Polimex-Mostostal undertakes to improve its Financial Liquidity

07/10/2012

The construction industry, recently engaged in infrastructure projects which belong to public procurements financed by the state budget and EU funds, nowadays undergoes financial difficulties. The main reasons behind this situation are:

- the exclusion from the contracts the option to adjust contractual prices to follow changes in prices of e.g. construction materials, fuel and power supply.

- long payment due dates for works performed.

- lowest bid price as the only criterion for selecting the contractor,

- minimum margins of contractors' companies due to the price war,

- intense competition of companies from the entire world.

- “Polimex-Mostostal is conducting a wide range of activities, both short- and long-term ones, which aim to increase its operating efficiency, improve its financial liquidity and reduce debt, leading to better results”, says Konrad Jaskóła, the President of the Management Board.

Short-term activities which aim to improve Polimex-Mostostal's financial situation:

- “The Company has created the Board of Financial Advisers, composed of representatives of brokerage houses which represent leading banks - partners of the Company. The Board includes: Dom Maklerski PKO BP S.A, Uncredit CAIB

Poland SA, ING Securities S.A. The Advisers cooperate with the Company's representatives and started their work a week ago. They are carrying out the analysis of the Company's current financial situation, including the possibility of debt restructuring, capital needs and chances of obtaining new funds.

The work of the Board will be followed by a document of funding strategy for Polimex-Mostostal, prepared over the next few days", says the President.

- "We have also the Team of Bondholders, which analyses the option to roll over some bonds from all three tranches issued by the Company", adds Jaskóła.

- The Company is negotiating and pondering cooperation with ARP and BGK. The negotiations are in their initial stage. The cooperation will be established if proved by the analyses to be mutually beneficial.

- "In order to improve liquidity, Polimex-Mostostal sells its development projects. In the first half of this year we obtained PLN 15 million from sales of real properties. Moreover, we signed agreements and collected binding offers for further PLN 80 million. Our financial situation does not force us to sell our assets at all costs, especially if the offer is way lower then the real price of such property. In such situations we withhold the decision to sell, especially because the Company needs its assets as collateral for banks and Bondholders", explains Mr Jaskóła.

- Polimex-Mostostal intends to obtain additional funds from divestment. Currently, the most advanced activities are those of selling shares and stock in Torpol and Sefako.

- "Thanks to successful tender procedures, Polimex-Mostostal gathered a vast portfolio of signed contracts, totalling more than PLN ten billion. This amount meets most budget needs this year and provides a sound support for activities in the following years", says Konrad Jaskóła.

Long-term activities which aim to improve Polimex-Mostostal's financial situation:

- "We are completing a massive overhaul of the Company's structure. The previous, multi-facility structure is replaced with five segments responsible for various areas of our activities, i.e.: general power industry contracts, maintenance for power and chemistry industries, manufacturing, infrastructure and general engineering. In this way we increase the transparency, optimize

management and thus increase the capacity of the Company to comprehensively perform largest investments”, says the President.

- The Company is steadily increasing its financial discipline and the program of costs reduction, which includes the following aspects: implementation of the back to back policy for payments, which means that Polimex-Mostostal settles payments with its subcontractors only upon receiving payments from the ordering parties, optimization of payment due dates, improvement of the collecting efficiency, decrease of costs and reduction of investments. The Company follows a very precise cost control when performing contracts.

- “The system of purchasing materials, machinery, equipment and services, which we implemented and developed, already brought us tangible savings. What's more, the Company is continuously optimizing its HR management”, adds Jaskóła.

“The Management Board terminated the current Collective Labour Agreement. The Agreement was terminated due to unending negotiations with trade unions with little to no chances of agreement in several crucial issues, e.g. bonuses for white collar employees or adjusting internal rules and regulations to the new needs which followed the incorporation of 7 subsidiaries on 2010, as well as no agreement on the Employee Pension Scheme”, explains Jaskóła.

“Together with the trade unions we have started negotiations on a new Agreement, more suitable for the current market situation and modern solutions and more adapted to the new, segmented structure”, adds Jaskóła.

- “Short-term and long-term activities undertaken by Polimex-Mostostal aim to increase management efficiency, improve financial liquidity and reduce debt, leading to better results; they will also increase labour efficiency and optimize HR management”, sums up the President Konrad Jaskóła.

New Members of the Management Board of Polimex-Mostostal SA

The Supervisory Board of Polimex-Mostostal SA appointed to the Management Board on 2 July 2012 Mr Robert Bednarski - Vice-President for Financial Affairs, and on 6 July 2012 - Mr Robert Oppenheim - Vice-President for Operating Affairs. The Supervisory Board appointed the new Members of the Management Board by recruitment process.

- “It is a good decision for the Company and its shareholders. Both men are very good specialists with vast work experience. We have many things to do. Larger Management Board will deal with them a lot better. It is especially important now then the economy slowed down”, Konrad Jaskóła, the President of the Management Board of Polimex-Mostostal, comments the appointments.

Mr Robert Bednarski graduated from the Warsaw School of Economics at the Faculty of Quantitative Methods and Information Systems. He completed his PhD studies at the Collegium of Business Administration and post-graduate studies in "Goodwill Management".

In 2008 - 2010 he was the Member of the Management Board of Ciech S.A., where he was responsible for finance and IT. Before that, as the General Manager for Organization and Integration in the ORLEN Group, he was responsible for restructuring and consolidation of the Group's financial debt. Also, he supervised the implementation of the comprehensive goodwill improvement programme in Mazeikiu Nafta, executing the restructuring programme of ORLEN S.A. and changes in the management model of the ORLEN Group. Moreover, he worked as: Chief Financial Officer and Member of the Management Board of Basell Orlen Polyolefins, Head of the Finance Management Office in ORLEN S.A. In 2010-2012 he was the Vice-President of the Management Board for Economic and Financial Affairs in Boryszew S.A, where he was responsible for very complex acquisition of assets in the car industry.

He is a Member of the Supervisory Boards of: LW Bogdanka S.A., P.A. Nova S.A., BM Medical S.A.

Mr Robert Oppenheim has vast professional experience in construction, real property and the capital market. He is experienced in restructuring construction companies and has some unique experiences in financial restructuring.

Previously he was Senior Partner in the real estate fund Griffin Real Estate. Before that, he had been a manager of construction and real estate companies for 12 years. In his professional career he was the Vice-President for Financial and Operating Affairs in Dromex S.A., a company he successfully restructured. He was one of the managers of the Polish branch of Strabag and the Vice-President of International Westfund Holdings. During the nineties, he was the Manager of the Department of Restructuring in Powszechny Bank Kredytowy SA, where he dealt with financial restructuring of various companies. He graduated from the Faculty

of Law and the Faculty of Economic Sciences at the University of Warsaw; currently he works as a lecturer at the Faculty of Economic Sciences.

The present Management Board of Polimex-Mostostal is composed of:

Konrad Jaskóła - President of the Management Board

and Vice-Presidents:

Zygmunt Artwik

Robert Bednarski

Aleksander Jonek

Roberta Oppenheim

Grzegorz Szkopek

PDF