

Polimex-Mostostal Group

Strategy and financial results

Warsaw, 31 August 2015



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Financial results for the first half of 2015 of the Polimex-Mostostal Group



Financial highlights for the first half of the year

PxM Group

0,9/ **1,1**
mld PLN

15%
yty

Revenues from
sales

-92,2/ **58,7**
mln PLN

Operating Profit

46/ **34,6**
mln PLN

25%
yty

General and
administrative
expenses

PxM company

0,7/ **1,0**
mld PLN

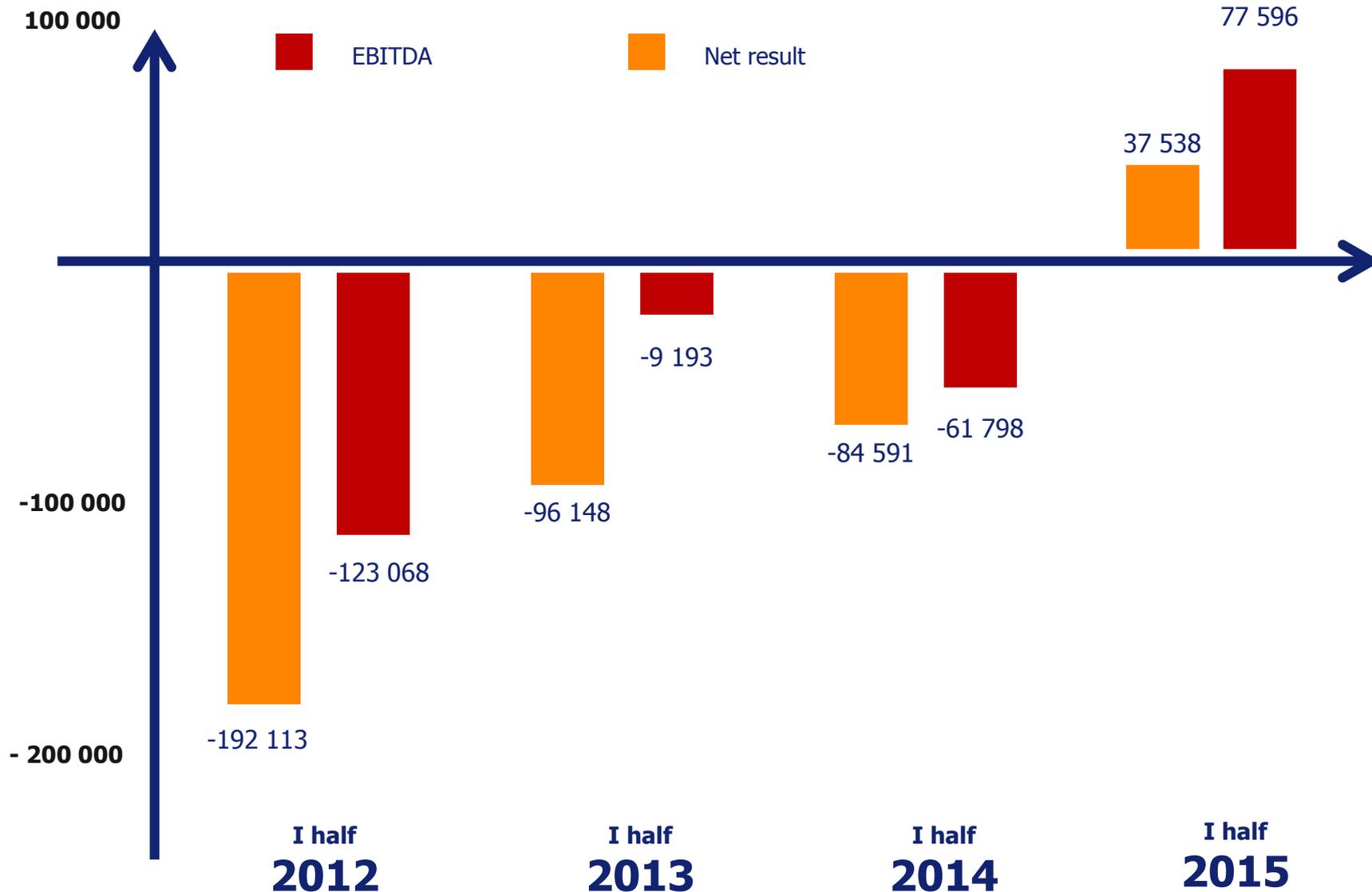
50%
yty

-90,9/ **36,4**
mln PLN

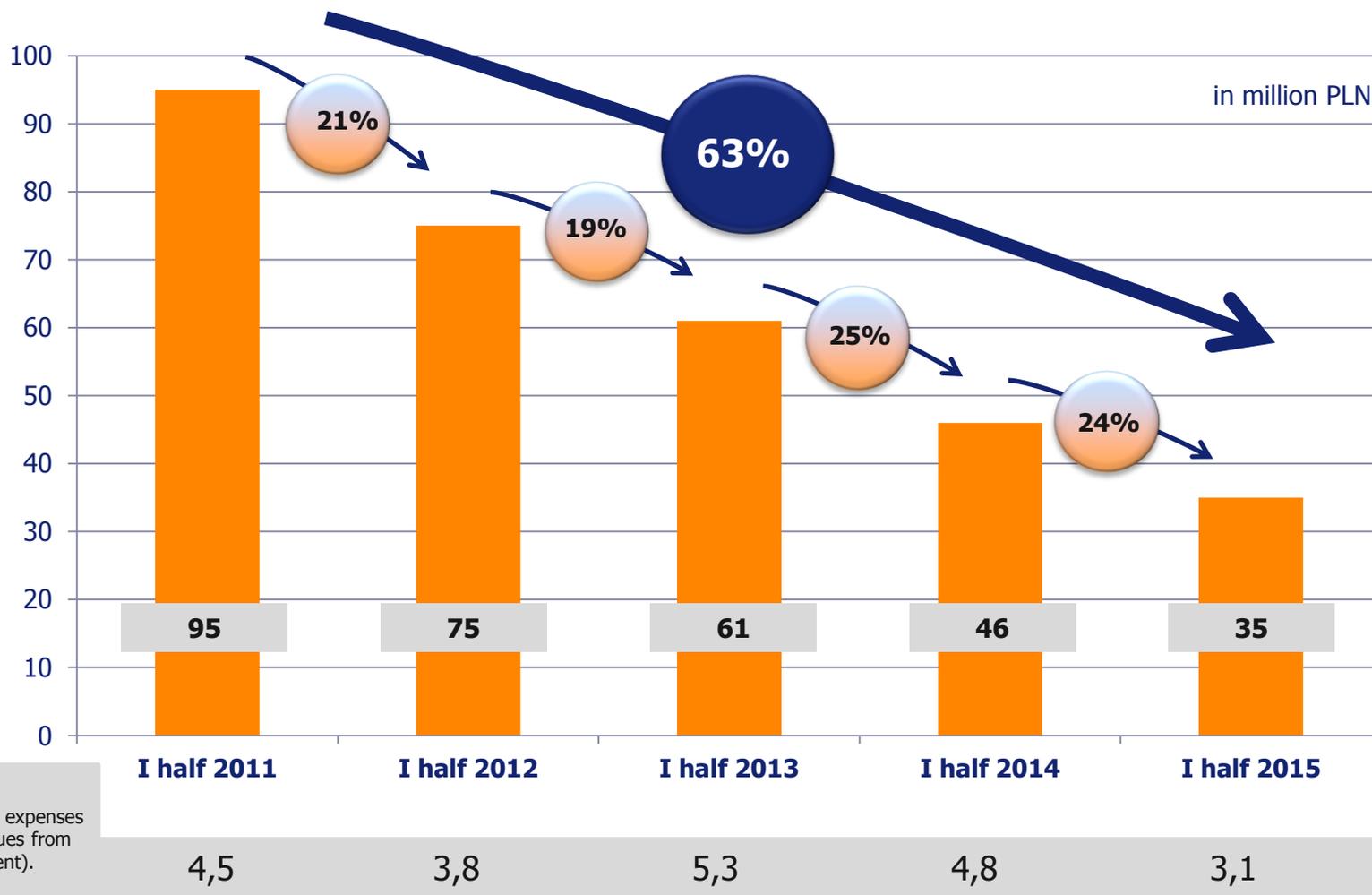
23,9/ **18,7**
mln PLN

22%
yty

Net profit and EBITDA of the PxM Group in the first half, thousand PLN



General and administrative expenses of the PxM Group



Half-year financial data (thousand PLN)

Polimex-Mostostal Group

| In thousand PLN | I half 2014 | I half 2015 | Change in percent |
|-------------------------------------|-------------|-------------|---|
| Operating income | 968 753 | 1 118 190 | 15  |
| General and administrative expenses | 46 056 | 34 619 | 25  |
| Operating profit | -92 267 | 58 721 | -  |
| Gross profit | -102 049 | 38 171 | -  |
| Net profit | - 84 591 | 37 538 | -  |
| EBITDA | -61 798 | 77 596 | -  |

