



# **budimex**

**Investor presentation FY 2022**

# Agenda

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Financial results of Budimex Group

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Market and outlook

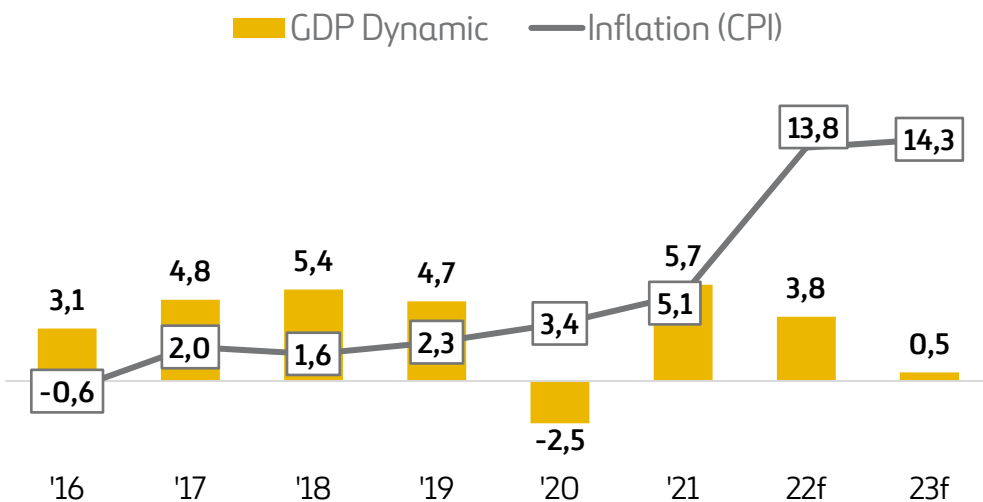
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CSR

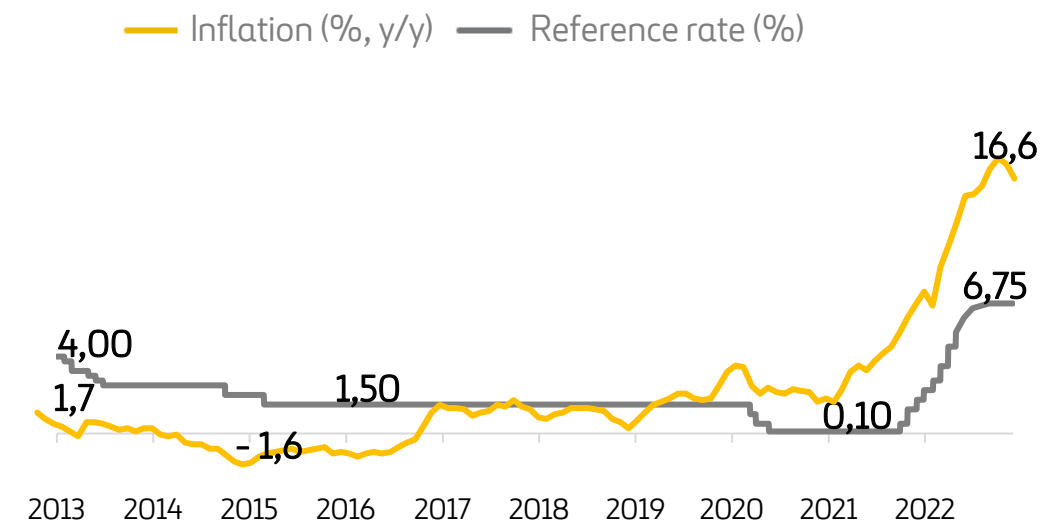


# Macroeconomic background

GDP dynamics and CPI inflation in Poland (% , y/y)



Inflation (% , y/y), reference rate in Poland (%)



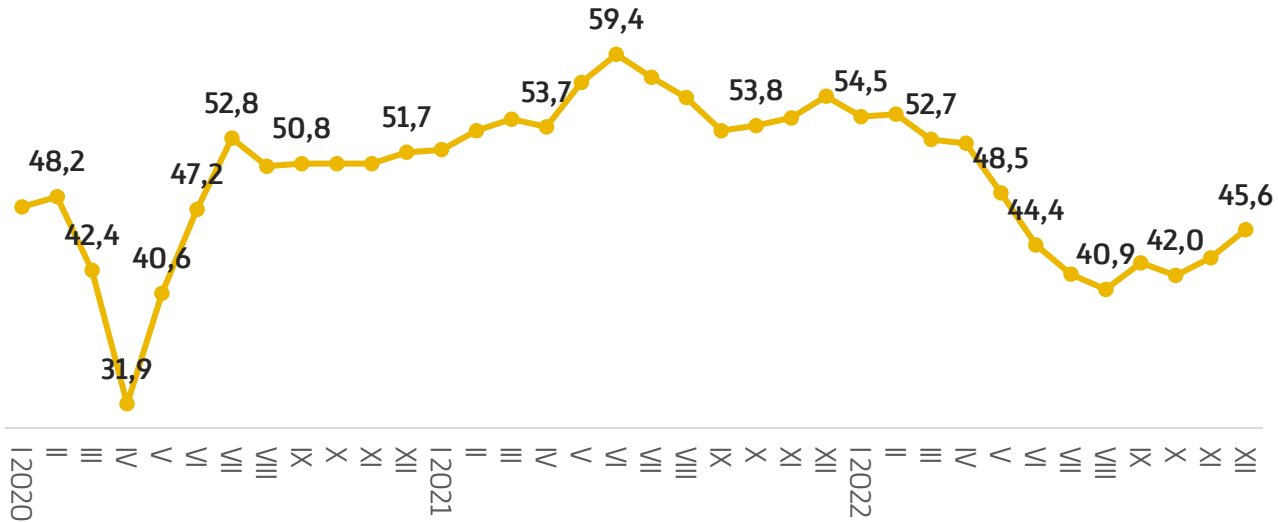
The IMF forecasts sustained inflation at double-digit levels and a significant weakening of GDP growth to 0,5% y/y in 2023.

Domestic inflation surprised in the CSO's quick estimate, as CPI dynamics fell to 16,6% in December vs 17,5% November.

Economists see chances of rate cuts in late 2023.

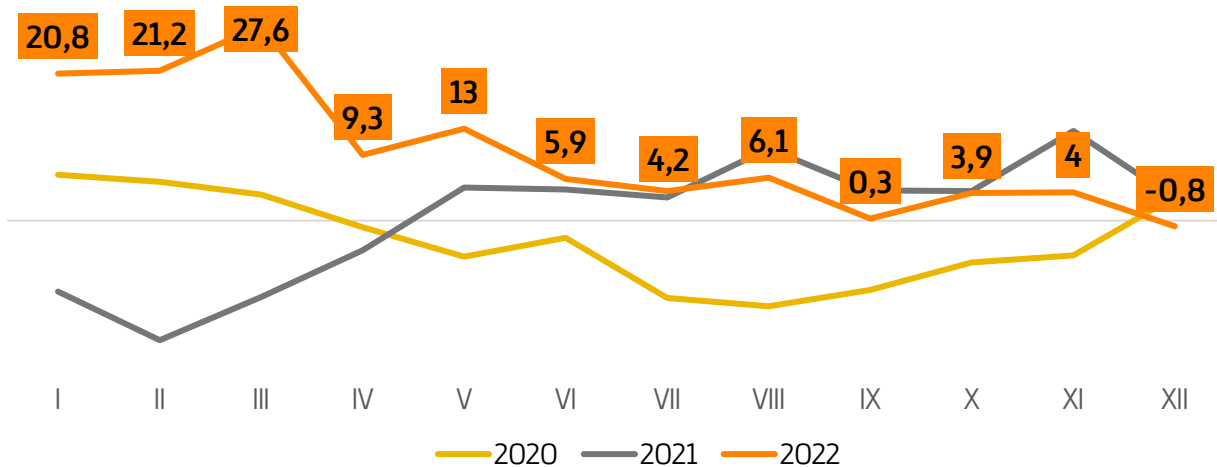
# Macroeconomic background

PMI indicator for Poland



The PMI of the Polish industrial sector recorded its highest level since May, rising to 45,6 points in December (vs. 43,4 points in November).

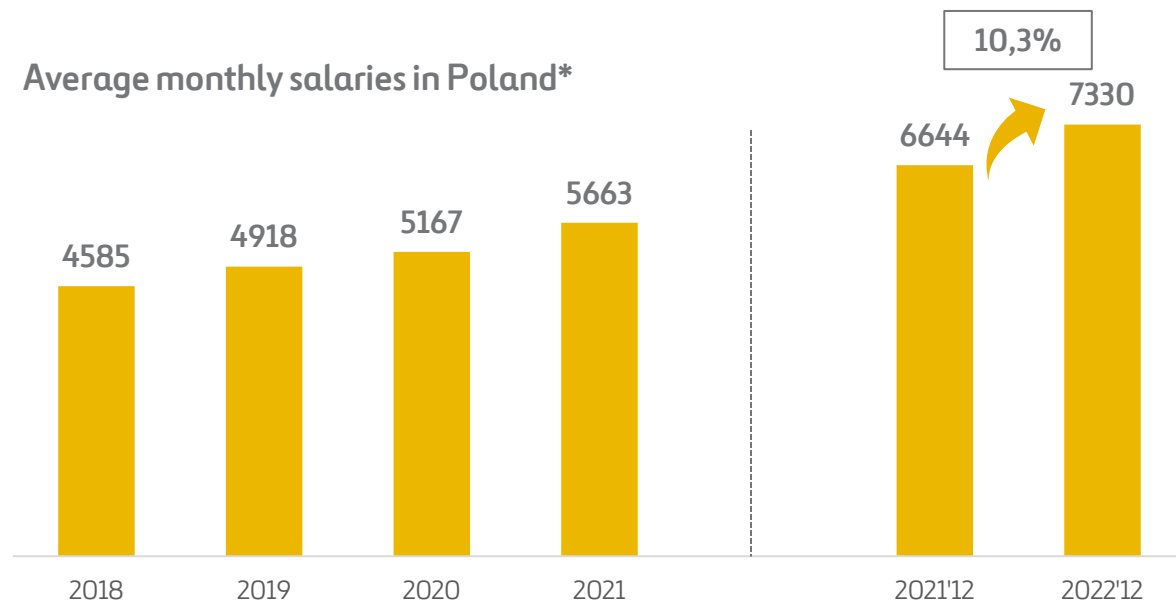
Growth in construction and assembly production (% y/y, constant prices)



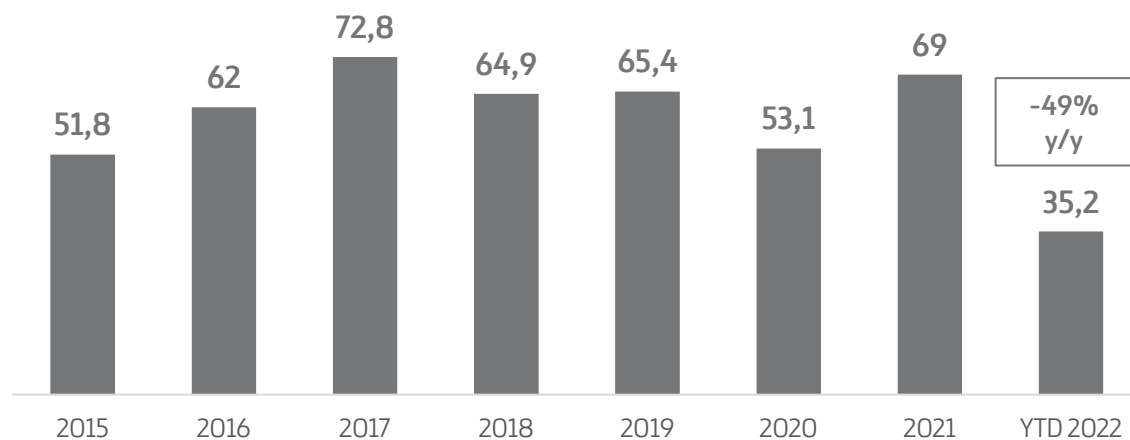
The value of construction and assembly production fell by 0,8% y/y in December. In January–December, the index increased by 6,2% y/y, while the individual segments were as follows: (i) building construction (+11,7% y/y), specialized construction (+5,4% y/y), civil engineering construction (+2,8% y/y).

# Macroeconomic background

Average monthly salaries in Poland\*



Residential flats sales in Poland in the six major agglomerations (data in thousands)



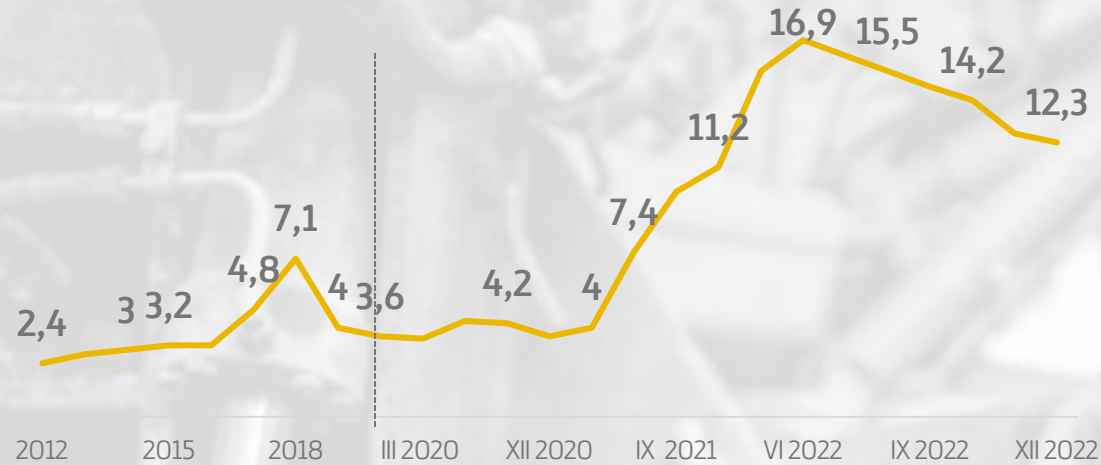
Wages increased by 10,3% y/y in December, a lower reading than inflation. Construction is characterized by wage growth slightly above average (10,4% y/y)

\*Data refers to companies with more than 10 employees.

