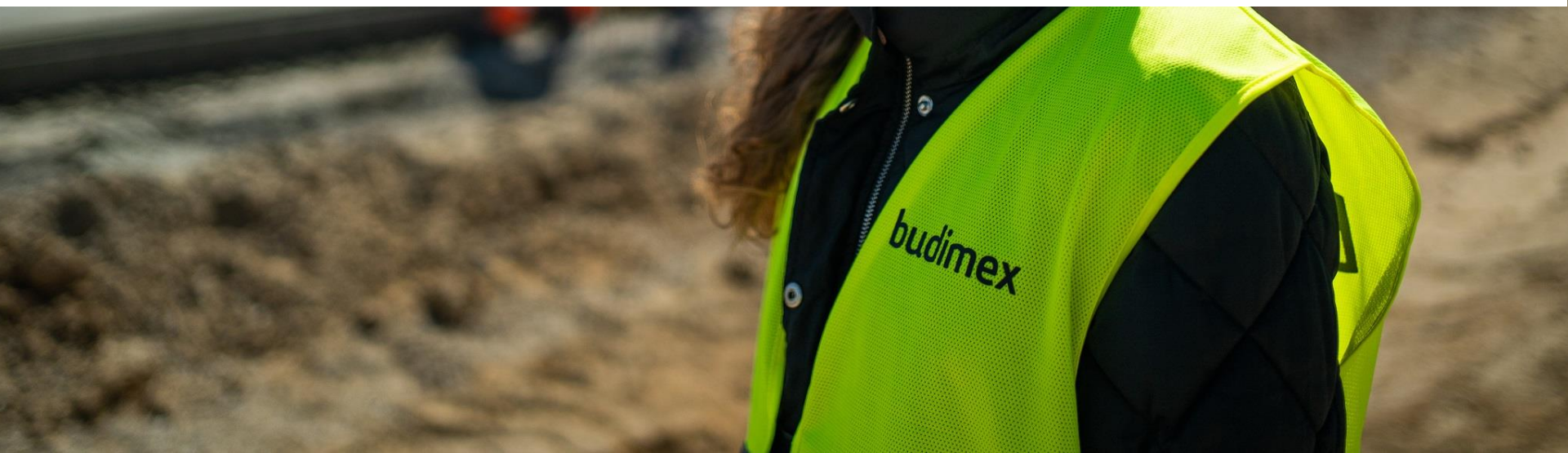




budimex

Investor Presentation

1H'20



1. Market snapshot

- 1.1 Market environment – top facts
- 1.2 Macroeconomic forecasts for Poland
- 1.3 Overview of construction segment
- 1.4 Labour market
- 1.5 Prices of main materials

2. Budimex Group in 1H'20

- 2.1 Budimex Group – top facts
- 2.2 P&L
- 2.3 Evolution of Net Treasury Position
- 2.4 Results by segment
 - 2.4.1 Construction segment
 - 2.4.2 Real estate segment
 - 2.4.3 Services segment
- 2.5 Employment

3. Budimex S.A. on WSE





budimex

Market snapshot

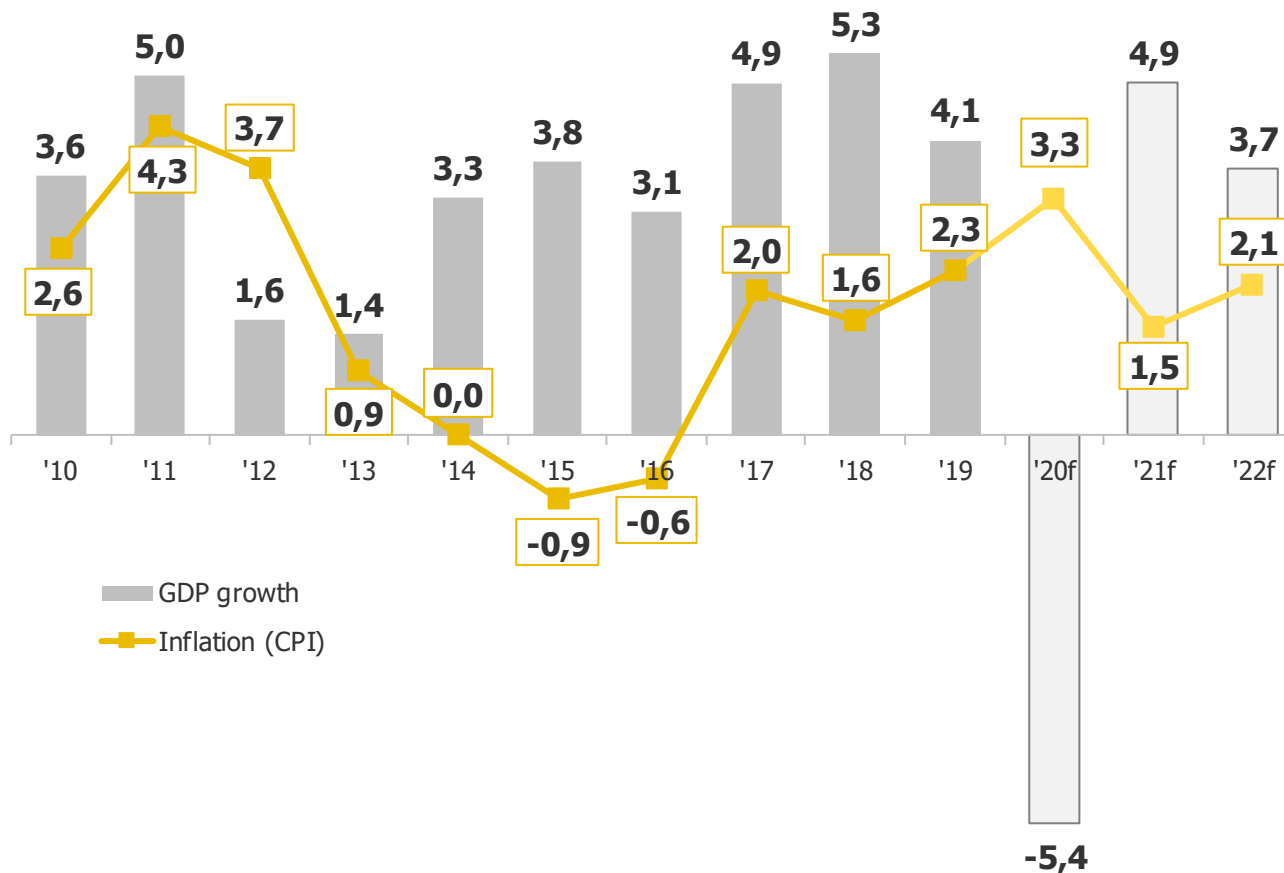


- In 07'20 NBP* published the revised macroeconomic forecast for Poland including the impact of COVID-19 pandemic → see: slide No. 5
- Outlays within 'Anti-crisis Shields' put Polish public finances under high pressure → budget deficit in '20f: **9,5% of GDP**
- In 06'20 Polish construction production in constant prices fell by 2,4% y-o-y, but increased compared to 05'20 by 12,5%
- Generally, big companies slowly recover their margins and margins of small construction companies are normalizing
- Increase of budget of GDDKiA investment program by **22 bn PLN** i.e. from 142 bn PLN to 164 bn PLN
- According to arrangements from 07'20, ca. 160 bn EUR (incl. 125 bn EUR of grants) will be allocated to Poland within EU funds '21-'27 & EU Recovery Plan
- Presales and notary sales on residential market significantly impacted by the outbreak of COVID-19 pandemic, but long-term outlook is promising

Comment

- COVID-19 pandemic caused deep decline in economic activity impacting forecast of Polish GDP growth and inflation rate

GDP growth and inflation rate (% , y-o-y)



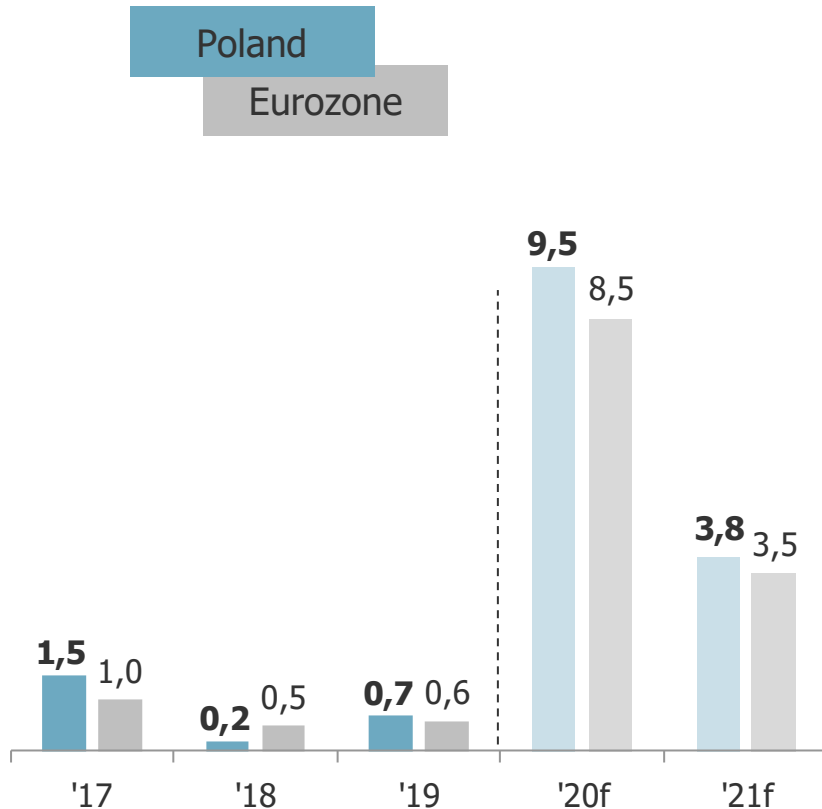
GDP growth:
 deep recession and quick rebound expected in '20 and '21

Inflation rate:
 low economic activity should result in weaker pressure on prices

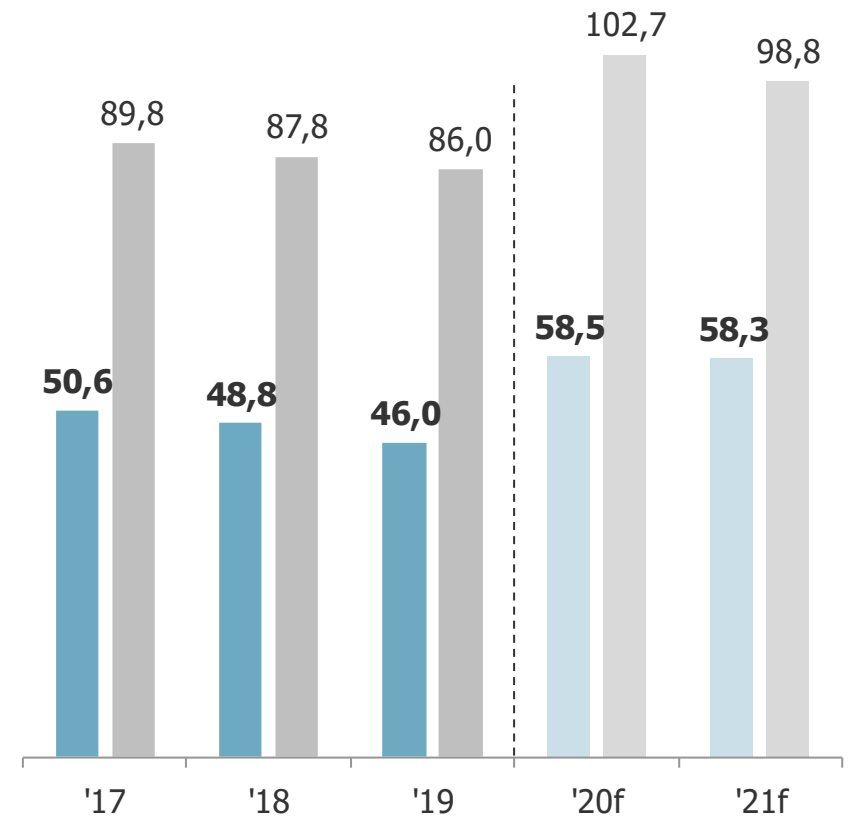
Comment

- Outlays within 'Anti-crisis Shields' put Polish public finances under high pressure

General government deficit (% of GDP)



Public debt (% of GDP)

