



POLIMEX MOSTOSTAL CAPITAL GROUP

NOVEMBER 2018

Polimex Mostostal Capital Group is one of the leaders in the Polish construction sector, recognised on the market for its impressive order portfolio, unique expertise marked by several decades of the market presence, impeccable quality of delivered services and solid industry credentials.

"Polimex-Mostostal" S.A. is the largest Polish engineering and construction company with the national capital and the general contractor in the field of industrial construction.

The company carries out specialized investments in Poland and abroad for the energy, petrochemical, gas and environmental protection industries. It is a producer and an exporter of steel structures and platform gratings. It also provides services in the galvanizing and painting of steel structures.

The company has been operating on the market since 1945. It has been listed on the Warsaw Stock Exchange since 1997.



Polimex Mostostal Capital Group in numbers

Almost 5,000
highly-qualified employees

Over 70 years
of market presence in Poland

A publicly-traded company
listed on the Warsaw Stock Exchange **since 1997**



Segments of Polimex Mostostal Capital Group

Polimex Mostostal Capital Group consists of production and service companies operating in the following key sectors:



POWER SECTOR



**OIL, GAS,
CHEMICALS**



**INDUSTRIAL
CONSTRUCTION**



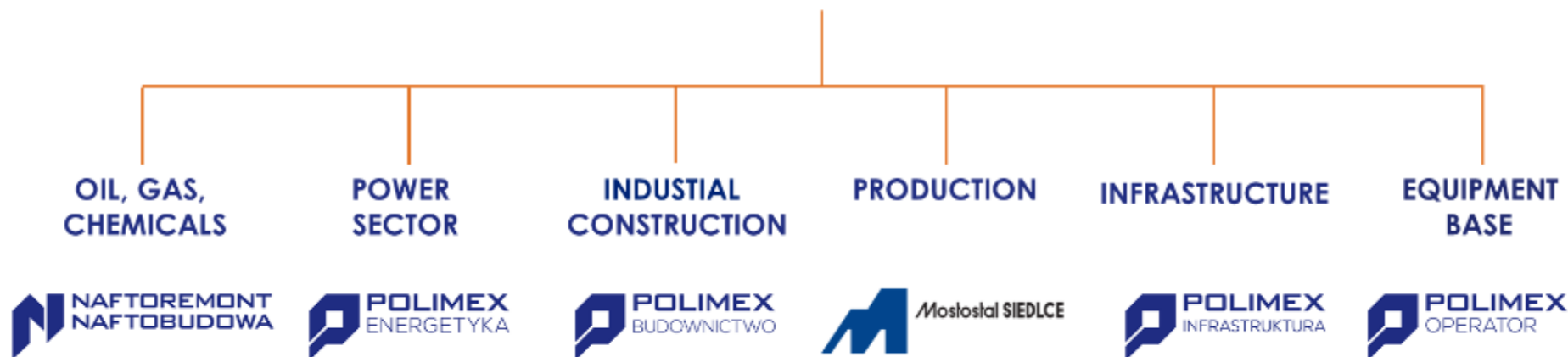
PRODUCTION



INFRASTRUCTURE



Key Entities of Polimex Mostostal Capital Group



Fields of Activity: Oil, Gas, Chemicals

We operate in a wide variety of industries, ranging from refinery, petrochemical, chemical, energy and coke oven. We specialize in the construction and modernization of production facilities and installations for the following:

- chemical plants
- kerosene refineries
- biodiesel and bioethanol plants
- liquid fuels storage facilities
- gas terminals



**OIL, GAS,
CHEMICALS**

Naftoremont-Naftobudowa Sp. z o.o.



www.naftoremont.pl

Key Entities of Polimex Mostostal Capital Group
Naftoremont-Naftobudowa Sp. z o.o.



Construction of CDU/VDU installations
Lotos Group Refinery in Gdańsk



Neste BTT Botlek Tank Terminal



Biodiesel Installation
for Porvoo, Finland

www.naftoremont.pl

Fields of Activity: Power Sector

Our excellent industry expertise and knowledge of energy facilities, combined with our experienced and highly-qualified workforce allow us to comprehensively implement organizationally and technically challenging, highly complex turn-key projects in the power sector. We operate both in Poland and the EU providing services for the following:

- CHP plants
- power plants
- heating plants
- coke plants
- DER systems and environmental protection

We deliver high-quality services with a special focus on safety and environmental protection. We devise customized solutions to comply with the requirements of specific projects.



