POLIMEX-MOSTOSTAL CAPITAL GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

WITH INDEPENDENT AUDITORS' REVIEW REPORT

Polimex Mostostal

GRUPA KAPITAŁOWA

This is a translation of a document originally issued in the Polish language

(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2011

	Note	*The three months ended 30 June 2011*	*The six months ended 30 June 2011*	*The three months ended 30 June 2010*	*The six months ended 30 June 2010*
		(unaudited)		*(unaudited)*	
Continuing operations					
Sale of goods		243 691	471 197	200 262	297 136
Rendering of services		977 645	1 624 117	827 931	1 495 024
Rental income		4 805	10 536	6 139	13 992
Revenue	8.1	**1 226 141**	**2 105 850**	**1 034 332**	**1 806 152**
Cost of sales		(1 141 456)	(1 935 160)	(922 613)	(1 609 257)
Gross profit		**84 685**	**170 690**	**111 719**	**196 895**
Other operating income	8.2	11 613	16 216	6 136	9 337
Selling costs		(9 801)	(18 720)	(7 298)	(13 283)
Administrative expenses		(46 629)	(94 703)	(57 160)	(106 334)
Other operating expenses	8.3	(3 990)	(7 611)	(3 049)	(4 396)
Revenue from continuing operations		**35 878**	**65 872**	**50 348**	**82 219**
Finance income	8.4	(861)	5 888	3 171	18 734
Finance costs	8.5	(20 971)	(37 595)	(12 241)	(39 530)
Share of associate's profit		1 340	1 556	293	1 820
Profit before tax		**15 386**	**35 721**	**41 571**	**63 243**
Income tax	9	(2 049)	(9 629)	(10 656)	(15 852)
Profit for the period		**13 337**	**26 092**	**30 915**	**47 391**
Attributable to:					
Equity holders of the parent		13 315	25 768	25 881	42 704
Non-controlling interests		22	324	5 034	4 687
		13 337	**26 092**	**30 915**	**47 391**
Earnings per share (in PLN)					
– number of shares		521 154 076	521 154 076	464 355 625	464 355 625
– basic, for profit for the period attributable to equity holders of the parent		0.03	0.05	0.06	0.09
Diluted earnings per share (in PLN):					
– number of shares		521 154 076	521 154 076	464 355 625	464 355 625
– diluting potential ordinary shares		12 142 323	12 142 323	12 378 196	12 378 196
– diluted, for profit for the period attributable to equity holders of the parent		0.03	0.05	0.05	0.09

(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2011

	The three months ended 30 June 2011	*The six months ended 30 June 2011*	*The three months ended 30 June 2010*	*The six months ended 30 June 2010*
	(unaudited)		*(unaudited)*	
Net profit	**13 337**	**26 092**	**30 915**	**47 391**
Currency translation differences on consolidation	(1 802)	(680)	7 211	5 558
Net gains/losses on cash flow hedges	125	(3 368)	(20 165)	(6 314)
Deferred tax	(39)	640	3 583	1 141
Other comprehensive income, net of tax	**(1 716)**	**(3 408)**	**(9 371)**	**385**
Total comprehensive income	**11 621**	**22 684**	**21 544**	**47 776**
Comprehensive income attributable to:				
Equity holders of the parent	11 684	22 445	17 745	43 804
Non-controlling interests	(63)	239	3 799	3 972
	11 621	**22 684**	**21 544**	**47 776**

(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2011

	Note	*30 June 2011 (unaudited)*	*31 December 2010*
ASSETS			
Non-current assets			
Property, plant and equipment	12	1 021 217	1 027 948
Investment properties		55 229	42 316
Goodwill on consolidation	13	488 998	487 001
Intangible assets		24 994	25 234
Investments in associates accounted for using the equity method		14 747	14 659
Financial assets		5 817	4 196
Non-current receivables		41 908	46 184
Non-current prepaid expenses		2 252	949
Deferred tax assets	9	58 377	63 710
		1 713 539	**1 712 197**
Current assets			
Inventories	14	452 961	432 930
Trade and other receivables	15	1 899 925	1 376 087
Income tax receivables		12 627	6 808
Prepaid expenses		16 371	10 077
Cash and cash equivalents	16	160 468	373 814
Financial assets		6 456	11 605
		2 548 808	**2 211 321**
TOTAL ASSETS		**4 262 347**	**3 923 518**
EQUITY AND LIABILITIES			
Equity (attributable to equity holders of the parent)		**1 449 782**	**1 449 011**
Issued capital		20 846	20 837
Share premium		738 237	737 454
Treasury shares		(6 884)	(6 884)
Translation of a foreign operation		(10 196)	(9 516)
Supplementary capital		555 994	471 415
Other capital		(85 254)	(85 254)
Reserve capital	17	31 678	33 221
Revaluation reserve		1 167	3 810
Retained earnings / Accumulated losses		204 194	283 928
Non-controlling interests		**10 011**	**9 687**
Total equity		**1 459 793**	**1 458 698**
Non-current liabilities			
Interest bearing bank loans and borrowings	18	208 162	184 142
Long-term debentures	19	367 500	367 435
Provisions	20	90 211	92 398
Other liabilities		93 494	86 875
Deferred income tax liability		22 933	23 608
Accruals		2 225	2 399
		784 525	**756 857**
Current liabilities			
Trade and other payables	21	1 417 594	1 288 799
Short-term debentures	19	39 654	39 331
Current portion of interest-bearing bank loans and borrowings	18	480 732	277 407
Income tax payable		759	4 376
Provisions	20	32 509	43 105
Accruals	21	46 781	54 945
		2 018 029	**1 707 963**
Total liabilities		**2 802 554**	**2 464 820**
TOTAL EQUITY AND LIABILITIES		**4 262 347**	**3 923 518**

(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended 30 June 2011

	Note	*The six months ended 30 June 2011 (unaudited)*	*The six months ended 30 June 2010 (unaudited)*
Cash flows from operating activities			
Profit before tax		**35 721**	**63 243**
Adjustments for:		**(389 862)**	**(355 694)**
Share of profit of associates accounted for using the equity method		(1 556)	(1 820)
Depreciation / Amortisation		48 393	48 413
Interests and dividends, net		28 329	24 411
Gain/(loss) from investing activities		1 051	(8 786)
Change in receivables	16	(519 562)	(142 245)
Change in inventories	16	(20 031)	(73 606)
Change in payables except for loans and borrowings	16	117 231	(159 987)
Change in accruals and prepaid expenses		(15 935)	(2 646)
Change in provisions		(12 783)	(13 912)
Income tax paid		(13 777)	(25 167)
Other		(1 222)	(349)
Net cash flows from operating activities		**(354 141)**	**(292 451)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangibles		1 253	3 206
Purchase of property, plant and equipment and intangibles		(53 994)	(71 815)
Proceeds from sale of investment property		12	-
Proceeds from sale of financial assets		-	162
Purchase of financial assets		(1)	(9 263)
Acquisition of a subsidiary, net of cash acquired		-	-
Dividends received		1 444	800
Interest received		1 044	1 428
Repayment of loans granted		4	623
Other		(181)	-
Net cash flows from investing activities		**(50 419)**	**(74 859)**
Cash flows from financing activities			
Proceeds from issue of debentures		193 957	193 995
Proceeds from issue of shares		554	-
Expenses for redemption of debentures		(195 000)	(194 995)
Payment of finance lease liabilities		(5 639)	(6 133)
Proceeds from loans and borrowings		284 415	280 901
Repayment of loans and borrowings		(57 070)	(99 291)
Interest paid		(29 121)	(24 501)
Other		(882)	211
Net cash flows from financing activities		**191 214**	**150 187**
Net increase/(decrease) in cash and cash equivalents		(213 346)	(217 123)
Net foreign exchange difference		(474)	609
Cash and cash equivalents at the beginning of the period		**373 814**	**437 377**
Cash and cash equivalents at the end of the period, of which		**160 468**	**220 254**

Balance of cash and cash equivalents recognised in the statement of cash flows comprises the following:

	30 June 2011 (unaudited)	*31 December 2010*
Cash at bank and in hand	160 468	373 814
Cash and cash equivalents recognised in the consolidated statement of cash flows	**160 468**	**373 814**

