

Dear All,

We present to you the Annual Report of the Budimex Group for 2019. It was the most difficult period for Budimex in many years in terms of business challenges and cost pressure. We focused on improving contract profitability. We decided to terminate the contracts with a loss as soon as possible or generate a positive margin on them. We focused on improving cash flow and acquiring new orders from investors. We started the year with worse objectives, but ultimately, we achieved better results than we had assumed.

Revenue from sales in the Budimex Group in 2019 reached PLN 7.57 billion and was slightly higher than in 2018, partly due to the commencement of consolidation of the FBŚerwis Group results in the second half of the year. Gross profit margin for the Budimex Group amounted to 4.4%. In comparison to the market and competition, these results are satisfying and they assure further development of our activities in the construction, real estate development and service sectors. The generated net profit in the amount of PLN 226 million compared to PLN 305 million in 2018 results from the difficult situation in the construction market. This urged us to restructure some construction contracts to make them more profitable, whereby guaranteeing profit in the near future. This was one of the main goals of the Management Board in the reported period.

At the end of December, the net cash level of the Budimex Group amounted to PLN 1.3 billion and was over PLN 200 million higher than a year ago, despite the expenditure on the purchase of additional shares in FBŚerwis and the payment of dividends. The cash position was supported by new contractual advances, which result from the high value of contracts acquired in the railroads and roads sector.

We focus on obtaining good and profitable construction contracts. We will continue to improve profitability and fight for orders that bring an added value to clients and Budimex.

In 2019, Budimex Nieruchomości customers signed 1,534 notarial deeds. It is fewer (by 8%) than a year before. The extension of our real estate developer's offer resulted in a high pre-sale level of 1,655 apartments. Revenue of the real estate development segment increased by 2% and amounted to PLN 558 million, and profit from operating activities amounted to PLN 117 million, which means that the profitability is on a good level of 21.0%

In line with our strategy, we are diversifying the Budimex Group's offer on the market. In 2019, we increased our potential in the service sector. We completed the purchase of 51% of shares in FBŚerwis SA for a price of PLN 98.5 million. Budimex became the sole owner of this company as a result of this transaction. This is a long-term investment. We focus on the development of the Budimex Group based on building value for shareholders. In 2019, the FBŚerwis Group sales amounted to PLN 498 million with a gross profit margin of 6.4%. Our intention is to further develop FBŚerwis in an organic way, by using the growing potential of the road infrastructure maintenance market. By forecasting the market development, Budimex will support the development of FBŚerwis, also in the waste management sector.

There were 7,478 employees in the Budimex Group at the end of 2019, which is 8% more than compared to the previous year – mainly due to the consolidation of the FBŚerwis Group. Just like in previous years, the pillars of our relationships with employees are investing in their development and care for their safety at work. The situation in the labour market is more positive. We estimate that the number of vacancies in construction decreased from 150 thousand to 80 thousand employees.

The high number of orders allows for fully effective use of resources and it secures works for the next year. Thanks to the selective approach to offers in 2019 and the observed stabilization of material prices, we see signs of improvement of the average order portfolio margin in the construction area.

In 2020, our forecasts for the construction and real estate development markets in Poland have been completely changed by the global and European COVID-19 pandemic. In the long run, it will severely affect results of companies, including Budimex. Our key financial objectives for the Budimex Group in 2020, which were adopted at the beginning of the year, will be verified after we are able to estimate the influence of the coronavirus on this year's results.

Our programs last year: Programs Parent's Zone and Hello ICE benefited over 55,000 children in hospitals and schools. We have completed eight volunteer projects. We supported several dozen foundations engaged in help and development in less developed regions.

The industry appreciated our achievements in the market. We received prestigious awards, among them: Construction of the Year 2018, Contractor of the Year 2019, Diamond of Infrastructure and Construction and TOP Press Brand 2019.

I would like to offer our gratitude to our Investors and Employees of Budimex SA for their commitment to work and develop the Budimex Group.

Dariusz Blocher

President of the Management Board, Budimex SA