



POLIMEX MOSTOSTAL CAPITAL GROUP



FINANCIAL RESULT FOR FIRST HALF OF 2018

The Polimex Mostostal Capital Group is one of the leaders in the field of services, order portfolio, experience gained, and professionalism of orders and references on the Polish construction market.

"Polimex-Mostostal" SA is the largest engineering and construction company with Polish capital in the country. 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 exporter of steel constructions, platform gratings and deals with galvanizing and painting steel constructions.

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



Segments of the Polimex Mostostal Capital Group

Operations of the Polimex Capital Group The Polimex Mostostal Capital Group consists of companies with production and service profiles, operating in four key sectors:



**POWER ENGINEERING
AND SERVICE**



**NAFTA, CHEMISTRY
AND GAS**



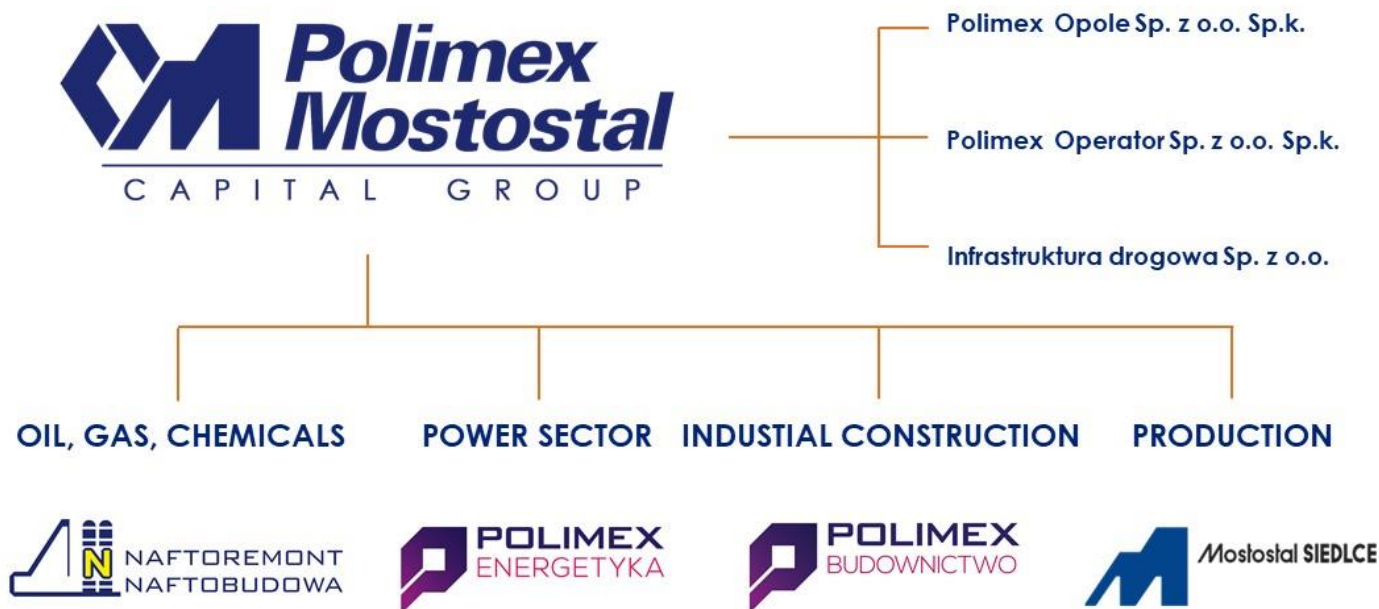
**CONSTRUCTION
INDUSTRIAL**



PRODUCTION



Key entities of Polimex Mostostal Capital Group





CDU/VDU
Gdansk Refinery of Lotos Group (1)



Neste BTT Boltlek Tank Terminal



Biodiesel Instalation
for Porvoo, FINLAND

Segments of activity: Oil, Chemistry, Gas

We operate in all branches of industry, ranging from refinery, petrochemical, chemical through energy and coke oven. We specialize in the construction and modernization of production facilities and installations for:

- chemical plants
- kerosene refinery
- biodiesel and bioethanol plants
- liquid fuel storage facilities
- gas terminals

Naftoremont-Naftobudowa Sp. z o.o.



www.naftoremont.pl



Unit B11 in Elektrowni Kozienice Power Plant



Units 5 i 6 in Opole Power Plant



Steam and gas unit in Ec Żerań

Segments of activity: Power and Service

Experienced specialists and excellent knowledge of the industry and energy facilities allows us to comprehensively implement complex, organizational and technical energy projects in a turnkey system in Poland and the EU, in particular for:

- power plants,
- power,
- heating,
- coke plants,
- dispersed energy, environmental protection.