POWER SECTOR

Polimex Energetyka Sp. z o.o.



www.polimex-energetyka.pl

Strategic Projects of Polimex Mostostal Capital Group



Project Kozienice for GK ENEA



Project
completed



Project Opole for GK PGE



PGE Górnictwo i Energetyka
Konwencjonalna SA



Project Żerań for GK PGNiG



Strategic Projects: Kozenice Power Plant Unit 11

In December 2017 Kozenice Power Plant, the entity of Enea Wytwarzanie, ceremoniously opened a new power unit for ultra-supercritical parameters with a capacity of 1075 MW. The unit was a high-profile turn-key investment by Polimex-Mostostal and it was one of the most important such ventures on the Polish energy market.

Unit 11 of Kozenice Power Plant is the largest and the most advanced facility of its kind in Europe. The contract value of the project was estimated at PLN 6.3 billion gross, of which 42.8% was granted to "Polimex-Mostostal".

The scope of work by Polimex-Mostostal:

- construction works and the general construction installations of all facilities
- water cooling system with a cooling tower, water preparation station and raw water pumping station
- carburization, ash removal, deslagging, oil management with the track system
- power output system of 110 KV and 400 KV, electrical part in the low voltage range, I&C for the abovementioned technological facilities
- technical installations in the boiler room and the engine room, excluding the turbine set



Strategic Projects: Opole Power Plant Unit 5 and 6

Polimex-Mostostal is currently involved in the construction of two new power blocks in Opole Power Plant. Each block will have the capacity of 900 MW.

The contract value is estimated at PLN 11.5 billion gross, of which approximately 42%, i.e. PLN 4.8 billion gross, will be the share of "Polimex-Mostostal". This is historically the largest investment in the Polish energy sector and one of the key ventures of its kind in the country.

The scope of work by Polimex-Mostostal:

- turn-key turbine islands
- two cooling towers with a water cooling system
- electrical installations including control and measurement equipment and automation
- track systems
- internal roads in the power plant area



Strategic Projects - Steam and Gas Unit in EC Żerań

The construction of a steam and gas unit for the CHP plant EC Żerań, an entity of PGNiG TERMIKA, is a strategic energy investment for the Warsaw agglomeration. It is going to be the second largest gas and steam block in Poland.

The contract value is estimated at PLN 1.5 billion gross, of which approximately 26%, i.e. PLN 381.3 million gross, will be the share of "Polimex-Mostostal".

Electrical power of about 497 MWe net

Heat output of about 326 MWt with installations and auxiliary units

The scope of work by Polimex-Mostostal:

- project planning and execution – the construction part
- installation and delivery:
 - installation of GT with the generator
 - installation of HRSG
 - installation of transformers
 - installation of main and auxiliary equipment
 - installation of HP/HT pipelines and BOP equipment
- wide range of construction and other installation works
- preparation and management of the construction site
- installation and delivery of selected BOP systems



Fields of Activity: Industrial and General Construction

Polimex Budownictwo offers comprehensive services in the industrial and general construction sector in the capacity of a General Contractor (GW). The company's offer is based on two main pillars:

Industrial construction

- production plants
- warehouse halls and logistics centres
- sewage treatment plants and other environmental protection facilities

General construction

- office buildings, shopping centres and multiplexes
- sports and entertainment halls and educational and sports facilities
- state administration objects
- sports stadiums
- power plants, CHP plants and heating plants
- DER systems and environmental protection



**INDUSTRIAL
CONSTRUCTION**

Polimex Budownictwo Sp. z o.o. Sp. k.



www.polimex-budownictwo.pl

Key Entities of Polimex Mostostal Capital Group Polimex Budownictwo Sp. z o.o. Sp.k.



Bridgestone factory in Stargard



European Solidarity Centre in Gdańsk



Marshall Józef Piłsudski's Municipal Stadium of Legia Warsaw



Outlet Park Szczecin



Football Stadium of Wisła Kraków



POLIN Museum of the History of Polish Jews in Warsaw

Fields of Activity: Production



Mostostal Siedlce is one of the leading European manufacturers of steel structures.

Mostostal Siedlce specializes in the production of steel structures and platform gratings, it also provides services in the corrosion protection of steel structures, particularly using hot-dip galvanization.

