Warsaw, 26 July 2023



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| #financialresults  **Comment by President of the Management Board of Budimex SA**  **Artur Popko**  **to the financial data of the Budimex Group for H1 2023**   * In H1 2023, sales revenues of the Budimex Group amounted to PLN 4,318 million (+8% y/y) and net[[1]](#footnote-1) profit reached PLN 275 million, which amounts to an increase in the amount of PLN 73 million (+36.5%). * The Group's operating margin improved compared to the same period last year and reached the level of 6.3% (compared to 5.9% in H1 2022), with a construction segment profitability of 5.9%. * Group gross profitability was 8.3% compared to 6.6% in H1 2022. * Budimex Group's contract portfolio at the end of June 2023 amounted to PLN 12.2 billion and secures the work front until 2025. * On 5 June this year, a dividend was paid from the profit of Budimex S.A. for the year 2022 in the amount of PLN 459 million, which is PLN 17.99 per share.   **Thanks to the very good position, the Group can responsibly pursue the established goals. Operating profitability as well as the net result for Q2 are even better than in Q1 2023, hence in our opinion the whole first half of 2023 was very good. We are continuing to expand on foreign markets and further strengthen our engagement in RES so as to achieve the ambitious 2050 climate neutrality target.**  The Budimex Group generated an operating profit of PLN 273 million (compared to PLN 235 million in H1 2022), with operating profitability of 5.3% in the first quarter of this year and 7.2% in the second quarter.  A gross profit of Budimex Group was PLN 357 million with a profitability of 8.3% compared to 6.6% in the first half of the previous year. Profitability at the level of gross profit was supported by significant improvement in financial results, 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** | | | | H1 2023 | H1 2022 | y/y | | **Sale** | **4318** | **3998** | **8.0%** | | **Operational profit** | **273** | **235** | **16.2%** | | % of sales | 6.3% | 5.9% | 0.4% pp. | | **Gross profit** | **357** | **262** | **36.1%** | | % of sales | 8.3% | 6.6% | 1.7% pp. | | **Net profit\*** | **275** | **201** | **36.5%** | | % of sales | 6.4% | 5.0% | 1.4% pp. | | *\*attributable to shareholders of the Parent Company* |  |  |  |   We also recorded growth in the Group's sales revenues (year on year), both in the construction segment (+6.9%) and in the services segment (+18.4%).  **Construction and installation production in H1 2023** (at current prices) **increased year-on-year basis by 15.5% from PLN 56.5 billion to PLN 65.3 billion. In the buildings segment, production** sold increased by 6.2%, while in the infrastructure segment the increase was as high as 27%.   |  |  |  |  | | --- | --- | --- | --- | | **Construction sector** | **Statistical data** (PLN billion) | | | | H1 2023 | H1 2022 | y/y | | **Production sold** | **65.3** | **56.5** | **15.5%** | | **Buildings** | **32.9** | **31.0** | **6.2%** | | share | 50.4% | 54.8% | -4.4% | | **Engineering** | **32.4** | **25.5** | **26.8%** | | *including: roads* | *11.2* | *8.6* | *31.1%* | | *including: railways* | *3.5* | *3.2* | *10.6%* | | share | 49.6% | 45.2% | 4.4% |   **Sales of the Budimex Group's construction segment amounted to PLN 3,885 million in Q1 2023 (+6.9% y/y), while recording am increase in both operating profitability (from 5.4% to 5.9%) and gross profitability (from 6.1% to 8.0%).**   |  |  |  |  | | --- | --- | --- | --- | | **Construction segment (PLN million)** | **Profit and loss account** | | | | H1 2023 | H1 2022 | y/y | | **Sale** | **3885** | **3634** | **6.9%** | | **Operational profit** | **229** | **197** | **16.1%** | | % of sales | 5.9% | 5.4% | 0.5% pp. | | **Gross profit** | **312** | **221** | **41.6%** | | % of sales | 8.0% | 6.1% | 1.9% pp. | | **Contract portfolio** | 12216 | 11781 | 3.7% | | **Contracting** | 2541 | 2059 | 23.4% |   The scale of sales revenues in the construction segment, realised in H1 2023, was higher than in the corresponding period of the previous year. A high and diverse contract portfolio and favourable weather conditions allowed revenues to increase by nearly 7%. An increase in sales revenue mainly resulted from the industrial and road contracts segment.  Operating profitability of the construction segment amounted to 5.9% and was higher by 0.5 percentage points compared to the same period last year. During the period under review, the construction industry was less affected than a year earlier by the disrupted supply chains caused by the outbreak of armed conflict in Ukraine. This resulted in greater price predictability and the availability of major assortments of construction materials, as seen in steel or concrete.  