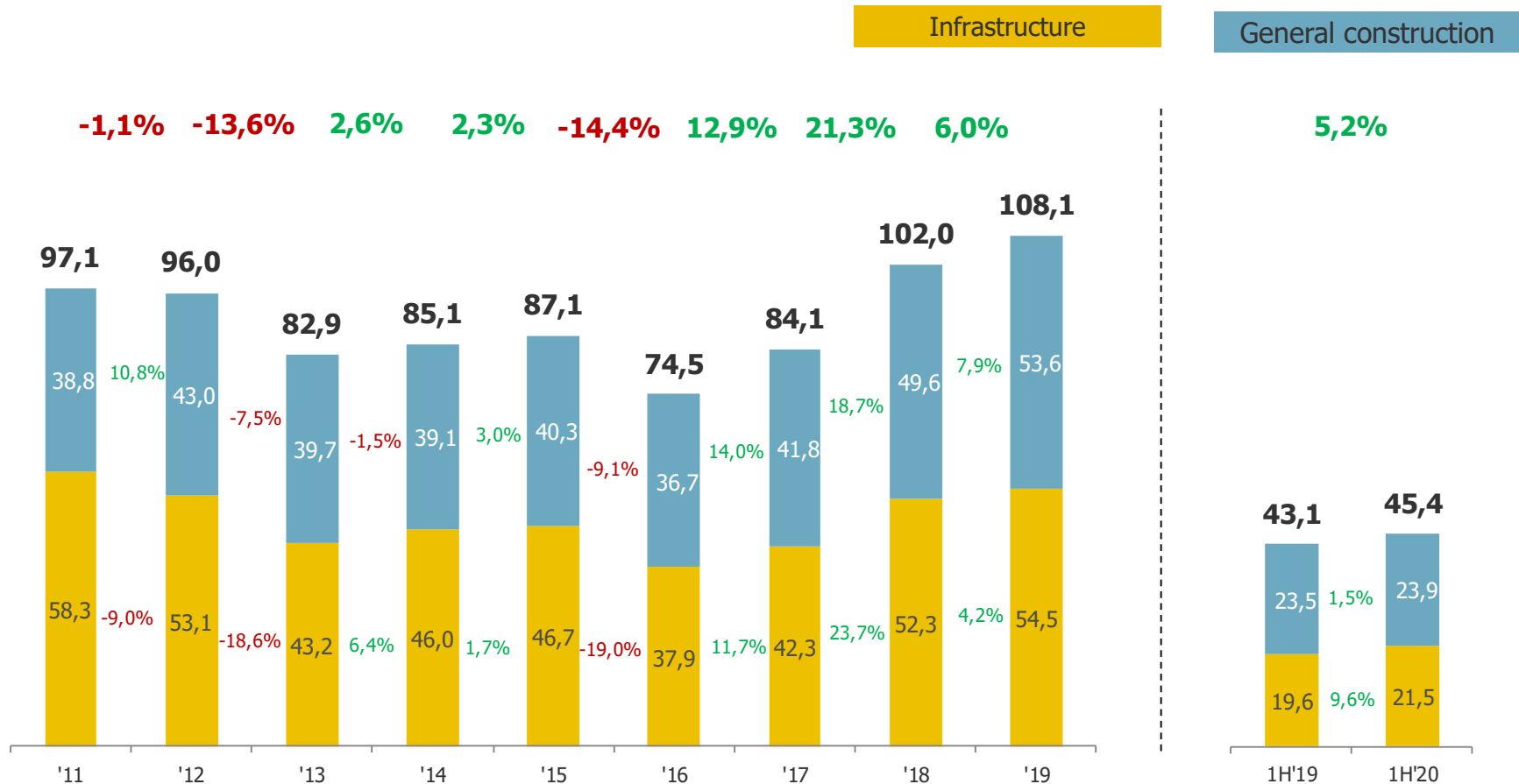


1.3 Construction production by segment

Comment

- *In 1H'20 construction production in Poland increased by 5,2%*
- *The production was not impacted strongly by COVID-19 epidemic, as no administrative stopping of construction works took place*

Construction and assembly production '10 – '20 (bn PLN, enterprises with > 9 employees, current prices)

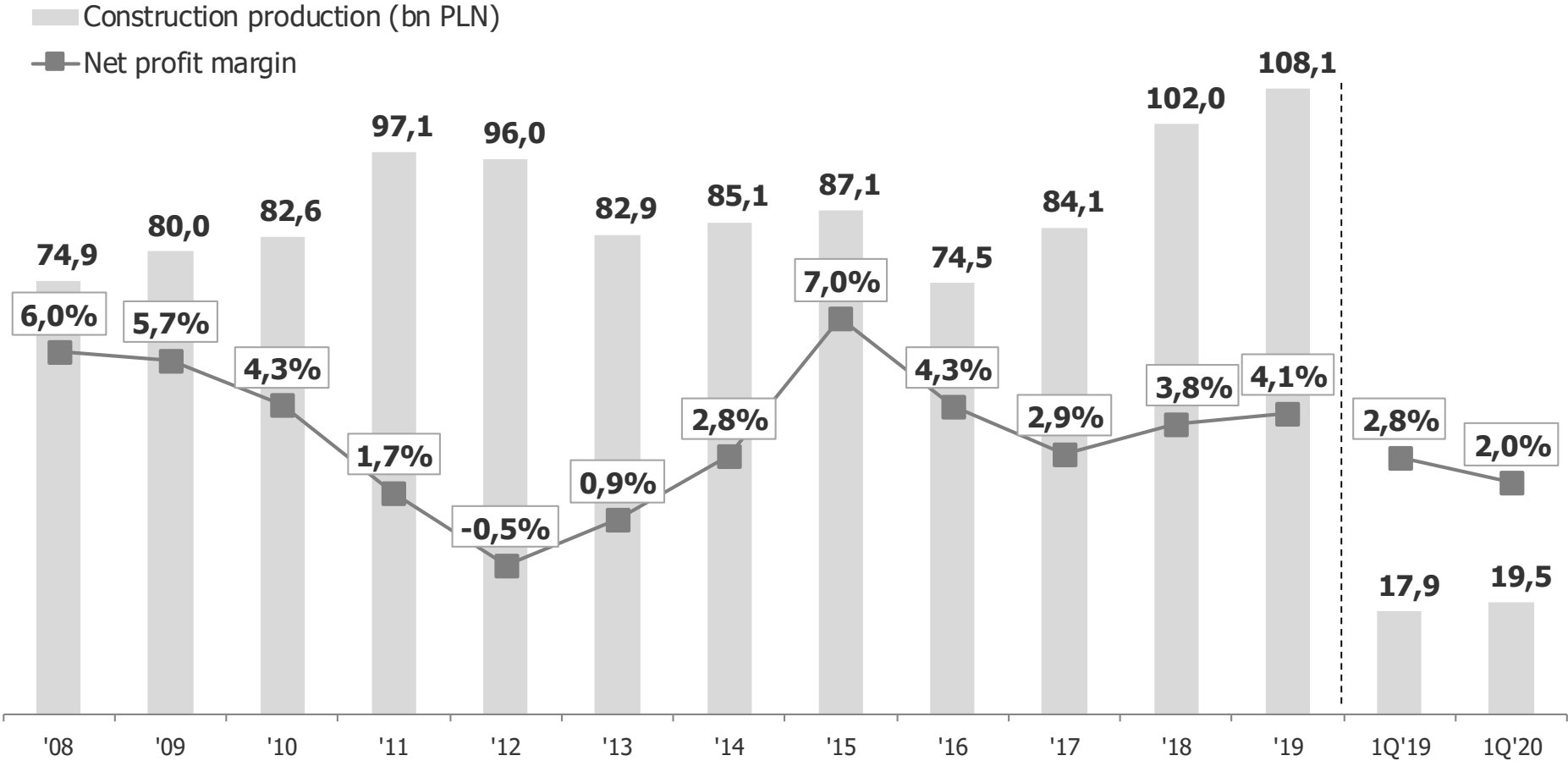


1.3 Production vs.net profit margin in construction

Comment

- High cost inflation combined with no real indexation impacted strongly margins of big construction companies, but recent quarters have brought relief

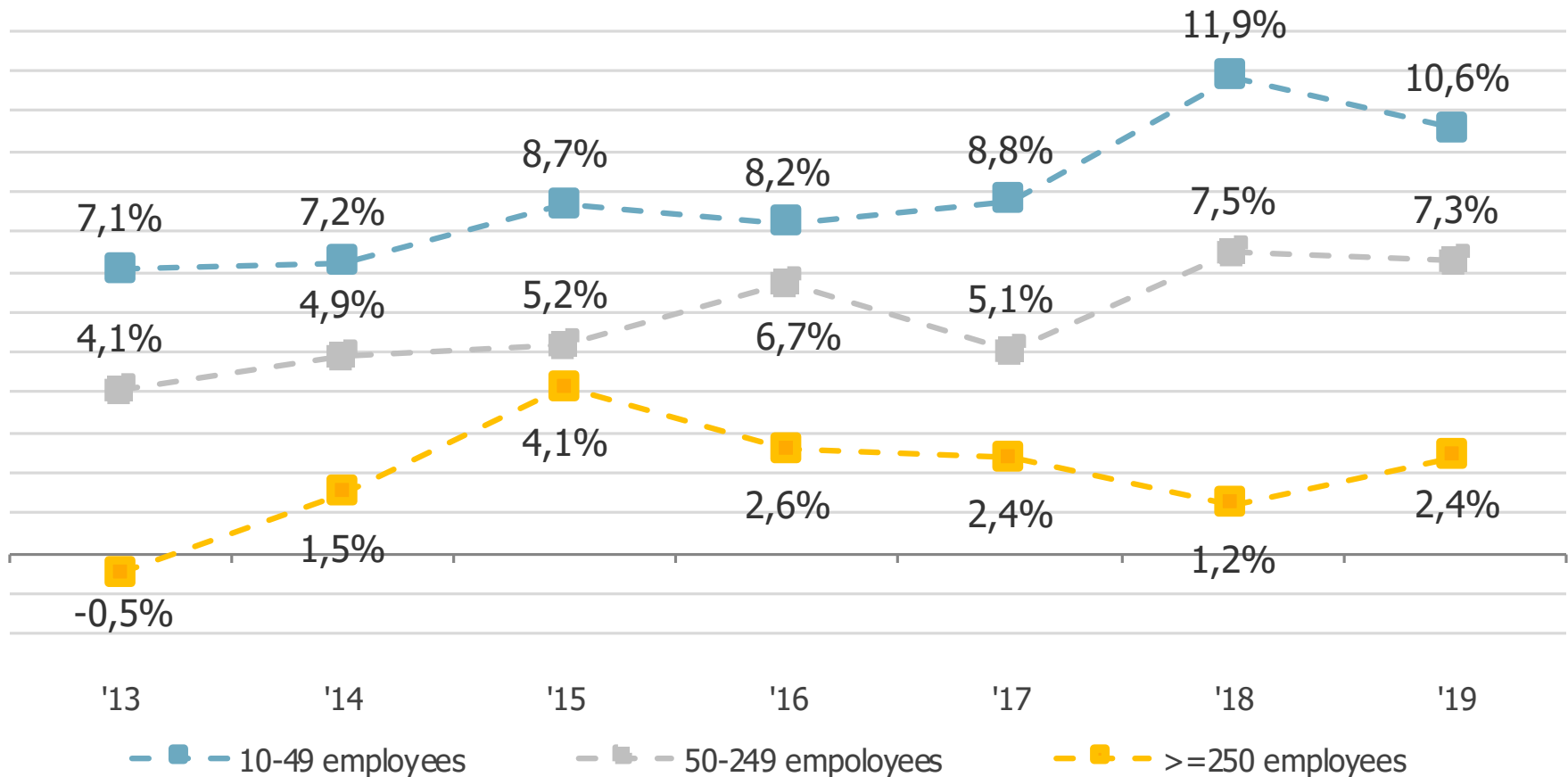
Construction production (companies > 9 employees) vs. net profit margin in construction (companies > 49 employees)



1.3 EBIT margin by size of construction company

Comment

- *Small construction companies generate several times higher EBIT margin than big ones*
- *In '19 profitability of big companies faced a recovery*