(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2011 *(unaudited)*

	Attributable to equity holders of the parent											
	Issued capital	*Share premium*	*Treasury shares*	*Translation of a foreign operation*	*Reserve capital*	*Revaluation reserve*	*Supplementary capital*	*Other capital*	*Retained earnings / Accumulated losses*	*Total*	*Non-controlling interests*	*Total equity*
As at 1 January 2011	**20 837**	**737 454**	**(6 884)**	**(9 516)**	**33 221**	**3 810**	**471 415**	**(85 254)**	**283 928**	**1 449 011**	**9 687**	**1 458 698**
Other comprehensive income, net of tax	**-**	**-**	**-**	**(680)**	**-**	**(2 643)**	**-**	**-**	**-**	**(3 323)**	**(85)**	**(3 408)**
Profit for the period	-	-	-	-	-	-	-	-	25 768	25 768	324	26 092
Total comprehensive income for the period	**-**	**-**	**-**	**(680)**	**-**	**(2 643)**	**-**	**-**	**25 768**	**22 445**	**239**	**22 684**
Issue of shares	9	783	-	-	(238)	-	-	-	-	554	-	554
Revaluation of executive options	-	-	-	-	(1 305)	-	-	-	-	(1 305)	-	(1 305)
Profit distribution	-	-	-	-	-	-	84 579	-	(84 579)	-	-	-
Dividend	-	-	-	-	-	-	-	-	(20 846)	(20 846)	-	(20 846)
Other adjustments in equity in subsidiaries	-	-	-	-	-	-	-	-	(77)	(77)	85	8
As at 30 June 2011 *(unaudited)*	**20 846**	**738 237**	**(6 884)**	**(10 196)**	**31 678**	**1 167**	**555 994**	**(85 254)**	**204 194**	**1 449 782**	**10 011**	**1 459 793**

(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2011 *(unaudited)*

	Attributable to equity holders of the parent											
	Issued capital	*Share premium*	*Treasury shares*	*Translation of a foreign operation*	*Reserve capital*	*Revaluation reserve*	*Supplementary capital*	*Other capital*	*Retained earnings / Accumulated losses*	*Total*	*Non-controlling interests*	*Total equity*
As at 1 January 2010	**18 574**	**513 466**	**(6 884)**	**(2 798)**	**30 494**	**5 697**	**381 566**	**-**	**282 181**	**1 222 296**	**140 783**	**1 363 079**
Other comprehensive income, net of tax	**-**	**-**	**-**	**5 538**	**-**	**(4 438)**	**-**	**-**	**-**	**1 100**	**(715)**	**385**
Profit for the period	-	-	-	-	-	-	-	-	42 704	42 704	4 687	47 391
Total comprehensive income for the period	**-**	**-**	**-**	**5 538**	**-**	**(4 438)**	**-**	**-**	**42 704**	**43 804**	**3 972**	**47 776**
Revaluation of executive options	-	-	-	-	1 352	-	-	-	-	1 352	-	1 352
Consolidation adjustments due to the change of share in control over a subsidiary	-	-	-	-	-	-	-	-	-	-	(315)	(315)
Profit distribution	-	-	-	-	-	-	89 849	-	(89 849)	-	-	-
Dividend	-	-	-	-	-	-	-	-	(18 574)	(18 574)	-	(18 574)
Other adjustments in equity in subsidiaries	-	-	-	-	-	-	-	-	105	105	(54)	51
As at 30 June 2010 *(unaudited)*	**18 574**	**513 466**	**(6 884)**	**2 740**	**31 846**	**1 259**	**471 415**	**-**	**216 567**	**1 248 983**	**144 386**	**1 393 369**

(in PLN thousands)

ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES

1. Corporate information

The Polimex-Mostostal Capital Group ("the Group") is composed of Polimex-Mostostal S.A. (the "parent company", "Company") and its subsidiaries. The interim condensed consolidated financial statements of the Group cover the period of six months ended 30 June 2011 and contain comparative data for the period ended 30 June 2010 and as at 31 December 2010. The income statement, comprehensive income statement and notes to the income statement cover the data for the period of three months ended 30 June 2011 and the comparative data for the period of three months ended 30 June 2010 – they were not audited or reviewed by an auditor.

The parent company is entered in the Register of Entrepreneurs kept by the District Court, 12th Economic Department of the National Court Register, Entry No. KRS 0000022460.

The parent company was granted statistical REGON number 710252031.

The parent company and other Group entities have an unlimited period of operation.

Polimex-Mostostal S.A. conducts business activities in the following segments:

Production,

Construction,

Power engineering,

Chemistry,

Roads and railroads,

Other activities.

The ultimate parent company of the entire Polimex Mostostal Group is Polimex-Mostostal S.A.

On 30 August 2011 the interim condensed consolidated financial statements of the Company for the six months ended 30 June 2011 were authorised for issue by the Management Board.

2. Composition of the Group

The Group is composed of Polimex-Mostostal S.A. and the following subsidiaries:

Item no.	Entity name	Registered office	Business activities	% held by the Group in share capital	
				30 June 2011 (%)	**31 December 2010 (%)**
	Subsidiaries				
1	Depolma GmbH (*)	Ratingen-Germany	Supplies and engineering services on agency basis	100.00	100.00
2	Polimex-Cekop Development Sp. z o. o.(*)	Warsaw	Trading activities, consulting and advisory services	100.00	100.00
3	Fabryka Kotłów "Sefako" S.A.(*) (Capital Group)	Sędziszów	Design, manufacturing and sale of boilers	89.20	89.20
4	Naf Industriemontage GmbH(*)	Berlin	Construction and erection services	100.00	100.00
5	Polimex-Development – Kraków Sp. z o.o. (*) (Capital Group)	Cracow	Execution of construction works	100.00	100.00
6	Sinopol Trade Center Sp. z o.o.(*)	Płock	Wholesale	50.00	50.00
7	Moduł System Serwis Sp. z o.o. (*)	Płock	Metal structure manufacturing	100.00	100.00
8	Stalfa Sp. z o.o.(*)	Sokołów Podlaski	Metal products manufacturing	100.00	100.00

(in PLN thousands)

9	Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o. (*)	Siedlce	Transport services	100.00	100.00
10	Polimex-Mostostal ZUT Sp. z o.o. (*)	Siedlce	Engineering services	100.00	100.00
11	Polimex-Mostostal Ukraina SAZ (*)	Kiev	Housing development	100.00	100.00
12	SPB Przembud Sp. z o.o. (***) in liquidation	Szczecin	Specialist and general construction	75.54	75.54
13	MSP Tchervonograd -Ukraine (*)	Tchervonograd - Ukraine	Metal structure manufacturing	99.63	99.63
14	Polimex-Hotele Sp. z o.o. (*)	Warsaw	Housing development	100.00	100.00
15	Polimex-Mostostal Development Sp. z o.o. (*)	Warsaw	Housing development	100.00	100.00
16	Torpol Sp. z o.o. (*) (Capital Group)	Poznań	Comprehensive execution of transport facilities	100.00	100.00
17	Energomontaż-Nieruchomości Sp. z o.o.(*)	Warsaw	Real estate trade, maintenance and management	100.00	100.00
18	Energomontaż-Magyarorszag Sp. z o.o.(*)	Budapest	Construction and erection works, services, trade	100.00	100.00
19	Energomontaż – Północ Gdynia Sp. z o.o. (*)	Gdynia	Construction and erection works, steel structure production, trade	99.99	99.99
20	Energop Sp. z o.o.(*)	Sochaczew	Production of pipelines and steel structures, construction and erection services	99.99	99.99
21	Energomontaż-Północ-Technika Spawalnicza i Laboratorium Sp. z o.o.(*)	Warsaw	R&D	99.30	99.30
22	Centrum Projektowe Polimex-Mostostal Sp. z o.o. (*)	Gliwice	Construction, urban and engineering design and planning	99.57	99.51
23	Zakład Budowlano – Instalacyjny Turbud Sp. z o.o.(*)	Płock	Housing development, industrial buildings and rehabilitation	100.00	100.00
24	Zarząd Majątkiem Górczewska Sp. z o.o.(*) (Real Estate Administration)	Warsaw	Real estate lease, tenancy and administration	100.00	100.00
25	Przedsiębiorstwo Produkcyjno-Usługowe Elektra Sp. z o.o.(*)	Zielona Góra	Construction and design of overhead lines and transformer stations	100.00	100.00
26	PxM Projekt - Południe Sp. z o.o. (*)	Cracow	Design services in construction sector	100.00	100.00
27	Coifer Capital Group (*)	Romania	Steel structure manufacturing	100.00	100.00
28	WBP Zabrze Sp. z o.o.(*)	Zabrze	Design services	99.97	99.97
29	PRInż – 1 Sp. z o.o.(*)	Katowice	Road construction	88.62	88.62

