

REPORT

of the Supervisory Board of Budimex SA

for the 2017 Ordinary General Meeting of Budimex SA.

- on the results of examination of the Report on the Activities of the Company in 2016, 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 2016 profit distribution;
- on the assessment of the Company standing including evaluation of the internal control systems, risk management systems, compliance systems and the internal audit function (in accordance with Principle II.Z.10.1 of Section II Management Board and Supervisory Board of the “Best Practice of WSE Listed Companies 2016”), including an assessment of the effectiveness of the aforementioned systems and functions;
- on the assessment of the Company’s compliance with disclosure requirements regarding the application of corporate governance principles set out in the Exchange Rules and provisions regarding current and periodical information disclosed by the Company as an issuer of securities (in accordance with Principle II.Z.10.3. of Section II Management Board and Supervisory Board of the “Best Practice of WSE Listed Companies 2016”);
- on the assessment of rationality of the Company's policies in the scope of sponsoring and charity activities (in accordance with Principle II.Z.10.4. of Section II Management Board and Supervisory Board of the “Best Practice of WSE Listed Companies 2016”);
- on the self-assessment of the Supervisory Board (in accordance with Principle II.Z.10.2. of Section II Management Board and Supervisory Board of the “Best Practice of WSE Listed Companies 2016”).

Pursuant to Article 382 § 3 and § 4 of the Code of Commercial Companies and in accordance with § 11.1.e of the Bylaws of Budimex SA Supervisory Board, the Board — in the meeting held on 28 March 2017 — examined and assessed the Reports on the Activities of the Company and the Budimex Group as well as the respective financial statements for the reporting year 2016, as to their compliance with the books and documents and the actual status, and also the Management Board proposal for 2016 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 2016:

- 1) the Board read the financial statements and analysed the report on financial standing, profit and loss account, statement of comprehensive income, statement of changes in equity, cash flow statement, and additional notes and explanations;
 - 2) the Board read the Opinion and the Report on the Financial Statements Audit prepared by an independent statutory auditor and heard the auditor's explanations and replies to the questions asked by the Supervisory Board Members;
2. During the examination of the documents referring to the Budimex Group for the reporting year 2016:
- 1) the Board read the consolidated financial statements and analysed: the consolidated report on financial standing, consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement, and additional notes and explanations;
 - 2) the Board read the Opinion and the Report on the Consolidated Financial Statements Audit prepared by an independent statutory auditor and heard the auditor's explanations and replies to the questions asked by the Supervisory Board Members;
 - 3) the Board read the Report on the Activities of the Budimex Group and Budimex S.A. and heard explanations of the Management Board regarding that Report.
3. On the basis of the examination of the Reports on the Activities in 2016 as well as the examination of the reports on the audit of 2016 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 Ordinary General Meeting of Budimex SA to pass resolutions regarding:
- 1) review and approval of the directors' report on the operations of the Budimex Group and Budimex S.A. for 2016,
 - 2) review and approval of the financial statements of Budimex S.A. for the year ending 31 December 2016,
 - 3) review and approval of the consolidated financial statements for the year ending 31 December 2016,

- 4) distribution of profit for 2016,
- 5) grant of discharge to Members of the Management Board of Budimex S.A. for performance of their duties in 2016,
- 6) amendment to § 9 of the Company Articles of Association in connection with the conversion of series A ordinary registered shares and the adoption of the consolidated text of the Articles of Association.

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

- 7) granting discharge to Members of the Supervisory Board for performance of their duties in 2016.
5. On 28 March 2017, the Supervisory Board adopted Resolution No 255 on examination and providing opinion on draft resolutions of the Ordinary General Shareholders Meeting in 2017, including the audit of the financial statements and the director's report on the operations of the Budimex Group and Budimex S.A. in 2016, 2016 profit distribution proposal, and discharge for the Members of the Management Board
- Appendices to the aforesaid Resolution of the Supervisory Board are draft resolutions of the Ordinary General Shareholders Meeting listed in items 4(1)–(7) hereof.
6. Assessment of the Company's standing in consideration of the internal control system, risk management system, compliance system and the internal audit function, including an assessment of the effectiveness of their operation.

