

REPORT

of the Supervisory Board of Budimex SA

- on the results of examination of the Report of the Management Board on the Activities of the Company in 2011, including the financial statements, as to their compliance with the books of account, the documents and the actual status, as well as the Management Board proposal for 2011 profit distribution;
 - on the assessment of the Company standing including evaluation of the internal control system and risk management system for the risks significant to the Company (in accordance with Principle 1.1 Division III of the corporate governance principles set out in “The Code of Best Practice of WSE Listed Companies”);
 - on the assessment of its own works;
- for the 2012 Annual General Meeting (AGM) of Budimex SA.

Pursuant to Article 382 § 3 and § 4 of the Code of Commercial Companies and in accordance with § 11.1.e of the Bylaw of Budimex SA Supervisory Board, the Board – in the meeting held on 28 March 2012 – examined and assessed the Reports of the Management Board of Budimex SA on the Activities of the Company and the Budimex Group, as well as the respective financial statements for the reporting year 2011, as to their compliance with the books and documents and the actual status, and also the Management Board proposal for profit distribution, as a result of which the Board states as follows.

1. During the examination of the documents referring to Budimex SA for the reporting year 2011:
 - 1) the Board read the financial statements and analysed the introduction, balance sheet, profit and loss account, statement of changes in equity capital, cash flow statement, and additional information and explanatory notes;
 - 2) the Board read the Opinion and the Supplementary Report to the Opinion on the 2011 Financial Statements Audit by an independent statutory auditor and heard the auditor’s explanations and replies to the questions asked by the Supervisory Board Members;
 - 3) the Board read the Report of the Management Board on the Activities of the Company in 2011 and heard explanations of the Management Board regarding that Report.
2. During the examination of the documents referring to the Budimex Group for the reporting year 2011:
 - 1) the Board read the consolidated financial statements and analysed the consolidated report on financial standing, consolidated profit and loss account,

consolidated report on total revenues, consolidated statement of changes in equity capital, consolidated cash flow statement, and additional information and explanatory notes;

- 2) the Board read the Opinion and the Supplementary Report to the Opinion on the 2011 Consolidated Financial Statements Audit by an independent statutory auditor and heard the auditor's explanations and replies to the questions asked by the Supervisory Board members;
 - 3) the Board read the Report of the Management Board on the Activities of the Budimex Group and heard explanations of the Management Board regarding that Report.
3. Based on the examination of the Management Board Reports for 2011 mentioned in clauses 1 and 2, as well as the examination of the 2011 financial statements prepared by the statutory auditor, the Supervisory Board states that the information provided in those documents is a correct and fair reflection of the result of business activities of the Company and the Budimex Group, as well as the assets and the financial standing of the Company.
4. In accordance with the statement presented in clause 3, the Supervisory Board requests the Annual General Meeting of Budimex SA to pass resolutions regarding:
- 1) approval of the Report of the Management Board of Budimex SA on the Activities in 2011 and the financial statements of the Company for 2011;
 - 2) approval of the Report of the Management Board of Budimex SA on the Activities of the Budimex Group and the consolidated financial statements of the Company for 2011;
 - 3) distribution of net profit for the period from 1 January 2011 to 31 December 2011, to be assigned to the dividend;
 - 4) vote of approval in relation to the performance of duties in 2011 by the Members of the Management Board of Budimex SA;
 - 5) adherence to "The Code of Best Practice for WSE Listed Companies" at Budimex SA, in the wording set out in the Resolutions of the Supervisory Board of the Warsaw Stock Exchange Nos 15/1282/2011 of 31 August 2011 and 20/1287/2011 of 19 October 2011, hereinafter referred to as **DPS2011 bis**;

and also provides its opinion on the formal contents of the resolution regarding:

- 6) giving the vote of approval in relation to the performance of duties in 2011 by the Members of the Supervisory Board.

5. On 28 March 2012 the Supervisory Board passed Resolution No 195 on examination of the financial statements and the Reports of the Management Board on the Activities of the Company and the Budimex Group in 2011, as well as the proposal for profit distribution and vote of approval for the Members of the Management Board.