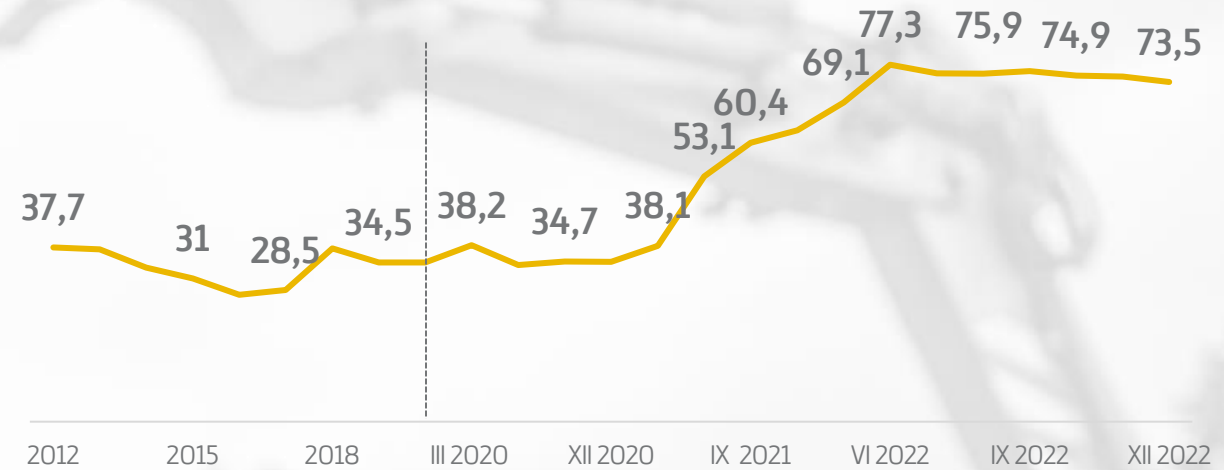
The preliminary results for the whole of 2022 clearly confirm the weakening of demand and supply in the residential market. Residential flats sales in the six major agglomerations fell by 49% y/y.

# Construction situation FY 2022 - stabilisation and prospects for improvement

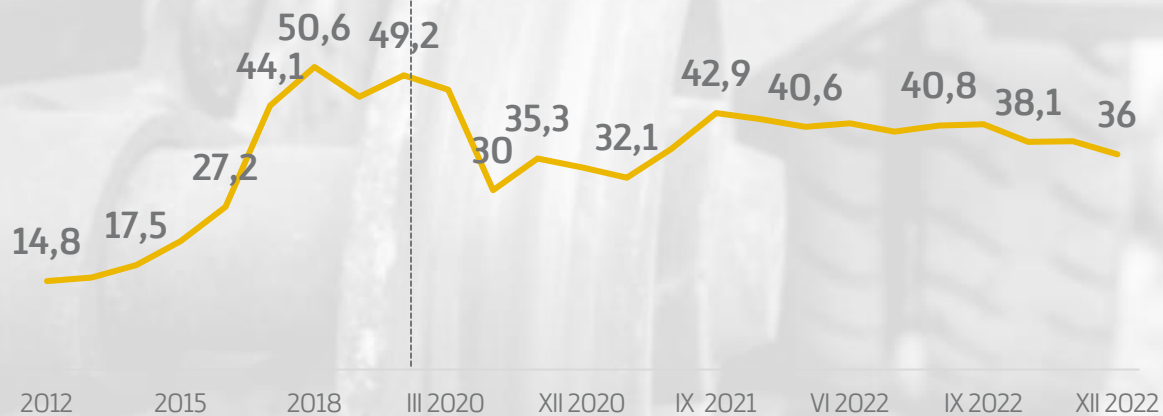
Percentage of construction companies considering shortage of materials as a barrier to business (%)



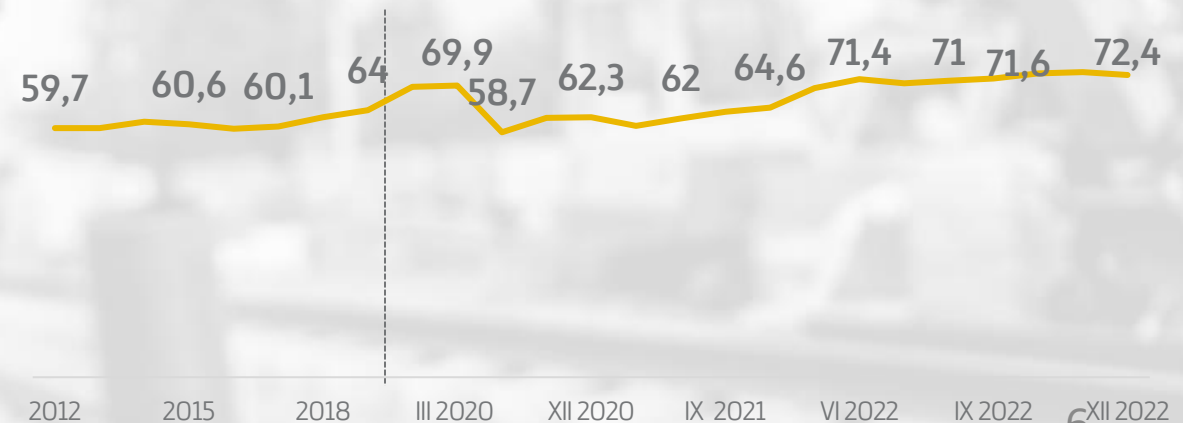
Percentage of construction companies considering material costs as a barrier to business (%)



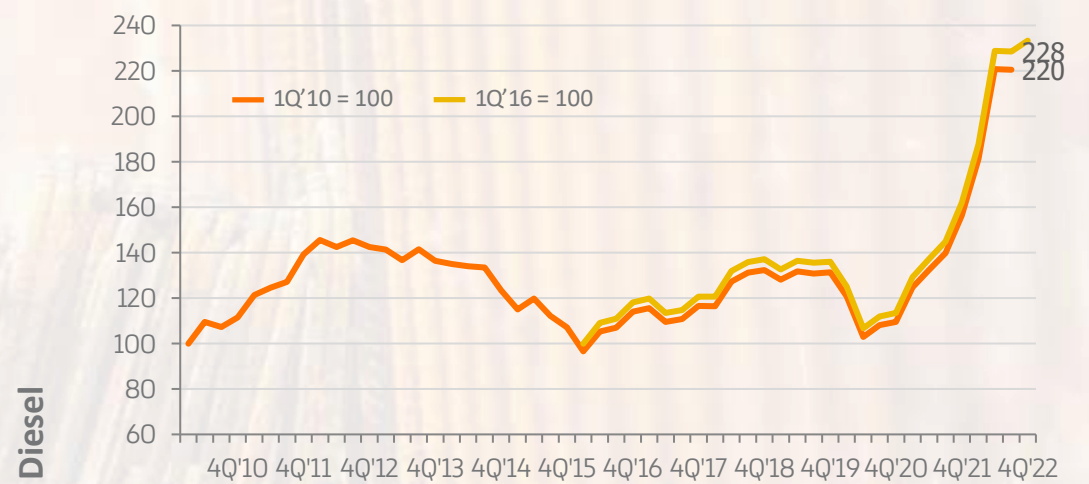
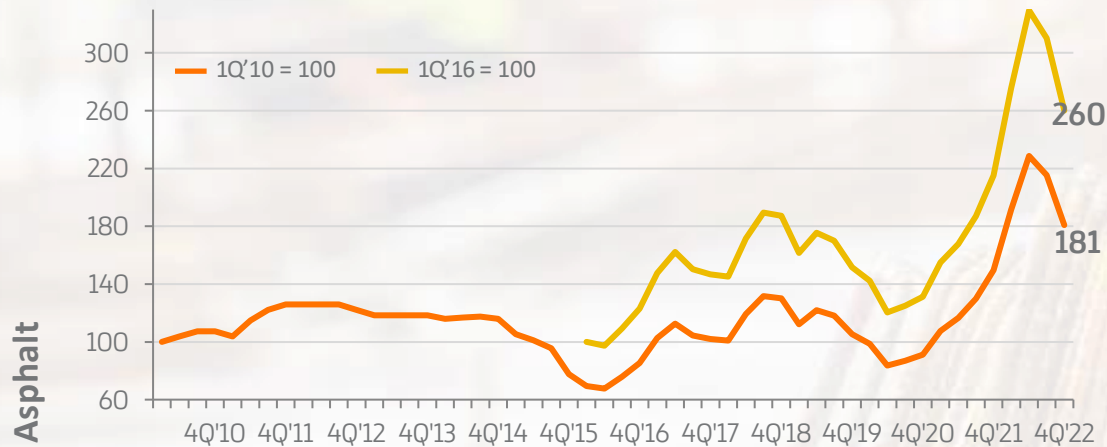
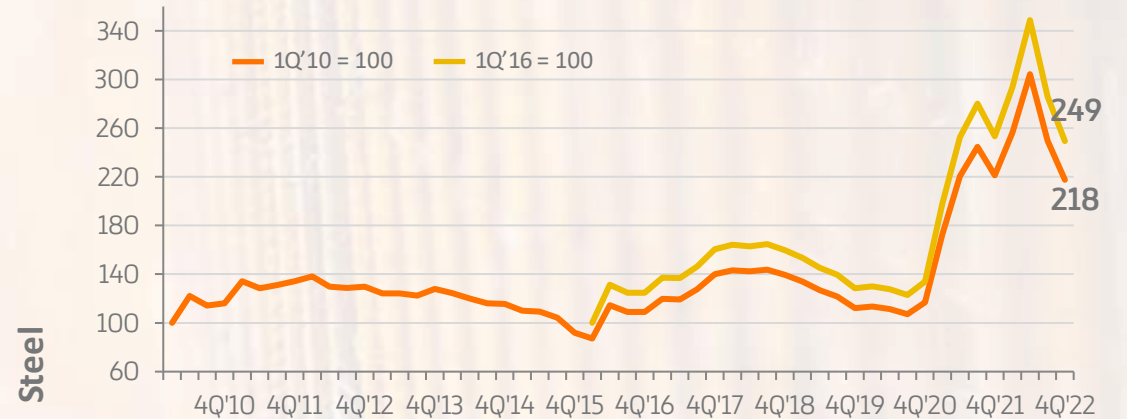
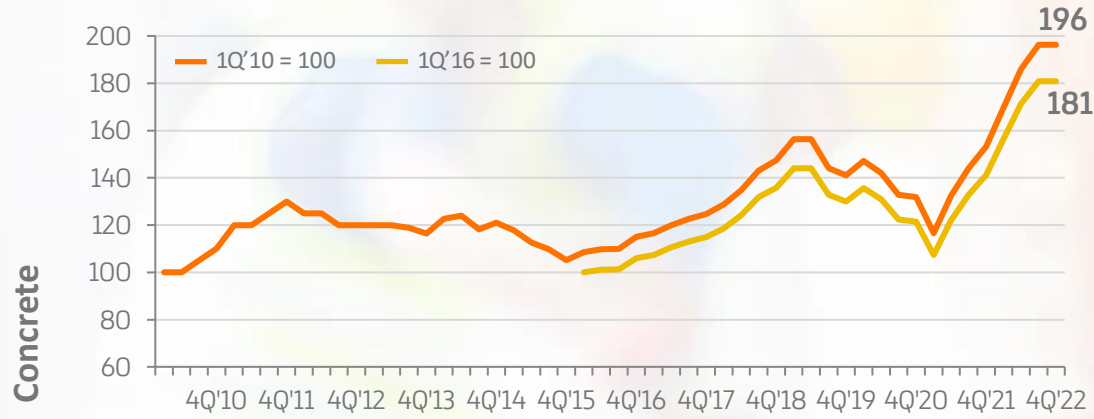
Percentage of construction companies considering labour shortage as a barrier to business (%)



Percentage of construction companies considering employment costs as a barrier to business (%)

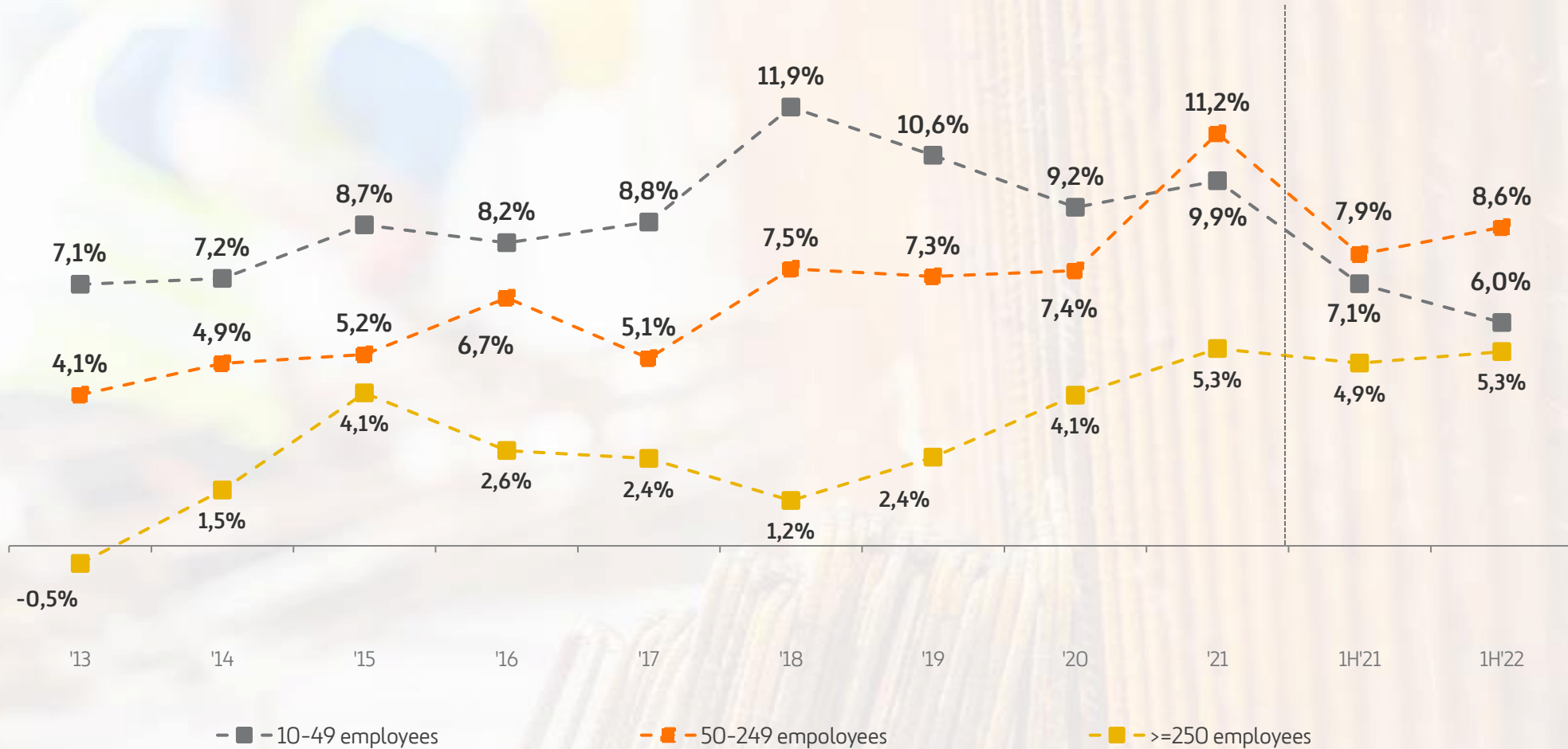


# Prices of selected raw materials



# EBIT margins of construction companies by size

Margins are levelling out in the market between GC and subcontractors





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**2 Financial results of Budimex Group**

