

**Polimex-Mostostal presented the results for the first three quarters of 2013, which are better than the market consensus. Their backlog remains at a high level. The company continues to restructure.**

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- The Board of Polimex-Mostostal consistently implements measures to stabilize the company's finances. In October this year the company signed with its creditors an important annex to the restructuring agreement, which puts into effect the second phase of financial restructuring and details the extent of activities aimed at improving the liquidity of the company - Gregor Sobisch says, the Chairman of the Board of Polimex-Mostostal.

Financial results for the first three quarters of 2013 (in million PLN)

Polimex-Mostostal:

PLN 1 263 million in revenues (compared to PLN 2 440 million in revenues in the comparable period last year - a decrease of 48.2%),  
PLN -84 million operating loss (compared to PLN -503 million operating loss in the comparable period last year)  
PLN -62 million net loss (compared to PLN -577 million net loss in the comparable period last year)  
Net margin was -4.9% (compared to -23.7% in the comparable period last year).  
Polimex-Mostostal Group:

PLN 1 723 million in revenues (compared to PLN 3 155 million in revenues in the comparable period last year - a decrease of 45.4%),  
PLN -77 million operating loss (compared to PLN -483 million operating loss in the

comparable period last year)

PLN -141 million net loss (compared to PLN -482 million net loss in the comparable period last year)

Net margin was -8.2% (compared to PLN -15.3% in the comparable period last year).

The current value of the Group's backlog is PLN 10.6 billion net.

- A decrease of 26.9%, compared to the first three quarters of 2012, of general and administrative expenses, obtained as a result of the deployed operational restructuring, simplifying the organizational structure and a significant reduction in the costs of the Group had a beneficial effect on reducing the operating loss from continuing operations – the Chairman Sobisch highlights.
- It should be emphasized that engineering and construction companies, including Polimex-Mostostal, and their resulting financial performance have been significantly affected by the continued difficult macroeconomic situation and the economic downturn - Robert Bednarski informs, the Vice President, Chief Financial Officer.
- Significant impact on the results was also due to the deterioration of cash flows related to road projects in the last year, as well as disputes and claims of the company in relation to the road contracts' Employer, i.e., the General Directorate for National Roads and Motorways
- the Vice President, Robert Bednarski, highlights.
- The result of the Group's continuing operations in the first three quarters of 2013, has been affected by the solution of the actuarial provision for jubilee awards and retirement pensions, as well as the program of divestment, the sale of the "Suchy dok" real estate in Gdynia – Robert Bednarski points out.

## Restructuring

- Signing annex to the restructuring agreement with creditors on October 25 this year means that they have accepted the company's recovery plan, as developed and presented by management. The annex gives the company the ability to stabilize the financial situation and develop operations – Gregor Sobisch highlights.

Restructuring of the company is based on six strategic initiatives implemented in the years 2014-2019. These include:

focus on core activities and conducting a series of divestments, introducing a new organizational structure, increasing flexibility and cost efficiency, increasing the company's activity in foreign markets, further developing of the competence of the company, regaining full control of financial flows and reducing the net debt.

The company focuses on the activities of engineering and technological projects in profitable areas identified as strategic, including power engineering, petrochemistry and industry. The comprehensive scope of services includes: design, implementation, maintenance, upgrades and repairs. The company is actively looking for new orders from abroad.

- The company continues to pursue the objective of further lowering overall costs and disposal of assets not belonging to the core business.

In October this year, preliminary contracts for the sale of a real estate package were signed, in November this year, a contract for the sale of the company "Zarząd Majątkiem Górczewska" Sp. z o.o., for the amount of PLN 25 million was concluded. In total, these transactions will bring revenues of around PLN 110 million – the Vice President, Robert Bednarski, informs.

- The Company continues to optimize the level of employment in order to best fit the scale of the executed orders. The next stage of the voluntary program of staff redundancy is being implemented. The next round of collective redundancies is also taking place. The Board has entered into an agreement with the trade unions on the further restructuring of employment. Redundancies and changes of pay and working conditions may cover 880 employees. Employees covered by employment restructuring will receive terminations of the contracts of employment or shall change their working conditions and wages for the period from 20 November 2013 to 31 March 2014. The Board treats the case of each employee on an individual basis in order to reduce the possible negative effects of these necessary decisions. On the basis of the agreement with the unions, the company will pay the employees whose employment will be terminated under the collective redundancies, severance payments depending on the employee's seniority – the Vice President, Joanna Makowiecka, explains.

- The reasons for the implemented employment restructuring include, among others, decrease in the number of contracts, the difficult financial situation and the change of the organizational structure of the company. The necessary reduction of the scale of employment in the company will keep the remaining

jobs – Joanna Makowiecka adds.

The organizational structure of the company was optimized. From the 1 October this year, a new division into the following segments has been introduced: power engineering, petrochemistry, industry, manufacturing and infrastructure construction. Teams assigned to specific projects have been uniformly organized. Support services have been isolated and centralized. As a result of this general and administrative expenses are significantly reduced.

#### Extraordinary General Meeting

On November 12, 2013 the first part of the Extraordinary General Meeting (EGM) was held, which is an important element of the action plan agreed with the creditors of the company.

The Extraordinary General Meeting decided to increase the share capital through the issuance of not more than 133,393,702 of P-series shares, which will be covered in private placement by the offers directed by the board to selected creditors, particularly creditors who are parties to the agreement concluded with the company in December 2012 on the principles of financial debt. The issue price of the P-series shares will be determined by the board based on the reported conversion of the amounts due and the market average share prices of the period of 30 days

The EGM also repealed Resolution No. 5 of the Extraordinary General Meeting of 15 October 2012 on the share capital increase with pre-emptive rights by issuing N2-series shares, offered at the rate of PLN 0.52 per share.