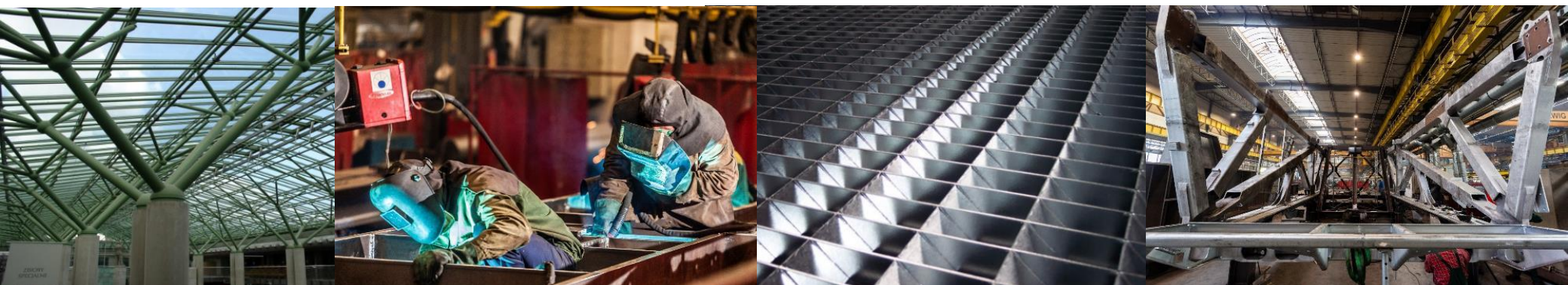
In addition, the company has an established market presence in the area of selling pallets for transportation and storage of gas cylinders, pallets for building materials, various types of containers, stands, frames and other small constructions.

The company continuously invests to expand its production capacity and to apply innovative solutions with a goal to increase efficiency and improve safety measures at Mostostal Siedlce. In 2017 the company introduced a robotic total station for welding the stair treads from platform gratings.



PRODUCTION

**Mostostal Siedlce
Sp. z o.o. Sp. k.**

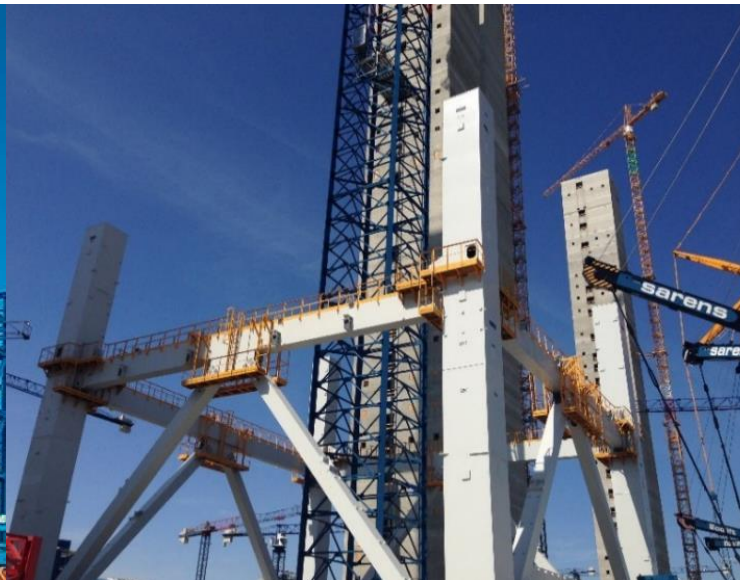


www.mostostal.siedlce.pl

Key Entities of Polimex Mostostal Capital Group
Mostostal Siedlce Sp. z o.o. Sp. k.



Power plants,
petrochemical industry



Truss structures, frames, poles



Public facilities

www.mostostal.siedlce.pl

Fields of Activity: Infrastructure

Among the major assets of Polimex Infrastruktura are our subject matter experts with their unparalleled knowledge and solid experience in the infrastructure industry.

We offer services in the comprehensive implementation of organizationally and technically challenging, highly-complex projects in the following areas:

- design and construction of road, bridge and railway infrastructure
- construction of hydrotechnical infrastructure
- supervision of the works and contract management (Consultant, Substitute Investor/Project Manager)



INFRASTRUCTURE

Polimex Infrastruktura Sp. z o.o.



www.polimex-mostostal.pl

Key Entities of Polimex Mostostal Capital Group

Polimex Infrastruktura Sp. z o.o.



