End of the 1st quarter of 2012

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Polimex-Mostostal ended the 1st quarter of 2012 with the following consolidated results:

- revenue from sales amounted to PLN 1,030 million – increase by 17 % in relation to the 1st quarter of the previous year,

- net profit reached PLN 17 million – increase by 41.7% in relation to the 1st quarter of the previous year)

- operating profit amounted to PLN 43 million – increase by 43.3 % in relation to the 1st quarter of the previous year,

- net profit margin reached 1.7 per cent against 1.4 per cent in the 1st quarter of the previous year,

- the portfolio of Group orders (excluding the consortium members) is PLN 11.4 billion – increase by 53.4% in relation to the 1st quarter of the previous year.

- We ended the 1st quarter of 2012 with better sales results than those achieved in the 1st quarter of 2011. Under very difficult market conditions for construction sector, our net profit reached a very good level, irrespective of unfavourable, EUR/PLN currency ratio and the increase of base interest rates by 20%, against the previous year - informs Konrad Jaskóła, the President of the Management Board of Polimex-Mostostal SA.

- We can consider the beginning of 2012 as successful, also due to acquisition of several new contracts. This enables us to maintain the value of portfolio of the orders signed at very high level. It ensures implementation of the budgetary plans in the subsequent quarters of 2012 and 2013 – adds the President of the Board.

Recently concluded contracts

Among the contracts recently concluded, among others, the following contracts are included:

- designing and construction of two power units in Opole power plant, at the value of PLN 11.5 billion gross,

- development of two buildings, i.e. the Convention Centre in Lublin and the seat of Marshall Office in Lublin, including the necessary technical infrastructure at the value of PLN 117.8 million gross,

- delivery and assembly of steel constructions as well as sheathing of walls and roofs of a new power unit in Brista CHP plant in Sweden at the value of PLN 48.5 million gross,

- construction of the Gdów Ring Road – STAGE I, within the alignment of the regional road no. 967, in Małopolskie Province, Wieliczka District, Gdów Municipality, at the value of PLN 29.7 million.

The historic contract signed in 2012 by the consortium consisting of Rafako, Polimex-Mostostal and Mostostal Warszawa for delivery of two power units in Opole Power Plant is worth presenting.

Its value exceeds PLN 11.5 billion, and Polimex-Mostostal share in the consortium makes 42%. The decision on commencement of the investment in Opole Power Plant is of major importance for the development of the Polish power engineering. We signed this significant contract to our great satisfaction. It represents the accomplishment of our over two-years intensive preparations and activities related to this project – Jaskóła informs.

On 3 April this year, the District Court in Łódź announced its verdict in which the complaint of Alstom company was dismissed, filed against the decision of the National Chamber of Appeal of 11 January this year, concerning the tender organised by PGE GiEK, covering construction of two new power units of the total capacity of 1800 MW in Opole Power Plant. This verdict shall prevent Alstom company from filing further appeals concerning this case.

Perspectives for further significant contracts

- Concluding of the tender for construction of the coal-fired unit in Kozienice power plant, favourable for us, would be the second seriously expected decision, following the recent signing of the contract on construction of two units in Opole

power plant. In this case, we have submitted a favourable bid of the value amounting to almost PLN 6.3 billion within the consortium with Hitachi Power Europe company. We are very well prepared for implementation of this project. The contract on construction of the unit in Kozienice would be the next power engineering project of multi-billion value, of key importance for the development of the Polish power engineering - the President of the Board emphasises.

- Moreover, we participate in other calls for tender in power engineering sector announced for power plants in Rybnik, Ostrołęka or Północ power plant. We have available resources capable of executing several large power engineering contracts at the same time, both as a consortium member and individually. – the President of the Board further says.

- We are also waiting, among others, for concluding of the tender on construction of fuel denitrification installation for PKN Orlen at the value of several million Polish Zloty - Konrad Jaskóła adds.

Priority activities for the nearest future

Debt relief of the Company and financial discipline
- The priority issue is the Company debt relief to achieve the net debt indicator EBITDA at the level not exceeding the value of 3.5 at the end of the year. In this context, the most important task for us is to increase EBITDA and to sell land developers' assets and implement de-investment –President Jaskóła informs.

- Moreover, due to the declining share in sales of asset-intensive road contracts, we expect that the demand for loans shall decrease.

On the other hand, at the moment, we neither consider nor prepare for issue of shares – the President of the Board adds.

- We hold land developers' assets at the book value of over 360 million. The land and developers' facilities we own are offered for sale. The market is currently difficult, therefore we estimate that we shall sell assets worth about PLN 80 million in the nearest months. At the moment, we are collecting offers from potential buyers and it is already highly probable that some plots of land and buildings will be sold in the 2nd and 3rd quarter of this year –President Jaskóła explains.

- We are preparing Torpol to IPO. The prospectus is under development. Sales of 30% of Torpol shares will depend on our determination to implement it as well as on whether the situation at the Warsaw Stock Exchange is favourable in the

middle of this year. Whether the sales is performed through the stock exchange or by transaction with the investor, is only the technical issue–the President of the Board explains.

