

(all amounts included in the tables are denominated in PLN '000, unless specified otherwise)

In the course of the court proceedings, several hearings were held, during which the witnesses of the claimant and the counterclaimant were heard with regard to the circumstances, both in the counterclaim of PPL and in the response of the FBL Consortium to the counterclaim. At the beginning of 2018, the preparatory inquiry was completed.

On 8 August 2018, the parties to the dispute concluded a court settlement before the Court of Arbitration at the Polish Chamber of Commerce. By virtue of the settlement, the parties have waived all other claims covered by proceedings before the Court of Arbitration and bear the costs of the proceedings, and the payment by PPL to the Consortium included receivables only for performed works and supplies, including any amounts retained.

The conclusion of a settlement confirmed an amicable termination of the contract by the parties and ending all disputes related to its execution. In the opinion of the Management Board of Budimex SA, the settlement was advantageous for both parties to the dispute.

On 24 July 2017, the Silesian Museum in Katowice filed a lawsuit against Budimex SA and Ferrovia Agroman SA comprising a consortium in connection with the implementation of the "Construction of the new registered office of the Silesian Museum in Katowice" concluded on 7 June 2011. The claimant demands to award jointly and severally against the Defendants either the amount of PLN 122 758 thousand with statutory interest from the day of filing the claim for improper performance of the obligation under the Contract or to award a claim for the reduction of the price by PLN 34,675 thousand on account of the Claimant for the payment of the part of remuneration paid unduly, in the Claimant's opinion. Article 471 of the Civil Code was indicated as the grounds for enforcing the main claim and, for the possible claim, the provisions on statutory warranty for defects.

In the opinion of the Management Board of Budimex SA the claims covered by that action are groundless. The irregularities which, in the opinion of the Claimant are the factual grounds for the claims, if they occur, are not the consequence of the actions or omissions of the consortium. In addition, the proper execution of the building by the consortium was confirmed by the Claimant in the Acceptance Protocol and Release Report for the building of the Silesian Museum in Katowice. Provisions established earlier for warranty repairs, in the opinion of the Management Board, fully cover risks connected with the performance of the contract. Budimex SA's statement of defense was submitted on 31 October 2017 and then supplemented in January 2018. The Court effectively delivered a copy of the statement of claim to Ferrovia Agroman SA on 21 September 2018. Ferrovia Agroman SA filed the statement of defence on 22 October 2018. The first hearing took place on 11 March 2019, during which the court obliged the parties to make an advance payment towards the remuneration of a scientific and research institute which will prepare an opinion on the case.

Another case in the order of value concerns the claim filed on 5 March 2008 by the Miejskie Wodociągi i Kanalizację w Bydgoszczy Sp. z o.o. to award a joint and several liability in the total amount of PLN 25,252 thousand from the consortium comprising Budimex SA and Budimex Dromex SA. The claim concerns the costs of substitute contractors incurred by the client in connection with the withdrawal from the contract by the consortium member. The share of the companies in the consortium was 90%, and therefore the value of the claim attributable to Budimex SA amounts to PLN 22,727 thousand. On 12 July 2017, the court of 1st instance issued a judgement in which it ordered Budimex SA to pay only PLN 22 thousand (on account of reimbursement of the costs of expert opinions carried out by the claimant), and dismissed the entire remaining portion of the claim. The appeal against the decision was filed both by the claimant (with respect to the whole ruling) and the defendant (as regards the part of the ruling - i.e. the amount of PLN 22 thousand). At present, the Parties are waiting for the date of the hearing before the court of 2nd instance.

As at the date of these statements, the final results of other proceedings are not known. For all court cases which, in the Group's opinion, may be unfavourable for the Group, provisions in the amount taking into account the risk estimated by the Group have been created.

The total value of proceedings concerning the claims of Budimex SA and its subsidiaries as at 31 December 2018 amounts to PLN 93,570 thousand. The proceedings primarily regard the recovery of overdue receivables from contractors and additional claims on the account of performed construction works. As at the day of preparing the report, no final results are known.

5.8 Major research and development achievements

Innovative projects carried out by the Budimex Group are described in section 1.8 of the consolidated report on non-financial information of the Budimex Group for 2018. Innovative projects implemented by Budimex SA are described in section 1.7 of the Report on non-financial information of Budimex SA for 2018.

5.9 Information on liabilities resulting from pensions and similar benefits for former management or supervisory staff

Budimex SA and the companies from the Budimex Group did not hold any liabilities resulting from pensions and similar benefits for former managers or supervisors as of 31 December 2018.

6 DECLARATION ON THE APPLICATION OF CORPORATE GOVERNANCE

6.1 Indication of the set of corporate governance principles observed by Budimex SA and the place where the text of such a set rules is publicly available

In 2018 the Company applied the "Good Practices of Companies Quoted at the Warsaw Stock Exchange 2016" adopted by way of the Resolution of the Management Board of the Warsaw Stock Exchange no. 26/1413/2015 of 13 October 2015 in the scope indicated in the EBI report no. 1/2016 of 4 January 2016, published on the Company's website.

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By way of Resolution No. 22 of 11 December 2015, the Company's Management Board adopted the following new rules to be applied as of 1 January 2016, with the exception of providing shareholders with electronic means of communication:

- 1) two-way real-time communication within which shareholders can express their opinions in the course of proceeding by the General Meeting, while staying somewhere else, - Rule IV.R.2 item 2) of Chapter IV General Meeting and relations with shareholders.
- 2) the exercise the right to vote during a meeting in person or through a proxy, outside the place of the General Meeting - Rule IV.R.2 item 3) from chapter IV General Meeting and relations with shareholders.

