

**BUDIMEX SA**

**DIRECTORS' REPORT  
ON THE ACTIVITIES OF THE COMPANY FOR THE YEAR 2014**

**TABLE OF CONTENTS**

<b>1</b>	<b>Business Environment.....</b>	<b>3</b>
1.1	General market conditions.....	3
1.2	Market development perspectives.....	3
<b>2</b>	<b>Current activities and development perspectives for the Company.....</b>	<b>5</b>
2.1	Basic information about the Company.....	5
2.2	Structure of sales at Budimex SA.....	5
2.3	Geographic structure of sales at Budimex SA in 2014.....	7
2.4	Construction activities on the German market.....	7
2.5	Development perspectives for the Company in the forthcoming year.....	8
2.6	Evaluation of investment projects feasibility.....	8
2.7	Risk factors.....	8
2.8	Procurement source changes.....	9
<b>3</b>	<b>Financial Position.....</b>	<b>10</b>
3.1	Key economic and financial data of the Company.....	10
3.2	Managing of finance at the Company.....	13
3.3	Contingent receivables and liabilities of Budimex SA.....	14
3.4	Differences between forecasts and actual financial results of Budimex SA.....	15
3.5	Utilisation of proceeds from issues of securities.....	15
<b>4</b>	<b>Significant agreements.....</b>	<b>15</b>
4.1	Insurance agreements covering Budimex SA.....	15
4.2	Cooperation agreements binding in 2014.....	16
4.3	Transactions with related parties.....	16
4.4	Loans and borrowings.....	17
4.5	Major capital deposits and equity investments in 2014.....	17
4.6	Information about borrowings granted during the accounting year, including in particular borrowings granted to related parties of the Company.....	17
<b>5</b>	<b>Other information.....</b>	<b>18</b>
5.1	Agreements between the Company and the Management Board Members.....	18
5.2	Information about the shareholding in the Parent Company and related parties held by Members of the Management and Supervisory Boards of Budimex SA.....	18
5.3	Acquisition of own shares.....	18
5.4	System of control over employee share incentive programs.....	19
5.5	Information about agreements acknowledged by the Company (including post-balance sheet date agreements) with a possible future effect on the current ownership structure.....	19
5.6	Entity authorised to audit financial statements.....	19
<b>6</b>	<b>Corporate governance.....</b>	<b>19</b>
6.1	Corporate governance policies at Budimex SA and public availability of the underlying document.....	19
6.2	Key features of the Company's internal control and risk management systems with regard to the preparing of financial statements of Budimex SA.....	20
6.3	Shareholders with direct or indirect ownership of significant blocks of shares.....	21
6.4	Holders of all securities which confer special control rights.....	21
6.5	Restrictions on exercising voting rights.....	21
6.6	Restrictions on transferring ownership rights to the securities of Budimex SA.....	21
6.7	Regulations concerning appointment or removal of Management or Supervisory Board Members, the rights of those persons, in particular, the right to take decision on share issue or redemption.....	21
6.8	Implementing changes to the Articles of Association of Budimex SA.....	22
6.9	Functioning of the General Meeting of Shareholders, its fundamental powers, rights of the shareholders and the manner of exercising those rights.....	22
6.10	Composition of the Management and Supervisory Boards, changes thereof in the last financial year and functioning of the management and supervisory bodies of the Company and their committees.....	24
6.11	Remuneration Policy for Members of Management and Supervisory Boards at Budimex SA.....	28

## **1 Business Environment**

### **1.1 General market conditions**

Despite a difficult and unstable situation on international markets and geopolitical conflicts, last year was successful for the Polish economy. In 2014, Poland experienced accelerated economic growth. In accordance with the initial data provided by the Central Statistical Office (GUS), the GDP increased 3.3 per cent annually in comparison with 1.7 per cent in the previous year. The GDP growth was most positively affected by domestic demand (+4.6 per cent against 2013) while foreign demand's influence was negative. In 2014, gross added value in the domestic economy grew 3.0 per cent as compared to 2013, while a year before it grew 1.8 per cent. This good result is to a great extent attributable to the construction sector, where, according to initial estimates, gross added value increased 4.7 per cent against the previous year. Another positive movement is the fall in the unemployment rate by 1.9 percentage points from 13.4 per cent in December 2013 to 11.5 per cent at the end of 2014.

Improvement in sentiments on the construction market was reflected in the general trends ratio throughout the construction industry; despite the fact that it still remains negative, the ratio values were the highest since 2012. An increase in investments measured with gross capital expenditures on fixed assets (growth by 9.4 per cent in comparison with the previous year against 0.9 per cent in 2013) and in the second half of the year, speeding up the awarding of tenders in the road construction segment were undoubtedly of significance for the future market perspectives.

While in 2013, the construction and assembly production shrank by 13.6 per cent (in present values), in 2014 this trend was reversed. The construction industry grew 2.6 per cent over the course of the year and the main driving force was the infrastructure segment, where railway, industrial and hydraulic engineering played the key roles.

Expenditures by the key investor in the roads segment, the General Directorate for National Roads and Motorways (Generalna Dyrekcja Dróg Krajowych i Autostrad – GDDKiA), decreased significantly from around PLN 13 billion in 2013 to approximately PLN 10.6 billion last year. Lower expenditures result from the expiring financial perspective of the European Union for the years 2007-2013 on the one hand and from the fact that the contracts performed in the new EU perspective are still not concluded fast enough, on the other.

The share of civil and water engineering facilities in the structure of construction and assembly production increased from 52.1 per cent in 2013 to 54.0 per cent in 2014, which was achieved at the cost of non-residential construction (a fall from 34.7 per cent to 33.3 per cent) and residential construction (a fall from 13.2 per cent to 12.7 per cent).

In 2014, the number of flats completed and put to use fell for the second time in a row, although slightly, and amounted to 143.4 thousand (a decrease by 1.2 per cent in comparison with 2013). However, these data do not reflect the current situation on the residential construction market. Good economic situation is supported by the number of flats whose construction was started (an increase by 16.3 per cent annually from the level of 127.4 thousand to 148.1 thousand), similarly as the number of issued construction permits (growth by 13.0 annually from the level of 138.7 thousand to 156.8 thousand). The launch of the government programme "Flat for Young People" (Mieszkanie dla Młodych, MdM) and the record-low interest rates making the financing relatively cheap and, at the same time, the unattractive interest on bank deposits caused a clear revival on the development market. The above factors combined with developers' offers that are tailor-made to the preferences and buying capacity of the customers, as well as stabilisation of flats' prices made 2014 probably the best year in history for the development industry in terms of the number of pre-booked flats.

### **1.2 Market development perspectives**

As expected, in 2014 the strong downturn trend in the construction industry was reversed. The upward trend will probably continue in 2015 and in subsequent years. Faster awarding of new contracts co-financed from the budget of the European Union within the framework of the new financial perspective for the years 2014-2020 will be of key importance here. It is the smart use of the European funds that will determine the dynamics and paths of Polish construction industry development in the years to come. Another positive event concerns reaching the main milestones on this path, i.e.: arrangement of the Partnership Agreement with the European Commission, finalising the negotiations for the Infrastructure and Environment Operational Programme 2014-2020 and the approval of part of the Regional Operational Programmes. The coordination of the regional investments will be facilitated by the approval and execution of the Territorial Contracts for the years 2014-2023 directing the efforts of the government and local authorities to address specific investment needs and priorities in each of the regions. The total amount of funds planned for the member states in the financial perspective for the years 2014-2020 for cohesion policy will reach approximately EUR 350 billion. Poland will benefit the most

from the EU funds; the country may count on a total support amounting to EUR 82.5 billion. Still, the largest operational programme will be the Infrastructure and Environment Operational Programme with allocation at the level of EUR 27.4 billion. The priorities of the programme include low carbon economy, environment protection, development of Polish technical infrastructure and energy security. In accordance with the content of the Programme, which was accepted by the European Commission in December 2014, it may be expected that most of the funds will go to undertakings related to transport, i.e. roads, railways, public transport in cities, air and sea transport (planned allocation levels at approximately EUR 19.8 billion). The above will be followed by: environment protection sector (EUR 3.5 billion) and power industry (EUR 2.8 billion). The key beneficiaries are to include public entities, including local authority units and entrepreneurs, in particular large companies.

In accordance with the provisions of the Act on State Budgets, the real increase in GDP in 2015 should be 3.4 per cent, and the yearly average inflation rate – 1.2 per cent. The unemployment rate at the end of 2015 is projected to be 11.8 per cent. Construction market development perspectives for 2015 are stable with a slight growth perspective. In the years 2016-2018 we should expect a much more rapid growth due to the accumulation of construction works based on the contracts co-financed from the new EU perspective.

Currently, details of new priorities and challenges are agreed upon in the roads segment. The draft version of the National Roads Construction Programme (Projekt Programu Budowy Dróg Krajowych, PBDK) for the years 2014-2020, public consultation of which was closed in January 2015, provides that as part of investment tasks defined in an appendix to the PBDK, the amount spent on the project will equal PLN 92.7 billion. In the first place, these funds are to be used for the construction of 1 862 km of expressways and motorways and 366 km of bypasses determined in Appendix 1 to the draft PBDK. If additional funds or savings are obtained, further 630 km of expressways or motorways and 147 km of bypasses may be approved for construction if selected from the reserve projects. Already in 2014, the General Directorate for National Roads and Motorways awarded part of large road projects included in the draft PBDK for the years 2014-2020 and projects from PBDK for the years 2011-2015 that have to be finished (46 tasks). The total value of the lowest bids exceeded PLN 13.5 billion. In January 2015 further bids were opened in the next 5 large tenders with the total value reaching nearly PLN 2.9 billion.

The infrastructural construction market is still exposed to such risk factors as tough price competition and the risk of work accumulation in the years 2016-2018, which may result in difficulties with mobilisation of sufficient capital, human and material resources.

Investments in the railway infrastructure sector did not gain momentum assumed in the Multi-year Railway Investment Plan by the year 2015, although they beat a new record anyway. The expenditures of the key investor in this construction market segment, PKP PLK, are estimated to have exceeded PLN 7 billion in 2014. The year 2015 is to witness another surge in expenditure, which may be as high as PLN 9-10 billion; but the expenses will still concern projects co-financed from the past financial perspective of the European Union. Important tenders within the framework of the new financial perspective are not announced or awarded fast enough. In 2016-2017, this may pose a risk of shrinking market and problems for businesses having extended contractor's potential.

Long-term prospects for the railway construction are relatively positive. In the sole priority axis V dedicated to the development of railway transport in Poland, within the framework of the Infrastructure and Environment Operational Programme, the allocation is supposed to exceed EUR 5 billion in the years 2014-2020. Moreover, we expect that further funds for railway will be obtained as part of the Connecting Europe Facility, where, at the initial stage, 6 projects are to be submitted with a total value of approximately PLN 10.2 billion that were approved by the government already in July 2014. Polish allocation to the Connecting Europe Facility stands at EUR 4.1 billion. The major part of the funds is planned to be used in railway transport.

Power engineering segment will probably maintain good growth rate owing to large construction projects for several power units, which were launched almost at the same time. Energy Regulatory Office (ERO) estimates that by the end of 2028, 18 GW of new capacity will have been completed and put to use. And even though the largest contracts have already been awarded, over a dozen major investments in the broadly understood conventional power engineering sector are still in planning or tenders. Additionally, the market of renewable energy sources, in particular wind energy, will gain in importance. The key issue here will be to stabilise regulations, which will be achieved through a new act on renewable energy sources that is currently at the stage of legislative work.

