Operating activities in 1Q 2014.

05/13/2014

In the first quarter of 2014 Polimex-Mostostal continued corrective actions, realizing the program of financial and operational restructuring and conducted ongoing operations.

Negotiations with creditors

- Talks with creditors are ongoing, they bring us closer to a solution acceptable to all parties. Arrangements are to allow the company to be back on the market through the access to guarantee lines that enable the acquisition of new contracts. The Management Board expects the agreement with creditors to be reached in the near future – Maciej Stańczuk informs, the Acting Chairman of the Board of Polimex-Mostostal.

Operational restructuring and cost reduction

- The process of cost reduction and optimization of the organizational structure is being continued. In the first quarter of 2014 a project was implemented that aims a holding structure to be adopted by the company – Joanna Makowiecka informs, the Vice President of the Board.

Within the group, companies will be created to operate in the strategic areas of activity, namely: energy, petrochemicals and services. The companies will be equipped with the necessary resources that will enable them to start and develop their activities. Polimex-Mostostal shall retain a dominant role in relation to these

companies and will provide a shared service center for them.

- The aim of the process is to increase our competitive advantage by focusing on the main areas of activity and the development of key competencies – the Vice President, Makowiecka, adds.

Divestments

Implementing the provisions of the restructuring agreement with creditors, the company continued the sale of assets not related to the core business.

The disinvestment process so far confirms that the assets identified for sale are attractive, allowing the company to get a satisfactory price. In the first quarter of 2014 Polimex-Mostostal, in particular, concluded the following agreements:

· an agreement with Molina sp. z o. o. for the sale of the property located in Warsaw at Czackiego Street, including land and a building for the price of PLN 30.75 million,

· a preliminary agreement with TMT TRADING sp. z o. o. for the sale of an organized part of Polimex-Mostostal SA, i.e. the Department of Steel Structures in Rudnik on the San, whose core business is the production of steel, for the price of PLN 7.45 million,

· an agreement with physical persons for the sale of the property located in Lublin, at Inżynierska Street, including land and buildings with equipment for the total price of price PLN 3,097,600,

· an agreement with Ghelamco GP 1 sp. z o. o. for the sale of the property located in Warsaw at Elektryczna Street, including land and a building for the price of PLN 5,596,500.

- Efforts are being continued to publicize Torpol - a subsidiary of Polimex-Mostostal. No final decision has been taken whether minority or majority stake in the company will be subject to the sale. A sale of some shares to a branch investor is also considered. The sale of Torpol may take place in the next few

months - Maciej Stańczuk explains.

Within the organizational structure of Polimex-Mostostal a Siedlce production department has been separated as an entity of the company. Since January this year, it has been operating on its own settlement. This allows, in the case where there would be an attractive proposal from a potential investor, to take a decision on the sale of this department.

Operating activities in 1Q 2014.

In the first quarter Polimex-Mostostal concentrated on the projects in the construction industry, particularly in the energy and petrochemical industries.

In January consortia with the participation of Polimex-Mostostal terminated, and thus finished, the implementation of road contracts concluded with GDDKiA for the construction of the expressway S69 and sections of the A1 and A4 highways.

- On May 6, 2014, as a result of negotiations held with GDDKiA, our company signed a letter of intent with GDDKiA concerning the conditions of cooperation and reciprocal settlement. The parties declared their intention to cooperate within the settlement of these contracts and arbitrary determining the amount of mutual claims – Joanna Makowiecka informs.

On 31 January 2014 Polimex-Mostostal, implementing, as a member of a consortium, a contract to build two new power units in the Opole Power Plant, received a notice to proceed in the Opole Power Plant. This contract is yet another, along with the one in Kozienice, significant contract of Polimex-Mostostal in the company's strategic energy sector. It is the largest and historically crucial investment in the Polish energy sector. Its value is PLN 11.5 billion gross, of which approximately 42%, i.e. PLN 4.83 billion is the part of Polimex-Mostostal.

In April 2014 Enea Wytwarzanie selected the offer of Polimex-Mostostal as the most attractive in the tender for the modernization of the boiler unit No. 10 in Kozienice. The value of the offer amounts to PLN 15.7 million. When choosing the best bid, price was taken into account (90 percent) along with warranty (10

percent). The employer provides that the task will be carried out in the period from March to July 2014. Polimex-Mostostal is already executing in Kozienice a new block with a capacity of 1,075 MW. The scope includes construction and assembly work amounting to around PLN 6.3 billion gross. Polimex-Mostostal also performs construction and assembly works under their contract for the construction of flue gas desulphurisation plant. The value of the order reaches PLN 78.6 million gross.

Financial results for the first quarter of 2014.

Polimex-Mostostal:

PLN 290.8 million revenue,
PLN - 15.8 million EBITDA loss,
PLN - 31.4 million net loss.

Polimex-Mostostal Group:

· PLN 412.4 million revenue,

· PLN - 11.9 million EBITDA loss,

· PLN - 39.2 million net loss.

The results for the first quarter of 2014 were influenced by the seasonality of engineering and construction markets and the still tense liquidity situation of the company, which resulted in a limited potential within executing contracts.

It should be noted, however, that the company reported improvement of financial ratios in the last weeks of the first quarter.

The current order backlog stands at a high level and is PLN 9.1 billion gross. The whole of it applies to concluded contracts. In subsequent years the portfolio is as follows: 2014: PLN 2.2 billion, 2015: PLN 3.3 billion, 2016: PLN 2.3 billion, and PLN

1.3 billion in the following years.

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