

## Polimex-Mostostal finished Q1 2009 well

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Consolidated income from sale in Q1 2009 amounted to 882 million PLN.

Net profit in the period compared increased by 14.9 per cent and amounted to 34.2 million PLN. Following Q1 2009, the operating profit amounted to 62.3 million PLN and was 4.3 per cent higher than in the analogical period of 2008.

Net margin in Q1 2009 amounted to 3.9 per cent.

The portfolio of orders currently exceeds 7.7 billion PLN.

Summary of Q1 2009:

- Polimex-Mostostal summarised the next quarter with results which reflect the good financial standing of the company and positively distinguish from the sector, says Konrad Jaskóła, President of the Management Board of Polimex-Mostostal.
- We are recording high demand for construction services, steel products and galvanising services. This positively affects the level of consolidated results. Individual companies of the Polimex-Mostostal Group can also pride on good results, explains Konrad Jaskóła.

Acquisitions.

- In January this year, the Management Board took a decision on the merger of Energotechnika and Biprokwas and locating the activity at new headquarters in Gliwice.

In February 2009, Polimex-Mostostal signed a contract of purchase of shares in the Pracownia Wodno – Chemiczna 'EKONOMIA' Sp. z o.o. with the seat in Bielsko - Biała. 'EKONOMIA' specialises in services with respect to water and industrial sewage treatment.

- Polimex forecasts development of the production capacity in the water and industrial sewage treatment sector. To do so, it is also developing its design capabilities, informs the President.

Polimex-Mostostal is participating in the tender for the assets of the Stocznia Szczecińska (Szczecin Shipyard).

Organic development.

The realisation of the programme adopted by the Management Board of Polimex-Mostostal regarding development of the production capacities of the Company and of the Group is continued. The extension of the plants in Siedlce within the Tarnobrzeg Special Economic Zone, commenced in 2008, has entered the decisive phase.

- In 2009, we will invest 140 million PLN in doubling production of the Zakłady Wyrobów Stalowych in Siedlce. On the other hand, investments at the level of approximately 30 million PLN will make it possible to increase the production of platform gratings by 50 per cent. In the field of corrosion protection, we will launch a modern galvanising line at the plant in Siedlce. The new plant will commence production this year. Total investment value will amount up to 250 million PLN, says Konrad Jaskóła.

Also, the investment programme for Energomontaż-Północ and Sefako, companies of the Polimex-Mostostal Group, is being continued. At Sefako, at the expense of approximately 70 million PLN, we are finishing the construction of a new production hall. This will allow for doubling the volume of the power boilers produced. The investment in Sefako is also located within a Special Economic Zone.

- Our task is to commence, as soon as possible, production and sale of the continually and perspectively high margin steel structures, hot dip galvanising services and power boilers for various types of fuel, adds President Jaskóła.

Polimex-Mostostal is also developing its design potential, treating the task as one of the priorities. The Company is organising a multi-discipline design studio in Gliwice.

-This is a response to the narrow design potential constituting the so-called 'bottleneck' of punctual design execution. Moreover, more and more infrastructural investments are realised in the 'design and construct' formula. Our own design studio will result in further increase of competitiveness of our bids in tenders, informs Konrad Jaskóła.

An important issue are the significant tax allowances which the Company is entitled to (up to the amount of 40% of the investment value) resulting from the fact of investment realisation within special economic zones – the Tarnobrzeg and Starachowice Special Economic Zones.

Domestic demand.

In Q1 2009, Polimex -Mostostal S.A. signed, among others, important contracts for the construction of an A1 motorway section from the Sośnica junction to the Maciejów junction, and further works on the reconstruction of the Wisła football stadium in Cracow.

As part of the first task, for nearly 900 million PLN net, the group of companies the leader of which is Polimex-Mostostal will construct a motorway section of the length of 6.57 km, with 3 lanes in each direction, 8 viaducts, 2 flyovers, 3 crossings for animals, environment protection and traffic safety equipment, and motorway maintenance facilities.

As part of the contract in Cracow, Polimex-Mostostal will realise further works at the Wisła football stadium, including construction of the western stand, car parks, yards and access roads. The contract value is over 125.6 million PLN net. As part of both contracts, Polimex is realising at the Wisła stadium works worth nearly 244 million PLN net.

Good perspectives for new contracts.

- Polimex-Mostostal has placed a bid with the best price regarding construction of the Museum of the History of Polish Jews in Warsaw. We expect the contract to be signed soon. In May, this year, a bid regarding modernisation of the Stadion Śląski (Silesian Stadium) in Chorzów will be placed. We expect that there will also arise large contracts in the power engineering sector regarding, among others, construction of emission desulphurisation systems and realisation of new power units. The Polish power engineering industry requires significant financial investments related to the need to adjust to EU requirements (gas emissions), improving the efficiency and increasing the power generated. In the long-time perspective, it has been planned to annually launch 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. Polimex plans to significantly participate in the realisation of the task. For this purpose, we are developing our executive as well as design capacities so that in the near future we could offer investors comprehensive services with respect to the realisation of high capacity power

units, informs the President.

Diversification of the services provided by the Company and the Group is beneficial. Beside general contractorship in the oil, chemical and power engineering industries, Polimex-Mostostal is effectively operating in the field of projects financed from public resources, including EU funds; it also offers a wide range of steel products and services regarding modern corrosion protection utilised in, among others, infrastructural projects.

