Polimex-Mostostal with a complete portfolio of orders following 2010

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Polimex-Mostostal summarised its results of the year 2010.

In Q4 2010:

· consolidated revenues from sales amounted to PLN 1,186 million and were 9.7% lower than the value of the sales generated in Q4 2009.

· net profit amounted to PLN 53 million and was 4.4% higher than in the analogical period of 2009.

In 2010:

· consolidated revenues from sales amounted to PLN 4,165 million (in 2009 – PLN 4,397 million, i.e. a decrease by 5.3%),

· operating profit amounted to PLN 219 million (in 2009 – PLN 265 million, i.e. a decrease by 17.4%),

· net income amounted to PLN 113 million (in 2009 – PLN 156 million, i.e. a decrease by 27.9%),

· gross margin of profit on sales amounted to 10.7 % (in 2009 – 11.6%, i.e. a decrease by 0.9%),

· net margin amounted to 2.7% (in 2009 – 3.6%, i.e. a decrease by 0.9%).

The portfolio of orders (contracts signed) currently amounts to:

· PLN 9.8 billion (inclusive of consortium members),

· PLN 7.1 billion (exclusive of consortium members).

The consolidated results of 2010 were adversely affected by the results generated by certain Group companies which were significantly lower than planned (among others, results generated by the Coifer Group and Energomontaż Północ or ZRE Cracow).

- At present, the situation within Coifer has improved. It will no longer adversely affect our results this year. We have a new management there, and the company is generating positive results and has a well-developed portfolio of orders. We expect the company to generate a profit at the end of the year.

It is also worth mentioning that our Italian company Grande Meccanica, located in the area of Rome, is also developing well and has already won orders worth approx. EUR 20 million, informs President of the Management Board, Konrad Jaskóła.

- Worth emphasising is the fact that our portfolio of orders signed has reached a very high value. At present, it amounts to PLN 9.8 billion, out of which PLN 4 billion is to be realised this year. In this way we have ensured realisation of the budgets in 2011 and 2012 to a significant extent, informs Konrad Jaskóła, President of the Management Board.

- And we continue to place new bids. The effectiveness of our bidding falls within the range of 10-15%. Annual sales, which we realise at the level of approx. PLN 5 billion, requires placing bids for a value nearly ten times higher. Each month, on the average, we participate in tenders and place bids of the total value of several billion Polish zlotys, says Konrad Jaskóła.

Recently concluded contracts.

Polimex-Mostostal has recently concluded numerous contracts, including contracts for the realisation of large investments, for instance:

· of the gross value of: PLN 489.1 million for the modernisation of a section of the E 65/CE Warsaw – Gdynia (LCS Ciechanów) railway line, executed by Torpol Sp. z o.o. a 100% subsidiary company of Polimex-Mostostal;

· of the gross value of PLN 656.6 million for the modernisation of a section of the E30/C-E30 Cracow – Rzeszów railway line, executed by Torpol Sp. z o.o.;

· for the construction of a section of the A1 motorway Stryków – Tuszyn of the gross value of PLN 1.159 billion;

· of the gross value of PLN 2.196 billion, concluded with the General Directorate for National Roads and Motorways (GDDKiA), Branch Office in Rzeszów, for the construction of a section of the A-4 expressway along the section: Rzeszów (Rzeszów East junction) – Jarosław (Wierzbna junction);

· of the gross value of PLN 788.1 million, concluded with the GDDKiA, for the construction of a section of the S69 expressway;

· of the net value of EUR 52 million, concluded with Botlek Tank Terminal B.V., for the turnkey construction of a tank terminal of the capacity of 185.000 m3 to store mineral oils, vegetable oils and liquid fuels at the port of Rotterdam;

· of the gross value of PLN 157 million, concluded with the City of Gdansk, for the construction of the European Solidarity Centre in Gdansk;

