

BUDIMEX SA

**DIRECTORS' REPORT
ON THE ACTIVITIES OF THE COMPANY
FOR THE YEAR 2012**

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1 Business environment

1.1 General market conditions

In 2012, Poland experienced an economic downturn. A particularly noticeable slowdown occurred in the construction industry, where it was reflected in the financial position and market valuation of most construction companies, as well as delays in most projects, particularly infrastructural projects. The significant worsening of the situation in the construction industry is illustrated by the index of the overall business situation, which in December 2012 was at its lowest level since January 2003.

An initial reading of GDP movements in 2012 indicates an increase of 2.0% over 2011 (in 2011, GDP growth was reported at 4.3% year-on-year). Despite worsening market conditions, Poland continues to be perceived as a country with a stable foundation and a relatively solid public finance structure.

After rapid growth in 2011 (16.3% compared to 2010, in terms of fixed prices), the past year has seen a slowdown in construction and assembly production. The industry has decreased by 1.0% over the course of the year, mainly due to the dwindling of infrastructural projects, which had been driving growth in previous years.

Expenditures by the key investor in the roads segment, the General Directorate for National Roads and Highways (Generalna Dyrekcja Dróg Krajowych i Autostrad – GDDKiA), decreased from the record-high level of PLN 26.4 billion in 2011 to approximately PLN 22.6 billion in the prior year. Lower expenditure was mainly caused by delays and the need to reissue road construction tenders (e.g. in the case of A1 and A4 highway sections for which agreements with contractors had been terminated).

The share of civil and water engineering facilities in the structure of construction and assembly production decreased from 60.1% in 2011 to 55.3% in 2012, mainly due to an increased share of residential construction (from 39.9% to 44.7%).

After a three-year downward trend, in 2012, the number of flats handed over for use increased, reaching 152.5 thousand. On the other hand, the extensive housing offer and anticipated decreased demand (due to market uncertainty and the dwindling of the "Rodzina na Swoim" scheme) had a negative impact on the number of flats offered for sale which are under development (an 11.3 per cent decrease compared to the prior year). The number of flats for sale, for which building permits had been issued, decreased in 2012 by 11.7% compared to the prior year, reflecting developers' unwillingness to commence any new projects.

1.2 Market development perspectives

Market conditions in the years 2013-2014 most likely will not be favourable for the construction industry. In accordance with the provisions of the Act on State Budgets, the increase in GDP in 2013 should be 2.2%, and the yearly average inflation rate - 2.7%. The unemployment rate at year-end is projected to be 13%. Although most projections envision an improvement in the economic situation in the latter half of 2013, medium-term growth prospects for the construction market tend to be pessimistic.

The greatest challenges are expected in the roads segment. Although GDDKiA estimates it will spend PLN 18 billion in 2013, it is expected that the number of new public tenders will be further limited, which will translate into a decrease in the value of the roads market, in particular in the year 2014. The "Polish Investments" project, which will help finance the development of, among other things, the missing section of the A1 highway (between Tuszyn and Pyrzowice) may help revive the segment. The estimated value of the 140 km project is approximately EUR 2 billion, and the first tenders may be announced as early as the middle of this year.

Railway infrastructure projects are expected to experience growth in coming years. In accordance with the data contained in the Multi-year Railway Investment Plan until 2015, prepared by the Ministry of Transport, Construction and Maritime Economy, the expenditures of PKP PLK (the main investor in said segment) in 2012 amounted to PLN 3.7 billion, whilst in 2013, they are to reach PLN 7.7 billion. The PLN 11 billion threshold is expected to be exceeded in 2014.

Last year saw the conclusion of the first, long-awaited tenders for the construction of new power units (such as the Opole and Kozienice units). Most market experts agree that the energy construction industry will be the fastest growing construction market segment in the coming years.

2013 might prove to be a particularly challenging time for development companies. The extensive offer of the primary market, together with the anticipated economic slowdown (negatively affecting the decisions of key customer groups) may result in fierce competition and even fiercer battle for customers, particularly among companies heavily relying on external financing.

The business operations of the Company focus on the construction sector, which to a large degree uses aid funds obtained from the European Union. A large part of these funds is assigned to infrastructural projects, including the construction of roads and railways. In the coming years, the final budget of EU funds for Poland for the years 2014-2020 will be the key parameter for the development of the construction market. Under the agreement

concerning the new budget, Poland may expect EUR 72.9 billion under the Cohesion Policy, i.e. more than the 2007-2013 allowance.

2 Budimex SA current activities and planned development

2.1 General information of Budimex SA

The main area of the business activities of the Company are widely understood construction-assembly services realized in the system of general execution at home and abroad and limited scope of developer activities, property management, trading and production. The realization by Budimex SA of the advisory, management and financial functions is to:

- ensure quick flow of information across the Group,
- strengthen the effectiveness of financial & treasury management at individual Group companies,
- strengthen market position of the Group.

As at 31 December 2012, Budimex SA has in its organizational structure the following branches:

- General Construction North Branch in Poznań, ul. Wołowska 92A,
- General Construction South Branch in Krakow, ul. Ujastek 7,
- General Construction East Branch in Warsaw, ul. Stawki 40,
- Infrastructure North Branch in Warsaw, ul. Stawki 40,
- Infrastructure South Branch in Krakow, ul. Ujastek 7,
- Infrastructure West Branch in Wrocław, ul. Jana Długosza 2-6,
- Railway Branch in Warsaw, ul. Stawki 40,
- Equipment Services Branch in Pruszków, ul. Przejazdowa 24,
- Branch in Rzeszów, ul. Słowackiego 24,
- Branch in Poznań, ul. Wołowska 92A,
- Budimex SA Germany Branch with its registered office in Colonia.

2.2 Sales structure of Budimex SA

Sales of construction & assembly services

In 2012, the value of the construction & assembly services of the Company was 4% higher compared to 2011. Sales of infrastructural construction segment were more than 3% lower, whilst sales of building objects segment – as much as 20% higher than in the prior year.

In 2012, a decrease was recorded in the value of the civil engineering (infrastructure) segment (from PLN 3 316 million in 2011 to PLN 3 208 million in the current year) as well as an increase in the value of the building objects segment (from PLN 1 644 million in 2011 to PLN 1 972 million in the current year). An increase in building objects segment resulted from an increase in non-residential housings (by 31% comparatively to the prior year) and a decrease in residential one (by 23% comparatively to the prior year).

