

Dear business partners,

2013 was a difficult year for the construction industry. Construction and assembly production fell by 13.6% in comparison with 2012, mainly caused by the situation in the infrastructure segment, where production value dropped by 18.6%. The decline in production did not come as surprise for the market. The slowdown in 2013 was expected in anticipation of the new EU budget, which was finally approved in November 2013.

All of this, in combination with a careful selection of contracts and an accurate valuation of bids, affected the sales of the Budimex Group, which amounted to PLN 4.75 billion in 2013, a decrease by 22% in comparison with the previous year.

The value of the order portfolio of the Budimex Group amounted to PLN 4.3 billion at the end of 2013. The share of road contracts in the portfolio decreased from 46% in 2012 to 30% in 2013. In the same period the share of general construction increased from 37% to 44%, while the share of the railway segment rose from 14% to 22%.

Infrastructure development continued to have the largest share, i.e. 59%, in the sales of the construction segment of the Group during 2013 (63% in the previous year).

In 2013 we signed contracts with a total value of PLN 3.3 billion, which is PLN 0.5 billion higher than in 2012. The biggest contracts include a contract for the construction of the Pomeranian Metropolitan Railway for over PLN 582 million net, completing the construction of two sections of the A4 motorway after the companies that had gone bankrupt: Krzyż – Dębica Pustynia for nearly PLN 400 million and Rzeszów Zachód (West) – Rzeszów Centralny (Central) for PLN 150 million, construction of the Faculty of Chemistry of the Jagiellonian University in Cracow (over PLN 130 million), extension of the takeoff area at the Warsaw Chopin Airport (nearly PLN 107 million) and construction of the second stage of the 19 Dzielnic housing estate in Warsaw (nearly PLN 90 million).

In spite of the slowdown in the construction sector, we are pleased with our financial results. We ended 2013 with the highest ever net profit, which to a considerable degree resulted from the sale of Budimex Danwood at PLN 240 million in accordance with the strategy.

As a result of the above-mentioned transaction, as well as thanks to improved margins in the construction segment, in 2013 the Budimex Group posted an operating profit of PLN 333 million, which means profitability of 7% as compared to the 3% recorded in 2012.

The financial results of the Group were also significantly influenced by Budimex Nieruchomości. In 2013 the company recorded a drop in its sales revenues; however, this did not affect the profitability of real estate development activities, whose gross margin stood at 20% (22.8% in 2012).

In 2013, following a review of assets of the real estate development segment, we established a write-down of some land valued at PLN 61.8 million. As a result, the net result of the real estate development segment is negative and amounts to PLN -23.4 million. On the basis of a new valuation we will be able to prepare a more attractive customer proposal, significantly accelerating the commencement of new investment projects and their pre-sale.

In 2014 we are planning to launch new projects and significantly increase the number of apartments on sale. Ultimately, we intend to release 1,000 apartments on the market and return to the top three developers in Poland by the number of apartments earmarked for pre-sale.

Budimex also recorded satisfactory results on the German market, where the company carries out construction-related activities consisting in hiring out employees to building material prefabrication plants. Revenues from sales on this market amounted to PLN 156.3 million and the operating profit stood at PLN 20.1 million.

We are interested in railway contracts. Apart from the Pomeranian Metropolitan Railway referred to above, we are performing a contract for the Local Control Centre (LCS) in Łława and several contracts for tramlines. We participate in selected railway tender procedures and at the same time we are waiting for decisions regarding the future of Przedsiębiorstwo Napraw Infrastruktury (PNI, infrastructure repair company). We would like the company to continue its activities, avoiding liquidation. Its acquisition was intended to support our growth in this construction segment.

We are also planning to start activities in new areas. We are paying close attention to the power and gas network markets, and we are waiting for regulations connected with compulsory purchases as a lack of such regulations carries risks that we do not accept.

The shrinking construction market forced us to become involved in non-construction areas. FBSerwis, a company in which Budimex holds a 49% interest, provides maintenance services for motorways and national roads as well as buildings, and is seeking contracts in the sector of municipal waste management. During the first year of its activities, the company signed 20 contracts and we hope that in the course of the next few years it will become serious market participant.

Budimex enjoys a stable financial position and very good liquidity, thanks to which it stands a strong chance of being awarded the highest number of contracts in planned tender procedures. Poland is the biggest beneficiary of the "Connecting Europe" facility, aimed at the efficient interconnection of trans-European networks in the fields of transport, energy and telecommunications. Thanks to the new EU framework, within which Poland will receive in excess of EUR 20 billion for developing railway and road infrastructure in 2014-2020,

the year 2014 will be a period of stabilising revenues and controlling costs while at the same time building a portfolio for the coming years. Our objective is to improve the operating margin in construction activities.

In spite of a difficult situation in the sector, we retained our best experts, and we have the resources and funds to start performing new contracts efficiently. I believe that the construction sector will feel the first effects of economic revival in the form of new projects this year.

However, in order to talk about success of another investment programme in Poland, about the success of construction companies and Budimex, changes are needed in order to prevent repeating the errors made in the past. I mean the need for contracting parties to thoroughly analyse the capability of contractors to perform contracts, taking into account their achievements on the Polish market, a specimen contract that would balance the currently disrupted distribution of contractual risks between the contractor and the contracting party, as well as the liability of contractors for the valuation of their bids, thanks to which companies will avoid a price war, disastrous in its consequences.

We are a reliable and trustworthy business partner. We employ 4.3 thousand people and annually employ another 12 thousand contractors, who value us for meeting our obligations. Budimex is one of the biggest Polish employers and one of the biggest tax remitters.

In 2013 Budimex kept its leading position by market value among companies from the construction sector listed on the Warsaw Stock Exchange. Our accomplishments so far and our growth potential are recognised by the fact that in 2013 the price of Budimex shares rose from PLN 70 to PLN 132 per share.

I would like to encourage you to read the Budimex Group 2013 annual report.

Dariusz Blocher

President of the Management Board of Budimex SA