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;
- strengthen the market position of the Group.

Within the 12 months of 2016, Budimex SA generated sales revenue of PLN 5,207 million, i.e. a growth of 9.2% compared to the revenue generated in 2015.

Gross sales profit in 2016 amounted to PLN 636 million, whereas in the preceding year, the profit was PLN 413 million. Gross sales profitability in 2016 was, therefore, 12.2% compared to 8.7% in 2015.

The balance of cash for the purposes of the cash flow statement in Budimex SA at the beginning of 2016 amounted to PLN 1,935 million. Net cash flows in the period of 12 months of 2016 were positive and amounted to PLN 304 million. The balance of cash as at 31 December 2016 amounted, therefore, to PLN 2,239 million.

The Company balance of cash for investing activities dropped by PLN 10 million. Acquisitions of intangible assets and property, plant and equipment were the main driver of that amount. Cash flows from financing activities in 2016 were negative and amounted to PLN 220 million. The expenditures consisted of the payout of dividend by the Company in the amount of PLN 208 million and repayment of liabilities under financial lease agreement, including interest.

In 2016, the Budimex Group generated total sales revenue of PLN 5,572 million, which was 8.5% higher than the revenue generated in 2015.

In 2016, the sales volume in the construction segment of the Budimex Group increased by 9.2% in comparison to 2015.

Sales in the building construction sector decreased by 8% (from PLN 2,440 million in 2015 to PLN 2,245 million in 2016), and in infrastructural construction sales increased by 26% (from PLN 2,497 million in 2015 to PLN 3,146 million in 2016). The share of the infrastructural construction segment in the total revenue from construction and assembly services of the Group increased from 50.6% in 2015 to 58.4% in 2016.

In 2016, sales of the development business amounted to PLN 350 million, recording 19.5% increase compared to the previous year. Sales revenue on development activities are recognised upon transfer of the ownership title to a flat/premises to the buyer after the technical acceptance report has been signed for the entire building. Notary sales of flats depends on the dates of completion of the construction projects and delivery of finished flats to the customers. It is not a seasonal phenomenon and it cannot be compared on a year-over-year basis.

As a result of macroeconomic factors, a major revival and dynamic growth in demand for new flats could be observed on the entire real estate development market in 2016. Throughout 2016, the net pre-sales of new flats amounted to 1,615 flats, as compared to 1,918 flats in the preceding year. The decrease in the number of pre-sold flats by 16% results from the end of the attractive offer concerning the "Nowe Czyżyny" project in Cracow.

In 2016, the Budimex Group companies signed construction contracts for the total value of PLN 5,691 million (with annexes). As at 31 December 2016, the value of the construction order book of the Budimex Group amounted to PLN 8,930 million and was by 6% higher in comparison with the end of 2015.

Gross sales profit in 2016 amounted to PLN 751 million, whereas in the preceding year, the profit was PLN 493 million. Hence, gross sales profitability in 2016 was 13.5%, as compared with 9.6% in 2015.

The financial standing of the Group in 2016 remained on a good level. Net cash flows in 2016 were positive and amounted to PLN 340 million. In 2016, the balance of cash from operating activities increased by PLN 612 million. The cash flows from investing activities closed with a negative balance of PLN 49 million. Cash flow from financing activities for 2016 showed a negative balance which amounted to PLN 223 million and resulted mainly from the 2015 dividend payment.

The current financial standing of the Budimex Group as regards liquidity and access to external sources of finance does not pose any hazard to financing the activities in 2017.

Budimex SA has an internal control system in the process of preparing financial statements. The Management Board of the Company is responsible for its implementation and functioning. The financial statements are prepared by qualified personnel of the Economic and Financial Division of Budimex SA under the supervision of a Management Board Member — the Chief Financial Officer. The preparation of annual financial statements is preceded by the meeting of the Audit Committee with independent auditors in order to determine the scope and plan of the audit, and to discuss potential risk areas which may have bearing on the reliability and accuracy of the financial statements. Additionally, the Budimex Group applies computer software supporting the identification and management of risks related to the preparation of any financial information, including financial statements.