Appendices to the aforesaid Resolution are draft resolutions of the AGM listed in clause 4 sub-clauses 1–4 hereof and draft resolution on giving the vote of approval in relation to the performance of duties in 2011 by the Members of the Supervisory Board, as mentioned in clause 4.6 hereof.

6. On 28 March 2012 the Supervisory Board passed Resolution No 196 on recommending to the Annual General Meeting of Budimex SA the passing of a resolution with regard to adherence to “The Code of Best Practice for WSE Listed Companies”, in consideration of the amendments introduced by virtue of the Resolutions of the Supervisory Board of the Warsaw Stock Exchange Nos 15/1282/2011 of 31 August 2011 and 20/1287/2011 of 19 October 2011.

7. Company assessment in consideration of the internal control system and risk management system.

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

- fast flow of information within the Group structure;
- improvement of finance and cash management effectiveness at the particular companies;
- improvement of the Group market position.

Within the 12 months of 2011 Budimex SA generated sales revenues of PLN 5,020 million, i.e. a growth of 33.81% compared to the revenues generated in 2010.

Gross sales profit in 2011 amounted to PLN 382 million, whereas in the preceding year, the profit was PLN 358 million. Gross sales profitability in 2011 was, therefore, 7.60% compared to 9.55% in 2010.

The balance of cash in bank accounts and at the cash desk of Budimex SA at the beginning of 2011 amounted to PLN 1,755 million. Net cash flows in the period of 12 months of 2011 were negative and amounted to PLN 185 million. The balance of cash as at 31 December 2011 amounted, therefore, to PLN 1,570 million.

The Company balance of cash on investment activities dropped by PLN 171 million. The main contribution to that value was by the expenditures on the acquisition of

financial assets, and specifically the shares of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o., and dividend income received from Budimex Nieruchomości Sp. z o.o. as well as the revenues on investments in short-term securities (treasury bills). Cash flows on financial activities in 2011 were negative and amounted to PLN 245 million. The expenditures consisted of the payout of dividend by the Company in the amount of PLN 232 million and repayment of liabilities under financial lease agreement, including interest.

In 2011 the Budimex Group generated total sales revenues of PLN 5,517 million, which was by 24.5% higher than the revenues generated in 2010.

In 2011 the value of sales of construction and assembly services by the Budimex Group increased by 36% compared to 2010. Sales in the infrastructure sector grew by 43%, and in building construction sector – by 24%.

In 2011 further growth of sales value in the infrastructure segment was observed (starting from PLN 2,353 million in 2010 and ending with PLN 3,375 million in 2011). The share of the infrastructure segment in the total construction and assembly services revenues of the Group increased from 62% in 2010 to 65% in 2011.

In 2011 the sales revenues on development activities amounted to PLN 248 million, reflecting a 50% drop compared to the preceding year. The sales revenues on development activities are of periodical nature, as they are recognised at the moment of transfer of the ownership title to an apartment/premises to the buyer, after the technical acceptance of the entire building.

In 2011 the situation on the development market was stable, which was directly reflected in the high level of advance sales of apartments. Advance sales throughout the year referred to 703 apartments, compared to 975 apartments in the preceding year.

In 2011 the Budimex Group companies signed construction contracts of the total value of PLN 5,297 million (excluding annexes). The construction order portfolio of the Budimex Group as at 31 December 2011 amounted to PLN 8,567 million (including the portfolio of PNI Sp. z o.o.), which represents a 24.2% growth compared to the end of 2010.

Gross sales profit in 2011 amounted to PLN 462 million, whereas in the preceding year, the profit was PLN 484 million. Gross sales profitability in 2011 was, therefore, 8.37% compared to 10.93% in 2010.

The financial standing of the Group in 2011 remained on a very good level. Net cash flows in 2011 were negative and amounted to PLN 121 million. In 2011 the balance of cash on operating activities increased by PLN 351 million. On the other hand, cash flows on investing activities closed with a negative balance of PLN 212 million, which

was mainly affected by the acquisition of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.

