

POLIMEX MOSTOSTAL CAPITAL GROUP

FINANCIAL RESULTS FOR 2018 – 12.04.2019

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.



- **MARKET LEADER IN CONSTRUCTION**
- **74 YEARS OF MARKET PRESENCE**
- **5 CONTINENTS**
- **5 000 EMPLOYEES**
- **OVER 70 COUNTRIES**
- **700 EPC REFERENCES**
- **STRATEGIC CONSTRUCTION UNITS**



Segments of Polimex Mostostal Capital Group

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



**POWER SECTOR
AND SERVICE**



**OIL, GAS
AND CHEMICALS**



**INDUSTRIAL
CONSTRUCTION**



PRODUCTION



GK POLIMEX MOSTOSTAL



GK POLIMEX MOSTOSTAL



INFRASTRUCTURE



SUPPORT



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
- 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
AND SERVICE**

Polimex Energetyka Sp. z o.o.



Strategic Projects of Polimex Mostostal Capital Group



Project Koźlenice for GK ENEA



Project Opole for GK PGE



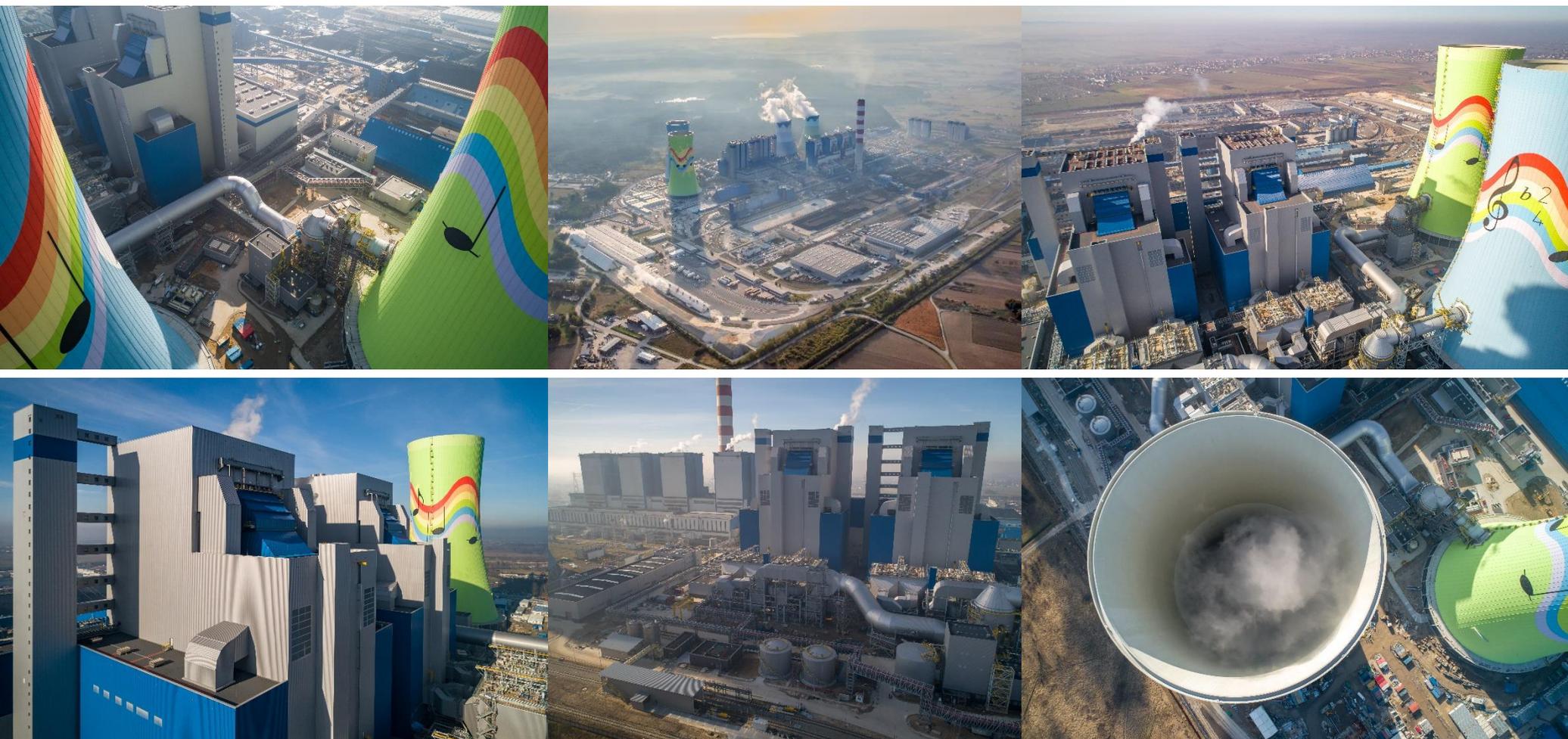
Project Żerań for GK PGNiG



Strategic Projects: Kozenice Power Plant Unit 11



Strategic Projects: Opole Power Plant Unit 5 and 6



Strategic Projects - Steam and Gas Unit in EC Żerań



Fields of Activity: Oil, Gas and 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
AND CHEMICALS**

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

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.



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

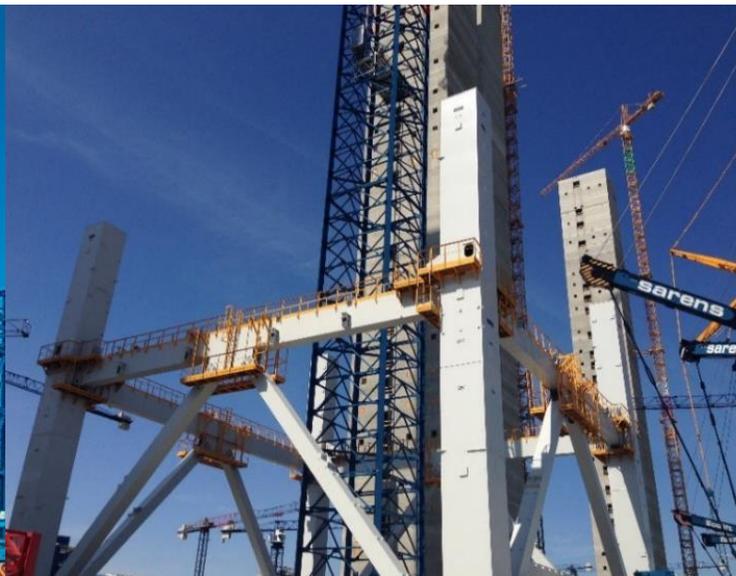
**Mostostal Siedlce
Sp. z o.o. Sp. k.**



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



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.



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