Besides, thanks to the slowdown experienced by the residential construction sector, there are more subcontractors available in the industrial construction area, which also had an impact on their prices. At the same time, the effects of increases in the prices of construction materials and labour, observed from the time of bidding until the start of construction work (in the case of contracts executed under the design–build formula, this is usually more than a year), were partially absorbed thanks to an increase in the level of valorisation on construction contracts executed for public contracting authorities.  Gross profitability of the construction segment in the period under review was 8.0% and was higher than in H1 2022, when it amounted to 6.1%. In H1 2023, in addition to an increase in profitability at the operating level, profitability at the gross profit level was supported by the positive result generated on financing activities from interest earned on deposits.  In H1 2023, we obtained contracts worth over PLN 2.5 billion. They included such investments as the new Podłęże-Piekiełko railway line, the expansion of the Szczecin Sports Centre or the northern Gorzów ring road. Budimex Group's contract portfolio at the end of June 2023 amounted to PLN 12.2 billion, which secures the work front for the next two years. Intense work on the acquisition of new projects has meant that the value of projects awaiting signature, and those where the offer of Budimex or Group companies has been rated highest, is currently at the level of PLN 4.6 billion. Looking ahead, this should translate into maintaining the high value of the contract portfolio.  **The Budimex Group ended H1 2023 with a net cash result of PLN 2.7 billion.** In June, a dividend was paid from the profit achieved for 2022 in the amount of PLN 459 million, which is PLN 17.99 per share.  *\*pro-forma data, prepared assuming consolidation of FBSerwis Group as of 01.01.2019*  **In H1 2023 the FBSerwis Group reported an increase in sales revenue at the level of PLN 68 million while maintaining good profitability. Gross profit amounted to PLN 47 million compared to PLN 38 million in H1 2022.**   |  |  |  |  | | --- | --- | --- | --- | | **Services segments (PLN million)** | **Profit and loss account** | | | | H1 2023 | H1 2022 | y/y | | **Sale** | **440** | **371** | **18.4%** | | **Operational profit** | **44** | **38** | **16.5%** | | % of sales | 10.0% | 10.1% | -0.1% pp. | | **Gross profit** | **47** | **42** | **11.1%** | | % of sales | 10.6% | 11.3% | -0.7% 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 437 million and were 18.4% higher compared to the corresponding period of the previous year. Sales volume growth was achieved in each business segment and was higher than our internal plans. The increase in sales in H1 2023 compared to the same period of the previous year is primarily due to the increased scale of operations (the acquisition of shares in a new venture, an increase in volumes collected and processed in the waste industry and a higher number of contracts executed in the road segment).  **Market perspectives**  The current order portfolio of the Budimex Group fully secures the work front until the end of this year and, combined with the projects in the waiting room, provides a solid foundation for the business for 2024-2026.  However, our main challenge remains the struggle for new orders that will help us maintain stable profitability in the long term. On the market, we have observed progressively increased competition, both in the road and rail sectors. We expect that in the perspective of several quarters, the consequence of aggressive pricing policies of competitors will be pressure on margins in the industry. Given the uncertain macroeconomic situation and fluctuations in material prices, we invariably take a cautious approach to new bids, calculating cost estimates fairly and responsibly.  We expect that segmental diversification and building of unique competences, as well as the expansion into foreign markets will allow us to maintain our competitive edge and strengthen our position as the long-term industry leader. In the first quarter of this year, Mostostal Kraków acquired Konstalex, a company specialising in the construction of steel structures for the energy and infrastructure area. This acquisition is a part of the development strategy of Mostostal Kraków and the entire Budimex Group, complementing the manufacturing potential with new types of steel structures. In the last six months, FBSerwis also expanded its order portfolio. Among other things, the company signed contracts for maintenance of the Tischnera Office building in Cracow, maintenance of the Assembly Plant in Gdańsk and two road contracts with the Olsztyn branch of the General Directorate for National Roads and Highways.  After setting up operations on the German, Slovakian and Czech market, we are striving to obtain orders on the Latvian market. We are taking part in the procedure for Rail Baltica, where a consortium including Budimex has been selected for further negotiations. However, this is just another stage of the tender and at the moment we do not know the final outcome. We have the right equipment, people and experience to execute such complex contracts, and we see this order as an opportunity for strengthening our position as a leading construction company in the CEE region.  