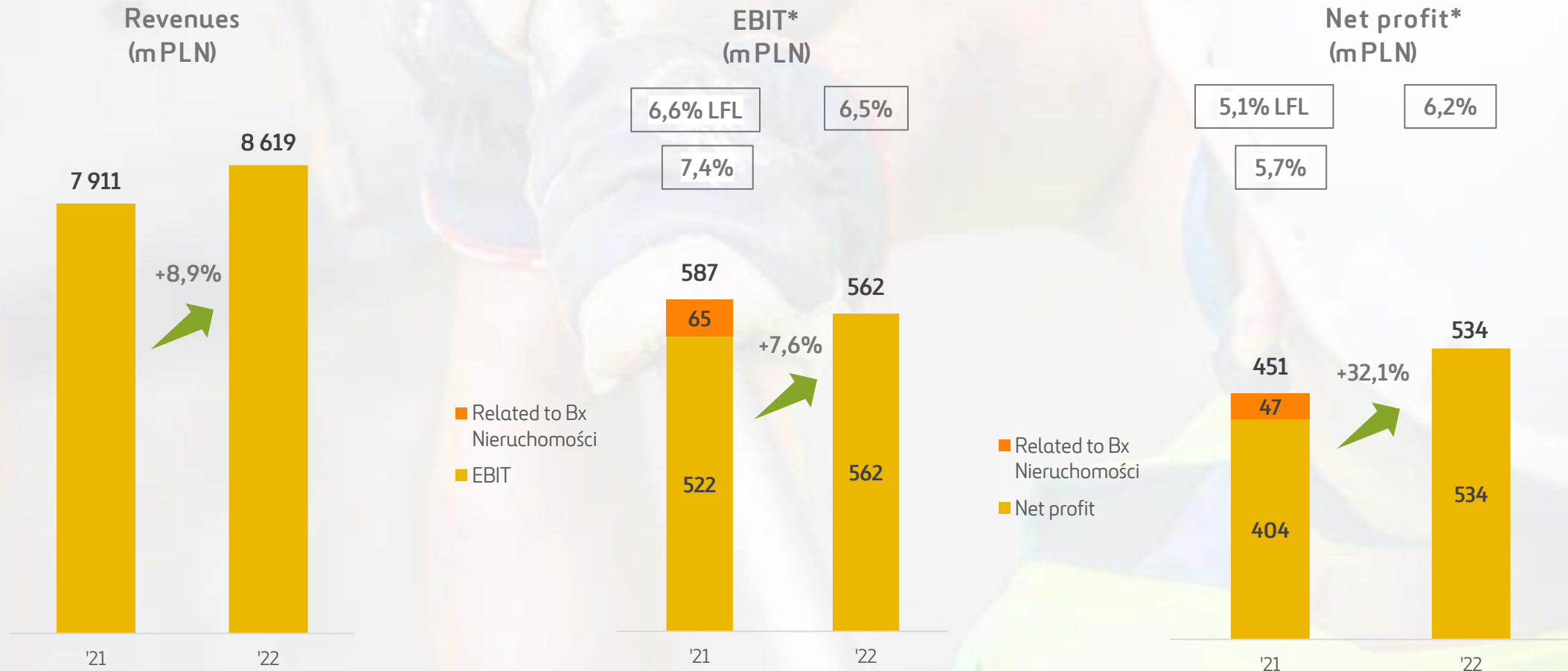
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# Results from continuing operations

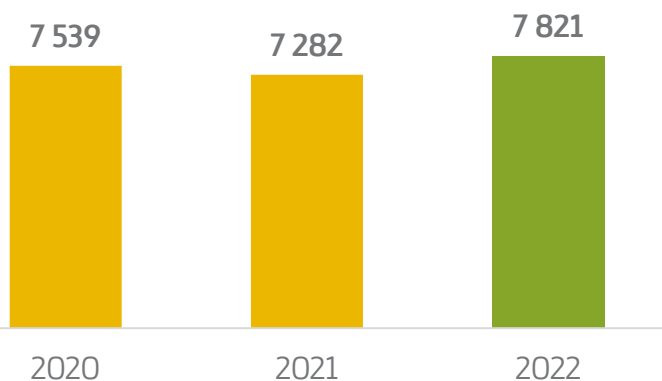


\*The 2021 % margin has been cleaned up by the gain associated with Bx Nieruchomości

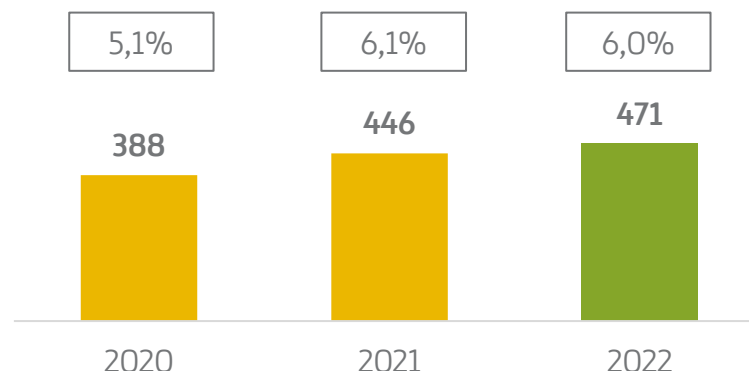
# Financial results by division

## Construction

Revenues (mPLN)

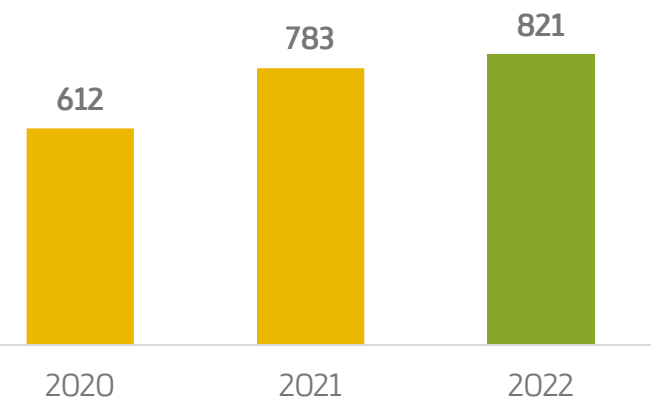


EBIT (mPLN)

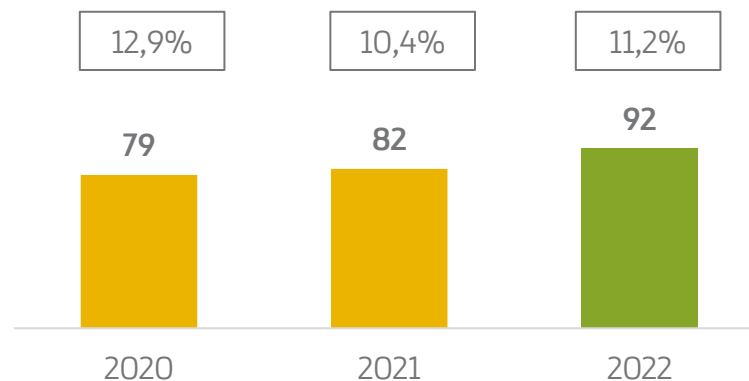


## Services

Revenues (mPLN)



EBIT (mPLN)



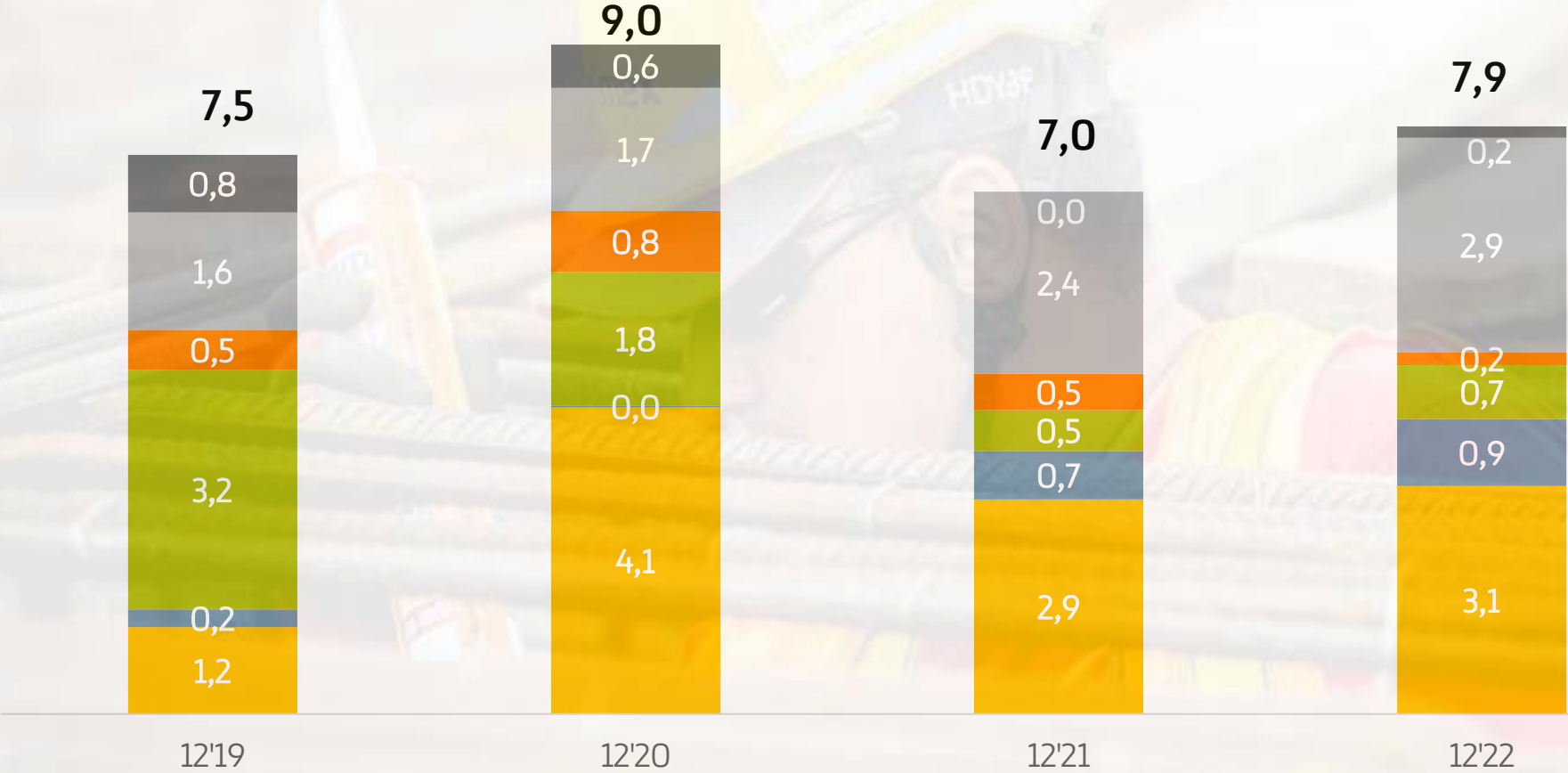
For the full year 2022, revenues in the construction segment increased by PLN 539 million y/y (+7,4% y/y).

The profitability of the construction segment was 6,0%, similar to the result achieved for the previous year. A responsible contracting strategy and a tailored purchasing strategy allowed to limit losses related to the current market situation to a minimum

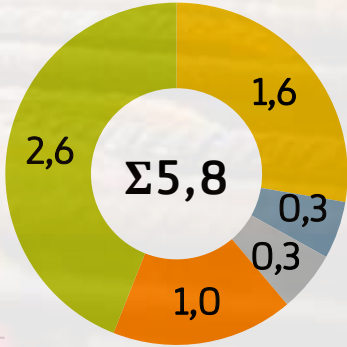
The current structure of the order book secures work for the whole of 2023 and a major part of 2024.

The services division generated sales revenues of PLN 821 million with a profitability of 11,2 %.

