

Ladies and Gentlemen,

The year 2012 was difficult for many construction companies and there were unfinished contracts, losses, workforce reductions, and bankruptcies. After the value of road-related tenders announced in 2011 dropped by 40%, the year 2012 saw this indicator drop by a further 15% and, since this sector of the construction industry constitutes 63% of the portfolio of Budimex Group orders, such situation in the markets did have an impact on Budimex. The average value of contracts signed by us dropped from PLN 78 million (2011) to PLN 39 million (2012) and the portfolio of Budimex Group orders also diminished. By the end of 2012, its value amounted to PLN 4.9 billion, whereas by the end of 2011 it was PLN 7.3 billion (PNI excluded).

In 2012, Budimex Group concluded contracts of a total value amounting to PLN 2.8 billion (PLN 5.3 billion in 2011). This situation stems from a decrease in the value of tenders announced on the market and the attention we pay to maintaining a healthy portfolio in a highly competitive and ever-dwindling market.

Przedsiębiorstwo Napraw Infrastruktury (PNI), a company purchased by Budimex in November 2011, filed a petition for bankruptcy open to arrangements in August 2012. In November 2012, the management board of PNI was dismissed by court and a legal receiver was appointed. Due to this, Budimex wrote off the entire value of the investment and the assets connected with its losses (PLN 182 million in 2011 and PLN 151 million in 2012).

However, in spite of these difficulties and the slower development of the construction industry, we are pleased with the financial results we achieved in 2012, as they demonstrate that Budimex remains the most valuable company listed on the Warsaw Stock Exchange.

Except for the negative impact of PNI, we consider the 2012 results to be good and comparable to the results for the analogous period in 2011. In 2012, we managed to achieve a record-breaking level of income from sales (over PLN 6 billion, i.e. exceeding the level from 2011 by more than 10%) despite the fact that building and assembly production dropped by 1.0% in the same period.

By the end of 2012, the Budimex Group achieved a profit at an operational level of over PLN 182 million, gross profit of PLN 203 million and a net profit close to PLN 186 million; whereas during the corresponding period of 2011 these same indicators were PLN 135 million, PLN 142 million and PLN 76 million respectively (in June 2012 we adjusted the 2011 results due to writing off the value of PNI shares as losses).

In 2012, Budimex Nieruchomości achieved a 30% increase in sales in comparison to 2011 and, due to the profitability of developer activity being greater than the profitability of building activity, the company had a significant impact on increasing the profits of Budimex Group.

Aside from developer activity, good results in 2012 also resulted from the very good performance of Budimex Danwood, a company 100% controlled by Budimex S.A. In 2012,

Budimex Danwood concluded agreements regarding the production and assembly of 882 houses (with wooden supporting structures) (i.e. 171 more than in the preceding year). The company is also increased its portfolio of orders (from 743 houses in 2011 to 984 houses in 2012).

The activity of the Group in the construction sector of the German market generated sales income amounting to PLN 165 million and an operating profit amounting to PLN 18 million.

Even though in financial terms the position of Budimex Group has diminished by 25% by the end of 2012 in comparison with the preceding year as a result of dividend payment – PLN 280 million – and the PNI investment (i.e. from PLN 1 576 million to PLN 1 188 million), the current financial condition of the Group makes it possible to maintain the policy of systematically sharing profits with shareholders initiated several years ago. This is why we will recommend that the dividend for 2012 be paid.

Years 2013 to 2014 will be difficult. We expect that building and assembly production to drop by 16% to 18% in 2013. New road contracts sponsored from the EU budget means for the period from 2014 to 2020 will appear in the portfolios of companies in the second half of 2014. Numerous investments of the "design and build" type are also expected and, consequently, significant profits derived from their performance will be available only in 2015.

There are also other challenges ahead of us. We have decided to diversify our activities due to the dwindling road investment market. We intend to become involved in energy investments (particularly regarding gas units and incineration plants) which will, in the future, need to be provided to many large cities. As of now, we are constructing an incineration plant in Białystok. The energy sector is very promising with vast potential to it.

The hydrotechnical sector is just as promising. In our portfolio, we already have contracts from this sector worth nearly PLN 300 million net.

We pay considerable attention to developing our activity in non-construction sectors as well. FBŚerwis (a company in which Budimex holds 49% of the shares) renders motorway and state roads maintenance services, as well as services comprising the technical service of buildings. As of now, it is acquiring an increasing amount of contracts regarding the maintenance of facilities and makes itself ready for tenders (announced in line with the new act concerning the maintenance of order and cleanliness in gminas) concerning the reception and utilisation of municipal waste.

Our Special Purpose Vehicle commenced by performing a contract regarding the building and usage of an underground parking lot in the Centennial Hall in Wrocław. In the very near future, we intend to closely inspect investments performed within the concession system.

As far as developer activity is concerned, prognoses for the immediate future indicate that the value of investments on the housing market will drop by 10% but it has to be borne in mind that the value of this market, in executive terms, is circa PLN 10-12 billion per annum.

Budimex Nieruchomości keeps focusing on three markets: Warsaw, Cracow, and Poznań. In 2013, we plan to initiate four housing projects on those markets (involving 640 apartments in total). Our goal is to introduce 800-1000 apartments per year into circulation. We also plan to enter the market of the Tricity.

We estimate that in 2013 the company will sell fewer apartments as part of transactions certified by notaries due to the unsure situation on the market, changes to the developer act, restrictive loan policies of banks, and a reduction in the supply of ready-made apartments by Budimex Nieruchomości.

According to our strategy, we would also like to become involved in the railway industry where expenditures of about PLN 8 to PLN 10 million per annum are expected during the next several years. However, we will make our activities in this sector dependent on decisions taken in connection with the PNI.

We have also analysed foreign markets where we could potentially function. Due to the significant expenses connected with entering such markets and due to insufficient transparency of some of them and the risks connected with this, we have decided to diversify our activities on the domestic market.

In the difficult 2013-2014 period, we will focus on retaining our potential under the existing conditions and on reducing sales in order to make the most of the market in 2015 and later on, when money from the European Union will become available. During the next two years, we will look for niches to invest in (i.e. industry, hydrotechnical industry, gas networks, and electrical networks).

I firmly believe that in the difficult 2013 year, we will manage not only to maintain our strong position but also to develop our activity in new sectors – this will make it possible for us to develop dynamically in the years to come.

Next year, during which the industry will slow down, is a good time for contractors and investors, particularly public investors, to draw conclusions for the future and define new and sound principles regarding cooperation.

I would like to encourage you to read the Budimex Group 2012 Annual Report.