Preparation of the financial statements is a pre-planned process that considers the appropriate allocation of tasks among personnel of the Economic and Financial Division of Budimex SA, in correspondence with their competence 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 for the entry and modification of transactional data, layouts of key reports and changes in the Company's chart of accounts.

Consolidated financial statements are drafted on the basis of consistent consolidation packages prepared electronically by individual Group companies. The process of consolidation is executed by the Department of Reporting and Consolidation and is supervised by the Head of the Accounting Department.

The companies of the Budimex Group apply consistent accounting policies approved by the Management Boards of Budimex SA and individual subsidiaries. The correctness of application of the accounting policies by individual companies is regularly monitored by the Department of Reporting and Consolidation and by the Controlling Office of Budimex SA.

The Department of Reporting and Consolidation of Budimex SA is responsible for recommending solutions relating to modifying and updating accounting policies and other WSE reporting requirements as well as for implementing these solutions upon their approval by the Management Board.

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

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

The drawn-up annual financial statements are submitted for initial verification to the Economic and Financial Division Director, and then to the whole Management Board for final verification and approval.

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.

The Company has a structurally separated Office of Internal Control, reporting to the President of the Management Board, responsible for:

- identifying and analysing risks in the Budimex Group,
- preventing factors giving rise to risk,
- auditing the activities of the Group's organisational units and companies,
- controlling the compliance with normative acts binding the Group and external acts of general application,

- analysing contract implementation processes,
- controlling the use of resources held,
- preparing reports and issuing instructions for corrective actions and supervising their performance.

The Audit Committee of the Supervisory Board monitors the efficiency of internal control systems and internal audit, i.e. the actions of the Office of Internal Control, is informed of the activity plan of internal audit, receives reports of these activities or periodical summaries from the Office of Internal Control, the employees of the Office of Internal Control are obliged to perform audits primarily at the request of the Management Board, the Supervisory Board and the Audit Committee of the Supervisory Board.

Budimex SA has a system monitoring the compliance of operations with the law, based on the one hand on a set of internal procedures providing a formal and legal framework for the processes carried out in the Company, and on the other hand, on current control performed by the legal and financial services. The procedures regulate a number of matters significant for the operating activities of the Company, including but not limited to:

- the process of acquiring and implementing contracts (from assessing legal and financial risks of bids to the rules of charging penalties and warranty service as well as the obligation to use contract templates ensuring compliance with the law of transactions carried out by Budimex SA while minimising its risks),
- identification and prevention of events which may lead to a conflict of interest,
- matters related to protection of confidential information in the Company,
- organisation and management of security and environment during contracts,
- rules of providing legal services,
- management of claims on implemented contracts,
- rules for giving opinions and making investment, financial and corporate decisions,
- information security.

The Supervisory Board positively assesses the Company's standing, functioning, including effectiveness, of the internal control (internal audit) system, the risk management system, and the compliance system.

The Supervisory Board positively assessed the activities of the Company Management Board in 2016.

7. Information on the composition and structure of the Supervisory Board and its committees in 2016:

In 2016 the Supervisory Board consisted of the following nine persons:

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

There were no changes in the composition and structure of the Supervisory Board of Budimex SA in 2016. Due to the expiry of mandates of members of the Supervisory Board of the eighth term of office, on 26 April 2016 the Ordinary General Meeting of Budimex SA appointed the Supervisory Board of the ninth term of office, in an unchanged composition.

The following members of the Supervisory Board fulfil the independence criteria determined in Principle II.Z.4 of the Best Practices of WSE Listed Companies 2016, including in Appendix II to Commission Recommendation 2005/162/EC:

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

Within the Supervisory Board there were the following three-person Board Committees functioning in 2016:

1. **Investment Committee** whose tasks and competencies are specified in the Procedure No 09-01 of the Integrated Management System – *The Principles of providing opinions and making investment, financial and corporate decisions*, which was earlier accepted by the Board and approved by the Chairman of the Board. The competencies and tasks of the Investment Committee are also provided in § 12 Clauses 7–11 of the Bylaw of the Supervisory Board;
2. **Audit Committee** whose tasks are specified in § 12.6 of the 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 Bylaws of Budimex SA Supervisory Board and the Rules of the Remuneration Committee.