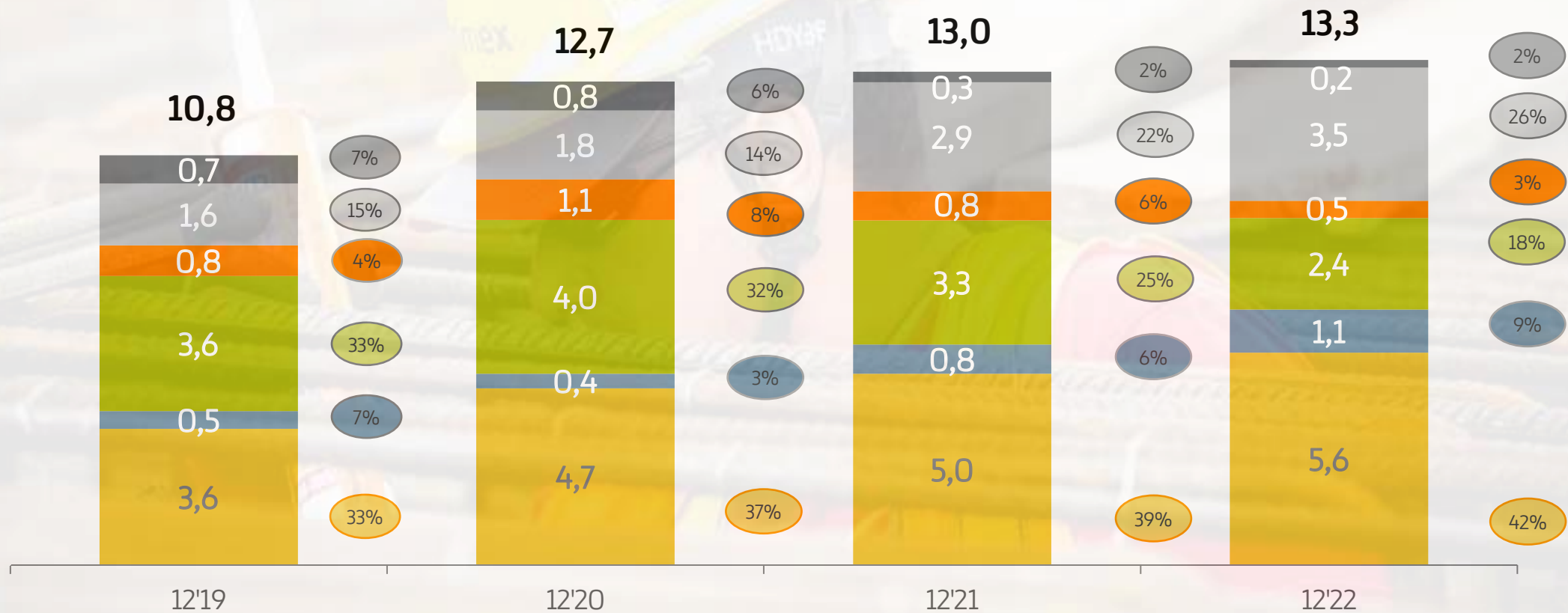
# Contracts signed (bn PLN)



Contracts pending (bn PLN)

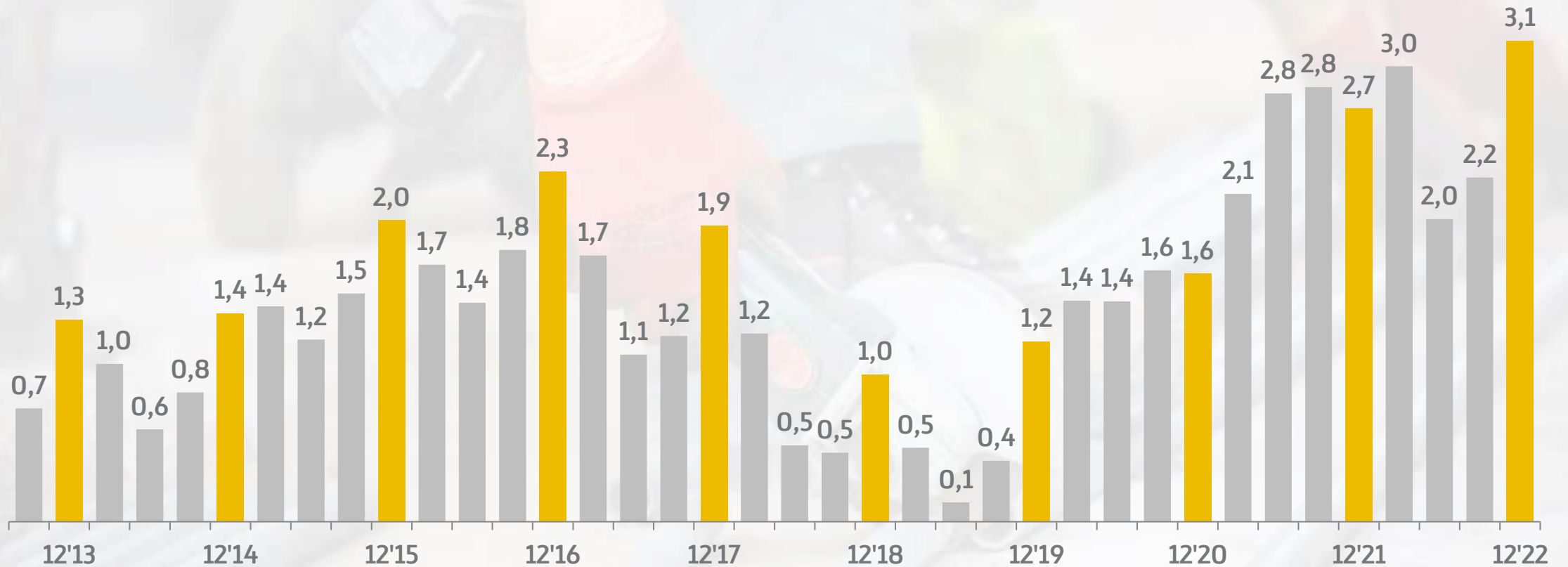


# Backlog (bn PLN)



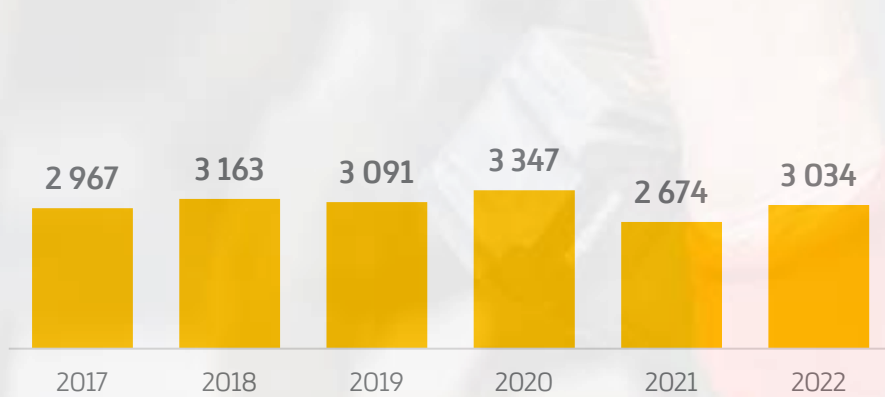
# Evolution of the net cash position

Net cash position in Budimex Group (bn PLN)

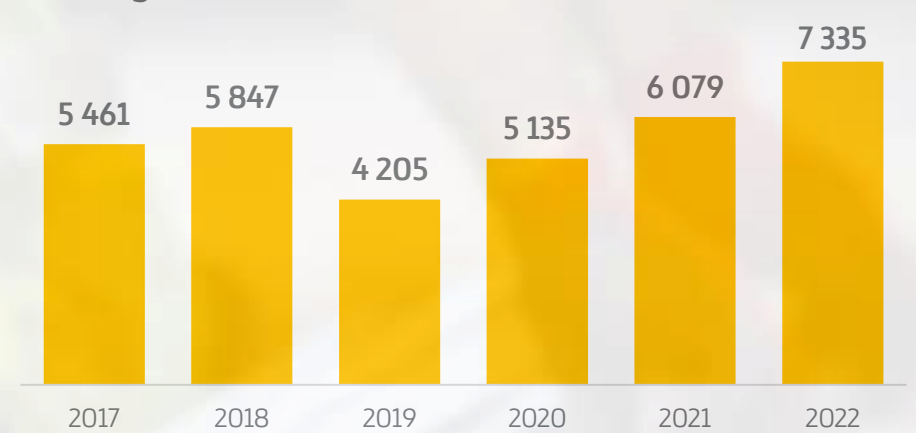


# Infrastructure division (hydro + roads)

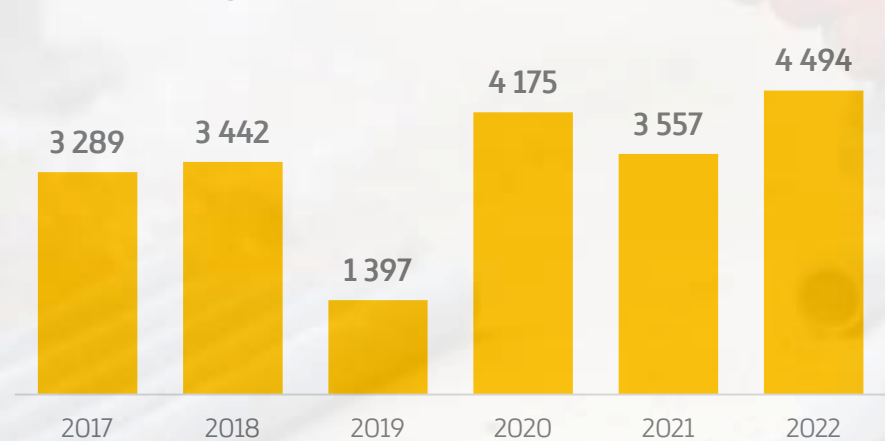
Revenues (m PLN)



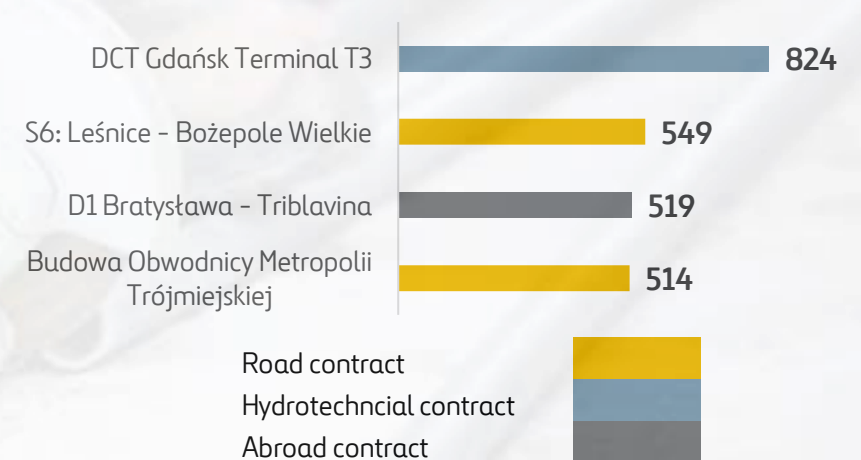
Backlog (m PLN)



Contracts signed (m PLN)

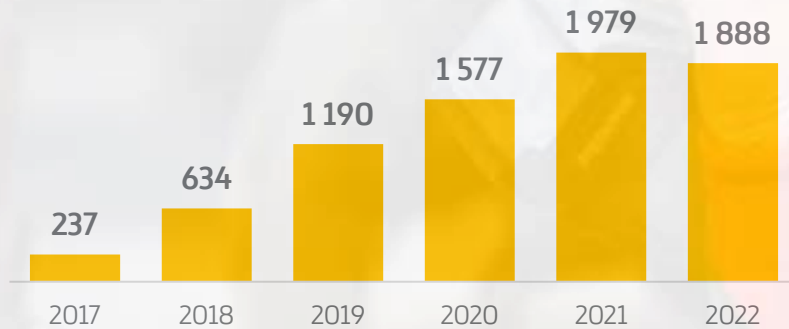


Key contracts in the pipeline

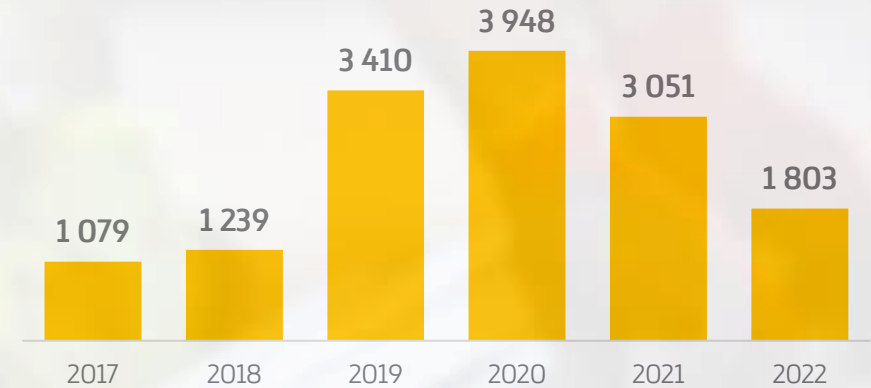


# Railway division

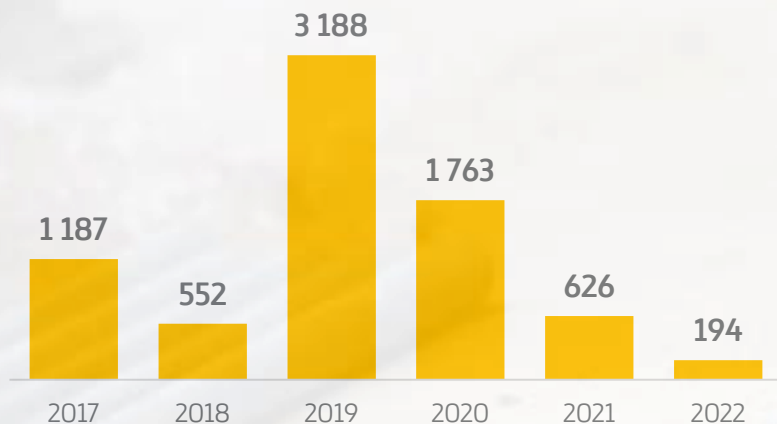
## Revenues (m PLN)



## Backlog (m PLN)



## Contracts signed (m PLN)



## Key contracts in the pipeline



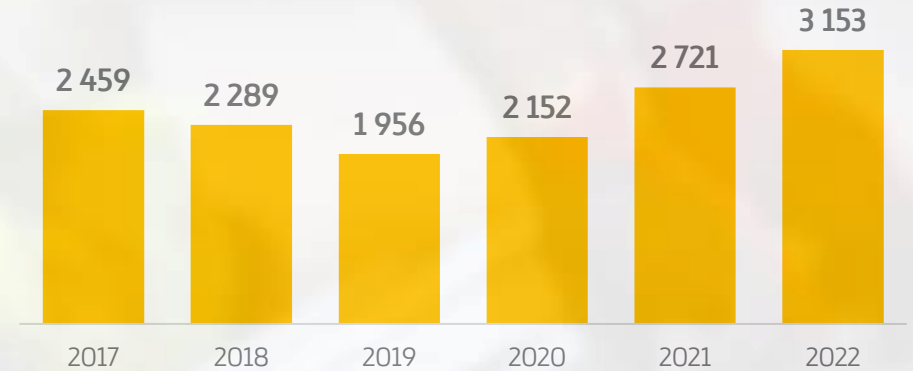


# General construction division

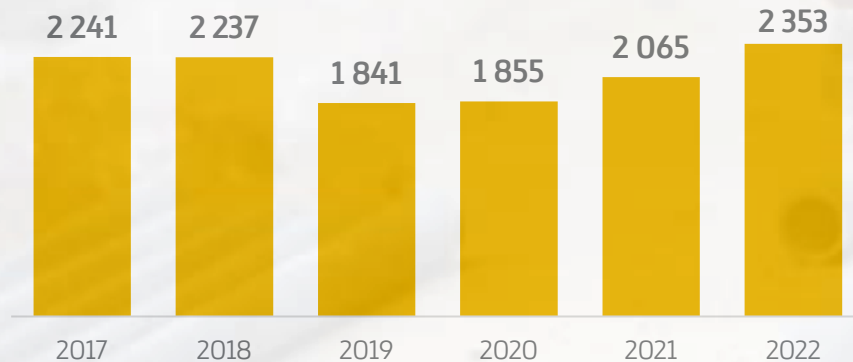
## Revenues (m PLN)



