

Dear Sirs

Dear Clients and Investors

The dynamics of the construction production accelerated in 2021 to 7.9%. The value of the construction production at the end of the year amounted to PLN 117 billion. This is a significant improvement after the difficult year of 2020. Within the general construction, the value of production increased both in the residential part by 7.2% and in the non-residential part by 3.7%. Considerable increases were recorded in most construction areas: hotels: +9.7%, office buildings: +11.6%, industrial buildings: +16.6%. The reduction in the scale concerned the commercial and service construction: -16.0%. The value of the construction market increased in all areas except for airports: roads, railways, hydrotechnics, gas and energy transmission.

The sales of Budimex in 2021 amounted to PLN 7,042 million. We recorded a 3.2% decrease compared to 2020. It resulted from two main reasons: unfavourable weather conditions in the first quarter, as well as the extended waiting time due to the pandemic related to obtaining the building permit in several important orders from the road area. In the second half of the year, the revenue dynamics was already positive and reached +2.4% compared to the corresponding period of 2020.

In 2021, we acquired contracts worth over PLN 7 billion. This was the level of contracts lower by PLN 2 billion than a year earlier. It resulted mainly from a smaller number of tenders in the railway construction segment. The change in sources of financing railway investments and the tenders announced at the beginning of 2022 will fundamentally change this situation. Our priority is, invariably, to ensure the profitability of the order portfolio. At the end of December 2021, the value of the order portfolio reached PLN 13 billion.

We completed the performance of large road contracts, including: two sections of the A1 motorway between Tuszyn and Częstochowa, S19 in Podkarpacie, two sections of the S61 expressway in Podlasie. A special task from the area of large-size construction was the completion of the construction of the Research and Development Centre for Orlen in Płock or the Rother's Mills in Bydgoszcz. We also completed two very large and financially demanding energy contracts: the new power plant unit in Turów and the waste incineration plant in Vilnius. All railway construction contracts were in progress. We started one of the largest constructions currently carried out in Poland, i.e. the construction of a new Warsaw West Railway Station.

We constantly experienced the effects of the COVID-19 pandemic in the economy, which influenced investors' decisions on the one hand, and, on the other hand, hindered the delivery of selected components and delayed administrative procedures necessary to obtain building permits. The most difficult macroeconomic phenomenon in the last year was the rapid increase in prices of construction materials, especially steel. During the year, its market value increased by 89%. The profitability was stabilised due to partial indexation mechanisms as well as the policy of securing prices of key ranges. A new factor that may have an equally strong impact on the construction industry is the war beyond our eastern border. We will work intensively to protect our contracts against macroeconomic or social effects caused by this situation.

The average margins of large construction companies increased from 3.5% to 4.9% in the past year. The margins of medium companies also increased from 6% to 7%. In the reporting period, access to employees was better than one year ago, but we constantly assess the shortage of people working in the construction sector at around 50,000 people. At the end of 2021, Budimex SA had 5,188 employees.

For years Budimex has also been carrying out projects aimed at its sustainable development. In 2021, we announced the 'CSR Strategy for 2021-2023', which refers to the UN Sustainable Development Goals. Despite the demanding environment, we keep our contractual obligations and carry out the tasks entrusted to us in accordance with the provisions, while ensuring quality and maintaining the highest environmental and social standards. In 2021, our efforts were acknowledged with numerous awards, including in the Sustainable Economy Diamonds competition in the Sustainable Construction Leader category. We won five Construction of the Year awards, the most among all general contractors. Our construction of a new unit at the Turów power plant has been recognized by the National Labor Inspectorate as the safest construction site in 2021.

Despite the ongoing pandemic, in 2021 we continued to develop our original social programmes, i.e. "Parent Zone". Budimex for Children" and "Hello ICE". Budimex for Children". So far, Budimex S.A. launched 40 Parent Zones in children's hospitals. In 2021, 5 more "Parent Zones" were established (in Białystok, Świeciu, Lublin, Włocławek and Środa Śląska).

We continue our new 'House from heart' programme, which combines forces with other companies to build, equip and hand over a house to a multi-child, in need of a family.

I would like to thank the Management Board and Supervisory Board as well as our investors and employees for their commitment to our work and to the development of our company in these particularly difficult and challenging times. I invite you to read the Financial Report of Budimex SA for the year 2021.

Artur Popko

President of the Management Board