(in PLN thousands)

30	Pracownia Wodno-Chemiczna Ekonomia Sp. z o.o.(*)	Bielsko Biała	Sewage and water treatment, technical and economic analyses in the scope of modernisation and construction of new systems.	75.00	75.00
31	Polimex-Mostostal Wschód Sp. z o.o. (*)	Moscow, Russia	Specialist and general construction	100.00	100.00
32	Centralne Biuro Konstrukcji Kotłów S.A.(*)	Tarnowskie Góry	Specialist construction, services	98.50	98.50
33	Grande Meccanica SpA(*)	Narni, Italy	Production, construction	100.00	100.00
	Associates				
34	PORTY S.A. in liquidation (***)	Gdańsk	Construction, trade, transport and machine rental	40.00	40.00
35	Polimex-Sices Sp. z o.o. (**)	Warsaw	Execution of erection works	50.00	50.00
36	Energomontaż – Północ Bełchatów Sp. z o.o. (**)	Bełchatów	Specialist construction and erection services	32.82	32.82
*	entity consolidated using the full method				
**	entity recognized using the equity method				
***	entity eliminated from consolidation				

As at 30 June 2011 the percentage of voting rights held by the Group in subsidiaries corresponds to the percentage held in the share capital of those entities, except for Centrum Projektowe Polimex-Mostostal Sp. z o.o., where voting rights are lower and amount to 99.28% (share in capital 99.57%).
Polimex – Sices Sp. z o.o. is recognised in these financial statements using the equity method due to the fact that the Group does not exercise control over entity operations.

Due to the combination of Polimex-Mostostal S.A. (the acquiring company) with Energomontaż-Północ S.A. with its registered office in Warsaw, Naftobudowa S.A. with its registered office in Krakow, Naftoremont Sp. z o. o. with its registered office in Płock, Zakłady Remontowe Energetyki Kraków Sp. z o.o. with its registered office in Krakow, Zakłady Remontowe Energetyki Lublin S.A. with its registered office in Lublin, EPE-Rybnik Sp. z o. o. with its registered office in Rybnik, ECeRemont Sp. z o.o. with its registered office in Zielona Gora (the companies being acquired), which occurred on 31 December 2010, the comparative data in the standalone interim condensed financial statements of Polimex Mostostal S.A. for the period of 6 months of 2010 and as at 30 June 2010 are presented in a manner as if the combination had occurred at 1 January 2009. The combination had no impact on data presented in the consolidated financial statements.

3. Composition of the Management Board and Supervisory Board of the parent company

As at 30 June 2011, the Management Board of the Company consisted of:

Konrad Jaskóła	President of the Board
Aleksander Jonek	Vice President of the Board
Grzegorz Szkopek	Vice President of the Board
Zygmunt Artwik	Vice President of the Board

In the reporting period and till the date the financial statements were authorised for issue the composition of the Management Board of the Company did not change.

As at 30 June 2011, the Supervisory Board of the company consisted of:

Chairman of the Supervisory Board,	Kazimierz Klęk
Vice Chairman of the Supervisory Board,	Jacek Kseń
Member of the Supervisory Board	Mieczysław Puławski
Member of the Supervisory Board	Andrzej Szumański
Member of the Supervisory Board	Jan Woźniak
Secretary of the Supervisory Board,	Artur P. Jędrzejewski

In the reporting period and till the date the financial statements were authorised for issue the composition of the Supervisory Board did not change.

4. Basis of preparation of consolidated financial statements

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in particular in accordance with International Accounting Standard 34 and IFRSs endorsed by the European Union. At the date of authorisation of these financial statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, in terms of accounting policies applied by the Group there is no difference between the effective IFRSs and the IFRSs endorsed by the European Union.

IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC'). .

The interim condensed consolidated financial statements are presented in Polish zloty ("PLN") and all values are rounded to the nearest thousand (PLN '000), if it is not indicated otherwise.

The interim condensed consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. As at the date of authorisation of these financial statements, the parent company's Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Group, except for the following companies: Porty S.A. in liquidation, „Energomontaż-Północ –Sochaczew" in bankruptcy and SBP Przembud in liquidation.

The interim condensed consolidated financial statements do not cover all of the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2010, which were published on 28 April 2011.

5. Significant accounting principles (policies)

The accounting policies used to prepare these interim condensed consolidated financial statements are consistent with ones used while preparing the Group's annual consolidated financial statements for the year ended 31 December 2010 except for the application of the following amendments to standards and new interpretations in force for reporting periods beginning on or after 1 January 2011.

- Amendments to IAS 24 *Related party disclosures* (reviewed in November 2009) – effective for financial years beginning on or after 1 January 2011. The objective of these amendments is to simplify and clarify the definition of a related party. The amendment exempts from the disclosure requirements transactions with a state-related entity, where state controls or jointly controls the reporting entity or influences it significantly and in relation to other entity which is a related party because the state controls or jointly controls the reporting entity and the other entity or influences them significantly. Adopting these amendments had no impact on the financial position or performance of the Group or on the scope of information presented in the Group's financial statements.
- Amendments to IFRIC 14 *IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments Minimum Funding Requirements* - effective for financial years beginning on or after 1 January 2011. The amendment removes unintended consequences of IFRIC 14 relating to voluntary contributions towards pension assets when an entity is subject to minimum funding requirements. The adoption of these amendments did not have an impact on the financial position or performance of the Group.

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* - – effective for financial years beginning on or after 1 July 2010. IFRIC 19 explains accounting principles applied when as a result of renegotiating by the entity the terms and conditions of its debt, the liability is extinguished with the issue of equity instruments for the creditor by the debtor. The adoption of this interpretation did not have an impact on the financial position or performance of the Group.
- Amendments to IAS 32 *Financial Instruments: Presentation: Classification of rights issues.* The amendment clarifies how to recognise rights issues when issued financial instruments are denominated in a currency other than the issuer' s functional currency. The adoption of these amendments did not have an impact on the financial position or performance of the Group.
- Amendments resulting from IFRS review (published in May 2010) – part of the amendments is effective for financial years beginning on 1 July 2010, and part of them for financial years beginning on 1 January 2011. The adoption of these amendments did not have an impact on the financial position or performance of the Group.
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Limited Exemptions for First-time Adopters from Comparative IFRS 7 Disclosures for First-time Adopters*– effective for financial years beginning on or after 1 July 2010. The adoption of these amendments did not have an impact on the financial position or performance of the Group.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

6. Seasonality of operations

The Group's activities are not of seasonal nature and therefore the presented financial results of the Group do not fluctuate significantly during the year.

7. Segment information

For management purposes, the Group is organised in business units based on their products and services. There are reportable operating segments as follows:

Production	manufacturing and delivery of steel structures, platform gratings, shelving systems, pallets, road barriers. Services in the scope of steel structure corrosion protection with the use of hot dip galvanising, Duplex system, hydraulic painting.
Construction	construction and erection services. General contracting of facilities in construction industry (including developer's activity). Execution of large industrial and general construction facilities. Erection of steel structures, specialist equipment, halls and special structures.
Power Engineering	services associated with the power engineering industry. General contracting of facilities in power engineering sector, continuous and full-scale servicing of power plants, heat and power plants, as well as industrial plants.
Chemistry	general contracting of facilities in chemical industry. Assembly of equipment for processing systems in chemical and petrochemical industry, prefabrication and assembly of steel structures, processing pipelines, storage containers and pipelines, prefabrication and assembly of furnaces for refineries. Execution of environmentally-friendly projects. The recipients of the services are chemical plants, refineries, petrochemical and gas industry.
Roads and railroads	general contracting of facilities in road and railroad construction industry. The key recipients of these services are the General Directorate for National Roads and Motorways (roads) and Polskie Linie Kolejowe S.A. (railroads).
Other operations	hardware and transport services, rental services, leases and other services not included in other segments.