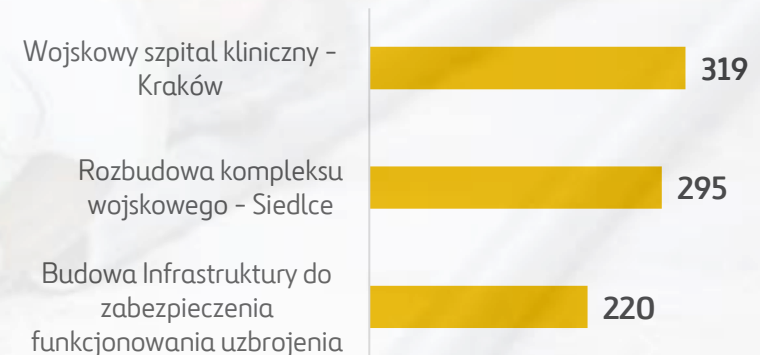
## Backlog (m PLN)



## Contracts signed (m PLN)



## Key contracts in the pipeline



\*Relates only to Budimex SA. The remainder of the order book in general construction is represented by Mostostal Kraków

# Budimex Group's dividend history

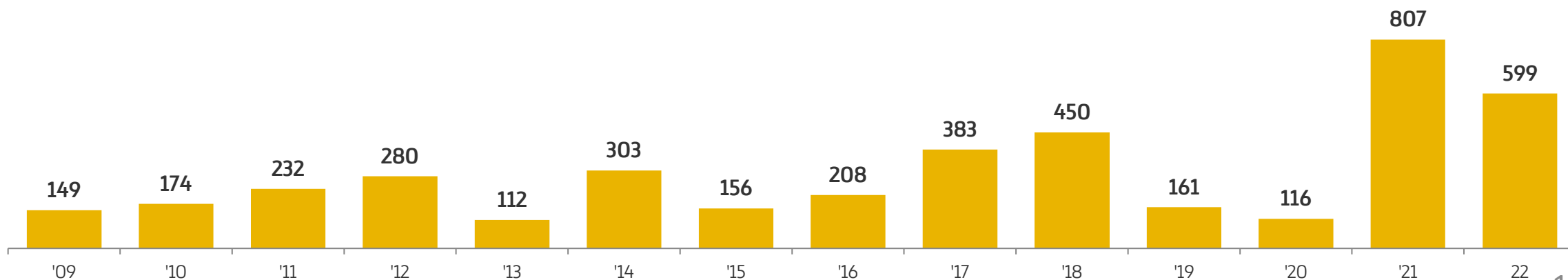
Budimex has regularly shared profit with shareholders for 13 years

$$\Sigma = 4\,128 \text{ MLN} = 161,7 \text{ PLN/shares}$$

Dividend policy - payment of 100% dividend, subject to:

- significant capital expenditure;
- the amount of profit generated;
- the non-recovery of previous years' losses;
- sufficient cash generation;
- risk of breach of covenants;

PLN/shares



Total dividend in m PLN

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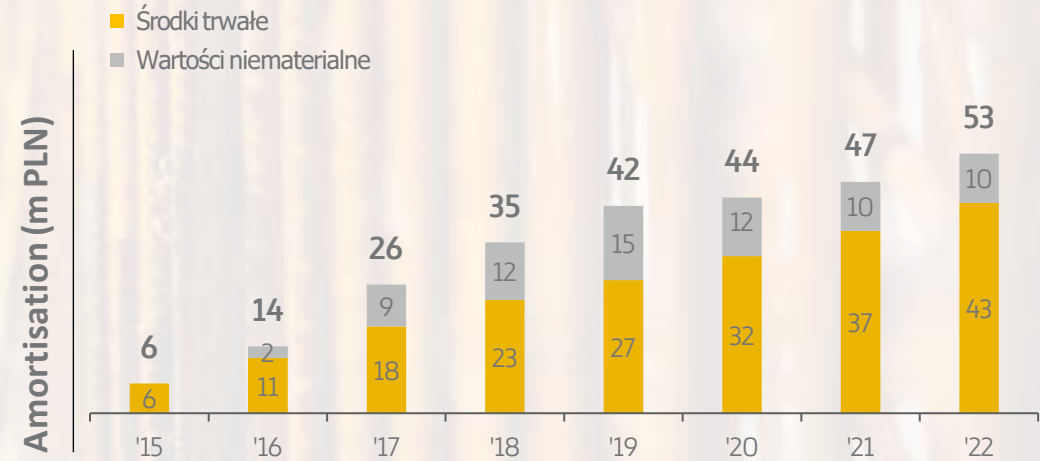
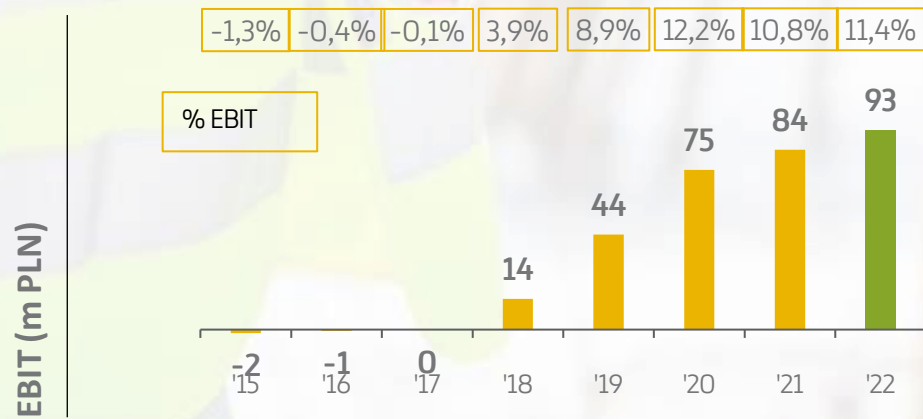
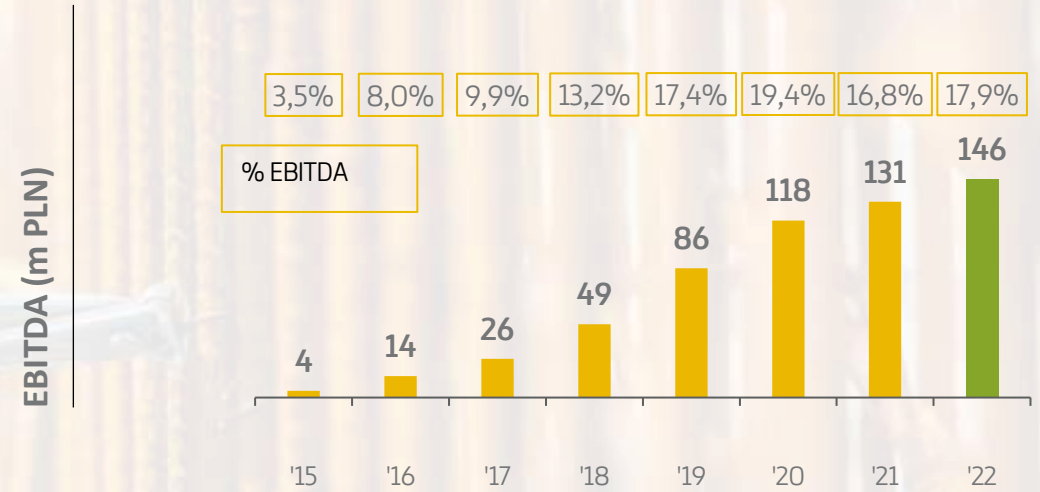
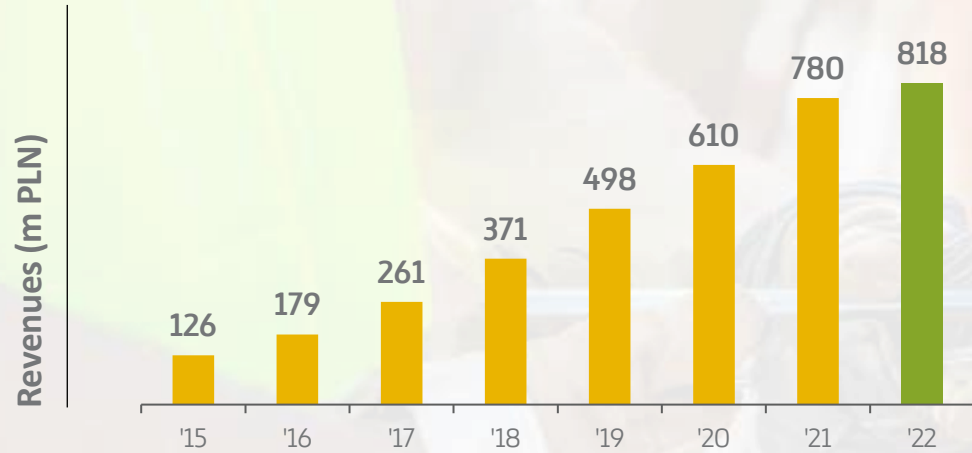
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# FBSerwis – financial results



Investment in new processing assets will include fuel production for alternative energy sources and waste recovery. An important niche will be the neutralization of hazardous waste

### Types of waste treatment assets that will generate the most value

#### Material recovery

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- Glass
- Plastic
- Paper
- Metals
- Building materials
- Wood
- Production of compost as a fertilizer for agriculture

#### Energy recovery

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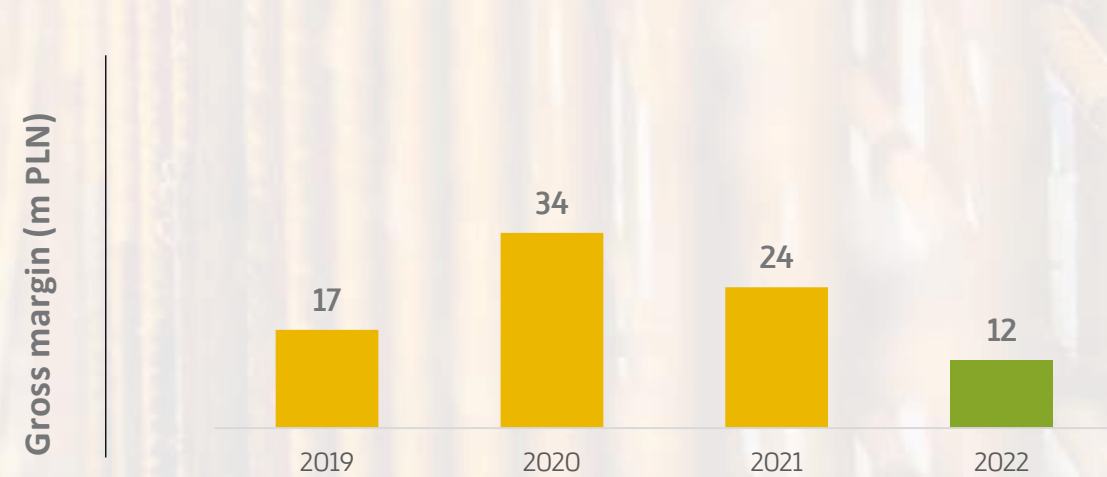
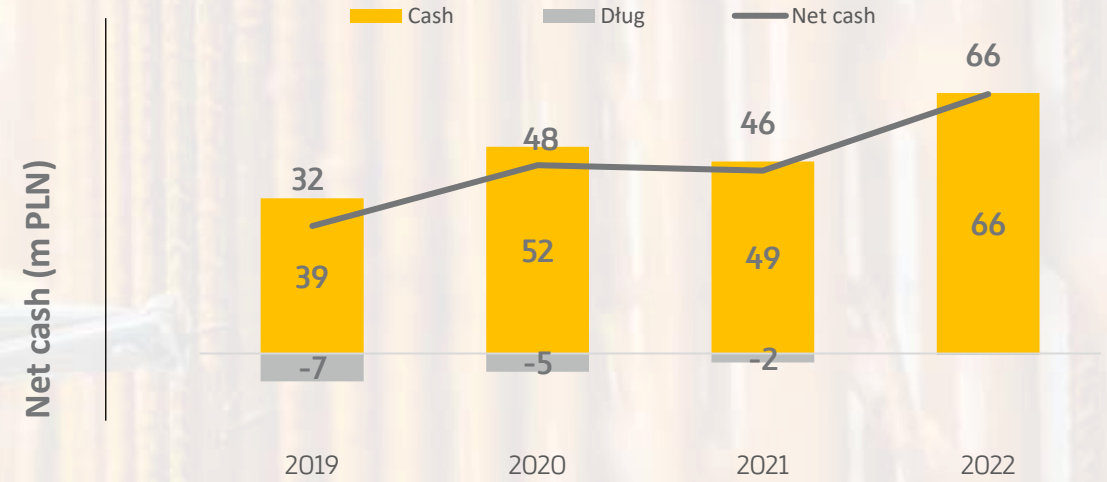
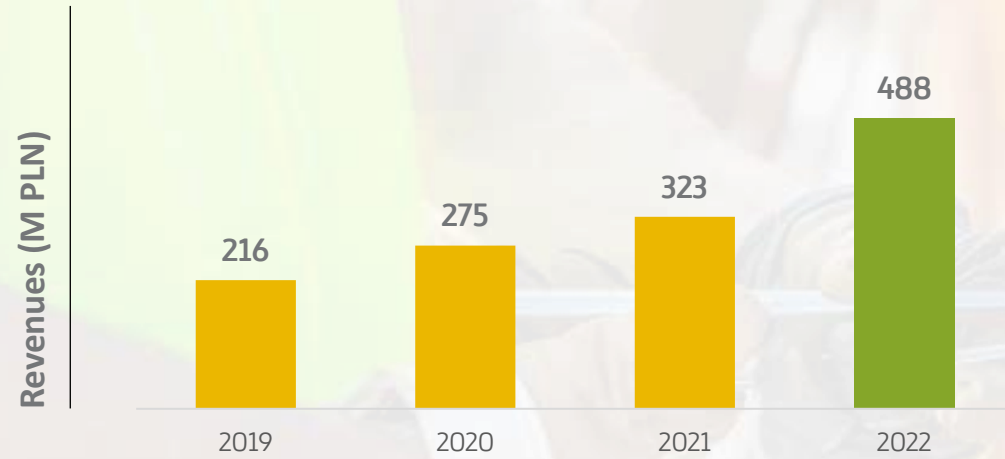
- Incineration of non-recyclable paper, plastics, wood, etc. as RDF and pre-RDF in special incinerators or cement kilns
- Incineration of sewage sludge
- Energy production based on biowaste gas
- Production of biomethane (fuel) from bio-waste

