Conclusion of the First half of 2011

08/30/2011

Polimex-Mostostal ended the first half of 2011 with the following consolidated results:

- revenues from sales amounted to PLN 2,106 million - an increase by 16.6% when compared to the first half of the previous year,

- net profit reached PLN 26 million - a decrease by 39.7% when compared to the first half of the previous year,

- operating profit reached PLN 66 million - a decrease by 19.9% when compared to the first half of the previous year,

- net margin amounted to 1.2% against 2.4% in the first half of the previous year,

- at present Group’s order portfolio amounts to PLN 12.3 billion including consortium members - an increase by 9.8% when compared to the first half of the previous year and PLN 9 billion without including consortium members - an increase by 15.4% when compared to the first half of the previous year.

In comparison with the first half of the previous year, the revenues have increased whereas a decreased consolidated net result was a consequence of poorer results achieved by some of the Group companies as a result of lower supply of orders and the incurred costs of acquisition of new contracts of significant value, especially in the power engineering sector.

At present, the portfolio of the signed contracts has the largest value in the history of the company.

Recently concluded most important contracts

- Still distinguishing among the activities conducted by the Group are the road and railway constructionsectors where some material contracts are being executed. At the moment, Polimex-Mostostal is concurrently executing, among other things, sections of the A1, A2 and A4 motorways, the S69 expressway and several sections of railway routes. The Company is also participating in tender proceedings regarding further road and railway projects, informs President Konrad Jaskóła.

Among the currently executed road and railway contracts, there are:

contracts for the construction of the A-4 motorway along the sections of: Rzeszów (Rzeszów East junction) – Jarosław (Wierzbna junction) of the value of PLN 2.196 billion and Szarów – Brzesko of the value of PLN 770 million;
contracts for the construction of the A1 motorway Stryków – Tuszyn sections of the value of PLN 1.16 billion and the Sośnica – Maciejów section of the value of PLN 1.1 billion;
a contract for the construction of the A2 motorway Stryków – Konotopa section B of the value of PLN 844 million,
a contract for the construction of the S69 expressway Żywiec – Bielsko-Biała section of the value of PLN 788.1 million;
a contract for the construction of the Łódź Fabryczna railway station for PLN 1.76 billion;
two contracts for the modernisation of the E 65/CE Warsaw – Gdynia railway line sections of the value of PLN 1.046 billion;
a contract for the modernisation of the E30/C-E30 Cracow - Rzeszów railway line section of the value of PLN 656.6 million.
Moreover, among the recently concluded contracts the following ought to be mentioned

a contract for the construction of a football stadium in Zabrze of the value of PLN 192 million;
a contract for the construction of the European Solidarity Centre in Gdańsk of the value of PLN 157 million;
a contract for the construction of a shopping centre in Bełchatów of the value of PLN 98.4 million;
a contract for the construction of the building of the Regional Court and District Court in Zamosc of the value of PLN 89.2 million;
a contract for the construction of an education and administration building of Gdańsk University of the value of PLN 77 million;
a contract for the construction of an inter-communal municipal waste disposal

complex in Sulnówek. Contract value: PLN 42.4 million.

Group’s export activity

Polimex-Mostostal continues to develop its export activities.

Thanks to foreign contracts 32% of the sales in the first half of 2011 was generated in the export area.

Among the contracts being executed abroad, there are:

a contract for the construction of a tank terminal of the capacity of 185.000 m3 to store mineral oils, vegetable oils and liquid fuels at the port of Rotterdam, of the value of EUR 52 million;
a contract for the construction of a sports hall in Bacau, Romania, of the value of PLN 68.7 million;
a contract for the installation of the pressure part of boilers at the power plant in Westfalen, Germany, of the value of EUR 44.0 million;
a contract for the installation of the pressure part of 1,000 MW boilers at the power plant in Neurath, Germany, of the value of EUR 31.0 million;
a contract concluded by Torpol for the construction of a light rail in Bergen, Norway, of the value of PLN 40 million;
a contract for the installation of the pressure part of boilers at the power plant in Moorburg, Germany, of the value EUR 10.0 million;
a contract for the installation of 6540 tons of the main steel structure of the boiler at the SOSTANJ power plant in Slovenia of the value of EUR 5.8 million;
a contract for the installation and welding of 1,000 MW boiler pressure pipelines at the KW Wilhelmshaven power plant in Germany of the value of EUR 3.9 million.
a contract for the installation of 21 thousand tons of steel structures at Mannheim Power Plant in Germany of the value of PLN 60 million;
- We are also applying for new orders abroad, in the sectors in which we are actively operating. For instance – we are offering services on the Romanian market and participating in tenders in Finland. In Norway, we are executing a railway contract of the value of PLN 40 million and we continue to make further bids there. In Germany, on the other hand, we are applying for further contracts in the power engineering sector. We have received a request for quotation from Romania regarding execution of a contract for the modernisation of a railway line to be financed by the European Union, informs President Jaskóła.

Perspectives in the power engineering sector

The market of new power engineering-related investments in Poland is estimated for the value of several billion euros annually, from 2011 on for at least 10 years.