The Company sustains the position presented so far in relation to continuing doubts as to the possibility of ensuring a legally safe General Meeting, ensuring the above-mentioned possibilities to the shareholders, in particular taking into account the number of shareholders participating in the session of the General Meeting of Budimex SA. Thus, in the Company's opinion, there are still risks in such a case, of technical, and consequently of legal nature, for the proper and efficient conduct of the General Meeting.

The Management Board, by way of the above resolution, also ascertained that:

- a. in accordance with the rule I.Z.1.15. (Diversification Policy) from chapter I. Information policy and communication with investors, the Company applies a diversity policy in relation to the company authorities and its key managers and, therefore, will develop a one-paper policy of diversity, including in particular such elements as sex, education, age, professional experience, so that it is possible to place a relevant description on the website,
- b. rule III.Z.3. from chapter III. Internal systems and functions (independence of the person managing the internal audit function and other persons responsible for the performance of his/her tasks in accordance with generally recognised, international standards of professional practice of internal audit) is applied by the Company in such a way that in accordance with the adopted division of competences between individual Company bodies, matters connected with the employment of Internal Control Office employees, including their remuneration, lies within the Company's Management Board, and the Audit Committee of the Supervisory Board monitors the effectiveness of internal control systems and internal audit, i.e. the activities of the Internal Control Office - is informed about the schedule of activities of the internal audit, and receives periodic reports from the Internal Control Office with regard to these activities or periodic summaries. Employees of the Internal Control Office are obliged to control, also at the request of the Supervisory Board and the Audit Committee of the Supervisory Board,
- c. taking into account the fact that the Management Board and the Supervisory Board apply the current corporate governance standards regarding the conflict of interest, and in the Company's internal regulations with regard to the Supervisory Board (Rules and Regulations of the Supervisory Board), there are no relevant provisions under rule V.Z.6. DPS 2016 will be proposed to the Supervisory Board of the Company to supplement the content of the Rules and Regulations of the Supervisory Board with the decision in accordance with which a member of the Supervisory Board informs the Supervisory Board about the conflict of interest or the possibility of its occurrence and does not participate in the processing of such a case, including, refrains from voting.

At the same time, the Management Board applied to the Supervisory Board to adopt a resolution on the application of corporate governance standards by the Supervisory Board within the scope specified above.

On 16 December 2015, the Supervisory Board of the Company adopted the "Good Practices of Companies Quoted at the Warsaw Stock Exchange 2016" by way of Resolution No. 240, to be implemented on 1 January 2016 to the extent specified in the resolution of the Company's Management Board.

On 14 March 2016, the Supervisory Board, by way of resolution no. 242 adopted the above-mentioned changes in the Rules and Regulations of the Supervisory Board by adding par. 12b of the Rules and Regulations. Then, at the request of the Management Board, by way of Resolution No. 243 of 14 March 2016, the Supervisory Board of the Company requested the Ordinary General Meeting to adopt a resolution on compliance with the "Good Practices of Companies Quoted at the Warsaw Stock Exchange 2016" in the scope specified in the resolution of the Management Board and the resolution of the Supervisory Board.

In 2016, the Annual General Meeting of the Company, by way of Resolution No. 275 of 26 April 2016, adopted the application of the "Good Practices of Companies Quoted at the Warsaw Stock Exchange 2016" to the extent requested by the Management Board and the Supervisory Board. The document containing a set of rules was and is available on the Company's website at: <http://www.budimex.pl>.

The diversity policy is published on the Company's website.

It must also be stressed that, for a few years now, Budimex has been transmitting its General Meetings in real time and no changes are expected with regard to that.

6.2 Compliance Policy

In September 2017, the Management Board of Budimex S.A. adopted the Compliance Policy. The adoption of the Policy confirms importance that the Company attaches to conducting its business activities in accordance with applicable laws, ethical standards and fair play principles. The Compliance Policy has aggregated the internal regulations applicable at the Company, giving them a more formal dimension and character. It was also important to draw the attention of both the external environment of the Company and employees / co-workers to how important it is to comply with applicable laws and ethical and moral principles in everyday business activities. The Compliance Policy contains an open catalogue of prohibited activities and the main areas of the Company's activity, in which the risk of infringement of law may occur, were indicated. The internal legal acts applicable in the Company aimed at structuring and formalizing specific processes were reminded in order to minimise the occurrence of the risks indicated above. The ongoing supervision over the implementation of the Policy was entrusted to the Compliance Coordinator, supported by a deputy

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and the Compliance Committee composed of representatives of the Company 's key organisational divisions. The issue which should also be addressed was the fact that the Company introduced a unified whistleblowing system through the Compliance Communication channels.

6.3 Diversity Policy

The integral part of Company's business activities, as well as its employment policy, are diversity and openness. The confirmation of the company's actions in this direction is the Diversity charter signed on 8 November 2016.

The content of the Diversity charter has been published on the internal intranet, as well as made available to employees in printed form in the Head Office and in the branches of Budimex SA. In addition to that, information on the signature of the Diversity charter was published on the website www.budimex.pl.

As a company with a long experience, Budimex is aware that employees are the most valuable asset and thanks to it, the company has been able to enjoy a strong position on the market for many years. Considering the creation of a friendly working environment, Budimex focuses on the policy of equal treatment due to:

- gender,
- age,
- disability,
- race and nationality;
- religion and creed;
- lifestyle;
- sexual identity psychosexual orientation;
- family condition;
- political views;
- form, scope and basis for employment;
- other cooperation types and other premises of discriminatory behaviour.

The Budimex Group companies committed themselves to implement the diversity management rules and equality policy as well as to publicise them among all company's stakeholders, from administrative bodies to higher managerial and supervisory positions.