#### Neutralisation of hazardous waste

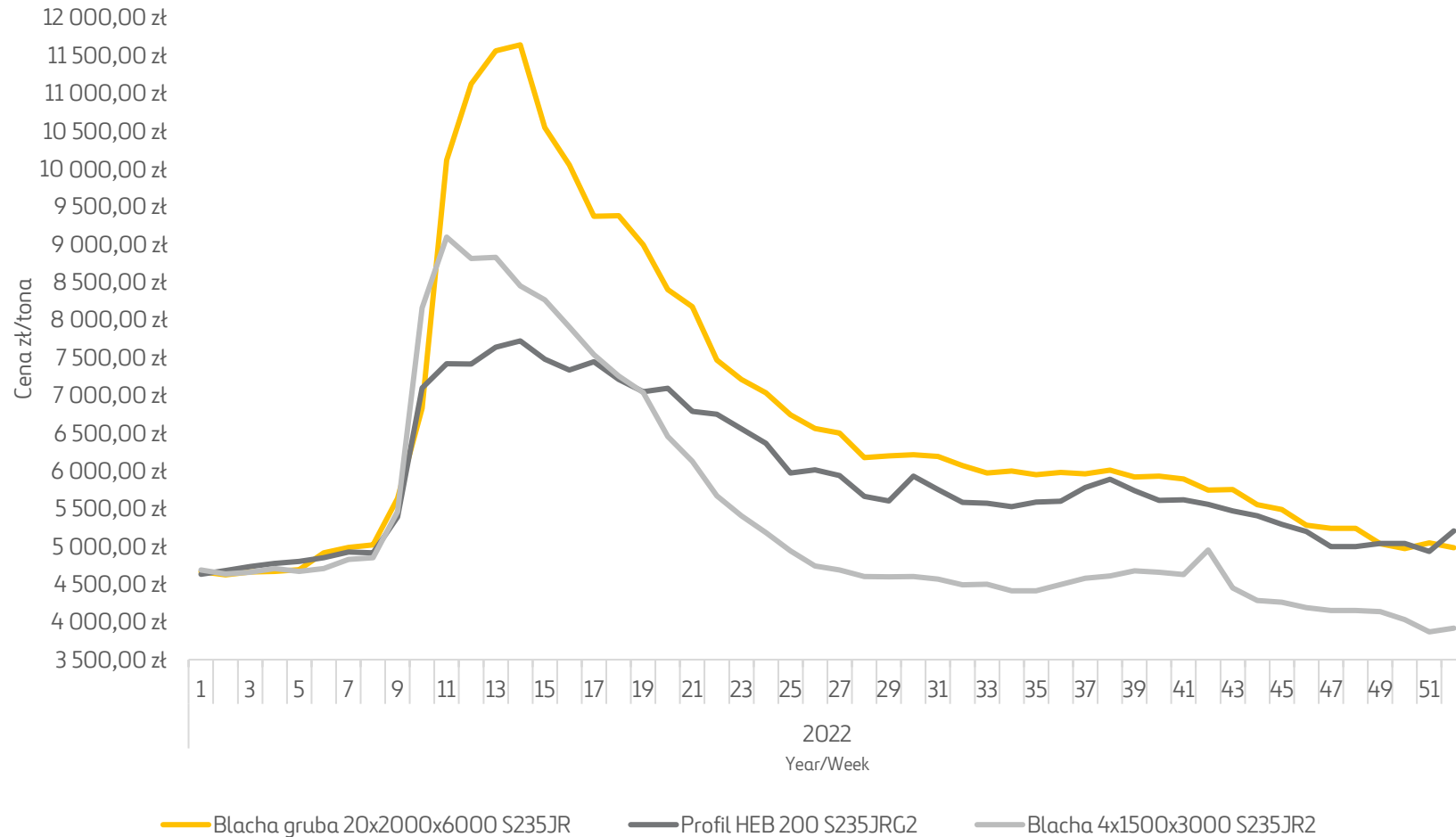
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- Incineration or landfilling of all designated waste streams
- Stabilization of ashes from waste incineration

## Mostostal Kraków – financial results



Steel prices index (PUDS)



With the outbreak of war in 2022, steel supplies from Ukraine, Belarus have been curtailed and from Russia completely closed due to sanctions, a total of around 25% of Polish steel imports in 2021. Over the past several months, steel prices have fallen.

Steel construction plants are sensitive to simultaneous increases and volatility in raw material prices.

The price equilibrium is likely to be at higher levels than before the price shocks in 2020 and 2022.

# Agenda

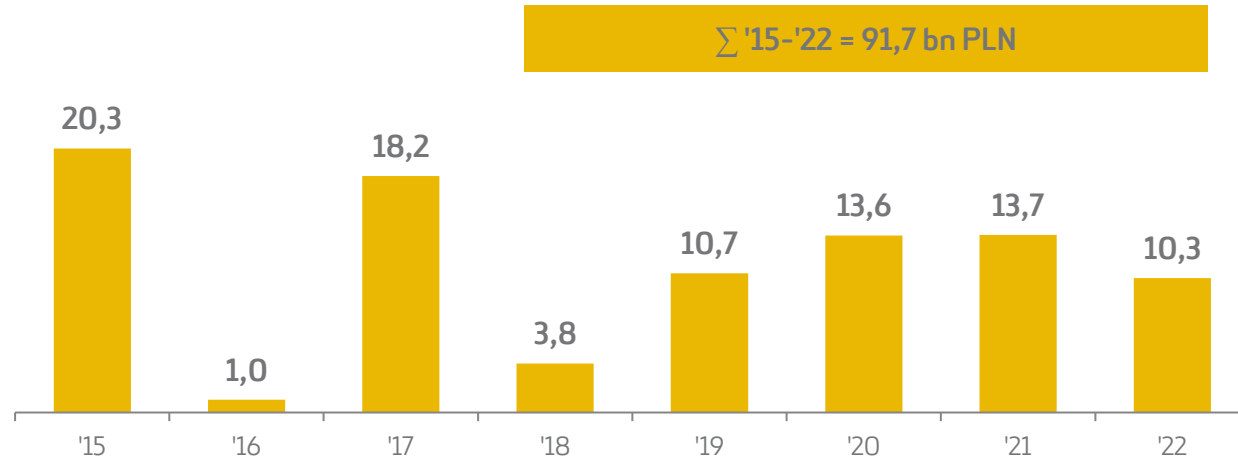
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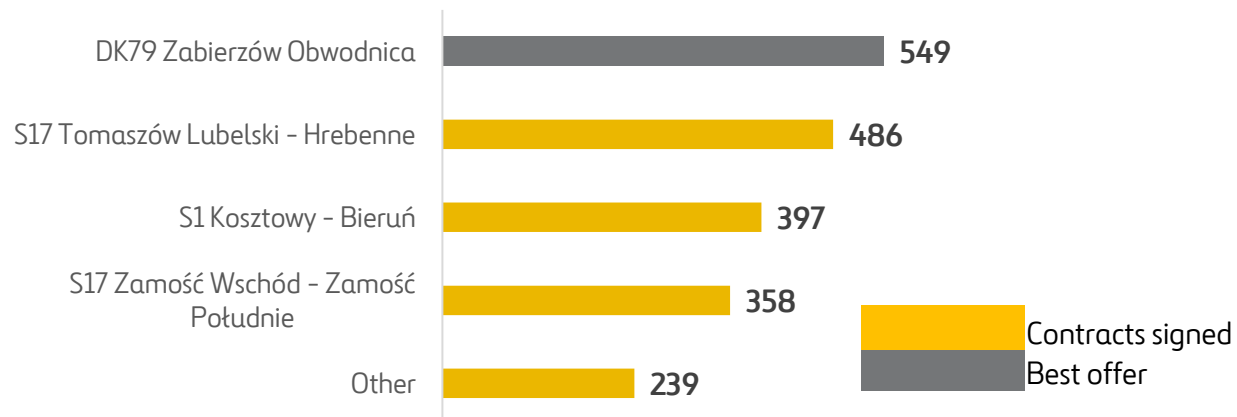


# Analysis of the road market in 2022

Bids submitted in significant GDDKiA tenders (bn PLN)



Contracts signed by Budimex in 2022 and the best bids\* (m PLN)



In 2022, the General Directorate for National Roads and Motorways (GDDKiA) has issued tenders for 20 sections with a length of over 226,8 km worth PLN 10,3 bn PLN.

In 2023 GDDKiA plans to issue tenders for 565 km with a total value of around 28,6 bn PLN, including 480 km under the updated PBDK and around 85 km under the 100 Bypass Construction Programme. The most important planned investments are the expansion of the S7, S8, S11, S12, S19 and S74 roads.

A key development for the industry in 2022 was the dialogue with the GDDKiA and the consequent raising of the valorization limit from 5% to 10%.

# Foreign expansion of the infrastructure division

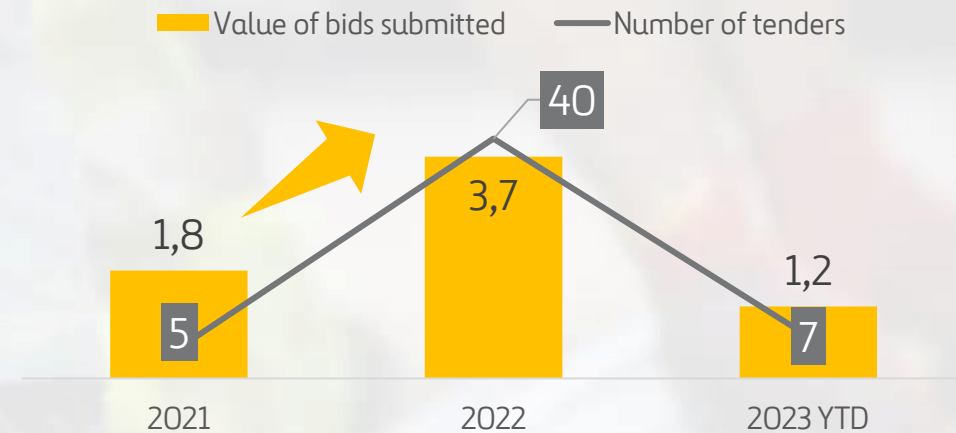
## Actions taken between 2020 and 2022:

- Building organizational structures
- Building relationships with subcontractors
- Development of competencies in the German market
- 52 bids submitted with a value of approx. 6,7 bn PLN
- **Signing of D1 Bratislava Triblavina contract for 519 m PLN**

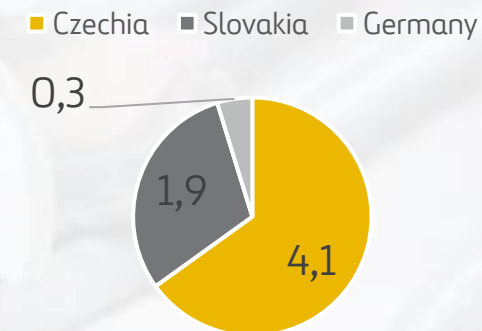
## Expectations for 2023:

- Increasing the efficiency of bids
- Another contract pending in Slovakia with a value of 374 m PLN
- Scaling up operations in the Czech and Slovak markets

Value of bids submitted (bn PLN) and number of tenders

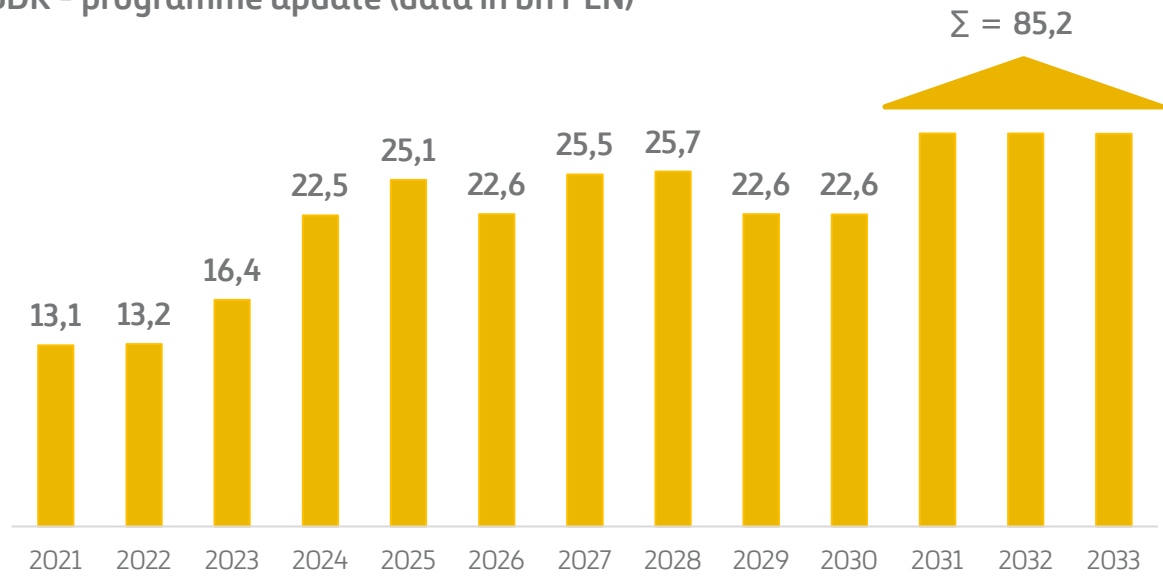


Value of bids submitted (bn PLN) – geographical

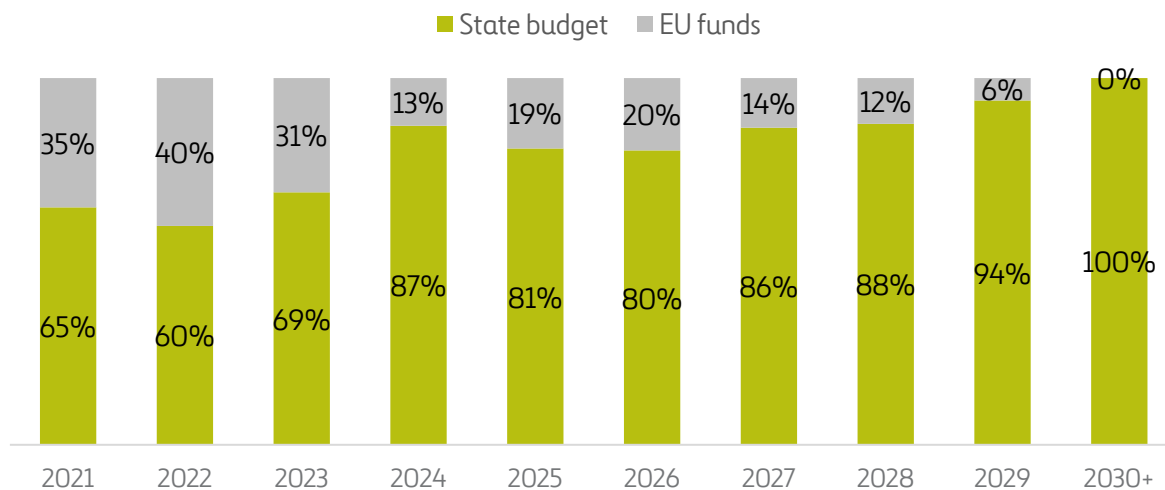


# Investment programmes - infrastructure

PBDK - programme update (data in bn PLN)