Invitations to tender regarding big contracts in the Polish power engineering industry are gradually being published, for instance for the Power Generating Plants in Opole, Kozienice, Stalowa Wola, Jaworzno or in Włoclawek – to be executed for Orlen S.A. Polimex-Mostostal has already made its bids there.

- The investments are for the total amount of over 44 billion Polish zlotys. In several tenders, we have already been pre-qualified. As shown by the experience, tender procedures are not to be completed very soon but in the future significant revenues will be generated from this sector, informs President Jaskóła.

- We are also considering the power engineering sector as an investor and an operator of medium power units, adds Jaskóła.

The demand for pro-ecological solutions is also growing. Among other things, the Group has already supplied several dozen boilers for incineration plants to customers throughout Europe. It is planned to execute numerous systems of this type in Poland, each worth several hundred million Polish zlotys.

Polimex-Mostostal is also developing its activity in the wind power engineering sector. The Company intends to develop its activity as a general contractor in that respect, that is to execute projects comprehensively.

Development of the activity in the Pomorska Special Economic Zone

Two years ago, Polimex-Mostostal purchased parts of the assets of Gdynia Shipyard, inclusive of fragments of the wharf, a dry dock and craning equipment. Before that, the Group used leased port infrastructure, which involved certain difficulties and increased costs.

- We are continuing the investments within the area covered by the Pomorska Special Economic Zone. We are adjusting our own wharf to the specific needs of the Group so as to facilitate preparation of structures and equipment for dispatch, reduce the time of delivery to the client and the time of installation of elements at the client’s site. This is consistent with global trends – to maximise prefabrication of equipment and structures before dispatch to the customer. In this way we are increasing export capabilities regarding high-margin steel production. Here, we are systematically increasing our output and installation of large and spherical steel structures, among others for the purposes of marine projects and the nuclear energy sector. We also repair ships here, adds Jaskóła.

- On the other hand, Grande Meccanica SpA (Italy), a 100% subsidiary company of Polimex-Mostostal, is developing at Civitavecchia wharf its output capacities so as to extend its offer with large, thick-walled pressure equipment primarily used in the chemical and petroleum industries, adds the President.

Reorganisation

The merger of Polimex-Mostostal and seven subsidiary companies was completed in December 2010. As a result of the reorganisation, the output capacity of Polimex-Mostostal and its ability to comprehensively rexecute even the largest investments have significantly increased.

The share of the Company's own resources in the execution of works and deliveries of significant importance to the execution of entire orders has also increased.

Owing to the increased ability to freely relocate human and equipment resources among individual business units, the Company is becoming less susceptible to negative impacts of seasonality and cyclicity of the building market.

- As a result of the reorganisation the support services have been restructured and centralised while the seven new ‘first line’ divisions have been left autonomous. We applied this solution with a view to the requirements of the market on which, for the time being, only small and medium contracts are being executed.

We are centralising the procurement process through an IT system and an organisational structure which we have been developing for a year. The entire system will be responsible for the process of optimisation of the costs of procurement of materials, inclusive of steel and services, also those rendered by our subcontractors. The advanced IT system and the dedicated organisational structure are expected to result in significant savings in those areas, informs President Jaskóła.

- In the first half of this year a SAP system was implemented at all the Divisions. The system has covered the following key areas: project management, sales, accounting, controlling and staff management. Due to the implementation of uniform business processes and rules of recording business events we will have a better picture of the current economic situation of the Company. This will considerably facilitate company management, adds the President.

Polimex-Mostostal and its Management Board have been recognised

In Q2 2011 Polimex-Mostostal S.A was recognised with the following titles and awards:

An award for Polimex-Mostostal in the Forbes Diamonds 2010 Ranking in the category of companies of the level of revenues above PLN 250 million in the Mazowieckie Voivodeship [06.2011];
Honorary medal ‘For the contribution to ZAK Spółka Akcyjna’ for the President of Polimex-Mostostal Konrad Jaskóła, awarded by Zakłady Azotowe Kędzierzyn SA [06.2011];
Laureate of the Mister of Export Contest for Steel Structures product, awarded by the Jury of the Mister and Junior of Export Contest organised by the National Chamber of Commerce [06.2011];
Another Diamond to the Golden Statuette of the Leader of the Polish Business (awarded in 2007) for Polimex-Mostostal and the President of the Management Board Konrad Jaskóła for maintaining the Leader's position and for excellent financial results – awarded by the Business Centre Club [05.2011];
‘Master of Business’ – an award for Polimex-Mostostal in the Real Estate and Infrastructure category, awarded by the Chapter of the Contest organised by Businessman.pl magazine and Migut Media [5.2011];
‘High Quality’ – an award for Konrad Jaskóła, President of the Management Board of Polimex-Mostostal S.A. for his involvement in the development of the Polish road construction sector, awarded by Elamed Publishing House [05.2011];
‘Ambassador of the Polish Economy’ in the Exporter category – a title for Polimex-Mostostal S.A. in a contest organised by the Business Center Club under the honorary patronage of the Minister of Foreign Affairs of the Republic of Poland [04.2011].

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