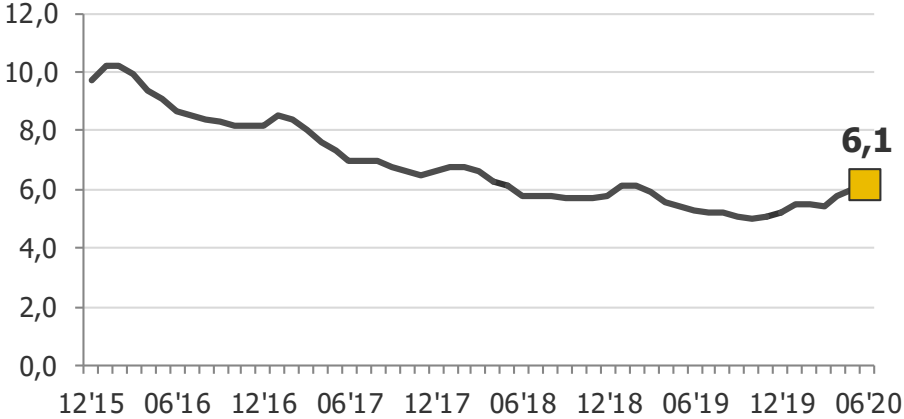


1.4 Labour market

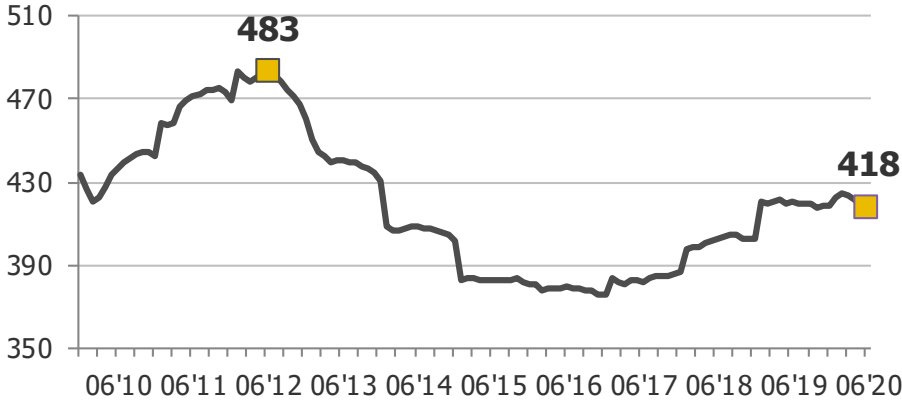
Comment

- *Current epidemic could cause visible increase of unemployment rate in upcoming months*

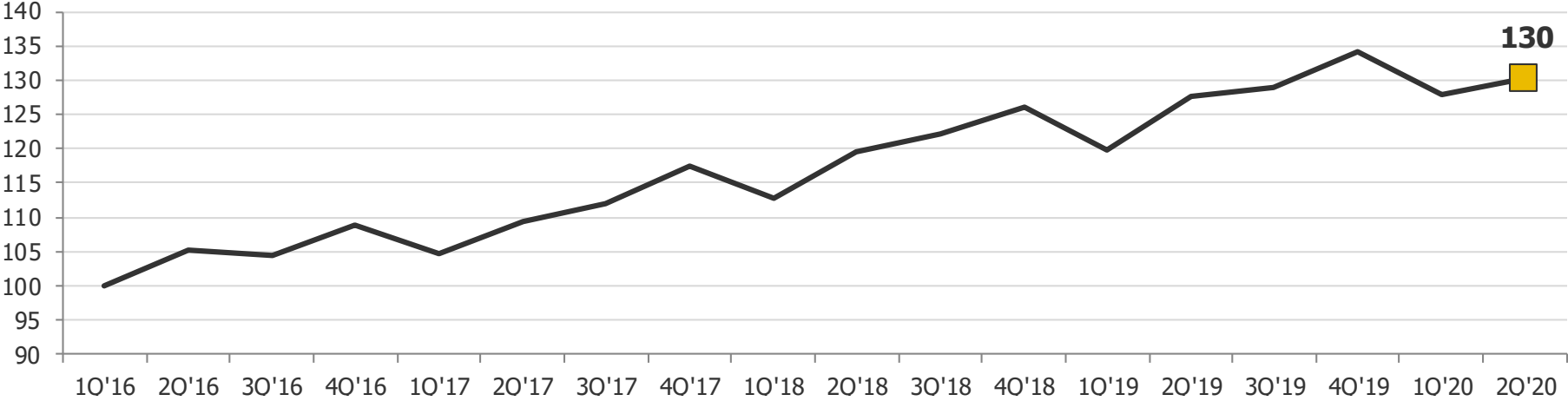
Unemployment rate (%)



Employment in construction (thous. employees)



Average wage in construction (1Q'16 = 100)

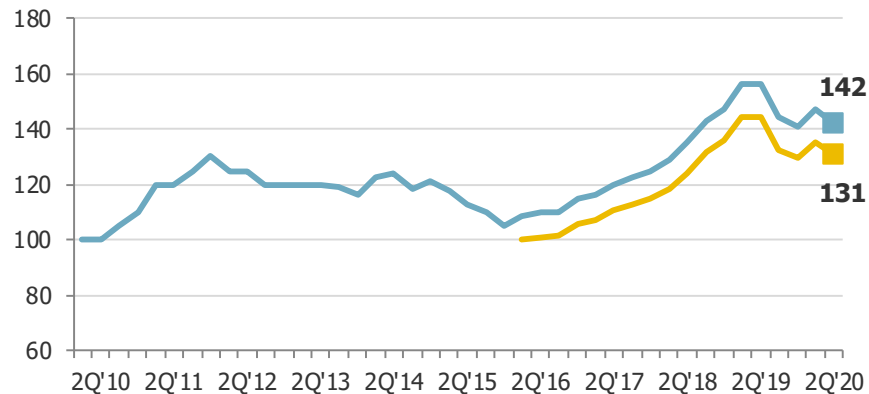


1.5 Prices of main materials

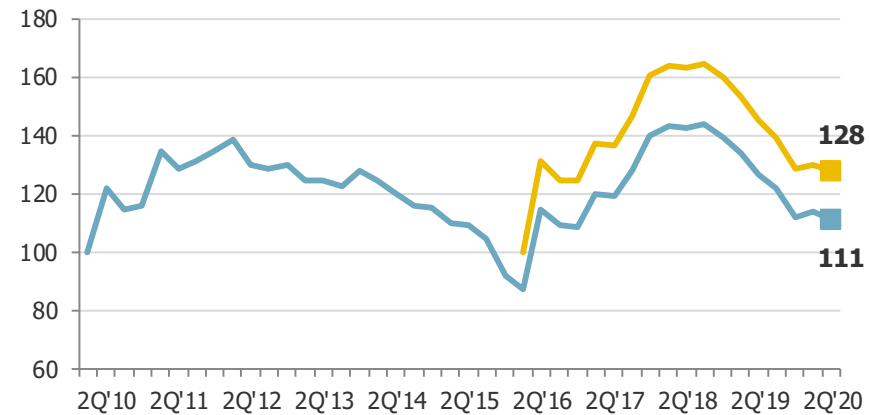
Comment

- Global factors and lower dynamics of construction production in Poland affected the prices of main materials

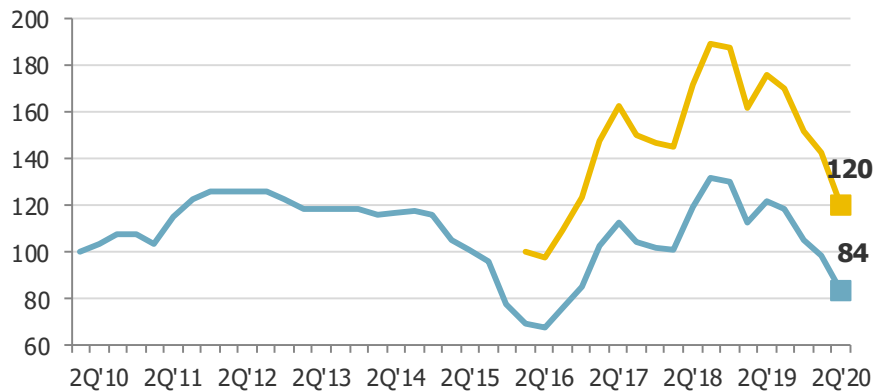
Concrete



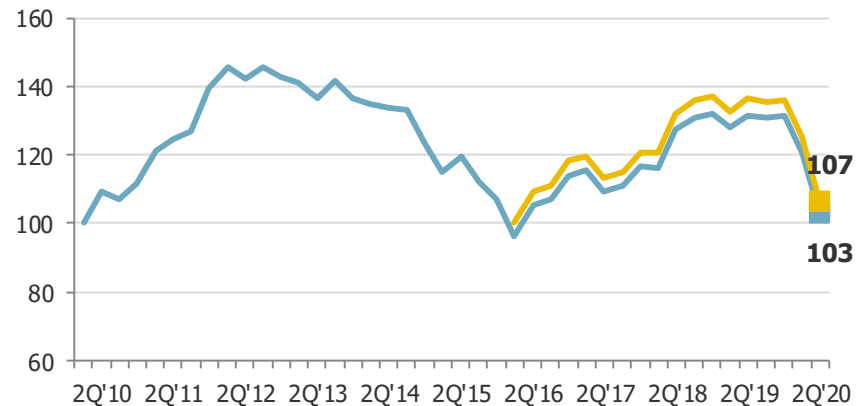
Reinforcement steel



Asphalt



Diesel oil





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Budimex Group

1H'20 results



- Increase of sales in 1H'20 → 1H'20: **3,7 bn PLN** *(+15,0% y-o-y)*
- Increase of % EBIT in construction segment → 1H'20: **2,5%** *(+0,5 p.p. y-o-y)*
- Rising share of railway in construction sales → 1H'20: **20,0%** *(+8,1 p.p. y-o-y)*
- Slight increase of net cash → 06'20: **1,9 bn PLN** *(+0,1 bn PLN vs. 03'20)*
- Similar level of contracts signed → 1H'20: **3,8 bn PLN** *(+0,5% y-o-y)*
- Still high backlog → 06'20: **11,6 bn PLN** *(+0,8 bn PLN vs. 12'19)*
- Improvement of market offer → 06'20*: **4 054 flats** *(+150 flats vs. 12'19)*

* for details see the slide No. 28

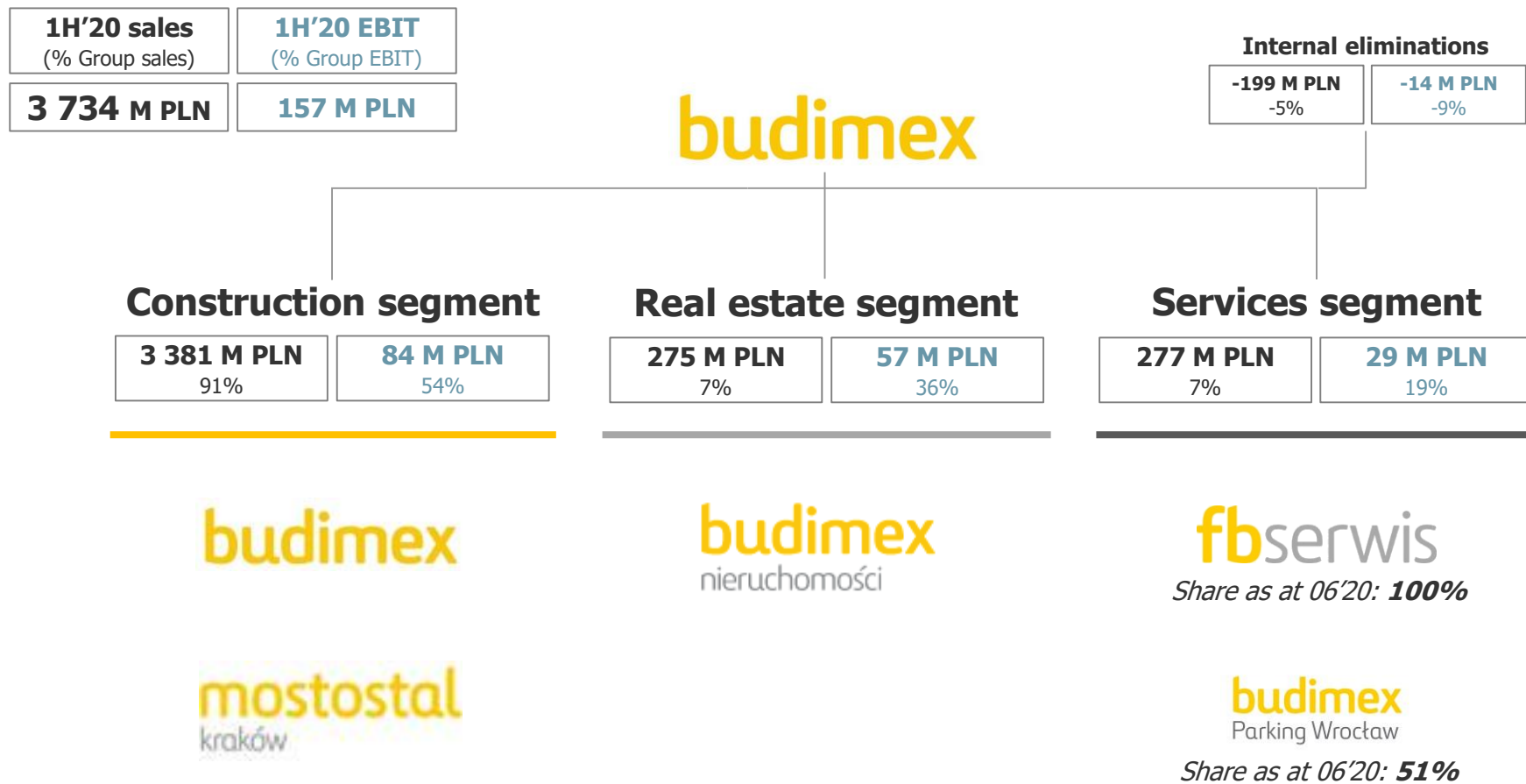
Comment

- Improvement on top line in 1H'20 (+15% y-o-y) mainly due to high sales dynamics in construction segment (+8% y-o-y) and full consolidation of FBSerwis Group