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

Type of construction	Sales value			
	2012		2011	
	PLN million	%	PLN million	%
Civil engineering (infrastructure)	3 208	61,93%	3 316	66,85%
Building objects, of which:	1 972	38,07%	1 644	33,15%
- non-residential housing	1 704	32,90%	1 297	26,15%
- residential housing	268	5,17%	347	7,00%
Total sales of construction & assembly services	5 180	100,00%	4 960	100%

Development activities

In 2012, Budimex SA recognised sales revenue from development activity and property investments' management amounted to PLN 4 612 thousand, while in the prior year, the sales revenues of that segment amounted to PLN 22 035 thousand. A such significant drop related to settlement of real estate projects taken over on merger with Budimex Inwestycje Sp. z o.o. in 2009.

Major construction contracts (with a value greater than PLN 50 million) concluded by Budimex SA in 2012:

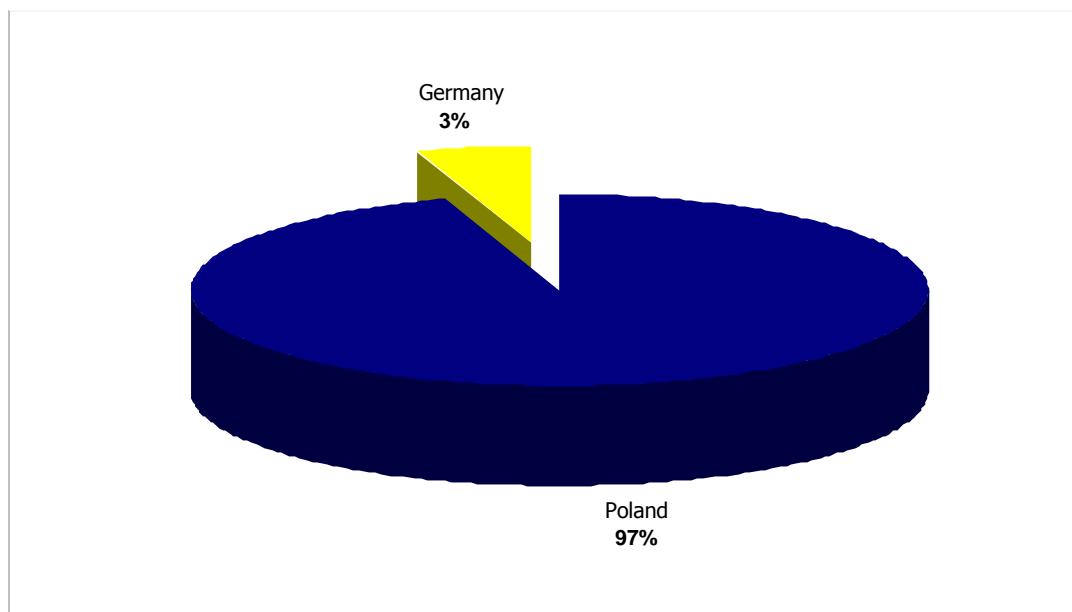
Contract date	Contract value allocated to the Budimex SA (in PLN '000)	Customer	Type of construction
2012-01-30	173,000	Powiśle Park Sp. z o.o.	Office, retail and residential complex at ul. Kruczkowskiego 2 in Warsaw
2012-03-05	62,840	Poznań University of Technology	Teaching Centre at the Faculty of Chemistry of the Poznań University of Technology
2012-03-08	77,100	Centrum Biurowe Neptun Sp. z o.o.	NEPTUN office complex in Gdańsk
2012-07-20	99,816	General Directorate for National Roads and Highways, Branch in Białystok	Construction of a bypass for the Stawiski municipality
2012-07-30	75,832	Maritime Office in Słupsk	Protection of the shoreline in Darłowo
2012-07-31	58,500	BPTO INFRA Sp. z o.o.	Construction of Nowa Wałowa street in Gdańsk
2012-08-21	259,600	Lublin Administration for Roads and Bridges	Construction of an access road to the Dąbrowica junction of the bypass for the city of Lublin along expressways S12, S17 and S19
2012-08-31	167,539	Przedsiębiorstwo usługowo-handlowo-produkcyjne Lech Sp. z o.o.	Construction of a Waste Processing Plant in Białystok
2012-09-03	113,367	Municipal Infrastructure Administration	Redesign of a tram line, section Rondo Mogiłskie - al. Jana Pawła II - Plac Centralny, together with a traffic management system in Kraków.
2012-09-21	96,863	Podkarpackie Voivodship Roads Administration	Expansion of Voivodship Road No. 892 Zagórz-Komańcza
2012-10-15	163,695	Office of the Marshal of the Lubelskie Voivodship in Lublin	Development of the Centre for the Meeting of Cultures, renovation of the Musical Theatre and Henryk Wieniawski Philharmonic in Lublin
2012-10-22	59,850	Jeronimo Martins Polska SA	Centrum Dystrybucyjne JMD SA in Gdańsk
2012-11-26	121,626	Upper Silesian Aviation Group	New runway for the International Airport in Pyrzowice
2012-11-29	68,526	Zarząd Morskich Portów Szczecin i Świnoujście SA	Ferry landing No. 1 in the Świnoujście Harbour

2.3 Budimex SA geographical structure of sales in 2012

The main markets on which Budimex SA operates are:

- Poland
- Germany.

The geographical structure of sales in 2012 is as follows:



2.4 Construction activities on the German market

In 2012, sales on the German market amounted to PLN 133 698 thousand and were PLN 3 779 thousand, i.e. 2.9%, higher compared to 2011. Gross profit generated in 2012 was 7.4% higher than in the prior year. Those resulted from an increase in the value of revenue from metal-related works, whereas prefabrication works had a comparable value to that of 2011. Moreover, an increase related to lower costs of removing the defects of the works performed in previous years and interest on the income tax refund for previous years. Activities on the Central and Eastern European markets

In 2011, Budimex SA closed its business in this region. Budimex SA does not, however, exclude the possibility of returning to the Central and Eastern European markets in the future.