The services provided by us are characterized by care for quality, safety, environmental protection and individual solutions prepared for the needs of specific projects.

Polimex Energetyka Sp. z o.o.



www.polimex-energetyka.pl

Companies from Polimex Mostostal Capital Group
Polimex Budownictwo Sp. z o.o. Sp.k.



Bridgestone factory in Sargard



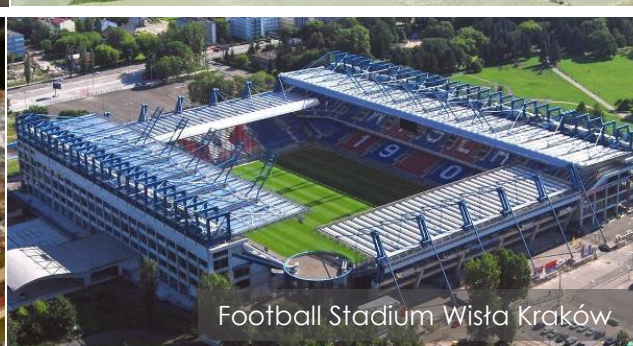
European Solidarity Center in Gdansk



Marshall Józef Piłsudski's Municipal Stadium of Legia Warsaw



Outlet Park Szczecin



Football Stadium Wisła Kraków



Museum of the History of Polish Jews in Warsaw

Segments of activity: Industrial and General Construction

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

Industrial building

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

General construction

- office buildings, shopping centers and multiplexes
- sports and entertainment halls and teaching and sports complexes
- objects of state administration
- sports stadiums
- power plants, combined heat and power plants and heat plants
- dispersed energy, environmental protection.

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





Power plants, petrochemical industry



Truss structures, frames, poles



Public buildings

Segment of Activity: Production



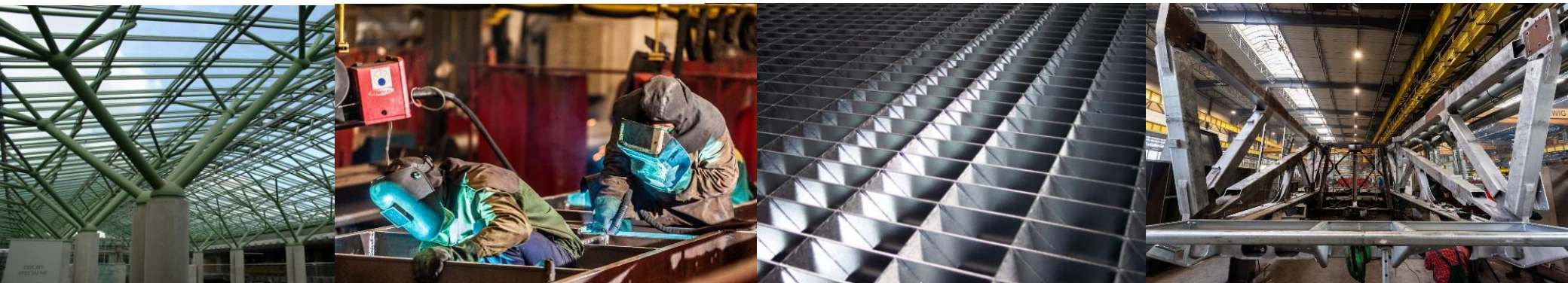
Mostostal Siedlce is one of the leading European manufacturers of steel constructions.

Mostostal Siedlce specializes in the production of steel constructions and lattice gratings as well as in corrosion protection of steel constructions, in particular in the hot dip galvanizing method.

The company is also very active in the area of selling pallets for transport and storage of gas cylinders, pallets for building materials, various types of containers, stands, frames and other small constructions.

The company invests in new production capacity and innovative solutions that increase the efficiency and safety of work at Mostostal Siedlce. In 2017, a robotic station for welding stair steps with platform grids was started.

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



www.mostostal-siedlce.pl

Strategic project of Polimex Mostostal Capital Group



Project in Kozienice Power Plant for ENEA CG



Project Opole dla GK for PGE CG



Project Żerań for PGNiG CG



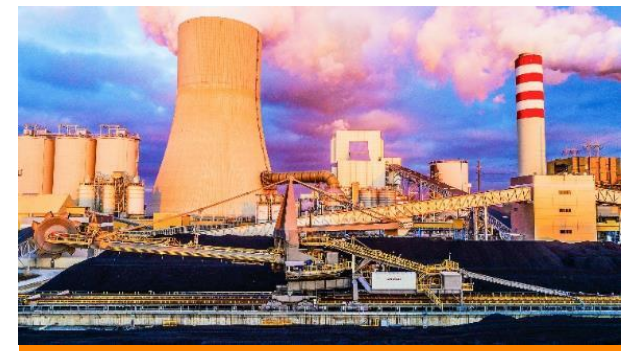
Strategic projects: Unit 11 in Kozenice Power Plant

In December 2017, a turnkey investment by Polimex-Mostostal - a new coal unit for supercritical parameters with a capacity of 1 075 MW - was ceremonially opened, one of the most important on the Polish energy market in the Kozenice Power Plant owned by Enea Wytwarzanie.