Budimex has developed and implemented the principle of equal treatment and management of diversity in the workplace, with particular emphasis on recruitment, access to training and promotion, remuneration, maintaining life-work balance, protection against mobbing, as well as against unjustified dismissal.

The Budimex Group staff consists of persons of different gender and age, which promotes intergenerational dialogue. It is dominated by employees between 30 and 50 years of age, the second group includes people under 30, and a slightly smaller group is people above 50 years of age. Budimex also brings down barriers connected with the health of our employees by hiring the disabled.

Structure of Budimex Group employees in 2018.

Age (years)	Women	Men	Total
<30	482	1,047	1,529
30 - 50	774	3,354	4,128
> 50	81	1,167	1,248
Total employees	1,337	5,568	6,905

Age and sex structure in the Company's Management Board

	Women	Men	Total
Jointly the Management Board, including:	0	7	7
age under 30	0	0	0
age 30-50	0	3	3
age over 50	0	4	4
Including foreigners	0	0	0

Age and sex structure in the Company's Supervisory Board

	Women	Men	Total
Supervisory Board	1	8	9
age under 30	0	0	0
age 30-50	0	1	1
age over 50	1	7	8
Including foreigners	0	4	4

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6.4 Description of basic features of internal control and risk management systems applied in the company in relation to the process of preparation of financial statements of Budimex SA and Budimex Group

The Management Board of Budimex SA is responsible for the implementation and operation of the internal control system in the process of preparing financial statements of Budimex SA and consolidated financial statements of the Budimex Group.

The obligation to prepare financial statements is carried out in practice by qualified employees of the financial division under the supervision of a member of the Management Board - the Director of the Economic and Finance Division of Budimex SA.

The preparation of annual statements precedes the meeting of the Audit Committee with independent auditors in order to determine the plan and scope of auditing financial statements and to discuss potential areas of risks that may affect the reliability and correctness of financial statements. The Budimex Group also uses a computer program to support the identification and management of risks associated with the preparation of all financial information, including financial statements.

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

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

The companies of the Budimex Group apply the uniform accounting principles approved by the Boards of Budimex SA and its subsidiaries. The correctness of application of the accounting principles by individual companies is monitored on an on-going basis by the employees of the Reporting and Consolidation Team and the Controlling Department of Budimex SA.

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

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

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

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

The annual financial statements are subject to audit by an independent statutory auditor who, after the audit, presents its conclusions and observations to the Audit Committee, and then to the Supervisory Board. Having read the financial statements and these financial statements and the report on the audit of the statutory auditor, the Supervisory Board issues an assessment in terms of their compliance with the books, documents and facts.

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6.5 Indication of shareholders holding directly or indirectly significant stakes of shares

According to the information available to Budimex SA, the shareholding structure of the Company as at 31 December 2018 is as follows:

Shareholder	Type of shares	Number of shares	% share in the share capital	Number of votes	% share in votes at the General Meeting of Shareholders
Valivala Holdings B.V. Amsterdam (the Netherlands) - a Company from the Ferrovial SA Group (Spain) - 55.1%	ordinary shares	14,078,159	55.1%	14,078,159	55.1%
Aviva OFE Aviva BZ WBK	ordinary shares	2,490,000	9.8%	2,490,000	9.8%
Nationale Nederlanden OFE	ordinary shares	1,360,000	5.3%	1,360,000	5.3%
Other shareholders	ordinary shares	7,601,939	29.8%	7,601,939	29.8%
Total		25,530,098	100.0%	25,530,098	100.0%

6.6 Indication of holders of any securities with special control rights

The company has not issued any securities providing special control rights.

6.7 Indication of all restrictions on the exercise of the right to vote

There are restrictions on the exercise of the right to vote.

6.8 Identification of all restrictions on the transfer of ownership of the securities of Budimex SA

There are no restrictions on the transfer of ownership of securities of Budimex SA, except for registered shares whose disposal requires the Company's consent. The consent is granted by the Management Board in writing, otherwise being null and void.

6.9 Description of rules for appointing and dismissing managerial staff and their rights, in particular the right to decide on the issue or redemption of shares

The Supervisory Board appoints and dismisses the President of the Management Board, and at the request of the Vice-Presidents and other members of the Management Board for a joint term of office of three years.

The Management Board does not have the right to decide on the issue of shares. The Management Board's rights with regard to the decision on the redemption of shares do not differ from the regulations included in the Commercial Companies Code.

The rules for appointing and dismissing managerial staff, powers of managerial staff, including the powers to decide on the issue or redemption of the Company's shares, included in the Statute, have not changed in 2018.

Pursuant to the regulations contained in the Statute, the Management Board manages the Company's affairs and represents the Company, i.e. the scope of its rights does not deviate from the scope specified by the provisions of the Code of Commercial Companies. In the scope of detailed powers of the Management Board provided for in the Statute, the following should be mentioned:

- giving consent to the sale of registered shares,
- establishing the issue price of shares in the case of increasing the share capital,
- exclusion or limitation of the subscription right to new issues with the consent of the Supervisory Board,
- determining the manner of determining the issue price and issuing shares in exchange for non-cash contributions with the consent of the Supervisory Board,
- making decisions on the purchase or sale of real estate, perpetual usufruct or interest in real estate, machinery, equipment, securities or other assets if the unit price of purchase or sale does not exceed the amount equivalent to one fifth of the Company's share capital,
- making decisions on payment of an advance payment towards the dividend expected at the end of the financial year with the consent of the Supervisory Board.