The Goals of the Capital Group Accomplished in 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 the 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 and regular business reviews – monitoring of key parameters of projects, performing risk and opportunity analysis for projects, discussing key issues related to the Group's entities).
- Obtaining **full access to the remuneration** for the completion of an order for Koziencice Power Plant, to which the Group had previously limited access.
- **Settlement agreement between the Group, 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 of time ending on 2 October 2019).
- **Conclusion of appendices by Polimex Energetyka sp. z o.o. to the following contracts: the Turów Contract, the Pomorzany Contract (both with PGE GiEK S.A.) and the SCR Koziencice (with Rafako S.A.)** on the implementation of additional works, the resulting additional costs, adjustments to schedules, cash flows and the mitigation of contractual risks.
- **Diversification of the Capital Group's order portfolio** – further increase in the value of non-strategic projects in the structure of revenues, as well as **an expansion of the Group's operations abroad**.



All subcontractors' employees working on Polimex Mostostal construction sites undergo mandatory training in internal OHS procedures and are obliged to comply with them. During performance of each contract, the subcontractors are often subjected to inspection and audits.

„Polimex-Mostostal” S.A. is a signatory of the Association for Safety in the Construction Industry whose mission is to improve safety conditions on the construction sites. The primary objective of the association's activity is to eliminate fatal accidents in the construction industry



Porozumienie
dla Bezpieczeństwa
w Budownictwie



This year the jury of „Infrastructure and Construction Diamonds” has granted an award to Polimex-Mostostal SA in the „Safety Leader” category.