(in PLN thousands)

No operating segments have been aggregated to form the above mentioned reportable operating segments.

The Management monitors the operating results of its operating segments for the purpose of making decisions about resource allocation, assessment of the results of this allocation and performance assessment. The basis for performance measurement is profit or loss on operating activity. Group financing (including finance costs and finance income) and income taxes are monitored on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

7.1. Operating segments

The tables below present revenue and profit information regarding the Group's operating segments for the three months and six months ended 30 June 2011 and the statement of financial position data as at 30 June 2011 and for the three months and six months ended 30 June 2010 and the statement of financial position data as at 30 June 2010.

The three months ended 30 June 2011 (unaudited)	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Segments total*	*Eliminations *)*	*Total Operations*
Revenue									
Sales to external customers	174 085	297 672	241 029	123 628	369 782	19 945	1 226 141	-	1 226 141
Inter-segment sales	84 048	3 732	6 748	1 681	-	12 915	109 124	(109 124)	-
Total segment revenue	258 133	301 404	247 777	125 309	369 782	32 860	1 335 265	(109 124)	1 226 141
Results									
Segment profit	8 358	10 044	1 743	8 042	5 490	2 201	35 878	(20 492)	15 386

*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN (861) thousand, finance costs in the amount of PLN (20,971) thousand and a share in the associate's profit of PLN 1,340 thousand.

The six months ended 30 June 2011 *(unaudited)*	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Segments total*	*Eliminations *)*	*Total Operations*
Revenue									
Sales to external customers	325 373	563 240	423 933	226 455	532 643	34 206	2 105 850	-	2 105 850
Inter-segment sales	135 717	5 110	15 218	4 268	-	23 676	183 989	(183 989)	-
Total segment revenue	461 090	568 350	439 151	230 723	532 643	57 882	2 289 839	(183 989)	2 105 850
Results									
Segment profit	9 978	19 206	2 435	18 535	12 973	2 745	65 872	(30 151)	35 721

*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 5,888 thousand, finance costs in the amount of PLN (37,595) thousand and a share in the associate's profit of PLN 1,556 thousand.

30 June 2011 *(unaudited)*	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Segments total*	*Eliminations *)*	*Total Operations*
Segment assets	653 852	862 303	1 095 522	353 693	876 614	192 684	4 034 668	-	4 034 668
Investment in an associate	16	530	14 200	-	-	1	14 747	-	14 747
Assets managed on Group basis*	-	-	-	-	-	-	-	-	212 932
Total assets	653 868	862 833	1 109 722	353 693	876 614	192 685	4 049 415	-	4 262 347

Assets managed on Group basis, of which:	
property, plant and equipment	59 308
intangible assets	11 273
financial assets	11 582
deferred tax assets	50 508
cash and cash equivalents	27 374
other receivables	43 138
other	9 749
Total	212 932

(in PLN thousands)

30 June 2011 ***(unaudited)***	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Segments total*	*Eliminations *)*	*Total Operations*
Segment liabilities	115 588	369 022	260 758	243 880	469 686	121 382	1 580 316	-	1 580 316
Liabilities managed on Group basis	-	-	-	-	-	-	-	-	2 682 031
Total equity and liabilities	115 588	369 022	260 758	243 880	469 686	121 382	1 580 316	-	4 262 347

Liabilities managed on Group basis, of which:	
loans and borrowings	628 639
debentures	407 154
provision for employee benefits	67 358
deferred tax liability	16 557
taxation, customs duty, social security and other payables	97 423
other	5 107
equity	1 459 793
Total	2 682 031

The three months ended 30 June 2010 ***(unaudited)***	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Segments total*	*Eliminations *)*	*Total Operations*
Revenue									
Sales to external customers	135 360	298 736	213 192	217 960	155 416	13 668	1 034 332	-	1 034 332
Inter-segment sales	46 226	7 432	19 576	735	-	11 132	85 101	(85 101)	-
Total segment revenue	181 586	306 168	232 768	218 695	155 416	24 800	1 119 433	(85 101)	1 034 332
Results									
Segment profit	10 832	6 607	11 068	15 497	6 922	(578)	50 348	(8 777)	41 571

*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 3,171 thousand, finance costs in the amount of PLN (12,241) thousand and a share in the associate's profit of PLN 293 thousand.

The six months ended 30 June 2010 ***(unaudited)***	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Segments total*	*Eliminations *)*	*Total Operations*
Revenue									
Sales to external customers	232 678	547 238	377 695	369 151	249 816	29 574	1 806 152	-	1 806 152
Inter-segment sales	84 878	8 332	41 038	2 205	-	17 970	154 423	(154 423)	-
Total segment revenue	317 556	555 570	418 733	371 356	249 816	47 544	1 960 575	(154 423)	1 806 152
Results									
Segment profit	10 344	10 775	18 534	26 200	16 631	(265)	82 219	(18 976)	63 243

*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 18,734 thousand, finance costs in the amount of PLN (39,530) thousand and a share in the associate's profit of PLN 1,820 thousand.

(in PLN thousands)

30 June 2010 ***(unaudited)***	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Segments total*	*Eliminations *)*	*Total Operations*
Segment assets	609 955	836 610	874 119	503 500	510 647	233 264	3 568 095	-	3 568 095
Investment in an associate	-	4 196	12 959	-	-	-	17 155	-	17 155
Assets managed on Group basis								-	238 405
Total assets	609 955	840 806	887 078	503 500	510 647	233 264	3 585 250	-	3 823 655
Assets managed on Group basis, of which:									
property, plant and equipment	28 711								
intangible assets	9 309								
financial assets	13 905								
deferred tax assets	80 586								
cash and cash equivalents	89 934								
other	15 960								
total	238 405								

30 June 2010 ***(unaudited)***	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Segments total*	*Eliminations *)*	*Total Operations*
Segment liabilities	68 072	342 026	184 585	285 598	309 913	124 768	1 314 962	-	1 314 962
Liabilities managed on Group basis	-	-	-	-	-	-		-	2 508 693
Total equity and liabilities	68 072	342 026	184 585	285 598	309 913	124 768	1 314 962	-	3 823 655
Liabilities managed on Group basis, of which:									
loans and borrowings	521 165								
debentures	407 540								
provision for employee and similar benefits	64 409								
deferred tax liability	16 391								
income tax payable	3 439								
taxation, customs duty and social security payables	97 147								
other	5 233								
equity	1 393 369								
Total	2 508 693								

8. Revenues and expenses

8.1. Sales of goods, rendering of services and rental income

	The three months ended 30 June 2011	*The six months ended 30 June 2011*	*The three months ended 30 June 2010*	*The six months ended 30 June 2010*
	(unaudited)		*(unaudited)*	
Sale of goods	243 691	471 197	200 262	297 136
Rendering of services	977 645	1 624 117	827 931	1 495 024
Rental income	4 805	10 536	6 139	13 992
	1 226 141	**2 105 850**	**1 034 332**	**1 806 152**

(in PLN thousands)

8.2. Other operating income

	The three months ended 30 June 2011	*The six months ended 30 June 2011*	*The three months ended 30 June 2010*	*The six months ended 30 June 2010*
	(unaudited)		*(unaudited)*	
Reversed provisions for expenses	3 782	4 100	148	332
Gain on disposal of property, plant and equipment	658	977	1 595	2 001
Recovered damages payments and fines	1 635	3 291	1 641	3 691
Liabilities written off	5 299	5 299	-	-
Accrued liquidated damages	-	-	7	13
Court settlement	51	290	282	282
Gain/loss on subsidiary liquidation	-	-	404	404
Subsidies	66	66	417	444
Other	122	2 193	1 642	2 170
Other operating income, total	**11 613**	**16 216**	**6 136**	**9 337**