It seems that the electrical power and gas transfer and distribution market enjoys stable outlooks. The transfer system operator and the major operators of the distribution system agreed with the ERO on an investment programme for the years 2014-2019 worth around PLN 42 billion and the operator of gas pipelines declares to allocate more than PLN 7 billion to capital expenditure between 2014 and 2018. From the contractors' perspective, probably tenders' terms and conditions will play the key role in providing stability of these market segments.

The year 2015 may once again bring an increase in the number of investments in development companies. The offer of the primary market combined with the good economic growth rate expected to be maintained should cause the continuation of positive trends of the year 2014. However, keeping up a comparable number of transactions may be challenging. The biggest players carrying on business in large cities in Poland whose offers are adapted to market expectations have probably the best chances for further growth. Factors that may influence the market in 2015 will probably include, on the one hand, new limits under MdM programme and the fact that developers' offers are adjusted to them to an ever greater extent, and on the other hand, raising the minimum downpayment in mortgage loans, which may cause the loans to be less available for some customers.

The opportunity of further development of the construction market may also be based on the public-private partnership (PPP) formula. PPP is still applied in Poland to a very limited degree, usually with respect to small projects. Little successes give the reason to be satisfied when they build a set of best practices and reliable solutions acceptable for public entities, private partners and the banking sector; unfortunately there are still too few of them. Much significance to PPP and its role in the cohesion policy for the years 2014-2020 is also attached by the European Union. In its general regulation defining detailed rules for disposing of funds in the new perspective, the EU promotes combining PPP with European funds under so-called hybrid PPP projects, which may provide a good solution, in particular for projects that are less profitable for private partners.

## **2 Current activities and development perspectives for the Company**

### **2.1 Basic information about the Company**

The main area of business activities of Budimex SA is rendering construction and assembly services, development activities and rendering management and advisory services to other companies in the Budimex Group. Execution by Budimex SA of the advisory, management and financial functions serves to:

- ensure quick flow of information across the Group,
- strengthening the efficiency of cash and financial management of individual companies,
- strengthening the market position of the Group as a whole.

As at 31 December 2014, Budimex SA had the following branches:

- Oddział Budownictwa Ogólnego Północ w Poznaniu, ul. Wołowska 92A,
- Oddział Budownictwa Komunikacyjnego Południe w Krakowie, ul. Ujastek 7,
- Oddział Budownictwa Komunikacyjnego Północ w Warszawie, ul. Stawki 40,
- Oddział Budownictwa Przemysłowego i Kolejowego w Warszawie, ul. Stawki 40,
- Oddział Budownictwa Komunikacyjnego Południe w Krakowie, ul. Ujastek 7,
- Oddział Budownictwa Komunikacyjnego Zachód we Wrocławiu, ul. Jana Długosza 2-6,
- Oddział Budownictwa Przemysłowego i Kolejowego w Warszawie, ul. Stawki 40,
- Oddział Usług Sprzętowych w Pruszkowie, ul. Przejazdowa 24,
- Oddział w Rzeszowie, ul. Słowackiego 24,
- Oddział w Poznaniu, ul. Wołowska 92A,
- Budimex SA Zweigniederlassung Köln, Pferdmenesstr. 5, Köln.

### **2.2 Structure of sales at Budimex SA**

#### **Sales of construction and assembly services**

In 2014, sales revenue from the construction and assembly services of the Company increased by 13.8 per cent when compared to 2013. Sales in the infrastructural construction segment increased by 13.0 per cent (from PLN 2 361 million in 2013 to PLN 2 669 million in 2014) and in the building objects segment the increase amounted to 14.9 per cent (from PLN 1 608 million in 2013 to PLN 1 848 million in 2014). As far as the building objects segment is concerned, sales increased both in the case of non-residential construction (by 10.7 per cent) and residential construction (by 44.5 per cent).

**Report on the Company's activities for 2014**

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

The sales structure by individual segments of the construction market is presented in the table below:

Type of construction	Sales value			
	2014		2013	
	PLN million	%	PLN million	%
civil engineering (infrastructure)	2 669	59.1%	2 361	59.5%
building objects, of which:	1 848	40.9%	1 608	40.5%
- non-residential buildings	1 559	34.5%	1 408	35.5%
- residential buildings	289	6.4%	200	5.0%
<b>Total sales of construction and assembly services</b>	<b>4 517</b>	<b>100.0%</b>	<b>3 969</b>	<b>100.0%</b>

**Development activities and property management**

In 2014, revenues from sales of the development activities and property management amounted to PLN 3 873 thousand, while in 2013 it was PLN 3 938 thousand.

***Major construction contracts concluded by the Company in the year 2014:***

Contract date	Contract value allocated to BUDIMEX SA	Customer	Type of construction
2014-07-10	725 000	PGE Górnictwo i Energetyka Konwencjonalna SA	Design and construction in the turnkey formula of a power unit at Turów Power Plant.
2014-12-03	387 281	General Directorate for National Roads and Motorways branch in Poznań	Construction of the S5 road Żnin – Gniezno, section: "Mielno" junction - Gniezno
2014-10-29	344 618	General Directorate for National Roads and Motorways branch in Lublin	Construction of the S19 expressway Lubartów - Kraśnik within the section from Dąbrowica junction (excluding the junction) to Konopica junction and connecting it with the existing National Road No. 19
2014-09-16	292 478	General Directorate for National Roads and Motorways branch in Rzeszów	Continuation of the A4 motorway construction within the section from Rzeszów (East junction) to Jarosław (Wierzbna junction)
2014-10-16	283 409	General Directorate for National Roads and Motorways branch in Kielce	Construction of S7 expressway within the section from Jędrzejów to the boundary between Świętokrzyskie and Małopolskie Voivodeship
2014-09-30	263 229	General Directorate for National Roads and Motorways branch in Łódź	Continuation of the design and construction of A-1 motorway Stryków - "Tuszyn" junction
2014-18-11	238 533	General Directorate for National Roads and Motorways branch in Poznań	Construction of bypass for the city of Jarocin along S11 road
2014-11-05	237 636	General Directorate for National Roads and Motorways branch in Olsztyn	Construction of S7 expressway within the section from Miłomłyn to Olsztynek, subsection Miłomłyn – Ostróda Północ (subsection "A")
2014-07-31	234 250	General Directorate for National Roads and Motorways branch in Wrocław	Design and construction of S5 expressway; Poznań - Wrocław within the section from Korzeńsko (excluding the junction) - Widawa Wrocław junction
2014-02-21	198 799	General Directorate for National Roads and Motorways branch in Poznań	Finishing S5 expressway Poznań-Wrocław
2014-11-25	189 880	Landprop Services I Sp. z o. o.	Construction of the 3rd stage of Business Garden Wrocław i.e. 3 office buildings (4, 5, 7) and R1 restaurant pavilion with a shared underground car park
2014-08-14	153 700	Ferrero Polska Sp. z o.o.	Construction of production hall and warehouse with appurtenant infrastructure in Belsko Duże
2014-05-28	120 741	Polskie Koleje Państwowe SA	Construction of an integrated communication centre in Bydgoszcz – Stage I Central Railway Station

The above Directors' report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version should prevail.

## Report on the Company's activities for 2014

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

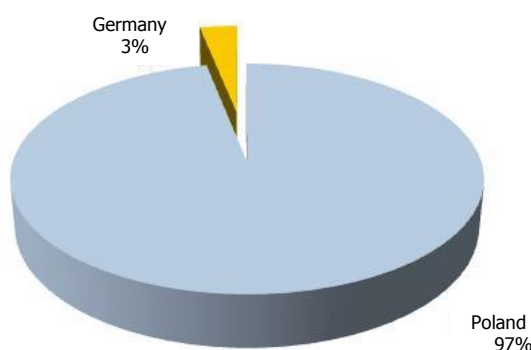
			in Bydgoszcz ("Bydgoszcz Główna")
2014-12-31	118 416	General Directorate for National Roads and Motorways branch in Łódź	Construction of a bypass for the city of Bełchatów along national road No. 8
<b>Contract date</b>	<b>Contract value allocated to BUDIMEX SA</b>	<b>Customer</b>	<b>Type of construction</b>
2014-12-18	102 000	Beyond.pl Sp. z o.o.	Construction and fitting of BEYOND.pl Information Technology Research Centre (Centrum Badań Technologii Informatycznych BEYOND.pl)
2014-03-12	89 723	Office of the Marshal of the Lubelskie Voivodeship in Lublin	Finishing the construction of the Office Building of the Marshal and a Conference Centre in Lublin
2014-03-03	87 696	Port Lotniczy Szczecin - Goleniów	Expansion and modernisation of the airport infrastructure at Szczecin Goleniów Airport
2014-11-17	83 649	General Directorate for National Roads and Motorways branch in Zielona Góra	Construction of the second roadway on the bypass for Międzyrzecze along S3 expressway
2014-07-02	61 127	The Municipality of Olsztyn	Construction of a tram depot at ul. Kołobrzeska 40 in Olsztyn in the design and build system
2014-04-18	58 231	Jeronimo Martins Polska SA	JMP SA Distribution Centre in Parzniew
2014-05-15	53 339	The Municipality of Gdańsk - The City of Gdańsk (Urząd Miejski w Gdańsku)	Remodelling of the tram infrastructure in Gdańsk
2014-12-19	51 187	Bouygues Immobilier Polska Sp. z o.o.	Construction of a residential and commercial services complex "LA CLARTE" (building B - stage I and building A - stage II)
2014-04-22	49 660	General Directorate for National Roads and Motorways branch in Łódź	Finishing the construction of A1 Motorways within the section from Sójki junction to Piątek junction
2014-11-25	39 710	District Infrastructure Administration in Szczecin	Construction works consisting in preparing the infrastructure for army accommodation in the Konotop site

### 2.3 Geographic structure of sales at Budimex SA in 2014

The main markets on which Budimex SA operates are:

- Poland
- Germany

The geographical structure of revenues from sales in 2014 is as follows:



### 2.4 Construction activities on the German market

In 2014, only workshop services were rendered on the German market. Sales revenues in Germany amounted to PLN 130 589 thousand and were PLN 6 465 thousand, i.e. 5.2 per cent, higher as compared to 2013. The increase was reported both in the case of metal-related works and prefabrication works. Gross margin on sales remained at 20.0 per cent, as compared to 20.6 per cent reported in 2013. Yet, in spite of such higher revenues from sales and comparable level of gross profit margin, operating profit for 2014

## **Report on the Company's activities for 2014**

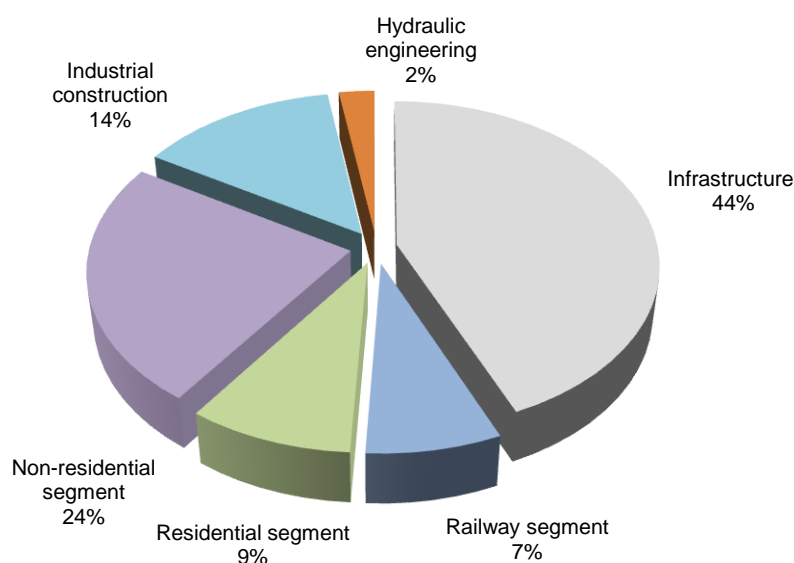
(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

was PLN 14 160 thousand, i.e. 7.7 per cent less than in 2013. This was caused mainly by higher costs of impairment write-downs on receivables charged to other operating costs.