Polimex-Mostostal SA

| In thousand PLN | I half 2014 | I half 2015 | Change in percent |
|-------------------------------------|-------------|-------------|---|
| Operating income | 675 535 | 1 018 911 | 50  |
| General and administrative expenses | 23 912 | 18 714 | 22  |
| Operating profit | -90 886 | 36 390 | -  |
| Gross profit | -87 174 | 4 162 | -  |
| Net profit | -66 895 | 8 920 | -  |
| EBITDA | -69 465 | 53 751 | -  |

Quarterly financial data (in thousand PLN)

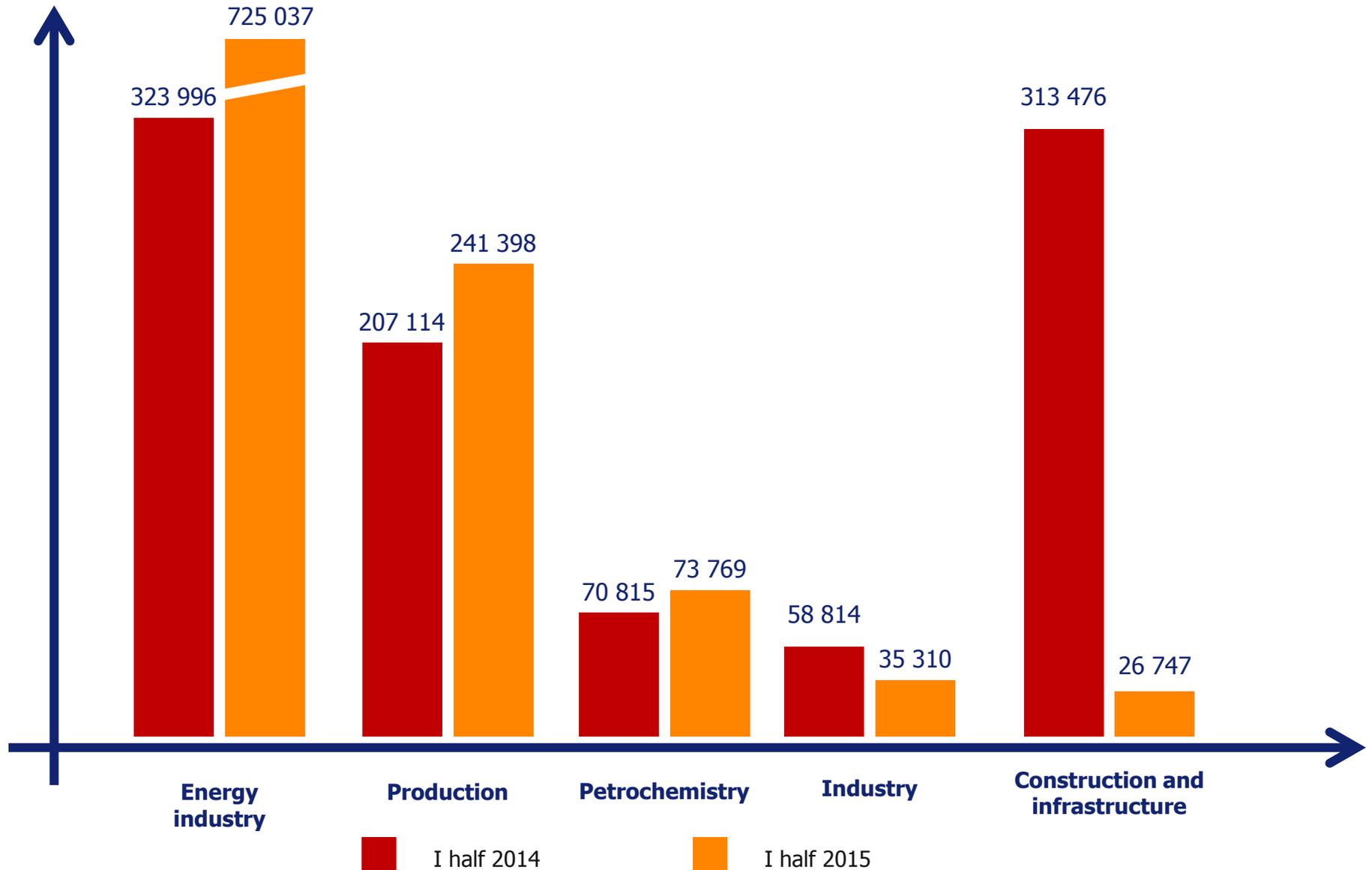
Polimex-Mostostal capital group

| In thousand PLN | I quarter 2015 | II quarter 2015 | Value change in thousand PLN |
|-------------------------------------|----------------|-----------------|------------------------------|
| Operating income | 511 049 | 607 141 | 96 092 ↑ |
| General and administrative expenses | 18 462 | 16 157 | -2 305 ↓ |
| Operating profit | 17 487 | 41 234 | 23 747 ↑ |
| Gross profit | 10 229 | 27 942 | 17 713 ↑ |
| Net profit | 9 887 | 27 651 | 17 764 ↑ |
| EBITDA | 22 384 | 55 212 | 32 828 ↑ |

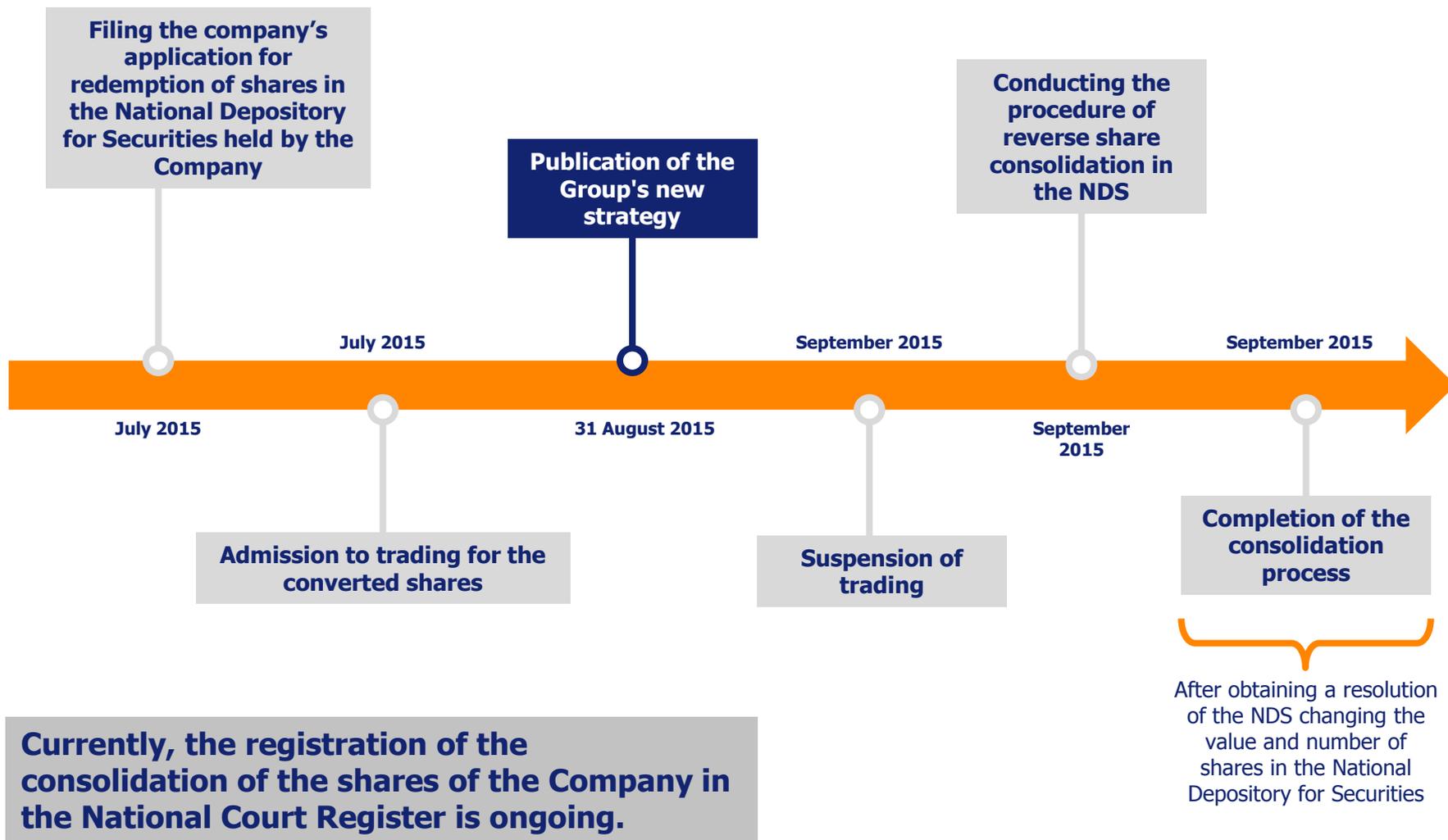
Polimex-Mostostal SA

| In thousand PLN | I quarter 2015 | II quarter 2015 | Value change in thousand PLN |
|-------------------------------------|----------------|-----------------|------------------------------|
| Operating income | 481 073 | 537 838 | 56 765 ↑ |
| General and administrative expenses | 10 435 | 8 279 | - 2 156 ↓ |
| Operating profit | 8 968 | 27 422 | 18 454 ↑ |
| Gross profit | 123 | 4 039 | 3 916 ↑ |
| Net profit | 1 320 | 7 600 | 6 280 ↑ |
| EBITDA | 13 324 | 40 427 | 27 103 ↑ |