A4 highway section Wielicka-Szarów



A1 highway section Sośnica-Maciejów



A2 highway section Stryków-Konotopa

www.polimex-mostostal.pl

SELECTED FINANCIAL DATA FOR Q1-3 2018
POLIMEX MOSTOSTAL CAPITAL GROUP

Selected Financial Data for Q1-3 2018 in million PLN

Polimex Mostostal Capital Group

IN MLN PL	Q1-2 2018	Q1-3 2018	
OPERATING INCOME	810	1 198	↑
OPERATING PROFIT	-7	-7	
EBITDA	6	13	↑
GROSS INCOME	-17	-25	
NET INCOME	-21	-10	↑

NOTES

- After Q3 2018 Polimex Mostostal Capital Group (the „Capital Group”) had the operating income of PLN 1,198 mln, which was higher by PLN 388 mln compared to the operating income for the first half of that year.
- The Group's EBITDA after Q3 2018 amounted to PLN 13 mln and was higher by PLN 7 mln compared to the first half of that year. The key factors contributing to these financial results are, inter alia, the reduction of revenues and the updates to the cost budgets for the Żerań project (the impact on EBITDA of PLN -57,6 mln) and the Koźienice project (the impact on EBITDA of PLN +30,1 mln).



Selected Financial Data for Q1-3 2018 in million PLN

„Polimex-Mostostal” S.A.

IN MLN PL	Q1-2 2018	Q1-3 2018	
OPERATING INCOME	230	351	↑
OPERATING PROFIT	-18	-8	↑
EBITDA	-17	-6	↑
GROSS INCOME	-13	-20	
NET INCOME	0	-1	

NOTES

- After Q3 2018 „Polimex-Mostostal” S.A. (the „Company”) had the operating income of PLN 351 mln, which was higher by PLN 121 mln compared to the operating income for the first half of that year.
- The Company’s EBITDA after Q3 2018 amounted to PLN -6 mln and was higher by PLN 11 mln compared to the first half of that year. The key factors contributing to these financial results are, inter alia, the reduction of revenues and the updates to the cost budgets for the Żerań project (the impact on EBITDA of PLN -57,6 mln) and the Kozienice project (the impact on EBITDA of PLN +30,1 mln).



Segments of the Capital Group for Q1-3 2018 in million PLN

In mln PLN	Power*	Production	Oil, Gas, Chemicals	Industrial Construction	Infrastructure Construction	Other Activities	Exclusions	Total
SALES TO EXTERNAL CUSTOMERS EXCLUDING SALES REVENUE BETWEEN THE SECTORS	437	515	192	49	0	5		1 198
TOTAL INCOME PER SECTOR INCLUDING SALES REVENUE BETWEEN THE SECTORS	446	525	192	68	1	40	-75	1 198
OPERATING INCOME PER SECTOR	-55	28	13	7	10	-9		-7
BALANCE ON INCOME AND FINANCIAL COSTS	0	-4	0	-2	1	-14		-19
GROSS INCOME PER SECTOR	-55	24	13	6	11	-24		-25
SALES REVENUE - POLAND	446	201	108	63	1	35	-71	784
SALES REVENUE - ABROAD	0	324	84	5	0	5	-4	414

The income from transactions between the sectors has been excluded.

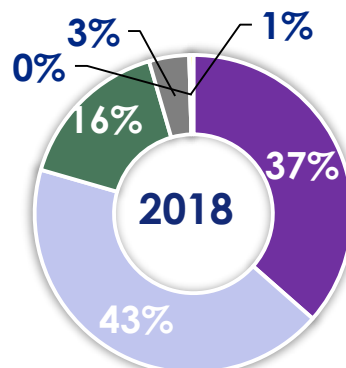
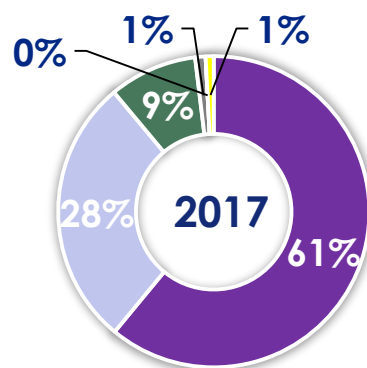
* Operating income includes the profit share of the affiliated company to the amount of PLN 228,000.