The title of the Safety Leader indicates that the whole Polimex Mostostal Capital Group has been recognized as a solid employer committed to maintaining safe working conditions and a healthy workplace environment. We are a company that skilfully combines corporate social responsibility with workplace safety and reliable partnership in business.



New Projects from 01.01.2018

- Additional works in Elektrownia Turów estimated at PLN 14 mln (contract value: PLN 369,3 mln), **Client: PGE GiEK SA (Poland)**
- Construction of 5 tanks at the fuel depot in Gdańsk (contract value: PLN 220,9 mln), **Client: PERN (Poland)**
- 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)**
- Renovation works (contract value: PLN 47,25 mln), **Client: PKN Orlen (Poland)**
- Prefabrication and construction of a dust removal installation in Duisburg (contract value: PLN 41,5 mln), **Client: Hamon Duisburg (Germany)**
- Delivery and assembly of a catalytic denitrogenation system for the OP-650 boilers in units no 5, 6, 7 and 8 in Elektrownia Dolna Odra (contract value: over PLN 41,5 mln), **Client: PGE GiEK SA (Poland)**
- Contract for the service of paper machines (contract value: PLN 33,6 mln), **Client: Sora Enso (Poland)**
- Expansion of the existing thermal and swimming facilities in Uniejów - project "Uniejów Therms" (contract value: PLN 18,5 mln), **Client: Uniejów Municipality (Poland)**
- Renovation works (contract value: PLN 13,35 mln), **Client: TOTAL (Belgium)**
- Construction of a new interchange point in Siedlce (contract value: PLN 12,3 mln), **Client: the city of Siedlce (Poland)**
- Contract for the production of prefabricated elements in a plant in Jedlicze (contract value: PLN 9,16 mln)
- Prefabrication and assembly of pipelines (estimated contract value: PLN 8,22 mln), **Client: BP Rotterdam (the Netherlands)**
- Modernization of the boiler no VI in Kozienice (contract value: PLN 8,1 mln), **Client: ENEA Wytwarzanie (Poland)**
- Renovation works (estimated contract value: PLN 6,75 mln), **Client: BASF (Belgium)**

*the values provided are net values



Clients



Partners



International Markets – Our Clients



NESTE OIL



International Markets – Our Partners





SELECTED FINANCIAL DATA FOR 2018

Polimex Mostostal Capital Group

in mln PLN	2017	2018
OPERATING INCOME	2 421	1 637
OPERATING PROFIT	-74	35
EBITDA	146	62
GROSS INCOME	-107	15
NET INCOME	-137	16



NOTES

- The operating income of Polimex Mostostal Capital Group (the „Capital Group”) for the year 2018 was PLN 1,637 billion, which is lower by PLN 784 mln compared to the corresponding income for the previous year. The decrease in the operating profits is largely related to the finalization of the Kozenice project in December 2017 (the PoC was 100% at the end of 2017; during 2017 an income of PLN 471 mln was registered on this contract) and the lower cost processing on the Opole project, which is approaching its final stage of implementation from the standpoint of the already performed tasks (the difference in the income is PLN 381 mln).
- The Group's EBITDA in 2018 amounted to PLN 62 mln and is lower by approximately PLN 84 mln compared to the previous year. They key factors contributing to the decrease in the EBITDA indicator in 2018 are the revisions of the cost budgets for the Opole and Żerań projects, compensated by the improvement in the cost budget for the Kozenice project.
- The results of the operational activity and the gross and net values for the year 2017 take into account the negative impact of the loss in the company value in the amount of circa PLN 191 mln.



Selected Financial Data for 2018 in MLN PLN

Polimex-Mostostal S.A.

in mln PLN	2017	2018
OPERATING INCOME	1 342	515
OPERATING PROFIT	65	55
EBITDA	72	58
GROSS INCOME	113	24
NET INCOME	83	22

NOTES

- The operating income of Polimex-Mostostal S.A. (the „Company“) for the year 2018 was PLN 515 mln, which is lower by PLN 827 mln compared to the corresponding income for the previous year. The decrease in the operating profits is largely related to the finalization of the Koźienice project in December 2017 (the PoC was 100% at the end of 2017; during 2017 an income of PLN 471 mln was registered on this contract) and the lower cost processing on the Opole project (the difference in the income is PLN 373 mln).
- The Company's EBITDA in 2018 amounted to PLN 58 mln and was lower by approximately PLN 14 mln compared to the previous year. However, percentage-wise EBITDA has improved – it was circa 11% in 2018, compared to circa 5% in 2017.