In addition, the shareholders have agreed to finalize the transaction of the sale by the company of an organized part of the enterprise, which is the Department of Steel Structures in Rudnik on the San.

The second part of the Extraordinary General Meeting took place on the 19th. The shareholders shall decide on the issue of not more than 812,500,000 of registered subscription warrants to acquire Q-series shares, issued under the conditional share capital increase. The creditors of the company who have expressed willingness to convert debts were to be entitled to subscribe for the warrants, particularly the creditors who have entered into with the agreement on the principles of financing debt of the company in December 2012. The issue price of Q-series shares, acquired in the exercise of the 1-series warrants is PLN 0.25, but it can be reduced to a level not lower than the market average share price of the period of 30 days.

As part of the Agreement with Creditors conversion of debt to equity is expected in the following amounts and dates:

- about PLN 20 million to 30 November 2013
- about PLN 30 million (cumulatively, taking into account the earlier conversion) to 31 December 2013
- about PLN 100 million (cumulatively, taking into account the earlier conversions) to February 28, 2014

In addition, in order to obtain additional funds, in the case of obtaining shareholders' approval, the company shall issue not more than 187,500,000 of registered 2-series shares warrants entitling to subscribe for R-series shares issued under the conditional share capital increase. Entities interested in the recapitalization of the company, selected by the Board and approved by the Supervisory Board were to be entitled to subscribe for 2-series shares warrants. The issue price of R-series shares acquired in the exercise of rights of 2-series subscription warrants is PLN 0.20, but it can be reduced to a level not lower than the market average share prices of the period of 30 days.

- Resolutions of the Extraordinary General Meeting, depending on the market price of the shares, provide the ability to convert higher amounts of debt than those defined as minimal in the agreement with the Creditors – the Vice President, Robert Bednarski, informs.

- Adoption by the Shareholders of decisions on the agenda is the next important step of actions to be taken to continue financial restructuring of the company – Robert Bednarski highlights.

## Major implemented contracts

### Power engineering contracts

#### · Kozienice

- The construction of a new power unit in Kozienice is proceeding according to the schedule –Arkadiusz Kropidłowski informs, the Vice President, Chief Operating Officer.

- Piling into all of the main objects has been completed, i.e. the engine room, boiler room, electrical devices' building and the carburizing nave - the Vice President, Kropidłowski, adds.

Part of the foundation works for the installation of desulphurization has been executed. A complete cooling water main pipeline with a diameter of 3800 mm has been delivered to the site. The works involving the construction of two communication pylons with a height of 107 m each are well advanced. The execution of the cooling tower is being continued - the foundation ring and the installation of precast support columns are being executed. The boiler and mills' foundation is in progress as well as the installation of the main cooling water pipelines.

#### · Opole

- The commencement of the implementation of a significant contract, which is the construction of two power units at the power plant in Opole is coming up –Arkadiusz Kropidłowski points out.

The contract value amounts to PLN 11.5 billion gross. Polimex-Mostostal's participation in the consortium is 42%. On the 25th of October, Polimex-Mostostal, as a member of the executive consortium of the contract in Opole, signed, with GiEK PGE SA, an agreement setting out the terms of cooperation in the implementation of the contract.

- Currently, we are preparing to take over the site. For this purpose, the necessary documents are being updated, i.e. the project of construction site organization and the schedule of construction management. The Company is expecting the issue of the bank guarantee required for advance payment of bank guarantees and performance bonds – the Vice President, Kropidłowski, informs.

## Infrastructural contracts

### · A1 Stryków – Tuszyn

Works are carried out within their full scope. Earthworks are done by 6 subcontractors. Until the end of October, 30% of excavation and 26% of mounds had been executed. Engineering works at the objects involve three subcontractors, and works at 19 of the 40 engineering facilities have been started, including two key railway viaducts.

Works at box culverts are also being implemented (work has been started at 85% of facilities), as well as the reconstruction and construction of the associated infrastructure, such as water, electricity and telecommunications installations. At the end of October this year, the advancement of the contract was approximately 7.9%.

### · A4 Rzeszów – Jarosław

Currently, earthworks, stabilizing embankments, performing the base of crushed aggregate and bituminous works are being implemented.

Implementation of the construction of bridges has been completed. Currently, finishing works are carried out at these objects. The progress of work is approximately 68%.

Projects are delayed due to different soil conditions in the substrate of the highway. It forces us to perform additional work, such as the consolidation of the substrate with the method of overloading embankments and strengthening the substrates of transition zones at the bridge structures.

Expected timing of the highway trafficability - end of 2014.

### · Railway contracts

Currently TORPOL SA - a 100% subsidiary of Polimex-Mostostal - as a general contractor, operates a number of contracts. Among them, special attention is deserved by the contracts executed in the "design and build" system, with a total value of more than PLN 2.7 billion net, i.e. the construction of a new railway station Łódź Fabryczna and the modernization of the E75 Rail Baltica.

In the recent days, the consortium of Kapsch CarrierCom Sp. z o.o. (the Leader) and Torpol (the Partner) has concluded, with PKP Polish Railway Lines, a contract for the "design, construction and implementation of the radio ERTMS / GSM-R

subsystem, the design and construction of route fiber optic transmission systems and the construction of the railway line E20 Kunowice - Terespol. The contract value amounts to more than PLN 214.3 million gross, including participation Torpol in the amount of 65%.

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