PxM Group's revenue in the first half, thousand PLN



The process of the consolidation of shares





**The strategy of stable development
of Polimex-Mostostal**

Perspective

Before restructuring

- ✓ Starting from 2011, the Group had experienced an annual decrease in the level of sales and the sales returned to the levels of 2004-2006
- ✓ Since 2011, the Group had incurred significant losses on the sale of services, which was related to the negative margins in the infrastructure construction segment.
- ✓ Polimex-Mostostal's problems with liquidity also resulted in deterioration of the margins of originally profitable contracts in the other areas of the Group's operations.

Restructuring

- ✓ Reducing the workforce by 9 115 people (65.2%) within three years
- ✓ Decrease in general and administrative expenses by over 51% in 2011-2014, i.e. 95 million PLN of savings
- ✓ New organizational structure that centralizes support services
- ✓ Separating the two companies sectional Polimex Energy Industry and Naftoremont-Naftobudowa
- ✓ Greater efficiency on projects to strengthen the controlling departments
- ✓ Lower costs - organization is more flexible and competitive

Stable development

- ✓ Staff at the level of 5 thousand employees with great experience and competences
- ✓ Unique on the Polish market testimonials
- ✓ The main objective is to increase the value of the Group, return to permanent operating profitability



Vision of the Polimex-Mostostal Group

01

Stabilization

The model that provides increased stability in periods of economic fluctuations on the markets where the Group operates.

02

Market

Intensive development of the markets for energy and oil and gas and rebuilding positions in industry. Expanding into new areas with promising investments. Minimizing the risk by suppressing infrastructure activity.

03

Offer

Long-term cooperation with technology and design offices. The optimal choice of forms of engagement in key markets, which enables us to offer high-margin products to ensure the acquisition of large-scale projects (EPC).

To become the leading Polish industrial construction company, using the full potential of the EPC contractor model, balancing revenue and improving the process of execution of contracts

04

Efficiency

Striving for organizational and management excellence by: keeping the market competitive level of cost efficiency, optimal organizational structure, effective processes of acquisition and execution of contracts that reduce business risk.

The strategic objectives of the PxMGroup



| Petroleum, chemistry, gas | Energy industry | Industrial construction | Production |
|---|---|---|--|
| <ul style="list-style-type: none">• Rebuilding the position on the selected markets and among the key business partners• Return to overseas markets in Western Europe• Entering the implementation of projects within the EPC formula | <ul style="list-style-type: none">• Entering the selected new market segments• Improving the profitability of the sales on existing markets• Increasing the share of contracts executed in the EPC formula in the portfolio | <ul style="list-style-type: none">• Rebuilding the position in the industrial construction market | <ul style="list-style-type: none">• Increase operational efficiency• Increasing foreign sales, including the diversification of the product portfolio with high-margin orders |
| <ul style="list-style-type: none">✓ Optimizing the PxM Group Structure✓ Filling the gaps within competence in design✓ Improving tax efficiency of the PxM Group | | | |

Recreation of the scale and market position of Polimex-Mostostal

| | |
|---|---|
| A stable and predictable business model | ✓ |
| Ensuring long-term profitability | ✓ |
| Reducing the debt ratio | ✓ |
| Building the Group's shareholder value | ✓ |
| The main sources of funding will PxM's strategic projects, dividends from segment and companies and completion of the divestment process | ✓ |

Energy industry



Energy industry – strategic goals

1 Improving the profitability of sales on the existing markets

2 Entering selected new market segments

3 Maximizing the participation of contracts executed in the EPC formula* in the portfolio

| | |
|--|---|
| Conventional energy industry | ✓ |
| Waste incineration plants | ✓ |
| Pumped-storage power plants | ✓ |
| Production of electricity and heat | ✓ |
| The market in Western Europe - subcontracts (e.g. conventional energy industry, waste incineration plants) | ✓ |

* "turnkey" construction

| | |
|---------------------------|---|
| Type of commitment | General contracting |
| | Casubcontractor |
| | Service – a stable source of revenue |

Estimated market potential in 2016-2020



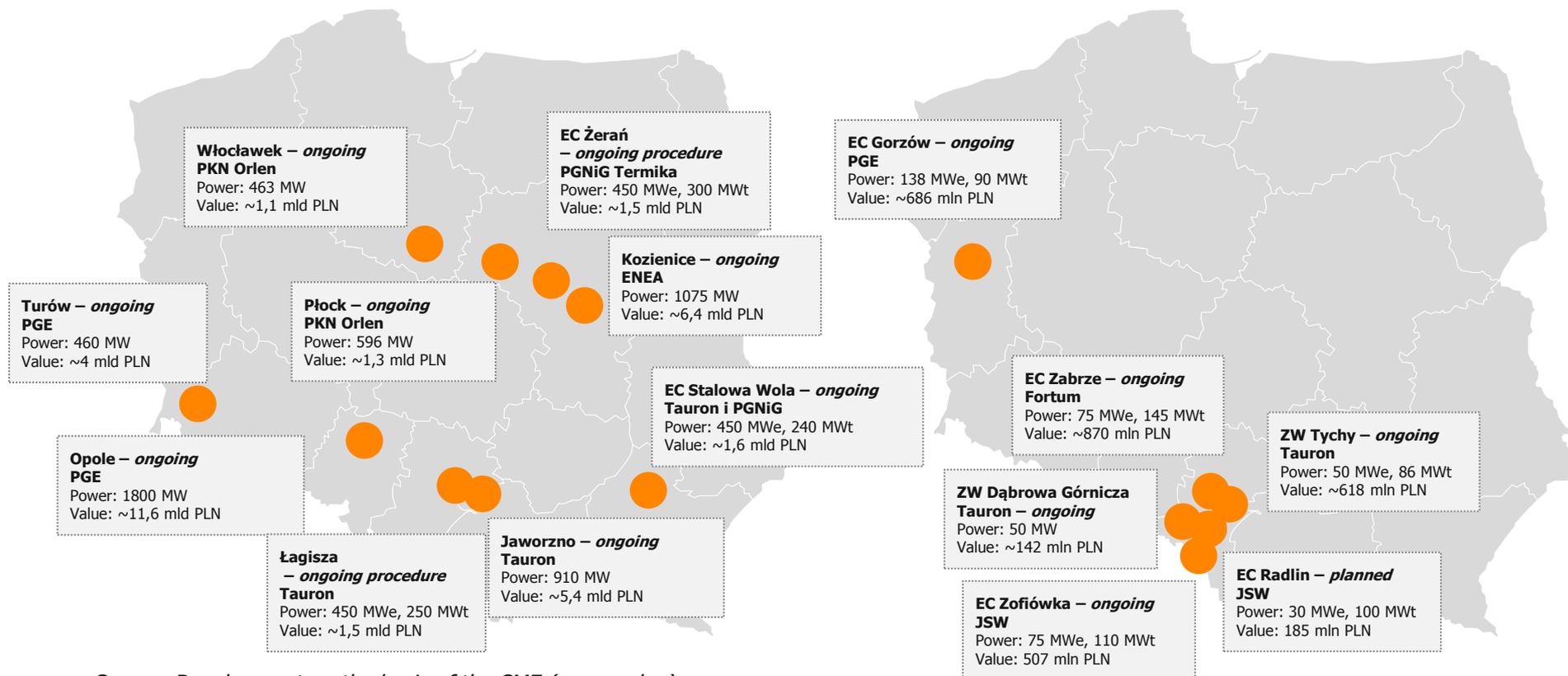
Investments in the new capacity of conventional energy

The value of investments in construction, operations and maintenance declared by energy companies in 2015-2020