Cash flows on financial activities in 2011 were negative and amounted to PLN 261 million, which resulted from the repayment of credit facilities and loans, including interest, and payout of dividend for 2010.

The current financial standing of the Budimex Group as regards liquidity and access to external sources of finance does not pose any hazard to financing the activities in 2012.

Considering the recommendations of the Audit Committee, the Supervisory Board positively assessed the functioning of the internal control system and the risk management system with regard to the risks significant to the Company.

The Supervisory Board positively assessed the activities of the Company Management Board in 2011.

8. Assessment of the works of the Supervisory Board of Budimex SA

In 2011 the Supervisory Board consisted of nine persons. The membership changed owing to the resignation of Mr Carmelo Rodrigo López from the membership in the Supervisory Board of Budimex SA and the function of a Deputy Chairman of the Board, submitted on 22 March 2011 owing to professional reasons.

In the period from 1 January 2011 to 22 March 2011 the Supervisory Board consisted of the following Members:

Chairman	Marek Michałowski;
Deputy Chairman	Carmelo Rodrigo López;
Secretary	Tomasz Sielicki;
Members:	Marzenna Weresa, Igor Chalupec, Javier Galindo Hernandez, Jose Carlos Garrido Lestache Rodriguez, Piotr Kamiński, Maciej Stańczuk.

In the period from 23 March 2011 to 31 December 2011 the Supervisory Board consisted of the following Members:

Chairman	Marek Michałowski;
Deputy Chairman	Alejandro de la Joya Ruiz de Velasco,

- analysis of the current situation in the process of acquisition by Budimex SA of 100% shares in Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. (on two occasions);
- analysis of the amendment of legal regulations with regard to development activities (the Act on the Protection of Rights of the Buyer of an Apartment or a Single-Family House) and the related new challenges (risks) in running such business in Poland;
- analysis of the risks present in the selected contracts performed by Budimex (as identified by the Audit Committee), with particular attention paid to the temporary risks related to EURO 2012;
- current status of litigation between Budimex and the Ministry of Infrastructure (or its agencies) with regard to the selected contracts.

In 2011 the Supervisory Board met the representatives of the external auditor, receiving information on the approach to auditing financial statements and the results of activities undertaken by the statutory auditor.

Within the Supervisory Board there were the following three-person Board Committees functioning in 2011:

1. **Investment Committee** whose tasks and competencies are specified in the Procedure No 09-01 of the Integrated Management System – *The Principles of providing opinions and making investment, financial and corporate decisions*, which was earlier accepted by the Board and approved by the Chairman of the Board.
The competencies and tasks of the Investment Committee are also provided in § 12.9 of the Bylaw of the Supervisory Board;
2. **Audit Committee** whose tasks are specified in § 12.6 of the Bylaw of Budimex SA Supervisory Board and the Rules of the Audit Committee;
3. **Remuneration Committee** whose tasks are specified in § 12.14 of the Bylaw of Budimex SA Supervisory Board and the Rules of the Remuneration Committee.

The membership of the **Investment Committee** and the **Remuneration Committee** changed in 2011 owing to the resignation submitted by Mr Carmelo Rodrigo López, as follows:

by virtue of Resolution No 179 on supplementation of the membership of the Investment Committee and the Remuneration Committee, Supervisory Board appointed as a Member of the Committees Mr Alejandro de la Joya Ruiz de Velasco, who replaced Carmelo Rodrigo López.

The Supervisory Board was informed about the activities and results of activities of the **Investment Committee** of the Board in each of the meetings held in 2011, based on the materials regarding the motions considered and pending consideration, which were prepared in accordance with the Procedure No 09-01 of the Integrated Management System – *The Principles of providing opinions and making investment, financial and corporate decisions*.

The Supervisory Board was informed about the activities and results of activities of the **Remuneration Committee** of the Board in each of the meetings held in 2011.

