

# Polimex-Mostostal profitably concluded the first half of 2010

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Summary of the first half of 2010.

Consolidated revenues from sale in the first half of 2010 amounted to PLN 1,806 million. Following the first half of 2010, the operating profit amounted to PLN 82 million. The net income amounted to PLN 43 million. Gross margin of profit on sales amounted to 10.9 %. Net margin of profit in the first half of 2010 amounted to 2.4 %. The portfolio of orders (contract signed) currently amounts to:

- PLN 7.5 billion. (inclusive of consortium partners),
- PLN 6.2 billion. (exclusive of consortium partners).
- Results generated by the Company and by the Group correspond with budget assumptions and, with respect to the net profit, we have accomplished a result better than it had been planned.

The results are really good, in particular bearing in mind the extremely harsh and long winter of 2009/2010 and the flood which in Q2 of this year covered some of our road construction sites in the south of Poland.

I would like to emphasise that our results for the first half of this year are close to a market consensus, informs President Konrad Jaskóła.

- The Group currently holds a portfolio of orders of a historically highest value. We have assured sales at the level of the 2010 budget, adds Konrad Jaskóła.

Recently concluded contracts.

In the first half of the year, Polimex-Mostostal has signed numerous contracts,

including contracts for the realisation of large investments, for instance:

- a contract concluded with the GDDKiA (Generalna Dyrekcja Dróg Krajowych i Autostrad, the General Directorate of National Roads and Motorways) for the construction of a section of the S69 expressway of the value of PLN 788.1 million gross;
- a contract concluded with Botlek Tank Terminal B.V. for the turnkey construction of a tank terminal of the capacity of 185,000 m<sup>3</sup> to store mineral oils, vegetable oils and liquid fuels at the port of Rotterdam, of the value of EUR 52,000,000 net;
- a contract concluded with Park Wodny in Ruda Śląska Sp. z o.o. worth PLN 81.8 gross for the development of a detailed design documentation and construction of the Aqua Park – Sports and Recreation Swimming Centre – in the Kłodnica River Valley, Ruda Śląska;
- a contract concluded with the Lublin University of Technology for the construction of the Centre for Innovation and Advanced Technologies of the Lublin University of Technology worth PLN 73 million gross,
- a contract concluded with Alstom Power for the installation of 21 thousand tons of steel structures at Mannheim Power Plant in Germany, worth PLN 60 million net,
- a contract worth PLN 30.2 million gross, concluded with the Małopolska Agencja Rozwoju Regionalnego S.A. for the construction of a complex of production and service buildings with office and personnel facilities, inclusive of internal traffic roads extensions at the premises of the MARR Business Park in Cracow.
- a contract with Hitachi Power Europe GmbH. for the installation and welding of 1,000 MW pressure pipelines at the KW Wilhelmshaven power plant in Germany, worth EUR 3.9 net.

Perspectives for new contracts.

In the recent weeks, Polimex-Mostostal has placed bids which have been considered by the Ordering Party to be the most advantageous ones, for instance:

- for the construction of a section of the A-4 motorway for PLN 196 million net,
- for the construction of the Kraków-Medyka-state boundary railway line, along

the Podłęże-Bochnia section, placed by Torpol – a 100% subsidiary company of Polimex-Mostostal, for the gross amount of PLN 630 million,

- for the construction of the Solidarity Centre in Gdansk, worth PLN 157 million.
- for the construction of a football stadium in Gliwice, worth over PLN 54.1 million gross.

The value of the bids considered the most advantageous now amounts to PLN 3.7 billion (inclusive of consortium partners) and PLN 1.6 billion (exclusive of consortium partners).

Following the awaited signature of the contracts, the value of the portfolio of orders will amount to: PLN 11.2 billion (inclusive of consortium partners) and PLN 7.8 billion (exclusive of consortium partners).

Polimex-Mostostal has commenced reconstruction of the former Warszawa Hotel pursuant to a contract signed by and between the Company and the new owner of the building. The value of the works is minimum PLN 90 million gross. The date of completion of the works has been planned for June 2012.

Along the increasing importance of the power engineering industry, among the activities conducted by the Group the most distinguished is the infrastructural building activity, where the Group is executing significant road and railway contracts. In this sector, the Group has assured itself work for the years to come, and the revenues from the activity continue to increase successively.

At the moment, Polimex-Mostostal is concurrently executing, among other things, sections of the A1, A2 and A4 motorways, and the S69 expressway. The Company is also placing bids for further large investments.

The Company continues to record a high and continually growing portfolio of orders in the area of industrial and general building, and an increasing number of orders from abroad.

Realisation of the projects also requires deliveries and installation of the steel products manufactured by the Company, inclusive of hot-dip zinc galvanised products.

- Following some kind of stagnation at the end of last year, the number of orders for steel structures and products is increasing. Greater demand also makes it possible to better utilise the capacities of our plant in Romania which was struggling with difficulties for several months. This is an important change of the

trend as steel products have an approximately 20% share in our sales, informs the President.