The membership of the **Supervisory Board Committees** at the end 2016 was as follows:

Investment Committee:

Piotr Kamiński — Chairman,

Alejandro de la Joya Ruiz de Velasco — Member,

Javier Galindo Hernandez — Member.

The composition of the Investment Committee did not change in 2016. On 26 April 2016, the Supervisory Board of the ninth term of office appointed the Investment Committee in an unchanged composition.

Remuneration Committee:

Marek Michałowski — Chairman,

Igor Chalupec — Member,

Alejandro de la Joya Ruiz de Velasco — Member,

The composition of the Remuneration Committee did not change in 2016. On 26 April 2016, the Supervisory Board of the ninth term of office appointed the Remuneration Committee in an unchanged composition.

Audit Committee:

Marzenna Weresa — Chairperson,

Janusz Dedo — Member,

Javier Galindo Hernandez — Member.

In 2016, there was one change in the composition of the Audit Committee resulting from a decision of 26 April 2016 of the Supervisory Board of the ninth term of office, pursuant to which Mr Janusz Dedo replaced Mr Jose Carlos Garrido-Lestache Rodriguez.

8. Activities of the Supervisory Board of Budimex SA and its committees in 2016

In 2016, the Board held five meetings. The Board meeting held on 26 April 2016 focused entirely on the formation of the Supervisory Board of the ninth term of office, i.e. election of the presidium of the Board and appointment of members of individual Committees.

The remaining four meetings were focused on analysing the current standing of the Company on the basis of the materials and information regarding:

- acquisitions, order portfolio, major contracts awarded;
- financial results and the net cash position of the Budimex Group;
- evolution of the development activities;
- investments and divestments within the Budimex Group;
- current situation in significant court disputes with the participation of the Company and public entities.

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

- the general construction segment of Budimex SA in the scope of its current share in the construction market and development plans;
- key companies from the Budimex Group, i.e. Mostostal Kraków SA and Elektromontaż-Poznań SA, as regards their business, financial situation, structure and development plans;
- general situation in the construction market in 2016;
- current situation of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.;
- progress of implementation of the new model of cooperation between Budimex and Ferrovial.

During one of the meetings, members of the Supervisory Board heard a presentation on changes in information obligations resulting from the entry into force of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.

On 28 March 2017, 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.

The **Supervisory Board** passed thirteen resolutions in 2016, regarding:

- amendments to Bylaw of the Supervisory Board of Budimex SA;
- the examination of the financial statements and the Reports on the Activities of the Company and the Budimex Group in 2015, 2015 profit distribution proposal and discharge for the Members of the Management Board;
- acceptance of the Annual Report on the Activities of the Supervisory Board in 2015;

- granting bonuses to the Members of the Management Board of Budimex SA for the year 2015;
- amendments to the employment agreement of the President, Vice-President and Members of the Management Board of Budimex SA with regard to remuneration, and amendments resulting from an amendment to the Labour Code as regards term contracts;
- Appointment of a Member of the Management Board of Budimex SA (Mr Radosław Górski);
- Appointment of a Member of the Management Board of Budimex SA (Mr Artur Popko);
- appointment of an audit company to review the semi-annual financial statements for the first six months of 2016 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 2016;
- constitution of the Budimex SA Supervisory Board of the eighth term, upon appointment of the members of the Board by the Annual General Meeting of Budimex SA on 26 April 2016;
- determination of composition of the Supervisory Board Committees, i.e. Audit Committee, Investment Committee and Remuneration Committee;
- amendments to the employment agreement of the Vice President of the Management Board of Budimex SA (**F. Pascual**) with regard to the value of basic remuneration;
- providing opinion and approval of the Company's intent to conclude Annex No 1 to the licence agreement concluded on 29 October 2012 with Ferrovia Agroman S.A.;
- providing opinion and approval of the Company's intent to sign an agreement formalising the cooperation with Ferrovia Agroman S.A. on the conditions specified in the draft agreement.

