Polimex-Mostostal S.A. completed Q3 2008 with good results.

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During the period Q1 – Q3 2008, consolidated income from sale increased as compared to the corresponding period last year by 25.9 per cent and amounted to 3,082,656 thousand zlotys.

Operating income amounted to 172,751 thousand zlotys and increased by 54.7 per cent.

Net profit increased by 22.4 per cent and amounted to 92,014 thousand zlotys.

Net margin, following three quarters of 2008, amounted to 3.0 per cent.

In Q3 2008, consolidated income from sale increased as compared to Q3 2007 by 16.2 per cent and amounted to 1,085,980 thousand zlotys.

Net profit amounted to 33,327 thousand zlotys and was 54 per cent higher than in the corresponding period of the previous year.

The Group's portfolio of orders amounts to 6.54 billion zlotys.

Summary of Q3 2008

Polimex-Mostostal summarised the next, third quarter of the year 2008, with results which reflect the good financial standing of the company. The Company has taken full advantage of the good economic situation which continued in the building industry during the period, says Konrad Jaskóła, President of the Management Board of Polimex-Mostostal.

In Q3, a series of significant contracts were signed, and here are a few examples:

1. In the railway industry, consortiums, the leader of which is Torpol – a 100% subsidiary company of Polimex-Mostostal – signed the following contracts:

for the amount of nearly EUR 177 million gross for the 2nd stage of modernisation of the E-65 Warsaw – Gdynia railway line
for the amount of nearly EUR 27 million for the reconstruction of the E-30 railway line along the section Wrocław – Legnica.
Polimex-Mostostal launched activity in the railway and road industries in 2005. It is an area which we find very promising. We have three further significant contracts concluded in the last period in the railway infrastructure sector, informs Konrad Jaskóła, President of the Management Board of Polimex-Mostostal.

2. In the road industry, a contract for nearly 199 million zlotys gross for construction of Trasa Nowohucka in Kraków. As a leader Polimex – Mostostal is fulfilling the task in consortium with Doprastav of Bratislava.

We are gradually increasing the number of executed road contracts in our portfolio. We estimate that the next quarters in the sector will be better and better, informs Konrad Jaskóła, President of the Management Board.

3. In the general construction industry:

a contract for realisation of the 'Tarnovia' Shopping and Services Centre in Tarnów for over 108 million zlotys.
a contract for construction of an 18-storey office building in the centre of Bucuresti, executed by a Romanian and Italian Coifer Company of the Polimex Group for 30 million EUR
a contract worth 45 million zlotys net for construction of the Library and Information Centre of the Medical University of Warsaw,
a contract for construction of a forwarding and distribution centre of the Poczta Polska in Lublin for 120.6 million zlotys gross.
4. In the power engineering industry, Polimex-Mostostal is executing, as part of a consortium, a contract for the amount of nearly 32 million EUR for the installation of the pressure part of two power units of 800 MW each at Hamm-Uentrop (Germany).

5. In the chemical and petrochemical industries, Polimex-Mostostal S.A. signed a contract for construction of a new water purification plant at the Zakłady Azotowe Kędzierzyn S.A. for the amount of 61 million zlotys net and for modernisation of the water purification plant at the LOTOS S.A. refinery for 44 million zlotys net.

Good perspectives for new contracts

Recently, the bid made by Polimex-Mostostal regarding construction of a football stadium at ul. Łazienkowska in Warsaw for 30,830 seats has been deemed the most beneficial.

Signing of the contract for the amount of approx. 450 million zlotys will take place in the near future.

We expect that there will also arise large contracts in the power engineering sector regarding, among others, construction of an exhaust fume desulphurisation plant at the Dolna Odra power station, realisation of new power units for the Siekierki Heat and Power Generating Plant of 460 megawatts electrical, and for the Rybnik Power Station of 860 megawatts electrical.

In the longer perspective, it is planned to annually provide approx. 1,000 MWs of power, which means that each year approx. 2 billion EUR will have to be invested in the power engineering industry.

We also expect that there will arise contracts in the road sector regarding construction of motorways and expressways (also in the 'design and construct' system), informs Konrad Jaskóła.

Polimex-Mostostal S.A. is developing its potential We are quickly developing the potential of the Group companies. We are intensely continuing the commenced investments, maintaining high standards with respect to service and product quality while retaining economic effectiveness, explains Konrad Jaskóła.

On 29 September, Polimex-Mostostal commenced in Siedlce the construction of another modern steel products manufacturing plant, galvanising plant and paint shop. The company plans to invest 265 million zlotys in total, and the very construction of the new plant will take approx. 210 million zlotys.