8.3. Other operating expenses

	The three months ended 30 June 2011	*The six months ended 30 June 2011*	*The three months ended 30 June 2010*	*The six months ended 30 June 2010*
	(unaudited)		*(unaudited)*	
Provision for costs of contracts	158	158	147	147
Loss on disposal of property, plant and equipment	404	418	-	106
Damages and fines	792	2 849	503	632
Court expenses	525	1 272	158	375
Donations	138	427	423	634
Post-accident repairs	123	215	298	476
Costs relating to utilisation of grants	-	-	774	774
Impairment loss on property, plant and equipment	-	-	184	184
Receivables written-off	1 218	1 223	-	-
Other	632	1 049	562	1 068
Total other operating expenses	**3 990**	**7 611**	**3 049**	**4 396**

8.4. Finance income

	The three months ended 30 June 2011	*The six months ended 30 June 2011*	*The three months ended 30 June 2010*	*The six months ended 30 June 2010*
	(unaudited)		*(unaudited)*	
Revenue from measurement and exercise of derivative instruments	1 032	1 321	(1 418)	4 335
Bank interest and loan receivable	666	1 603	771	2 239
Income from interest for delay in payment	138	1 866	369	372
Gain on sale of financial assets	-	-	6 560	6 560
Dividend income	100	100	-	-
Foreign exchange gains	(2 808)	847	848	4 027
Other	11	151	(3 959)	1 201
Total finance income	**(861)**	**5 888**	**3 171**	**18 734**

(in PLN thousands)

8.5. Finance costs

	The three months ended 30 June 2011	*The six months ended 30 June 2011*	*The three months ended 30 June 2010*	*The six months ended 30 June 2010*
	(unaudited)		*(unaudited)*	
Measurement and exercise of derivative instruments	(275)	(141)	2 058	1 260
Interest on bank loans and borrowings	10 185	17 566	5 736	10 506
Debenture interest	6 666	12 871	6 473	13 496
Interest on other liabilities	-	-	357	553
Finance charges payable under finance lease agreements	696	1 109	452	797
Foreign exchange losses	2 270	3 282	(3 205)	9 282
Bank charges on guarantees and loans	616	1 247	1 653	2 734
Other	813	1 661	(1 283)	902
Total finance costs	**20 971**	**37 595**	**12 241**	**39 530**

9. Income tax

9.1. Tax expense

Major components of income tax expense for the six months ended 30 June 2011 and for the six months ended 30 June 2010 are as follows:

	The three months ended 30 June 2011	*The six months ended 30 June 2011*	*The three months ended 30 June 2010*	*The six months ended 30 June 2010*
	(unaudited)		*(unaudited)*	
Consolidated income statement				
Current income tax	*2 890*	*3 927*	*9 682*	*10 706*
Current income tax expense	2 890	3 927	9 682	10 706
Deferred income tax	*(841)*	*5 702*	*974*	*5 146*
Relating to origination and reversal of temporary differences	(841)	5 702	974	5 146
Income tax expense reported in consolidated income statement	**2 049**	**9 629**	**10 656**	**15 852**
Comprehensive income statement				
Deferred income tax	*(39)*	*640*	*3 583*	*1 141*
Relating to origination and reversal of temporary differences	(39)	640	3 583	1 141
Tax expense/ tax credit recognised in other comprehensive income	**(39)**	**640**	**3 583**	**1 141**

Disclosure on investment in the Tarnobrzeg Special Economic Zone.

On 23 July 2008 the Company obtained Permit No. 171/ARP S.A./2008 to conduct business activity in EURO-PARK WISŁOSAN Tarnobrzeg Special Economic Zone. On 26 February 2010 the Company received decision No 45/IW/10, issued by the Minister of Economy, on change of conditions of the obtained permit. Full use of public aid which the company will be entitled to in the future in the period from 1 April 2011 to 15 November 2017 is conditional upon fulfilment of terms and conditions of the permit mentioned above and upon achieving appropriate profitability of operations conducted in the zone.

On 27 June 2011 the Company received the report of the audit of the Issuer conducted from 24 to 25 May 2011 by the Administrator of the EURO-PARK WISŁOSAN Tarnobrzeg Special Economic Zone, which was approved at 22 June 2011, stating that Polimex-Mostostal S.A. fulfils correctly the terms and conditions included in Permit No. 171/ARP S.A./2008 of 23 June 2008 as further amended to conduct economic activity in EURO-PARK WISŁOSAN Tarnobrzeg Special Economic Zone.

The discounted value of tax relief Polimex-Mostostal S.A. is entitled to upon the fulfilled investment condition as at 31 March 2011 amounts to PLN 72 million, whereas the maximum (nominal) realisable relief is estimated at PLN 103 million.

Based on prepared financial projections the Company recognised by 31 December 2010 assets for future benefits from the permit obtained on 23 July 2008 in the amount of PLN 40.2 million. Owing to the fact that the terms and conditions of the Permit were formally fulfilled, the Company commenced to utilise the granted relief in the 2nd quarter of this year. In this manner by 30 June 2011 the Company made savings of PLN 2,040 thousand on current income tax. At the same time the Company released PLN 2,040 thousand of the current asset due to actual consumption of the relief in this amount and based on reviewed financial projections it recognised an additional asset in the amount of PLN 3,400 thousand. As a result in the first half of 2011 the amount of the recognised asset increased by PLN 1,360 thousand up to PLN 41,529 thousand.

Due to the long term of projections and dynamic changes in the economic environment, the Company plans to verify the financial projections on half-yearly basis to review their contents and possibly revalue the asset recognised for the subject undertaking.

Sefako S.A.

As at 30 June 2011 the Sefako Company, which is part of Polimex-Mostostal Group, did not recognise an asset for a projected relief due to its appurtenance to the SEZ as at the statement of financial position date the risk of failure to fulfil the terms and conditions of granting the relief in the coming periods was significant. Under Decision No 151/IW/10 of 18 August 2010, Permit No 118/2008 of 16 September 2008 to conduct economic activity in the area of „Starachowice" Special Economic Zone by Fabryka Kotłów Sefako S.A. was amended. Due to this fact the date to fulfil the zone conditions (i.e. employing 150 new workers and maintaining the employment of 1,350 workers until 2014) was shifted from the period of 31 December 2009 – 31 December 2014 to the period of 31 December 2011 – 31 December 2016.

10. Changes in the Capital Group

The following changes took place in the composition of the Group in the first six months of 2011:

- On 01.06.2011 shareholders of Grande Meccanica SpA with its registered office in Narni, Italy adopted a resolution on increasing the share capital of the company from EUR 1.0 million to EUR 2.3 million. The Issuer covered the entire issue by setting off the balance of loans and taking cash in the amount of PLN 1,231.7 thousand. The Issuer owns 100% of the shares of Grande Meccanica.
- In the 1st half of 2011 the Issuer continued buying out shares of Centrum Projektowe Polimex-Mostostal Sp. z o.o. As a result of acquiring 8 shares for PLN 1.4 thousand, the Issuer increased its share in the company capital to 99.57% and in votes up to 99.28%. The difference is the effect of voting preference of shares held by company owners.
- On 16.02.2011 an Extraordinary General Meeting of Shareholders of Energomontaż-Północ Gdynia Sp. z o.o. adopted a resolution to increase its share capital from PLN 12,860.0 thousand to PLN 21,860.0 thousand. The Issuer covered the entirety of the new issue spending PLN 9,000.0 thousand on this purpose. After the registration of the new issue, the Issuer's share in company's capital increased up to 99.998%.

The following changes took place in the composition of the Group in the first six months of 2010:

- as a result of executing a number of contracts to transfer share for the total amount of PLN 314 thousand, the Issuer increased its holding in the capital of Przedsiębiorstwo Robót Inżynieryjnych PRInż-1 Sp. z o.o. up to 88.08%
- in accordance with the provisions of the contract to purchase the shares in Coifer Company with the registered office in Romania, the Issuer paid the final instalment for the shares acquired in the amount of EUR 2,500 thousand,
- on 29 June 2010 the Company executed the contract on the sale of 4,320 shares in Valmont Polska Sp. z o.o. (which constitute 30% of share in the share capital of the Company) for PLN 12,500 thousand. Polimex-Mostostal Group made a profit of PLN 6,511 thousand on the transaction. As a result of the concluded transaction, Polimex-Mostostal S.A. lost a significant influence on Valmont Polska Sp. z o.o., due to this fact the company was eliminated from consolidation.

