

# FINANCIAL REPORT OF BUDIMEX SA FOR 2022

## INTRODUCTION FROM PRESIDENT ARTUR POPKO

**Dear all,**

**Clients, Investors and Employees,**

If I were to summarise 2022 in one sentence, I could definitely say that it was a year full of challenges. The slow emergence from the pandemic, armed conflict at our border, inflation and an uncertain international situation are some of the many adversities we had to face in 2022.

Market fluctuations have been reflected in the level of economic prosperity of Polish industry. The PMI in 2022 declined from 54.5 in January to 40.9 in the second half of the year and to 45.6 at the end of the year. Currently, it reveals a rising tendency, however, according to the forecasts for 2023, this dynamic may be weakened by the persistent inflation.

In the construction industry, the residential segment has been affected the most by the consequences of the difficult economic situation. The sales of apartments in six major urban agglomerations have decreased by 49% year-on-year, reaching the lowest level in years. In the remaining sectors, the large number of already implemented and contracted investments contributed to the maintenance of a stable situation in 2022. During the period from January to December, the construction and assembly production index increased by 6.2% y/y. In the individual segments it reached +11.7% for the construction of buildings and +5.4% for special-purpose construction works. In 2021, the dynamic of infrastructure construction was at the level of 7.9% y/y.

However, the increasing costs of implementing investments and the associated necessity of valorising contracts posed a significant challenge for the construction industry last year. The closure of European Union countries to Russian and Belarusian manufacturers has resulted in a shortage of the primary construction materials. This led to a dynamic increase in the prices of concrete, steel or asphalt in the second quarter of 2022. In the case of concrete, the increase reached almost 70% y/y. In the following months, the prices stabilised, however, at much higher levels than in previous years. The difficulty of this situation is illustrated by the fact that 73.5% of construction companies indicated the high prices of materials as the real barrier to the operation and development of the company in 2022.

Another factor which had to be faced by all the sectors of our market were the prices of energy resources. In 2022, the rising prices of petroleum and gas, used in production processes in the construction industry, and to supply power to the machines and operations on construction sites, contributed, for example, to the decrease in the margins of contracts. The prices of remuneration also increased as a result of inflation, which exceeded 14% last year. In this situation, our well-thought-out purchasing policy and responsible contracting became crucial. These were some of the priorities of Budimex for 2022, which we were successful in implementing.

In Budimex SA, we look at the market and business environment from a longer perspective than the next 2–3 years and prepare ourselves for the challenges of the future. The changes in the market and the decrease in the macroeconomic indicators in 2022 correlated with our strategy. We diversified our portfolio and built competences in new areas – we developed operations in neighbouring markets, and invested in the renewable energy sources and electromobility segments. We believe that this was a good decision, which is best confirmed by the financial results presented in this report.

In 2022, the sales revenue of Budimex SA increased by PLN 466 million compared to 2021 and amounted to PLN 7,508 million. We noted an increase of 6.6% y/y. Despite the unfavourable external conditions, the operational profitability remained stable, at approx. 6%.

The value of contracts acquired by Budimex SA last year amounts to PLN 7.2 billion – PLN 582 million more than in 2021. This result was achieved mostly by the orders in the segment of general construction and roads construction industry, and also by expanding the scope of activity of Budimex SA, for example, in the field of hydro-technical investments. The current structure of the portfolio of orders, amounting to PLN 12.7 billion, secures our work for the whole 2023 and a considerable part of 2024.

At the same time, we await the release of funding in the railway industry. Year on year, we observe a decrease in the value of the portfolio of implemented railway contracts from PLN 3 billion to PLN 1.8 billion. The value of new railway contracts also decreased from PLN 626 million in 2021 to PLN 194 million in 2022. Due to the withholding of funds from the EU, most of the tenders announced by PKP PLK over the past few months have not been settled. Unblocking this situation will provide a big boost for the industry, in our opinion, considering the fact that the value of new orders is estimated at PLN 15 billion.

In 2022, we put into use more than 80 kilometres of express roads in Poland. The executed contracts included the construction of the Luzino-Szemud section on the S6 road, a 24-kilometre section of the S61 Via Baltica, the western ring road of Łódź – S14, the ring road of Wałbrzych and Trasa Łagiewnicka in Krakow. We also completed the project of a barrier on the Polish-Belarusian border, which is strategic in terms of national security. Last year, we signed a contract with the Baltic Hub for the construction of one of the biggest container terminals in Europe and an important investment in terms of the development of urban transport infrastructure in Warsaw – a tram route to Wilanów. In addition, we reinforced the commitment of Budimex SA in the segments of military and power construction. In April, we signed a memorandum with Bechtel and Westinghouse Electric Company regarding the construction of the first nuclear power plant in Poland and in July we signed a framework agreement on cooperation with Centralny Port Komunikacyjny.

The direction of our development makes us, as an enterprise, go beyond the realm of a traditional construction company. One of the pillars of Budimex SA, in which we also invested in 2022, is renewable energy sources. We are implementing energy self-sufficient investments and reducing our carbon footprint by implementing green solutions on construction sites – we are installing photovoltaic systems and using portable power stations instead of traditional diesel generators.

We also see operating in a responsible and sustainable manner from the perspective of creating a good working environment in Budimex SA. We successively develop our employment offer and training programmes for the current team. We invest in the potential of women in the

construction industry. In December 2022, employment in Budimex SA amounted to 5,076 people. This is 112 persons fewer than in 2021, which is a result of generational changes and the improvement of organisational effectiveness.

In the face of Russian aggression, a significant part of our CSR activities in 2022 was focused on aid projects for Ukrainian citizens. We donated, for example, PLN 500,000 for the purchase of essential medicines for Ukrainian hospitals. Within the framework of the “Grant for Volunteering”, we supported individual initiatives of our employees and, along with our strategic partner, Ferrovial, as part of the action “Together for Ukraine”, we raised funds in Poland, Chile, Spain, the USA and England and donated them for the needs of Ukrainian citizens, among others, through the Red Cross. We provided material and financial resources with a total value of PLN 3 million to help Ukraine.

As a good neighbour and company, whose mission is to improve the quality of people’s life, we continued our social programmes. Last year, we completed two open Parent Zones in hospitals in Pisz and Bydgoszcz. We also completed another edition of the “Dom z serca” programme. With the “Hello ICE” project, we increased the knowledge of preschoolers and pupils of grades 1–3 of primary school in the field of road traffic.

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. This was another challenging year but it was also filled with ambitious actions and valuable experiences.

I hereby invite you to read the Financial Report of Budimex SA for the year 2022.