

Dear Ladies and Gentlemen,

In 2011, following a five-year-long interval, Budimex again became the highest-quoted construction company traded on the Warsaw Stock Exchange.

The capital market appreciated our financial results and the development strategy of our Group, which was also reflected by the best dynamics of Budimex value appraisal among companies of that sector.

In 2011 we successfully attained a record-breaking income from sales exceeding PLN 5.5 billion, mostly due to a considerable sales increase (of 36%) in the construction segment which managed to compensate for the loss of income (of 50%) in the housing development sector resulting from the sale of the stock of ready apartments.

Despite increased competition on the rapidly shrinking market (value of road construction tenders announced in 2011 compared to 2010 decreased by nearly a half) and extreme price pressure resulting mainly from growing transportation and raw material costs, we attained profits close in value to our 2010 record profits in terms of all levels of the comprehensive profit and loss account.

Building contracts signed by Budimex Group in 2011 topped PLN 5.3 billion and the value of the order portfolio of the Group at the end of 2011 exceeded the 2010 closing figures by PLN 1.5 billion reaching the level of PLN 8.6 billion. In 2011 Group subsidiaries (including PNI) completed over 60 and signed over 80 new long-term construction contracts, the biggest of which include: railroad and construction works at LCS Ława worth PLN 698 million, construction of the S8 Róża junction - Wrocław junction worth PLN 689 million, design and construction of the Augustów ring road worth PLN 536 million, building of the S17 Bogucin-Dąbrowice road worth PLN 337 million, construction of the Congress Centre in Cracow worth PLN 258 million, office complex in Warsaw worth PLN 170 million and Silesian Museum in Katowice worth PLN 169 million.

November 2011 marked an important event for Budimex SA when it took over ownership of Przedsiębiorstwo Napraw Infrastruktury (Railroad Infrastructure Repair Company). Although that event alone did not influence the 2011 financial results of the Group, it enabled a hike in incomes in the years to follow and strengthened our presence on the market of railroad infrastructure investments which represents the implementation of the offensive variant of the Group's development in this sector of industry. It was also the first acquisition of an external entity by Budimex SA since 2000 when Ferrovial became our strategic investor. Judging from the future perspective of further acquisitions to diversify our operations, this may prove a turning point in the history of our company.

According to expectations and notice, Budimex Nieruchomości noted considerable loss of revenues from sales in 2011 after the sale of its stock of ready apartments (the company sold with notary deeds also 390 premises, whereas the 2010 figures were close to 950). However, pre-sale of over 680 net apartments (excluding reservations) and 6 projects under way at the end of 2011 in Warsaw, Cracow and Poznań resulting in the sale of 1400 apartments, which will be reflected in the financial results in the forthcoming years, places the company among the largest housing developers in Poland.

2011 was another successful year in a row for Budimex Danwood which signed contracts for the manufacturing and assembly of 711 individual timber frame houses, compared to 634 in 2010. At the end of 2011 the company increased its order portfolio up to 743 houses, compared to 600 houses in 2010.

In 2011 the Group continued its profitable operations in the housing sector on the German market where it generated over PLN 150 million profit from sales and PLN 17 million profit on the operating level.

After conducting a thorough analysis we decided not to commence our operation on the eastern markets due to poor transparency of regulations, the level of corruption and lack of political stability. We are looking forward to change.

Net cash of Budimex Group, including own cash and short time securities reduced by external sources of financing, decreased at the end of 2011 by nearly 10% to PLN 1,576 million from the impressive end of 2010 PLN 1,745 million. However, it must be noted that during 2011 Budimex self-financed the acquisition of PNI at the sum of PLN 225 million and paid dividends in the sum of PLN 9.08 per share. Currently, the sound financial condition of the Group allows us to continue the policy to systematically share profit with shareholders which we introduced several years ago and we will recommend that such dividends be paid for 2011.

To meet challenges, and in particular the close perspective of major road investment market contraction (also due to lack of orders to design new routes), we are diversifying our activity. The Polish railway network requires modernisation and investments in this sector will be subsidised with EU funds at a much more profitable ratio (60% for roads and 40% for railroads) than previously (90% for roads and 10% for railroads). The profit from sales by PNI in 2012 should amount to PLN 400-500 million; however, by the end of 2014 I believe we will exceed the value of PLN 1 billion, maintaining 4-5% profitability on the operating level. This is why PNI is witnessing the concentration of our attention on the order portfolio, bids, change of culture and implementation of system solutions in accordance with Budimex standards.

Due to the large market potential, we also decided to engage in energy investments acting not merely as a construction company, but also as a general contractor. This is why we joined hands with renowned companies which supply boilers and turbines. It is the PLN 1-2 billion orders that interest us most. Considerable revenues from this operation may not be visible until 2013-2014 as the majority of such investments follow the "design and build" formula.

Budimex is becoming more active in tenders for the execution of hydro-technical infrastructure and we have already been awarded several projects. We are also soliciting to erect large municipal waste incineration plants as at least a dozen such plants will be constructed in Poland as the result of adapting EU environmental protection regulations. Moreover, together with telecommunication companies, Budimex entered a consortium agreement to execute construction works for prospective regional broadband networks.

Regarding the housing development activity in 2012 we will launch at least 3 new projects in Warsaw, Cracow and Poznań to enrich our offer by at least 600 apartments. It is our target to introduce 800-1000 apartments on a yearly basis. We are planning to acquire new land and enter the Gdańsk-Gdynia-Sopot market adapting the scale of our engagement to the developments of the market. We are also considering a project to execute an office project in Warsaw. I believe that profitability of housing development activity should at least double the profitability of construction activities and equal at least 10%.

A large part of our attention is dedicated to the development of activity in non-construction areas such as municipal waste and communal housing management. It is our objective to reach the leading position in the municipal service market. This is why, together with our strategic investor, which has vast experience in that area, we will attempt to penetrate the market of Polish towns with over 100 thousand inhabitants via an independent vessel company. Apart from organic growth the company will also develop due to acquisitions and we hope that in the near future it will perform its own purchase.

Although our portfolio also contains road maintenance contracts during the summer season, we will attempt to receive larger contracts for all-year road maintenance. PPP projects also tickle our interest. We will have to find partners for larger activities, but will analyse and execute smaller projects for sums of PLN 50-60 million, such as parking lots or hospitals.

I am certain that through our experience, dedication and responsibility, reflected by item and consolidated Budimex results, we will achieve successes matching our 2010 and 2011 results in new budding areas of activity.

Please enjoy the 2011 Budimex SA annual report.

Dariusz Blocher
President of the board
Director General
Budimex SA