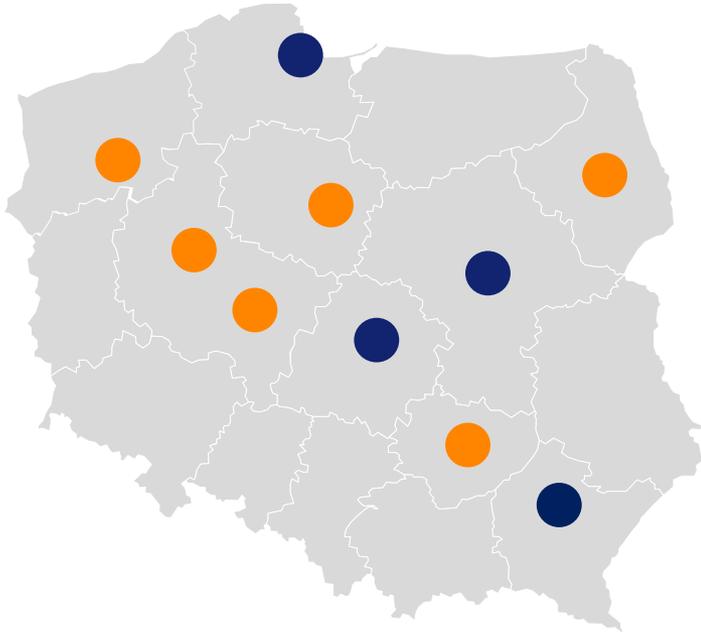
Investments in new generation capacity

Investments in low power generation units (EC)



Source: Development on the basis of the SME (gross value)

Investments in the construction of incinerators



The value of investments in the construction of incinerators

6,3 billion PLN

- ✓ Six incinerators are currently under construction in Poland.
- ✓ Construction cost of an incinerator is estimated to be approx. 3.5 billion PLN.
- ✓ Expenditure on planned investments in Warsaw, Lodz and Gdansk is estimated at about 2.5 billion PLN.
- ✓ High quality requirements and the level of complexity of works of incinerators enables the achievement of higher margins than in the case of e.g. the road sector
- ✓ It is estimated that, in the coming years, waste incinerators will be related to about 4.6 billion PLN of spending, of which 2.5 billion PLN is currently in the planning stage.
- ✓ Incinerators are also small local power generators, which supply energy

Selected planned and under construction incineration plants in Poland (gross)

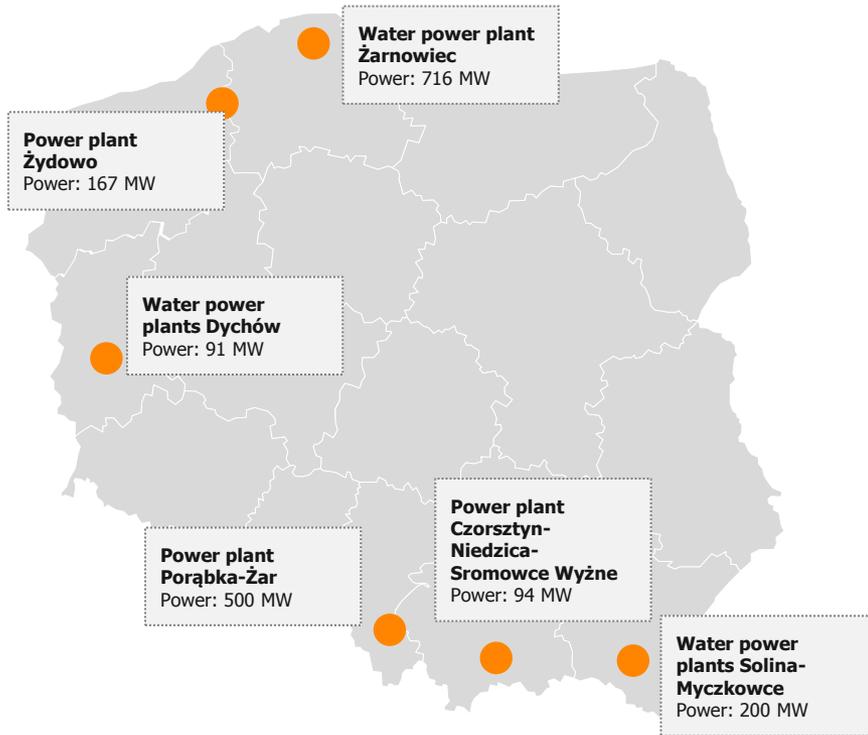


Source: Developed on the basis of publicly available information

Data in million PLN (gross amounts)

Pumped-storage power plants and heat generation

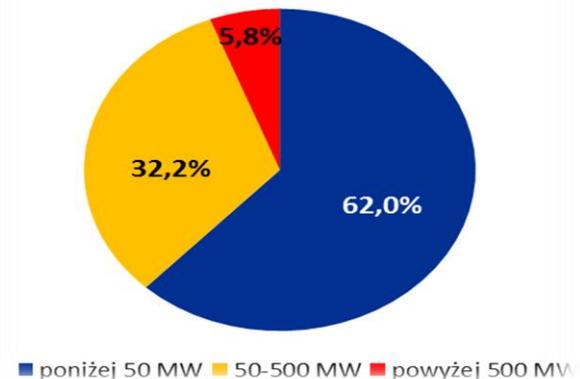
Selected pumped-storage power plants in Poland



- ✓ Pumped-storage power plants provide regulatory services for PSE SA that are essential for operation of the national power system.
- ✓ The technical conditions of the ESP indicate that in the nearest future it is possible to implement a comprehensive modernization of power plants.

- ✓ In the heat market in Poland, there are 476 licensed companies.
- ✓ The domestic market heat generation is dominated by the generating units with low-generation capacity.
- ✓ In view of the present technical solutions, heat transfer is possible up to a distance of 30 km from the source of heat.
- ✓ Heat customers' market regularly increases. On the other hand, rationalization of consumption has been recorded. New connections and expanding their networks do not compensate for the decrease in demand for heat that results, among others, from thermo-modernization processes.

Struktura krajowych producentów ciepła pod względem mocy zainstalowanej w 2012 r.



Source: Developed on the basis of publicly available information

Key success factors

Credentials

- ✓ Experience in the repair of pressure equipment
- ✓ Experience in managing large projects of construction and assembly
- ✓ The possibility of providing services in related industries using the current skills

Co-operation with technology partners

- ✓ Good cooperation with technology partners
- ✓ Effective technical coordination - particularly evident in bidding

Key success factors

Engineers

- ✓ Our qualified engineering and technical staff
- ✓ Constant exchange and staff training to increase skills and competencies of managerial staff

PxM Group organizational structure

- ✓ Cooperation with Group companies
- ✓ Transparent and efficient processes
- ✓ Shared Services Center

The market potential

| | Conventional energy industry | Waste incineration plants | Pumped-storage power plants | Heat generation | Western Europe Subcontracting | Total | Revenues from the implementation of strategic contracts in Opole and Kozenice in 2016-2020 |
|--|---|---|---|---|---|------------------|--|
| Estimated potential for the PxM Group in the segment in the years 2016-2020 | 25 billion PLN | 2,5 billion PLN | 1 billion PLN | 5 billion PLN | - | 33,5 billion PLN | |
| The planned PxM revenues for 2016-2020 | 3 billion PLN | 200 billion PLN | 50 billion PLN | 300 billion PLN | 250 mln zł | 3,8 billion PLN | 3,7 mld |
| Type of involvement | <ul style="list-style-type: none"> GC / EPC subcontractor consortium member | <ul style="list-style-type: none"> GC / EPC subcontractor consortium member | <ul style="list-style-type: none"> Subcontractor | <ul style="list-style-type: none"> GC / EPC subcontractor consortium member | <ul style="list-style-type: none"> Subcontractor | | |

Petroleum, chemistry, gas



Gas, oil, chemicals - strategic goals

1

Rebuilding the position in selected markets and among key business partners

2

Starting the implementation of projects within the EPC* formula

3

Return to overseas markets in Western Europe

* „Turnkey“ implementation

| | |
|---|---|
| Petroleum sector - Crude oil | ✓ |
| Petroleum sector- Fuel storage | ✓ |
| Gas sector - Presses | ✓ |
| Gas sector-gas transfer | ✓ |
| Gas sector- Extraction / storage / terminals | ✓ |
| Chemical sector - Nitrogen plants – installations | ✓ |
| World - Petroleum, chemicals, gas (mainly oil refining / storage tanks) | ✓ |

The estimated market potential in the years 2016-2020



Type of engagement

- ✓ General contracting/EPC*
- ✓ Contractor of specialized works
- ✓ Maintenance / repairs - a stable source of revenue

In the oil sector, the majority of investment funds intended for projects related to the expansion and modernization activities

Key projects in the oil sector in the coming years



- ✓ In 2015-2020, investors from the oil sector will devote a greater part of the costs for new investments: 8.6 billion PLN. Modernization investments will be smaller: 5.9 billion PLN.
- ✓ By 2035, crude oil will be the primary energy source in the world.