(in PLN thousands)

11. Dividends paid and proposed

Equity dividends on ordinary shares from 2010 profit will be paid on 30 September 2011 and will amount to PLN 20,846 thousand (dividend from 2009 profit paid on 16 September 2010 amounted to PLN 18,574 thousand).

The value of dividend per share paid for the year 2010 will be PLN 0.04 (for the year 2009 it was PLN 0.04).

12. Property, plant and equipment

The six months ended 30 June 2011 ***(unaudited)***	*Land and buildings*	*Plant and equipment*	*Means of transportation*	*Other fixed assets*	*Fixed assets under construction*	*Advanced payments for fixed assets under construction*	*Total*
Net carrying amount at 1 January 2011	549 820	285 213	71 146	23 802	97 025	942	1 027 948
Additions	26 017	44 236	6 534	3 336	44 987	8 380	133 490
Disposals	(139)	(3 806)	(822)	(764)	(75 779)	-	(81 310)
Reclassifications	(22 156)	10 151	1 490	(12)	(1 399)	(962)	(12 888)
Depreciation charge for the period	(11 445)	(23 639)	(7 788)	(3 151)	-	-	(46 023)
Net carrying amount at 30 June 2011	**542 097**	**312 155**	**70 560**	**23 211**	**64 834**	**8 360**	**1 021 217**
As at 1 January 2011							
Cost	649 748	524 054	132 068	57 605	110 477	1 042	1 474 994
Accumulated depreciation and impairment loss	(99 928)	(238 841)	(60 922)	(33 803)	(13 452)	(100)	(447 046)
Net carrying amount	**549 820**	**285 213**	**71 146**	**23 802**	**97 025**	**942**	**1 027 948**
As at 30 June 2011							
Cost	652 503	571 931	140 264	58 808	65 384	8 460	1 497 350
Accumulated depreciation and impairment loss	(110 406)	(259 776)	(69 704)	(35 597)	(550)	(100)	(476 133)
Net carrying amount	**542 097**	**312 155**	**70 560**	**23 211**	**64 834**	**8 360**	**1 021 217**

Year ended 31 December 2010	*Land and buildings*	*Plant and equipment*	*Means of transportation*	*Other fixed assets*	*Fixed assets under construction*	*Advanced payments for fixed assets under construction*	*Total*
Net carrying amount at 1 January 2010	473 912	244 945	65 064	23 531	140 457	25	947 934
Acquisition of a subsidiary	5 058	45	80	7	-	-	5 190
Reclassification	3 745	1 588	6 942	994	(13 245)	(24)	-
Additions	94 087	81 825	13 799	5 968	93 711	941	290 331
Disposals	(3 430)	(2 308)	(655)	(738)	(123 803)	-	(130 934)
Revaluation	(1 431)	-	-	-	-	-	(1 431)
Depreciation charge for the period	(22 121)	(40 882)	(14 084)	(5 960)	(95)	-	(83 142)
Net carrying amount at 31 December 2010	**549 820**	**285 213**	**71 146**	**23 802**	**97 025**	**942**	**1 027 948**
As at 1 January 2010							
Cost	550 293	452 711	118 101	52 540	152 882	125	1 326 652
Accumulated depreciation and impairment loss	(76 381)	(207 766)	(53 037)	(29 009)	(12 425)	(100)	(378 718)
Net carrying amount	**473 912**	**244 945**	**65 064**	**23 531**	**140 457**	**25**	**947 934**
As at 31 December 2010							
Cost	649 748	524 054	132 068	57 605	110 477	1 042	1 474 994
Accumulated depreciation and impairment loss	(99 928)	(238 841)	(60 922)	(33 803)	(13 452)	(100)	(447 046)
Net carrying amount	**549 820**	**285 213**	**71 146**	**23 802**	**97 025**	**942**	**1 027 948**

(in PLN thousands)

The six months ended 30 June 2010 ***(unaudited)***	*Land and buildings*	*Plant and equipment*	*Means of transportation*	*Other fixed assets*	*Fixed assets under construction*	*Advanced payments for fixed assets under construction*	*Total*
Net carrying amount at 1 January 2010	473 912	244 945	65 064	23 531	140 457	25	947 934
Additions	64 461	22 620	10 710	3 151	65 391	36 156	202 489
Disposals	(1 541)	(3 441)	(361)	(569)	(53 801)	(34 068)	(93 781)
Depreciation charge for the period	(10 966)	(23 652)	(7 962)	(3 078)	-	-	(45 658)
Net carrying amount at 30 June 2010	**525 866**	**240 472**	**67 451**	**23 035**	**152 047**	**2 113**	**1 010 984**
As at 1 January 2010							
Cost	550 293	452 711	118 101	52 540	152 882	125	1 326 652
Accumulated depreciation and impairment loss	(76 381)	(207 766)	(53 037)	(29 009)	(12 425)	(100)	(378 718)
Net carrying amount	**473 912**	**244 945**	**65 064**	**23 531**	**140 457**	**25**	**947 934**
As at 30 June 2010							
Cost	612 935	467 679	127 177	54 399	152 597	2 213	1 417 000
Accumulated depreciation and impairment loss	(87 069)	(227 207)	(59 726)	(31 364)	(550)	(100)	(406 016)
Net carrying amount	**525 866**	**240 472**	**67 451**	**23 035**	**152 047**	**2 113**	**1 010 984**

13. Goodwill on consolidation

In line with IAS 36 and IFRS 8 goodwill on acquisition of subsidiaries is monitored by the Management of Polimex-Mostostal S.A. on the basis of Group's operating segments.

For acquired subsidiaries the Capital Group's operating segment basis is the lowest basis on which the Management monitors the realisability of goodwill and conducts tests for impairment of goodwill. The Management is not aware of any reasons for impairment of goodwill as at 30 June 2011. In accordance with IAS 36 *Impairment of Assets* the Company will conduct an annual test for impairment of goodwill at the end of financial year ended 31 December 2011.

14. Inventories

	30 June 2011 (unaudited)	*31 December 2010*
Raw materials	138 461	109 506
Goods for resale	2 334	1 273
Raw materials advance payments	9 891	10 450
Work-in-progress (at cost)	289 413	287 099
Finished goods	12 862	24 602
Total inventories, at the lower of cost and net realisable value	**452 961**	**432 930**

15. Trade and other receivables

	30 June 2011 (unaudited)	*31 December 2010*
Trade receivables	1 846 865	1 339 692
of which: trade receivables from related parties	*6 754*	*8 554*
Receivables from public authorities	35 386	20 202
Other receivables from third parties	17 121	14 038
Other receivables from related parties	553	2 155
Total receivables (net)	1 899 925	1 376 087
Doubtful debts allowance	58 289	62 997
Total receivables, gross	1 958 214	1 439 084

Trade receivables are non-interest bearing and are usually receivable within 30 to 180 days.
For terms and conditions of related party transactions refer to Note 23.

(in PLN thousands)

The Group has a policy to sell only to customers who have undergone an appropriate credit verification procedure. Thanks to that, as Management believes, there is no additional credit risk that would exceed the doubtful debts allowance recognised for trade receivables of the Group.
The balance of receivables relating to contracts performed by the parent company in Libya amounts to PLN 16.7 million. In the opinion of the Management Board as at the date of preparation of these financial statements as well as at the date of publication of these statements there is no risk of non collection of the above mentioned receivables. The Management Board systematically monitors the situation concerning Libyan contracts and if there is a possibility of losing assets it will make valuation allowances.