6.10 Description of the rules for amending the statute or articles of association of Budimex SA

The Statute shall be amended by way of a resolution of the General Meeting and by entry in the National Court Register. These issues are regulated in par. 13 (r) of the Statute, in the description of the powers vested in the General Meeting. A draft resolution on amending the statute, as in the case of all resolutions of the General Meeting, should be presented by the Management Board

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for the Supervisory Board's opinion. Pursuant to the regulations of the Commercial Companies Code, the adoption of such a resolution requires a qualified majority, i.e. (i) in principle 3/4 of the votes, (ii) in the event of a significant change of the object of business 2/3 of the votes.

6.11 Description of the manner of operation of the General Meeting and its basic rights and the rights of shareholders and the manner of exercising those rights

The General Meeting of the Company operates pursuant to the Statute, Rules and Regulations for the General Meeting (both documents are available on the Company's website) and the provisions of law, including the Commercial Companies Code. Detailed powers of the General Meeting are specified in article 13 of the Statute. The Shareholders exercise their rights in the manner specified in the Statute, the Rules and Regulations for the General Meeting and the applicable laws.

The General Meeting shall be held as ordinary or extraordinary meeting. The Ordinary General Meeting is convened at the latest within six months after the end of each financial year. The General Meeting is convened by the Company's Management Board. The Supervisory Board may convene the Ordinary General Meeting if the Company's Management Board fails to convene it within the time limit specified in the Commercial Companies Code or in the Statute, and it may convene the Extraordinary General Meeting, if it considers it advisable. The Extraordinary General Meeting may also be convened by shareholders representing at least half of the share capital or at least half of the total votes at the Company. The Shareholders appoint the chairman of the Meeting.

A shareholder or shareholders representing at least one twentieth of the share capital may demand, in writing or electronically, that the Management Board of the Company, convenes the Extraordinary General Meeting and includes specific issues in the agenda or items to be included in the agenda. If the Extraordinary General Meeting is not convened within two weeks from the date of submitting the request, the Registration Court may authorise its shareholders to convene the Extraordinary General Meeting. The court shall appoint the chairman of the meeting, and the notice of convening the meeting should include a comment on the decision of the registry court. The Shareholders' Meeting adopts a resolution determining whether the costs of convening and holding the meeting are to be borne by the Company. The shareholders at whose the request the meeting was convened, may request the registry court to be released from the obligation to cover the costs imposed by a resolution of the Meeting.

The Company's website contains a special e-mail address, which may be used in cases provided for in the Commercial Companies Code in connection with the General Meeting.

The General Meeting of the Company shall be convened by publication on the Company's website and in a manner specified for the transfer of current information in accordance with the provisions on public offering and conditions for the introduction of financial instruments into organised trading and on public companies. The announcement should be made at least twenty-six days before the date of the General Meeting.

The General Meeting may also be held in the manner provided for by the Commercial Companies Code, subject to the requirements laid down by the Act / Article 405 of the commercial Companies Code.

A shareholder or shareholders representing at least one twentieth of the share capital may request that specific items be included in the agenda of the next General Meeting. The request should be submitted to the Management Board of the Company no later than twenty-one days before the scheduled date of the meeting and should include a justification or a draft resolution concerning the proposed item of the agenda. The request may be submitted in an electronic form. The Management Board is obliged to announce changes in the agenda introduced at the request of the shareholders immediately, however, not later than eighteen days before the scheduled date of the General Meeting. The announcement shall be made in a manner appropriate for convening the General Meeting.

A shareholder or shareholders of the Company representing at least one twentieth of the share capital may, before the date of the General Meeting, report to the Company in writing or by electronic communication means, draft resolutions on matters included in the agenda of the General Meeting or items to be included in the agenda. The Company shall publish draft resolutions on its website without delay. During the General Meeting, each shareholder may propose draft resolutions on matters included in the agenda.

Shareholders may participate in the General Meeting and exercise the right to vote in person or through their proxies. The power of attorney to participate in the General Meeting and to exercise the voting right should be granted in writing or electronically. Granting the power of attorney in an electronic form does not require a qualified electronic signature.

Pursuant to the Statute and the applicable laws, the General Meeting shall adopt resolutions in particular in the following matters:

- reviewing and approving the Company's management report and the financial statements for the previous financial year,
- reviewing and approving the Group's management report and the consolidated financial statements of the Budimex Group,
- acknowledging the fulfilment of duties by members of the Company's authorities,
- creating and cancelling special funds and reserve capitals and using them,
- distribution of profit or determination of the manner of covering the loss; the General Meeting may adopt a resolution that the dividend in whole or in part is earmarked for the increase of the share capital and the shareholders are given new shares in exchange for this.
- claims for reparation of any damage resulting from the establishment, management or supervision of the Company,
- sale and lease of the company or its organised part and establishment of limited material rights,
- deciding on merging or liquidating the Company and appointing liquidators of the Company,
- issue of convertible and pre-emptive bonds and subscription warrants;

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- redemption of shares,
- amendments to the Statute, including in particular the increase or decrease in the share capital and change of the Company's business activities;
- adopting the Rules and Regulations for the General Meeting,
- appointing and dismissing Supervisory Board members,
- determining the rules and amounts of remuneration for members of the Supervisory Board,
- acquiring own shares by the Company to offer them to the employees or persons who were employed in the company or in a related company for at least three years,
- conclusion of a credit, loan, surety or other similar agreement between the Company and a member of the Management Board, Supervisory Board, Company's proxy, liquidator or on behalf of any of these persons;
- specifying the date on which the list of shareholders entitled to the dividend for a given financial year is established (dividend date).

Issues brought by the Management Board to the session of the General Meeting should be presented in advance to the Supervisory Board for opinion.