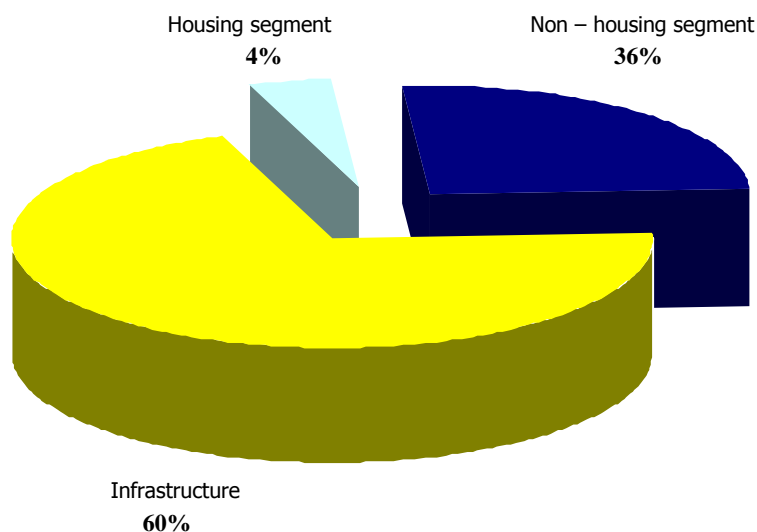
2.5 Budimex SA development perspectives for the forthcoming year

In 2012, the Company will continue to operate in all major sectors of the construction market in Poland, as well as on the German market.

Restrictions on infrastructural projects (in particular road projects) require that the Company diversify its business in order to maintain the scale of operations on comparable level. The Company plans to compensate for the expected decrease in the value of road investments with new contracts secured in the power and hydraulic engineering construction segment.

In 2012, the Company signed construction contracts for a total value of PLN 2 599 million (without annexes). The value of the order portfolio of Budimex as at 31 December 2012 amounted to PLN 4 810 million.

The structure of order portfolio as at 31 December 2012 is as follows:



2.6 Evaluation of investment projects feasibility

In 2013, Budimex SA plans to incur capital expenditure of approx. PLN 12 million. The outlays will be made mainly on construction machines and IT solutions.
Capital expenditure shall be financed from own and external resources.

2.7 Risk factors

In the course of its activities, Budimex SA is exposed to various financial risks, such as currency risk, interest rate risk, price risk, credit risk or loss of liquidity risk.

The inherent risk of any business activity is the credit risk of business partners. Despite implementation of restrictive debt control procedures at 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 impairment write-downs are recognized or that current business is financed through external borrowings.

Information concerning the financial risk management objectives and policies adopted by the Company are presented in the financial statements for the year ended 31 December 2012 (point 1b Additional notes and explanations).

The construction contracts are performed in specific technical and economical conditions which have effect on the level of realised margin. Budimex SA which render construction services monitor technical, organizational, legal and financial risks related to contract works planning and progress. Despite control and preventive measures undertaken with respect to general risks (credit, currency and third party liability risks), it is possible that certain factors may occur that will cause that contracts will be performed with a lower margin than initially planned. Such factors may include:

- increase in prices of construction materials, energy and oil-derivatives,
- increase in costs of subcontractor services,
- increase 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 Changes in the sources of supply

In 2012 there were no significant changes in the sources of supply for construction sites. None of the suppliers of raw materials or services exceeded the 10% share of the total Company sales.

3 Financial position

3.1 Key economic-financial data of Budimex SA

The financial situation of the Company in 2012 is characterized by the selected below Balance Sheet and Profit and Loss Account items (together with the 2011 comparative data).

Consolidated Balance Sheet of Budimex SA

The main items of the consolidated Balance Sheet of Budimex SA as at 31 December 2012 and 31 December 2011 are presented in the table below:

BALANCE SHEET	31.12.2012	31.12.2011	Change	Change%
I. Non-current assets	1 256 112	1 336 740	(80 628)	-6,03%
1. Intangible assets, of which:	2 996	2 051	945	46,08%
2. Property, plant and equipment	84 079	100 326	(16 247)	-16,19%
3. Long-term receivables	-	-	-	-
4. Long-term investments	811 856	840 142	(28 286)	-3,37%
5. Long-term prepayments	357 181	394 221	(37 040)	-9,40%
II. Current assets	1 820 607	2 481 890	(661 283)	-26,64%
1. Inventories	143 580	263 347	(119 767)	-45,48%
2. Short-term receivables	402 875	439 156	(36 281)	-8,26%
3. Short-term investments	1 043 008	1 570 117	(527 109)	-33,57%
4. Short-term prepayments	231 144	209 270	21 874	10,45%
TOTAL ASSETS	3 076 719	3 818 630	(741 911)	-19,43%

EQUITY AND LIABILITIES	31.12.2012	31.12.2011	Change	Change%
I. Shareholders' equity	380 769	545 324	(164 555)	-30,18%
II. Liabilities and provisions for liabilities	2 695 950	3 273 306	(577 356)	-17,64%
1. Provisions for liabilities	280 312	255 239	25 073	9,82%
2. Long-term liabilities	27 740	33 652	(5 912)	-17,57%
3. Short-term liabilities	1 615 954	1 792 443	(176 489)	-9,85%
4. Accruals	771 944	1 191 972	(420 028)	-35,24%
TOTAL EQUITY AND LIABILITIES	3 076 719	3 818 630	(741 911)	-19,43%

As at 31 December 2012, total assets decreased by PLN 741 911 thousand compared to 31 December 2011 and amounted to PLN 3 076 719 thousand. The main changes in the balance sheet statement was related to the following transactions:

Non-current assets:

The value of non-current assets decreased by PLN 80 628 thousand, caused mainly by the following:

- decrease in the balance of long-term investments by PLN 28 286 thousand, causing mainly by a recognition of impairment write-down of Przedsiębiorstwo Napraw Infrastruktury Sp z o. o. shares in the amount of 108 000 thousand and Inversora de Autopistas del Levante S.L. shares in the amount of PLN 4 916 thousand as well as an increase in related companies' share capitals, of which Budimex part totally amounted to PLN 84 010 thousand,
- decrease in the balance of tangible fixed assets by total amount of PLN 16 247 thousand,

- decrease in the balance of long-term prepayments by PLN 37 040 thousand, causing mainly by the decrease in the balance of deferred tax assets by PLN 35 315 thousand,

Current assets:

In the same period, the value of current assets decreased by PLN 661 283 thousand, mainly as a result of the following transactions:

- decrease of short-term investments by PLN 527 109 thousand, mainly due to decrease in the balance of cash and cash equivalents by the amount of PLN 528 447 thousand,
- decrease in the balance of inventories by PLN 119 767 thousand, mainly due to decrease in the level of materials in warehouses by PLN 112 501 thousand and decrease of the balance of prepayments by the amount of PLN 8 383 thousand,
- decrease in the balance of short-term receivables by the amount of PLN 36 281 thousand, mainly due to decrease in the balance of current trade receivables,
- increase in the balance of short-term prepayments by PLN 21 874 thousand, mainly due to sales adjustment relating to construction contract valuation.