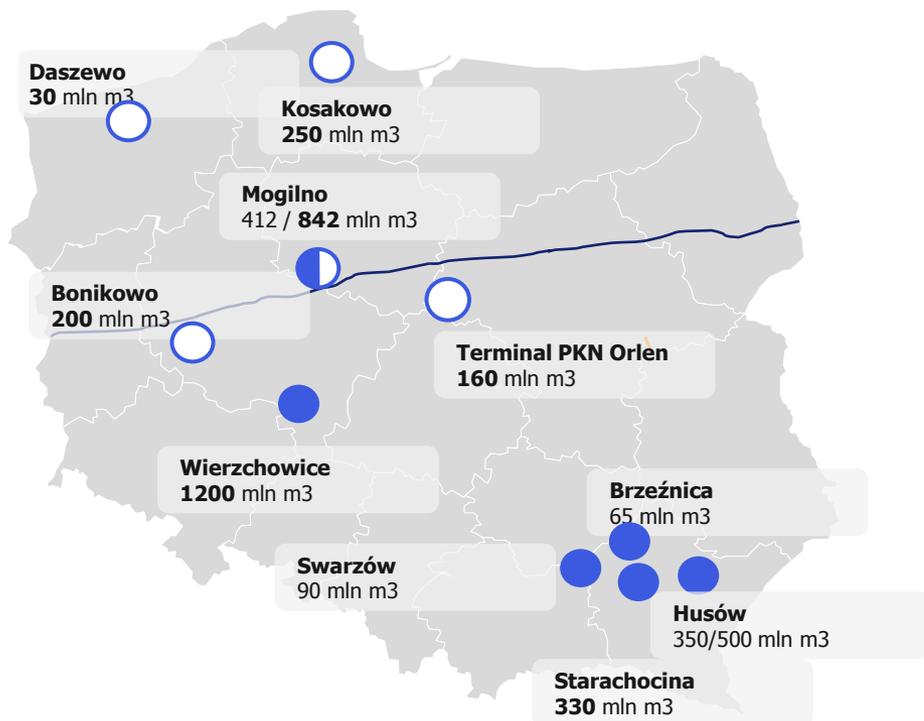
Expenditures on key projects in the oil sector in the coming years (see map)



Source: LOTOS Group, PKN ORLEN, PERN, own development

Investments in increasing the capacity of the existing warehouses and construction of new ones

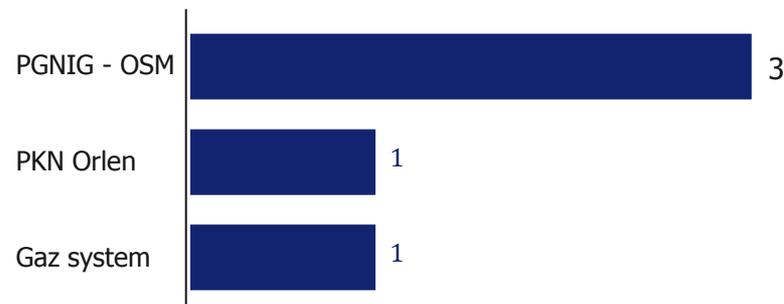
The expansion plans of underground gas storage facilities in Poland



- The existing tanks
- ◐ Tanks expanded
- Ongoing construction

Source: own development based on data from PGNiG and Gazprojekt

Capital expenditures for construction of new warehouses in the years 2015-2020 (billion PLN)

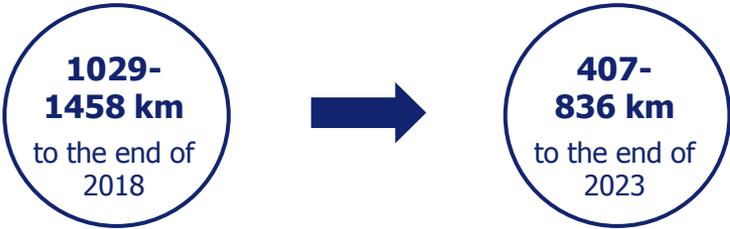
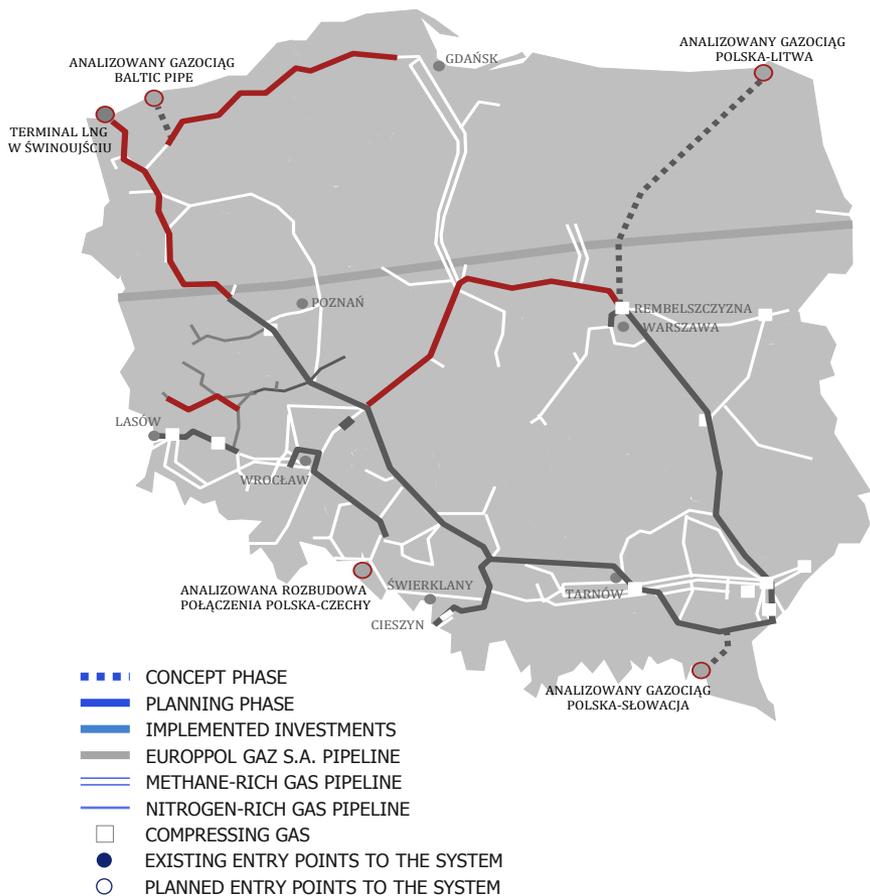


Capital expenditures for the expansion or modernization of the existing warehouses in the years 2015-2020 (billion PLN)



Start-up of new gas transmission pipelines in Poland is necessary to make the full use of, among others, the capacity of the LNG terminal in Swinoujscie

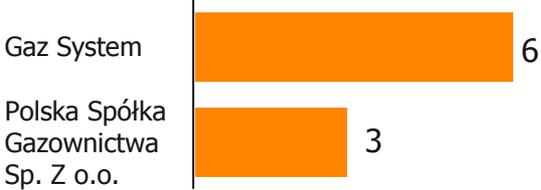
The expansion of the transmission network in recent years