Four of the five Supervisory Board meetings in 2016 were held in the Company's registered office and one of organised in Katowice, with the consent and with participation of the entire Board. The Company's Articles of Association and the Bylaws of the Board provide that the Board may adopt resolutions by a written vote or through means of direct remote communication. However, in 2016 the Board did not have to use this mode. The dates of subsequent meetings of the Supervisory Board were determined on an ongoing basis in a manner ensuring that each member of the Board was able to participate in the meeting.

The **Investment Committee** of the Supervisory Board considered the submitted motions in full force on an ongoing basis. In 2016, 17 motions were submitted to the Investment Committee. The Supervisory Board was informed about the activities and results of activities of the **Investment Committee** in the each of the meetings held in 2016, on the basis of the

materials regarding the motions considered and pending consideration, which were prepared in accordance with the Procedure No 09-01 of the Integrated Management System — *The Principles of providing opinions and making investment, financial and corporate decisions*, and on the basis of potential additional oral explanations.

In 2017, the **Investment Committee** submitted to the Supervisory Board a written Report for the reporting year 2016, which was accepted by the Board.

The **Remuneration Committee** held four meetings in 2016, each in full force. The Supervisory Board was informed about the significant activities and results of activities of the Remuneration Committee on an ongoing basis during the meetings held in 2016.

In 2016, the **Remuneration Committee** performed the following activities within its functions:

1. assessed the performance of individual objectives of the President of the Management Board and approved the assessments of individual Members of the Management Board for 2015;
2. accepted annual bonuses for Members of the Management Board for the year 2015;
3. approved the bonus ratios for 2015 for the Headquarters Staff;
4. recommended bonus objectives for the President of the Management Board, Members of the Management Board and Headquarters Staff for 2016;
5. decided on the policy of basic salary increases in 2016;
6. recommended basic salaries for Members of the Management Board and decided to submit these recommendations to the Supervisory Board;
7. recommended basic salaries for new Members of the Management Board, together with rules for awarding bonuses for these members, and decided to submit these recommendations to the Supervisory Board;
8. approved the signing of a loyalty agreement with Mr Artur Popko;
9. approved the signing of a non-competition agreement upon expiry of the employment relationship with new Members of the Management Board;
10. reviewed the impact of changes in the Labour Code on the terms of agreements with Members of the Management Board of Budimex SA;
11. reviewed information regarding the results of the pay rise process conducted in 2016;
12. approved a recommendation concerning changes to employment conditions for Mr Fernando Pascual;

13. took note of information on the implementation of the procedure and the number of collected statements on a potential conflict of interest;
14. took note of submitted information regarding economic ratios, forecast growth rate of wages in Poland and in the construction industry;
15. took note of information presented by Mr Tomasz Sawicki on macroeconomic ratios, the impact of declining unemployment and the decreasing number of people in the mobile working age, as well as on changes in minimum wage, rising wage pressure and projected remuneration changes in 2017 in the national market and construction sector;
16. took note of a recommendation concerning salary increases in 2017;
17. took note of a preliminary proposal for amendments to non-competition agreements upon expiry of the employment relationship for Members of the Management Board of Budimex SA, and asked for an additional analysis.

On 28 March 2017, the **Remuneration Committee** submitted to the Supervisory Board a written Report on the activities in 2016, which was accepted by the Board.

The **Audit Committee** held 7 meetings in 2016.

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

Before the **2016** Ordinary General Shareholders Meeting of Budimex SA, the **Audit Committee** recommended to the Board and the Ordinary General Shareholders Meeting:

- approval of the financial statements and reports of the Management Board on the activities in 2015;
- manner of covering previous years' loss and distributing net profit for 2015, taking into account the payment of dividend;
- granting discharge for the performance of duties in 2015 to a Member of the Management Board — the CFO;
- selection of an audit company to audit the financial statements for the reporting year 2016;
- positive assessment of the internal control system and risk management system at the Company.