Segments of the Capital Group in 2018 (in MLN 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	640	679	247	66	0	5		1 637
TOTAL INCOME PER SECTOR INCLUDING SALES REVENUE BETWEEN THE SECTORS	650	697	247	92	0	53	-102	1 637
BALANCE ON INCOME AND FINANCIAL COSTS	-36	31	17	12	16	-4		36
SALDO PRZYCHODÓW I KOSZTÓW FINANSOWYCH	-1	-6	0	-1	1	-13		-20
GROSS INCOME PER SECTOR	-37	25	17	10	17	-17		15
EBITDA	-36	52	17	12	16	1		62
SALES REVENUE - POLAND	650	287	149	87	0	47	-98	1 122
SALES REVENUE - ABROAD	0	410	98	5	0	6	-4	515

The income from transactions between the segments has been excluded.

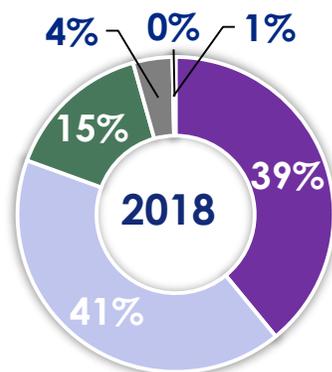
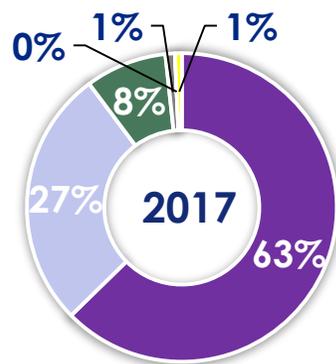
* / The loss in the operational activity in the Power Sector includes the profit share of the associated entity in the amount of PLN 141,000.

NOTES

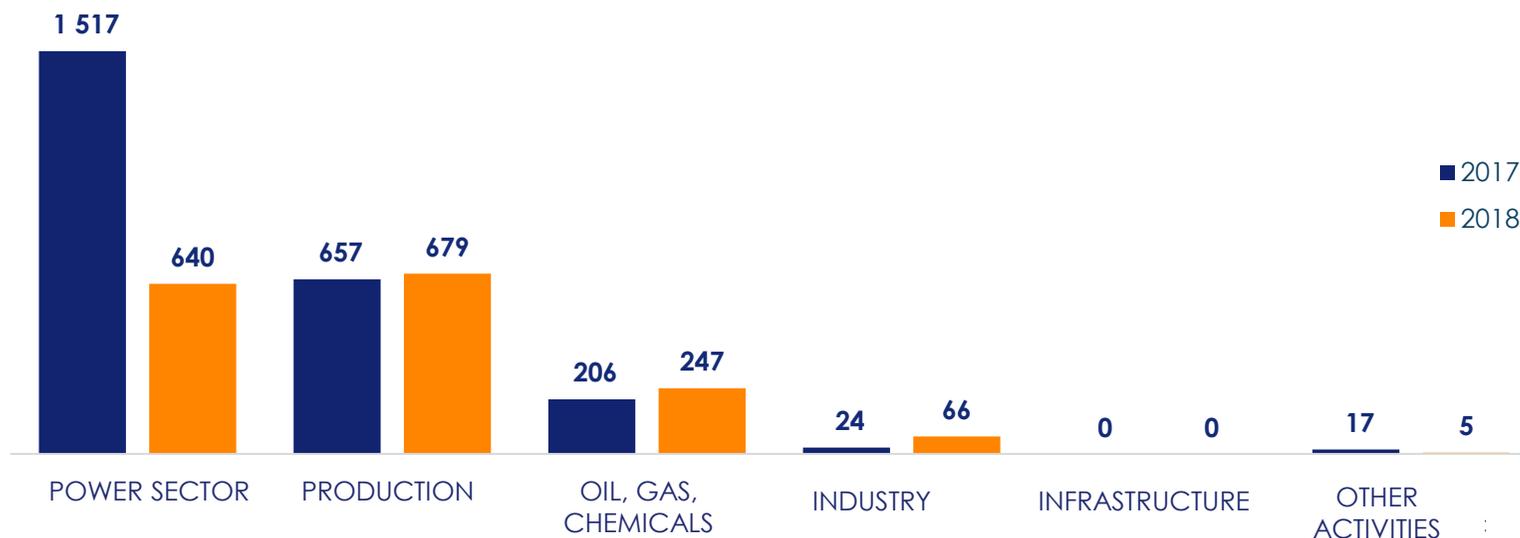
- The highest sales revenues were generated by Production and the Power Sector – approximately 81% in total.
- The best financial results in 2018 were earned by Production.
- The negative gross income in the Power Sector is related, inter alia, to the updates to the cost budgets of the Żerań and Opole projects.