The age structure of gas pipelines in Poland at the end 2014



Capital expenditures for the construction of new gas pipelines



Capital expenditures for modernization of the existing gas pipelines

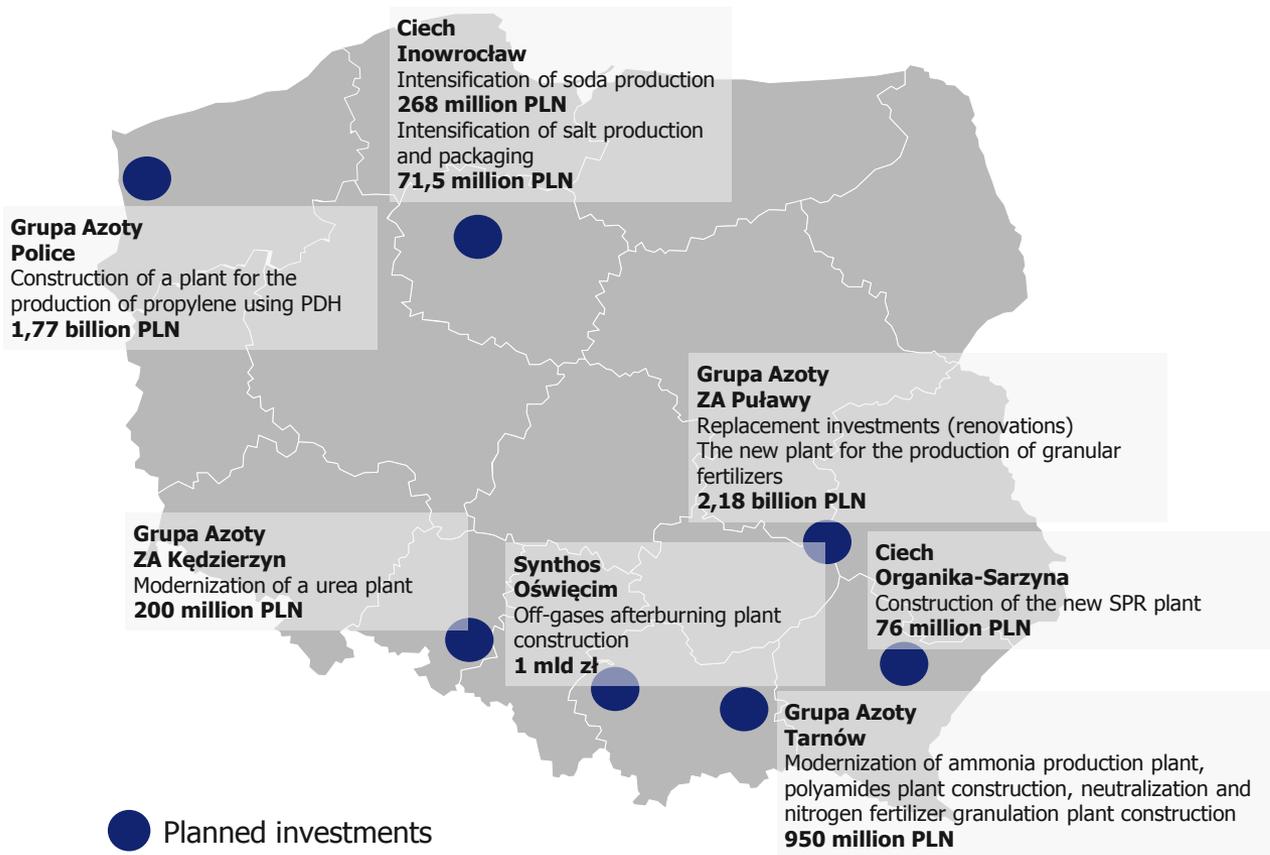


Source: GAZ-SYSTEM, as of 2013

Data in billion PLN

Investments in the chemical industry will focus on expanding the existing production companies

The plan of investments in the chemical industry



The total investment in the chemical industry in the coming years



- ✓ Large potential of the Polish chemical market
- ✓ Polish share in the European chemicals sales is 2.1%, which gives an amount of 9.4 billion euros. The largest producer in Europe are Germany with 25.5% share and a value of 114.5 billion euros

Source: Ciech, Synthos, Azoty Group, own development

Key success factors

Credentials

- ✓ References of completed projects confirm the experience and knowledge needed to implement the project.
- ✓ Credentials from large companies from the country and abroad.
- ✓ Recognizable brand, in Poland and in Europe.
- ✓ Long-term relations with customers.

Qualified staff

- ✓ A team which provides a high level of execution and design, can effectively acquire and execute projects efficiently

Key success factors

Flexibility of operations

- ✓ Implementation of projects in various formulas - EPC contractor, subcontracting, consortium - offering a way to collaborate tailored to the needs of customers

PxM Group organizational structure

- ✓ Cooperation with Group companies
- ✓ Transparent and efficient processes
- ✓ Shared Services Center

The market potential

| | Oil sector | Gas sector | Chemistry sector | Abroad | Total |
|--|--|--|--|--|--------------------------------|
| Estimated potential for the PxM Group in the segment in the years 2016-2020 | 5,2 billion PLN | 5,5 billion PLN | 2-3 billion PLN | 5,5 billion PLN (identified projects), more in a broader international development | 18,2 – 19,2 billion PLN |
| Planned revenues of PxM in 2016-2020 | 575 billion PLN | 275 billion PLN | 220 billion PLN | 500 billion PLN | 1,58 billion PLN |
| Type of engagement | <ul style="list-style-type: none"> • GC/EPC • Subcontracting | <ul style="list-style-type: none"> • GC/EPC • Subcontracting | <ul style="list-style-type: none"> • GC/EPC • Subcontracting | Subcontractor - repairs and upgrades | |

Production



Production - strategic objectives

1

Increasing foreign sales, including the diversification of a portfolio with high-margin products

2

Increase in operational efficiency

- ✓ The main customers of steel structures are energy industries, construction, while in the case of gratings, primarily industry.
- ✓ In the future, increase in demand for steel structures will affect investments in the energy sector, infrastructure and oil and gas (including off-shore).

| | |
|-------------------------|---|
| Platform gratings | ✓ |
| Steel structures | ✓ |
| Anti-corrosion services | ✓ |

Estimated market potential in 2016-2020

Production of steel structures in Poland

1200
thous. tons on
average
annually

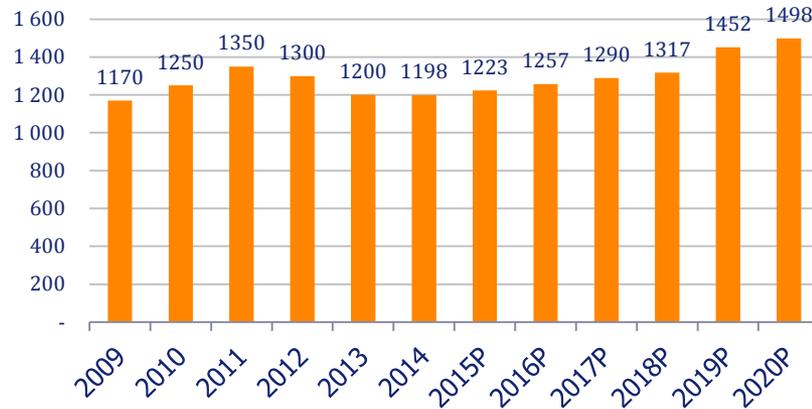


Type of
engagement

- ✓ Sales to external customers
- ✓ Internal sales

Key factors affecting demand

The volume of production of steel structures in Poland, 2009 – 2019P ('000 t)



- ✓ Investments in the energy, petrochemicals but also the off-shore sector will have a positive impact on the pace of development of the market of steel structures.
- ✓ In 2015-2020 the demand for steel structures in the energy sector will be maintained at the level of 70-80 thousand tons until 2017, and until 2020, at approx. 50 thousand t (including: energy, gas blocks transmission lines).

European Union

- ✓ The gradual improvement in the economic situation will have a positive impact on demand for steel products in the next few years.
- ✓ The growing strength of the exporters from countries with low production costs puts additional pressure on European manufacturers (which will be an opportunity for Polish producers of steel structures).

Poland

- ✓ The likely return onto the path of a relatively fast economic growth translates into higher demand for steel products in the coming years.
- ✓ Growing consumption and subsidies under the new EU budget perspective are other factors influencing the market growth rate.
- ✓ Aging infrastructure, including in the sectors of utilities (heating, gas) requires large investments in repairs which will be an additional source of demand for steel products.

Key success factors

Cost-effectiveness

- ✓ Effective cost management of projects increases the competitive advantage and the ability to obtain high and stable margins

Qualified staff

- ✓ Competence in bidding, design and execution enable winning tenders and executing them with the highest quality.

Key success factors

Building relationships

- ✓ Due to long-term relationships with large and stable customers of the production segment, PxM has a very good reputation in the market.

PxM Group organizational structure

- ✓ Cooperation with Group companies
- ✓ Transparent and efficient processes
- ✓ Shared Services Center

The market potential

| | Steel structures | Platform gratings | Galvanizing services | Total |
|---|--|-------------------|----------------------|--------------------------|
| Estimated potential of the PxM Group in the segment in 2016-2020 | 6000 thous. tons (production of steel structures in Poland) | 400 thous. tons | 3000 tys. ton | 9400 thous. tons |
| Production potential of PxM in 2016-2020 | 166,5 thous. tons | 115,2 thous. tons | 350 thous. tons | 631,7 thous. tons |
| Planned revenues of PxM in 2016-2020 | 1,350 thous. tons | 623,8 million PLN | 450 million PLN | 2,4 billion PLN |

Industrial construction



Industrial construction - strategic goals

Rebuilding a strong position in the industrial construction market

Type of engagement

- ✓ General contraction
- ✓ Subcontracting

The estimated market potential in 2016-2020

42.7
billion PLN

The annual growth rate of non-residential construction sector in Poland - 2014



Data in percent

- ✓ The highest increases generated by industrial firms, which have recently been very active in the construction investment market.
- ✓ There are many new halls and manufacturing plants created, which is the result of a decision to extend the activities of Special Economic Zones in Poland.
- ✓ In the near term, it is expected to increase in the segment of industrial construction.