For several years now, we have consequently been increasing the number of road and railway contracts in our portfolio. The increase of expenditures on the development of the national transportation infrastructure as well as projects related to the organisation of the European Football Championships in 2012 constitute the grounds for optimistic perception of the level of orders in this sector. We are currently realising several important road and railway contracts, and we are reconstructing football stadiums in Warsaw and Cracow.

We will continue to develop the activity. This year's sale in the road engineering sector will amount to approximately 500 million PLN as compared to barely over 400 million PLN last year. Similarly, in the railway engineering sector our sales will increase from 300 million PLN in 2008 to over 500 million PLN this year. The increase in these sectors will be much higher than the planned 20% within the entire Capital Group.

We are (or will be) participating in various stages of, among others, tenders for the sections of:

- A1, A2 and A4 motorways,
  - domestic road no. 8,
  - S-69 express road,
  - Jarosław ringroad.
- We are assuming a 15-20% increase of profit and income every year by minimum 2011. We also want to successively increase the net margin. Let me remind that in 2007 the Company generated 3.7 billion PLN on sales and 100 million PLN of net profit at the consolidated level. As compared to 2007, consolidated income from sale increased by over 16% and amounted to 4.3 billion PLN. Net profit generated in 2008, at the level of 120 million PLN, means an increase by approx. 20% as compared to 2007, informs Konrad Jaskóła.

Stable and strong position of Polimex-Mostostal.

-Forecasts regarding good perspectives for Polimex in 2009 and the years to come, based on actual macroeconomic premisses, remain valid. In the coming period, we will be facing a difficult market yet one favouring large engineering and construction companies with diversified portfolio of services, such as Polimex-Mostostal. Our portfolio of orders is currently exceeding the value of 7.7 billion PLN and we are intensely supplementing it with further contracts to be executed this year and the years to come.

We base the forecasts regarding good perspectives on, among others, the following premises:

decrease of the prices of steel and materials,  
increasing profitability of export resulting from the weakening PLN,  
low inflation and decrease of interest rates,  
ordinance of the Council of Ministers regarding the possibility of obtaining advances in the amount of up to 20% of infrastructural contract value,  
continuing domestic demand,  
easier and easier acquisition of valuable personnel for the realisation of domestic investment projects resulting from the returns of part of the Poles from economic migration.

Yet, we should not forget that in the coming period we will be dealing with a difficult market in which small and medium-sized companies will in particular be exposed to the risk of negative impacts of the economic slowdown and may face problems. This is particularly clear in the property developer sector, for instance.

We are ready to extend our cooperation with those companies, thus providing them with orders arising from new contracts successively concluded by Polimex-Mostostal. The cooperation is all the more expected as we will not be able to execute 100% of orders independently.

As a result, Polimex will try to provide small and medium-sized construction enterprises with the opportunities to jointly counteract difficulties resulting from the economic slowdown which we are facing now.

Company management based on the current model of operation will become more and more difficult. This results in the need to consider the possibilities of the Company assuming the so-called operator functions which will constitute long-time business of satisfactory profitability, for example in the power engineering sector or in the transportation infrastructure.

Consequently, we will achieve further, beneficial activity diversification. Such attitude to one's own development is successfully applied by companies similar to ours and operating in other countries. For instance, when the economic boom in Spain was over, the local corporations decided to assume operator functions and now operate, among others, airports, airlines or railway infrastructure.

Developing the idea, Polimex-Mostostal, Polskie Górnictwo Naftowe i Gazownictwo S.A., Zakłady Azotowe w Tarnowie-Mościcach S.A. and Tauron Polska Energia S.A. (Tauron) signed on 30.04.2009 a letter of intent regarding joint realisation of an investment involving construction of a new heat and power generating plant of the output capacity of 200 MW, generating energy based on natural gas, and modernisation of the existing heat and power generating plant of the output capacity of 65 MW at the site of the Zakłady Azotowe w Tarnowie. As part of the joint undertaking, Polimex-Mostostal S.A. will undertake to execute the following tasks:

- development of the concept and technical assumptions,
- development of investment funding options,
- possible realisation of the planned investment and modernisation,
- possible assumption of the new heat and power generating plant operator function

Despite the relatively good financial situation, we are conducting system activities aimed at reducing the costs and, on the other hand, are planning further development of the company.

Such attitude is aimed at stabilising and further increasing the value of the Company.

In our activity, we allow for, among others:

- further optimisation of costs and contract profitability improvement,
- acceleration of the Group reorganisation process,
- continuation of the commenced investments in the organic development,
- potential acquisition of new companies.

The good financial situation results from, among others, contracts signed and beneficial relations with numerous cooperating banks. Our objective is further dynamic development of the Group as well as improvement of profitability and reduction of the risk involved in operating activity. We care for the profitability of the contracts concluded and assume successive growth of net profitability within the next 2-3 years, summarises President Jaskóła.

Polimex-Mostostal and its Management Board have been recognised.

In Q1 of this year, Polimex-Mostostal S.A. and the President of the Management Board were awarded:

the title and statue of the Diamond Engineer in the 15th edition of the 'Golden Engineer of the Year' vote for the readers of 'Przegląd Techniczny' for Konrad Jaskóła, President of the Management Board [02.2009],  
Professor Stanisław Pilat Medal for Konrad Jaskóła, President of the Management Board, for the activity in favour of development of the oil industry in Poland and long-term, creative cooperation with the Institute of Petroleum Processing, awarded by the Chapter of the Medal in coordination with the General Director of the Oil and Gas Institute and the Research Council of the Oil and Gas Institute [01.2009].

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