NOTES

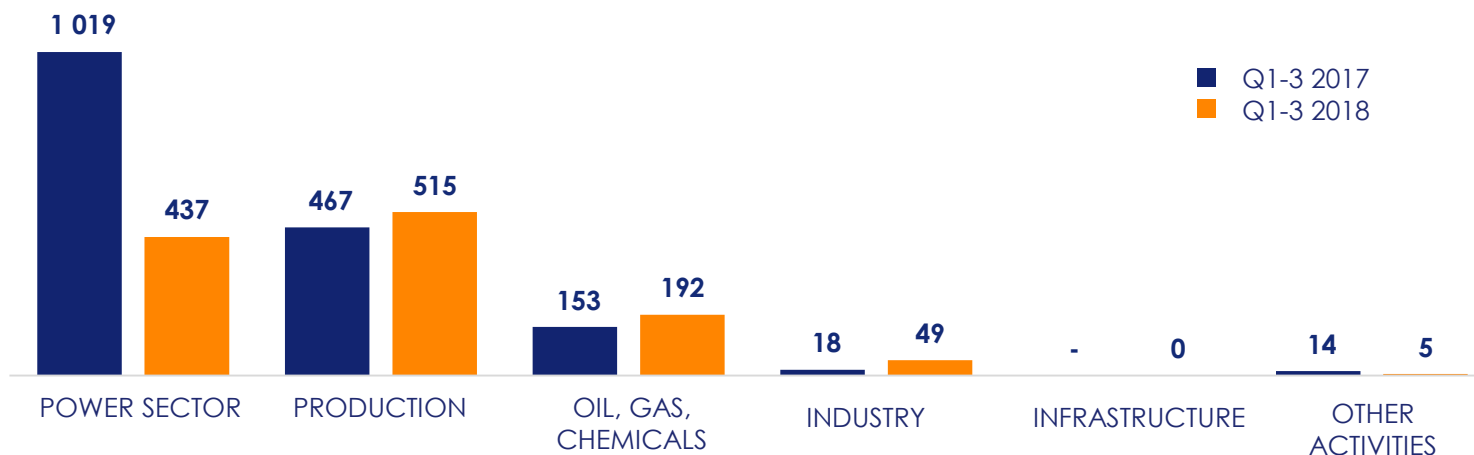
- The best financial results between Q1-3 2018 were earned by the Production sector.
- The highest profit margin measured by the gross income belongs to the Oil, Gas, Chemicals sector (6,77%).
- The negative gross income for the Power sector is related, inter alia, to the updates to the cost budget for the Żerań project.



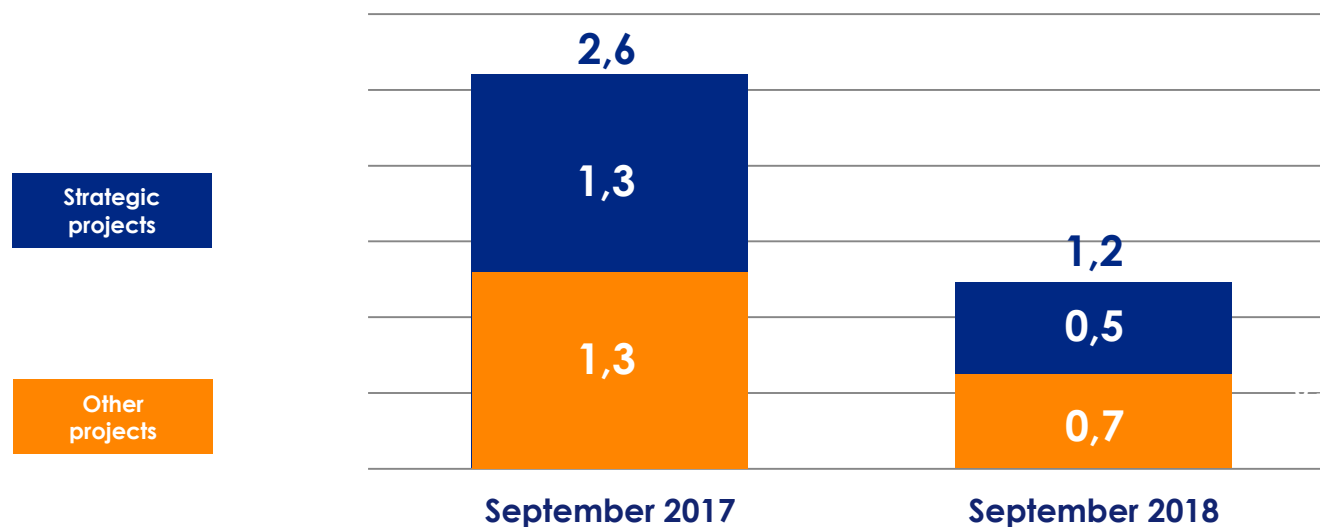
Polimex Mostostal Capital Group Revenues Q1-3 2018 (in million PLN)



