Warsaw, 28 February 2023



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| #financialresults  **Comment by President of the Management Board of Budimex SA**  **Artur Popko**  **to selected financial data**  **from the consolidated financial statement of  the Budimex Group for 2022**   * Sales revenues of the Budimex Group in 2022 were PLN 8 billion and 619 million (+8.9% year-over-year), and the net profit\* was PLN 534.4 million * Operating profitability of the Group was 6.5% and was comparable to the previous year * The gross income profitability of the Group was 7.5% compared to 7.0%  in 2021 (6.2% after excluding the effect of disposal of Budimex Nieruchomości\*\* in the second quarter of 2021) * The value of contracts acquired in 2022 exceeded PLN 7.9 billion,  and the portfolio reached the value of PLN 13.3 billion   In 2022, the Budimex Group recorded an increase of sales revenues at the level of 8.9%. This resulted mainly from the greater scale of sales realised in the construction segment, in particular in the buildings and infrastructural construction sectors, as well as in Mostostal Kraków. On the side of services, revenues in 2022 increased by 4.9% compared to the previous year.  The Budimex Group achieved an operating profit of PLN 562 million with profitability at the level of 6.5%. The gross profit of the Budimex Group was PLN 649 million with profitability of 7.5%. Profitability at the level of gross profit was supported by significant improvement in financial results, in particular in the second half of 2022, which resulted from an increase in the average level of interest rate of cash invested by the Budimex Group.   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Budimex Group (PLN million)** | **Profit and loss account** | | |  | | 2022 | 2021 | y/y |  | | **Sale** | **8,619** | **7,911** | **8.9%** |  | | **Operational profit** | **562** | **587** | **-4.2%** |  | | % of sales | 6.5% | 7.4% | -0.9 pp |  | | **Gross profit** | **649** | **554** | **17.0%** |  | | % of sales | 7.5% | 7.0% | 0.5 pp |  | | **Net profit\*** from continuing operations | **534** | **451** | **18.5%** |  | | % of sales | 6.2% | 5.7% | 0.5 pp |  | | *\*attributable to shareholders of the Parent Company* |  |  |  |  | | *discontinued operations* | *0* | *521* | *n/a* |  |   **The construction and installation production in 2022** (at current prices) **increased year-over-year by 19.9%, from PLN 117.1 billion in 2021 to PLN 140.4 billion in 2022.**. In the buildings segment, the sold production increased by as much as 24.6%, while in the infrastructure segment, the increase was 15.5%. At the same time, it should be noted that the production growth dynamics in fixed prices (without the effect of increase of prices of construction and assembly production) was significantly lower, i.e., 6.2%.   |  |  |  |  | | --- | --- | --- | --- | | **Construction sector** | **Statistical data** (PLN billion) | | | | 1-12 2022 | 1-12 2021 | y/y | | **Sold  production** | **140.4** | **117.1** | **19.9%** | | **Buildings** | **69.7** | **56.0** | **24.6%** | | share | 49.7% | 47.8% | 1.9% | | **Engineering** | **70.6** | **61.1** | **15.5%** | | *including: roads* | *26.9* | *21.9* | *22.8%* | | *including: railways* | *8.4* | *7.8* | *7.4%* | | share | 50.3% | 52.2% | -1.9% |   **Sales in the construction segment of the Budimex Group was PLN 7 billion and 821 million.**   |  |  |  |  | | --- | --- | --- | --- | | **Construction segment (PLN million)** | **Profit and loss account** | | | | 2022 | 2021 | y/y | | **Sale** | **7,821** | **7,282** | **7.4%** | | **Operational profit** | **471** | **446** | **5.8%** | | % of sales | 6.0% | 6.1% | -0.1 pp | | **Gross profit** | **552** | **410** | **34.6%** | | % of sales | 7.1% | 5.6% | 1.5 pp | | **Contract portfolio** | 13,290 | 12,977 | 2.4% | | **Contracting** | 7,879 | 7,002 | 12.5% |   In 2022, the construction industry was under a strong pressure by a series of adverse external factors. However, despite market difficulties, such as broken supply chains of materials, lack of construction workers, significant slowdown in housing and self-government investments, sales in the construction segment of the Budimex Group were noticeably lower compared to the same period of the previous year. The high and well-diversified order portfolio at the beginning of 2022 as well as well-thought-out purchase policy and favourable weather conditions allowed us to increase the sales revenues by over 7%.  In the second half of 2022, we observed stabilisation of key product ranges, and in certain cases (e.g., steel), reduction of prices compared to the levels recorded several weeks after the outbreak of war. The effect of increase of costs was partially reduced by increased indexation in construction contracts. A responsible contracting strategy and a well-tailored purchasing policy allowed us to reduce losses associated with the current market situation to a minimum.  The maintenance of profitability was also possible due to higher incomes on interests in our financial activity.  We have also maintained a stable position on the market through intense works on acquisition of new contracts. The value of projects signed in January 2023 and waiting to be signed is nearly PLN 6 billion, which should ensure stability of the order portfolio. These contracts include, e.g., the railway line 201 between Kościerzyna and Somonino (PLN 1,284 million), the ring road of Zabierzów (PLN 549 million), road I75 Šaľa in Slovakia (PLN 374 million) or the railway line 104 between Chabówka and Nowy Sącz (PLN 366 million). In 2022, we obtained contracts worth nearly PLN 7.9 billion, and the order portfolio of the Budimex Group at the end of 2022 was PLN 13.3 billion.  