Resolutions of the General Meeting shall be adopted by an absolute majority of votes, regardless of the number of shares represented thereon, unless the provisions of the Commercial Companies Code provide otherwise.

6.12 The composition and changes in the last financial year and the description of the operation of the Company's managing and supervisory bodies and their committees

a) Composition of the Management Board

As of 31 December 2018, the composition of the Budimex SA Management Board was as follows:

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| • Dariusz Jacek Blocher, | President of the Management Board, Managing Director, |
| • Radosław Górski | Member of the Management Board, Director of General Construction, |
| • Cezary Mączka | Member of the Management Board, Director of the HR Department, |
| • Jacek Daniewski | Member of the Management Board, Chief Legal and Organisational Officer, |
| • Artur Popko | Member of the Management Board, Director of Infrastructure Construction, |
| • Henryk Urbański | Member of the Management Board, Director of Property Management Division, |
| • Marcin Węglowski | Member of the Management Board, Director for Financial and Economic Affairs. |

In 2018, one change took place in the composition of the Management Board, resulting from the resignation of Fernando Luis Pascual Larragoiti as Member of the Management Board of Budimex SA on 18 December 2018

In 2018, no significant changes regarding powers of attorney granted by the Management Board took place.

b) Composition of the Supervisory Board and its committees

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

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| • Marek Michałowski | Chairman of the Supervisory Board, |
| • Juan Ignacio Gaston Najarro | Vice-Chairman of the Board, |
| • Igor Adam Chalupiec | Secretary of the Supervisory Board, |
| • Marzenna Anna Weresa | Member of the Supervisory Board, |
| • Javier Galindo Hernandez | Member of the Supervisory Board, |
| • Jose Carlos Garrido-Lestache Rodriguez | Member of the Supervisory Board, |
| • Piotr Kamiński | Member of the Supervisory Board, |
| • Janusz Dedo | Member of the Supervisory Board, |
| • Fernando Luis Pascual Larragoiti | Member of the Supervisory Board. |

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

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

Composition of the Audit Committee as at 31 December 2018:

- Marzenna Anna Weresa - Chairman
- Javier Galindo Hernandez - member,
- Janusz Dedo - member.

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The composition of the Audit Committee in 2018 did not change.

As far as the independence of the members of the Audit Committee criteria are met, the provisions of Article 129 (3) of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision, as well as the criteria of independence of the members of the Board within the meaning of BeGood Practices of Companies Quoted at the Warsaw Stock Exchange 2016 (rule II.Z.4. Chapter II, the Management Board and the Supervisory Board of "Good Practices of Companies Quoted at the Warsaw Stock Exchange 2016").

The independence status of a member of the Supervisory Board is determined by the Company in accordance with the criteria determined in Operating Instruction no. IO-01-07-02 on obtaining information from Supervisory Board members and publishing them on the basis of declarations submitted by members of the Board and on the basis of Article 129 (3) of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision.

Composition of the Investment Committee as at 31 December 2018:

- Piotr Kamiński - Chairman,
- Javier Galindo Hernandez – member,
- Fernando Luis Pascual Larragoiti - member.

In 2018, the composition of the Investment Committee changed due to the resignation of Alejandro de la Joya Ruiz de Velasco from the Supervisory Board. Fernando Luis Pascual Larragoiti added to the Board by the Supervisory Board was appointed as member of the Investment Committee on 19 December 2018 (resolution no. 282).

Composition of the Remuneration Committee as at 31 December 2018:

- Marek Michałowski - Chairman,
- Igor Chalupiec - member,
- Juan Ignacio Gaston Najarro – member.

In 2018, the composition of the Remuneration Committee changed due to the resignation of Alejandro de la Joya Ruiz de Velasco from the Supervisory Board Juan Ignacio Gaston Najarro added to the Board by the Supervisory Board was appointed as member of the Remuneration Committee on 19 December 2018 (resolution no. 283).

c) Description of the Management Board's operations

The Management Board acts based on the Statute, the Rules and Regulations of the Management Board and the applicable laws, including the provisions of the Commercial Companies Code. The Management Board shall consist of one or more members. The Management Board manages the Company's affairs and represents the Company.

The President of the Management Board shall be appointed and dismissed by the Supervisory Board. The President of the Management Board is also the CEO of the Company. At the request of the President of the Management Board, the Supervisory Board appoints Vice-Presidents and other members of the Management Board for a joint term of office of three years.

The work of the Management Board is managed by the President of the Management Board. The procedures of operation of the Management Board is specified in the Rules and Regulations of the Management Board approved by the Supervisory Board.

Management Board resolutions are adopted by an absolute majority of votes. In the case of a tied vote, the vote of the President of the Management Board shall prevail.

The following persons are authorised to make declarations and sign documents on behalf of the Company:

- President of the Management Board - independently
- two members of the Management Board acting jointly or one member of the Management Board acting jointly with a proxy.

Representations made to the Company and delivery of letters may be made against one member of the Management Board or a commercial representative.

d) Description of the Supervisory Board's activities

The Supervisory Board acts based on the Statute, the Rules and Regulations of the Supervisory Board and the applicable laws, including the provisions of the Commercial Companies Code. The organisation of the Supervisory Board and the manner of performance of its activities is specified in the Rules and Regulations of the Supervisory Board adopted by the Supervisory Board.

The Supervisory Board adopts resolutions, if at least half of its members are present at the meeting, and all its Members have been invited. The Supervisory Board shall adopt resolutions by an absolute majority of votes. In the case of a tied vote, the vote of the Chairperson of the Supervisory Board shall prevail. The Supervisory Board may adopt resolutions in writing and via means of direct remote communication. Resolutions are valid if all members of the Supervisory Board have been notified of the content of the draft resolution. Members of the Supervisory Board may participate in the adoption of the Supervisory Board's resolutions by

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casting their votes in writing through another member of the Supervisory Board in all matters included in the agenda, except for the issues included in the agenda at the meeting of the Supervisory Board.