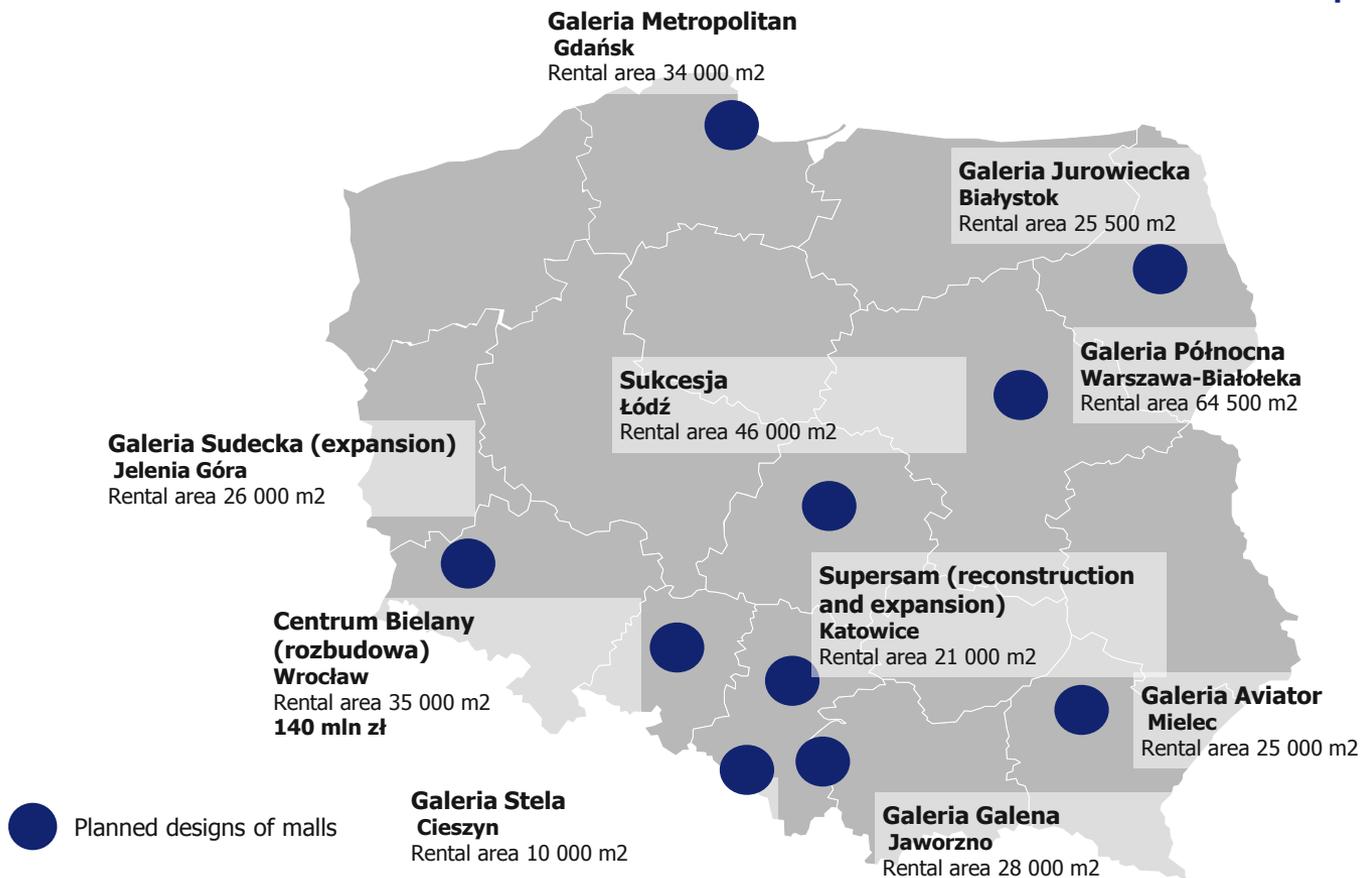
Source: PMR report entitled "Construction sector in Poland, the second half of 2014. Development forecasts for 2014-2020" CSO

Investment in commercial and storage buildings will focus on smaller towns

Selected planned investments in the trade and warehouse construction in 2015-2020

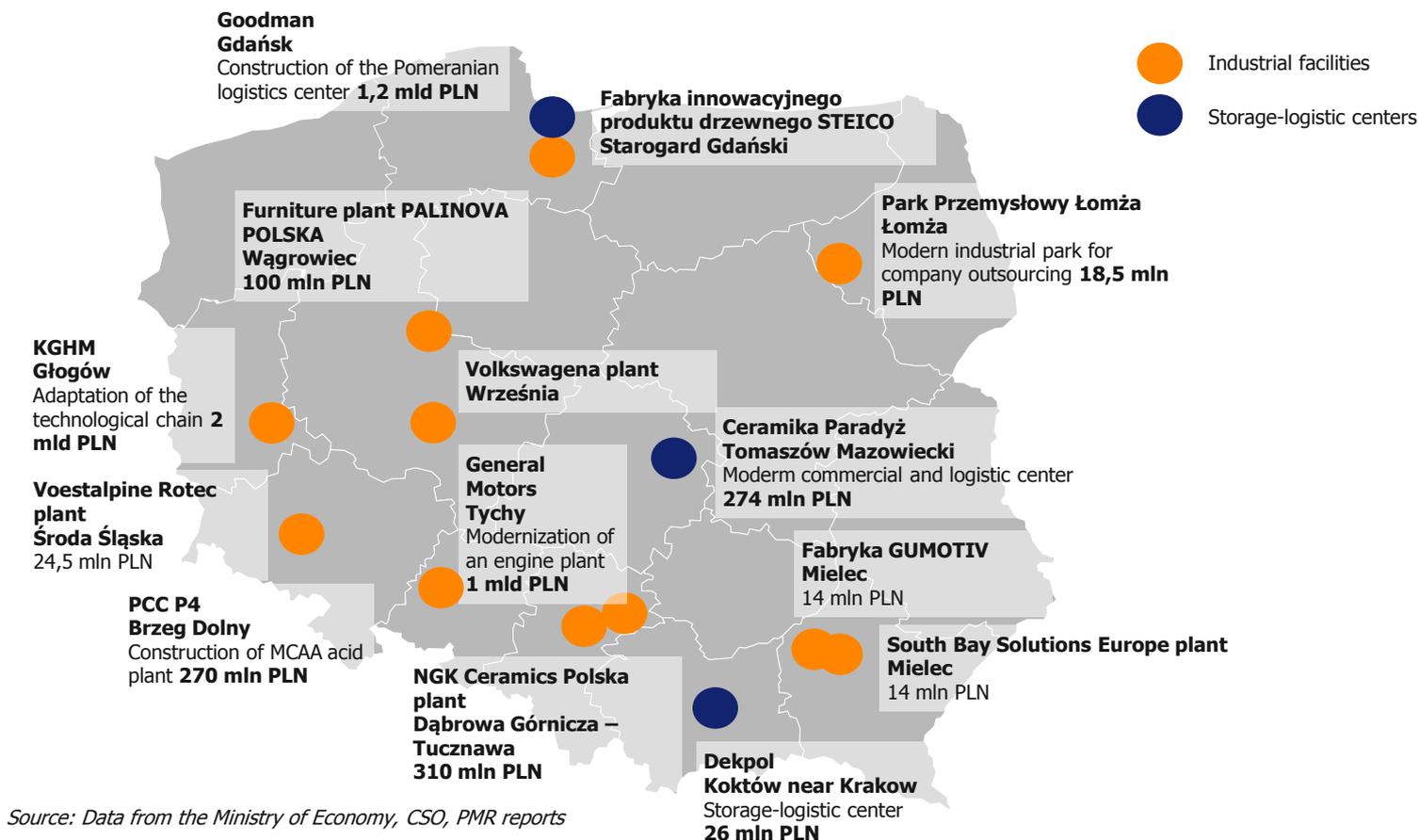
Estimated growth in construction and assembly production in the trade and services construction 2016-2020

34.4 billion PLN



Source: DTZ, CSO, PMR reports

Selected planned investments in industrial construction and warehouse in 2015-2020



The creation of many new halls and factories is largely caused by the decisions to extend the activities of Special Economic Zones in Poland

The number of logistics centers and warehouses in Poland will grow

Logistics centers in Poland



Source: publicly available information.

- ✓ Polish convenient location in the center of Europe and the density and length of railway lines are attributes which should enable Poland to aspire to being a key player in the intermodal transport market.
- ✓ The project is to invest in land and sea terminals, which enable efficient transshipment of goods between different modes of transport, e.g. trains and trucks.
- ✓ Dynamic growth of cargo will result in increased demand for the services of terminals.

