Conclusion of Q1 2011

05/13/2011

Polimex-Mostostal concluded Q1 2011 with the following consolidated results:

- sales income amounted to PLN 880 million – an increase by 14% as compared to Q1 of the previous year,

- net income amounted to PLN 12.5 million – a decrease by 26% as compared to Q1 of the previous year)

- operating profit amounted to PLN 30 million – a decrease by 5.9% as compared to Q1 of the previous year,

- net profit margin amounted to 1.4 per cent as compared to 2.2 per cent in Q1 of the previous year.

- portfolio of orders of the Groups currently amounts to PLN 10.1 billion taking into account consortium members – an increase by 24,4 % as compared to Q1 of the previous year, and PLN 7.4 billion exclusive of consortium members – an increase by 10.4 % as compared to Q1 of the previous year.

In comparison with Q1 of the previous year, the revenues have increased while the consolidated net result has been affected by poorer results generated by the Group companies, in particular operating in the power engineering sector, which resulted from weaker supply of orders for repair and service works at power generating plants as well as by the increasing costs of acquisition of new, material contracts in respect of their value. The portfolio of orders reaches a value higher than in the corresponding period of the previous year.

Recently concluded most important contracts

- The road and railway building engineering, where some material contracts are being executed stand out from the activities conducted by the Group. 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 participating in tender proceedings regarding further road and railway projects, informs President Konrad Jaskóła.

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

·a contract for the construction of the A-4 motorway along the section of: Rzeszów (Rzeszów East junction) - Jarosław (Wierzbna junction) of the value of PLN 2.196 billion,

·a contract for the construction of the Stryków – Tuszyn section of the A1 motorway of the value of PLN 1.16 billion,

·a contract for the construction of a section of the S69 expressway of the value of PLN 788.1 million,

·a contract for the modernisation of a section of the E30/C-E30 Cracow - Rzeszów railway line of the value of PLN 656.6 million,

·a contract for the modernisation of a section of the E 65/CE Warsaw – Gdynia railway line of the value of PLN 489.1 million.

Moreover, among the recently concluded contracts the following ought to be mentioned:

·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 the building of the Regional Court and District Court in Zamość of the value of PLN 89.2 million.

Group’s export activity

- Given the market requirements, Polimex-Mostostal has been successively developing the output capacities so as to be able to effectively respond to the increasing demand for equipment and specialists with respect to, among other things, construction of roads and railways. Should it nevertheless turn out that in the future our potential cannot be properly utilised domestically, we will appropriate it for the execution of foreign contracts which we have commenced to

bid for, informs President Konrad Jaskóła.

Owing to the acquired foreign contracts, Polimex-Mostostal is developing its geographic diversification. Export constitutes 25-30% of the annual sales. The Group has its branch offices and commercial representations outside Poland and exports products and services to EU states, both Americas as well as clients in Northern Africa. A significant portion of that is steel products of which nearly the entire output is exported by Polimex-Mostostal.

- The Group is commencing the activity in the railway building sector in Norway. Torpol – a Group company – is placing bids there and has already signed the first contract for works of the value of PLN 40 million. With time, we shall participate in tenders regarding orders of many times higher values. We are prepared to effectively compete for orders on the local market where, in the coming years and at the expense of many billions of euros, the railway infrastructure is to be modernised, informs Jaskóła.

- We have received an inquiry from Romania regarding execution of a contract for the modernisation of a railway line to be financed by the European Union.

Among the contracts being executed abroad, there are:

·a contract for the construction of a tank terminal of the capacity of 185,000 m3 for storing mineral oils, vegetable oils and liquid fuels at the port of Rotterdam, of the value of EUR 52 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 21 thousand tons of steel structures at Mannheim Power Plant in Germany, of the value of PLN 60 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 city railway 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 net value of EUR 3.9 million.

- We are interested in the Vietnamese market where the construction of a manufacturing plant in the chemical sector is planned. We have also placed the first bids for the execution of industrial and public utilityfacilities in Belarus where Polimex-Mostostal is launching its own representation office, explains the President.

- Our plants manufacturing steel products in Ukraine, Romania and Italy produce a wide range of products for the local and foreign markets, adds Jaskóła.