	1H'20	1H'19	Δ		FY'19	FY'18
Sales	3 734	3 248	486	↑	7 570	7 387
<i>y-o-y dynamics</i>	<i>15,0%</i>	<i>-1,6%</i>	<i>16,6 pp.</i>	↑	<i>2,5%</i>	<i>16,0%</i>
Gross margin	328	209	118	↑	552	629
<i>% sales</i>	<i>8,8%</i>	<i>6,4%</i>	<i>2,3 pp.</i>	↑	<i>7,3%</i>	<i>8,5%</i>
SG&A	-137	-121	-16		-229	-260
<i>% sales</i>	<i>3,7%</i>	<i>3,7%</i>	<i>-0,1 pp.</i>		<i>3,0%</i>	<i>3,5%</i>
Other operating	-34	23	-57		-4	48
EBIT	157	111	45	↑	318	417
<i>% sales</i>	<i>4,2%</i>	<i>3,4%</i>	<i>0,8 pp.</i>	↑	<i>4,2%</i>	<i>5,6%</i>
PBT	153	108	45	↑	332	403
<i>% sales</i>	<i>4,1%</i>	<i>3,3%</i>	<i>0,8 pp.</i>	↑	<i>4,4%</i>	<i>5,5%</i>
Net profit	114	73	42	↑	226	305
<i>% sales</i>	<i>3,1%</i>	<i>2,2%</i>	<i>0,8 pp.</i>	↑	<i>3,0%</i>	<i>4,1%</i>

Comment

- In 1H'20 services segment generated one fifth of Group's EBIT



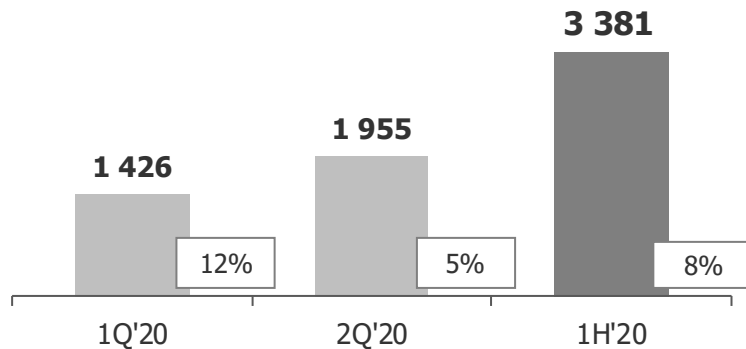
2.2 P&L - results by segment

Comment

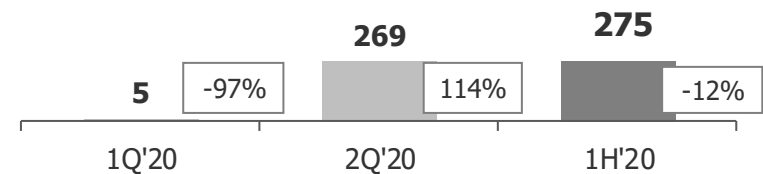
- COVID-19 had no significant impact on 1H'20 sales in the construction segment
- Favorable weather conditions allowed to maintain high sales in the construction segment in 1H'20
- In 07'19 Budimex began full consolidation of FBSerwis results

Quarterly sales in Budimex Group (M PLN)

Construction

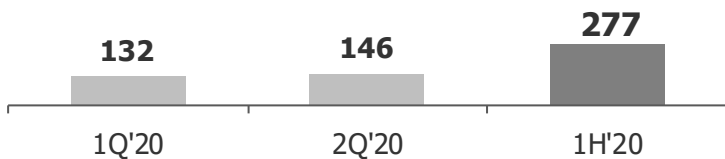


Real estate

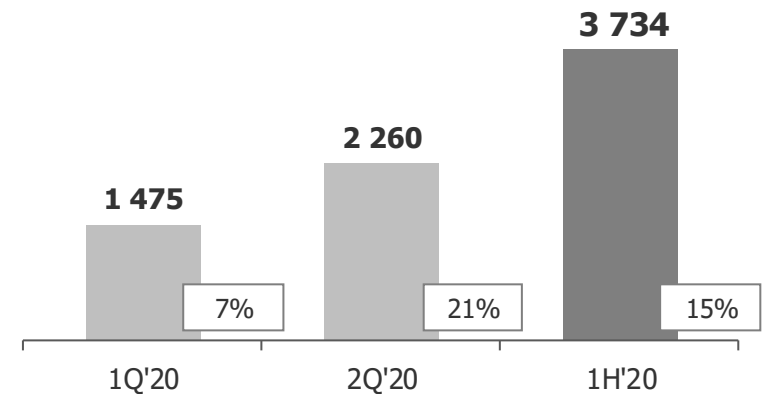


Services

y-o-y dynamics



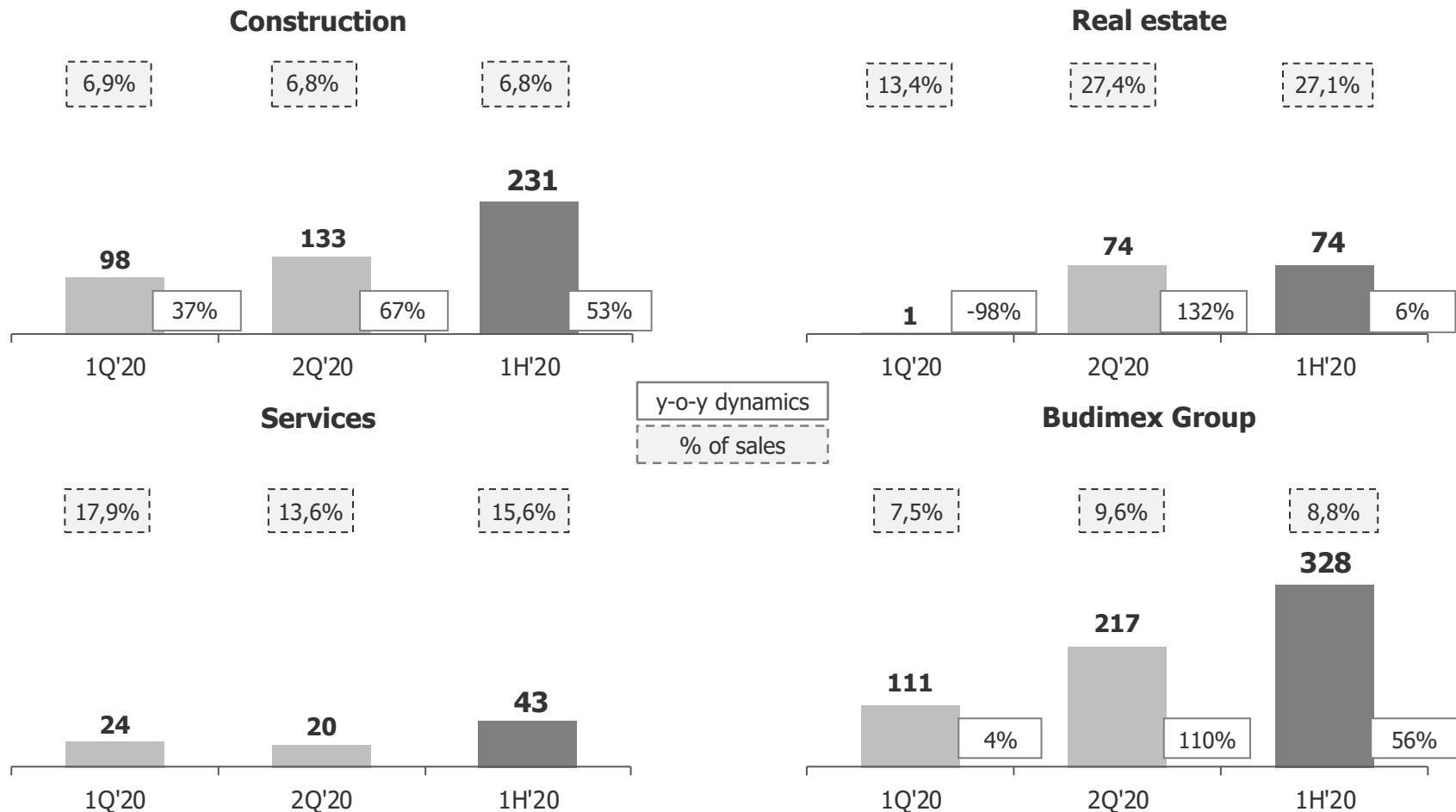
Budimex Group



Comment

- Good margin achieved in the real estate segment in 1H'20 due to higher profitability of projects contributing to notary sales and change of notary deeds geographical structure

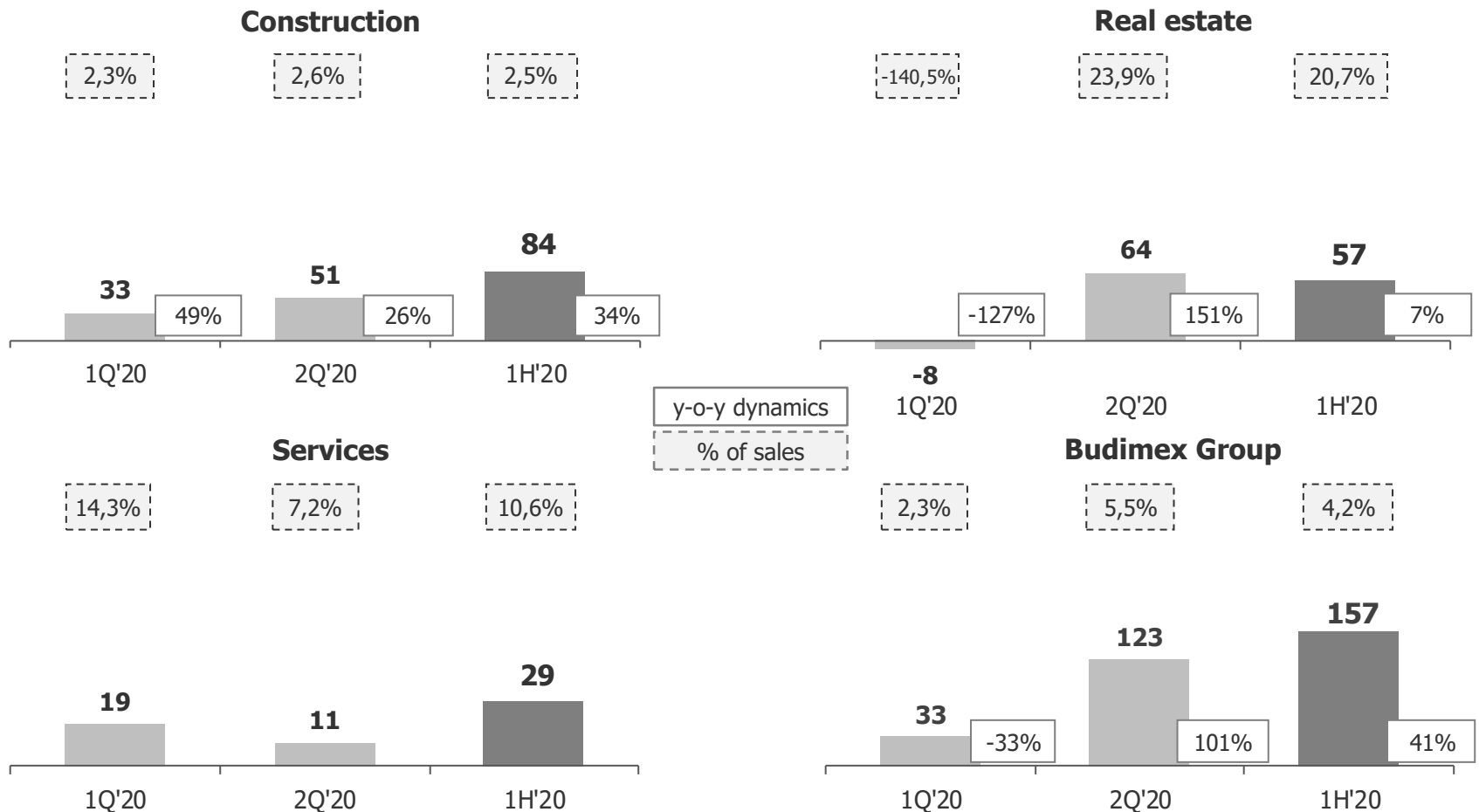
Quarterly gross margin in Budimex Group (M PLN)