The Budimex Group finished 2022 with the net cash position at the level exceeding PLN 3.1 billion, which gives us an advantage on the construction companies market, and at the same time, despite difficult times for the market, allows us to invest in the development of the Group and engage also as an Investor in new ventures. In June 2022, we paid the remaining dividend for 2021 in the amount of PLN 23.47 per share. Thus, the total dividend per share for 2021 was a record PLN 38.37. Stable financial position and high resources of the Budimex Group were favourable for high investments in modernisation and extension of equipment facilities in both Budimex SA and other companies of the Group. We invested in, e.g., a modern railway equipment, construction machines and a machine base intended for implementation of maintenance contracts in the services segment.  *\*pro-forma data, prepared assuming consolidation of FBSerwis Group as of 01.01.2019*  **In 2022, the services segment recorded an increased level of revenues and improved profitability.**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | **Services segments (PLN million)** | **Profit and loss account** | | | |  | | | 2022 | 2021 | y/y |  | | | **Sale** | **821** | **783** | **4.9%** |  | | | **Operational profit** | **92** | **82** | **12.8%** |  | | | % of sales | 11.2% | 10.4% | 0.8 pp |  | | | **Gross profit** | **99** | **84** | **17.9%** |  | | | % of sales | 12.1% | 10.7% | 1.3 pp |  | |     Revenues of FBSerwis Group, which is a key asset within the services segment (the results of the services segment also include activities of several smaller companies, including Budimex Parking Wrocław) amounted to PLN 818 million, which translates into an increase of 4.8% compared to the previous year. The operating profit of the FBSerwis Group was PLN 93 million at profitability of 11.4%.  **Market perspectives**  In the previous year, the entire construction sector had to struggle with drastic increase of prices of materials, energy and fuels, as well as a growing inflation. Its indicators remain high, despite the fact that the majority of forecasts for the coming quarters are being lowered, and their range and uncertainty still remain high. For this reason, it is so important to work on indexation mechanisms for long-term orders.  Having in mind the mechanisms that govern the Polish and international markets today, we carefully observe our surroundings and gradually develop our business strategy. Based on what we have learned from the COVID-19 pandemics, we know that the only way to overcome stagnation is constant development. Events we witness today, which is also confirmed by the European Union’s agendas, e.g., Fit for 55, do not stop the European economies from pursuing the trends set in the previous years. After every crisis, there is a “bounce back” and a pickup, which we could see at the beginning of 2022.  We treat our commitment to sustainable growth as an obligation of a company that influences the living conditions of local communities and co-creates the national economy. The energy market is in the process of transformation, which allows participation of companies from other sectors of the economy, which two years ago seemed impossible. Therefore, we intensively work on improving energy efficiency in the ongoing activities of the Group. In cooperation with our partners and as a part of internal processes, we are looking for innovations and technologies that would improve environmental neutrality and the efficiency of our construction processes. We gradually increase the share of recycled materials, which is currently at the level of 50%. We introduce solutions that reduce energy consumption and RES in our construction sites. We also observe the development of technology in the area of energy-efficient construction, and we encourage investors to implement them at design stages.  In the green competencies pillar of our Capital Group, as an Investor, we hold Magnolia Energy and Fotowoltaika companies, which are constructing a wind and photovoltaic farm of the total power of over 20 MW. In 2022, as a general contractor, we built a wind farm in Drachów. Low-emission transport requires appropriate infrastructure to allow its development on the Polish market. Therefore, Budimex Mobility established as a part of the Budimex Group invested in 109 electric charges in less than a year and intends to launch them in the first quarter of 2023 in: Szczecin, Poznan, Bydgoszcz and Gorzow Wielkopolski.  We also participate in the process of preparation of investments in the nuclear energy with strategic partners such as Westinghouse from the United States.  We perceive the share of the Budimex Group in the RES market as an element of reinforcement of our energy-efficiency and the company’s business portfolio. Green energy is an area which will require large investments in the coming year, and we, as a company, have the capital that will enable their implementation at the required scale.  Step by step, we keep building our position in the neighbouring countries. In the Slovak market, we have obtained and began implementation of a motorway contract (according to “redesign and build” method) of the largest value on this market, i.e., the contract on construction of D1 Bratislava-Triblavina worth EUR 111 million. On the German market, in 2022, Budimex Bau GmbH obtained construction projects worth over PLN 70 million. We apply for further projects in Czech Republic and Latvia. We develop our competencies and obtain new commissions in the hydro-technical segment in Poland. In 2022, we signed a contract with DCT Gdańsk (Baltic Hub), which, upon its completion, will be one of the largest container terminals in Europe. Another equally important and strongly developed construction segment in our Group was the military investments sector.  