Perspectives in the power engineering sector

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

Polimex-Mostostal invests in the power engineering sector and participates in all tenders regarding such investments, among others:

· for the construction of a 400 MW power unit at Siekierki Heat and Power Generating Plant,

· for the construction of a power unit for supercritical parameters of the output of 1000 Mwe at Kozienice Heat and Power Generating Plant,

· for the construction of 2 units at Opole Power Plant,

· for the construction of a condensing power plant with a gas and steam unit for PKN Orlen in Włocławek,

· for the construction of a gas and steam unit with a heat generating section at Stalowa Wola Heat and Power Generating Plant,

· for the construction of 2 units at the Północ Heat and Power GeneratingPlant,

· for the construction of a 900 MW power unit at Jaworzno Heat and Power Generating Plant.

- The investments are for the total amount of over 44 billion of 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 from the sector will arise, informs President Jaskóła.

- We are already executing material contracts in this sector in the country. As a general contractor, we are constructing a 50 MWe power unit at Bielsko-Biała Heat and Power Plant of the value of PLN 500 million and we are building an exhaust gas desulphurisation system at Kozienice Power Plant of the value of PLN 132 million, explains the President.

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

The demand for ecological solutions is also growing. Among other things, the Group has already supplied several dozen boilers for incineration plants to customers throughout Europe. It has been 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 total value of the contracts concluded so far by Polimex-Mostostal for the execution of wind farms has exceeded PLN 50 million net. 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 Stocznia Gdynia (Gdynia Shipyard), inclusive of fragments of the quay, a dry dock and craning equipment. Before that, the Group used leased port infrastructure, which involved certain difficulties and increased costs.

- There, we are in the course of executing an investment located within the area of the Pomorska Special Economic Zone, informs the President.

- We are adjusting our own wharf to the specific requirements 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 products. Here, we are systematically increasing our output and installation of large and spherical steel

structures, among others for the purposes of off-shore projects. We also repair ships at a dry dock; for this purpose, we have employed specialists. In general, the level of employment has already reached 250 people, and the portfolio of orders is quite satisfactory, adds Jaskóła.

Reorganisation

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

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

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 seasonal and cyclical nature of the building market. It has been estimated that due to the reorganisation, the annual savings will reach the level of PLN 50 million, starting in 2013.

- As a result of the reorganisation, the support services have been restructurised and centralised while the autonomy of the seven new plants of the first line has been maintained. 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 implementing a procurement centralisation system and a human resources optimum management system, informs President Jaskóła.

- One also needs to bear in mind that since the beginning of this year we have been consolidating 100% of the results of the companies incorporated, which will also have a positive impact on the results of Polimex-Mostostal, concludes Konrad Jaskóła.

Polimex-Mostostal and its Management Board have been recognised

In recent time, Polimex-Mostostal S.A has been awarded the following titles and awards:

· the Ambassador of the Polish Economy in the Exporter category – a title for Polimex-Mostostal SA 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],

· 1st place in the Book of Lists 2011 ranking in the General Contractor category for Polimex-Mostostal SA awarded by the editorial team of the Book of Lists 2011 and the Warsaw Business Journal,

· The Crystal Laurel Wreathof Skills and Competence for Konrad Jaskóła – the President of the Management Board of POLIMEX-MOSTOSTAL S.A. – awarded by the Chapter of the Regional Chamber of Commerce in Katowice to a person of timeless values, whose universal activities leave a permanent mark on human heritage, for professionalism, courage and consequence in managing the largest construction company in the country, for dynamic growth, ongoing investments in the development of the Company, application of state-of-the-art technologies and modern management methods, generating significant economic results and gaining an ever stronger market position, involvement in public debate on market and legal regulations the primary goal of which is to promote fair competition principles and facilitate business processes, and for devotion in activities for the benefit of other people [01.2011].

· 1st place in the 'Orły Polskiego Budownictwa' (‘Eagles of the Polish Construction Industry’) contest in the category of Engineering, Road, Railway and Power Engineering Infrastructure for Polimex-Mostostal S.A., awarded by the Chapter and Organisers of the Contest under the patronage of the Ministry of Infrastructure [23.10.2010],

· the title of the Most Effective President granted to Konrad Jaskóła, the President of the Management Board of Polimex-Mostostal, awarded by the Home and Market monthly [21.10.2010],

· the title of the 'Steel Structure – Project Execution of the Year 2010' for Polimex-Mostostal S.A. for the execution of the roofing of the Legia Warszawa football stadium - construction of the roof over the stands, awarded by the Polish Chamber of Steelworks [12.10.2010];

· European Medal in the 21st edition of the contest for Polimex-Mostostal, awarded by the Business Centre Club and the European Economic and Social Committee for the product: road barriers systems [10.2010].

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