

Dear all,

Revenue from sales of Budimex SA in 2019 increased by 2.1% as compared to the previous year, to PLN 6.9 billion. Despite the difficult situation in the construction industry, the operating profit margin of Budimex SA was 2.7% – almost three times the profitability rate of large construction companies. The order portfolio of Budimex at the end of the year stood at PLN 10.3 billion.

The year 2019 was the most difficult one for Budimex in terms of business challenges and cost pressures for a decade. We focused on improving the profitability of contracts, terminating contracts running at a loss as soon as possible and generating positive margins. We also focused on improving cash flow and acquiring new orders from investors. We started the year with worse assumptions, but in the end we achieved better than expected results.

Construction and assembly production in the domestic economy increased in 2019 by only 6%, almost a quarter of the previous year. In 2019, we saw the termination of several large road contracts worth over PLN 4 billion and the deterioration of the financial situation of some general contractor market participants. These market difficulties affected primarily companies employing more than 250 employees, where the average profitability in the middle of last year was slightly over 1%.

Compared to the economic results for construction and assembly, the results for Budimex were good. The operating profit of Budimex was PLN 190 million. It was PLN 71 million lower in comparison to 2018 – mainly due to losses on selected construction contracts and negative macroeconomic factors: prices of raw materials and labour costs. Nevertheless, both the result and profitability of Budimex exceeded the market benchmarks. The order portfolio of Budimex at the end of the year was PLN 0.9 billion up. Railway contracts accounted for as much as 33% of the portfolio value and equalled the percentage of infrastructure contracts. In 2019 the most important part in contracting have railway investments, which constituted over 46% of new orders in terms of value.

Special events for our company in the reporting period included commenced and completed investments for our clients. We started the design and construction of the following: S61 road Suwałki – Budzisko section, A1 road Częstochowa Bypass, Wałbrzych Bypass, Września Bypass, Railway Line No. 139 – Czechowice – Dziedzice section, Railway Line No. 7 Należczów – Dęblin section and the modernisation of the railway junction in the Port of Gdynia. The beginning of construction of the Strachocina – Slovakia gas pipeline was another important and strategic event for us. In the reporting period, we completed such key contracts for our investors as the TDT Office Building in Warsaw and BIG in Kraków, the Monopolis facility in Łódź, Lidl Distribution Centre in Kałuszyn, Museum of Cursed Soldiers in Ostrołęka, Railway Line No. 7 between Pilawa and Dęblin, S7 road Garwolin – Kurów section, Suwałki Bypass, A1 road Częstochowa Bypass and S7 road Skarżysko Kamienna Bypass.

We took advantage of the market opportunity offered by contracts terminated by other construction companies for several road and railway construction projects. These "second hand" contracts we acquired included three large road contracts for the A1, S5 and S61 roads, for a total value of PLN 1.6 billion.

We finalised the purchase of 51% of FBSerwis S.A. shares for 98.5 million PLN. As a result of the transaction, Budimex has become the sole owner of this company. The purchase of FBSerwis and taking control of the company has a long-term nature and constitutes an element of implementing the development strategy of the Budimex Group, based on building shareholder value through the diversification of construction activities and the development of service business.

Despite difficult legal and economic conditions for the construction industry, we expect an improvement in the market situation in the following year - an increase in margins for general contractors and better access to employees. The prices of raw materials have stabilised after several years of growth.

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.

Employment in Budimex SA at the end of 2019 amounted to 5 602 employees, a lower level compared to the previous year – mainly due to the restructuring of contracts. The total number of vacancies in the construction industry decreased from 150 thousand to 80 thousand employees. The biggest challenge is still to attract people with a railway profile.

Last year, more than 55,000 children in hospitals and schools benefitted from our programs – the Parent Zone and Hello ICE. We carried out eight volunteer projects and supported several dozen foundations working for development and aid in less developed regions.

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

I would like to thank our Investors and the Employees of Budimex SA for their involvement in the work and development of our company during a very demanding year.

Please read the Financial Report of Budimex SA for 2019.

Dariusz Blocher

President of the Management Board, Budimex SA