PBDK - financing



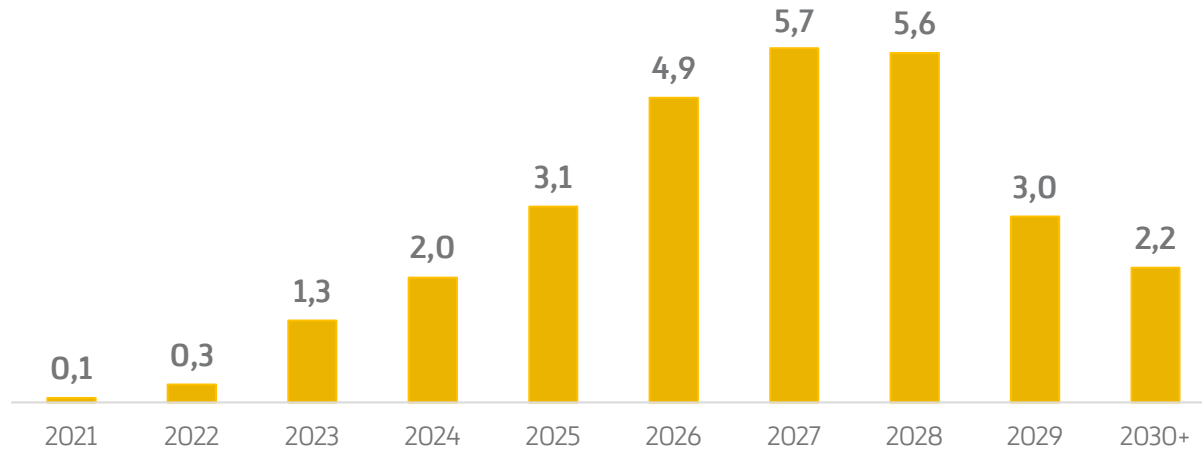
## Main features of the updated PBDK:

- The largest road programme ever
- Total value of investments amounts to 294,4 bn PLN
- Implementation of investments of over 6 100 km
- Implementation of 2 500 km of new roads
- In 2023, planned announcement of tenders with a length of 480 km

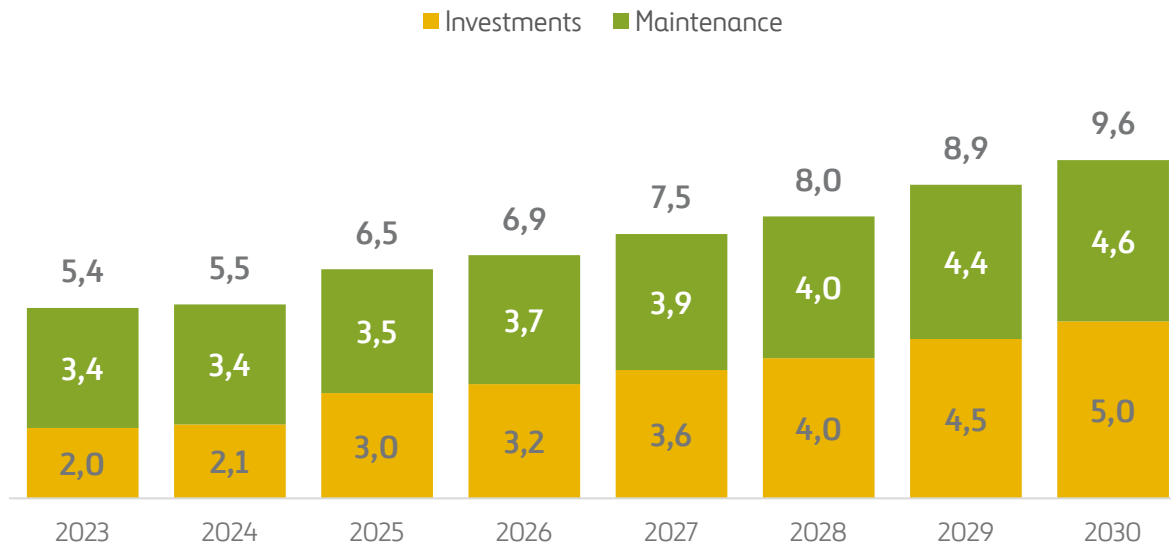
The main source of funding for the investments included in the PBDK is the National Road Fund, which is fed by, among other things, EU funds. The financial limit of the new programme should allow the completion of practically the entire network of motorways and expressways specified in the Regulation of the Council of Ministers on the network of motorways and expressways.

# Investment programmes - infrastructure

100 Bypasses Programme (bn PLN)



Programme for Strengthening the National Road Network (bn PLN)



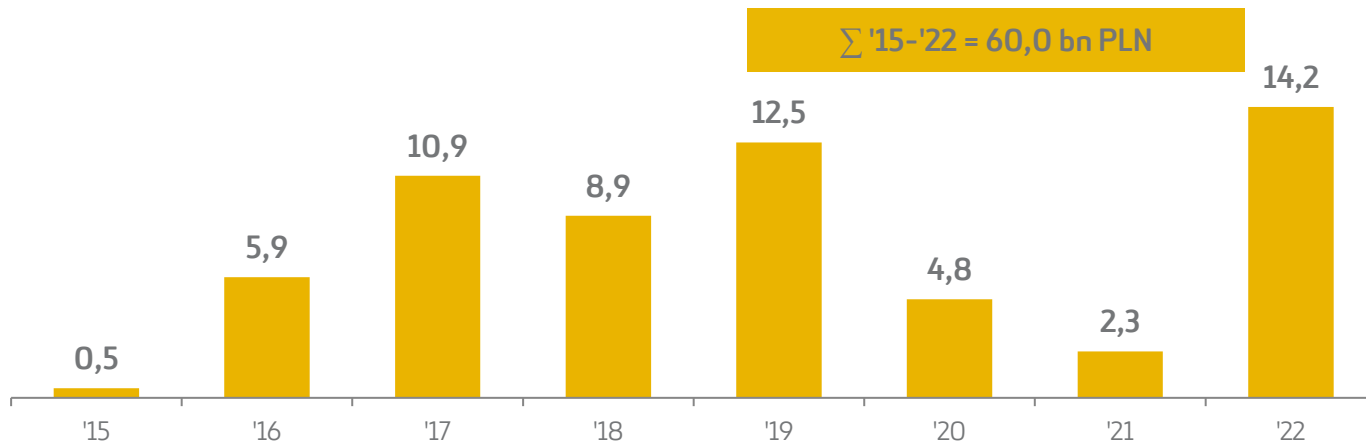
The cost of implementing the Programme for the Construction of 100 bypasses has been estimated at 28 bn PLN. Funding will be provided by the National Roads Fund.

The scope of the programme is: (i) structural maintenance (comprehensive reconstruction/reconstruction of sections of national roads); (ii) day-to-day maintenance (including routine rehabilitation, repair, maintenance and cleaning work); (iii) execution of designs for new maintenance solutions to the road network.

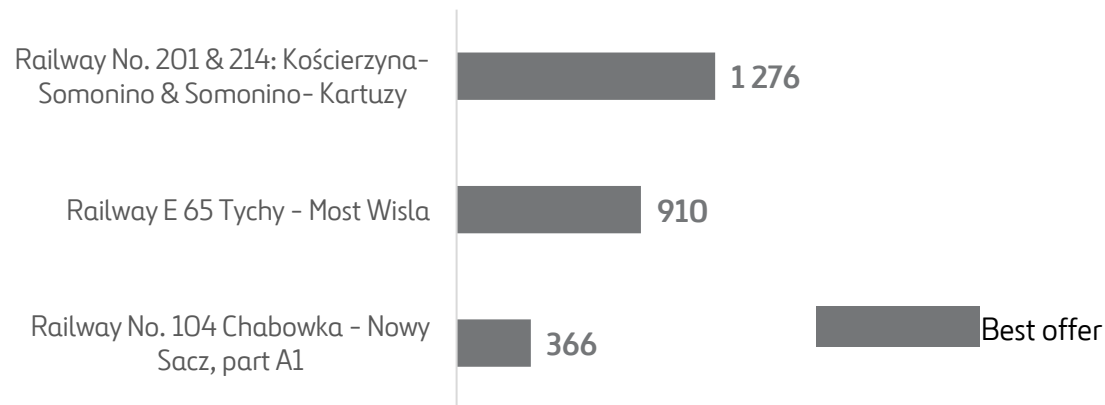
The main source of funding for the Programme will be the state budget (funds from excise duty on motor fuels). It is allowed to apply for funds from the EU budget in the case of tasks of an investment nature. The KFD is to play an auxiliary role in financing. The necessary amount for implementation is 58,3 bn PLN.

# Analysis of the rail market in 2022

Bids submitted in significant PKP PLK tenders (bn PLN)



The most advantageous bids submitted by Budimex (m PLN)



In 2022, PKP PLK has announced tenders worth more than 14,2 bn PLN, most of which have not been awarded due to a lack of secured funding. Railway investments are heavily dependent on EU funding (e.g. CEF2, KPO, FENiKS). The mobilisation of EU funding is key to the effective implementation of investments by PKP PLK. In 2023, the planned value of announced tenders will exceed 15 bn PLN.

At the level of national funds, the Council of Ministers increased the budget of the Rail Plus programme from PLN 5,6 bn PLN to 11,0 bn PLN in the first half of 2022. The programme will run until 2028 and includes 34 investment projects, compared to 17 projects assumed in the earlier version of the programme.

In the medium and long term, the outlook for the rail market should be viewed positively, so both 2022 and the following years will bring further investments by the Budimex Group in specialized equipment necessary for the implementation of rail projects.

# Foreign expansion of the railway division

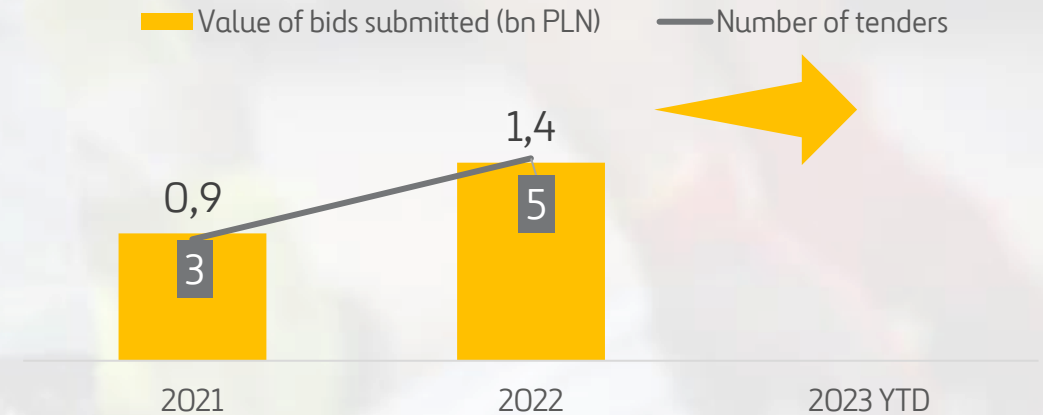
## Actions taken between 2020 and 2022:

- Fulfilment of formal requirements for bidding in foreign markets
- Structure building in the German market - foundation of RailBX
- Qualification for participation in the decisive stage of the Rail Baltica tender in Latvia

## Expectations for 2023:

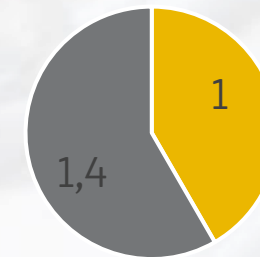
- Increase in the number of bids
- Further expansion of operations on the Czech and Slovak markets
- Commencement of operations on the German market
- Participation in tendering procedures in the Baltic countries (Rail Baltica projects)