15.1. Trade receivables (gross) with remaining maturity from the statement of financial position date

	30 June 2011 (unaudited)	*31 December 2010*
Up to one month	1 169 576	765 938
Over 1 month to 3 months	422 415	243 284
Over 3 months to 6 months	19 564	25 956
Over 6 months to 1 year	24 275	35 296
Past due receivables	269 173	330 230
Gross trade receivables	1 905 003	1 400 704
Allowance for trade receivables	(58 138)	(61 012)
Net trade receivables	**1 846 865**	**1 339 692**

15.2. Aging analysis of trade receivables

	30 June 2011 (unaudited)	*31 December 2010*
Up to one month past due	60 183	79 108
Over 1 month to 3 months past due	42 145	76 887
Over 3 months to 6 months past due	34 258	35 124
Over 6 months to 1 year past due	24 795	37 089
Over 1 year past due	107 792	102 022
Gross past due trade receivables	269 173	330 230
Allowance for trade receivables*	(56 197)	(60 700)
Total	**212 976**	**269 530**

*allowance is mostly made for over 1 year past due receivables.

Movements in allowance for receivables were as follows:

	30 June 2011 (unaudited)	*31 December 2010*	*30 June 2010 (restated)*
Allowance for receivables at the beginning of the period	**61 012**	70 622	**70 622**
Increase, of which:	**1 466**	**15 805**	**7 762**
- allowance for receivables	1 466	15 731	7 762
- changes in Group structure	-	74	-
Decrease, of which:	**4 340**	**25 415**	**14 190**
- utilisation	74	9 440	8 609
- receivables pay-off	2 053	6 471	3 964
-release of allowance for receivables	2 091	9 504	1 446
- other	122	-	171
Allowance for receivables at the end of the period	**58 138**	**61 012**	**64 194**

(in PLN thousands)

16. Cash and cash equivalents

	30 June 2011 (unaudited)	*31 December 2010*
Cash at bank and in hand	158 250	345 982
Deposits	2 218	27 832
Total cash	**160 468**	**373 814**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Fair value of cash and cash equivalents as at 30 June 2011 amounts to PLN 160,468 thousand (as at 31 December 2010 it amounted to PLN 373,814 thousand).

Reconciliation of changes in statement of financial position items for the reporting period to the changes recognised in the statement of cash flows are presented in the tables below:

	The six months ended 30 June *2011* *(unaudited)*
Change in liabilities in the statement of financial position	135 414
Adjustment for lease liabilities	5 639
Adjustment for liabilities relating to investment acquisitions	(2 976)
Adjustment for dividend payable	(20 846)
Change in liabilities in the statement of cash flows	117 231

	The six months ended 30 June 2010 *(unaudited)*
Change in receivables in the statement of financial position	(123 702)
Advance payments for acquisition of Energomontaż Północ S.A.'s property, plant and equipment	(34 043)
Receivables from disposal of shares in Valmont Sp. z o.o.	12 500
Dividend receivable	3 000
Change in receivables in the statement of cash flows	(142 245)

	The six months ended 30 June *2010* *(unaudited)*
Change in liabilities in the statement of financial position	(162 803)
Adjustment for lease liabilities	1 359
Adjustment for liabilities relating to investment acquisitions	7 915
Adjustment for currency option valuation liabilities	4 700
Adjustment for dividend payable	(18 574)
Adjustment for contingent additional payments to financial assets and assignments	8 932
Adjustment for forward valuation	(1 516)
Change in liabilities in the statement of cash flows	(159 987)

17. Reserve capital

Reserve capital resulted from Resolution No 2 of Extraordinary General Meeting of Shareholders of Polimex-Mostostal S.A. of 31 January 2006 establishing the Incentive Plan for Directors and Officers of Polimex-Mostostal

S.A.. Partial modification to the principles of the Plan was introduced by Resolution No 39 of Ordinary Meeting of Shareholders of Polimex-Mostostal S.A. of 28 June 2007.

In connection with the implementation of the Plan the share capital was conditionally increased by not more than PLN 762,417 (say: seven hundred sixty-two thousand four hundred and seventeen) by means of the issue of not more than 19,060,425 (say: nineteen million sixty thousand four hundred and twenty-five) series G bearer shares with nominal value of PLN 0.04 each. Share capital was increased in order to grant rights to holders of subscription warrants to take up series G shares issued under the resolutions of the General Shareholders Meeting of 31 January 2006.

19,060,425 bearer subscription warrants were issued. One bearer subscription warrant entitles to take up 1 (say one) series G ordinary share of the Issuer with nominal value of PLN 0.04 (say oh point zero four) each, excluding rights issue which Issuer's shareholders are entitled to. Warrants were issued at the issue price equal to PLN 0.00 (say: nil).

16,535,013 bearer subscription warrants were vested.
2,525,412 bearer subscription warrants remain to be redeemed.

Warrants may be exercised in the following periods:
-warrants granted for 2006: from 1 October 2010 to 31 December 2013,
-warrants granted for 2007: from 1 October 2011 to 31 December 2013,
-warrants granted for 2008: from 1 October 2012 to 31 December 2013,
In 2009 the phase of vesting warrants based on the above criteria was completed. In a three-year period of plan maintenance, all three criteria were met twice, the highest criteria entitling to obtain the maximum number of warrants. In 2008 only two criteria were met: „EBITDA/per share" and „earnings per share", while the „market condition" was not fulfilled. Thus, the total number of issued warrants amounted to 16,535,013 convertible to 16,535,013 shares.

Due to the failure to meet the third criterion in 2008, 2,525,412 warrants were not vested on the above specified conditions and consequently these warrants shall be redeemed.

In accordance with Resolution No 26 of 4 July 2008 the share capital of the Company may be conditionally increased by not more than PLN 928,687.32 by means of issuing not more than 23,217,183 series J bearer shares with nominal value of PLN 0.04 (say four grosz) each. The purpose of a conditional increase of the equity is granting rights to take up Company shares to the holders of subscription warrants issued under the incentive plan for the directors and officers of the Company and major subsidiaries. The plan is for three years and the warrants will be issued after meeting assumed growth criteria for each of the reporting periods i.e. 2009, 2010 and 2011.

- Criterion 1: meeting required growth rate of consolidated EBITDA per Company share,
- Criterion 2: meeting required growth rate of consolidated earnings per share,
- Criterion 3: achieving the required difference between the change in the simple average of Company shares closing quotation (computed for the last three months of the calendar year) and a change in the simple average of WIG Warsaw Stock Exchange Index (computed for the last three months of the calendar year).

An additional allocation criterion is the employment criterion that is the requirement for being employed by the Company for at least 9 months of a given financial year. If the above described vesting criteria are not met, the warrants for which the vesting criterion was not met are subject to redemption. Warrants may be exercised in the following periods:

- warrants granted for 2009: from 1 October 2013 to 31 December 2016,
- warrants granted for 2010: from 1 October 2014 to 31 December 2016,
- warrants granted for 2011: from 1 October 2015 to 31 December 2016,

As at 30 June 2011 the balance of provision recognised in the Company reserve capital by virtue of the above mentioned plans is PLN 31,678 thousand (as at 31 December 2010: PLN 33,221 thousand).

(in PLN thousands)

18. Interest-bearing bank loans and borrowings

Bank / financing entity	*Capital Group Entity*	*Maturity*	*30 June 2011*	*31 December 2010*
Current	**Parent company**		**336 065**	**154 091**
BGŻ S.A. – bank overdraft up to PLN 25,000 thousand *		15.07.2011	24 961	14 333
Bank PEKAO S.A. – bank overdraft up to PLN 50,000 thousand **		31.07.2011	44 075	13 802
BPH S.A. – bank overdraft up to PLN 42,000 thousand		31.08.2011	41 824	16 078
Kredyt Bank S.A. – working capital facility up to PLN 40,000 thousand		30.10.2011	4 728	-
PKO BP S.A. – working capital facility in EUR (current portion)		30.06.2012	1 196	1 188
PKO BP S.A. – working capital facility in PLN (current portion)		30.06.2012	964	964
Bank PEKAO S.A. – working capital facility up to PLN 70,000 thousand**		31.07.2011	66 215	12 598
PKO BP S.A. – investment loan in PLN/EUR (current portion)		30.06.2012	29 262	29 226
BOŚ S.A. – bank overdraft up to PLN 30,000 thousand (as at 30.06.2011 the debt is presented in non-current loans) the repayment date of the loan was extended until 03.07.2012		03.07.2011	-	2 936
Bank PEKAO S.A. – working capital facility up to PLN 50,000 thousand**		27.07.2011	50 000	50 000
DZ Bank S.A. – bank overdraft up to PLN 10,000 thousand		30.08.2011	10 553	7 807
BPH S.A. – bank overdraft up to PLN 10,000 thousand		31.08.2011	9 966	3 338
Bank PEKAO S.A. – bank overdraft of PLN 5,000 thousand**		31.12.2011	2 393	241
DnB Nord Bank Polska S.A. – investment loan in PLN (current portion)		30.06.2012	152	147
Getin Bank S.A. – investment loan in PLN (repaid)		30.06.2011	-	22
Getin Bank S.A. – investment loan in PLN (repaid)		25.04.2011	-	11
PKO BP S.A. – bank overdraft up to PLN 600 thousand (current portion)		30.06.2012	200	1 400
ING Bank S.A. – bank overdraft up to PLN 30,000 thousand		30.11.2011	30 045	-
Bank Millennium S.A. – bank overdraft up to PLN 15,000 thousand		20.03.2012	15 156	-
Bank Millennium S.A. – bank overdraft up to PLN 5,000 thousand		20.03.2012	4 375	-