Shareholders' equity and liabilities

On the equity and liabilities' side, the main changes related to the following:

- decrease in the balance of accruals by PLN 420 028 thousand, mainly related to decrease of the provision for contract losses by PLN 119 594 thousand, decrease of the sales adjustment relating to construction contract valuation by PLN 226 138 thousand and decrease in the balance of advances received for future services and the advance payments for departments by PLN 71 840 thousand,
- decrease in the balance of short-term liabilities by PLN 176 489 thousand, mainly due to decrease in the balance of current trade liabilities by PLN 100 633 thousand, decrease in tax, insurance and similar liabilities by PLN 40 666 thousand and decrease in joint ventures settlements by PLN 25 957 thousand,
- increase in the balance of provision for liabilities by PLN 25 073 thousand, including an increase in the balance of provisions for warranty repairs by PLN 19 732 thousand and for restructuring by PLN 7 607 thousand as well as a decrease of provisions for: penalties by PLN 3 482 thousand and legal proceedings by PLN 2 371 thousand,
- decrease in the balance of long-term liabilities arising from lease contracts by PLN 5 912 thousand.

Profit and Loss Account of Budimex SA

PROFIT AND LOSS ACCOUNT	01.01 - 31.12.2012 r.	01.01 - 31.12.2011 r.	Zmiana	Zmiana %
I. Net sales of finished goods, goods for resale and materials, of which:	5 232 591	5 019 669	212 922	4,24%
II. Cost of finished goods, goods for resale and materials, of which:	4 846 798	4 638 029	208 769	4,50%
III. Gross profit (loss) on sales	385 793	381 640	4 153	1,09%
IV. Selling expenses	11 024	11 692	(668)	-5,71%
V. Administrative expenses	162 206	123 518	38 688	31,32%
VI. Profit (loss) on sales	212 563	246 430	(33 867)	-13,74%
VII. Other operating income	55 789	74 728	(18 939)	-25,34%
VIII. Other operating expenses	74 015	40 878	33 137	81,06%
IX. Operating profit (loss)	194 337	280 280	(85 943)	-30,66%
X. Finance income	86 282	87 399	(1 117)	-1,28%
XI. Finance costs	135 372	212 751	(77 379)	-36,37%
XII. Profit (loss) on operating activities	145 247	154 928	(9 681)	-6,25%
XIII. Extraordinary gains/(losses)	-	-	-	-
XIV. Gross profit (loss)	145 247	154 928	(9 681)	-6,25%
XV. Income tax	32 998	22 196	10 802	48,67%
XVIII. Net profit (loss)	112 249	132 732	(20 483)	-15,43%

In 2012, Budimex SA earned sales revenue of PLN 5 232 591 thousand which represents a 4.24% increase on the corresponding period of the prior year.

Gross profit on sales in 2012 was PLN 385 793 thousand, while in the prior year – PLN 381 640 thousand. The gross sales profitability ratio for 2012 was therefore 7.37%, while for 2011 – 7.60%.

In accordance with the accounting policies adopted, where the fact that budgeted contract costs exceed the entire expected contract revenue is identified, the Company creates provisions for expected contract losses. In the subsequent periods, a part of the created provision is reversed in proportion to the percentage of contract completion, after taking into account total negative margin on the entire contract. As at 31 December 2011, the balance of the provision for contract losses amounted to PLN 348 006 thousand. In 2012, the balance of the provision for contract losses was decreased by PLN 119 594 thousand.

Compared to the prior year, selling expenses decreased in 2012 by PLN 668 thousand, while administrative expenses increased by PLN 38 688 thousand. The share of the sum total of selling and administrative expenses in total sales amounted to 3.31% in 2012 and 2.69% in 2011.

Other operating income in 2012 was PLN 55 789 thousand. The above amount comprised mainly compensations received in the amount of PLN 38 878 thousand (including one related to the contract "Budowa Obwodnicy Augustowa" in the amount of PLN 21 948 thousand, what was described in details in the point 2b of Additional Notes and Explanations) as well as reversal of impairment write-downs against doubtful debts in the amounts of PLN 10 411 thousand. In addition, in 2012 the Company reversed provisions for legal proceedings and penalties in the total amount of PLN 2 883 thousand.

Other operating expenses in the 12-month period ended 31 December 2012 amounted to PLN 74 015 thousand, of which PLN 55 400 thousand related to the value of impairment write-downs created against receivables and prepayments (including the amount of PLN 48 373 thousand, created due to declaration of bankruptcy of the company Przedsiębiorstwo Napraw Infrastruktury Sp. z o. o., what was described in details in the point 7 of Additional Notes and Explanations). Additionally, the Company created provision for legal proceedings and expected contract and restructuring liabilities, respectively in the amount of PLN 3 279 thousand and PLN 9 654 thousand.

In the 12-month period ended 31 December 2012, the Company reported loss on financing activities in the amount of PLN 49 090 thousand, while in 2011 – loss in the amount of PLN 125 352 thousand. Those were related to the creating of impairment write-down of shares' value of Przedsiębiorstwo Napraw Infrastruktury Sp. z o. o. in the amount of PLN 108 000 thousand (as was described in the point 6 of Financial Statements, the amount of PLN 182 267 thousand was recognised in the profit and loss of 2011) and Inversora de Autopistas del Levante S.L. in the amount of PLN 4 916 thousand (in 2011 the impairment created due to that amounted to PLN 6 141 thousand), meanwhile an interest revenue amounted of net PLN 50 489 thousand (including those received according to the court decisions related to contracts "Rozbudowa Międzynarodowego Portu Lotniczego Warszawa – Okęcie – Budowa Terminalu 2" and "Budowa Obwodnicy Augustowa" in the total amount of PLN 23 640 thousand) as well as dividends received in the amount of PLN 20 021 thousand.

In 2012, the Company reported a gross profit of PLN 145 247 thousand.

Income tax for 2012 was PLN 32 998 thousand, of which:

- current tax was PLN (1 243) thousand,
- deferred tax – PLN 34 241 thousand.

The net profit of Budimex SA for 2012 was PLN 112 249 thousand.

Statement of Cash Flow

The Budimex SA entered the year 2012 with cash on hand and cash at bank amounting to a total of PLN 1 569 995 thousand. Net cash flow for the year 2012 was negative and amounted to PLN 528 581 thousand. After including the negative change in exchange differences arising from cash valuation in the amount of PLN 134 thousand, the balance of cash as at 31 December 2012 was PLN 1 041 548 thousand.