· of the gross value of PLN 81.8 million, concluded with the Aqua Park in Ruda Śląska Sp. z o.o., for the development of a detailed design documentation and construction of the Aqua Park – Sport and Recreation Swimming Centre – in the Kłodnica River Valley, Ruda Śląska;

· concluded with the City of Świnoujście for the construction of a bridge over the Stara Świna River connecting the islands of Wolin and Karsibór, of the gross value of: PLN 41.5 million;

· of the gross value of PLN 73 million, concluded with Lublin University of Technology, for the construction of the Centre for Innovation and Advanced Technologies of Lublin University of Technology;

· of the net value of PLN 60 million, concluded with Alstom Power, for the installation of 21 thousand tons of steel structures at Mannheim Power Plant in Germany;

· of the gross value of PLN 30.2 million, concluded with the Małopolska Agencja Rozwoju Regionalnego S.A. (Małopolska Regional Development Agency), for the construction of a complex of production and service buildings with office and personnel facilities, inclusive of internal traffic roads extensions at the premises of the MARR Business Park in Cracow;

· concluded with Akademia Obrony Narodowej (National Defence University) for the extension of a barracks building and its adaptation and furnishing to fulfil boarding and hotel functions, of the gross value of: PLN 15.3 million;

· of the value of EUR 3.9 million net, concluded with Hitachi Power Europe GmbH, for the installation and welding of 1,000 MW boiler pressure pipelines at the KW Wilhelmshaven power plant in Germany;

· of the gross value of PLN 51 million, concluded with the Municipality of Puławy, for the construction of the Puławy Science and Technology Park;

· of the gross value of over PLN 54.1 million, concluded with the Gliwice City Council, for the construction of a football stadium in Gliwice;

· of the gross value of PLN 54.3 million, for the extension of the Raczyński Library building in Poznan with a new part integrated in terms of functionality and communication with the existing, historic building, inclusive of a purchase of permanent fixtures required to conduct library, information and scientific activity;

· continuing reconstruction of the former Warszawa Hotel. The value of the works will amount to minimum PLN 90 million gross.

Future contracts.

In recent weeks, Polimex-Mostostal has placed bids with best prices as well as bids which have already been considered by the Ordering Parties to be the most advantageous.

The value of the bids considered to be the most advantageous or featuring the best price amounts to:

· PLN 0.5 billion (inclusive of consortium members),

· PLN 0.4 billion (exclusive of consortium members).

Following the awaited signature of the contracts, the value of the portfolio of orders will amount to:

· PLN 10.3 billion (inclusive of consortium members),

· PLN 7.5 billion (exclusive of consortium members).

Market perspectives.

- Currently worth recognition among the activities conducted by the Group are the road and railway building engineering where some material contracts are being executed. Our income from that activity nearly double year after year. At present, they constitute approx. 33% of all the orders. In this sector, the Group has assured itself work for the years to come, informs President Jaskóła.

At the moment, Polimex-Mostostal is concurrently executing, among other things, sections of the A1, A2 and A4 motorways, and the S69 expressway. The Company is also participating in tender proceedings regarding large road and railway projects.

- And we are commencing our activity in the railway building sector in Norway. We are prepared to effectively compete for orders on the local market where, in the coming years and at the expense of many billions of euros, the railway infrastructure is to be modernised. For the time being, our Torpol company is placing bids worth several dozen million euros. With time, we shall participate in tenders regarding orders of a many times higher value, informs Jaskóła.

- We focus on the Polish power engineering industry but the tendering procedures, as our experience implies, will not be completed soon. Significant income from that segment will arise in the future, adds the President.

- As a general contractor, we are already executing a 50 MW power unit at Bielsko-Biała Heat and Power Generating Plant. It is a construction important to us, and its budget amounts to PLN 500 million. In turn, our Energomontaż Północ Division is constructing an exhaust gas desulphurisation system at Kozienice Power Plant worth PLN 132 million. We are also considering conventional power engineering as an investor and operator of medium output power units (approx. 200 MW), adds President Jaskóła.