The matters discussed in the Remuneration Committee Meetings in 2011 were the following:

- determination of the proposal of the value of 2011 bonus indicators and their weights for the Members of the Management Board;
- acceptance, at the request of the Management Board, of the proposals for 2010 bonus indicators for the Head Office staff;
- acceptance, at the request of the Management Board, of the proposal for 2011 salary increase percentage for Budimex SA staff;
- comparative analysis of the system of remuneration of Budimex SA Management Board vs the market, based on independent payroll reports – 2011 status;
- determination of the proposal for a change of the monthly remuneration of the Vice President of the Management Board;
- Providing opinions on changes in the membership of the Supervisory Boards of the Budimex Group companies, including Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.

In 2011 the **Remuneration Committee** submitted to the Supervisory a written Report for the Reporting Year 2010.

The Supervisory Board was informed about the activities and results of activities of the **Audit Committee** in three meetings of the Board.

In its meetings, the Audit Committee met three times the representatives of Deloitte Audyt Sp. z o.o. audit company.

Before the Annual General Meeting (**AGM**) of Budimex SA, the **Audit Committee** recommended

to the Board and the AGM:

- approval of the financial statements and reports of the Management Board on the activities in 2010;
- method of profit distribution;

- giving the vote of approval in relation to the performance of duties in 2011 to a Member of the Management Board – the Director of the Economic and Financial Division;
- selection of an audit company to audit the financial statements for the reporting year 2010;
- positive assessment of the internal control system and risk management system at the Company.

In 2011 the **Audit Committee** submitted to the Supervisory a written Report for the Reporting Year 2010 and a written Report on the Activities in the First Six Months of 2011.

The Supervisory Board passed sixteen resolutions in 2011, regarding:

- supplementation of the membership of the Supervisory Board of Budimex SA;
- appointment of Deputy Chairman of the Supervisory Board of Budimex SA for the seventh term;
- supplementation of the membership of the Investment Committee and the Remuneration Committee of the Supervisory Board;
- change of the period of application and supervision of adherence to “The Code of Best Practice for WSE Listed Companies” (**DPS2010**) at the Company, as introduced by the Resolution No 176 of the Supervisory Board of Budimex S.A. of 30 September 2010;
- examination of the financial statements and the Reports of the Management Board on the Activities of the Company and the Budimex Group in 2010; profit distribution proposal and vote of approval for the Members of the Management Board;
- acceptance of the Annual Report on the Activities of the Supervisory Board in 2010;
- appointment of an audit company to review the semi-annual financial statements for the first six months of 2011 and audit of the financial statements of Budimex SA and the selected companies of the Budimex Group, including the consolidated financial statements of the Budimex Group for the reporting year 2011;
- granting bonuses to the Members of the Management Board of Budimex SA for the year 2010;
- appointment of the President of the Management Board;
- appointment of the Vice Presidents and Members of the Management Board of

- Budimex SA;
- amendments to employment agreements of the Members of the Management Board as regards the value of the basic remuneration;
 - amendments to Bylaw of the Supervisory Board of Budimex SA;
 - consent to signing the agreement on acquisition by Budimex SA of 100% shares in Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.;
 - acceptance of application starting from 1 January 2012 by the Supervisory Board of Budimex SA and supervision of adherence to “The Code of Best Practice for WSE Listed Companies” at the Company, in the wording set out in the Resolution of the Supervisory Board of the Warsaw Stock Exchange No 15/1282/2011 of 31 August 2011, hereinafter referred to as **DSP2011**;
 - amendments to the employment agreement of the Vice President of the Management Board of Budimex SA with regard to the value of basic remuneration;
 - acceptance of application starting from 1 January 2012 by the Supervisory Board of Budimex SA and supervision of adherence to “The Code of Best Practice for WSE Listed Companies” at the Company, in the wording set out in the Resolution of the Supervisory Board of the Warsaw Stock Exchange No 20/1287/2011 of 19 October 2011, hereinafter referred to as **DSP 2011bis**.

The Supervisory Board assessed that it had properly performed its duties in the reporting year 2011.

**Secretary of the Supervisory
Board**

Tomasz SIELICKI

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

Marek MICHAŁOWSKI