In 2012, the balance of cash from operating activities decreased by PLN 165 086 thousand and was caused mainly by continuing worsening construction market condition.

Cash flow from investing activities showed a negative balance of PLN 68 974 thousand. The above was mainly caused by taking of the additional shares issued by related companies. Cash flow from financing activities for 2012 showed a negative balance which was PLN 294 521 thousand. The outflows was caused by the payment of dividend in the amount of PLN 280 065 thousand and the payment of lease liabilities in the amount of PLN 13 574 thousand (including interest).

3.2 Managing of finance at Budimex SA

Monetary assets of Budimex SA amounted to PLN 1 041 548 thousand as at 31 December 2012 and were PLN 528 447 thousand lower than that at the end of the comparative period i.e. as at 31 December 2011. In 2012 the Company paid dividend in the amount of PLN 280 065 thousand that exceed the net profit for the year 2011 (adjusted during 2012 due to recognition of an impairment write-down of Przedsiębiorstwo Napraw Infrastruktury Sp z o. o. shares). Additionally, the Company was engaged in financing of Przedsiębiorstwo Napraw Infrastruktury Sp. z o. o. in the total amount of PLN 111 373 thousand (including share capital increase, prepayments paid, trade receivables), for which an impairment write-downs was created in 100%. Taken above into account, the balance of monetary assets as at 31 December 2012 was very positive. That was caused by the high profitability and positive changes in working capital in II half of 2012.

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

The level of loan and borrowing, issued bonds and finance lease liabilities is presented in the below table, which shows that the level of debt as at 31 December 2012 was decreased compared to the previous year. The most of those liabilities related to the financial lease agreements.

Bank loans and borrowings and other external sources of finance, of which:	31.12.2012	31.12.2011
- long-term	27 740	33 652
- short-term	17 695	19 211
Total	45 435	52 863

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

Ratio	31.12.2012	31.12.2011
Equity to assets ratio: (shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)	0,12	0,14
Equity to non-current assets ratio: (shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)	0,30	0,41
Debt ratio: (total assets - shareholders' equity attributable to the shareholders of the Parent Company) / (total assets)	0,88	0,86
Assets to equity ratio: (total assets - shareholders' equity attributable to the shareholders of the Parent Company) / (shareholders' equity attributable to the shareholders of the Parent Company)	7,08	6,00

In 2012, an equity to assets ratio decreased and an assets to equity ratio increased. Nevertheless, due to profits gained in the II half of 2012 the above ratios improved significantly compared to the level as at 30 June 2012.

Ratio	31.12.2012	31.12.2011
Current Ratio (current assets)/(current liabilities)	0,73	0,81
Quick Ratio (or Acid Test) (current assets - inventory)/(current liabilities)	0,67	0,72

Despite of worsening of all ratios showing the liquidity, the standing of the Company do not indicate any threat to the Company ability to finance business activities in 2013.

3.3 Off balance-sheet items of Budimex SA

Guarantees, suretyships, other liabilities and contingent liabilities:

OFF-BALANCE SHEET ITEMS	31.12.2012	31.12.2011
Contingent receivables	347 223	339 678
From affiliates, of which:	4 208	6 493
- guarantees and suretyships received	2 372	5 190
- bills of exchange received as security	1 836	1 303
From other entities, of which:	340 015	330 185
- guarantees and suretyships received	338 497	324 806
- bills of exchange received as security	1 518	5 379
Other contingent receivables, of which:	3 000	3 000
- other off-balance-sheet receivables	3 000	3 000
Contingent liabilities	1 466 852	1 755 356
To affiliates, of which:	126 333	147 130
- guarantees and suretyships issued	126 333	147 130
- bills of exchange issued as performance bond	-	-
To other entities, of which:	1 340 519	1 608 226
- guarantees and suretyships issued	1 336 014	1 606 171
- bills of exchange issued as performance bond	4 505	2 055
Other contingent liabilities, of which:	143 180	135 010
- other off-balance-sheet liabilities	143 180	135 010
Total off-balance sheet liabilities	(1 262 809)	(1 550 688)

Contingent receivables arising from guarantees and suretyships represent guarantees issued by banks or other entities in favour of Budimex SA serving as security for the Company against business partners in connection with executed construction contracts.

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

The table below shows loan guarantees and suretyships issued by Budimex SA or its subsidiaries as at 31 December 2012:

Issuer of loan guarantees or suretyships	Recipient of loan guarantees or suretyships	Total value of loans and borrowings secured, in whole or in part, by guarantee (in PLN thousands)	Period of loan guarantees or suretyships	Financial terms and conditions of loan guarantees and suretyships	Type of relation between BUDIMEX SA and borrower
Budimex SA	Mostostal Kraków SA	50 184	2018-11-13	free of charge	subsidiary
Budimex SA	Budimex Nieruchomości SA	13 576	2017-07-15	free of charge	subsidiary
Budimex SA	Budimex Danwood SA	26 060	2015-12-21	free of charge	subsidiary
Budimex SA	Budimex Bau GmbH	210	2015-06-30	free of charge	subsidiary
Budimex SA	Budimex Budownictwo Sp. z o.o	35 500	2020-02-12	free of charge	subsidiary
Budimex SA	FBSerwis SA	803	2017-11-01	free of charge	associate
TOTAL		126 333			

3.4 Differences between forecasted and actual financial results of Budimex SA

The Company did not publish any financial forecasts for 2012.

3.5 Utilisation of proceeds from issues of securities

During the period covered by this report, no securities other than bonds were issued.

4 Significant agreements

4.1 Insurance agreements for Budimex SA

In 2012, the Budimex Group (including Budimex SA) was a 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% share) and the other co-insurers are TUIR Allianz Polska SA with its registered office in Warsaw (25% share) and PZU SA with its registered office in Warsaw (25% 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 2012 to 4 July 2014.

- General Third Party Liability (TPL) Agreement

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

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 to third parties. The sum insured was set at PLN 30 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 Third Party Liability (TPL) Excess of Loss Agreement

The insurer is Chartis Europe SA Branch in Poland.

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 to third parties. The sum insured was set at PLN 70 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.

The liability of Chartis Europe under this Agreement starts at the time the amount of aggregated own share in the form of recognised losses exceeds the sum insured or sub-limits of the sum insured defined in the General TPL Agreement, where the leading co-insurer is Hestia with the losses resulting from one or several insurance-covered events covered by this Agreement.