The current order portfolio of the Budimex Group fully secures the work front for the next two years. The newly obtained contracts (in particular commissions implemented according to the “design and build” method) reinforce the foundations for the coming years. The coming quarters may be challenging in terms of obtaining new commissions for the entire industry. On the one hand, we observe problems with financing of railway projects and the growing competition in the road segment. On the other hand, in the general construction sector, the number of new residential projects has been drastically falling for several quarters. However, the high and well-diversified order portfolio of our company allows us to approach tendering in a responsible manner. We expect that the chosen directions of development, including expansion to foreign markets and reinforcement of our position in the hydro-technical and military segments, will allow us to maintain long-term growth trend of the order portfolio and the revenues from the construction segment. We hope that our own projects from the RES field will ensure additional growth.  Investments worth over PLN 1 trillion are planned in Poland for the next 10 years, which allows the construction industry to look ahead with optimism. Perspectives for the entire industry remain promising. Further development depends on access to the EU funds and early-stage support. The financial policy of Poland will also be supported by funds of private investors. Participation in rebuilding of Ukraine is also a long-term opportunity for the industry. The Ukrainian government and the European Investment Bank indicate that the total cost of projects of post-war reconstruction of Ukraine will be over USD 1 trillion.    **Social commitment**  As a responsible company, we implement projects on the entire ESG value chain – we promote equality of payment conditions and work, we strongly emphasise safety of our employees and actions for the benefit of our nearest neighbourhood. This was a special year in terms of our social activity. We provided financial and material help for Ukraine. The value of this support reached nearly PLN 3 million. The commitment of our employees was especially high. This year’s “Grant na Wolontariat” program, in which our personnel participated, was devoted mainly to our eastern neighbours. ‎  We also took every effort to improve financial standards. Budimex entered into agreement as a part of the Program of Cooperation with the Head of the National Treasury Administration. Our participation in the Program is a proof that the tax procedures and processes used in Budimex, as well as supervision over tax settlements, meet the highest requirements. ‎  Budimex was ranked first among ten leading general contractors by 300 largest construction subcontractors as a partner for cooperation, as well as the best partner in terms of financial conditions and payment deadlines. We have also joined the Partnership program for implementation of Cele Zrównoważonego Rozwoju Agenda 2030 (Sustainable Growth Objectives Agenda 2030), implemented by the Ministry of Development and Technology. Agenda 2030 is a strategy of world development until 2030; it includes 17 sustainable growth objectives in line with the goals of ESG.  At Budimex, corporate social responsibility also means long-term projects supporting, among others, the inhabitants of communities neighbouring the construction sites run by the company. We have launched the fortieth Parent Zone in the Independent Public Health Care Institution of the District Hospital in Pisz and another one the Voivodeship J. Brudziński Children's Hospital in Bydgoszcz. ‎  We develop our long-term social programs. “Hello ICE” educational program, aimed to improve safety of children in road traffic, obtained patronage of the Ministry of Sports and Tourism.  ‎  We have completed the second edition of “Dom z serca” program in Brusy, in Pomorskie voivodeship. As a part of this initiative, we helped a family of eight struggling with a difficult financial situation and facing health problems of two children. Joining forces with other construction companies, we completed the construction of Iwona and Krzysztof's house and fitted it out turnkey.  ‎  Our construction projects obtained several precious industry awards: 7 awards in “Budowa Roku 2021” (“Construction of Year 2021”) contest, known as construction Oscars, and two “Modernizacja Roku” (“Modernisation of the Year”) awards. Among others, the following investments were awarded: PKN Orlen Research and Development Centre in Płock, PKP S.A. station in Białystok and Rother’s Mills in Bydgoszcz.  Budimex also received the Award of the Year of Federacja Przedsiębiorców Polskich (Polish Entrepreneurs Association) as the Leader of Sustainable Growth. The award was given for activities of Budimex related to protection of the natural environment, promotion of the circular economy, low-emission solutions, as well as social activities. We also participate in pro-ecological social initiatives. As a part of Przystanek Zieleń campaign, we will plant 400 new trees together with housing cooperatives and condominiums in Warsaw. ‎  The strategy of Budimex assumes, e.g., being a good neighbour, guest and partner for local communities.  During 2022, we charitably supported surroundings of building sites as a part of 43 projects in: Ełk, Szczecin, Bydgoszcz, Kraków, Warsaw, Dolice near Szczecin, Białystok, Narewce near Hajnówka, Czechowice-Dziedzice, Suwałki, Marki near Warsaw, Słupca near Konin, as well as Strachocin. The total value of support amounted to nearly PLN 2 million. | Contact:  Michał Wrzosek – Spokesman  phone (22) 62 36 164, 512 478 522,  [michal.wrzosek@budimex.pl](mailto:michal.wrzosek@budimex.pl)  [www.media.budimex.pl](http://www.media.budimex.pl) |