Production will be launched in the 2nd half of 2009. The investment will create new jobs for over 350 persons and will allow for doubling production at the Siedlce-based plant.

Bearing in mind tax allowances due to localising production in the special economic zone and foreseeing that the level of sale will remain at the level of 500 – 600 million zlotys annually, we estimate that the investment will yield the return within 4 – 5 years, says Konrad Jaskóła.

Due to extension of the order portfolio, Sefako Company belonging to the Group is extending the boiler manufacturing plant in Sędziszów, thanks to which its

output capacities will increase. Recently, works related to the obtainment of a plant extension permit have been finalised. Polimex-Mostostal is also increasing its galvanising and platform crate manufacturing capacities at Częstochowa.

On the other hand, in Ukraine the company is constructing a galvanising plant in Zhytomir and is intensifying manufacturing of steel products in Chervonograd.

Our task is the soonest possible commencement of production and sale of still perspective and yielding high margin steel structures, hot dip galvanising services and well as producing boilers for various fuels. An important issue are the significant tax allowances which the Company is entitled to (approx. 100 million zlotys) arising from the realisation of key investments within the Special Economic Zones in Siedlce and Sędziszów, adds President Jaskóła.

Polimex-Mostostal is developing its design potential, treating this task as a priority. The Company is establishing a multiline design studio in Gliwice which will eventually employ approx. 500 – 700 persons.

This is a response to the too narrow design potential constituting the so-called 'bottleneck' of the timely development of designs. Moreover, more and more infrastructure investments are realised in the 'design and construct' system. Our own design studio will result in a further increase of the competitiveness of our offers in tenders regarding design development, explains Konrad Jaskóła.

Stable and strong position of Polimex-Mostostal in the market

Our objective is a further dynamic growth of the Group including improvement of profitability as well as reduction of the operating activity related risk.

We are aware of the fact that Polimex may be affected by the negative trends which have disturbed the world economy.

Polimex stock price fluctuations result from the global situation and we estimate that they are only of interim nature. The hard situation at Warsaw Stock Exchange and its impact on the Company stock price ought not to be associated with our results or development perspectives.

Our position in the market is stable. We have a good financial standing resulting from, among others, beneficial relations with numerous cooperating banks, informs President

Konrad Jaskóła and adds that:

When developing a new strategy for the years 2009 – 2011, we allowed for:

further increasing pressure on cost optimisation and improvement of contract profitability, among others thanks to involvement in the realisation of more profitable contracts,
acceleration of the Group operation optimisation process by means of the ongoing restructurisation. It will soon involve mergers of selected companies in the chemical and power engineering segments as well as consolidating small design companies,
reduction of acquisition activities subject to, following an interim period – as we treat the current situation – and after the market becomes calm, in the event of an attractive entity arising in our industry, we do not exclude the possibility of taking it over,
intense continuation of the commenced investments in the development of the Company and of the Group. investing in organic development is the method which we have selected to extend the Group and increase the value of the stock in the medium- and long-time perspective,
possible sale of selected assets if that is beneficial – mainly of real properties – as for example: hotel Warszawa or areas to be developed.
These activities are not aimed at acquiring assets to finance our current expenses but are supposed to result in a further reduction of the costs of financial management of the Company, concludes President Jaskóła.

Polimex-Mostostal and its Management Board are recognised In the recent period of the current year, Polimex-Mostostal S.A. has been recognised as:

Leader in the engineering and building industry in Poland – first in the industry on the List 2000 published by the Rzeczpospolita daily in October 2008,
Employer of the Year 2007 in the Building Industry in the group of large companies, Award for the President of the Management Board Konrad Jaskóła granted by the Polish Association of Building Employers in the 11th edition of the Employer of the Year Competition,
1st place in the TOP TSR ranking – Total Shareholder Return 2003-2007 Warsaw Stock Exchange Index – WIG 20 – Warsaw Stock Exchange,
1st place in the TOP TSR ranking – Total Shareholder Return 2003-2007 Warsaw Stock Exchange Index Building Industry – WIG Budownictwo – Warsaw Stock Exchange,
Leader of the Polish Export and the Cup of the Polish Exporters,
Title and statuette of the “Orzeł Zarządzania “ ('Eagle of the Management') for the President of the Management Board Konrad Jaskóła – 2nd place in the 'Rzeczpospolita' contest for the Manager of the 20th anniversary,

Manager of the Year – a title granted to the President of the Management Board Konrad Jaskóła by the 'Home & Market' economy magazine.

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