Polimex-Mostostal - a return to profitability in 2015

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The main objective of Polimex-Mostostal is to return to profitability and build the Group's value. The new strategy of the PxM Group will be presented in the first half of this year.

Last year was a breakthrough for Polimex-Mostostal. PxM restructured its portfolio of unprofitable contracts, decided to abandon road contracts as well as to focus on the power energy and petrochemical industries. Last year, the third stage of operational and financial restructuring was completed:
- The creation of two operating companies: Polimex Power Industry and Naftoremont-Naftobudowa.
- Issuance of bonds and capital injections of PxM and the Power Industry and Naftoremont-Naftobudowa companies in the amount of PLN 140 million.
- The largest in the market history conversion of debt into shares in the amount of PLN 500 million.
- Deferral of other financial liabilities to 2017.
- Separation of production activities - negotiations for the sale of production facilities.

In 2014, Polimex-Mostostal has worked successfully on two key strategic contracts, i.e. the construction of power units in Opole and Kozienice.

- We are building the PxM Group anew. Our priority is to specialize and be profitable. We have done away with unprofitable contracts. The main objective of the Group is to increase the value of the PxM Group, to permanently return to operating profitability - Maciej Stańczuk says, the acting President of the Management Board of Polimex-Mostostal. - Polimex has tremendous potential. The Group employs 5 thousand people with vast experience and competences,

it’s references are unique in the Polish market. I am delighted that the Group is regaining the confidence of customers, as evidenced by the contracts obtained in recent months.

Polimex-Mostostal today focuses on two sectors: power energy and petrochemical industries. It is a strategic partner for the Polish power energy and petrochemical companies, it is also a contracting authority for Polish subcontractors.

Restructuring initiatives undertaken by Polimex-Mostostal allowed the company to be back on the market. The PxM Group has lower costs, increased efficiency on projects, among others, by due to strengthening its controlling departments.

- The restructuring has enabled us to attract new contracts. The organization is more flexible and competitive, due to a significant reduction in general and administrative expenses. We will continue to cut general and administrative expenses in the year to approx. PLN 50 million - Joanna Makowiecka-Gaca says, the Vice-President of the Management Board of Polimex-Mostostal. - Restructuring costs were significant and were incurred in 2014.

Polimex-Mostostal’s result for the last year was a net loss of PLN 153 million. As compared to the 2013 result, the net loss was reduced by PLN 108 million, approx. 41.4 percent. – The net loss after one-time adjustments decreased by almost one-third in 2014, as compared to the previous year, and amounted to PLN 112 million - Krzysztof Cetnar clarifies, the Vice President of the Management Board of Polimex-Mostostal. - These adjustments are, among others, the restructuring provision of direct costs, impairment losses on receivables, provision for warranty repairs, a write-off for production activity.

Revenue from sales decreased last year, as compared to 2013, by 11 percent, to PLN 2 billion 102 million. However, after excluding discontinued/terminated operations, that is, revenue from the Torpol company, road contracts and production activities, sales revenues from core business increased by 18 percent, as compared to 2013. This year, a significant increase in revenues from the implementation of strategic contracts is expected and, as it is planned, Polimex-Mostostal is to achieve a positive EBITDA this year.

The new strategy of Polimex-Mostostal will be presented in the first half of the year. PxM focuses on organic growth, cooperation with the Polish power energy and petrochemical companies.

- We will build upon our core competencies, namely power energy and petrochemicals. Polimex-Mostostal, as one of the few groups in Poland, carries out

projects according to the EPC formula (turnkey). Currently, we tender in more than 120 procedures. We do not neglect the new developed competencies, acquiring references in the indicated areas. We will execute contracts abroad, analyze markets in Western Europe - Jacek Czerwonka says, the Vice President of Polimex-Mostostal.

Increase in the Group's value, a return to profitability, repayment of trade creditors are the main goals for the coming years of PxM. - We will increase revenues and we will present better results. To achieve this, we want to obtain new sources of revenue. Therefore, we are considering entering new markets - Maciej Stańczuk says.

In order to further improve efficiency, reduce business risk by diversifying income sources, the PxM Group is considering to increase its revenue by including new business areas in its strategy:
- Electricity networks.
- Gas distribution.
- Public-Private Partnership.

Operating companies of Polimex-Mostostal

Polimex Power Energy is one of the new companies of Polimex-Mostostal, it implements energy projects according to the EPC formula, also in partnerships with technology providers. Polimex Power Energy has all of the existing PxM resources available, including equipment or design bases, as well as the references of Polimex-Mostostal SA

The company carries out repairs and upgrades for the commercial, industrial and power technologies. It deals with maintenance services for power plants, commercial and industrial energy sectors.

Polimex Power Energy carries put, as the general contractor, projects subcontracted by Polimex-Mostostal SA – e.g. a catalytic exhaust extraction system of the PKN Orlen Power and Energy Plant in Plock (the value of the contract if PLN 378 million) and the modernization of major pipelines in the Belchatow Power Plant. 100 percent of the shares of Polimex Power Energy belongs to Polimex-Mostostal SA. The supervisory board pf the Polimex Power Energy consists of the members of the board of Polimex-Mostostal SA.

Naftoremont-Naftobudowa is the operating company of the PxM Group. It is a production-service-construction company. It specializes in the fabrication and assembly of complete equipment and industrial installations, repairs and

modernization of the existing ones. It works in virtually all industries, from the refinery, petrochemical, chemical industries, through energy and coke industries, to steel and cement industries.

Naftoremont-Naftobudowa carries out, as a general contractor, contracts subcontracted by Polimex-Mostostal, and acquires new orders in the chemical, oil and gas industries in Poland and abroad. The major customers of the company include PKN Orlen, KGHM and TOTAL (execution of a newly acquired OPTARA project at the refinery in Antwerp in the years 2014-2016 - the contract value is approx. PLN 73 million). 100 percent of the shares of Naftoremont-Naftobudowa belongs to Polimex-Mostostal SA. The supervisory board of Naftoremont-Naftobudowa consists of the members of the board of Polimex-Mostostal SA.

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