted at the Warsaw Stock Exchange 2016, including in Appendix II to the Commission Recommendation 2005/162/EC.

Secretary of the Supervisory Board

*for the Supervisory Board of
Budimex S.A.:
Chairman of the Supervisory Board*

Igor CHALUPEC

Marek MICHAŁOWSKI

Resolution No. 286
of the Supervisory Board of Budimex S.A.
of 10 April 2019

on: the approval of the annual report on the activities of the Supervisory Board in 2018,

Pursuant to § 16 (9) (d) of the Statute of Budimex S.A., it is resolved as follows:

§1.

The Supervisory Board accepts the Report for the Ordinary General Meeting (ZWZ) of Budimex S.A. in 2019:

- from the evaluation of the report on the Company's operations in 2018, together with the financial statements in terms of their compliance with books, documents and facts as well as the Management Board's proposal concerning the distribution of profit for 2018, from the evaluation of the report on non-financial information of Budimex S.A. for 2018, and the report on the non-financial information of the Budimex Group for 2018,
- from the assessment of the Company's standing, taking into account the assessment of internal control systems, risk management, compliance and the internal audit function (pursuant to the rule II.Z.10.1 of Chapter II of the "Good Practices of Companies Quoted at the Warsaw Stock Exchange 2016"), including the evaluation of the effectiveness of the above-mentioned systems and functions,
- from the assessment of the Company's fulfilment of information obligations relating to the application of corporate governance principles specified in the Warsaw Stock Exchange Rules and Regulations and the provisions on current and periodic information to be submitted by the Company as a securities issuer (in accordance with principle II.Z.10.3. Chapter II, the Management Board and the Supervisory Board of "Good Practices of Companies Quoted at the Warsaw Stock Exchange 2016"),
- from the assessment of the rationality in the Company's sponsoring and charity activities (in accordance with principle II.Z.10.4. Chapter II, the Management Board and the Supervisory Board of "Good Practices of Companies Quoted at the Warsaw Stock Exchange 2016"),
- from the self-assessment of work of the Supervisory Board (in accordance with principle II.Z.10.2 Chapter II, the Management Board and the Supervisory Board of "Good Practices of Companies Quoted at the Warsaw Stock Exchange 2016"),

in wording as in the appendix to this Resolution.

§2.

The Resolution shall become effective on the date of its adoption.

Appendix - copy

The contents of the Report of the Supervisory Board of Budimex S.A. for 2018.

9 members of the Supervisory Board participated in the voting.

Votes in favour: 9

Votes against: -

Abstained: -

Secretary of the Supervisory Board

Igor CHALUPEC

***for the Supervisory Board of
Budimex S.A.:***

Chairman of the Supervisory Board

Marek MICHAŁOWSKI