### **2.5 Development perspectives for the Company in the forthcoming year**

Next year, the Company will continue to operate in all major sectors of the construction market in Poland, as well as on the German market. In 2014, the General Directorate for National Roads and Motorways which is the main contracting authority in the infrastructure market started investments co-financed with the EU funds for the years 2014-2020, which was reflected in the high number of contracts entered into. Further performance of the investment process in 2015 should result in new orders for the Company. Besides, the Company also plans to win contracts in the building objects, energy and hydraulic engineering construction segments. In 2014, Budimex SA signed construction contracts for a total value of PLN 6 206 million (with annexes). The value of the order portfolio as at 31 December 2014 amounted to PLN 5 997 million.

The structure of the order portfolio as at 31 December 2014 is as follows:



### **2.6 Evaluation of investment projects feasibility**

In 2015, Budimex SA plans to incur capital expenditure of approximately PLN 66 million. The outlays will be made mainly on construction machines and IT solutions. Capital expenditure will be financed from own funds and from external sources of finance.

### **2.7 Risk factors**

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 inherent risk of any business activity is the credit risk of business partners. Despite implementing restrictive debt control procedures in the Company, the risk of investor insolvency has not been eliminated. Delays in timely repayment of debt may have adverse effects on the financial results of the Company and may require that receivables write-downs be recognised or that current business be financed through external borrowings.

Information concerning the financial risk management objectives and policies adopted by the Company is presented in the financial statements for the year ended 31 December 2014 (note 9).

Construction contracts are executed under specific technical and economic conditions which have effect on the level of realised margin. The Company monitors technical, organisational, legal and financial risks related to the planning and progress of contract work. Despite control and preventive measures undertaken with respect to general risks (credit, currency and third party liability risks), it is possible that certain factors occur that will cause that contracts will be performed with lower margins than initially planned. Such factors may include:

- increases in prices of construction materials, energy and oil derivatives,



**Report on the Company's activities for 2014**

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

---

- increases in costs of subcontractor services,
- increases in employment costs,
- delays in timely performance or insufficient quality of subcontracted works,
- delays in obtaining relevant administrative decisions,
- changes in the scope of work or technologies as agreed in the contracts,
- unfavourable weather or land conditions.

**2.8 Procurement source changes**

In 2014, there were no significant changes in the procurement sources for construction sites. Share of none of the suppliers of raw materials or services exceeded 10 per cent of the Company's sales.

**Report on the Company's activities for 2014**

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

**3 Financial Position****3.1 Key economic and financial data of the Company**

The financial situation of the Company in 2014 is characterised by selected items disclosed in the Statement of Financial Position and Profit and Loss Account (as below together with the 2013 comparative data).

**Statement of financial position of Budimex SA**

The main items of the Company Statement of Financial Position as at 31 December 2014, compared to 31 December 2013, are presented in the table below:

<b>ASSETS</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>Change</b>	<b>Change %</b>
<b>Non-current assets</b>	<b>1 199 133</b>	<b>1 154 673</b>	<b>44 460</b>	<b>3.85%</b>
Property, plant and equipment	58 028	62 713	(4 685)	-7.47%
Investment properties	3 963	3 124	839	26.86%
Intangible assets	3 946	2 886	1 060	36.73%
Investments in subsidiaries	712 940	712 940	-	0.00%
Investments in associates	19 775	9 796	9 979	101.87%
Investments in other entities	6 417	6 596	(179)	-2.71%
Other financial assets	5 908	1 849	4 059	219.52%
Trade and other receivables	6 513	4 392	2 121	48.29%
Retentions for construction contracts	35 616	29 813	5 803	19.46%
Deferred tax assets	346 027	320 564	25 463	7.94%
<b>Current assets</b>	<b>2 115 395</b>	<b>2 080 300</b>	<b>35 095</b>	<b>1.69%</b>
Inventories	55 545	84 850	(29 305)	-34.54%
Trade and other receivables	433 519	474 112	(40 593)	-8.56%
Retentions for construction contracts	20 044	29 850	(9 806)	-32.85%
Amounts due and receivable from customers under construction contracts	165 648	137 441	28 207	20.52%
Investments in subordinated companies	-	238 600	(238 600)	-100.00%
Other financial assets	34 488	3 193	31 295	980.11%
Cash and cash equivalents	1 403 970	1 112 254	291 716	26.23%
	<b>2 113</b>	<b>2 080 300</b>	<b>32 914</b>	<b>1.58%</b>
Non-current assets (disposal groups) classified as held for sale	2 181	-	2 181	0.00%
<b>TOTAL ASSETS</b>	<b>3 314 528</b>	<b>3 234 973</b>	<b>79 555</b>	<b>2.46%</b>

<b>EQUITY AND LIABILITIES</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>Change</b>	<b>Change %</b>
Share capital	145 848	145 848	-	0.00%
Share premium	80 199	80 199	-	0.00%
Other reserves	59 520	58 913	607	1.03%
Foreign exchange differences on translation of foreign operations	5 507	5 486	21	0.38%
Retained earnings / (losses)	150 926	297 389	(146 463)	-49.25%
<b>Total shareholders' equity</b>	<b>442 000</b>	<b>587 835</b>	<b>(145 835)</b>	<b>-24.81%</b>
<b>Liabilities</b>	<b>2 872 528</b>	<b>2 647 138</b>	<b>225 390</b>	<b>8.51%</b>
<b>Non-current liabilities</b>	<b>337 566</b>	<b>297 909</b>	<b>39 657</b>	<b>13.31%</b>
Loans, borrowings and other external sources of finance	12 313	17 044	(4 731)	-27.76%
Retentions for construction contracts	165 288	152 294	12 994	8.53%
Provisions for non-current liabilities and other charges	154 125	125 307	28 818	23.00%
Retirement benefits and similar obligations	4 407	3 264	1 143	35.02%
Other financial liabilities	1 433	-	1 433	0.00%
<b>Current liabilities</b>	<b>2 534 962</b>	<b>2 349 229</b>	<b>185 733</b>	<b>7.91%</b>
Loans, borrowings and other external sources of finance	20 401	18 165	2 236	12.31%
Trade and other liabilities	1 030 106	1 265 913	(235 807)	-18.63%
Retentions for construction contracts	191 520	179 697	11 823	6.58%
Amounts due and payable to customers under construction contracts	910 183	688 159	222 024	32.26%
Deferred income	247 986	64 752	183 234	282.98%
Provisions for current liabilities and other charges	106 656	115 746	(9 090)	-7.85%
Current tax liability	25 556	15 478	10 078	65.11%
Retirement benefits and similar obligations	992	879	113	12.86%
Other financial liabilities	1 562	440	1 122	255.00%
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3 314 528</b>	<b>3 234 973</b>	<b>79 555</b>	<b>2.46%</b>

The above Directors' report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version should prevail.

## **Report on the Company's activities for 2014**

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

As at 31 December 2014, the total assets increased by PLN 79 555 thousand as compared to 31 December 2013, and amounted to PLN 3 314 528 thousand. Changes in the Statement of Financial Position were mainly related to the following events:

### Non-current assets:

Non-current assets: increase by PLN 44 460 thousand, which was mainly a result of the following events:

- an increase in the balance of deferred tax assets by PLN 25 463 thousand as a result of creating assets in the amount of PLN 68 096 thousand and their utilisation in the amount of PLN 34 619 thousand as well as establishing a provision in the amount of PLN 9 921 thousand and its utilisation of PLN 1 907 thousand.
- an increase in the balance of investments in associates by PLN 9 979 thousand, mainly as a result of a payment in the amount of PLN 9 800 thousand made to increase the equity of the company FBSerwis SA,
- an increase in the balance of retentions for construction contracts by PLN 5 803 thousand,
- an increase of value of other financial assets by PLN 4 059 thousand as a result of granting a long-term borrowing to a subsidiary Budimex Parking Wrocław Sp. z o. o.

### Current assets:

At the same time, the value of current assets increased by PLN 35 095 thousand, mainly as a result of the following events:

- an increase of the balance of cash and cash equivalents by PLN 291 716 thousand,
- a decrease of the balance of investments in subordinates by PLN 238 600 thousand caused by the decrease of the share capital of a subsidiary Budimex B Sp. z o. o.,
- a decrease of trade and other receivables by the amount of PLN 40 593 thousand, mainly as a result of a decrease of value of trade receivables by PLN 63 648 thousand and a growth of advances for deliveries by the amount of PLN 27 333 thousand,
- a decrease of value of inventories by the amount of PLN 29 305 thousand, mainly as a result of decreased amount of materials in the warehouses,
- an increase in the balance of other financial assets by PLN 31 295 thousand as a result of borrowings provided to a subsidiary, Budimex Budownictwo Sp. z o. o., in the amount of PLN 14 675 thousand and an associate, FBSerwis SA, in the amount of PLN 15 876 thousand as well as an increase of the balance of assets under valuation of derivative financial instruments of PLN 756 thousand,
- a decrease of amounts due and receivable from customers under construction contracts by the amount of PLN 28 207 thousand, mainly as a result of an increase of recognised sales adjustment over the invoiced sales in comparison to the previous year, in relation to estimation of long-term contracts in accordance with their advancement level,
- a decrease of value of retentions for construction contracts by PLN 9 806 thousand.

### Equity and liabilities:

On the side of equity and liabilities the most significant changes referred to:

- an increase in current liabilities by PLN 185 733 thousand, due mainly to:
  - a decrease of amounts due and payable to customers under construction contracts by PLN 222 024 thousand, mainly in connection with an increase of the balance of the provision for contract losses by PLN 237 971 thousand,
  - an increase in the balance of deferred revenue by PLN 183 234 thousand primarily in connection with the higher value of advances received against performance of contracts,
  - an increase in the balance of retentions for construction contracts by PLN 11 823 thousand,
  - a decrease of trade and other payables by the amount of PLN 235 807 thousand,
- an increase in non-current liabilities by PLN 39 657 thousand, due mainly to:
  - an increase in the balance of provision for liabilities and other charges by PLN 28 818 thousand, including an increase of the balance of the provision for warranty repairs in the amount of PLN 30 124 thousand,
  - an increase in the balance of retentions for construction contracts by PLN 12 994 thousand.