- In terms of de-investment, we also consider our three foreign companies, among others, the Ukrainian companies and one Romanian Company. Besides, we are considering the disposal of Polish companies we are the owner of, which are not included in our core-business area. These include Sefako, Stalfa, Energop, Energomontaż Północ Gdynia –Konrad Jaskóła supplements.

In Polimex–Mostostal, strict financial discipline has been introduced as well as the cost cutting programme, covering, among others: implementation of “back to back” payment policy based on the assumption that Polimex-Mostostal concludes its settlement with a subcontractor only after the receivables from clients have been received, optimisation of payment deadlines, enhancing the execution of receivables, cost cutting and investment reduction.

- Effects in savings have already been generated as a result of implementation of the central procurement system of materials, machines, equipment and services. Moreover, the Company constantly optimises its human resources management system – Jaskóła adds.

Restructuring of the Company.
- We are continuing the restructuring process of the Company creating, based on the existing company structure, five business areas which will be in charge of individual sectors of our operations, i.e.: general contracting in power engineering, service in power engineering and chemical industry, production, infrastructure and general construction. We are planning the transfer from the company structure to the business area management structure by the end of 2012. Accordingly, the transparency of the structure will be enhanced, management will be further optimised and the organisational capacity in comprehensive execution of the biggest investment projects will increase even more –the President of the Board informs.

Maintaining of diversification of services and sales markets
Diversification of services and sales markets makes the strong asset of Polimex-Mostostal business. Major directions of construction and engineering operations are maintained in power engineering, chemical, petroleum, environmental protection, road and railway building and general construction sectors, as well as in production of goods, steel constructions and services of hot-dip zinc galvanising.

Consumers of services and products we offer cover clients in many countries of Europe, Africa, both Americas and others. In the 1st quarter of 2012 export reached 35.1 % of sales and it was comparable to the level of export in the corresponding period of the previous year. Contracts implemented abroad include, among others, assembly contracts in power engineering sector executed at the German market, contract on construction of container terminal in the Netherlands and the railway contract in Norway.

- We have established the Export Office in the Company for coordination and further development of our foreign activities. The markets potentially interesting for us include the countries of the former Soviet Union, the Arabic countries and Northern Africa countries where Polimex-Mostostal has already been active since the sixties-seventies of the previous century. The Company is still well recognised and highly ranked in this area. However, making decisions on development of operations in new markets, we will pay attention to economic safety of the contracts. We will continue to be active within the European markets, i.e. in Germany, Scandinavia, in France and in many other countries. We assess that as a result of our efforts we will carry out successive export contracts, among others, in power engineering, road and railway infrastructure, industrial and general construction – President Jaskóła informs.

- On the other hand, foreseeing the necessity to carry out required investment in this sector, we have enhanced the capacity of Polimex-Mostostal to execute extensive projects in power engineering. Systematic growth of power engineering contracts in our portfolio will counterbalance the potential decrease in the number of tenders in road building – Konrad Jaskóła adds.

- Moreover, in the quarters to follow, opportunities to acquire new projects in railway construction will increase – President Jaskóła supplements.

The demand for pro-ecological solutions is increasing. So far, the Group has delivered, among others, several dozen of boilers produced by Sefako for waste incineration plants for customers all over Europe.

- Implementation of many installations of this type is planned in Poland, each worth from several dozen to several hundred million PLN –President Jaskóła informs.

Polimex-Mostostal is developing its activity in the wind energy sector. The Company plans to develop its activities in this area as the general contractor.

Selected awards and distinctions received recently

- “The most interesting of the best IT implementation projects in industry” for implementation of the complex IT solution supporting the procurement process for Polimex-Mostostal, awarded by the Editor of the “Nowy Przemysł” [New Industry] Monthly and the portal wnp.pl,

- „The Pearl of the Polish Economy” – the distinction of Polimex-Mostostal for the consequent implementation of the enterprise strategy and policy as well as the leader’s position among the most dynamic and the most effective enterprises in Poland, awarded by the editorial board of the Polish Market monthly and the Institute of Economic Sciences of the Polish Academy of Sciences,

- The 1st prize in the Competition “Eagles of the Polish Construction Sector” in the category: General Contractor, for Polimex-Mostostal, awarded by the Jury and Organisers of the Competition under the patronage of the Ministry of Infrastructure,

- „Ambassador of the Polish Economy”, in the category: Exporter – the title for Polimex-Mostostal in the competition organised by Business Center Club under the honorary patronage of the Minister of Foreign Affairs of the Republic of Poland,

- The 1st place in the ranking Book of Lists 2011 in the category: General Contractor for Polimex-Mostostal, awarded by the editorial team of Book of Lists 2011 and Warsaw Business Journal,

- The Crystal Laurel Wreath of Skills and Competence for Konrad Jaskóła – the President of the Management Board of Polimex-Mostostal,

- The 1st place of Polimex - Mostostal in the TSR ranking Akcja WIG - Budownictwo (The WIG share – construction) for the best company listed at the stock exchange for the period 2002-2011 (TSR - Total Shareholder Return is the popular indicator which enables assessment of capacity in creating of shareholders’ value by companies).

- The 3rd place of Polimex - Mostostal in the TSR ranking - złota Akcja mWIG 40 (The Golden Share mWIG 40) for the best company listed at the stock exchange for the period 2002-2011.

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