Polimex-Mostostal consistently lowers costs

11/21/2014

· Decrease in general and administrative expenses by 30% in the three quarters of 2014, as compared to the first three quarters of 2013

· Further reduction of indirect costs

· Financial result significantly influenced by converting the debt of Polimex-Mostostal SA into shares

- The three quarters were crucial to Polimex-Mostostal. We have signed a restructuring agreement with our creditors under which a significant part of the debt of Polimex-Mostostal SA was converted into shares, we have separated two companies from PxM which will take over operations this year, and we have issued bonds – as enumerates the acting President of the Board of Polimex Mostostal, Maciej Stańczuk. - Later this year, we will finish the operational restructuring which will further reduce costs, improve the efficiency of the company.

Over the three quarters, general and administrative expenses have decreased by 30 percent compared to the comparable data for the first three quarters of 2013 which is the result of hard cost restructuring, simplification of the structure and significant reduction of the operating costs of the group. General and administrative expenses amounted at the end of September 2013 to PLN 89.66 million, and at the end of September 2014: to PLN 62.35 million. The level of general and administrative expenses in the third quarter of 2014 amounted to PLN 16.29 million, as compared to PLN 29.11 million in the comparable period in 2013.

The sales result of the group for the third quarter this year is negative and amounts to PLN 112.59 million.

- This is a consequence of impairment losses on receivables in the amount of approximately PLN 88 million, including receivables from our consortium partners in road contracts who are bankrupt, but also reserves and projected warranty costs related to the past involvement of Polimex-Mostostal in many projects. We have already informed that restructuring will not be finish this year, we also want to organize the group so that it did not start 2015 with any unnecessary ballast. We are reiterating the planned positive operating result at the end of the next year - Maciej Stańczuk says.

At the end of September 2014, the PxM group had an operating loss of PLN 250.61 million. This result was influenced, among others, by: the establishment of reserves for warranty repairs, restructuring reserves, write-downs of receivables and the valuation of assets held for sale. During the first three quarters of 2014 the operating result was negatively influenced by the events at the level exceeding PLN 100 million.- Polimex-Mostostal finished off the three quarters of this year with a net profit of PLN 30.8 million, which is related to the accounting financial income in the amount of PLN 272 million.

This is the result of the technical settlement of the conversion of the debt of the company into PxM shares at a price twice higher than the market price (PLN 0.175 versus PLN 0.08 as at the conversion date) - Krzysztof Cetnar clarifies, the Vice President of Polimex-Mostostal. - The International Accounting Standards require that the excess of the conversion price above the market price was recognized in profit or loss for the period.

The current portfolio of the contracts concluded by the group of Polimex-Mostostal amounts to PLN 6.4 billion.

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