Board is authorised to review all company's documents and demand reports and explanations from the Management Board and the Company's personnel, to revise company's assets and inspect its books and documents. The Board has the right to demand (for their own purposes) to perform necessary studies and tests within the scope of the issues controlled and supervised by it.

The Supervisory Board ensures constant supervision over Company's activity, within all domains of its operation. Specific obligations of the Supervisory Board include:

- the evaluation of the Company's management report and the financial statements for the previous financial year,
- the assessment of the Management Board's proposals regarding the distribution of profit or coverage of loss,
- the recommendation to the General Meeting to acknowledge the fulfilment of duties by members of the Company's Management Board,
- the submission of an annual written report on the results of the evaluation referred to above to the General Meeting,
- the suspension from service, for important reasons, of any or all members of the Management Board and delegating members of the Supervisory Board, for a period not longer than 3 months, to temporarily perform the duties of members of the Management Board who have been dismissed, resigned or are unable to perform their duties for other reasons,
- approving the Rules and Regulations of the Company's Management Board,
- concluding agreements with Members of the Management Board of the Company and determination of remuneration of the President and members of the Management Board of the Company and the rules for awarding their bonuses, exercise of rights towards Members of the Management Board under the employment relationship on behalf of the Company, however such agreements are signed by the Chairman on behalf of the Supervisory Board,
- appointing a statutory auditor from the list of the National Council of Statutory Auditors to audit the Company's financial statements,
- approving the conclusion by the Management Board of the agreement with a sub-issuer for the acquisition of shares of the company,
- giving consent to conduct competitive business activities or to participate in a competitive company by a member of the Management Board,
- giving consent to the Management Board to exclude or limit the pre-emptive right to shares in new issues,
- giving consent to the Management Board to determine the amount, issue price and to issue shares in exchange for non-cash contributions,
- giving consent for the purchase or sale of real estate, perpetual usufruct or interest in real estate, machinery and equipment and / or sale or purchase of securities or other property components, if the unit purchase or sale price exceeds one fifth of the Company's share capital, in transactions covered by the above obligation to give consent which do not exceed the above value, decisions are made independently by the Management Board.

In accordance with par. 12 (3) of the Rules and Regulations, the Supervisory Board may establish committees or teams from among the Supervisory Board or delegate a member of the Board. As indicated above, three committees operate within the Supervisory Board: The Audit Committee, the Investment Committee and the Remuneration Committee.

e) Tasks of the Audit Committee

The tasks of the Audit Committee include:

- monitoring of the process of preparing the Company's financial statements and the consolidated financial statements for the previous financial year; a detailed analysis of the results of the statutory auditor's audit at each stage of the audit; monitoring the process of preparing the management report, including statements on non-financial information,
- monitoring the effectiveness of internal control systems and risk management systems as well as internal audit, including in the scope of financial reporting,
- monitoring the performance of financial audit activities, in particular the audit carried out by the audit firm, taking into account any conclusions and findings of the Audit Oversight Commission resulting from the audit performed at the audit firm;
- controlling and monitoring the independence of the statutory auditor and the auditing company, in particular when the audit firm provides other services to the Company than the audit;
- informing the Supervisory Board about the results of the audit and explaining how the audit contributed to the reliability of financial reporting in the Company, as well as the role of the audit committee in the audit process;
- assessing the independence of the statutory auditor and giving consent to the provision by that statutory auditor of the authorised services which are different than auditing the Company;
- developing a policy for the selection of an audit company to carry out the audit;
- development of an audit policy by the audit firm conducting the audit by entities related to this audit firm and by a member of the audit firm's network of permitted services different than audit;
- determining the procedure for the selection of an audit company by the Company;
- presenting to the Supervisory Board recommendations referred to in Article 16 (2) of Regulation No. 537/2014 (recommendation referring to the appointment of statutory auditors or audit firms) in accordance with the policies referred to in sections 7 and 8 above;
- submitting recommendations aimed at ensuring the accuracy of the financial reporting process at the Company;
- presenting to the Supervisory Board conclusions and recommendations regarding the process of examining and assessing the financial statements and the consolidated financial statements for the previous financial year and proposals of the Management Board concerning the distribution of profit or coverage of loss;
- presenting to the Supervisory Board motions and recommendations on acknowledgement of the fulfilment of duties by a member of the Management Board of the Company responsible for the operation of the Economic and Financial Department;
- implementing other projects established by the Supervisory Board, depending on the needs arising from the current situation of the Company;

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- submitting to the Supervisory Board the report on its activities once every six months, on the date of the approval of the annual statements and after the publication of the semiannual statements.

The statutory independence criterion in the course of 2018 was met by Marzenna Anna Weresa and Janusz Dedo.

Marzenna Anna Weress, professor of economic sciences, full professor at Collegium of World Economy of the SGH Warsaw School of Economics, member of supervisory boards of companies listed on the Warsaw Stock Exchange, is a member of the Audit Committee with the greatest experience, knowledge and skills in accounting or auditing financial statements.

The Audit Committee member with the greatest experience, knowledge and skills in the broadly understood construction industry is Javier Galindo Hernandez, a long-term financial director of Ferrovial Agroman SA, the main company of the Ferrovial Group construction segment.

In 2018, the Audit Committee held 6 meetings.

The auditing company auditing the financial statements of Budimex SA and the consolidated statements of the Budimex Group - Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. - did not provide any non-audit services.