Comment

- *New contracts that have been signed over last quarters improved the profitability of backlog and contributed to the decent margin in 1H'20*

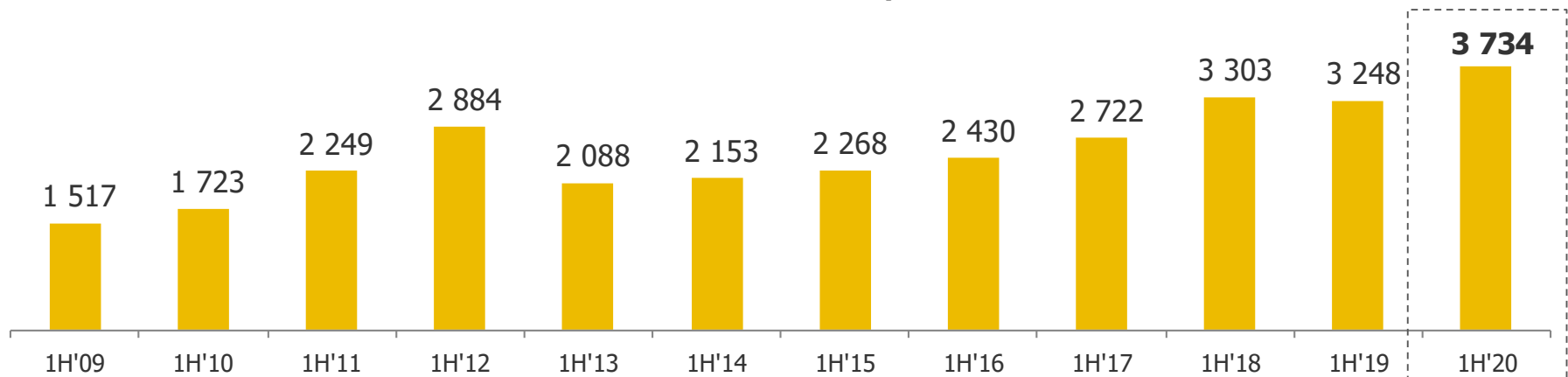
Quarterly EBIT in Budimex Group (M PLN)



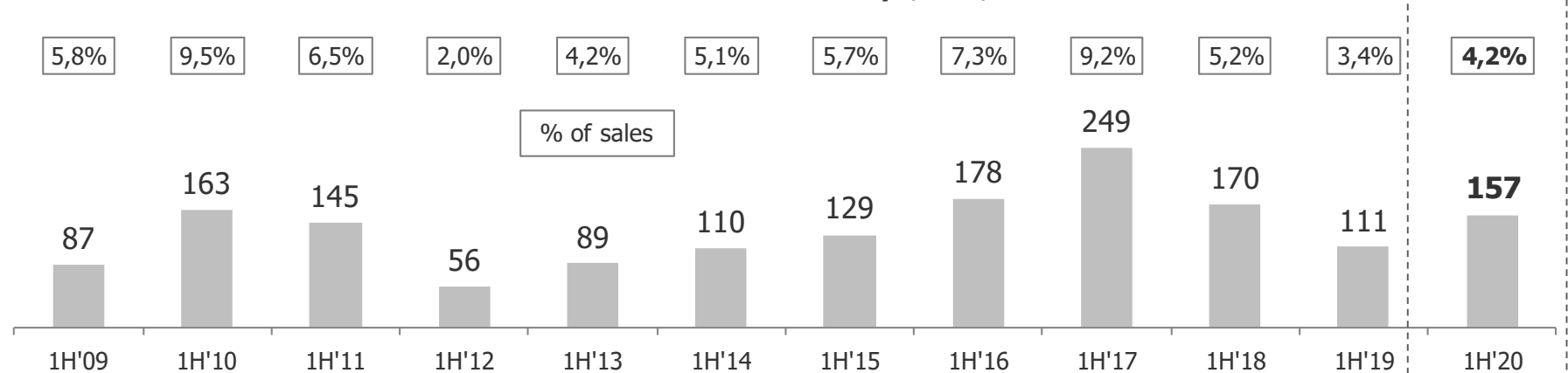
Comment

- The Group achieved record sales in 1H'20
- In 1H'20 Budimex was able to improve profitability as a result of increasing margin in construction & real-estate segments and full consolidation of FBSerwis

Sales in Budimex Group (M PLN)



EBIT in Budimex Group (M PLN)

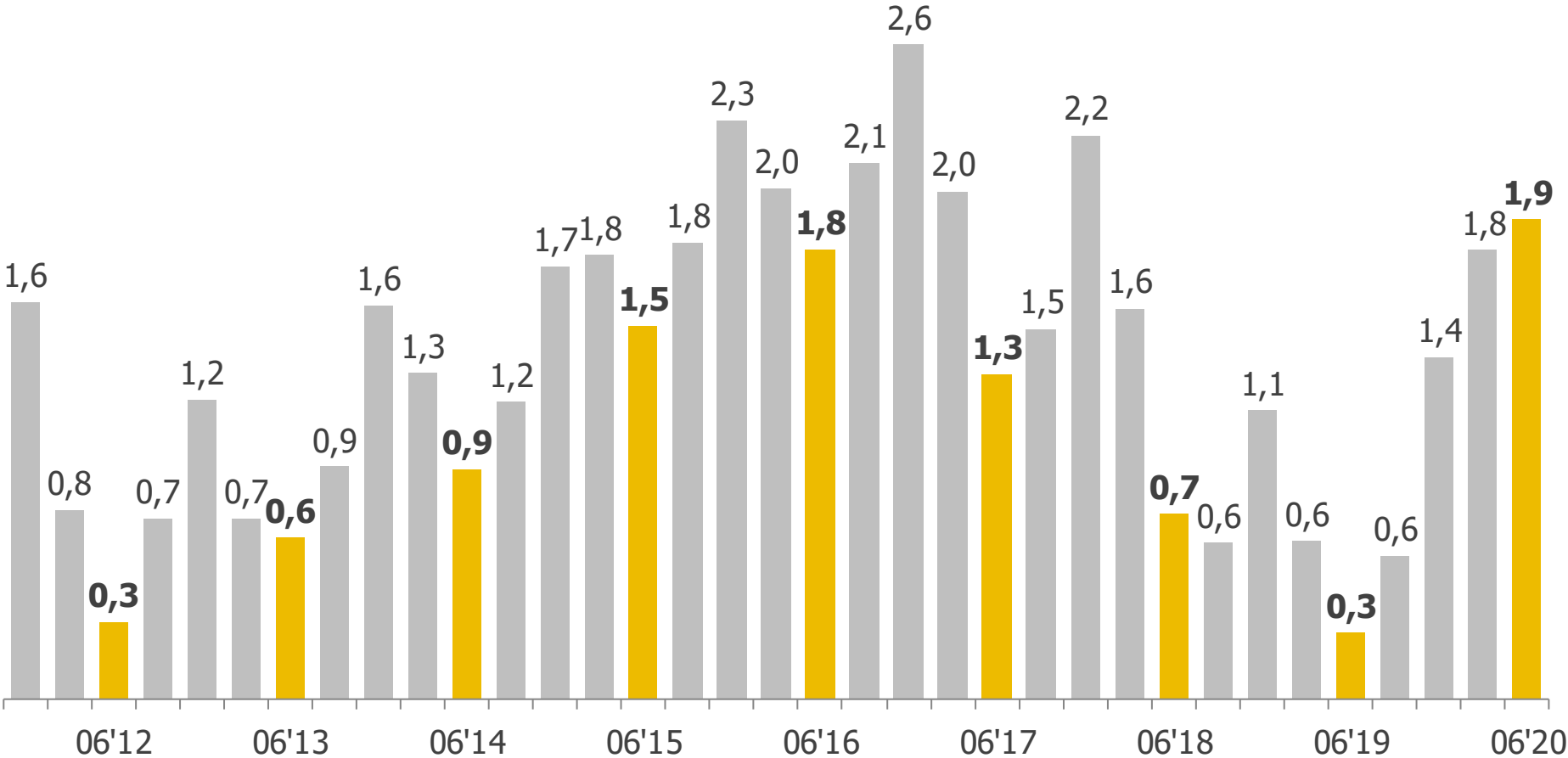


2.3 Evolution of Net Treasury Position

Comment

- Company kept satisfying NTP level due to advance payments and efficient invoicing of construction works
- 06'20 NTP does not include dividend payout, which took place in 07'20 (-161 M PLN)

Net Treasury Position in Budimex Group (M PLN)





Construction segment – 1H'20 results

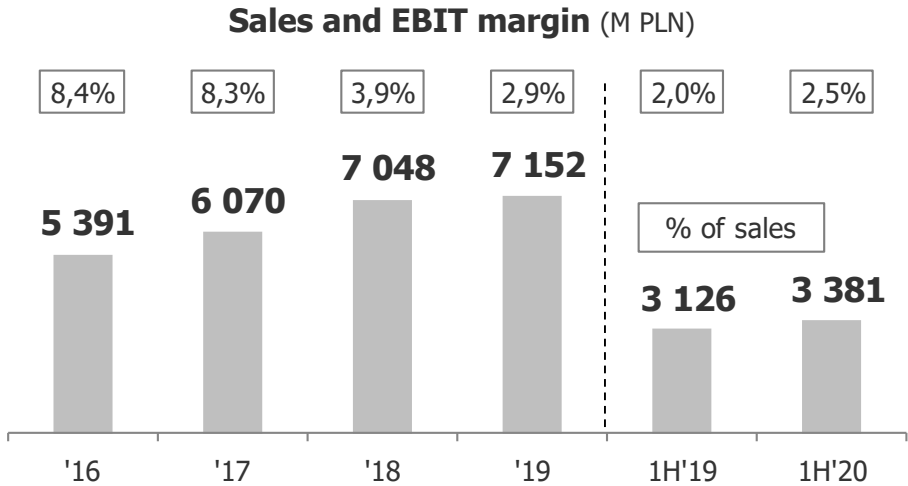


2.4.1 Construction segment

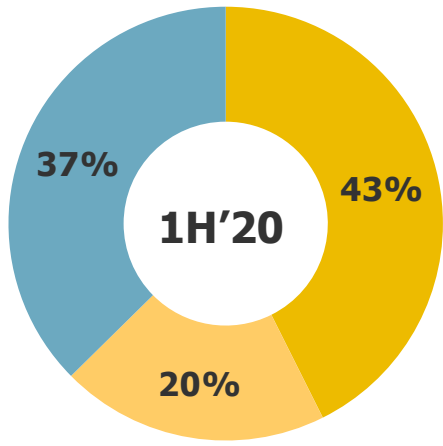
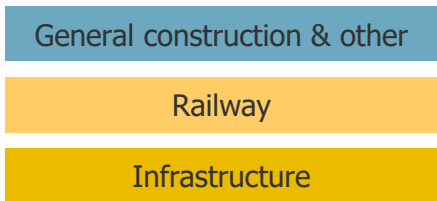
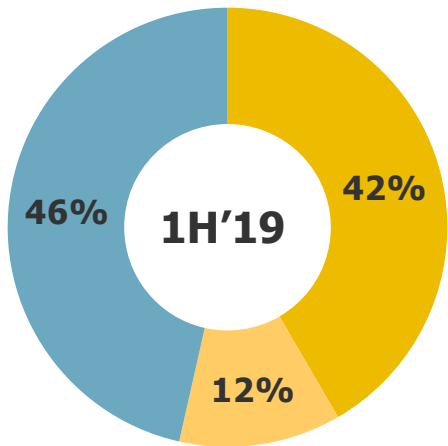
Comment

- *Improvement of EBIT margin in 1H'20*
- *The share of sales generated in railway segment increased due to further execution of record railway backlog*

	1H'20	y-o-y dynamics
Sales	3 381	8%
Gross margin	231	53%
% sales	6,8%	2,0 pp.
EBIT	84	34%
% sales	2,5%	0,5 pp.
Net profit	50	86%
% sales	1,5%	0,6 pp.



