Polimex-Mostostal presented the results for the first half of 2013. New development strategy of the company

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Polimex-Mostostal presented the concept of the new development strategy of the company. It assumes focusing on the provision of engineering and technology services in the promising sectors of the market, which are: power engineering, petrochemical, chemical and manufacturing industries. With the introduction of such a program, the company shall begin to report profits.

Financial results for the first half of 2013

Polimex-Mostostal:

· 844 million PLN revenues (compared to 1 644 million PLN in the first half of last year - a decrease of 48.6%),

· -46 million PLN operating loss (compared to -192 million PLN in the first half of last year),

· -12 million PLN net loss (compared to -261 million PLN in the first half of last year),

· net margin was 1.5% (compared to -15.9% in the first half of last year).

Polimex-Mostostal Group:

· 1 139 million PLN revenues (compared to 2 123 million PLN in the first half of last year - a decrease of 46.3%),

· -45 million PLN operating loss (compared to - 173 million PLN in the first half of last year),

· -96 million PLN net loss (compared to - 193 million PLN in the first half of last year),

· net margin was -8.4% (compared to -9.1% in the first half of last year).

The current value of the Group's order book is 10.9 billion PLN. The value of investments and contracts in the final stage of negotiations is 11 billion PLN.

-– The Management Board is intensively and consistently working to improve the liquidity position of the company. We hope that next year will bring a net result close to zero. However, in 2015 we would like to make a profit. Within three years we want to go straight and start to regularly bring satisfactory returns - Gregor Sobisch, the Chairman of the Board of Polimex-Mostostal SA informs.

Six Strategic Initiatives

The Board of Polimex-Mostostal presented the concept of the new development strategy of the Group, it seeks to introduce six strategic initiatives in the years 2014-2019. These include:

· focus on core activities and conducting a series of divestments

· the introduction of a new organizational structure,

· increasing flexibility of operations and cost efficiency,

· increasing the company’s operations in foreign markets,

· further developing the company’s competences,

· regaining full control of financial flows and reducing net debt below two times EBITDA.

- As a result of this program, the company is to become the market leader in engineering and technology in the strategic, high-margin segments, such as: power engineering, petrochemical, chemical and manufacturing industries. The comprehensive range of the offered services includes: design, implementation, maintenance, upgrading and repairs – Gregor Sobisch explains.

Polimex-Mostostal freezes activities in road construction, which means the performance of work within the scope of the current contracts and resigning from competing for new contracts.

- Road construction contracts are based on the minimum margins. They offer one-sided and unfavorable conditions for contractors. We have a choice to provide employment to our employees in other, much more attractive, market sectors. Therefore, we do not need to participate in the unhealthy competition for road contracts –Sobish highlightes.

Polimex-Mostostal, through its subsidiary - Torpol, will be present in the rail construction segment.

The company withdraws, however, from the segment of general and civil engineering construction.

The Group shall focus on projects that generate positive cash flows.

One of the strategic tasks is to increase the sales of services in foreign markets. In a few years, Polimex-Mostostal wants to be present in these markets not only as a subcontractor, but also as a general contractor of contracts.

- With the restructuring and divestments, the Group will regain liquidity and reduce liabilities and debt. Currently, we are negotiating with creditors in this regard. The agreement with the creditors on the so-called financial package is near its completion. Under the restructuring agreement, the package will significantly improve the current liquidity of the company and enable the development of operations and the acquisition of new orders – Robert Bednarski, Vice President, Chief Financial Officer of Polimex-Mostostal informs.

A dozen of disposals of assets, not belonging to the core business, are in the course of execution. They will bring revenues of tens of millions of zloty.

Organizational structure is subject to optimization as well. Uniformly organized groups with their own budgets, assigned to specific projects, have been established. The new formula shall support the new, separated and centralized services. It is assumed that, as a result, administrative costs will be significantly reduced. By accelerating negotiations with the trade unions, the Board, on August 27, 2013, signed an agreement that put an end to the dispute with the trade unions operating in the company.

Executing self-financing and reducing the loss on the finalized road contracts are also an important task.

Actively functioning systems of internal audit and risk management are to protect against the risks associated with operational and financial activities.

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