The main assumptions of the audit company's selection policy

Pursuant to the Statute of Budimex SA, the audit firm is selected by the Supervisory Board, acting on the basis of the recommendation of the Audit Committee. It is forbidden to introduce any contractual clauses that would require the Supervisory Board to choose an audit firm out of a specific category or a list of audit firms. Such clauses shall be null and void by virtue of law.

At the same time, the Supervisory Board, during the final selection of the audit firm and the Audit Committee, at the stage of recommendation preparation, are guided by the following guidelines concerning the audit company:

- a) price proposed by the audit firm,
- b) the possibility to provide a full range of services defined by Budimex SA,
- c) previous experience of the auditing company in the audit of statements of entities similar to the Budimex Group with respect to its business activities, as well as experience in the audit of the statements of public-interest entities,
- d) professional qualifications and experience of persons directly involved in the research conducted in the Budimex Group,
- e) the possibility to cooperate with the auditors of the Ferrovial Group and to meet the reporting deadlines for the purposes of the Ferrovial Group.

Recommendation of the Audit Committee for the Supervisory Board on the appointment of an audit firm to conduct the audit was issued in 2017 and fulfilled the applicable conditions. It was drawn up as a result of the procedure of selecting an audit company organized by Budimex SA in the second half of 2016 and at the beginning of 2017. The procedure for the selection of the audit firm was in line with the "Policy and Procedure of Budimex SA in the selection of an audit firm to audit financial statements."

Major assumptions of the policy of Budimex SA with regard to the provision of permitted services which are different than audit by audit companies and their related entities

Auditing company, its related parties and companies belonging to the same network may provide to Budimex SA, its subsidiaries and the parent company of Budimex SA permitted services that are not the audit of financial statements defined in Article 136 (2) of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision. However, the Audit Committee is obliged to consent to the conclusion of an agreement for such services, after prior analysis of threats and security measures referred to in Article 69-73 of the Act. Such a consent must be recorded during the session of the Committee or given in a circular form and confirmed in the minutes of the next meeting of the Committee. If the significance of the threats to the independence of the audit company is high enough that such independence is violated, the Audit Committee does not agree to the conclusion of the agreement for the performance of the additional service. The provision of the services referred to above is possible only in the scope not related to the tax policy of Budimex SA. All services other than financial audit activities are prohibited.

f)Tasks of the Investment Committee

The tasks of the Investment Committee include opinions or approval of matters significant for the Company due to their value in the scope of: investments and disinvestments in non-financial assets, the creation and liquidation of companies, investments, disinvestments and issues involving financial assets, mergers, divisions and transformations of entities in the Budimex Group, financial operations, the creation of special-purpose organisations for the performance of works or provision of services on conditions diverging from the model consortium agreement of the Budimex Group, preliminary agreements and non-binding offers, development projects and material agreements with related parties.

The Investment Committee operates based on the procedure approved by the Supervisory Board. The Supervisory Board is informed at subsequent meetings on issues opined by the Investment Committee during the period between meetings of the Supervisory Board.

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g) Tasks of the Remuneration Committee

The tasks of the Remuneration Committee include:

- the submission of proposals for the approval of the Supervisory Board for concerning the rules of remunerating members of the Management Board, in particular: of fixed remuneration, performance-based remuneration, pension and severance payment system and of long-term incentive schemes including recommendations as to the goals and evaluation criteria with regard to the appropriate alignment of the remuneration of Bard Members with long-term interests of the shareholders and goals set out by the Supervisory Board for the Company; the presentation to the Supervisory Board proposals regarding the remuneration of individual Bard Members with the assertion of their compliance with the rules of remunerating adopted by the Company and the assessment of the performance of individual Bard Members; the presentation to the Supervisory Board of the proposals of bonus rates, their weighting for the board members based on the budget in the given year; helping the Supervisory board with the oversight of the process in accordance with which the Company complies with the legal regulations regarding information obligations as to remuneration (in particular of the applied rules of remuneration and remuneration of the Board Members); the monitoring of the level and structure of remuneration of the Bard, based on independent remuneration reports, market indicators, and the presentation of appropriate analyses and conclusions; opining on the appointment and the dismissal of the members of Supervisory Boards in Budimex SA subsidiaries with the exception of special purpose vehicles;
- the acceptance, at the request of the Management Board, of the bonus rate for employees of Budimex SA head office to settle the bonus for the previous year and the percentage ratio of salary increases for a given year;
- preparation of the annual report on the operations of the Committee.

6.13 Remuneration policy concerning members of the Supervisory Board, of the Management Board and of key managers of Budimex SA

Members of the Supervisory Board

The body authorised to determine the rules of remunerating members of the Supervisory Board of Budimex SA is the General Meeting. On 28 April 2015, the General Meeting of Shareholders adopted a resolution whereby for the participation in the works of the Supervisory Board, the members of the Supervisory Board of Budimex SA are entitled to a monthly remuneration in the following amounts:

- Chairman of the Supervisory Board - double the average monthly remuneration in the enterprise sector without bonuses paid from the profit, with the ratio of 1.7,
- Chairman of the Audit Committee of the Supervisory Board - double the average monthly remuneration in the enterprise sector without bonuses paid from the profit, with the ratio of 1.5,
- Chairman of the Investment Committee of the Supervisory Board - double the average monthly remuneration in the enterprise sector without bonuses paid from the profit, with the ratio of 1.3,
- Chairman of the Remuneration Committee of the Supervisory Board - double the average monthly remuneration in the enterprise sector without bonuses paid from the profit, with the ratio of 1.3,
- Vice-Chairman of the Supervisory Board - double the average monthly remuneration in the enterprise sector without bonuses paid from the profit with the ratio of 1.1,
- Secretary of the Supervisory Board - double the average monthly remuneration in the enterprise sector without bonuses paid from the profit, with the ratio of 1.2,
- Member of the Supervisory Board - double the average monthly remuneration in the enterprise sector without bonuses paid from the profit, with the ratio of 1.