We are continuing to pursue the goals of development in the area of renewable energy investments. In the newly established company, BXF Energia, within 4-5 years we are planning to build a portfolio of renewable energy projects in operation or under construction with approximately 500 MW of wind and solar power. We are currently working on projects with a capacity of over 200 MW and in addition we are reviewing new projects at a very early stage of development. Later this year, we would like to invest around PLN 100 million in green energy projects.  We are successively building our potential in the area of electromobility. We are becoming involved in the development of the national EV charging infrastructure. A few months after purchasing 112 stations in four Polish cities from Enea Operator, we handed over the first devices with the Budimex Mobility logo for use. 27 new chargers are already used in Bydgoszcz and 9 more in Szczecin.  **Awards and distinctions**  Our diligence and quality in executing the entrusted tasks are appreciated and awarded by the industry. In the past months, Budimex has once again obtained the highest score in a survey conducted by ASM Market Research and Analysis Centre among subcontractors in the construction industry. We have been awarded the title of “General contractor friendly to construction companies”. We have also become the leader in subcategories connected with, among other things, safety or payment conditions as well as timeliness of settlements with subcontractors.  In May, we received the Top Builder 2023 award for modernisation of the E-59 railway line on the Rokietnica-Wronki section. This investment required high skills and innovative solutions. A similar contract involved construction of the PepsiCo factory in Środa Śląska – the company's most sustainable plant located in Europe – completed by Budimex at the beginning of the year.  In addition to the industry awards, Budimex was recognised by the Polityka weekly, Deloitte consulting company and the Responsible Business Forum as one of the leaders of sustainable development and ESG in Poland. This is another CSR Letter of Polityka to our credit.  **Responsibility and sustainable development**  In the Budimex Group we pay close attention to the surrounding reality. We understand that nowadays the business potential cannot be built without environmental and social responsibility. At the beginning of July, we announced the Budimex Strategy for 2023-2026 in the area of sustainable development. The document structures and accelerates our ESG activities.  Budimex wants to achieve climate neutrality by 2050. On the track to zero-carbon, it plans to further invest in the development of renewable energy, reduction of CO2 emissions and successive implementation of closed-loop economy principles throughout the construction process.  In 2026, 100% of the energy produced by the Budimex Group companies for the needs of Budimex will come from renewable energy sources. From 2024, the company will recycle around 70 per cent of soil and land and non-hazardous waste. It will also be one of the first companies in Poland to measure its water footprint.  **Safety, education and CSR**  In May, together with the entire construction sector we celebrated our Safety Week anniversary under the slogan “Stop has the power. I am careful, I don't expose”, with a series of training and awareness-raising events for our employees. As part of our commitment to environmental protection, we have planted the first 140 trees around the construction of the Warsaw Tramway to Wilanów with the residents of Mokotów and Wilanów. Ultimately, in addition to compensatory planting, more than 400 new trees will be planted around the project.  The first half of the year was also filled with events related to the Budimex Group's flagship social projects. In June, we opened the 42nd Parent Zone in Ełk. This is a space of rest and play for families created in the paediatric ward of the “Pro-Medica” hospital. On the Children's Day, we also co-organised several special events for the youngest, where, as part of the “Hello ICE. Budimex for Children” program, we held educational sessions on traffic safety. We visited, among others, Warsaw, Ełk or the Kołbaskowo municipality.  At Budimex, we believe in the power and ingenuity of young people. Together with the Zwolnieni z Teorii Foundation, we organised a nationwide competition for students of construction technical schools for the most innovative CSR project. During the grand finale held in May in Służewiec, Warsaw, we awarded three winning projects. The competition prize pool exceeded PLN 75 thousand. | 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) |

1. attributable to shareholders of the Parent Company [↑](#footnote-ref-1)