- POWER SECTOR
- PRODUCTION
- OIL, GAS, CHEMICALS
- INDUSTRY
- INDUSTIAL CONSTRUCTION
- INFRASTRUCTURE
- OTHER ACTIVITIES



Polimex Mostostal Capital Group Order Book (in billion PLN)



Order book as of the end of September 2018 (in mln PLN)



* Including strategic projects

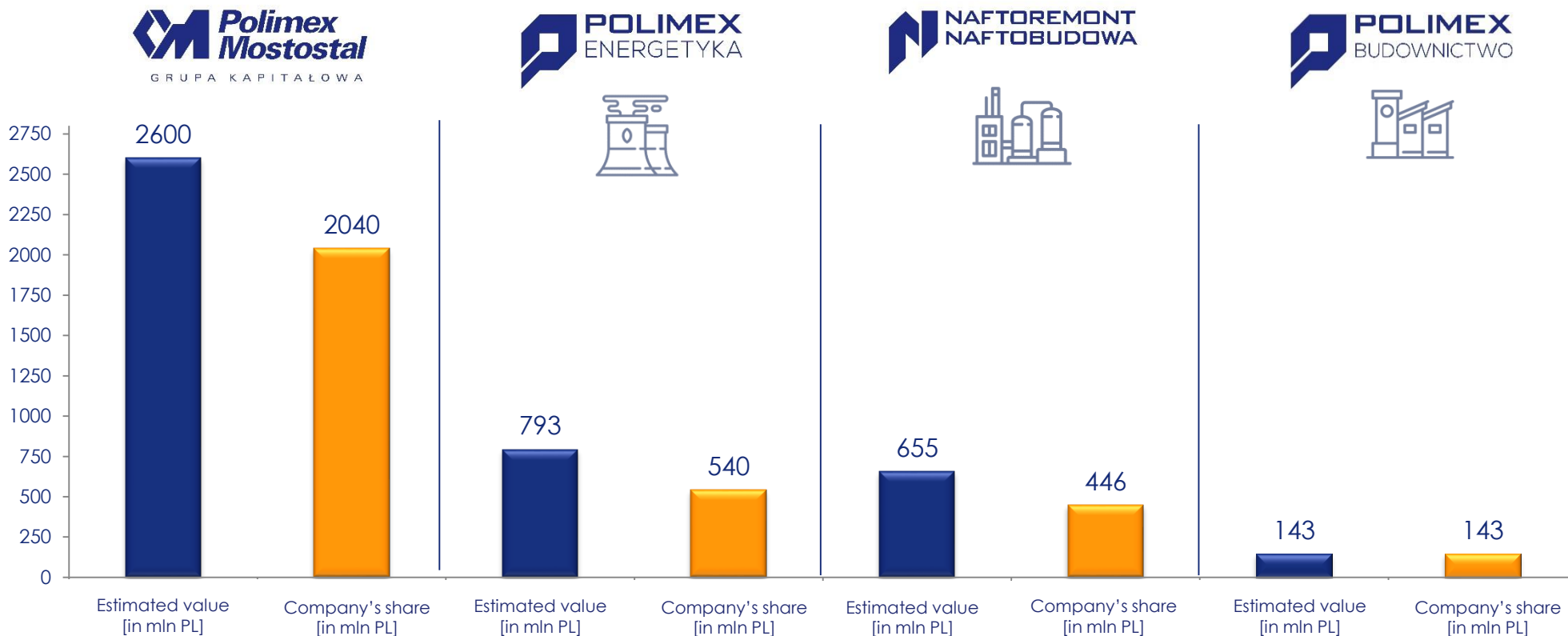


New Projects Within the Capital Group

- Construction of 4x32.000 m3 tanks at the fuel depot no 1 in Koluszki and at the fuel depot no 2 in Nowa Wieś Wielka (contract value: PLN 67,6 mln), **Client: PERN (Poland)**
- Delivery and assembly of a catalytic denitrogenation system for the OP-650 boilers in units no 5, 6, 7, 8 in Elektrownia Dolna Odra (contract value: over PLN 41,5 mln), **Client: PGE GiEK SA (Poland)**
- Renovation works (contract value: PLN 47,25 mln), **Client: PKN Orlen (Poland)**
- Expansion of the existing thermal and swimming facilities in Uniejów - project "Uniejów Therms as a Unique Spot on the Map of Health Tourism - Expansion of the Swimming Pool" (contract value: PLN 18,5 mln), **Client: Uniejów Municipality, (Poland)**
- Expansion and modernization with retrofitting of two external basins in the oldest part of the swimming pool (contract value: PLN 2,999,500), **Client: Przedsiębiorstwo Gospodarki Komunalnej „TERMY UNIEJÓW” Sp. z o.o. (Poland)**
- Additional works in Elektrownia Turów estimated at PLN 14 mln (contract value: PLN 369,3 mln), **Client: PGE GiEK SA (Poland)**
- Renovation works (contract value: PLN 13,35 mln), **Client: TOTAL (Belgium)**
- Construction of a new interchange point in Siedlce, Poland (contract value: PLN 12,3 mln), **Client: the city of Siedlce (Poland)**
- Renovation works (estimated contract value: PLN 6,75 mln), **Client : BASF (Belgium)**
- Contract for the production of prefabricated elements in a plant in Jedlicze (contract value: PLN 9,16 mln) **(Poland)**
- Prefabrication and assembly of pipelines (estimated contract value: PLN 8,22 mln), **Client: BP Rotterdam (the Netherlands)**
- Expansion of boiler IV in Koźienice (contract value: PLN 7,9 mln gross), **Client: ENEA Wytwarzanie (Poland)**
- Reconstruction of terminals and a district heating substation for the construction works on the premises of Prefabet (contract value: PLN 1,6 mln), **Client: ENEA Wytwarzanie (Poland)**
- Modernization of insulation and anti-corrosion on the devices and installations of turbine generators for blocks no 6, 2, 7 and 1 (contract value: PLN 0,6 mln), **Client: ENEA Wytwarzanie (Poland)**

*the values provided are net values