**Report on the Company's activities for 2014**

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

**Profit and Loss Account of Budimex SA**

<b>PROFIT AND LOSS ACCOUNT</b>	<b>01.01 - 31.12.2014</b>	<b>01.01 - 31.12.2013</b>	<b>Change</b>	<b>Change %</b>
Net sales of finished goods and services, goods for resale and raw materials	4 552 765	4 000 279	552 486	13.81%
Cost of finished goods, services, goods for resale and raw materials sold	(4 200 056)	(3 701 956)	498 100	13.46%
<b>Gross profit on sales</b>	<b>352 709</b>	<b>298 323</b>	<b>54 386</b>	<b>18.23%</b>
Selling expenses	(10 884)	(10 625)	259	2.44%
Administrative expenses	(161 892)	(145 898)	15 994	10.96%
Other operating income	57 479	30 951	26 528	85.71%
Other operating expenses	(35 842)	(42 361)	(6 519)	-15.39%
<b>Operating profit</b>	<b>201 570</b>	<b>130 390</b>	<b>71 180</b>	<b>54.59%</b>
Finance income	27 490	280 445	(252 955)	-90.20%
Finance costs	(33 141)	(78 562)	(45 421)	-57.82%
<b>Gross profit</b>	<b>195 919</b>	<b>332 273</b>	<b>(136 354)</b>	<b>-41.04%</b>
Income tax	(39 850)	(27 936)	11 914	42.65%
<b>Net profit for the period</b>	<b>156 069</b>	<b>304 337</b>	<b>(148 268)</b>	<b>-48.72%</b>

Within the twelve-month period of 2014, Budimex SA generated revenues from sales in the amount of PLN 4 552 765 thousand, while in 2013 it amounted to PLN 4 000 279 thousand, i.e. a 13.81 per cent increase. In 2014, gross profit on sales was PLN 352 709 thousand, while in the prior year it was PLN 298 323 thousand. The gross sales profitability ratio for 2014 was therefore 7.75 per cent and was higher than in 2013, when it reached 7.46 per cent.

Pursuant to the adopted accounting principles, the Company creates provision for contract losses if the budgeted costs exceed the total revenues under the agreement. In the subsequent periods, a part of the earlier created provision is reversed in proportion to the percentage of contract completion, after taking into account a total negative margin on the entire contract. As at 31 December 2013, the balance of the provision for contract losses amounted to PLN 209 025 thousand. In the twelve-month period ended 31 December 2014, the balance of the provision for contract losses was reduced by PLN 237 971 thousand.

The selling expenses in 2014 increased by PLN 259 thousand in comparison to the previous year, while the general administrative expenses grew by PLN 15 994 thousand. The share ratio of those expenses in the general sales amounted to 3.79 per cent in 2014 and 3.91 per cent in 2013.

Other operating income in the twelve-month period of 2014 amounted to PLN 57 479 thousand. That amount comprised mainly the received compensations and liquidated damages in the amount of PLN 26 591 thousand, revenues due to reversal of receivables impairment write-downs in the amount of PLN 5 004 and a deduction of overdue liabilities in the amount of PLN 1 751 thousand. At the same time, the Company dissolved provision for litigation and expected liabilities in the total amount of PLN 21 666 thousand. The net value of items of property, plant and equipment sold in 2014 was PLN 1 492 thousand.

Other operating expenses in the twelve-month period ended 31 December 2014 amounted to PLN 35 842 thousand, of which PLN 16 013 thousand related to the value of created provision for litigation and expected contractual liabilities, while the compensations and liquidated damages paid amounted to PLN 9 228 thousand. Besides, the Company established impairment write-downs for receivables in the amount of PLN 5 742 thousand. In 2014, the Company recorded losses on valuation and realisation of FX Forward derivative financial instruments and FX options in the amount of PLN 2 752 thousand.

In the twelve-month period of 2014 the Company reported a negative financial result of PLN 5 651 thousand. This was caused primarily by the costs of discount of retentions for construction contracts of PLN 15 794 thousand and expenses related to bank fees and guarantees of PLN 13 431 thousand, as well as net interest income of PLN 23 890 thousand.

At the end of 2014, the Company recorded gross profit of PLN 195 919 thousand.

Income tax for 12 months of 2014 amounted to PLN 39 850 thousand, including:

- current tax – PLN 65 140 thousand,
- deferred tax – PLN (25 290) thousand.

In 2014, Budimex SA earned the net profit in the amount of PLN 156 069 thousand.

**Cash flow statement**

The balance of cash in bank accounts and at hand at the beginning of 2014 amounted to PLN 1 112 254 thousand. For the purposes of drafting the statement of cash flows, this amount was adjusted with the value of cash of restricted use of consortia in the portion attributable to other consortium members, in the amount of PLN 36 097 thousand. In the twelve months of 2014, net cash flow was positive and amounted to PLN 285 577 thousand. As at 31 December 2014, the Company reported cash balance of PLN 1 403 970 thousand, including cash of restricted use in the amount of PLN 42 036 thousand.

In 2014, the balance of cash from operating activities increased by PLN 414 211 thousand.

The balance of cash from investment activities of the Company increased by PLN 185 065 thousand, mostly as a result of inflows of PLN 238 600 thousand received under a decrease of the share capital of a subsidiary, Budimex B Sp. z o.o, and expenses in the form of borrowings granted to related companies of a total value of PLN 43 207 thousand as well as expenses for acquisition of intangible assets and property, plant and equipment in the amount of PLN 13 662 thousand.

Cash flow from financing activities for 2014 showed a negative balance of PLN 313 699 thousand. The expenses were connected with payment of the dividend made by the Company in the amount of PLN 302 532 thousand and repayment of liabilities under finance lease together with interest in the amount of PLN 11 167 thousand.

**3.2 Managing of finance at the Company**

The cash balance of Budimex SA as at 31 December 2014 amounted to PLN 1 403 970 thousand and was by PLN 291 716 thousand higher than as at 31 December 2013. In 2014, the Company paid out a dividend in the amount of PLN 302 532 thousand, which was nearly the amount of the Company's net profit for 2013. Generating cash assets at the above level was possible owing to positive profitability maintained by the Company in 2014, advances received from customers under contracts as well as to sustained favourable trends in working capital in the second half of 2014.

The Company's cash surpluses were placed as bank deposits at banks with a good rating. In addition, Budimex SA used cash surpluses to finance its suppliers of services and raw materials. This had a positive effect on the financial liquidity of these suppliers, and generated extra finance income for the Company.

The Company's indebtedness under borrowings, bank loans and the concluded finance lease agreements is presented in the table below. The major part of indebtedness comprises the Company's liabilities under finance lease agreements in respect of machines and equipment required to carry out road construction projects. The indebtedness as at 31 December 2014 decreased as a result of a decrease of level of debt under finance lease agreements.

<b>Financial liabilities</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Long-term loans, borrowings and other external sources of finance	12 313	17 044
Short-term loans, borrowings and other external sources of finance	20 401	18 165
<b>Total liabilities under bank loans and borrowings and other external sources of finance</b>	<b>32 714</b>	<b>35 209</b>

In 2014, as in the previous years, the Company maintained in effect the agreements with the banks relative to committed overdraft facilities for the total amount of PLN 225 000 thousand (see point 4.4) in order to ensure additional sources of short-term liquidity during the year, when higher amounts of cash are usually engaged to finance the working capital and the cash balance of the Company decreases. The Company did not use these facilities. The Company intends to maintain in 2015 the total amount of available loans at least at the level of 2014.

The following ratios illustrate the structure of finance at Budimex SA:

<b>Ratio</b>	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
equity to assets ratio: (shareholders' equity) / (total assets)	0.13	0.18	0.13
equity to non-current assets ratio: (shareholders' equity) / (non-current assets)	0.37	0.51	0.32
debt ratio: (total assets - shareholders' equity) / (total assets)	0.87	0.82	0.87
assets to equity ratio: (total assets - shareholders' equity) / (shareholders' equity)	6.50	4.50	6.64

As at the end of 2014, the ratios illustrating the Company's capital structure were back at the levels close to those observed at the end of 2012. Significantly improved ratios as at 31 December 2013 were related to one-off

**Report on the Company's activities for 2014**

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

increase in the Company's net profit (and, at the same time, rise in its equities) in 2013 due to a revaluation of shares in Budimex B Sp. z o. o to market value.

Ratio	31.12.2014	31.12.2013	31.12.2012
current ratio: (current assets) / (current liabilities)	0.83	0.89	0.77
quick ratio: (current assets - inventory) / (current liabilities)	0.81	0.85	0.72

Although liquidity ratios were lower than at the end of 2013, when they were at exceptionally high levels due to the above-mentioned one-off factors, they improved in relation to the one recorded at the end of 2012. The Company's situation with respect to liquidity and access to external sources of finance is presently very good and there are no risks for financing of the Company's activities in 2014.

**3.3 Contingent receivables and liabilities of Budimex SA**

Guarantees, sureties, and other contingent liabilities and receivables:

<b>CONTINGENT RECEIVABLES AND LIABILITIES</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
<b>Contingent receivables</b>	<b>310 947</b>	<b>353 267</b>
<b>From related parties, of which:</b>	<b>14 482</b>	<b>12 765</b>
- guarantees and sureties received	880	880
- promissory notes received as security	2 964	1 092
- other contingent receivables	10 638	10 793
<b>From other entities, of which:</b>	<b>296 465</b>	<b>340 502</b>
- guarantees and sureties received	295 422	338 524
- promissory notes received as security	1 043	1 978
<b>Contingent liabilities</b>	<b>2 038 659</b>	<b>1 493 231</b>
<b>To related parties, of which:</b>	<b>157 953</b>	<b>138 657</b>
- guarantees and sureties issued	157 953	138 657
- promissory notes issued as security	-	-
<b>To other entities, of which:</b>	<b>1 880 706</b>	<b>1 354 574</b>
- guarantees and sureties issued	1 877 637	1 348 669
- promissory notes issued as security	3 069	5 905
<b>Other contingent liabilities, of which:</b>	<b>135 480</b>	<b>143 180</b>
- other off-balance-sheet liabilities	135 480	143 180
<b>Total contingent receivables and liabilities</b>	<b>(1 863 192)</b>	<b>(1 283 144)</b>

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

Contingent liabilities arising from guarantees and sureties represent guarantees issued by banks to business partners of Budimex SA to secure their claims against the Company that may arise on the grounds of executed construction contracts. The banks are entitled to reverse claims against Budimex SA.

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

**Report on the Company's activities for 2014**

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

The table below shows guarantees and sureties relative to loans and borrowings issued by Budimex SA as at 31 December 2014:

Name of the company granting a surety for loans or borrowings or granting a guarantee	Name of the (company) entity which was granted a surety or guarantee	Total amount of loans or borrowings, which were secured, in whole or in part	Term for which sureties or guarantees were granted	Financial terms on which a surety or guarantee was granted	The nature of the relationship existing between BUDIMEX SA and the entity that incurred the loan or borrowing
Budimex SA	Mostostal Kraków SA	76 273	2021-10-21	against	subsidiary
Budimex SA	Budimex Nieruchomości Sp. z o.o.	25 452	2017-07-15	free of	subsidiary
Budimex SA	Budimex Parking Wrocław Sp. z o.o.	206	2017-08-31	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	82	2015-06-30	free of	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o.	51 747	2023-01-31	free of	subsidiary
Budimex SA	FBSerwis SA	4 193	2018-11-16	against	associate
<b>TOTAL</b>		<b>157 953</b>			

**3.4 Differences between forecasts and actual financial results of Budimex SA**

Budimex SA did not publish any forecasts regarding financial results for 2014.

**3.5 Utilisation of proceeds from issues of securities**

In the period covered by the report, no securities were issued.

**4 Significant agreements****4.1 Insurance agreements covering Budimex SA**

In 2014, the Budimex Group (including Budimex SA) was party to the following General Insurance Agreements:

- General Insurance Coverage for All Construction & Assembly Risks

The leading co-insurer for this agreement is TUiR Warta SA with its registered office in Warsaw (50 per cent share) and the other co-insurers are TUiR Allianz Polska SA with its registered office in Warsaw (25 per cent share) and PZU SA with its registered office in Warsaw (25 per cent share).