It is the largest and the most modern facility of this type in Europe. The contract value is PLN 6.3 billion gross, of which 42.8% was attributed to "Polimex-Mostostal".

The main scope of works of Polimex-Mostostal:

- construction works together with general construction installations of all facilities,
- cooling water system with cooling tower, water preparation station, raw water pumping station,
- carburizing, ash removal, deslagging system, oil management along with track system,
- 110 KV and 400 KV power output system, electrical part,
- in the low voltage range, I&C for the above technological facilities,
- assembly of boiler and machine room technologies, excluding the turbine set.



Strategic projects: Unit 5 and 6 in the Opole Power Plant

Polimex-Mostostal is constructing two new units No. 5 and 6 with a capacity of 900 MW each, at the Opole Power Plant.

The contract value is PLN 11.5 billion gross, of which about 42%, i.e. PLN 4.8 billion gross, falls on "Polimex-Mostostal". This is historically the largest and most important investment in the Polish energy sector.

Gross power of each of the 900 MWe units

The main scope of work includes:

- complete turbine islands,
- two cooling towers with cooling water system,
- electrical installations, including control and measurement equipment and automation,
- track systems,
- internal roads within the power plant.



Strategic projects - a steam and gas unit in Ec Żerań

Construction of a gas-steam unit for the Żerań Heat and Power Plant belonging to PGNiG TERMIKA is a strategic energy investment for the Warsaw agglomeration. It will be the second largest gas and steam block in Poland.

The contract value is PLN 1.5 billion gross, of which approximately 26%, or PLN 381.3 million, is attributable to "Polimex-Mostostal".

Electric power about 497 MWe net

Heat power of about 326 MWt with installations and auxiliary facilities

The main scope of Polimex Mostostal works includes:

- basic engineering and Detail engineering – PxM's scope/Civil part,
- erection and supplies:
- GT and generator erection,
- HRSG erection,
- transformer station assembly,
- BOP equipment and system erection/installation,
- HP/HT piping erection,
- carrying out all civil/construction works (in PxM's scope),
- preparing and managing construction site,
- BOP equipment and system erection/installation.





**SELECTED FINANCIAL DATA FOR I FIRST HALF OF 2018 IN W MILLION PLN
FOR POLIMEX MOSTOSTAL CAPITAL GROUP**

Polimex Mostostal Capital Group

in PLN million PLN	I H 2017	I H 2018
Operating revenues	1 134	810
Operating profit	63	-7
EBITDA	75	6
Gross result	49	-17
Net result	35	-21

COMMENT

- Operating revenues of the Polimex Mostostal Capital Group ("Capital Group") in the first half of 2018 amounted to PLN 810 million and were lower by PLN 324 million compared to the same period in 2017. The downward trend in operating revenues results primarily from the successive settlement of strategic contracts carried out by the Capital Group (Project Opole, Koźienice Project - completed in December 2017).
- EBITDA of the Capital Group in the first half of 2018 amounted to PLN 6 million and is lower by PLN 69 million as compared to a similar period in the previous year. The key factor affecting the difference was the overestimation of the cost budgets of the Żerań project (impact on EBITDA of PLN -57.6 million and Koźienice + PLN 30.1 million).

Selected financial data for I first half of 2018 in w million PLN

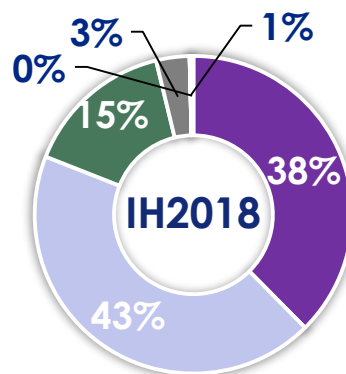
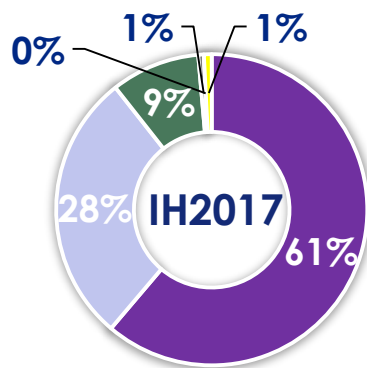
„Polimex-Mostostal” SA

in PLN million PLN	I H 2017	I H 2018
Operating revenues	611	230
Operating profit	-2	-18
EBITDA	2	-17
Gross result	41	-13
Net result	27	0