Power engineering is one of the most developing areas of economy. In this sector, Polimex-Mostostal has significant experience and a strong position of a general contractor. Polimex-Mostostal cooperates with renowned, most important world leaders in the power engineering sector, such as: Alstom Power, Tecnimont SpA, BWE, Siemens, Ansaldo, Austrian Energy, czy Hiatchi. The Company's portfolio features contracts with the largest Polish and foreign power engineering companies.

Conclusion of several large domestic investment projects ought to take place in the first half of next year. These include for example contracts for the construction of power units at Opole and Koziernice Power Plants and at Siekierki Heat and Power Generating Plant. Polimex-Mostostal has placed bids in all those tenders.

- As a general contractor, we are realising a 50 MW power unit at Bielsko-Biała Heat and Power Generating Plant. This construction is important to us, and its budget amounts to PLN 500 million. In turn, Energomontaż Północ – a Group company – has won the tender for the construction of an exhaust gas desulphurisation system at the Koziernice Power Plant worth PLN 132 million, says Konrad Jaskóła

- Wishing to be a leading general contractor of investments in the power engineering sector which – in our opinion – in approx. two years may even have the largest share in our sales, we have decided to purchase a domestic design studio designing power boilers. The Company has relevant knowledge and references, adds the President.

- Fabryka Kotłów Energetycznych Sefako, belonging to our Group, in cooperation with the studio purchased, will extend the activity in a manner enabling it to produce ever greater units of various outputs and powered with various fuels. We expect that eventually Sefako will become a company manufacturing power boilers based on both own and licensed technologies, Konrad Jaskóła continues.

Polimex-Mostostal is also developing its activity in the wind power engineering sector. Total value of the current contracts concluded by Polimex-Mostostal for the execution of wind farms amounts to PLN 51.5 million net.

The Company intends to develop its activity as a general contractor in that respect, that is to execute projects comprehensively.

Reorganisation.

The merger of Polimex-Mostostal and seven subsidiary companies will be registered at the turn of the year.

- The most important decisions have already been taken, i.e. the General Meetings have adopted positive resolutions on the mergers. At the moment, we are completing complicated and long-lasting official procedures, informs Konrad Jaskóła.

The owners found the form of further development of the Group proposed by Polimex-Mostostal to be the most effective and authorised reorganisation involving incorporation of the following seven companies in the organisational structure of Polimex-Mostostal:

- Energomontaż-Północ SA
- Naftobudowa SA
- Naftoremont Sp. z o.o.
- ZRE Kraków sp. z o.o.
- ZRE Lublin SA
- EPE-Rybnik sp. z o.o.
- ECeRemont sp. z o.o.

As a result of the decision, significantly increased will be the capacity of Polimex-Mostostal and its ability to comprehensively realise even the largest investments.

The Company's own resources will be extended in the realisation of works and deliveries of significant importance to the realisation of entire orders.

Thanks to increasing the ability to freely relocate the resources between individual business units, the Company will also become less susceptible to the negative impact of seasonality and cyclicity of the building market.

What is important, the costs incurred by the Company will be further optimised.

Polimex-Mostostal and its Management Board have been recognised.

In the first half of 2010, Polimex-Mostostal S.A has been recognised with:

- 1st and 3rd degree award in the 'Construction of the Year 2009' contest held by the Polski Związek Inżynierów i Techników Budownictwa (PZITB, Polish Association of Construction Engineers and Technicians) for the realisation of the SOLPARK Education and Sports Complex in Kleszczów and for a new seat of the Instytut Podstawowych Problemów Techniki of the Polish Academy of Sciences in Warsaw, granted by the PZITB, the Main Construction Supervision Office and the Ministry of Infrastructure.
- the title of the 'Change and Progress Creator' - for the President of the Management Board Konrad Jaskóła - in recognition of popularisation and propagation of democratic and free market standards, promotion of innovative solutions and propagation of the ideas of civil society in the years 1990-2010, granted by the Regional Chamber of Commerce in Katowice.
- the title of the 'Company friendly to employees' - granted by the Związek Pracodawców Warszawy i Mazowsza (Association of Employers of Warsaw and the Mazovian Region) in the 1st edition of the contest held as part of the 'Adaptiveness Through Development of Local and Regional Instruments of Social Dialogue' project co-funded with European Union resources under the European Social Fund.
- the title of the Maecenas of Sport in Siedlce 2009 and Maecenas of Culture in Siedlce 2009 for Polimex-Mostostal granted by the Siedlce City Council.
- the title of the Leader of Restructurisation - for the President of the Management Board, Konrad Jaskóła, granted by the Stowarzyszenie Inżynierów i Techników Przemysłu Chemicznego (Association of Chemical Engineers and Technicians) for the ability to formulate visions and for the professional realisation of them, and effective development of relations between science and industry.
- the title of the Manager of the Year - for the President of the Management Board, Konrad Jaskóła, granted by the 'Home & Market' economic magazine.
- Award in the Forbes Diamonds 2010 Ranking in the category of companies of the level of revenues above PLN 250 million in the Mazowieckie Voivodeship.

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