Subject to the insurance coverage are all construction and assembly contracts executed by the Budimex SA with a value not exceeding PLN 500 million, which are reported to the Leading Co-Insurer within 30 days of entry of the first contractor on the construction site.

This agreement was concluded for the period from 5 July 2014 to 4 July 2016.

- General Third Party Liability (TPL) Agreement

Generali TU SA is the insurer.

Subject to the insurance coverage is the out-of-contract third party liability in tort of the Insured in respect of assets used to conduct business activities with insurance coverage and construction services rendered against life and non-life (material) losses caused to third parties. The sum insured was set at PLN 100 million for one and all events in each of the insurance settlement periods. This agreement provides for the extension of the basic insurance coverage together with sub-limits of the sum insured.

This agreement was concluded for the period from 5 July 2012 to 4 July 2014.

- General All-Risk Insurance Coverage for Construction Machines

This insurance agreement was concluded for a defined period of time i.e. from 15 November 2014 to 14 November 2016. Gothaer TU SA is the insurer. Subject to the insurance coverage are construction machines and equipment which are owned by Budimex SA and which are subject to lease agreements. The insurance coverage comprises all risks of physical loss or damage of assets, except for damage resulting from losses incurred during or in connection with the transport, loading, unloading, assembly or disassembly of the machine.

- Other significant insurance agreements:

*The above Directors' report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version should prevail.*

**Report on the Company's activities for 2014**

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

In 2014, the agreement with AIG concerning TPL insurance for Management and Supervisory Boards Members of the Budimex Group companies was extended. This extension of insurance coverage covers the period from 22 June 2014 to 21 June 2015. The insurance coverage covers Members of Management and Supervisory Boards and authorised commercial representatives of the Budimex Group companies and of their subsidiaries. This insurance constitutes a part of the global insurance programme for the Ferrovial Group.

**4.2 Cooperation agreements binding in 2014**

Cooperation agreements concluded in 2014:

	Supplier	Subject of the Agreement	Annual value	Agreement date
1	Lotos Asphalt Sp. z o. o.	road asphalts	93 992	14.03.2014
2	Vimex SA	steel reinforcements, reinforcement bars	10 243	06.06.2014
3	Hochtrans Transport Sp. z o. o.	transportation of aggregates	5 868	14.02.2014
4	Ecol-Unicon Sp. z o. o.	sanitary items	5 489	05.03.2014
5	PTHU Mantrans	transportation of aggregates	5 012	27.01.2014
6	Przedsiębiorstwo Usług Sprzętowych A. Nogaj	transportation of aggregates	4 534	27.02.2014
7	Euro-Trans Sp. z o.o.	transportation of aggregates	4 451	07.01.2014
8	Anna Sp. z o. o.	steel reinforcements, reinforcement bars	4 035	02.06.2014

The agreements listed above are master cooperation agreements with no exclusivity clause and present no obligation for Budimex SA.

Cooperation agreements concluded before 2014 and effective in 2014:

	Supplier	Subject of the Agreement	Annual value	Agreement date
1	Orlen Asphalt Sp. z o.o.	road asphalts	84 059	13.11.2013
2	Cemex Polska Sp. z o.o.	aggregates, cement, concrete	27 170	23.11.2006 01.04.2009 6.12.2011
3	Lafarge Kruszywa i Beton Sp. z o.o.	aggregates, concrete	25 885	01.06.2010
4	ArcelorMittal Distribution Solutions Polska Sp. z o. o.	steel reinforcements, reinforced steel	23 903	24.05.2011
5	ZPK Rupińscy Sp. j.	aggregates	18 101	15.01.2013
6	Mal-Sped Sp. z o.o.	mazut	15 920	01.06.2010
7	Pol-Miedź Trans Sp. z o.o.	transportation of aggregates	14 950	01.02.2013
8	PKN Orlen S.A.	fuel	14 073	15.06.2011
9	Mineral Polska Sp. z o.o.	aggregates	13 674	29.06.2012
10	Śląskie Kruszywa Naturalne Sp. z o.o.	aggregates	11 998	01.05.2009 16.05.2012
11	Konsorcjum Stali SA	steel reinforcements, reinforced steel	11 303	01.03.2012
12	ThyssenKrupp Energostal SA	steel reinforcements, metallurgical	10 183	04.02.2013
13	Kopalnie Dolomitu w Sandomierzu SA	aggregates	10 101	10.01.2012
14	ArcelorMittal Distribution Solutions Polska Sp. z o. o.	road pass elements	10 044	15.02.2013
15	Stalprodukt SA	road and bridge rails	9 793	18.06.2007 01.03.2010

The agreements listed above are master cooperation agreements with no exclusivity clause and present no obligation for Budimex SA.

**4.3 Transactions with related parties**

Detailed information on transactions with related parties was presented in note 40 of the consolidated financial statements of the Budimex Group.



**Report on the Company's activities for 2014**

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

**4.4 Loans and borrowings**

As at 31 December 2014, Budimex SA had the following loans and borrowings and finance lease agreements:

Lender	Title of liability	Date of signing the loan/borrowing agreement	Amount available	Liability incl. interest	Interest rate	Maturity date
Bank Handlowy w Warszawie SA	Overdraft facility	05.02.2014	PLN 50 000	-	WIBOR 1M + margin	04.02.2015
ING Bank Śląski SA	Overdraft facility	18.02.2013	PLN 25 000	-	WIBOR 1M + margin	18.02.2015
Bank Zachodni WBK SA	Overdraft facility	04.03.2013	PLN 50 000	-	WIBOR 1M + margin	03.03.2015
Bank PEKAO SA	Overdraft facility	16.04.2013	PLN 50 000	-	WIBOR 1M + margin	30.06.2015
Societe Generale SA Branch in Poland	Overdraft facility	10.12.2013	PLN 50 000	-	WIBOR 1M + margin	09.03.2015
Cintra Infraestructuras SA	Borrowing	01.12.2004	EUR 2 032	EUR 2 034	EURIBOR 12 M + margin	01.12.2015
Millennium Leasing Sp. z o. o.	Finance lease (83 agreements in total)	-	-	PLN 23 135	WIBOR 1M + margin	30.11.2015 - 30.11.2019
Konica Minolta	Finance lease	16.02.2012	-	PLN 909	fixed, as provided in the agreement	monthly payments

**4.5 Major capital deposits and equity investments in 2014**

**On 28 April 2014**, Budimex B Sp. z o.o. (a wholly owned subsidiary of Budimex SA) made a payment for the benefit of Budimex SA in the amount of PLN 238 600 thousand in connection with the registration of the share capital decrease to PLN 75 thousand.

**On 4 December 2014**, the company Budimex SA – Técnicas Reunidas SA – Turów Spółka Cywilna was established. The company was established for the purpose and duration of performance of the investment task entitled "Construction of a new power unit at Turów Power Plant". Both partners, i.e. Budimex SA and Técnicas Reunidas SA hold 50% of shares each.

**On 10 December 2014**, the Extraordinary General Shareholders' Meeting of FB Serwis SA (an associate of Budimex SA) resolved to increase the company's share capital by PLN 20 000 thousand, i.e. from PLN 19 600 thousand to PLN 39 600 thousand. All the new shares were purchased by existing shareholders, i.e. by Ferrovial Servicios SA - 408 shares of nominal value of PLN 500 per share for a total of PLN 10 200 thousand and by Budimex SA - 392 shares of nominal value of PLN 500 per share for a total of PLN 9 800 thousand.

**4.6 Information about borrowings granted during the accounting year, including in particular borrowings granted to related parties of the Company**

**In 2014**, further payments were made under a long-term borrowing provided by Budimex SA to Budimex Parking Wrocław Sp. z o.o (a subsidiary of Budimex SA) under the agreement dated 19 December 2012. Pursuant to the agreement, the interest rate for the borrowing was agreed as WIBOR 1M + margin. The repayment period is 20 years. In 2014, the following payments were made under the borrowing: PLN 1 000 thousand on 24 April 2014, PLN 700 thousand on 29 May 2014, PLN 900 thousand on 24 June 2014, PLN 300 thousand on 24 July 2014 and PLN 936 thousand on 18 August 2014.

**In 2014**, further payments were made under a short-term borrowing provided by Budimex SA to FBSerwis SA (an associate of Budimex SA) under the agreement dated 24 September 2013. Pursuant to the above agreement, Budimex SA provided FBSerwis with a borrowing in the amount of up to PLN 19 600 thousand. Pursuant to the agreement, the interest rate for the borrowing was agreed as WIBOR 3M + margin. In 2014, the following

*The above Directors' report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version should prevail.*

payments were made under the borrowing: PLN 6 370 thousand on 7 February 2014, PLN 1 225 thousand on 24 April 2014, PLN 8 820 thousand on 29 April 2014, PLN 1 470 thousand on 30 June 2014, PLN 3 528 thousand on 2 September 2014 and PLN 3 283 thousand on 10 November 2014. On 5 May 2014, FBSerwis SA repaid a borrowing in the amount of PLN 8 820 thousand.

**On 1 December 2014**, the agreement concerning a borrowing granted in 2004 to Budimex SA by Ferrovial Infraestructuras SA (currently Cintra Infraestructuras SA) was extended, and the interest due for the period from 1 December 2013 was capitalised. Therefore, the amount of the borrowing increased to EUR 2 032 thousand. The borrowing repayment date is 1 December 2015.

**On 15 December 2014**, the first payment was made under the borrowing granted by Budimex SA to Budimex Budownictwo Sp. z o.o (a subsidiary of Budimex SA) under the agreement dated 28 November 2014, in the amount of PLN 14 674 thousand. The total value of the borrowing will not exceed PLN 17 518 thousand. Pursuant to the agreement, the interest rate for the borrowing was agreed as WIBOR 1Y + margin.

## **5 Other information**

### **5.1 Agreements between the Company and the Management Board Members**

Members of the Management Board of Budimex SA, in connection with the work performed and position occupied on the Management Board, are employed at either Budimex SA or at subsidiary companies where they receive remuneration based on an employment contract concluded for a fixed term of office, with a 2-week termination notice. In addition, the employment contracts provide for severance pay in the amount of 6-12 average monthly salaries, depending on the position, in case of removal or non-appointment for the next term of office for reasons dependent on the Company. Where the contract is terminated due to employee resignation or his/her wilful misconduct to the detriment of the Company, termination benefits are not paid and only the 2-week termination notice remains in effect.

In addition, each Member of the Management Board of Budimex SA has concluded with the Company or the company paying his remuneration a separate non-competition agreement, which is valid for the period of 12 months after the date of termination of the employment contract. During the period of validity of the non-competition clause, the Company will pay the employee 75 per cent of his/her basic monthly remuneration if the termination of the employment contract is initiated by the Company, or 25 per cent of the basic monthly remuneration if the termination is initiated by the employee. Contractual penalties have been established for the breach of the non-competition clause by the member of the Management Board. Non-competition agreements have been concluded with all Management Board members.

Information on the remuneration of Members of the Management Board was presented in note 40.2 to the Company financial statements.

### **5.2 Information about the shareholding in the Parent Company and related parties held by Members of the Management and Supervisory Boards of Budimex SA**

As at 31 December 2014, Members of the Management Board of Budimex SA held the following numbers of shares:

- Marcin Węglowski – 2 830 shares

As at 31 December 2014, the Members of the Supervisory Board of Budimex SA held the following numbers of shares:

- Marek Michałowski – 3 900 shares

As at 31 December 2014, Members of the Management and Supervisory Boards of Budimex SA did not hold any shares in the Company's related parties.