Estimated Value of Currently Quoted Projects in the Group



Top priority projects:

- construction of Terminal LNG in Świnoujście
- construction of a power block in Puławy
- construction of 5 containers for Terminal Naftowy in Gdańsk
- construction of a power block in Koksownia Radlin

INITIATIVES WITHIN POLIMEX MOSTOSTAL CAPITAL GROUP
TO INCREASE OPERATIONAL EFFICIENCY –
IMPLEMENTATION OF THE DEVELOPMENT PLANNING GUIDELINES

The Capital Group Goals Accomplished in Q1-Q3 2018

- Improvement of **project management competencies** (planning, scheduling, introduction of a new organizational structure within the Group's entities; responsibility for budgeting – the Business Line), implementation of “**contract administration**” **functions** and introduction of a **comprehensive resources management system within the Capital Group**.
- Defining key competencies and development strategies for the Group's entities (**business plans**).
- **Reorganization and standardization of process for creating business proposals** within the Capital Group.
- **Enhancing the role of controlling departments** (reinforcement of financial controlling in the Group's entities, establishment of an operational controlling unit, regular business reviews – monitoring of key parameters of projects, performing risk and opportunity analysis for projects, discussing key issues relating to the Group's entities).
- Obtaining **full access to remuneration** for the completion of an order for Kozienice Power Plan, to which the Group had previously limited access.
- **Settlement agreement between the Group and the government agency GDDKiA and the following syndicates:** Doprastav, a.s., MSF Engenharia and MSF Polska, over the A1 highway section Stryków–“Tuszyn” connection point, the S-69 expressway section Bielsko-Biała–Żywiec–Zwardoń and the A4 highway section Rzeszów–Jarosław.
- **Adoption of Appendix No 9** to the agreement from 15 February 2012 on the construction of energy blocks no 5 and 6 for PGE GiEK S.A., the Opole Power Plant branch. The amendment related to the deadline for the completion of the blocks and **the internal agreement** between “Polimex-Mostostal”, Mostostal Warszawa S.A., Rafako S.A. and GE Power.
- Continuous improvement of the utilization of bank and insurance guarantees capacities (**adoption of an appendix to the agreement with PZU** defining the aggregate limit at PLN 98,970,000 for a period ending on 2 October 2019).



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