

**Dear All,**

We are pleased to present to you the Annual Report of Budimex SA for the year 2020. The first year of the world's coronavirus pandemic affected the construction industry in a less severe way than we had predicted. The construction sites in Poland were not closed as was the case in some other European Union countries. Thanks to this, the construction industry supported the Polish economy in 2020. Despite this, the construction production rate slowed down throughout the reported period: from a 6% increase in 2019 to 0.4% at the end of the year and ended 2020 at PLN 108 billion.

The revenue of Budimex SA amounted to PLN 7.28 billion and increased by nearly 5% compared to 2019. The final operating income (EBIT) made by Budimex SA in 2020 amounted to PLN 354 million and was PLN 164 million higher than the year before.

This noticeable improvement in efficiency is a result of many factors: employees' effort and organisational changes, including adjustments in the contract portfolio applied in 2019. We were also lucky to be supported by our Investors, especially the General Directorate for National Roads and Motorways and PKP Polskie Linie Kolejowe. Our biggest clients developed efficient methods of construction accounting and acceptance, often speeding up the process of terminating the investments. It is worth ensuring that the solutions developed continue to be applied.

We made adjustments in our orders received portfolio. In 2020, the value of our road contracts portfolio increased from PLN 4.1 billion to PLN 5 billion. The energy and industrial construction portfolio expanded as well, but the extent of cubature construction decreased from 22% to 20%. The railway construction portfolio increased from PLN 3.6 billion to PLN 4 billion. The value of the cubature and energy and industrial construction portfolios increased by PLN 200 million and PLN 300 million, respectively. The value of new projects in energy and industrial construction was the highest in four years and amounted to PLN 0.8 billion. We also secured ourselves with PLN 1.65 billion of financial resources. The current contracts portfolio and money owned guarantee the sound activity of the construction segment for the next two years.

In 2020, we began several big construction contracts, including: the Warszawa Zachodnia station and the Vistula Collector in Warsaw, 120 kilometre-long Baltic Pipe gas pipeline section in Western Pomerania and the S5 Ornowo-Wirwajdy section. The investments completed in the reporting period were equally important for our company: the biggest flood protection reservoir for the upper Oder River in Racibórz, the LCS Idzikowice on CMK (Central Trunk Line), the Communication Centre in Kielce and the PKP SA Railway station in Białystok. We took advantage of a market opportunity by taking over some contracts terminated by other construction companies, including an S5 section in the Kuyavian-Pomeranian Voivodeship. In 2021, we will complete some large long-term industrial construction projects: a waste incineration plant in Vilnius and construction of a new power block in the Turow plant. We will also complete important infrastructure projects: the Otwock – Piława railway section of the Warszawa – Lublin line, the Trzebinia – Krzeszowice section on the E30 line between Katowice – Kraków, sections of the A1 motorway between Łódź and Piotrków Trybunalski and Łódź's S14 western bypass.

The construction market, in terms of the activities of general contractors, is also affected by the economic impact of the pandemic. There has been a large decline in orders from the local authorities and the private sector, particularly in office and hotel construction. Housing construction and national infrastructure investments, supported by European Union funds, remain at a good level. These two elements should continue to support the construction sector.

The average margins of large construction companies increased from 1% to 3% in the past year. However, the margins of small companies decreased from 9% to 8%. We therefore forecast better access to subcontractors. The prices of the main building materials in 2020, after falling in the first two quarters of the year, started to return to their original values. The increase in steel prices on the world markets at the end of 2020 was particularly noticeable. The continuation of this trend could have a negative impact on the profitability of many large construction contracts in 2021. Access to employees was at a better level in the reported period than the year before, but we still estimate a shortage of people working in the construction industry at around 50,000.

At the end of 2020, Budimex SA had 5,388 employees. We joined, as one of the first Polish companies, the #niezwalniamy campaign. Its participants pledge that due to the recession, jobs will be cut as a last resort.

Last year, due to the pandemic, we were particularly involved in social activities. We have supported over 30 hospitals and social care units with financial and material assistance worth over PLN 3 million in the fight against COVID-19. We created two more

Parent Zones in the hospitals in Wejherowo and Piotrków Trybunalski. We created a road safety education program for schools and the first 3D pedestrian lanes near the schools in Bartoszyce, Lesznowola, Sanok and Miechów, as part of the Hello ICE social program. We continued the employee volunteering program, cooperation with foundations and local governments pursuing social and entitlement objectives. Our stakeholders have recognised our engagement. We received prestigious awards, among them: Construction of the Year 2019 and Top Brand 2020. We continue to be among the most desirable employers in the engineering segment. Subcontractors voted us – in an independent survey – as one of the top two general contractors in 2020.

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 2020.

Dariusz Blocher

President of the Management Board