### **5.3 Acquisition of own shares**

In 2014, Budimex SA did not acquire its own shares.

#### **5.4 System of control over employee share incentive programs**

The Company did not operate an employee share incentive scheme.

#### **5.5 Information about agreements acknowledged by the Company (including post-balance sheet date agreements) with a possible future effect on the current ownership structure**

As at the date of publication of this report, Budimex SA is not aware of any agreements that may result in future changes in the ownership structure of the current shareholders.

#### **5.6 Entity authorised to audit financial statements**

On 24 April 2014, the Supervisory Board of Budimex SA resolved to appoint Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. to review the Company's mid-year financial statements and consolidated financial statements of the Budimex Group for the 6-month period of 2014, and to audit the financial statements of Budimex SA and consolidated financial statements of the Budimex Group for the financial year 2014. The contracts for the review and audit of financial statements were concluded on 8 July 2014 and 17 October 2014, respectively. The remuneration for the obligatory audit of separate and consolidated financial statements amounted to PLN 454 thousand, the remuneration for review of the mid-year separate and consolidated financial statements amounted to PLN 114 thousand, the remuneration for tax consulting amounted to PLN 46 thousand, the remuneration for other certification services amounted to PLN 40 thousand and the remuneration for other services amounted to PLN 32 thousand.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp.k. also reviewed the mid-year separate financial statements of Budimex SA and consolidated financial statements of the Budimex Group for the 6-month period of 2013 and audited the separate financial statements of Budimex SA and consolidated financial statements of the Budimex Group for the financial year 2013. The remuneration for the obligatory audit of separate and consolidated financial statements amounted to PLN 454 thousand, the remuneration for review of the mid-year separate and consolidated financial statements and other certification services amounted to PLN 155 thousand, the remuneration for tax consulting amounted to PLN 36 thousand and the remuneration for other services amounted to PLN 144 thousand.

## **6 Corporate governance**

### **6.1 Corporate governance policies at Budimex SA and public availability of the underlying document**

In 2014, the Company applied the "Best Practices of WSE Listed Companies" adopted by the resolution of the WSE Supervisory Board dated 4 July 2007, as amended, while further suspending the application of policies included in the current report filed on 8 March 2011, i.e. Policy 12 of Section I Recommendations relating to best practices of listed companies and point 2 of Policy 10 of Section IV "Best Practices Applied by Shareholders" (rules' indication as per the latest wording of the Best Practices).

In 2012, due to the amendment of the best practices adopted by the WSE's Supervisory Board in 2011 (resolutions of the WSE's Supervisory Board of 31 August 2011 and 19 October 2011), by Resolution No. 171 of 26 April 2012, the Ordinary General Meeting of Shareholders of the Company adopted for use the "Best Practices of WSE Listed Companies" in their new wording, save for the above point 2 and 3 of Policy No. 10 in Section IV of the "Best Practices Applied by Shareholders". Its adoption by the General Meeting was preceded by appropriate resolutions of the Management Board (of 28 September 2011 and 29 November 2011) and the Supervisory Board (of 13 October 2011 and 14 December 2011).

By virtue of Resolution No. 19/1307/2012 of 21 November 2012, the Supervisory Board of WSE adopted further amendments to the policies of 4 July 2007.

On 20 December 2012, the Company's Management Board, under Resolution No. 18, adopted the "Best Practices of WSE Listed Companies", as amended on 21 November 2012, for use from 1 January 2013, save for:

- the option to exercise voting rights in person or through an authorised legal representative during the course of the general meeting, outside of the place of the general meeting, using electronic means of communication,
- two-way real-time communication process during which shareholders can take the floor during the General Meeting of Shareholders while being in a place other than the place of the meeting - Policy No. 10 point 2) in Section IV of Best Practices Applied by Shareholders.

The decision in this matter was taken following an analysis covering the matters relating to both technical and legal threats to the correct and efficient execution of the General Meeting of Shareholders, whilst considering the number of shareholders who usually participate in the General Meeting of Shareholders of the Company. The Company will start to apply Policy No. 12 in Section I and Policy No. 10 point 2 in Section IV of the "Best Practices of WSE Listed Companies" in full as soon as it clears all doubts regarding functioning in practice of the new regulations concerning the two-way real-time communication process, during which the shareholders can "take the floor" during the General Meeting of Shareholders while being in a place other than the actual place of the Meeting, and execute in person or by an authorised representative their voting right at the General Meeting of Shareholders using electronic means of communication.

In the above Resolution No. 18 of 20 December 2012, the Management Board recommended that the Company's Supervisory Board adopted a resolution regarding the application by the Supervisory Board of the "Best Practices of WSE Listed Companies" to the extent adopted by the Management Board. While following the application and recommendation of the Management Board, on 26 March 2013, by resolution No. 204, the Supervisory Board of the Company adopted the "Best Practices of WSE Listed Companies" to be applied from 1 January 2013, in the wording introduced by Resolution No. 19/1307/2012 of the WSE Supervisory Board of 21 November 2012, save for providing the shareholders with:

- the option to exercise voting rights in person or through an authorised legal representative during the course of the general meeting, outside of the place of the general meeting, using electronic means of communication,
- two-way real-time communication during which shareholders can take the floor during the General Meeting of Shareholders while being in a place other than the place of the meeting.

Upon request of the Management Board, by Resolution No. 206 of 26 March 2013, the Supervisory Board of the Company applied to the Ordinary General Meeting of Shareholders to adopt the resolution on observing the "Best Practices of WSE Listed Companies" in the wording introduced by Resolution No. 19/1307/2012 of the WSE Supervisory Board of 21 November 2012, save for the elements specified in the Resolution No. 204 of the Supervisory Board of the Company. In 2013, the Ordinary General Meeting of Shareholders of the Company, by Resolution No. 201 of 24 April 2013, adopted for use the "Best Practices of WSE Listed Companies" in their new wording, within the scope suggested by the Management Board and the Supervisory Board. The document containing corporate governance policies was and is posted on the Company's website at <http://www.budimex.pl>.

Under Policy No. 9 Section I of the "Best Practices of WSE Listed Companies" (Recommendations concerning best practices of public companies) concerning the balanced share of males and females performing management and supervisory functions, the Company reported that in 2014 the Company's Management Board was composed of six males. Throughout 2014, the Supervisory Board was composed of one female and, taking into account changes in the Supervisory Board described in point 6.10, from seven to eight males. Given the fact that the bodies authorising composition of the Management and Supervisory Boards are, as appropriate, the Supervisory Board and the General Shareholders' Meeting, and that the new wording of best practice policies was authorised for use based on the Resolution of the Supervisory Board and the Resolution of the General Meeting of Shareholders, it is reasonable to conclude that this Policy will be a significant criterion in taking decisions by the said bodies of the Company.

## **6.2 Key features of the Company's internal control and risk management systems with regard to the preparing of financial statements of Budimex SA**

The Management Board of Budimex SA is responsible for the implementation and functioning of the internal control system in the process of preparation of financial statements of Budimex SA.

The obligation to prepare financial statements is realised in practice by qualified personnel of the Financial Department under the supervision of a Management Board Member – the Chief Financial Officer of Budimex SA.

Preparation of annual financial statements is preceded by a meeting of the Audit Committee with independent auditors in order to determine the audit scope and plan, and to discuss potential risk areas which may have impact on the truthfulness and fairness of the financial statements. Preparation of the financial statements is an orderly process which accounts for the delegation of duties of the personnel of the Financial Department of Budimex SA, in accordance with their competences and qualifications.

Separate financial statements of the Company are prepared on the basis of its books of account. The books of account of the most significant Group companies are maintained using the finance and accounting system, SAP R/3, which has been used for financial and management accounting purposes since 1 January 2003. The SAP R/3 system is managed centrally by qualified employees of Budimex SA who define authorisation levels

## **Report on the Company's activities for 2014**

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

for implementation and modification of transaction data, templates of key reports and changes in the Company's chart of accounts.

During preparation of the financial statements, among others, the following control activities are realised:

- assessment of significant, non-routine transactions in terms of their effect on the financial position of the Company or the manner of their presentation in the financial statements,
- verification of correctness of the assumptions underlying accounting estimates,
- comparative and substantive analyses of financial data,
- verification of arithmetical correctness and consistency of financial data,
- analysis of disclosure completeness.

Annual financial statements are forwarded to the Chief Financial Officer for preliminary verification and then to the Management Board for final verification and authorisation.

Annual financial statements are subject to an audit by an independent certified auditor who presents post-audit conclusions and observations to the Audit Committee and then to the Supervisory Board.

### **6.3 Shareholders with direct or indirect ownership of significant blocks of shares**

According to the information available to Budimex SA, the shareholding structure of the Company as at 31 December 2014 was as follows:

Shareholder	Type of shares	Number of shares	% share in the share capital	Number of votes	% share in the number of votes at the GSM
Valivala Holdings B.V. Amsterdam (the Netherlands) - a Ferrovial SA Group (Spain) company	ordinary	15 078 159	59.06%	15 078 159	59.06%
Aviva OFE Aviva BZ WBK	ordinary	1 820 426	7.13%	1 820 426	7.13%
Other shareholders	ordinary	8 631 513	33.81%	8 631 513	33.81%
<b>Total</b>		<b>25 530 098</b>	<b>100.00%</b>	<b>25 530 098</b>	<b>100.00%</b>

### **6.4 Holders of all securities which confer special control rights**

The Company did not issue any securities that give special control rights.

### **6.5 Restrictions on exercising voting rights**

There are no restrictions concerning exercising voting rights.

### **6.6 Restrictions on transferring ownership rights to the securities of Budimex SA**

There are no restrictions on the transfer of ownership rights to securities of Budimex SA, except for the rights concerning registered shares whose disposal requires pre-approval of the Company. Such approval has to be granted by the Management Board in writing to be valid.

### **6.7 Regulations concerning appointment or removal of Management or Supervisory Board Members, the rights of those persons, in particular, the right to take decision on share issue or redemption**

The Supervisory Board appoints and removes the President of the Management Board and, upon his/her request, the Vice-Presidents of the Management Board or other Board Members for a joint three-year term of office.

The Management Board is not authorised to take decision on share issue. The rights of the Management Board regarding decision to redeem shares do not vary from those set forth in the Code of Commercial Companies.

During 2014, policies concerning the appointment or removal of members of managing bodies as well as the rights of members of these bodies, including the right to take decision on issuance or redemption of the Company shares, as provided for in the Articles of Association, did not change.

In accordance with the provisions of the Company's Articles of Association, the Management Board conducts the Company's affairs and represents the Company, which effectively means that the scope of duties of this body does not differ from that defined in the Code of Commercial Companies. Detailed rights of the Management Board of Budimex SA specified in the Company's Articles of Association are as follows:

- granting approval for disposal of registered (inscribed) shares,
- determining the share issue price in case of a share capital increase,

- cancelling or limiting the pre-emptive right to newly issued shares upon approval by the Supervisory Board,
- defining the method of determining the share issue price or issuing shares in exchange for non-monetary contribution upon approval by the Supervisory Board,
- taking decision on the purchase or disposal of property, perpetual usufruct or share in property, machines and equipment, securities or other asset items where the unit price on acquisition or disposal does not exceed 1/5th of the Company's share capital,
- taking decision on the prepayment of year-end dividend upon prior approval of the Supervisory Board.

