End of Q1 of 2010

05/14/2010

Polimex-Mostostal ended Q1 of 2010 with the following consolidated results:

- sales revenue amounted to 772 million PLN,

- net profit amounted to 17 million PLN,

- operating profit amounted to 32 million PLN,

- net margin amounted to 2.2 per cent,

- at present Group’s order portfolio amounts to 8.2 billion PLN (including consortium members) and 6.7 billion PLN (not including consortium members).

Decrease in revenues and profit as compared to the same period last year was brought about by several reasons such as a longer period of construction work slowdown caused by severe winter as well as a significant change in the Polish zloty exchange rate (by 14%). Nevertheless the net profit achieved is consistent with market consensus and the order portfolio is increasing and has achieved a higher value than in the comparable period last year.

Since January 2010 the method of entering in the books revenues of Polimex-Mostostal consortium members has been different. When Polimex-Mostostal is a consortium leader only the revenues for the Company are recorded in the Company’s profit and loss account. In connection with the above mentioned, in order to obtain comparability of results in the Q1 2010 report the method of presenting sales revenues achieved in Q1 of 2009 was modified accordingly.

Recently concluded contracts

In Q1 of 2010 Polimex-Mostostal entered into numerous contracts, including also contracts for the realisation of large investments, such as:

-contract with Botlek Tank Terminal B.V. for the turnkey construction of a tank terminal with the capacity of 185.000 m3 for the storage of mineral oils, plant oils and liquid fuels in the port of Rotterdam for 52,000,000 EUR net,

- a contract with Park Wodny w Rudzie Śląskiej Sp. z o.o. worth 81.8 million PLN gross for the preparation of detailed design documentation and construction of the Water Park - the Sports and Recreation Swimming Complex - in Dolina Kłodnicy in Ruda Śląska,

-a contract worth 30.2 million PLN gross with Małopolska Agencja Rozwoju Regionalnego S.A. for the construction of a complex of production and service buildings with office and staff facilities together with the development of internal communication roads within the area of MARR Business Park in Kraków,

- a contract with Hitachi Power Europe GmbH for the assembly and welding of pressure pipelines for a boiler with the power of 1000 MW in KW Wilhelmshaven Power Station in Germany for 3.9 million EUR net.

Prospects for new contracts

-At present, Polimex-Mostostal as a consortium leader and general contractor is participating in the tender for the construction of a power unit of 480 MW in “Siekierki” Power Plant. The Company qualified for the tender for the construction of two power units of 900 MW each in Opole Power Plant and for the construction of a gas terminal in Świnoujście – informs President Konrad Jaskóła.

- We have found out that General Directorate for National Roads and Motorways (GDDKiA) in Katowice selected our bid worth 788 million PLN for the construction of a section of S-69 expressway.

Moreover, we also submitted a bid with the best price, 64 million PLN, for the construction of Szczecin city centre ring road. In addition, our bid worth nearly 73 million PLN for the construction of the Centre for Innovation and Advanced Technologies of the Lublin University of Technology was deemed the most advantageous one by the Awarding Entity, i.e. the Lublin University of Technology.

-We also obtained information that a construction permit for the former Warszawa Hotel had been issued. Polimex-Mostostal signed a contract with the purchaser for general contractorship of construction work in this facility for the sum of over 90 million PLN gross with a possibility to expand the scope of work and increase the abovementioned sum after working out of the detailed design documentation. The work should commence soon – adds the President.

- There appear further tenders for the construction and modernisation of motorways, expressways and city ring roads as well as for the realisation of projects in the railway construction segment. Polimex-Mostostal participates in all more important tenders in this sector.

Polish energy requires significant outlays for the development of new capacities and also modernisation of existing production potential as well as electric power transmission lines. Methods of funding projects in the energy sector are determined and tender procedures gain momentum. Polimex-Mostostal is prepared and intends to participate to a significant extent in the realisation of investments for energy and heat engineering, including those based on renewable sources.

There is also a successive increase in orders for the production of steel products in a new production plant of Polimex-Mostostal in Siedlce and boilers in Fabryka Kotłów Sefako in Sędziszów – concludes President Jaskóła.

Restructuring

The Management Board of Polimex-Mostostal is carrying out a complex restructuring of the Group. Incorporation of the following subsidiary companies operating in energy and chemistry was deemed the most effective form of further development:

-Energomontaż-Północ S.A.

-Naftobudowa S.A.

-Naftoremont sp. z o.o.

-ZRE Kraków sp. z o.o.

- ZRE Lublin S.A.

-EPE-Rybnik sp. z o.o.

-ECeRemont sp. z o.o.

The merger will take place by means of transfer of the entire assets of the abovementioned companies onto Polimex-Mostostal with a simultaneous increase of the business capital of Polimex-Mostostal by a new share issue to be granted to the shareholders or partners of the Acquired Companies.

The restructuring is carried out on the basis of separate merger documentation for Naftobudowa S.A. and six other companies.

The Merger Plan of:

-Energomontaż-Północ S.A.

-Naftoremont sp. z o.o.

- ZRE Kraków sp. z o.o.

- ZRE Lublin S.A.

- EPE-Rybnik sp. z o.o.

- ECeRemont sp. z o.o.

with Polimex-Mostostal was signed by the Management Boards of the companies on 27th April 2010. The Management Board of Polimex-Mostostal assumes that the restructuring will be formally approved by the decisions of General Meetings of the companies taking part in the restructuring to be held in June 2010.

- The following goals will be achieved as a result of the restructuring process carried out in this way:

strengthening competitive advantage in the sectors characterised by high development potential – first of all in the energy sector,
increasing Polimex-Mostostal S.A. profit through the consolidation of the overall result achieved by the subsidiary companies,
increasing the value of profit attributable to the shareholders and partners of the merging companies,
concentration of stock and development of new products enabling the realisation of large projects,
increasing the liquidity of assets held by the investors of subsidiary companies,
expanding the scope of services provided with the use of own forces,
increasing sales as a result of strengthened competitive advantage,
improving the effectiveness of the conducted activity by means of streamlined

management,
cost reduction connected with the hitherto independent operation of the companies, at the level of general administration costs and financial costs
 - informs President Konrad Jaskóła.

The activities of Polimex-Mostostal and its Management Board are appreciated

In Q1 of 2010 Polimex-Mostostal S.A. and the President of the Management Board were awarded:

- The title Employee-Friendly Company – granted by the Union of Warsaw and Mazovia Employers in the 1st edition of the Competition realised within the project "Adaptability through the Development of Local and Regional Instruments of Social Dialogue" co-funded from the European Union resources within the framework of the European Social Fund,

- An individual award “Restructuring Leader” – for the President of the Management Board Konrad Jaskóła granted by the Polish Association of Chemical Industry Engineers and Technicians for his ability to formulate visions and professionalism in their realisation and for building effective relations between science and industry,

- The Title of the “Manager of the Year” for the President of the Management Board Konrad Jaskóła granted by the economic magazine Home & Market.

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