On 14 March 2016, the Audit Committee submitted to the Supervisory Board a written Report on the Activities of the Committee in 2015 and on 20 September 2016 — a written Report on the Activities in the First Half-Year of 2016. On 28 March 2017, the Committee submitted to

the Supervisory Board an Annual Report on Activities. The aforesaid Reports were accepted by the Board.

9. Assessment of the Company's fulfilment of disclosure requirements.

Pursuant to § 91(5)(4) of the Regulation of the Minister of Finance on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent, on 14 March 2016, the Company published the report on the operations of the issuer for 2015, including, as a separate part, the statement of application of corporate governance (item 6 of the report on the operations of the Company in 2015).

In relation to the adoption by the WSE Supervisory Board of the “Best Practice of WSE Listed Companies 2016”, upon the adoption of the above new principles by the Management Board (Resolution No 22 of 11 December 2015) and Supervisory Board (Resolution No 240 of 16 December 2015), on 4 January 2016 the Company sent report No 01/2016 regarding the application of the abovementioned new principles, using a new format introduced by the WSE on 1 January 2016.

Therefore, it should be considered that in 2016, the Company correctly fulfilled the disclosure requirements regarding the application of corporate governance principles set out in the Exchange Rules and provisions regarding current and periodical information disclosed by issuers of securities.

The Company has introduced the Operational Instruction 10-03-01-03 Protection of confidential information and trading in financial instruments by persons holding confidential information concerning Budimex SA, and the Operational Instruction No 10-03-01-04 regulating the principles and procedure of submitting information published in current reports in connection with the listing of Budimex SA's on the Stock Exchange. The primary objective of both these instructions is a correct implementation by Budimex SA, a listed company, of information obligations set out in all applicable regulations. In 2016, the Supervisory Board did not find any irregularities in the implementation by Budimex SA of the abovementioned information obligations.

10. Assessment of rationality of the Company's policies in the scope of sponsoring and charity activities

Since 2011, the Company has been implementing the adopted Corporate Social Responsibility policy, according to which since 2016 it has been executing two proprietary programmes:

- “Strefa Rodzica. “Budimex Dzieciom” [“Parent Zone. Budimex for Children”] – consisting in arranging zones in children wards in hospitals, where children can play with their parents in good and proper conditions, and where parents can prepare a meal, use seating furniture or sanitary facilities. Thus far, Budimex opened 18 Parent Zones in children’s hospitals;
- “Domofon ICE. Budimex Dzieciom” [“ICE Entryphone. Budimex for Children”] — consisting in providing school children with plastic cards containing information that facilitates contact with their family in the event of an accident. Additionally, the campaign has a broader educational dimension as it promotes the principles of road safety and first aid among young people.

Sponsoring activities and charitable support for social objectives are a special aspect of the CRS policy. In 2016, the Company donated PLN 952 thousand, supporting mostly the foundations offering various support means for children, such as: “Na ratunek dzieciom z chorobą nowotworową” [“Saving children with cancer”] Foundation in Wrocław or Fundacja Pomocy Dzieciom Poszkodowanym w Wypadkach Komunikacyjnych “WRÓĆ” [Foundation helping children injured in traffic accidents] in Gdańsk.

In 2016, as far as sponsoring is concerned, Budimex SA involved mostly in supporting initiatives of a social, cultural and educational nature, as well as in the development of physical culture and sport, e.g. by:

- sponsoring the STEP programme implemented by the Nicolaus Copernicus University in Toruń which supports Polish youth from the poorest areas of Kazakhstan in studying in Poland;
- a scholarship programme “Odkrywcy Diamentów” which aims to grant financial support to talented and effective youth groups in order to enable them to participate in prestigious international and national competitions in science and technical studies, in particular technology, engineering, construction, industrial design, mathematics and management;
- protection of historic monuments by supporting the activities of the J. Waldorf Committee for the Care of Old Powązki Cemetery ,
- supporting the organisation of the charity match of Volleyball Stars in Szczecin;
- Polish Women Chess Championship;
- Polish Disabled Sailing Championship;
- Stomil Olsztyn Football Club;
- Polish Bridge Association;
- Women Basketball Club “Katarzynki” in Toruń.