This agreement was concluded for the period from 21 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 2012 to 14 November 2013. The Insurer is TU Allianz Polska SA. 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:

In 2012, an extension was signed to the agreement with Chartis Europe SA (formerly AIG) concerning TPL insurance for Management and Supervisory Boards Members of the Budimex Group companies. This extension of insurance coverage covers the period from 22 June 2012 to 21 June 2013. The insurance coverage relates to Members of Management and Supervisory Boards and authorised commercial representatives of the Budimex Group companies, and of their subsidiaries and affiliates. This insurance is part of the global insurance program for the Ferrovial Group.

4.2 Cooperation agreements binding in 2012

Cooperation agreements concluded by Budimex SA in 2012

(in PLN thousand gross)

	Supplier	Scope of the agreement	Annual value	Agreement date
1	Lotos Asfalt Sp. z o.o.	Road asphalts	210,089	12.03.2012
2	Orlen Asfalt Sp. z o.o.	Road asphalts	101,618	1.03.2012
3	Kopalnie Dolomitu w Sandomierzu SA	Aggregates	25,052	1.10.2012
4	Konsorcjum Stali SA	Steel and concrete reinforcement	24,961	1.03.2012
5	Grupa Ożarów SA	Cement	9,686	8.10.2012
6	Amitech Poland Sp. z o.o.	Pipes, resin wells	3,616	16.05.2012
7	Bims Plus FHH Sp. z o.o. Warszawa sp.k.	Grid and plumbing materials	1,315	8.04.2012
8	3W Dystrybucja Budowlana SA	General construction materials	1,176	4.09.2012

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

Cooperation agreements concluded by Budimex SA before 2011 and active in 2012

(in PLN thousand gross)

	Supplier	Scope of the agreement	Annual value	Agreement date
1	Lafarge Kruszywa i Beton Sp. z o.o.	Aggregates, concrete	71,055	1.06.2010
2	ArcelorMittal Distribution Sp. z o.o.	Steel and concrete reinforcement	46,906	4.05.2011
3	Cemex Polska Sp. z o.o.	Aggregates, cement, concrete	45,329*	23.11.2006 1.04.2009 6.12.2011
4	Lotos Paliwa Sp. z o.o.	Fuel oil	37,765	12.04.2005
5	Peri Polska Sp. z o.o.	Formwork lease	36,388	17.03.2006
6	Mal-Sped Sp. z o.o.	Mazut	33,719	1.06.2010
7	Śląskie Kruszywa Naturalne Sp. z o.o.	Aggregates	28,502	1.05.2009
8	Stalprodukt SA	Supply and assembly of road barriers	28,405	1.03.2010 18.06.2007
9	Francisco Ros Casares Polska Sp. z o.o.	Steel and concrete reinforcement	25,695	2.12.2009
10	Viacon Polska Sp. z o.o.	Road passes, geo-textiles	20,621	14.02.2006
11	Bowim SA	Steel and concrete reinforcement	19,914	30.04.2009
12	Nordkalk Sp. z o.o.	Aggregates	18,066	23.07.2010
13	Ulma Construcción Polska SA	Formwork lease	15,060	21.12.2005
14	Doka Polska Sp. z o.o.	Formwork lease	13,607	23.07.2010
15	Touax Sp. z o.o.	Lease of temporary contractor's facilities	9,866	11.07.2007

* global trading results with this supplier (incl. aggregates and concrete)

4.3 Transactions with affiliates

Detailed information on transactions with affiliates was presented in Notes 7 and 8 of the additional notes and explanations of financial statements of Budimex SA.

4.4 Loans and borrowings

As at 31 December 2012, 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 (in '000)	Liability incl. of interest (in '000)	Interest rate	Maturity date
Bank Handlowy w Warszawie SA	Overdraft facility	31.01.2012	PLN 40,000	-	1M WIBOR + margin	06.02.2013
Societe Generale SA Branch in Poland	Overdraft facility	28.11.2012	PLN 50,000	-	1M WIBOR + margin	27.11.2013
Cintra Infraestructuras SA	Loan	01.12.2004	EUR 1,980	EUR 1,983	12M EURIBOR + margin	01.12.2013
Millennium Leasing Sp. z o. o.	Finance lease (63 agreements in total)	-	-	PLN 36,527	1M WIBOR + margin	30.11.2015 - 30.06.2017
Konica Minolta Business Solutions Sp. z o.o.	Finance lease	16.02.2012	-	PLN 801	fixed, as provided in the agreement	monthly

In 2012, there were issued the following bonds by the Company:

Issuer	Bondholder	Nominal value (in '000)	Issue date	Maturity date	Interest rate
Budimex SA	Budimex Nieruchomości Sp. z o.o.	65 000	06.08.2012	11.09.2012	Wibor + marża
Budimex SA	Budimex Danwood Sp. z o.o.	20 000	06.08.2012	11.09.2012	Wibor + marża

4.5 Loans granted during the year, including loans to affiliates of Issuer

On 24 October 2012, Budimex SA concluded a loan agreement with subsidiary FB Serwis SA, in which it holds 49% of the shares. Under the agreement, Budimex SA extended to FB Serwis SA a loan for up to PLN 3,000 thousand. The loan repayment date, inclusive of interest, was scheduled for 21 December 2012, and the loan together with interest was repaid on that date.

On 1 December 2012, an agreement concerning a loan 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 2011 was capitalised. Therefore, the amount of the loan increased by EUR 54 thousand to EUR 1,983 thousand. The loan repayment date is 1 December 2013.

On 19 December 2012, Budimex SA concluded a loan agreement between Budimex Parking Wrocław Sp. z o.o., in which Budimex SA holds 100% of the shares. The loan in the amount of PLN 5,566 thousand is available until 30 April 2014. As at 31 December 2012, it had not been drawn down. The loan was granted for the purpose of financing a Car Park Development Project in Wrocław.

5 Other information

5.1 Agreements between Issuer and 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 a severance pay in the amount of average remuneration for 6-12 months, depending on the position, in case of removal or non-appointment for the next term of office for reasons attributable to 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-compete agreement, which is valid for the period of 12 months of the date of termination of the employment contract. During the period of validity of the non-compete clause, the Company will pay the employee 75% of his basic monthly remuneration, if the termination of the employment contract was initiated by the Company, or 25% of the basic monthly remuneration, if the termination was initiated by the employee. Contractual penalties have been established for the breach of the non-compete clause. Non-compete agreements have been concluded with all Management Board members except for Andrzej Artur Czynczyk. In accordance with the rules in place, such an agreement is planned to be concluded one year after his hiring by the Company, i.e. after 14 May 2013.