The Company continues to record a high and continually growing portfolio of orders in the area of industrial and general construction, and an increasing number of orders from abroad. Realisation of the projects also requires deliveries and installation of the steel products manufactured by the Company, inclusive of hot-dip galvanised products.

- The number of orders for steel structures and products is increasing. A greater demand also makes it possible to better utilise the production capacities of our Romania-based plant. This is an important change of the trend as steel products have an approximately 20% share in our sales, informs President Jaskóła.

Two years ago, Energomontaż Północ, at that time a Polimex-Mostostal Group company, purchased parts of the assets of Gdynia Shipyard, inclusive of fragments of the pier, a dry dock and craning equipment.

- There, we repair ships and systematically develop our production and installation of large and spherical steel structures, among others for the purposes of off-shore projects. We have quite a good portfolio of orders here, and the level of employment has already reached 250 people, says President Jaskóła.

Acquisitions.

- As a leading general contractor on investments in the power engineering sector, which in our opinion in approx. two years may even have the largest share in our sales, in 2010 we decided to purchase the Centralne Biuro Konstrukcji Kotłów, informs Jaskóła.

Centralne Biuro Konstrukcji Kotłów S.A. (Boiler engineering design office) of Tarnowskie Góry is an enterprise offering a wide range of services related to the execution of research, design, engineering and implementation works with respect to the production of boilers and equipment for the conventional, nuclear, industrial and heating power engineering. CBKK has extensive experience in the execution of contracts both on the Polish market and abroad.

Acquisition of CBKK significantly increases the capacities of Polimex-Mostostal with respect to offering comprehensive solutions for the power engineering industry and reinforces Polimex-Mostostal’s competitive position with respect to competing for significant orders on the market.

- The market of new power engineering investments in Poland is estimated to be of the value of several billion euros annually, from 2011 on for at least 10 years. Having a design studio capable of designing a boiler meeting specific customer’s needs and comprehensively developing the investment process significantly increases our chances of winning large orders regarding execution of investments in this perspective sector of the economy, explains Konrad Jaskóła.

- The demand for pro-ecological solutions is also growing. Among other things, the Group has already supplied several dozen boilers for incinerating plants to customers throughout Europe. It has been planned to execute numerous systems of this kind in Poland, each worth several million Polish zlotys. CBBK is conducting research and development works focused on the design of systems facilitating

environmental protection, adds K. Jaskóła.

- The purchase of CBKK will also increase the technological facilities for the Fabryka Kotłów Sefako – a company of the Polimex-Mostostal Group. The acquired design office, CBKK, provides the possibility of offering our own products, which in turn will make it possible to have higher margins on sales, explains the President.

- Fabryka Kotłów Energetycznych Sefako, belonging to our Group, in cooperation with the studio purchased, will extend the activity in a manner making it possible to produce ever greater units of various outputs and fuelled with various fuels. We expect that eventually Sefako will become a company manufacturing power boilers based on both own and licensed technologies, adds Konrad Jaskóła.

Polimex-Mostostal is also developing its activity in the wind power engineering sector. Total value of the current contracts concluded by Polimex-Mostostal for the execution of wind farms has exceeded PLN 50 million net. The Company intends to develop its activity as a general contractor in that respect, that is to execute projects comprehensively.

Polimex-Mostostal is also the Polish leader with respect to rendering maintenance and repair services to the power and engineering sector.

Reorganisation.

The merger of Polimex-Mostostal and seven subsidiary companies was completed in December 2010.

As a result of the reorganisation, the output capacity of Polimex-Mostostal and its ability to comprehensively realise even the largest investments were significantly increased.

The share of the Company's own resources in the realisation of works and deliveries of significant importance to the realisation of entire orders has also extended.

Owing to the increased ability to freely relocate human and equipment resources between individual business units, the Company is becoming less susceptible to negative impacts of seasonality and cyclicity of the building market.

Currently, the process of centralisation of support services and implementation of a central purchasing system is being completed.