Sales structure

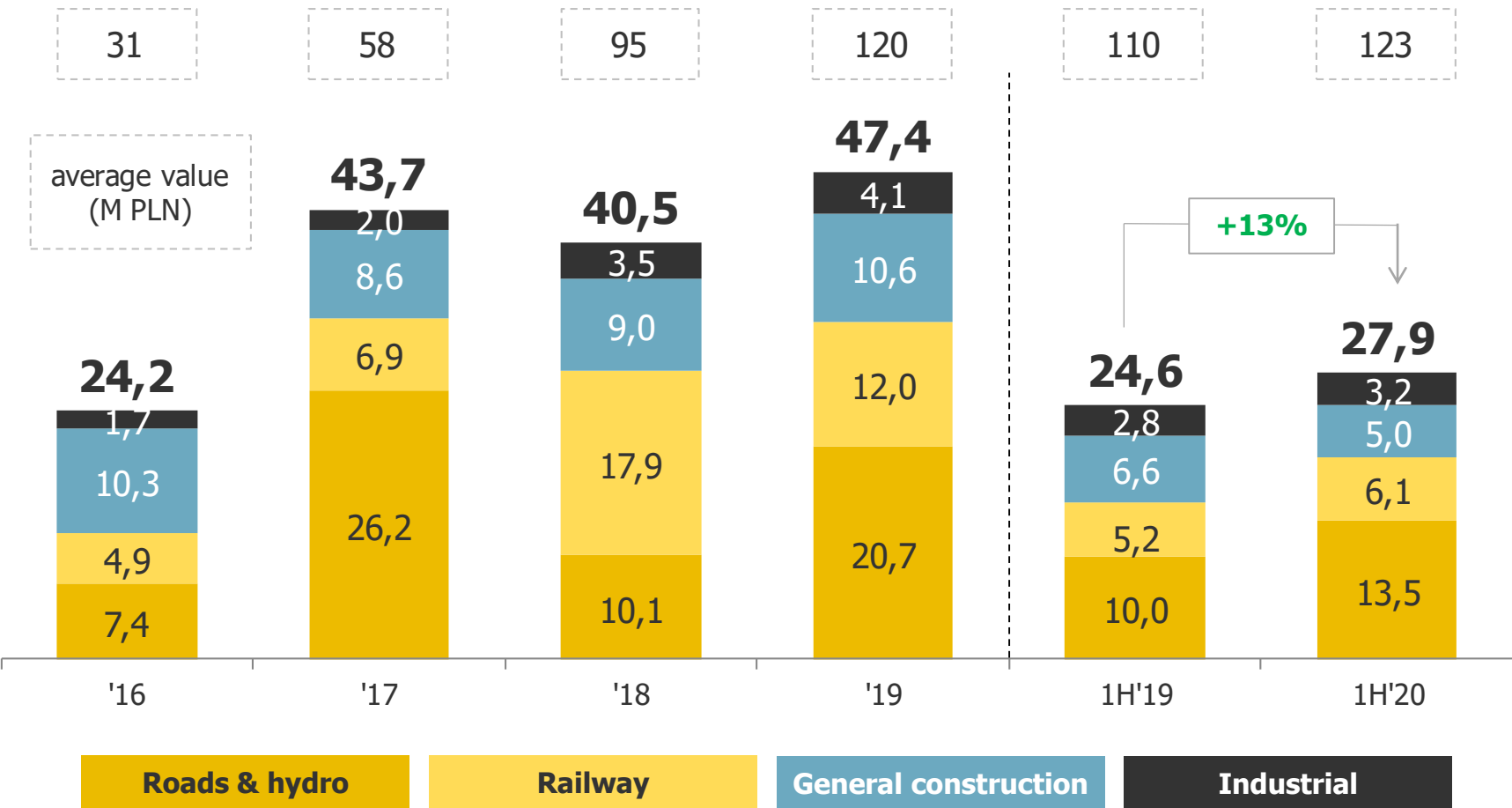


2.4.1 Construction segment

Comment

- Few high value bids placed on GDDKiA market helped to generate 13% y-o-y increase in 1H'20
- Lower activity in general construction due to i.a. prudence of private investors related with COVID-19

Offers placed in Budimex Group (bn PLN)

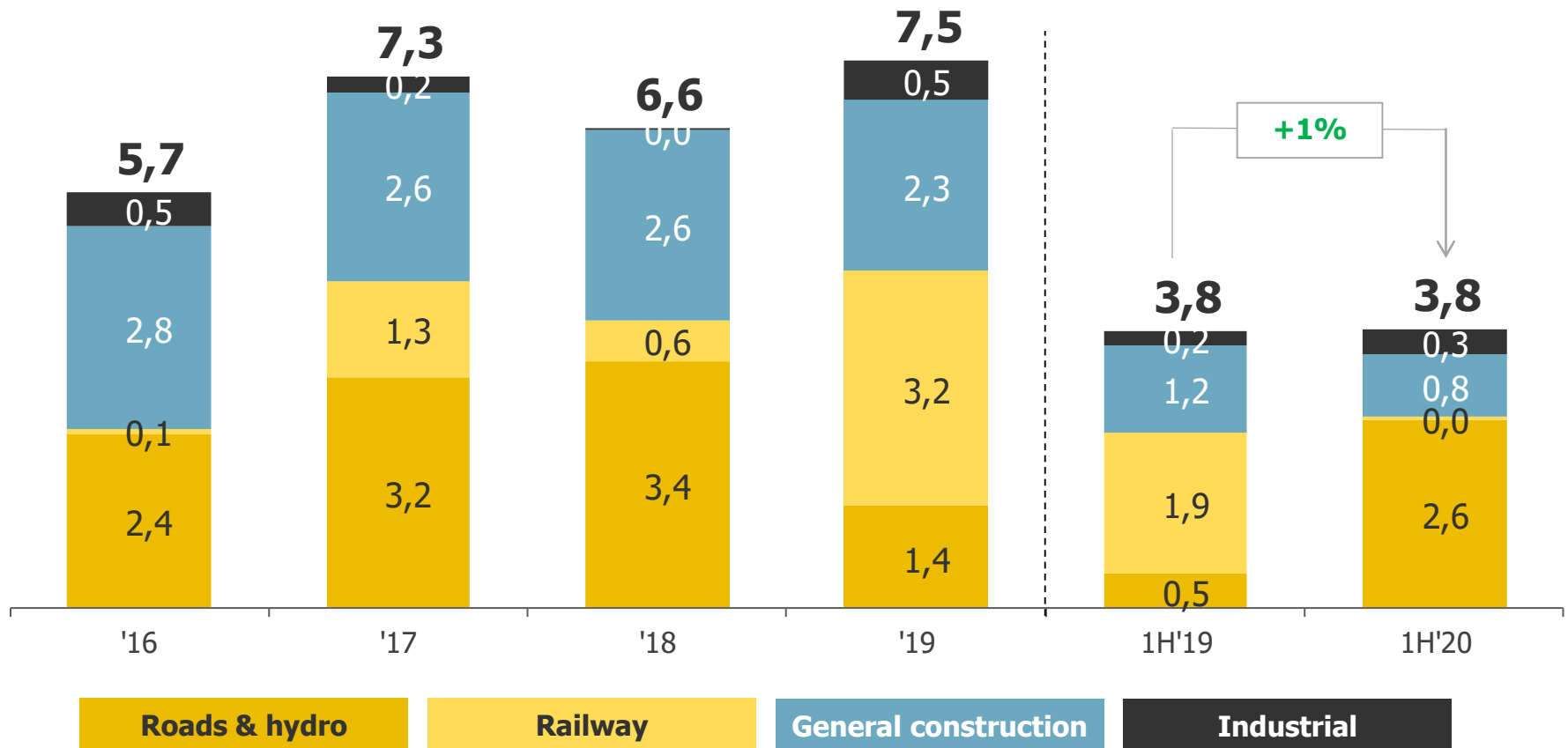


2.4.1 Construction segment

Comment

- Strong value of contracts signed in road & hydro segment
- Top contracts signed in 1H'20 include: S61 Suwałki - Budzisko (844 M PLN), S7 Modlin – Czosnów (487 M PLN), S5 Nowe Marzy – Dworzysko (461 M PLN), S11 Koszalin - Bobolice part I (471 M PLN) and Vistula collector (349 M PLN)

Contracts signed in Budimex Group (bn PLN)

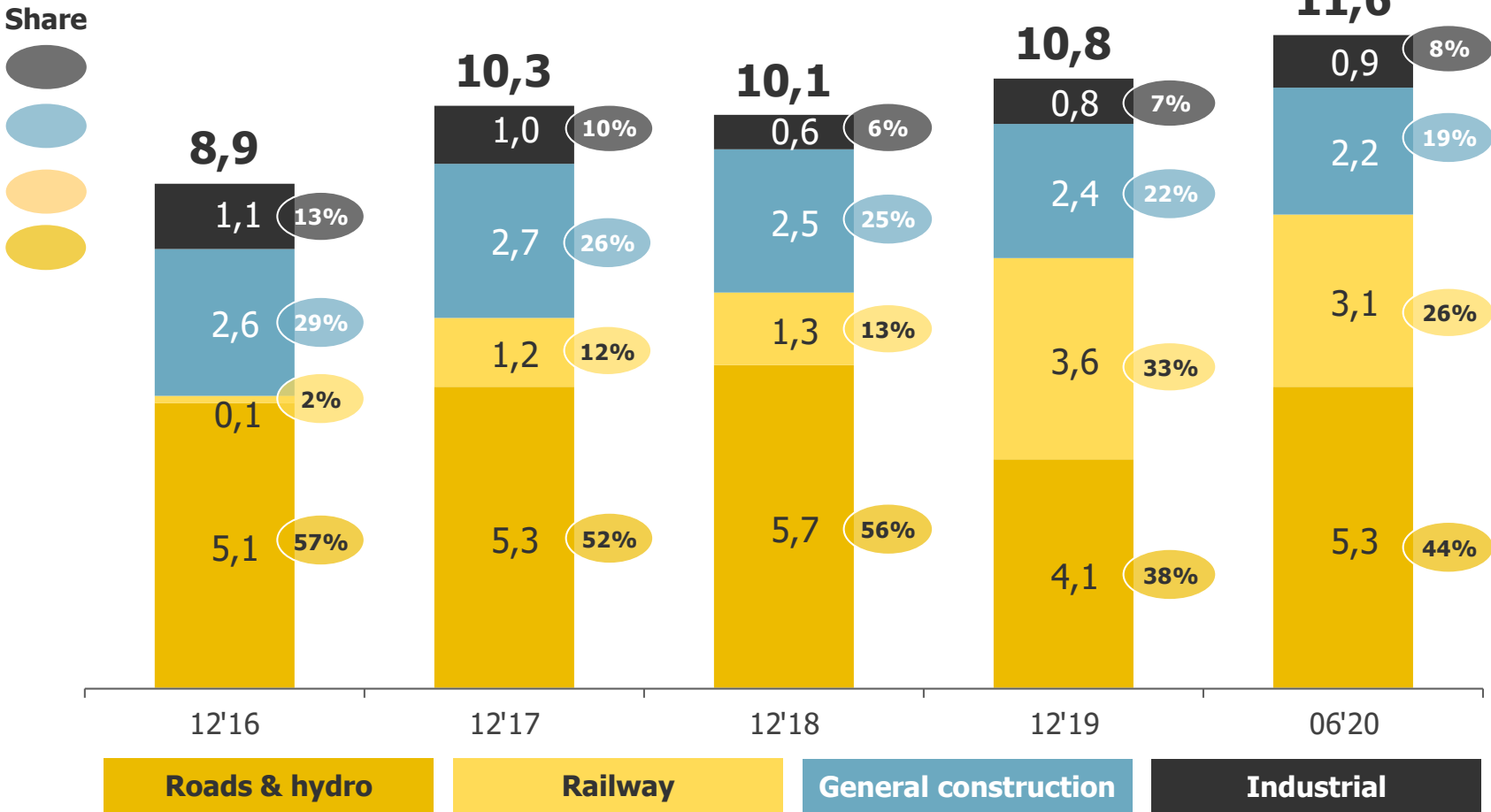


2.4.1 Construction segment

Comment

- Strongly diversified backlog
- New contract signed at the begin of 07'20 (West Warsaw railway station: 1,8 bn PLN) and other contracts pending (1,5 bn PLN) secure the backlog for upcoming quarters

Backlog in Budimex Group (bn PLN)