Information on the remuneration of Members of the Management Board was presented in note 12 of Additional Notes and Explanations to the financial statements of Budimex.

5.2 Shares of the Company and affiliates held by Members of Management and Supervisory Boards of the Company

As at 31 December 2012, Members of the Management Board of Budimex SA held the following numbers of shares:

- Marcin Węglowski – 2,830 shares

As at 31 December 2012, Members of the Supervisory Board of Budimex SA held the following numbers of shares:

- Marek Michałowski – 3,900 shares

As at 31 December 2012, members of the Management and Supervisory Boards of Budimex SA did not hold any shares in the Company's related entities.

5.3 Re-acquisition of own shares

In 2012 Budimex SA did not re-acquire own shares.

5.4 System of control over employee share incentive programs

The Company did not implement employee share incentive program.

5.5 Agreements (incl. post-reporting date agreements) with the possible effect on 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 current shareholders.

5.6 Entity authorised to audit financial statements

The Supervisory Board of Budimex SA resolved on 28 March 2012 to appoint Deloitte Audyt Sp. z o.o. to review the Company's interim separate financial statements and interim consolidated financial statements of the Budimex Group i.e. for the 6-month period of 2012, and to audit the separate financial statements of Budimex SA and consolidated financial statements of the Budimex Group for the financial year 2012. The contract with Deloitte Audyt for the review and audit of financial statements was concluded on 27 June 2012

and 19 October 2012, respectively. Remuneration for the above services amounts to PLN 558 thousand. In January 2013, Deloitte Audyt Sp. z o.o. was renamed to Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

Deloitte Audyt Sp. z o.o. also reviewed the interim separate financial statements of Budimex SA and interim consolidated financial statements of the Budimex Group i.e. for the 6-month period of 2011 and audited the separate financial statements of Budimex SA and consolidated financial statements of the Budimex Group for the financial year 2011. Remuneration for those services amounted to PLN 459 thousand.

In 2012, Deloitte Audyt Sp. z o.o. provided advisory services in the amount of PLN 120 thousand, and in 2011, it did not render any other services to Budimex SA.

6 Corporate governance

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

The Company applied in 2012 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 Policy No. 10 point 2 and 3 of Section IV "Best Practices Applied by Shareholders" (current report in this matter was filed on 8 March 2011).

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 Shareholders' Meeting 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).

The document containing corporate governance policies was and is posted on the Company's website at <http://www.budimex.pl>.

On 21 November 2012, in Resolution No. 19/130/2012, the Supervisory Board of WSE adopted further amendments of the policies of 4 July 2007.

On 20 December 2012, the Company's Management Board, under Resolution No. 18, adopted for use on 1 January 2013 the "Best Practices of WSE Listed Companies", as amended on 21 November 2012, 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 - Policy No. 12 in Section I "Recommendations concerning best practices of listed companies",
- two-way real-time communication process during which shareholders can take the floor during the General Shareholders' Meeting 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 Shareholders Meeting, whilst considering the number of shareholders who usually participate in the General Shareholders Meeting 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 Shareholders Meeting 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 Shareholders' Meeting 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 adopt 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. The Management Board intends

to request a Supervisory Board recommendation for the General Meeting of Budimex SA regarding application by the Meeting of the "Best Practices of WSE Listed Companies" in the same respect.

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 until 8 May 2012, the Company's Management Board was composed of one female and five males. From 8 to 24 May 2012, the Management Board was composed of five males, and from 25 May to the end of the year, it was composed of six males.

The Supervisory Board was composed of one female and eight males throughout 2012.

Given the fact that the bodies authorising the 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 based on 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, and the process of the preparation of financial statements

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

The obligation to prepare financial statements is realized in practice by qualified personnel of the Financial Department under the supervision of Chief Financial Officer of Budimex SA.

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

Separate financial statements of the Company are prepared on the basis of its books of account. The books of account are maintained using the financial-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 authorization levels for implementation and modification of transaction data, templates of key reports and changes in the Company's chart of accounts.

The Department of Reporting and Consolidation of Budimex SA is responsible for recommending solutions relating to modification and update of accounting policies and other WSE reporting requirements, as well as for their implementation after prior approval of the Management Board.

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

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

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

6.3 Annual financial statements are subject to an audit by an independent certified auditor who presents his post-audit conclusions and observations to the Audit Committee and then to the Supervisory Board. 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 2011 was as follows:

Shareholder	Share type	Number of shares	% of share capital	Number of votes	% of votes at GSM
Valivala Holdings B.V. Amsterdam (Holland) - the Ferrovia SA (Spain) Group company	ordinary	15 078 159	59,06%	15 078 159	59,06%
OFE PZU „Złota Jesień”	ordinary	2 561 102	10,03%	2 561 102	10,03%
Other shareholders	ordinary	7 890 837	30,91%	7 890 837	30,91%
Total		25 530 098	100,00%	25 530 098	100,00%

6.4 Holders of securities which give special control rights

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

6.5 Restrictions on exercising voting right

There are no restrictions concerning exercising voting right.

6.6 Restrictions on transfer of ownership rights to 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 dismissal of Management or Supervisory Board Members, rights of those persons, in particular, the right to take decision on share issue or redemption

The Supervisory Board removes and appoints President of the Management Board and, upon his 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 as regards taking decision to redeem shares do not vary from those set forth in the Code of Commercial Companies.

The policies concerning the appointment and removal of Management Board Members, the rights of those persons, in particular the right to take decision to issue or redeem shares, included in the Articles of Association did not change in 2012.

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 approval by 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 a resolution of the General Shareholders' Meeting and entry in the National Court Register. These issues are regulated in para. 13 letter r) of the Articles of Association in the description of the rights of the General Shareholders' Meeting and in para. 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 by a qualified majority of votes, i.e. (i) as a rule, 3/4ths of the total voting rights, and (ii) in the case of significant change to business activities - 2/3rds 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 Shareholders' Meeting have been described in para. 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 of Budimex SA and binding laws.

The General Meeting of Shareholders is convened as ordinary or extraordinary. Ordinary General Shareholders' Meetings take place, at the latest, within 6 months of the end of each financial year. General Shareholders' Meetings 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 Shareholders' Meeting 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 chairman 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 Shareholders' Meeting 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 Shareholders' Meeting is not convened, the court of registration [of the Company] 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 shareholders' meeting.