## Value of bids submitted (bn PLN) and number of tenders



## Value of bids submitted (bn PLN) - geographical

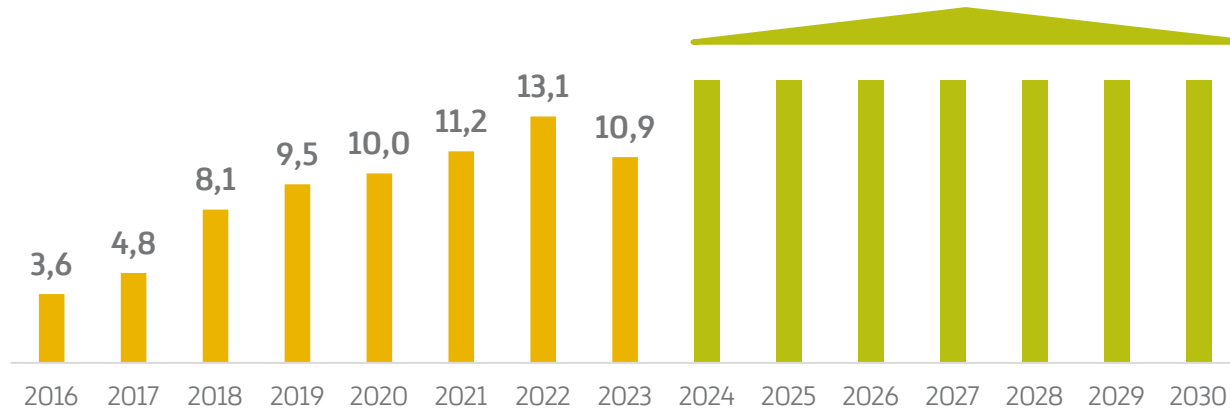
■ Czechia ■ Slovakia



# National investment programmes - rail

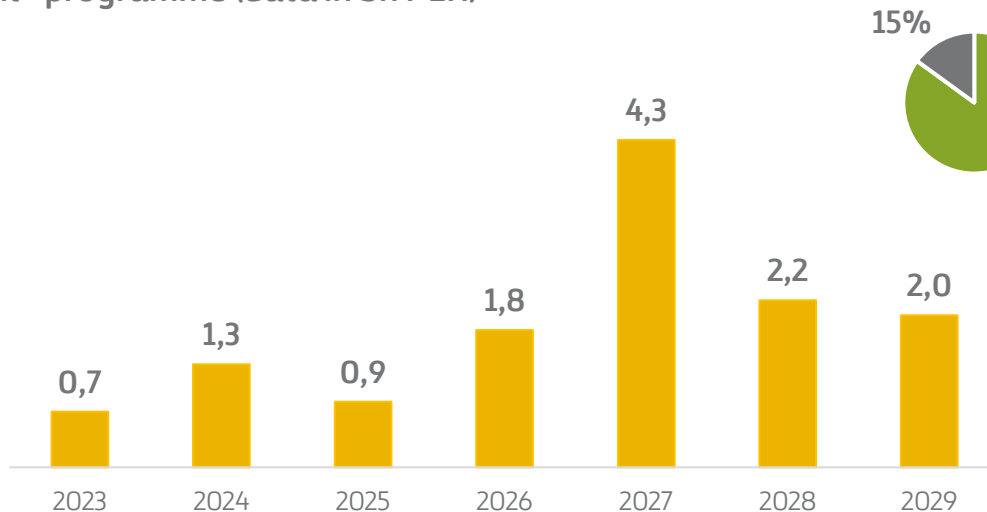
## National Railway Programme

New NRP in the process of being agreed (likely range of PLN 10 - 15 bn per year)



## Rail+ programme (data in bn PLN)

■ EU funds ■ State budget



The core investment programme in the rail market, the National Rail Programme (NRP), is updated and extended annually (most recently in December 2022). Work is currently underway to update the NRP for the 2021-2027 perspective, which will include planned projects to be implemented by 2030. The planned investments are worth more than 100 bn PLN.

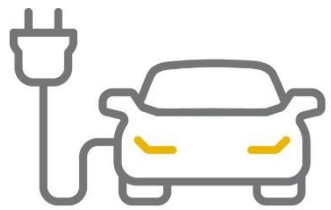
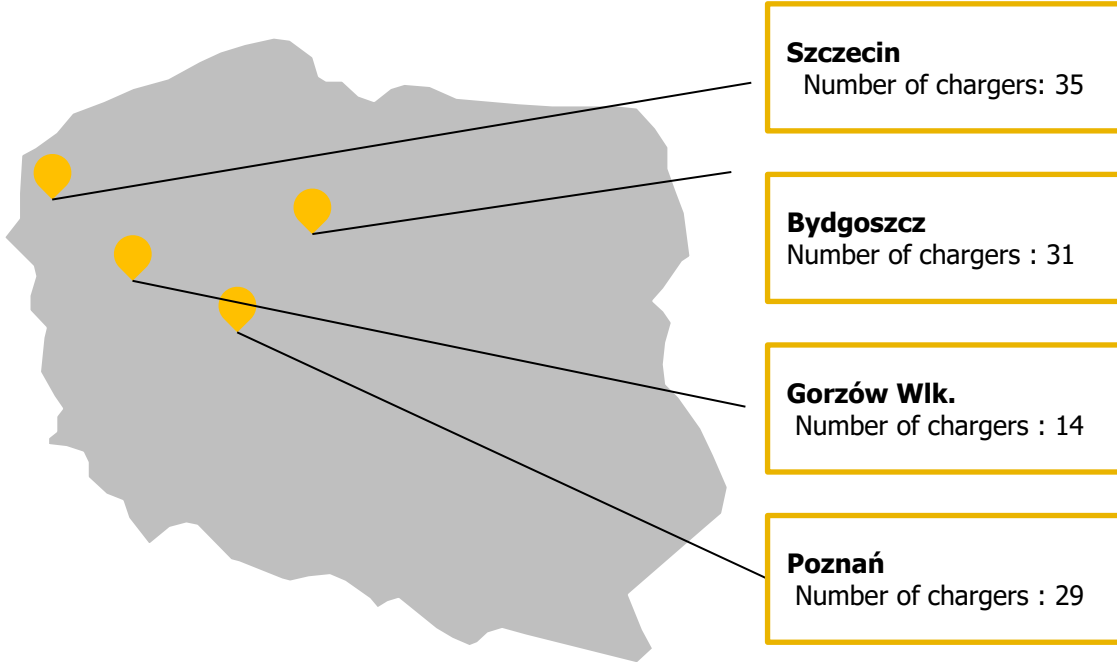
The target funding sources are the Cohesion Fund, the CEF programme and the Recovery and Resilience programme.

The Rail + programme, detailed until 2029, confirms the dependence of rail investment on EU funds.

The CPK company is systematically launching further rail component projects. Construction work on the first projected sections is expected to start in the next few years.



# Development of electromobility



**budimex**  
mobility

- Budimex Mobility has acquired 109 charging stations for electrics from Enea Operator
- Development of >200 stations in major urban centres is planned
- The charging stations are scheduled to be operational in Q2 2023.





# First wind farm in Budimex Group



Location in Drachów,  
Wielkopolskie Voivodship

- Provides average wind strength of >7m/s.
- Planned commissioning 1H2023 r.
- Productivity 20-25 GWh/pa



Funding secured in the amount of 45,3 M PLN



PPA agreement



Installed capacity up to 7 MW

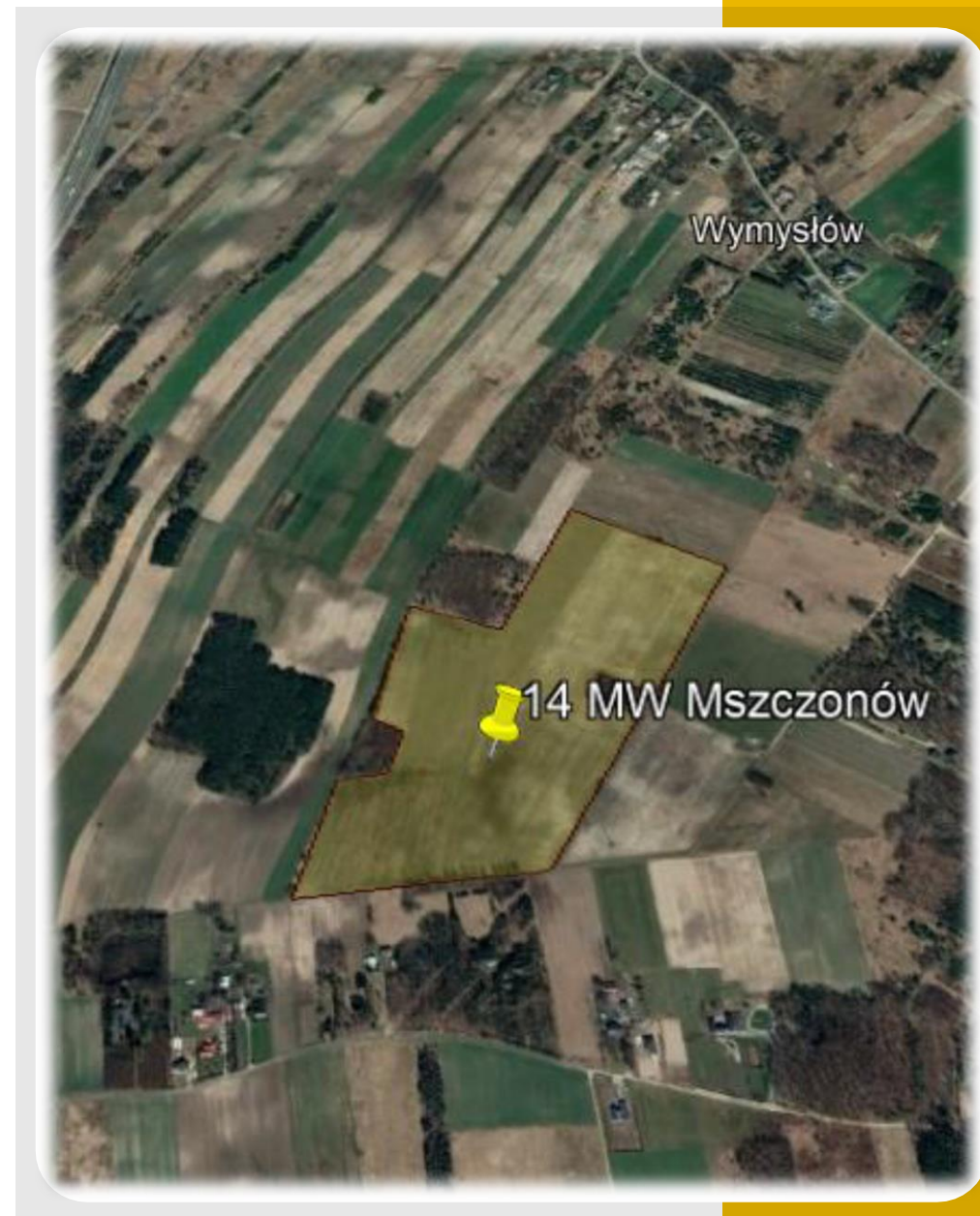


# First photovoltaic farm in Budimex Group



Location in Mszczonów,  
Mazowieckie Voivodship

- Productivity >1000MWh/MWp
- Planned launch in Q1 2024
- Capacity under 15 GWh/PA



Planning project finance



Planned acquisition of a PPA



Projected installed capacity 14 MW

# Summary of investment programmes



Government Programme for the Construction of National Roads to 2033

294 bn PLN



National Railway Programme to 2030

>100 bn PLN



PSE until 2032

32 bn PLN



Programme of 100 Bypasses by 2030

28 bn PLN



CPK

≈ 140 bn PLN



Nuclear power plants

≈ 200 bn PLN



Programme for Strengthening the National Road Network up to 2030

58 bn PLN



Investment in ports up to 2030

40 bn PLN



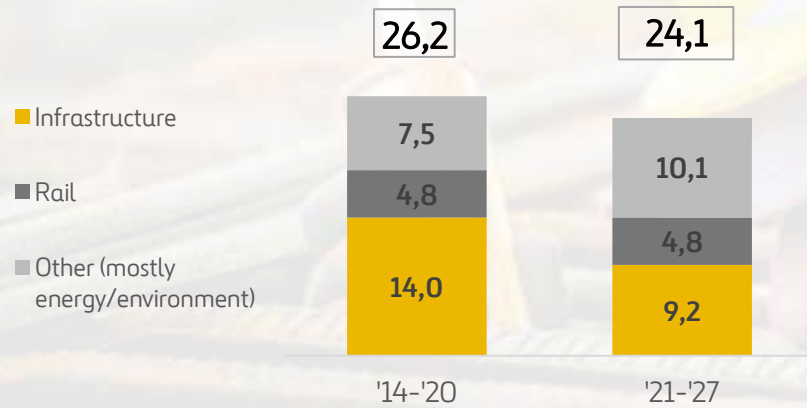
Off-shore until 2040

>100 bn PLN

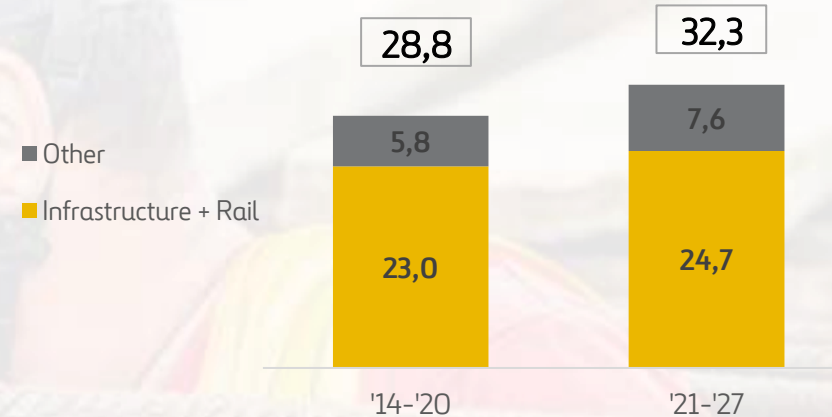
Σ 1000 bn PLN

# EU funds

Program European Funds for Infrastructure, Climate, Environment 2021-2027 (FEnIKS)) (bn EUR)



Connecting Europe Facility (CEF) – funds for all countries (bn EUR)



≈ 10% of the total amount allocated to Poland

National Reconstruction Program (KPO) (bn EUR)



Tranches

# Agenda

1 Macroeconomic background

2 Financial results of Budimex group

3 FBSerwis & Mostostal Kraków

4 Market and outlook

5 **CSR**





- 2 open Parent Zones
- (Pisz and Bydgoszcz) more than 1,000 people benefited from the two open Parent Zones in 2022



Dom z Serca



- this is the second edition of the "Home from the Heart" programme
- the construction of a house for a family of eight was completed to turnkey condition.
- The project was supported by 14 partners

# Budimex – goals for 2023

- Stable construction segment supported by European funds. Margins under control
- Expansion of business activities abroad (Germany, Czech Republic, Slovakia)
- FBSerwis - Expansion of competences by new business lines
- Development in the renewable energy segment