Polimex Mostostal Capital Group Revenues 2018 (in million PLN)



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





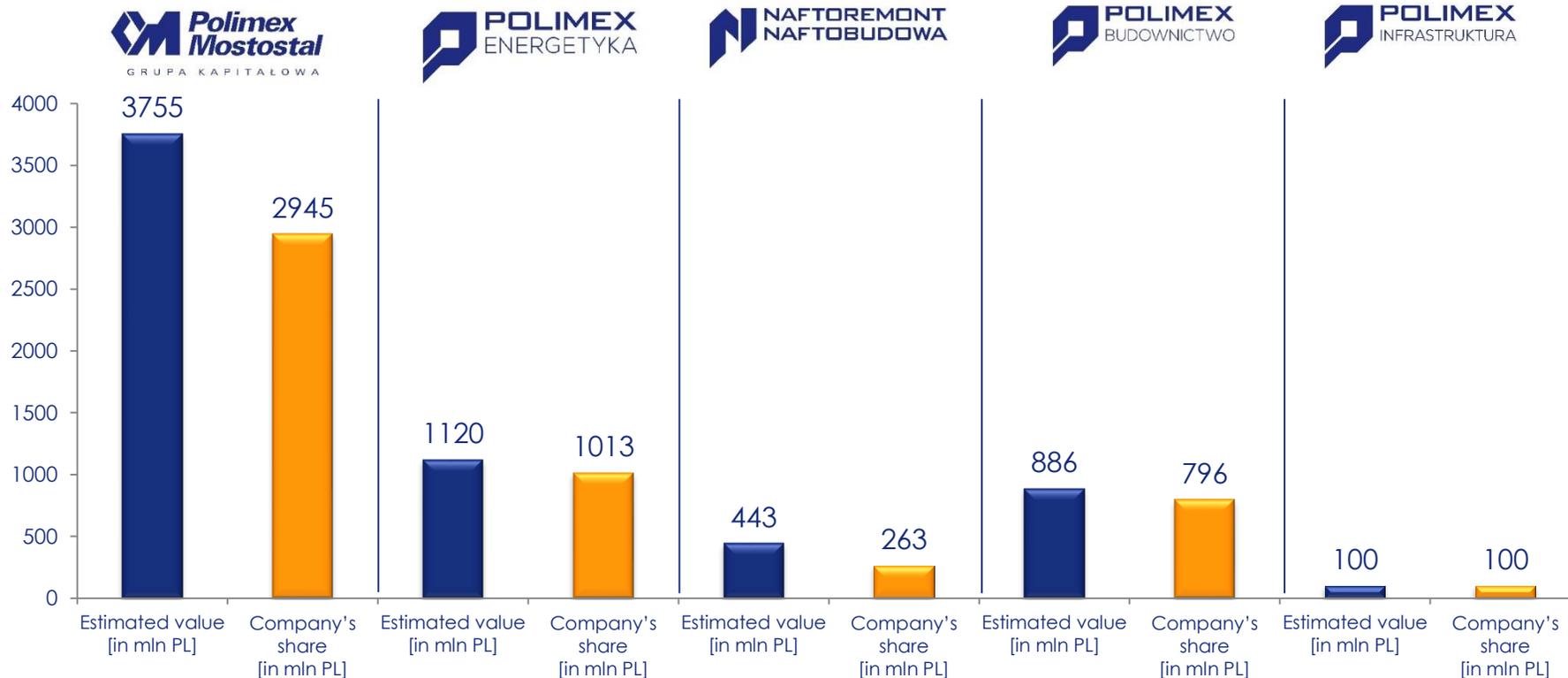
Order book as of the end of December 2018 (in mln PLN)