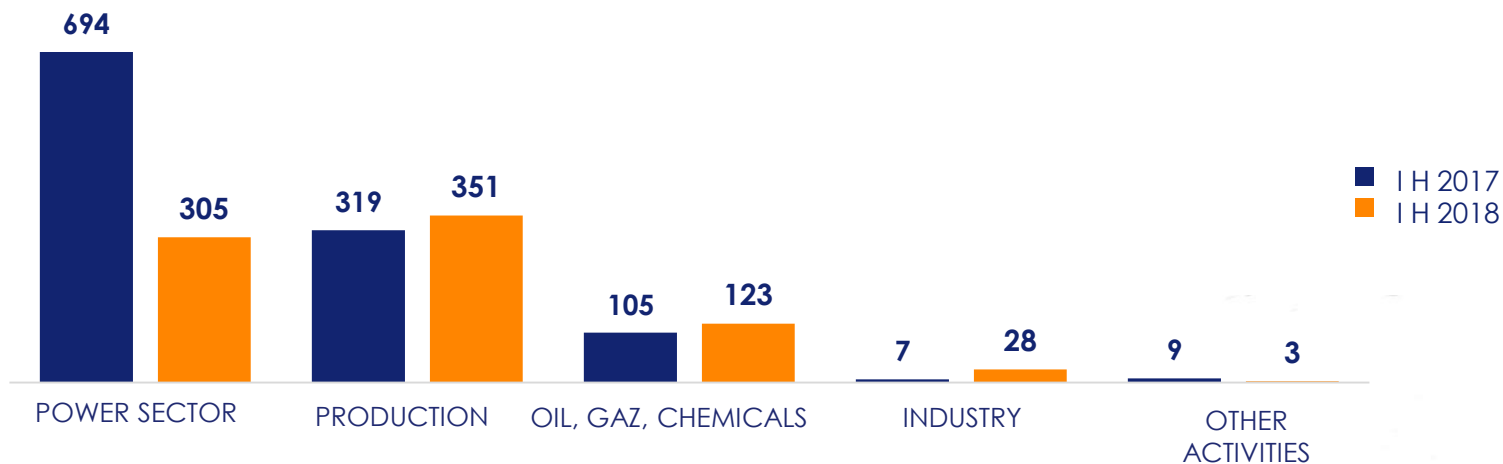
COMMENT

- Operating income of "Polimex-Mostostal" SA ("Company") in the first half of 2018 amounted to PLN 230 million and was lower by PLN 381 million compared to the same period in 2017. Similarly as in the case of the Capital Group, the downward trend in operating revenues results above all, from the successive settlement of strategic contracts implemented by the Company (Project Opole, Koziernice Project - completed in December 2017).
- EBITDA of the Company in the first half of 2018 -17 million PLN and is lower by 19 million PLN compared to a similar period in the previous year. The EBITDA value in the first half of 2018 was significantly affected by overestimation of the cost budgets of the Żerań project (impact on EBITDA of PLN -57.6 million and Koziernice + PLN 30.1 million).