#### **6.8 Implementing changes to the Articles of Association of Budimex SA**

Changes to the Articles of Association are made by way of resolution of the General Meeting of Shareholders and entry in the National Court Register. These issues are regulated in par. 13 letter r) of the Articles of Association in the description of the rights of the General Meeting of Shareholders and in par. 17 section 1 letter l) of the By-laws of the General Meeting of Shareholders of Budimex SA. Prior to taking a resolution on amending the Company's Articles of Association, a draft of such resolution should be forwarded by the Management Board to the Supervisory Board for approval. In accordance with the provisions of the Code of Commercial Companies, such resolution should be adopted with a qualified majority of votes, i.e. (i) as a rule, 3/4th of the total voting rights, and (ii) in the case of significant change to business activities - 2/3rd of votes.

#### **6.9 Functioning of the General Meeting of Shareholders, its fundamental powers, rights of the shareholders and the manner of exercising those rights**

The General Meeting of Shareholders operates on the basis of the Articles of Association, By-laws of the General Meeting (both documents are posted on the Company's Internet website) and provisions of other laws, including the provisions of the Code of Commercial Companies. Detailed powers of the General Meeting of Shareholders have been described in par. 13 of the Articles of Association. Shareholders exercise their rights in the manner specified in the Articles of Association, By-laws of the General Meeting of Shareholders and binding laws.

The General Meeting of Shareholders is convened as ordinary or extraordinary. Ordinary General Meetings of Shareholders take place, at the latest, within 6 months of the end of each financial year. General Meetings of Shareholders are convened by the Company's Management Board. The Supervisory Board may convene an Ordinary General Meeting of Shareholders if the Company's Management Board does not convene it within the period defined in the Code of Commercial Companies or in the Articles of Association; the Supervisory Board may also convene an Extraordinary General Meeting of Shareholders if such a meeting is deemed advisable. An Extraordinary General Meeting of Shareholders may also be convened by the shareholders representing at least half of the Company's share capital or at least half of the total number of votes in the Company. If this is the case, the shareholders appoint the chairperson of the Meeting.

The shareholder or shareholders representing at least 1/20th of the Company's share capital may request in writing, or using electronic means of communication, that the Company's Management Board convene an Extraordinary General Meeting of Shareholders and include certain specific matters on the meeting agenda or matters that are to be introduced to the meeting agenda. If, within two weeks of the date of forwarding such a request, the Extraordinary General Meeting of Shareholders is not convened, the court of registration may authorise the shareholders initiating such a request to convene the Meeting. The court of registration appoints the person chairing the Meeting, and in the notification about the Meeting the shareholders should refer to such decision of the court of registration. The Meeting convened in this manner takes resolution on whether the costs of convening and holding the Meeting are to be borne by the Company. The shareholders who requested convening the Meeting may apply to the court to be exempted from the costs imposed by the resolution of the Meeting of Shareholders.

A dedicated email address which may be used in cases defined by the Code of Commercial Companies in connection with convening General Meetings of Shareholders is posted on the Company's website.

The General Meeting of Shareholders of the Company is convened by way of posting an announcement on the Company's website and in the manner reserved for forwarding current information, in accordance with the provisions of the Act on the Public Offering and the Terms and Conditions of Introducing Financial Instruments to an Organised System of Trading and on Public Companies. The announcement should be made at least twenty-six days before the scheduled date of the General Meeting of Shareholders.

A General Meeting of Shareholders may also take place in the manner specified in the Code of Commercial Companies on condition that the provisions of Article 405 of the Code of Commercial Companies are fulfilled.

A shareholder or shareholders representing at least 1/20th of the Company's share capital may request that certain matters be included on the agenda of the next General Meeting of Shareholders. The request should

The above Directors' report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version should prevail.

be forwarded to the Management Board of the Company no later than twenty-one days before the scheduled date of the meeting and should include justification for or a draft of the resolution concerning the proposed matter for the agenda. The request may be forwarded in an electronic form. The Management Board must immediately, but no later than 18 days before scheduled date of the General Meeting, announce changes to the meeting agenda that were introduced at the request of the shareholders. Such announcement is executed in the manner applicable to convening the General Meetings of Shareholders.

A shareholder or shareholders representing at least 1/20th of the Company's share capital may, before the date of the General Meeting of Shareholders, send to the Company in writing, or using electronic means of communication, draft resolutions concerning matters entered on the agenda of the General Meeting of Shareholders or matters that are to be introduced to the agenda. The Company shall immediately post such drafts of resolutions on its website. During a General Meeting of Shareholders, each shareholder may submit draft resolutions concerning matters entered on the agenda.

The shareholders may participate in the General Meeting of Shareholders and exercise their voting rights in person or through authorised representatives. The authorisation to participate in the General Meeting of Shareholders and to exercise voting rights should be granted in writing or in an electronic form. Granting authorisation in an electronic form does not require the use of a secure electronic signature verified by valid classified certificate.

In accordance with the Articles of Association (apart from other matters listed in appropriate regulations), the General Meeting of Shareholders adopts resolutions on the following matters:

- review and approval of the report on the Company's activities and of the financial statements for the prior financial year,
- review and approval of the directors' report on the Group's activities and the consolidated financial statements of the Budimex Group,
- acknowledging fulfilment of duties by members of the Management and Supervisory Boards,
- creating and reversing special funds and reserve capital, and their utilisation,
- profit appropriation or defining the manner of loss absorption; the General Meeting of Shareholders may resolve that dividend, in whole or in part, be allocated towards increasing the share capital and the shareholders are issued new shares in exchange,
- claims for losses incurred at incorporation of the Company, or losses resulting from performing management or supervisory functions,
- disposing or leasing/renting the company or its organised part, or establishing restrictions on its use or disposal,
- taking decisions on company merger or liquidation, and in the case of the latter - appointing Company liquidators,
- issuing convertible bonds or bonds with pre-emptive rights, or subscription warrants,
- redemption of shares,
- amendment of the Company's Articles of Association, especially concerning a share capital increase or decrease, or amendment of the Company's business activities,
- adopting By-laws of the General Meeting of Shareholders of Budimex SA,
- appointing and removing Supervisory Board members,
- defining the principles and amount of remuneration for the Supervisory Board members,
- re-acquisition of own shares to offer them to employees or persons who were employed at the Company or any related company for the period of at least three years,
- conclusion by the Company of a loan, borrowing or suretyship agreement, or other similar agreement with a member of the Management or Supervisory Board, authorised commercial representative, liquidator, or concluding an agreement in favour of any of the said persons,
- determining the date on which the list of shareholders entitled to receive dividend for the year is prepared (dividend date).

Matters forwarded by the Management Board for consideration of the General Meeting of Shareholders should first be forwarded for the Supervisory Board's consideration. Resolutions of the General Meeting of Shareholders are adopted by an absolute majority of votes, irrespective of the number of shares represented at the meeting, unless the provisions of the Code of Commercial Companies state otherwise.

**6.10 Composition of the Management and Supervisory Boards, changes thereof in the last financial year and functioning of the management and supervisory bodies of the Company and their committees**

**a) Composition of the Management Board**

As at 31 December 2014, the Management Board of Budimex SA was composed of the following persons:

- |                                    |   |
|------------------------------------|---|
| • Dariusz Jacek Blocher            | President of the Management Board, General Director,  |
| • Fernando Luis Pascual Larragoiti | Vice-President of the Management Board,               |
| • Andrzej Artur Czynczyk           | Board Member, Chief HR Officer                        |
| • Jacek Daniewski                  | Board Member, Chief Legal and Organisational Officer, |
| • Henryk Urbański                  | Board Member, Chief Real Estate Officer               |
| • Marcin Węglowski                 | Board Member, Chief Financial Officer.                |

In 2014, the following changes to the composition of the Management Board took place:

- Ignacio Botella Rodriguez resigned from the position of the Vice-President of the Management Board as of 24 April 2014.
- By virtue of Resolution No. 229 dated 24 April 2014, the Supervisory Board appointed Fernando Luis Pascual Larragoiti for the position of the Vice-President of the Management Board.

As at 31 December 2014, joint authorisations to represent the Company together with a member of the Management Board of Budimex SA were granted to the following persons:

- Artur Popko,
- Radosław Górski,
- Andrzej Goławski.

In 2014, the following changes to joint authorisations to represent the Company took place:

- on 26 March 2014, joint authorisations to represent the Company granted to Jaime Rontome Perez and Emilio Pont Perez were cancelled,
- on 19 September 2014, joint authorisations to represent the Company together with a member of the Management Board were granted to: Artur Popko, Radosław Górski and Andrzej Goławski.

During 2014, policies concerning the appointment or removal of members of managing bodies as well as the rights of members of these bodies, including the right to take decision on issuance or redemption of the Company shares, as provided for in the Articles of Association, did not change.

**b) Composition of the Supervisory Board and its Committees**

As at 31 December 2014, the Supervisory Board of Budimex SA was composed of the following persons:

- |  |  |
|--|--|
| • Marek Michałowski                      | Chairperson of the Supervisory Board,        |
| • Alejandro de la Joya Ruiz de Velasco   | Deputy Chairperson of the Supervisory Board, |
| • Igor Adam Chalupec                     | Supervisory Board Secretary,                 |
| • Marzenna Anna Weresa                   | Supervisory Board Member,                    |
| • Ignacio Clopes Estela                  | Supervisory Board Member,                    |
| • Javier Galindo Hernandez               | Supervisory Board Member,                    |
| • José Carlos Garrido-Lestache Rodríguez | Supervisory Board Member,                    |
| • Piotr Kamiński                         | Supervisory Board Member,                    |
| • Janusz Dedo                            | Supervisory Board Member.                    |

Changes to the composition (and structure) of the Supervisory Board in 2014:

- Tomasz Sielicki resigned from the positions of the Supervisory Board Member and Secretary as of 7 January 2014,
- the Supervisory Board's composition was supplemented by the appointment of Janusz Dedo to replace Tomasz Sielicki - SB Resolution No. 218 dated 29 January 2014; the supplemented Supervisory Board's composition was approved by the General Meeting on 24 April 2014,
- an existing Supervisory Board member, Maciej Stańczuk, was appointed for the position of Board Secretary - SB Resolution No. 219 dated 29 January 2014,
- Maciej Stańczuk resigned from the positions of the Supervisory Board Member and Secretary as of 7 February 2014,
- an existing Supervisory Board member, Igor Chalupec, was appointed for the position of Board Secretary - SB Resolution No. 220 dated 12 March 2014,



## **Report on the Company's activities for 2014**

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

- General Meeting of Shareholders of Budimex SA appointed Ignacio Clopes Estela to the Supervisory Board as of 1 May 2014.

As at 31 December 2014, the Audit Committee was composed of the following persons:

- Marzenna Weresa – Chairperson
- Javier Galindo Hernandez – Member,
- José Carlos Garrido - Lestache Rodríguez – Member.

The composition of the Audit Committee did not change in 2014.

As regards the independence of an Audit Committee member, provisions of the following apply: Article 56 section 3 point 1, 3 and 5 of the Act on Statutory Auditors and their Self-Governance, Audit Firms Authorized to Audit Financial Statements and Public Oversight, dated 7 May 2009, and criteria of independence with regard to the company and entities materially related to the company, within the meaning of the Best Practices of WSE Listed Companies (Policy 6 Section III Best Practices for Supervisory Board Members).

The status of independence of a Supervisory Board member is determined by the Company in accordance with the criteria defined in the Procedure for Integrated Management System No. 05-05 relating to obtaining information from Supervisory Board members and publication of this information, based on representations filed by Board members and based on Article 56 section 3 point 1, 3 and 5 of the Act on Statutory Auditors and their Self-Governance, Audit Firms Authorized to Audit Financial Statements and Public Oversight, dated 7 May 2009.