* Including strategic projects



Estimated Value of Currently Quoted Projects in the Group



Top priority projects:

- construction of a power block in Puławy
- construction of Terminal LNG in Świnoujście
- construction of a coke oven battery no 4 for JSW KOKS
- construction of a 450-750 Mwe gas and steam unit in Grudziądz

Detailed Financial Data for 2018 in MLN PLN

Grupa Kapitałowa Polimex Mostostal

in mln PLN	2017	2018
OPERATING REVENUE	2 421,1	1 636,9
OWN SALES COSTS	-2 254,1	-1 555,7
GROSS SALES PROFITS	167,0	81,2
SALES COSTS	-25,5	-25,3
GENERAL MANAGEMENT COSTS	-63,3	-66,7
PROFITS / (LOSSES) ON INPAIRMENT OF FINANCIAL ASSETS	-2,7	4,2
OTHER OPERATING REVENUES	48,5	50,8
OTHER OPERATING COSTS	-6,7	-8,7
GOODWILL IMPAIRMENT	-191,5	0,0
OPERATING RESULTS	-74,2	35,5
FINANCIAL REVENUES	18,6	13,7
FINANCIAL COSTS	-41,7	-34,1
SHARE IN THE PROFIT OF AN AFFILIATE	-9,9	0,1
GROSS RESULTS	-107,2	15,2
INCOME TAX	-29,8	1,0
NET RESULTS	-137,0	16,2
EBITDA	145,9	62,1

Detailed Financial Data for 2018 in MLN PLN

„Polimex-Mostostal” S.A.

in mln PLN	2017	2018
OPERATING REVENUE	1 341,8	515,2
OWN SALES COSTS	-1 282,1	-472,1
GROSS SALES PROFITS	59,7	43,1
SALES COSTS	-1,0	0,0
GENERAL MANAGEMENT COSTS	-26,4	-33,0
PROFITS / (LOSSES) ON INPAIRMENT OF FINANCIAL ASSETS	-1,7	9,9
OTHER OPERATING REVENUES	40,2	39,0
OTHER OPERATING COSTS	-5,5	-4,0
OPERATING RESULTS	65,3	55,0
FINANCIAL REVENUES	79,7	35,7
FINANCIAL COSTS	-32,4	-66,8
GROSS RESULTS	112,6	23,9
INCOME TAX	-30,0	-1,8
NET RESULTS	82,6	22,1
EBITDA	71,5	58,2

A close-up, artistic photograph of a Patek Calatrava watch movement. The watch face is partially visible on the left, showing the brand name 'PATEK CALATRAVA' in a serif font. The intricate mechanical gears and components of the watch are visible, with a prominent red hand. The lighting is dramatic, with a strong blue and purple glow, creating a sense of precision and luxury.

SUMMARY – THE GOALS OF THE CAPITAL GROUP FOR 2019

The Goals of the Capital Group for 2019

- Implementation of the initiatives from the Development Plan of Polimex Mostostal Capital Group.
- Further expansion abroad – establishing special purpose vehicles (Germany, Benelux), acquiring new Clients on the Scandinavian markets.
- Timely completion of the Opole project - obtaining the PAC.
- Continuation of the Żerań project realization, in line with the current schedule.
- Building the Company value through the acquisition and implementation of financially viable projects (oil, gas, chemicals, environmental engineering, power sector, production, industrial, infrastructural and large-size construction), renovation, service, operations and maintenance.
- Acquisition of new projects for the Capital Group, especially in the GW/EPC formula.
- Diversification of the Capital Group's order portfolio – further increase in the value of non-strategic projects in the structure of revenues.



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