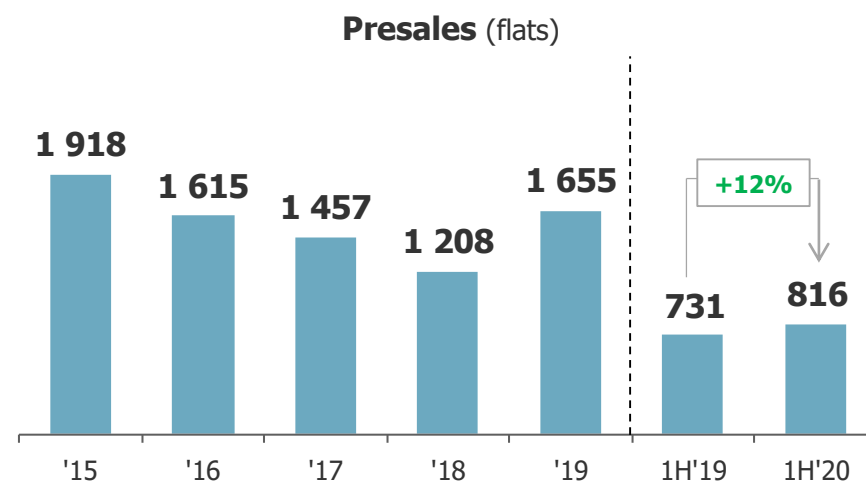
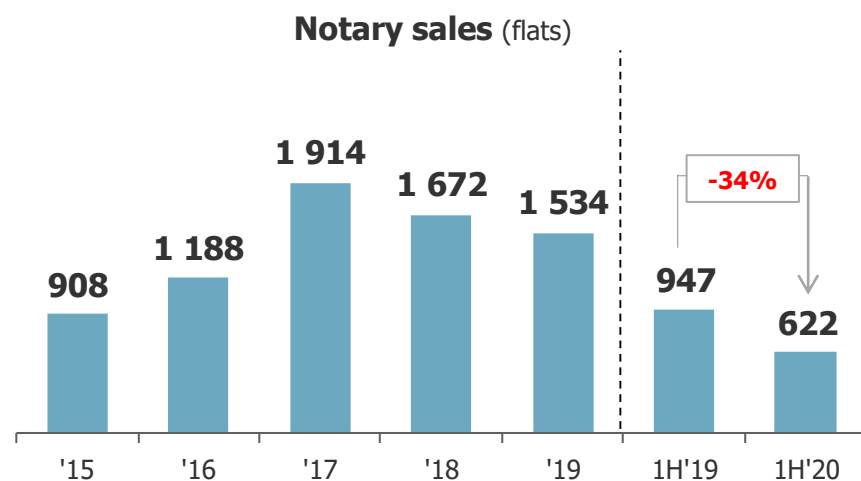
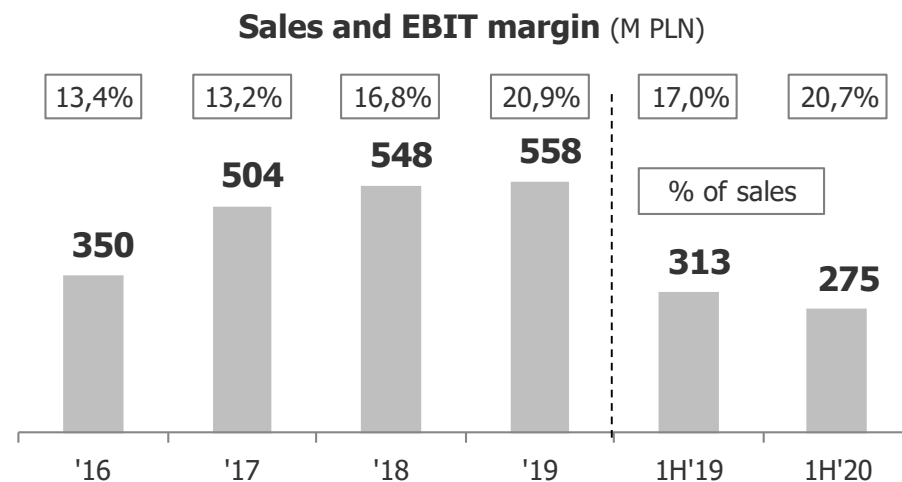
Real estate segment – 1H'20 results



Comment

- In May and June Budimex Nieruchomosci was able to catch up notary sales delayed in March and April

	1H'20	y-o-y dynamics
Sales	275	-12%
Gross margin	74	6%
% sales	27,1%	4,6 pp.
EBIT	57	7%
% sales	20,7%	3,7 pp.
Net profit	50	11%
% sales	18,1%	3,8 pp.

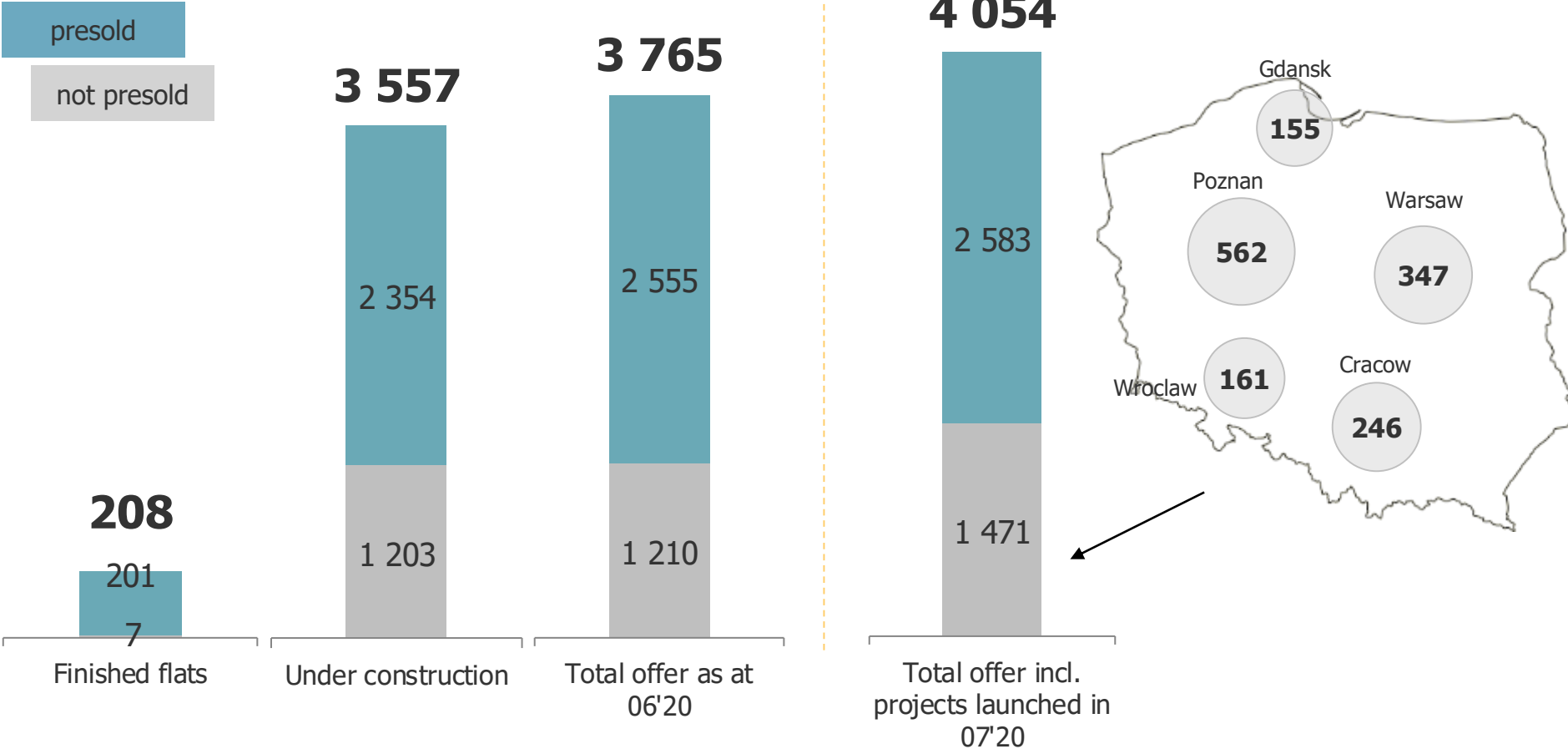


2.4.2 Real estate segment

Comment

- Market offer increased to over 4 000 flats
- At the end of 06'20 land bank amounted to 8 047 flats

Market offer as at 06'20 (flats)





Services segment – 1H'20 results



Comment

- Services results in 1H'20 encompassed Bx Parking Wroclaw and FBSerwis
- Since 07'19 Budimex began full consolidation of FBSerwis Group's results

	1H'20
Sales	277
Gross margin	43
% sales	15,6%
EBIT	29
% sales	10,6%
Net profit	22
% sales	7,8%

Group's services segment composition



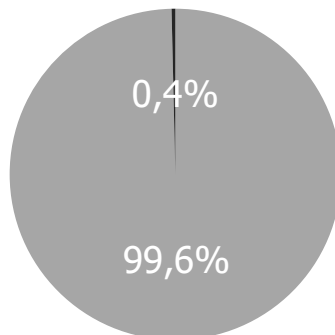
- environmental services, infrastructure maintenance, facility management, energy efficiency services
- 100% share (as at 31.03.2020)
- full consolidation since 07'19



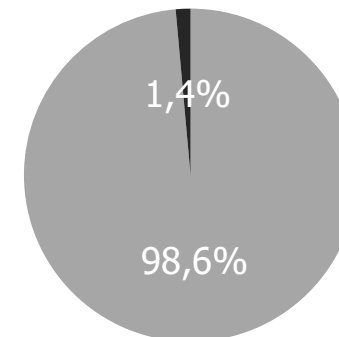
- construction & administration of underground car park in Wroclaw (concession)
- 51% share
- full consolidation

Sales & EBIT structure in 1H'20

Sales 1H'20



EBIT 1H'20



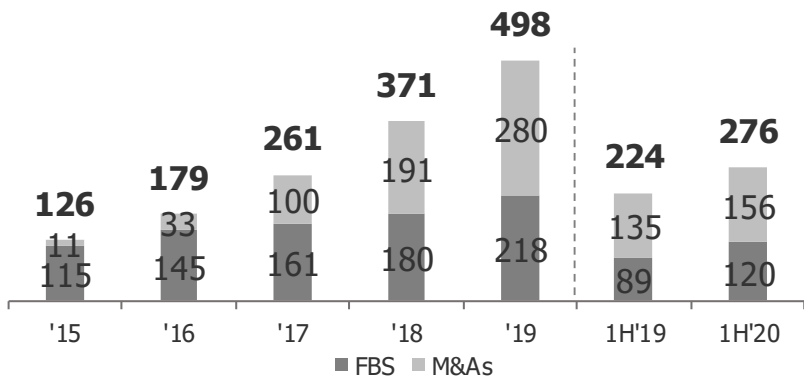
■ FBSerwis ■ Car park in Wroclaw

2.4.3 FBSerwis – key financial data

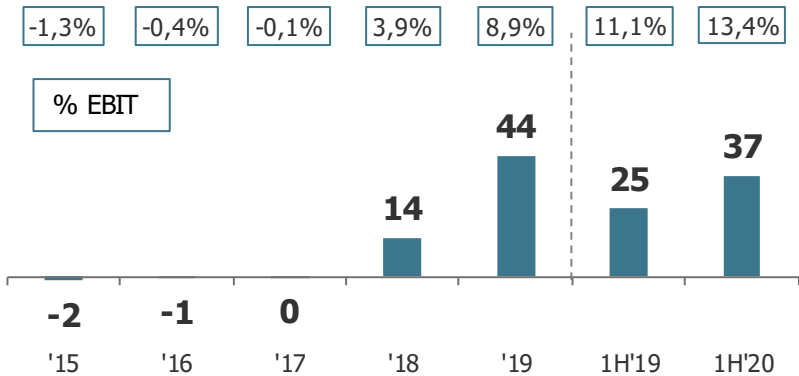
Comment

- **Sales structure in 1H'20:** Waste Management – 65%, Infrastructure Maintenance – 22%, Facility Management & Street Lightening – 13%
- *FBSerwis Group reported attractive margin in 1H'20*

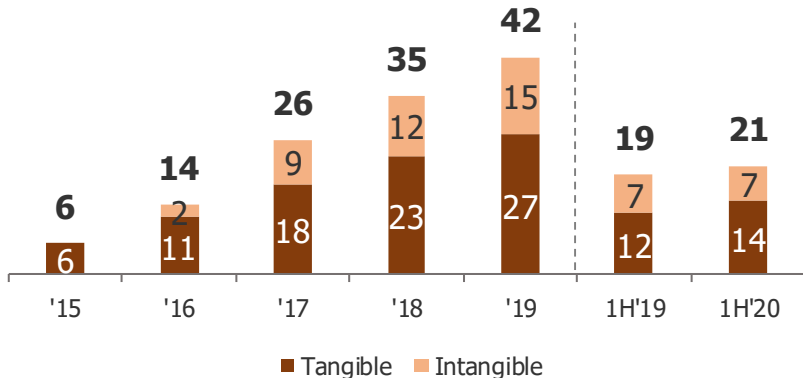
Sales (M PLN)



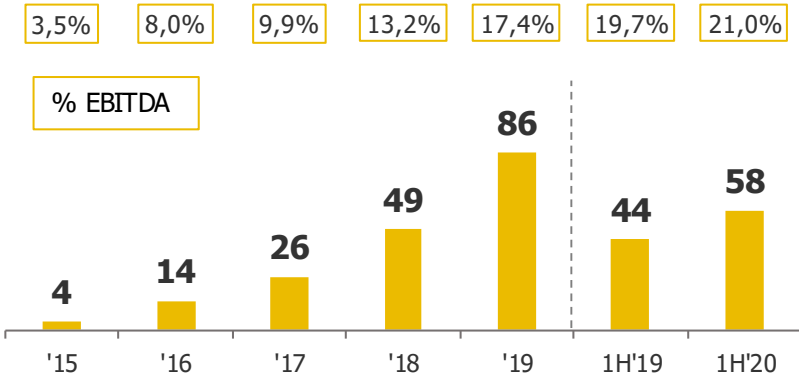
EBIT (M PLN)