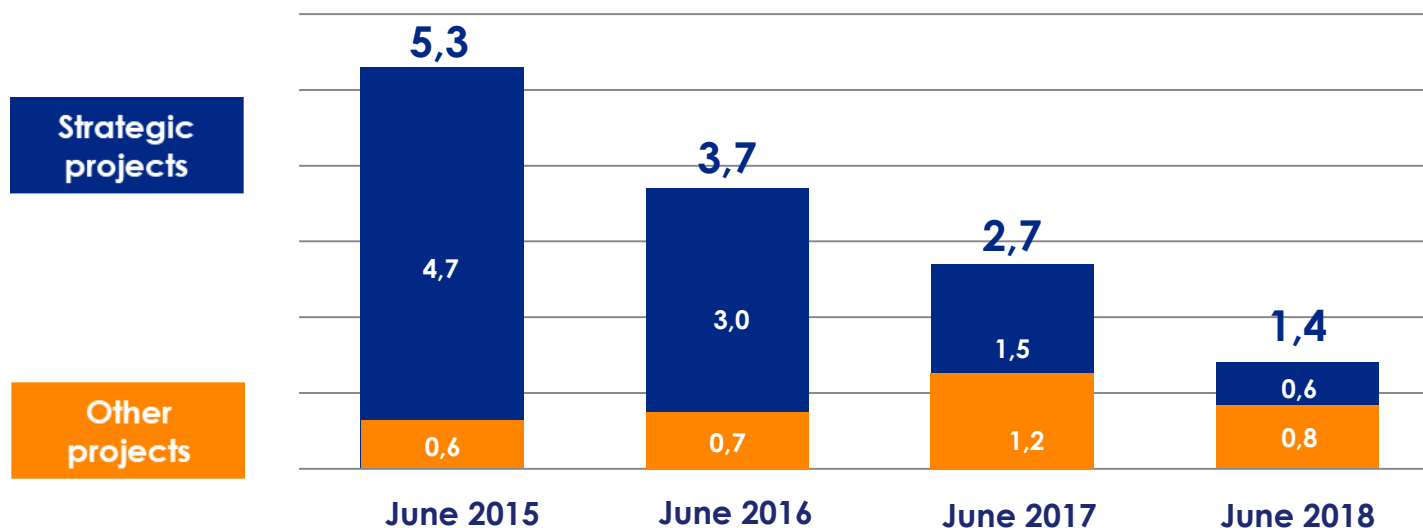
Polimex Mostostal Capital Group's revenues I H 2018 (mIn PLN)



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



Polimex Mostostal Capital Group's order portfolio (in billion PLN)



The order portfolio as of the end of June 2018 (in million PLN)



* Includes strategic projects



Achieved goals of the Capital Group - first half of 2018

- Reorganization and standardization of the offer creation process in the Capital Group.
- Change of the management model in Segment companies.
- Implementation of a new project management concept.
- Obtaining full access to funds derived from remuneration for the implementation of works at Kozenice Power Plant which are hitherto measures with limited access.
- Continuation of the process of increasing the use of guarantee capacities held in banks and insurance companies.



New contracts for the Capital Group - first half of 2018

Acquisition of new projects for the Capital Group using the potential of the companies belonging to the Group, including:

- **contracts for Naftoremont-Naftobudowa** - "Execution of 4x32.000 m³ tanks at the Fuel Depot No. 1 in Koluszki and Fuel Depot No. 2 in Nowa Wieś Wielka" (remuneration for implementation PLN 67.6 million), refurbishment works in the country: 27 PLN 5 million for PKN Orlen, overhaul works abroad: PLN 9.7 million for BASF (Belgium) and PLN 13.1 million for TOTAL (Belgium), contract for the production of prefabricated elements in the Jedlicz plant: PLN 8.1 million
- **contracts for Polimex Budownictwo** - construction of a new interchange center in Siedlce (value of the contract is PLN 12.3 million) and extension of the existing thermal and pool complex in Uniejów - "Uniejów Thermal Baths - a product of the spa tourism - Expansion of the swimming pool complex" (contract value) PLN 18.5 million)
- **Contracts for Polimex Energetyka** - additional works at the Turów Power plant valued at PLN 14 million (the net price of the Contract is currently PLN 369,281,000), extension of the VI boiler in Koźienice (contract value is PLN 7,916,608.94 gross), and contracts from August 2018 - reconstruction of connections and central heating substation for construction works in the prefabricated area at ENEA Wytwarzanie Sp. z o. o. PLN 1.58 million modernization of insulation and anti-corrosion on devices and installations of turbine sets No. 6, 2,7,1 "for ENEA Wytwarzanie for PLN 0.6 million.

* the amounts given are net amounts





UNDERTAKEN INITIATIVES OF THE POLIMEX MOSTOSTAL CAPITAL GROUP

Undertaken initiatives of the Polimex Mostostal Capital Group

1. Improvement of project management management skills (planning, scheduling, introduction of a new organizational structure in segment companies, responsibility for the budget - Business Line) and introduction of a comprehensive resource management system in the Capital Group.
2. Increasing the role of controlling (strengthening financial controlling in segment companies, establishing an operating controlling office, regular business reviews - controlling the main project parameters, analysis of risks and opportunities on the project, discussing key issues regarding the segment company).
3. Improvement of the offer process (offer procedure, establishment of the Marketing and Offer Office).
4. Improvement of the budgeting process (reporting according to 4 variants) and regular monthly reviews of business of individual companies with a detailed discussion of the status of projects.
5. Improving the process of identifying business opportunities (list of leads).
6. Identification of key competences and development strategies of segment companies (business plans).
7. Implementation and operation of a modified risk management policy and procedure.
8. Implementation of the "contract administration" function to strengthen the design structures.



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