Moreover, as far as practicable and in cooperation with local social partners, the Company takes individual actions aimed to minimise inconveniences related to implemented contacts.

The Supervisory Board positively assesses the abovementioned activities understood both as a stable element of the Company's operations as well as individual initiatives which, in the opinion of the Board, reflect the assumptions of corporate social responsibility, resulting in significant image benefits for the Company.

10. Self-assessment of the Supervisory Board

In 2016, the Supervisory Board functioned in accordance with principles stipulated in the Articles of Association of the Company and the Bylaws of the Board. The Board reviewed and at the motion of the Management Board issued opinions regarding matters significant to the Company and the Budimex Group related to their current operations, formulating potential recommendations to the Management Board as to the implementation of corrective instruments or improvement actions. Members of the Board devoted their time to the Company in the scope necessary to properly perform various duties within the Board and functions performed in individual committees. Apart from the abovementioned responsibilities, the chairman of the Board performed actions related to convening individual meetings of the Board and chaired the meetings.

In three of the five meetings of the Supervisory Board all members were present (nine persons). In the other two meetings eight members of the Board were present.

In line with the Best Practice for WSE Listed Companies 2016 applicable in the Company, members of the Supervisory Board participated in meetings of the General Meeting of Budimex SA in 2016.

The Supervisory Board positively assesses the communication between the Supervisory Board and the Management Board.

Members of the Supervisory Board delegated to its individual Committees participated actively in all meetings of the Committees and the decision-making process, providing the Board with information on the findings and decisions taken on an ongoing basis. On the basis of the decision of Supervisory Board, Mr Javier Galindo Hernandez monitored and gave opinions on operations on derivatives concluded by the Company during the eighth term of the Board. On 26 April 2016, he was re-appointed to perform this function during the ninth term of office of the Board.

The Board positively assesses the competencies of the members of the Supervisory Board in light of the profile and activities of the Company, as the composition of the Board covers scientists, lawyers, economists and engineers.

Three among the nine members of the Supervisory Board fulfil the independence criteria determined in principle II.Z.4 of the Best Practice for WSE Listed Companies 2016, including in Appendix II to Commission Recommendation 2005/162/EC.

Secretary of the Supervisory Board

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Igor CHALUPEC

**for and on behalf of the Supervisory
Board of Budimex S.A.:**

Chairman of the Supervisory Board

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Marek MICHAŁOWSKI

Resolution No 257
of the Supervisory Board of Budimex SA
of 28 March 2017

on: acceptance of the Annual Report on the Activities of the Supervisory Board in 2016.

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

§1.

The Supervisory Board accepts the Report for the Ordinary General Meeting (AGM) of Budimex SA in 2017:

- on the results of examination of the Report on the Activities of the Company in 2016, 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 2016 profit distribution;
- on the assessment of the Company standing including evaluation of the internal control systems, risk management systems, compliance systems and the internal audit function (in accordance with Principle II.Z.10.1 of Section II of the corporate governance principles “Best Practice of WSE Listed Companies 2016”), including an assessment of the effectiveness of the aforementioned systems and functions;
- on the assessment of the Company’s compliance with disclosure requirements regarding the application of corporate governance principles set out in the Exchange Rules and provisions regarding current and periodical information disclosed by the Company as an issuer of securities;
- on the assessment of rationality of the Company's policies in the scope of sponsoring and charity activities;
- on the self-assessment of the Supervisory Board;

with the wording included in the appendix to this Resolution.

§2.

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

1 Appendix

Report of the Supervisory Board of Budimex S.A. for 2016.

The voting was attended by 9 members of the Board

Votes for: 9

Votes against: 0

Votes abstained: 0

secretary of the Supervisory Board

/illegible signature

Igor CHALUPEC

**for and on behalf of the Supervisory
Board of Budimex S.A.: chairman of the
Supervisory Board**

/illegible signature

Marek MICHALOWSKI