Depreciation (M PLN)



EBITDA (M PLN)

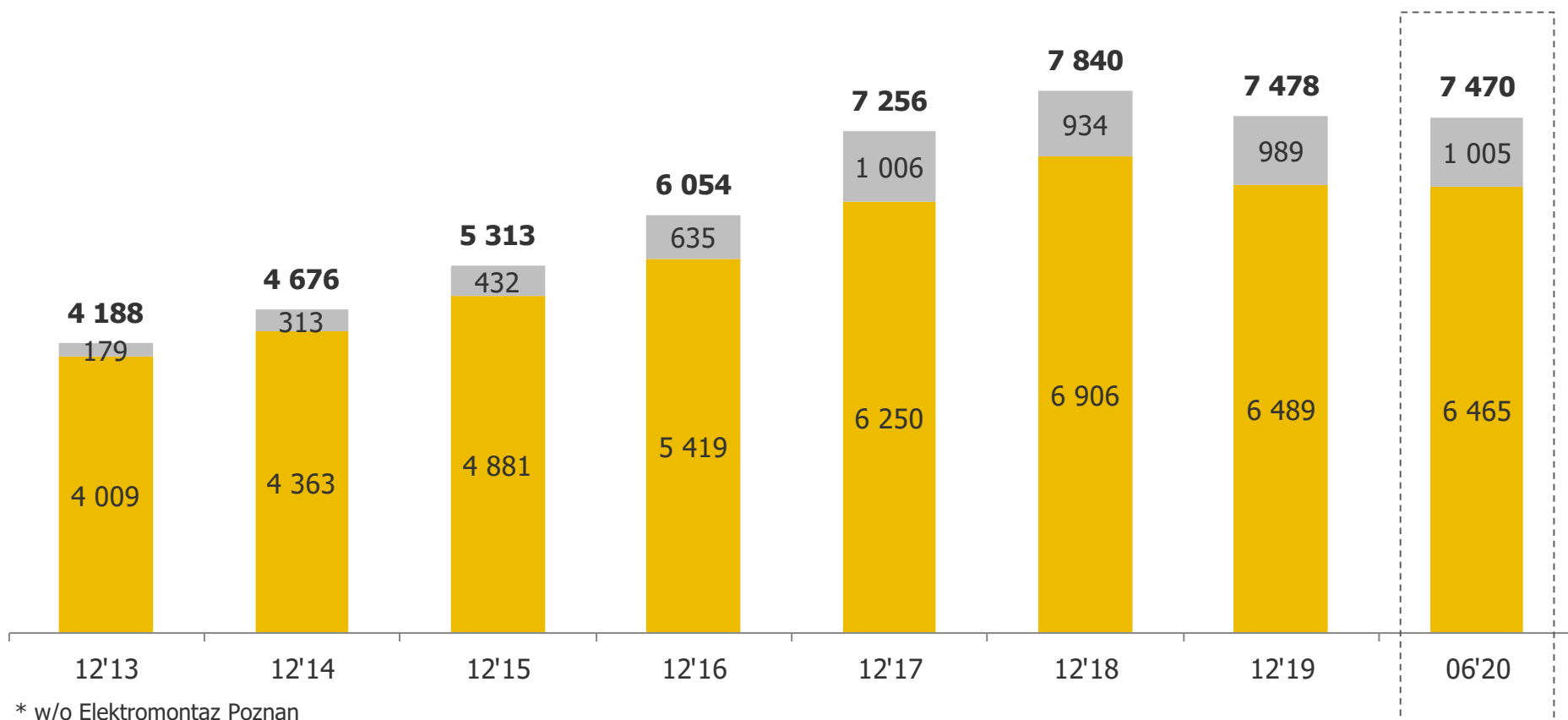


Comment

- Generally, in 1H'20 the Group maintained the employment level
- Taking control over FBSerwis Group in 07'19 increased employment of Budimex Group by ca. 1 000 people

Employment in Budimex Group*

■ Bx Group w/o FBS ■ FBS



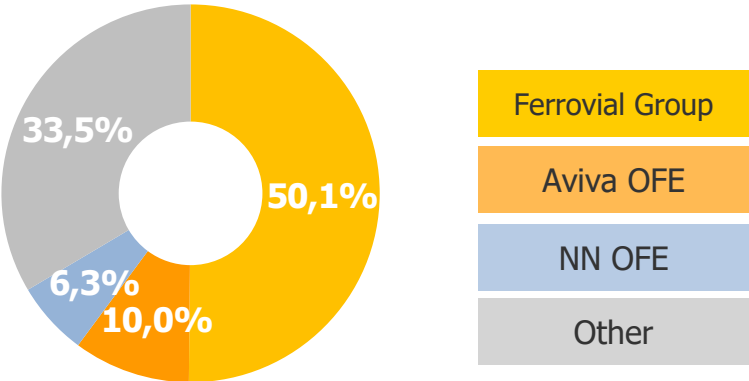
* w/o Elektromontaz Poznan

3. Budimex S.A. on WSE

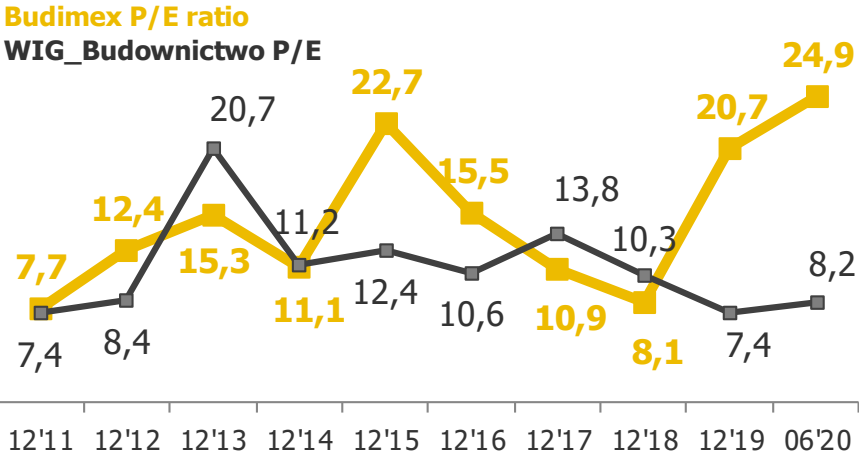
Comment

- In 2Q'20 Budimex's share price faced a rebound

Shareholders structure

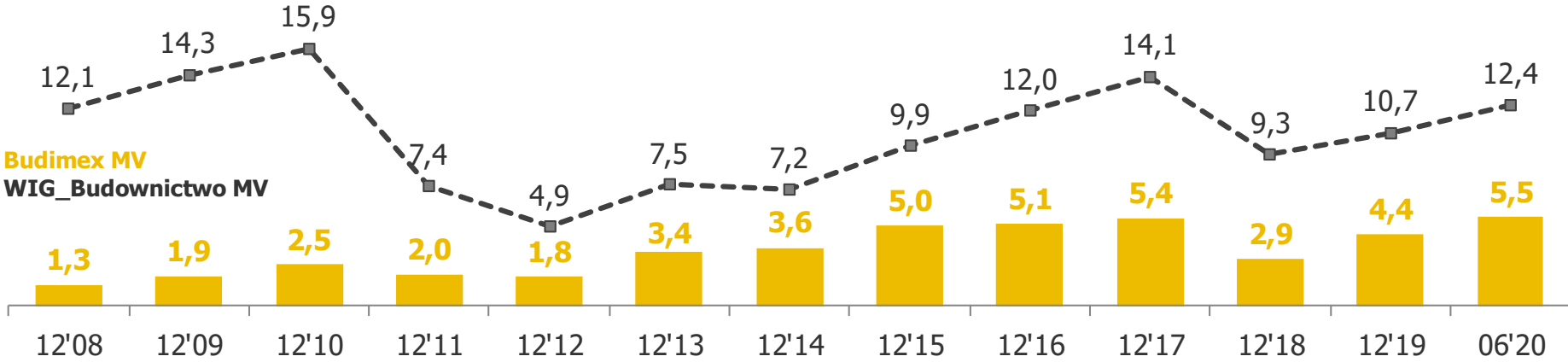


P/E ratio



Source: stooq.pl

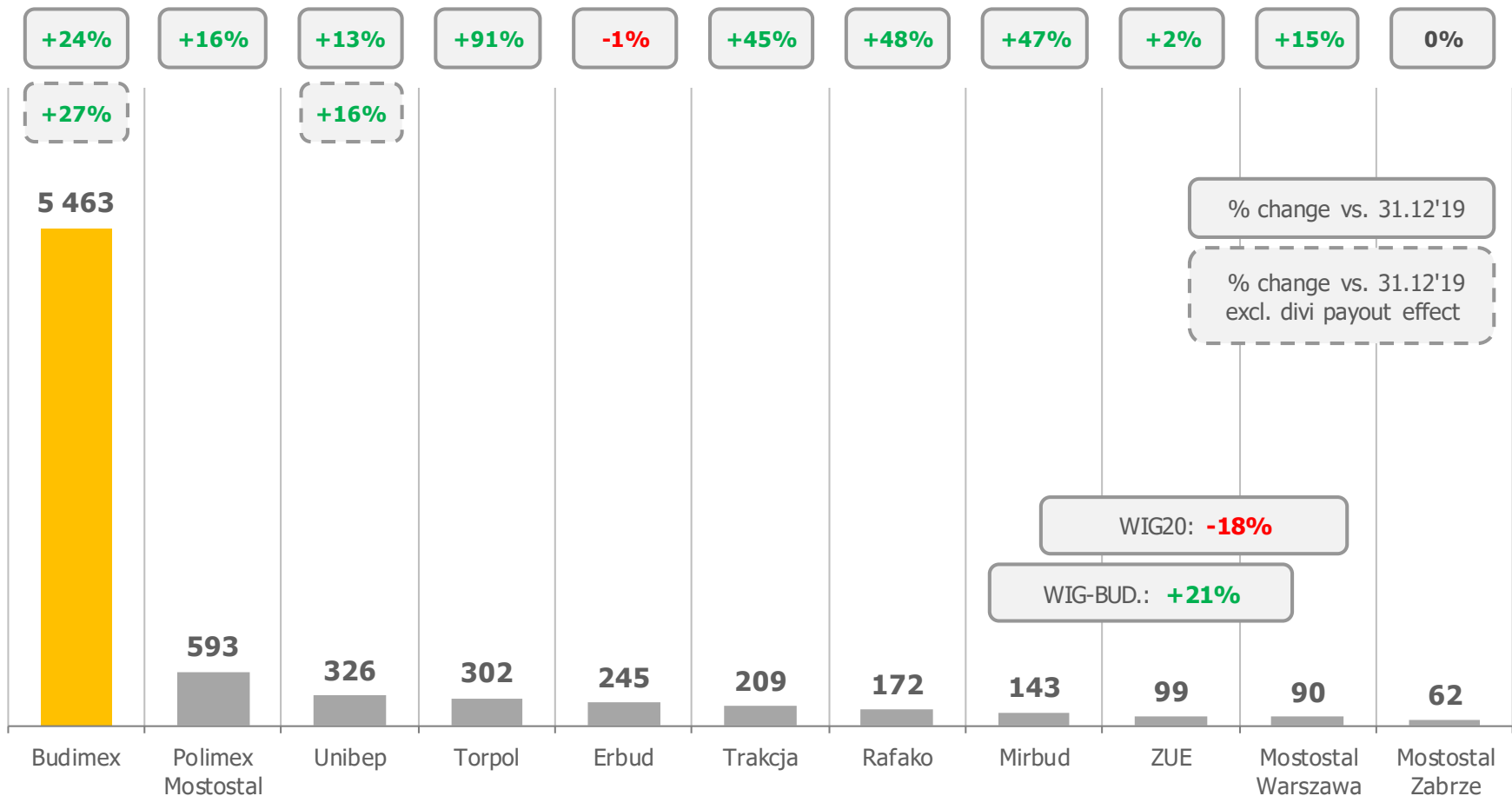
Budimex market value vs. WIG-Budownictwo aggregated market value (bn PLN)



Comment

- After a drop of market value in 1Q'20 caused by the outbreak of COVID-19 pandemic, in 2Q'20 share prices of most construction companies faced a rebound

Market value as at 06'20 (M PLN)



Comment

- As a result of COVID-19 pandemic, in 05'20 Management Board recommended a dividend payment of ca. 50% of FY'19 net profit
- Remaining part of net profit was allocated to reserve capital

Dividends paid (M PLN)