- We have already put an organisational structure in place that is adjusted to large contracts execution. It allows for the centralisation of the support services but leaves the autonomy of the seven new plants of the first line. We applied this solution with a view to the requirements of the market on which, for the time being, only small and medium contracts are being executed.

Once the execution of large power engineering contracts commences, we shall continue the process of increasing our striking force, informs President Jaskóła.

- The incorporation also eliminated potential, internal competition within the Group, which sometimes occurred between individual independent companies, completes Jaskóła.

- As we estimate, in two years' time, as a result of the merger we will save approx. PLN 50 million annually. One also needs to bear in mind that as of the beginning of this year we have been consolidating 100% of the results of the companies incorporated, which will also have a positive impact on the results of Polimex-Mostostal, adds Konrad Jaskóła.

Polimex-Mostostal and its Management Board recognised.

In recent time, Polimex-Mostostal S.A has been recognised with:

the Crystal Laurel Wreath of Skills and Competence for Konrad Jaskóła – the President of the Management Board of Polimex-Mostostal S.A., awarded by the Chapter of the Regional Chamber of Commerce in Katowice;
1st place in the 'Eagles of the Polish Construction' contest in the category of Engineering, Road, Railway and Power Engineering Infrastructure for Polimex-Mostostal S.A., awarded by the Chapter and Organisers of the Contest under the patronage of the Ministry of Infrastructure;
the title of the Most Effective President for Konrad Jaskóła, the President of the Management Board of Polimex-Mostostal, awarded by the Home and Market monthly;
the title of the 'Steel Structure – Execution of the Year 2010' for Polimex-Mostostal S.A. for the execution of the roofing of the Legia Warszawa football stadium – construction of the roof over the platforms, awarded by the Polish Chamber of Steel Structures;
European Medal in the 21st edition of the contest for Polimex-Mostostal, awarded by the Business Centre Club and the European Economic and Social Committee for the product: road barriers systems;
an award for Polimex-Mostostal in the Forbes Diamonds 2010 Ranking in the category of companies of the level of revenues above PLN 250 million in the

Mazowieckie Voivodeship;
the title of the ‘Change and Progress Creator’ – for the President of the Management Board Konrad Jaskóła – in recognition of popularisation and propagation of democratic and free market standards, promotion of innovative solutions and propagation of the ideas of civil society in the years 1990-2010, awarded by the Regional Chamber of Commerce in Katowice;
the title of the ‘Employee-Friendly Company’ – for Polimex-Mostostal S.A. – awarded by the Association of Employers of Warsaw and the Mazovia Region in the 1st edition of the contest held as part of the ‘Adaptiveness Though Development of Local and Regional Instruments of Social Dialogue’ project co-funded with the European Union resources under the European Social Fund;
the title of the Maecenas of Sport in Siedlce 2009 and Maecenas of Culture in Siedlce 2009 for Polimex-Mostostal awarded by the Siedlce City Council;
the title of the Leader of Restructurisation – an individual award for the President of the Management Board Konrad Jaskóła, awarded by the Association of Chemical Engineers and Technicians for the ability to formulate visions and for the professional realisation of them, and effective development of relations between science and industry;
the title of the Manager of the Year – for the President of the Management Board Konrad Jaskóła, awarded by the ‘Home & Market’ economic magazine;
1st and 3rd degree awards in the ‘Construction of the Year 2009’ contest held by the Polish Association of Construction Engineers and Technicians (PZITB) for the realisation of the SOLPARK Education and Sports Complex in Kleszczów and of the new seat of the Institute of Fundamental Technological Research of the Polish Academy of Sciences in Warsaw, awarded by PZITB, the Main Construction Supervision Office and the Ministry of Infrastructure;
1st place in the ‘Eagles of the Polish Construction” contest in the category of Engineering, Road, Railway and Power Engineering Infrastructure for Polimex-Mostostal S.A., awarded by the Chapter and Organisers of the Contest under the patronage of the Ministry of Infrastructure.

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