Members of the Management Board

The body authorised to determine the rules of remuneration for the members of the Management Board of Budimex SA is the Supervisory Board. These rules define all forms of remuneration, in particular fixed remuneration, performance-based remuneration programme, pension and severance payment system as well as long-term incentive schemes.

In addition, the Supervisory Board carries out all activities in the field of labour law between Budimex SA and the members of the Management Board. Agreements concerning employment relationship on behalf of the Board are signed by the Chairman.

The Members of the Management Board of Budimex SA (the "Company"), in connection with their work and their function in the Management Board, are employed in Budimex SA or its subsidiaries in which they receive remuneration on the basis of employment contracts concluded for the duration of their term of office with the notice period resulting from the applicable provisions of the Labour Code. In addition, the contracts provide for severance pays equal to 6 to 12 monthly remunerations, depending on the position, in the case of dismissal from the management board or the lack of appointment for another term of office for reasons for which Company is responsible. In the case of a resignation at the employee's initiative or due to a culpable

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act to the detriment of the Company, additional severance pay is not paid and only the notice period resulting from the applicable provisions of the Labour Code is valid.

In addition, the members of the Management Board of Budimex SA concluded a separate non-competition agreement with the Company or the company from which they obtain their remuneration valid for 12 months from the termination of the employment contract. During the term of competition ban, the Company shall pay the employee between 25% and 100% of the monthly base salary, depending on the procedure of termination of the contract and the party initiating the termination of the contract. Contractual penalties shall be applied to the member of the Management Board in the even of violation of the competition ban.

Information on remuneration of the management was presented in the consolidated financial statements of the Budimex Group in note 40.1 and the financial statements of Budimex SA in Note 39.

The remuneration of members of the Management Board consists of:

- fixed remuneration - a monthly base rate,
- performance-based remuneration (annual bonus), consisting of the following elements: task bonus determined on the basis of the annual assessment of task performance and bonus for the achievement of indicators regarding the business activity of the Budimex Group,
- remuneration in the form of shares as part of the incentive scheme "Shares awarded with regard to the objectives of Ferrovia," whereby the rights to acquire the shares of Ferrovia SA are conditionally granted. Members of the Management Board who continue to be employed for 36 months are granted the right to acquire the shares of Ferrovia. Both the granting and the number of shares acquired depends on the achievement of the assumed economic parameters by the Ferrovia Group within the next three years and the continuation of employment of individual persons in the Company on the date of granting the shares.

Key managers

The Management Board of Budimex SA is the body authorised to establish the rules of remunerating key managers. The remuneration rules are specified in individual employment contracts.

The remuneration of key managers consists of:

- fixed remuneration - a monthly base rate,
- performance-based remuneration (annual bonus), consisting of the following elements: task bonus determined on the basis of the annual assessment of task performance and bonus for the achievement of indicators regarding the business activity of the supervised areas,
- remuneration in the form of shares as part of the incentive scheme "Shares awarded with regard to the objectives of Ferrovia," whereby the rights to acquire the shares of Ferrovia SA are conditionally granted. Members of the Management Board who continue to be employed for 36 months are granted the right to acquire the shares of Ferrovia. Both the granting and the number of shares acquired depends on the achievement of the assumed economic parameters by the Ferrovia Group within the next three years and the continuation of employment of individual persons in the Ferrovia Group on the date of granting the shares.

Non-financial components of remuneration

Non-financial components of remuneration to which individual members of the Management Board and key managers are entitled are the same and include benefits in kind, such as free medical care, the coverage of life and endowment insurance premiums, a company car.

Significant changes in the remuneration policy

There were no significant changes in the remuneration policy in the last financial year.

Remuneration policy assessment

The adopted remuneration policy is an effective management tool supporting strategic objectives of the Company's development and enabling a flexible response to changes in the business environment caused by the shortage of subcontracting companies and the need to expand its own executive forces. Compared to 2017, employment in Budimex SA increased by 11.7%.

7 REPORT ON NON-FINANCIAL INFORMATION

Budimex SA and Budimex Group decided to prepare reports on non-financial information as separate documents. The consolidated statement of the Budimex Group on non-financial information and the separate statement of Budimex SA on non-financial information will be published on the website www.budimex.pl.

Warsaw, 21 March 2019

Dariusz Blocher

President of the Management Board
Electronically signed by Dariusz Blocher
Date: 2019.03.21 11:36:57+0T00'

(all amounts included in the tables are denominated in PLN '000, unless specified otherwise)

Jacek Daniewski	Member of the Management Board	Electronically signed by Jacek Daniewski Date: 2019.03.21 10:48:04+01'00'
Radosław Górski	Member of the Management Board	Electronically signed by Radosław Górski Date: 2019.03.21 11:19:13+01W
Cezary Mączka	Member of the Management Board	Electronically signed by Cezary Mączka Date: 2019.03.21 12:14:27 +01W
Artur Popko	Member of the Management Board	Electronically signed by Artur Popko Date: 2019.03.20 16:12:50 +01 '00'
Henryk Urbański	Member of the Management Board	Electronically signed by Henryk Urbański Date: 2019.03.21 11:08:07+01'00'
Marcin Węglowski	Member of the Management Board	Electronically signed by Marcin Węglowski Date: 2019.03.20 16:34:17 +01'00'