A dedicated email address which may be used in cases defined by the Code of Commercial Companies in connection with convening General Shareholders Meetings 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 Organized System of Trading and on Public Companies. The announcement should be made at least twenty-six days before the scheduled date of the General Shareholders' Meeting.

A General Meeting of Shareholders may also be convened 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 Shareholders' Meeting. The request should 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 General Shareholders' Meetings.

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

The shareholders may participate in the General Shareholders' Meeting and exercise their voting rights in person or through authorized representatives. The authorization to participate in the General Shareholders' Meeting 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 Shareholders' Meeting adopts resolutions on the following matters:

- considering and authorization of the report on the Company's activities and of the financial statements for the prior financial year,
- reviewing and approving 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 of special funds and reserve capital, and their utilisation,
- profit appropriation or defining the manner of loss absorption; the General Shareholders' Meeting 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 organized 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 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 credit or loan agreement, or guarantee 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 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 Shareholders' Meeting should first be forwarded for the Supervisory Board's consideration.

Resolutions of the General Shareholders' Meeting 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 Management and Supervisory Boards, changes thereof in the last financial year and functioning of the management and supervisory bodies of the Company or their committees

a) Composition of the Management Board

As at 31 December 2012, the Management Board of Budimex SA was composed of the following persons:

- | | |
|-----------------------------|--|
| • Dariusz Jacek Blocher | President of the Management Board, General Director, |
| • Ignacio Botella Rodriguez | Vice-President of the Management Board, |
| • Andrzej Artur Czynczyk | Board Member, Chief HR Officer |
| • Jacek Daniewski | Board Member, Chief Legal Officer |
| • Henryk Urbański | Board Member, Chief Property Officer |
| • Marcin Węglowski | Board Member, Chief Financial Officer |

During the period from 1 January 2012 to 31 December 2012, the composition of the Management Board did not change:

- On 8 May 2012, the term of office of Ms. Joanna Katarzyna Makowiecka, Management Board member and Chief HR Officer, was terminated as a result of resigning from performing these functions.
- On 25 May 2012, the Supervisory Board of Budimex SA, under Resolution No. 201, appointed the Chief HR Officer of Budimex SA, Mr. Andrzej Artur Czynczyk, as a Management Board member for the seventh joint term of office covering the years 2011, 2012 and 2013. The seventh term of office of the Management Board of Budimex SA elapses on the date of the General Shareholders' Meeting of Budimex SA during which the 2013 financial statements are approved.

As at 31 December 2012, joint authorisations to represent the Company together with a member of the Management Board of Budimex SA were granted to the following persons:

- Jose Emilio Pont Pérez
- Jaime Rontome Pérez.

From 1 January 2012 to 31 December 2012, there were no changes in authorised legal representatives.

During 2012, 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 share issuance or redemption, as provided in the Articles of Association, did not change.

b) Composition of the Supervisory Board and its Committees

As at 31 December 2012, the Supervisory Board of Budimex SA was composed of the following persons:

- | | |
|--|--|
| • Marek Michałowski | President of the Supervisory Board, |
| • Alejandro de la Joya Ruiz de Velasco | Vice-President of the Supervisory Board, |
| • Tomasz Paweł Sielicki | Secretary, |
| • Marzenna Anna Weresa | Supervisory Board Member, |
| • Igor Adam Chalupec | Supervisory Board Member, |
| • Javier Galindo Hernandez | Supervisory Board Member, |
| • Jose Carlos Garrido-Lestache Rodriguez | Supervisory Board Member, |
| • Piotr Kamiński | Supervisory Board Member, |
| • Maciej Stańczuk | Supervisory Board Member. |

During the period from 1 January 2012 to 31 December 2012, the composition of the Supervisory Board did not change.

As at 31 December 2012, the Audit Committee was composed of the following persons:

- Marzenna Weresa – Chairman,

- Javier Galindo Hernandez – Member,
- Jose Carlos Garrido - Lestache Rodriguez – Member.

The composition of the Audit Committee did not change in 2012.

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:

- Maciej Stańczuk - Chairman,
- Alejandro de la Joya Ruiz de Velasco - member,
- Javier Galindo Hernandez – member.

The composition of the Investment Committee did not change in 2012.

The Remuneration Committee was composed of the following persons:

- Marek Michałowski - chairman,
- Igor Chalupec - member,
- Alejandro de la Joya Ruiz de Velasco - member.

The composition of the Remuneration Committee did not change in 2012.

c) Operation 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 – one-man 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.

d) Operation 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 organization and operation of the Supervisory Board is defined in the By-laws of the Supervisory 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 shall adopt resolutions with an absolute majority of votes. In the case of equal number of votes, the casting vote is that of the President 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 commission, for 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 prior year,
- evaluation of profit appropriation or loss absorption proposals made by the Management Board,
- recommending to the General Shareholders' Meeting the acknowledgement of the fulfilment of duties by members of the Management Board,
- presenting to the General Shareholders' Meeting 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 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 new 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 Board member 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 taken solely by the Management Board.

In accordance with para. 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: the Audit Committee, Investment Committee and Remuneration Committee.

e) Audit Committee tasks

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 prior year, monitor the process of preparation of the financial statements of the Company and the consolidated financial statements of the Group for the prior 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 of the Group for the prior 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 authorized to audit financial statements, in this case – the independence of services referred to in article 48 para. 2 of the Act on Statutory Auditors and Their Self-Governance, Audit Firms Authorized 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) Investment Committee tasks

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 entities.

The Investment Committee operates based on the procedure authorised by the Supervisory Board. The Supervisory Board is informed on 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) Remuneration Committee tasks

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 prior year bonus and the percentage ratio for salary/wage increase in the current year;
- preparation of annual reports on the activities of the Remuneration Committee.

6.11 Remuneration Policy for Members of Management and Supervisory Boards at Budimex SA

Supervisory Board Members

The body authorised to determine the remuneration policy for members of the Supervisory Board of Budimex SA is the General Shareholders' Meeting. On 19 May 2010, the General Shareholders' Meeting resolved that members of the Supervisory Board of Budimex SA would receive a monthly remuneration for their work in the following amounts:

- President 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,
- President 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,
- Vice-President 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.

Management Board Members

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 scheme.

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.

The remuneration of Management Board members is composed of the following items:

- 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 the shares of the parent company. Both the fact of awarding and the number of awarded shares depends 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 (świadczenia w naturze) such as free-of-charge medical care, or payment of life insurance policy premiums.