The market potential

| | Industrial facilities | Commercial facilities | Total |
|---|--|--|-------------------------|
| Estimated potential of the PxM Group in the segment in 2016-2020 | 25,4 billion PLN | 17,3 billion PLN | 42,7 billion PLN |
| Planned revenues of PxM in 2016-2020* | 425 billion PLN | 425 billion PLN | 850 billion PLN |
| Type of commitment | <ul style="list-style-type: none"> • General contracting • Consortium member | <ul style="list-style-type: none"> • General contracting • Consortium member | |

* Building the market position of the new company.

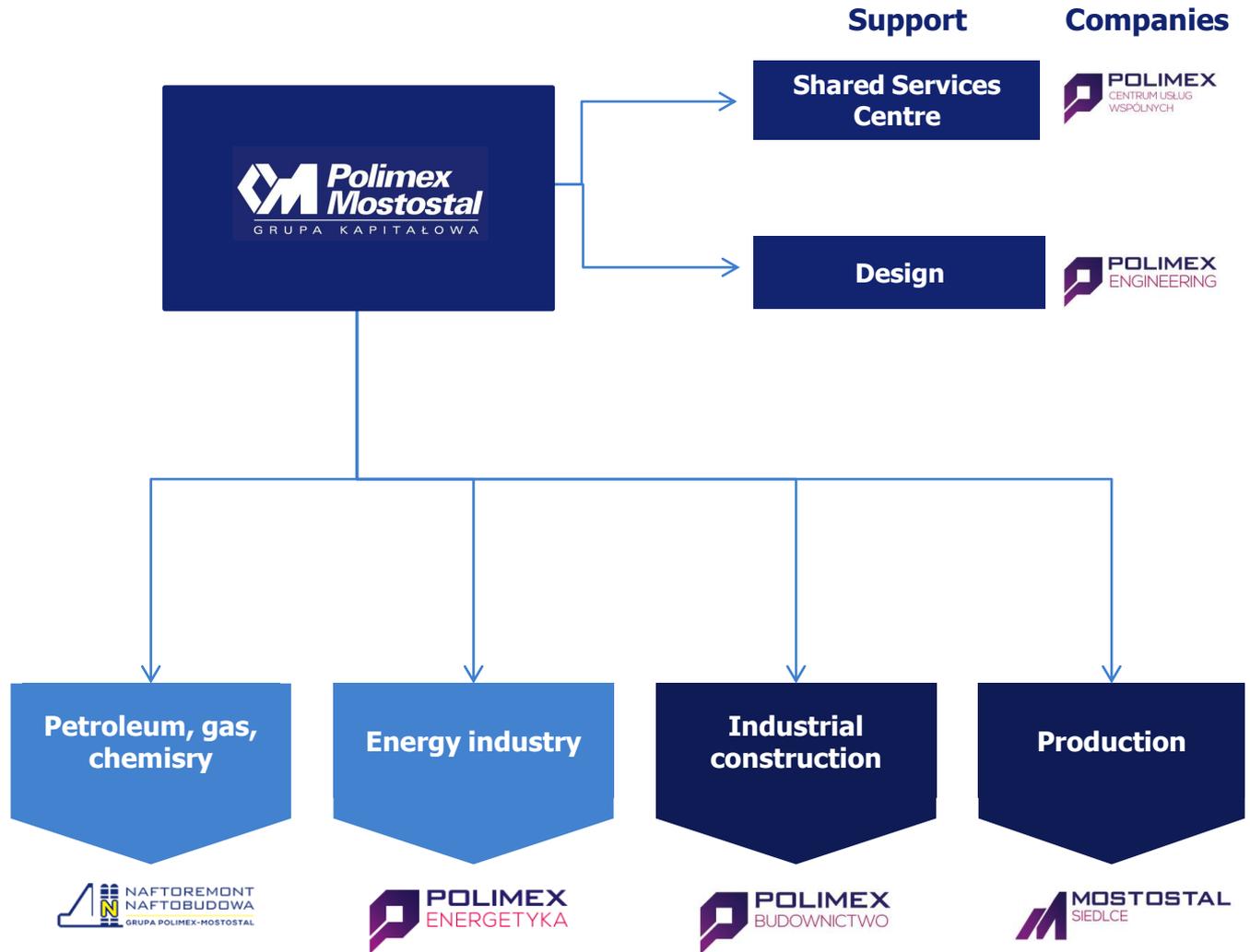
Strategy pillars



The target structure of Polimex-Mostostal

NON CORE BUSINESS

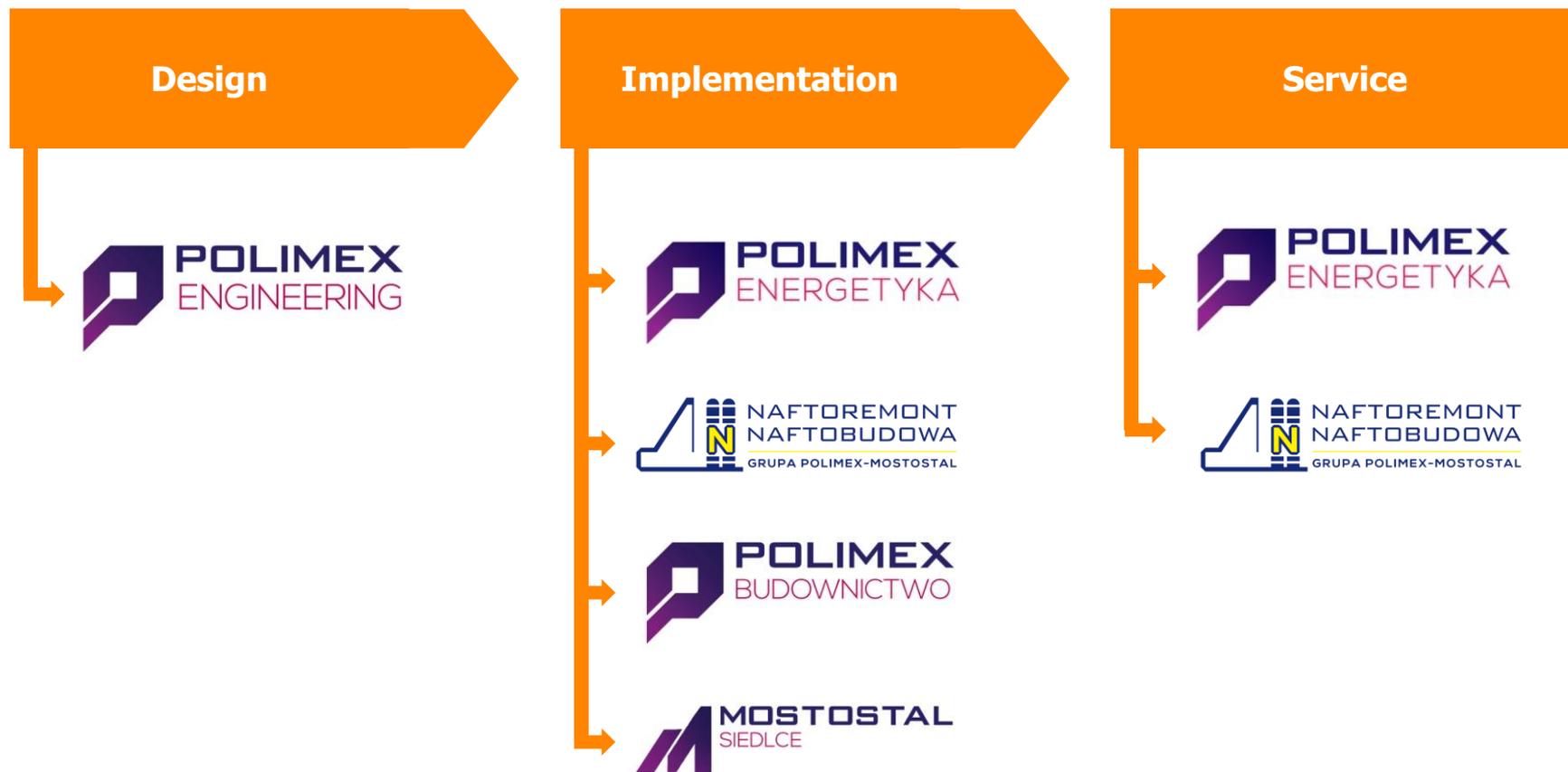
- ✓ Water and Chemical Laboratory Economics
- ✓ PRInż-1
- ✓ Stalfa
- ✓ Energomontaż-Północ Bełchatów
- ✓ Grande Meccanica (Italy)
- ✓ Polimex-East (Moscow, Russia)
- ✓ Polimex-Ukraine (Zhitomir, Ukraine)
- ✓ Czerwonogradzki Metal Constructions Plant (Ukraine)



Pillars of the first years of the development of the PxM Group strategy

- ✓ The business model based on diversified revenue
- ✓ The business model based on diversified revenue
- ✓ Positioning only in sectors with high growth potential (prospective industries)

Polimex-Mostostal - we provide the value chain



Thank you for your time