The Investment Committee was composed of the following persons:

- Piotr Kamiński - Chairperson,
- Alejandro de la Joya Ruiz de Velasco - Member,
- Javier Galindo Hernandez – Member.

Changes to the composition of the Investment Committee in 2014:

- Maciej Stańczuk resigned from the position held as of 7 February 2014,
- Piotr Kamiński was appointed to the Investment Committee by Supervisory Board Resolution No. 221 dated 12 March 2014. After the above changes in Investment Committee composition were introduced, the Committee was constituted by way of appointing Piotr Kamiński for the position of the Committee's Chairperson.

The Remuneration Committee was composed of the following persons:

- Marek Michałowski - Chairperson,
- Igor Chalupec - Member,
- Alejandro de la Joya Ruiz de Velasco - Member.

The composition of the Remuneration Committee did not change in 2014.

### **c) Activities of the Management Board**

The Management Board operates based on the provisions of the Company's Articles of Association, By-laws of the Management Board and other binding regulations, including the Code of Commercial Companies. The Management Board is composed of one or more members. The Management Board conducts the Company affairs and formally represents the Company.

The President of the Management Board is appointed and removed by the Supervisory Board. The President of the Management Board is, at the same time, the Company's General Director. The Supervisory Board, at the request of the President of the Management Board, appoints vice-presidents and other members of the Management Board for a 3-year joint term of office.

The functioning of the Management Board is managed by the President of the Management Board. The detailed manner of Management Board functioning has been defined in the By-laws of the Management Board approved by the Supervisory Board.

Resolutions of the Management Board may be adopted with an absolute majority of votes. In the event of an equal number of votes, the casting vote is that of the President of the Management Board.

The persons authorised to make representations or sign documents on behalf of the Company are:

- President of the Management Board – individual representation
- two Board Members – acting together or one Board Member acting together with an authorised commercial representative.

Representations filed with the Company or submissions of documents are considered valid if addressed to one Board Member, or authorised legal representative of the Company.

*The above Directors' report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version should prevail.*

**d) Activities of the Supervisory Board**

The Supervisory Board operates on the basis of the Articles of Association, By-laws of the Supervisory Board of Budimex SA and other legal regulations, including the Code of Commercial Companies. The organisation and operation of the Supervisory Board is defined in the By-laws of the Supervisory Board as adopted by the Board.

The Supervisory Board takes decisions provided at least half of Board Members are present at the meeting and all its members were invited to the meeting. The Supervisory Board adopts resolutions with an absolute majority of votes. In the case of equal number of votes, the casting vote is that of the Chairperson of the Supervisory Board. It is allowed that resolutions of the Supervisory Board are taken in writing or using means of direct communication. Resolutions of the Supervisory Board are valid and effective if all Board members were informed about the content of the draft resolution. Supervisory Board members may participate in taking resolutions by voting in writing by proxy i.e. through another member of the Supervisory Board, in all matters listed on the agenda of the Supervisory Board meeting, except for matters that were added to the agenda during the course of the Supervisory Board's Meeting.

In performing its duties, the Supervisory Board is authorised to review all documents of the Company or to request reports and explanations from the Management Board or employees of the Company; it may also verify the company's assets, books of account, registers and documents. The Supervisory Board is also entitled to order, for its own use, appropriate expert research in matters of its supervision and control.

The Supervisory Board supervises all aspects of the Company's operations in an ongoing manner. Included in the scope of duties of the Supervisory Board are, in particular, the following:

- assessment of the directors' report on the company's activities and evaluation of the financial statements for the previous year,
- evaluation of profit appropriation or loss absorption proposals made by the Management Board,
- recommending to the General Meeting of Shareholders the acknowledgement of the fulfilment of duties by members of the Management Board,
- presenting to the General Meeting of Shareholders annual written reports on the results of the assessment referred to above,
- suspending, for valid reasons, individual or all Management Board members and delegating Supervisory Board members for a period lasting no more than 3 months to temporarily perform the duties of those Management Board members who were removed, resigned or could not perform their duties for other reasons,
- approval of the By-laws of the Management Board of the Company,
- concluding agreements with the Company Management Board members, determining remuneration of the President of the Management Board and of other Board members, determining policies for granting management bonuses, exercising rights towards Management Board members resulting from work relations; with the proviso that such agreements are signed by the President of the Supervisory Board on behalf of the Supervisory Board,
- appointment of a certified auditor from the list of certified auditors maintained by the National Council of Certified Auditors to audit the financial statements of the Company,
- approval of the agreement between the Company's Management Board and the underwriter to take up the Company's shares,
- granting approval to a member of the Management Board to deal with competitive business or to participate in a competing company,
- granting approval to excluding or limiting by the Management Board a pre-emptive right to newly issued shares,
- granting approval to the method of determining share issue price proposed by the Management Board or to issue of shares for an in-kind (non-monetary) contribution,
- granting approval for the purchase or disposal of property, perpetual usufruct right or share in property, machines and equipment and/or disposal or acquisition of securities or other asset items, if the unit price on acquisition or disposal exceeds 1/5th of the Company's share capital; if the value of the transactions referred to in this point does not exceed the amount stated above, the decision is made independently by the Management Board.

In accordance with par. 12, section 3 of the By-laws of the Supervisory Board, the Supervisory Board may establish committees or appoint teams from among its members, or delegate a Board member to such bodies. As stated above, the following three committees operate as part of the Supervisory Board: Audit Committee, Investment Committee and Remuneration Committee.

**e) Tasks of the Audit Committee**

The role of the Audit Committee is to: recommend to the Supervisory Board an entity authorised to serve as a certified auditor and to audit the financial statements of the Company and the consolidated financial statements of the Group for the previous year, monitor the process of preparation of the financial statements of the Company and the consolidated financial statements for the previous year, perform detailed reviews of the results of those audits at each audit stage, monitor the financial audit process, monitor the effectiveness of the internal control, internal audit and risk management systems, forward to the Supervisory Board conclusions and recommendations relating to the audit and assessment of the financial statements of the Company and of the consolidated financial statements for the previous year, to assess the Management Board's proposal concerning profit appropriation or loss absorption, forward to the Supervisory Board conclusions and recommendations concerning acknowledgement of the fulfilment of duties by the Chief Financial Officer, monitor the independence of the certified auditor and the entity authorised to audit financial statements, in this case – the independence of services referred to in article 48 par. 2 of the Act on Statutory Auditors and Their Self-Governance, Audit Firms Authorised to Audit Financial Statements and Public Oversight, dated 7 May 2009, perform other tasks commissioned by the Supervisory Board depending on the current situation at the Company, and submit interim and annual reports on its activities to the Supervisory Board.

**f) Tasks of the Investment Committee**

The role of the Investment Committee is to provide opinions or approve decisions material for the Company from the point of view of the value of operations relating to: making investments or de-investments in non-financial assets, company incorporation or dissolution, making investments or de-investments or issuing financial assets, Budimex Group company mergers, divisions or transformations, carrying out financial operations, establishing special purpose vehicles (SPVs) to perform works or to render services based on the terms and conditions other than those prevailing in the consortium agreements concluded by Budimex Group, preliminary agreements and non-binding initial offers, development projects and significant contracts with related parties.

The Investment Committee operates based on the procedure authorised by the Supervisory Board. The Supervisory Board is informed at its subsequent meetings about matters on which the Investment Committee was to provide opinions during the period in between the Supervisory Board's meetings.

**g) Tasks of the Remuneration Committee**

The tasks of the Remuneration Committee comprise:

- submitting for approval by the Supervisory Board, proposals concerning remunerating Management Board Members, especially in the form of fixed remuneration, performance-based remuneration, retirement benefit scheme and retirement benefit and long-term incentive programs, together with recommendations concerning objectives and assessment criteria for appropriate adjustment of remuneration of Management Board Members to long-term shareholder interests and the Company's objectives defined by the Supervisory Board; providing the Supervisory Board with proposals concerning remuneration of individual Management Board Members and ensuring that the remuneration proposed is consistent with the remuneration regulations adopted by the Company and assessment of work performance of individual Board Members; providing the Supervisory Board with proposals concerning the appropriate form of employment contracts for individual Board Members; providing the Supervisory Board with proposals concerning bonus ratios, their weight for Board members based on the budget for the given year; offering assistance to the Supervisory Board in supervising the process under which the Company fulfils binding regulations in the area of remuneration disclosure requirements (in particular in the area of remuneration of members of the Management Board); monitoring the level and structure of remuneration of Management Board members based on independent payroll reports, market ratios and submitting to the Supervisory Board appropriate underlying analyses and conclusions; providing opinions on the appointment and removal of members of Supervisory Boards at Budimex SA subsidiary companies, except for SPVs.
- accepting, at the request of the Management Board, the bonus ratio for employees of the Budimex SA head office to be used in calculation of previous year bonus and the percentage ratio for salary/wage increase in the current year;
- preparation of annual report on activities of the Remuneration Committee.

## Supervisory Board Members

- Chairperson of the Supervisory Board – twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.7 ratio,
- Chairperson of the Audit Committee of the Supervisory Board - twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.4 ratio,
- Deputy Chairperson of the Supervisory Board - twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.15 ratio,
- Secretary of the Supervisory Board - twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments, calculated using the 1.1 ratio,
- Supervisory Board Member - twice the amount of the average monthly remuneration in the enterprise sector without out of profit payments. calculated using the 1.0 ratio.

The body authorised to determine remuneration policy for members of the Management Board of Budimex SA is the Supervisory Board. The policy defines all types of remuneration, in particular, fixed remuneration, performance-based remuneration, retirement benefit scheme and retirement benefits, and long-term incentive schemes.

In addition, the Supervisory Board performs all labour-law based activities in relations between Budimex SA and members of the Management Board. Employment contracts with members of the Management Board are signed by the President of the Supervisory Board on behalf of the Supervisory Board. Agreements between Budimex SA and Management Board members were described in point 5.1.

- fixed remuneration – basic monthly salary,
- performance-based remuneration (annual bonus) which is composed of the following elements: task-related bonus which is determined on the basis of annual assessment of task completion, and ratio-related bonus relating to the business activities of the Budimex Group,
- share incentive scheme of the Ferrovial Group called "Ferrovial's objective-related share incentive scheme" (*„Plan przyznania akcji związanych z celami Ferrovialu”*) which consists in conditional awarding of rights to acquire shares in the parent company. Management Board members who have been employed at the Company for at least 36 months will be eligible to subscribe for the shares of the parent company. Both the fact of awarding and the number of awarded shares depend on achieving economic parameters budgeted by the Ferrovial Group in the following three years and on the eligible persons' remaining in the Management Board posts on the date of awarding the shares,
- additional "in-kind" benefits such as free-of-charge medical care, or payment of life insurance policy premiums.

Dariusz Blocher	President of the Management Board	.....	Henryk Urbański	Member of the Management Board	.....
name and surname	position	signature	name and surname	position	signature
Fernando Luis Pascual Larragoiti	Vice-President of the Management Board	.....	Marcin Węglowski	Member of the Management Board	.....
name and surname	position	signature	name and surname	position	signature
Jacek Daniewski	Member of the Management Board	.....			
name and surname	Position	signature			
Andrzej Artur Czynczyk	Member of the Management Board	.....		Warsaw, 11 March 2015	
name and surname	position	signature			