*The amount of the loan was increased up to PLN 35,000 thousand in July 2011, the repayment date was extended until 30 May 2012
****** on 26.07.2011 a contract was concluded with PEKAO S.A. to grant a loan in a form of multipurpose multicurrency credit facility in the total amount of PLN 420.0 million, of which working capital facility up to PLN 200.0 million (PLN 50.0 million of a bank overdraft; PLN 150.0 million revolving credit facility in a form of tranches to finance contracts being executed) repayable by 31.07.2012. The above mentioned credit facilities at PEKAO S.A. were included in this limit.

	Sefako Group		**26 052**	**24 543**
Bank PEKAO S.A. – bank overdraft up to PLN 6,000 thousand		31.10.2011	2 724	2 242
PKO BP S.A. – working capital facility up to PLN 14,000 thousand		06.07.2013	12 266	11 728
PKO BP S.A. – investment loan in PLN (current portion)		30.06.2012	7 540	7 539
BRE Bank S.A. – investment loan in PLN		30.09.2011	533	1 067
Bank Spółdzielczy w Sędziszowie– bank overdraft up to PLN 1,250 thousand		31.07.2012	1 063	799
Bank Spółdzielczy w Wolbromie– bank overdraft up to PLN 700 thousand (repaid)		30.04.2011	-	710
PKO BP – working capital facility in the current account (repaid)		10.02.2011	-	200
Nordea Bank Polska S.A. – revolving working capital facility up to PLN 5,000 thousand		02.02.2012	1 768	-
Voivodship Environment Protection Fund – loan (current portion)		30.06.2012	70	120
Voivodship Environment Protection Fund – loan (current portion)		30.06.2012	88	138

(in PLN thousands)

	Moduł System Serwis Sp.z o.o.		**1 334**	**1 253**
ING Bank Śląski S.A. – bank overdraft up to PLN 1,000 thousand		30.09.2011	994	917
Raiffeisen Bank Polska S.A. – revolving credit facility in PLN (current portion)		31.12.2012	340	336
	Sinopol Trade Center Sp.z o.o.		**457**	**613**
Polski Bank Spółdzielczy – bank overdraft up to PLN 1,050 thousand		05.05.2012	457	613
	PPU Elektra Sp. z o.o.		**335**	**639**
PKO BP S.A. – bank overdraft in PLN (repaid)		24.02.2011	-	500
PKO BP S.A. – revolving working capital facility in PLN (repaid)		28.02.2011	-	100
PKO BP S.A. – revolving working capital facility in PLN (repaid)		31.12.2011	-	39
Bank Millenium S.A. – bank overdraft up to PLN 1,000 thousand		21.03.2012	254	-
Bank Millenium S.A. – reversed factoring up to PLN 1,000 thousand		27.03.2012	81	-
	Polimex-Mostostal ZUT Sp. z o.o.		**1 494**	**944**
Bank PEKAO S.A. – bank overdraft up to PLN 1,500 thousand		31.01.2012	1 494	944
	Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.		**381**	**-**
Bank PEKAO S.A. – bank overdraft up to PLN 500 thousand		31.12.2011	381	-
	Stalfa Sp. z o.o.		**14 224**	**13 582**
Fortis Bank Polska S.A. – bank overdraft up to PLN 4,000 thousand (repaid)		28.01.2011	-	3 989
Bank PEKAO S.A. – bank overdraft in PLN		31.08.2011	964	993
Fortis Bank Polska S.A. – investment loan in PLN (repaid)		30.06.2012	-	800
Fortis Bank Polska S.A. – non-current loan in PLN (repaid)		30.06.2012	-	849
Alior Bank S.A. – bank overdraft in PLN		30.03.2012	6 673	6 931
Alior Bank S.A. – non-revolving credit facility in PLN (current portion)		30.06.2012	420	20
Kredyt Bank S.A. – bank overdraft in PLN		31.12.2012	5 677	-
Kredyt Bank – investment loan in PLN (current portion)		30.06.2012	490	-
	Tchervonograd MSP -Ukraine		**1 936**	**1 206**
Ukrgazprombank – working capital facility in UAH		05.12.2011	207	223
Ukrgazprombank – working capital facility in EUR		05.12.2011	988	983
Kredobank – working capital facility in EUR		31.01.2012	741	-
	Torpol Group		**12 952**	**1 963**
Millennium Bank S.A. – bank overdraft in PLN		22.08.2011	2 826	165
Millennium Bank S.A. – bank overdraft in PLN		04.04.2012	7 574	-
Alior Bank S.A. – bank overdraft in PLN		27.08.2011	1 052	284
Alior Bank S.A. – revolving credit facility in a credit account in PLN		27.08.2011	1 500	1 500
WBK S.A. – bank overdraft in PLN		05.12.2011	-	14

(in PLN thousands)

	PRInż -1 Sp. z o.o.		**8 748**	**5 289**
BOŚ S.A. – revolving loan up to PLN 9,000 thousand		02.06.2012	5 998	3 498
BOŚ S.A. – investment loan in PLN (current portion)		30.06.2012	210	420
BOŚ S.A. – bankoverdraft of up to PLN 2,500 thousand (in July 2011 the amount of the loan was decreased to PLN 2,200 thousand, the repayment date was extended until 12 July 2012)		12.07.2011	2 413	1 311
VOLKSWAGEN Bank Polska S.A. – loan to purchase a car in PLN		12.10.2011	20	20
VOLKSWAGEN Bank Polska S.A. – loan to purchase a car in PLN		12.10.2011	20	20
VOLKSWAGEN Bank Polska S.A. – loan to purchase a car in PLN		12.10.2011	20	20
VOLKSWAGEN Bank Polska S.A. – loan to purchase a car in PLN		20.04.2012	20	-
VOLKSWAGEN Bank Polska S.A. – loan to purchase a car in PLN		02.05.2012	21	-
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN (current portion)		30.06.2012	13	-
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN (current portion)		30.06.2012	13	-
	Energop Sp. z o.o.		**12 266**	**14 624**
RBS Bank (Polska) S.A. – investment loan in EUR		15.12.2013	12 266	14 624
	Energomontaż Północ Gdynia Sp. z o.o.		**-**	**36**
Bank Millennium S.A. – bank overdraft in PLN		12.12.2011	-	36
	Centrum Projektowe Polimex Mostostal Sp. z o.o.		**4 624**	**5 035**
Bank PEKAO S.A. – bank overdraft up to PLN 1,300 thousand		31.07.2012	1 113	1 048
Bank Millenium S.A. – bank overdraft up to PLN 14,000 thousand		27.05.2012	2 988	2 939
Voivodship Environment Protection Fund – loan in PLN (current portion)		15.10.2011	8	17
Orzesko-Knurowski Bank Spółdzielczy – investment loan in PLN (current portion)		31.12.2011	515	1 031
	Polimex-Development Kraków Sp. z o.o.		**20 227**	**22 524**
PKO BP S.A. – investor loan in PLN		31.12.2011	4 917	5 400
PKO BP S.A. – investor loan in PLN		30.09.2011	15 310	17 124
	Coifer Group		**20 027**	**21 520**
Intensa Sanpaolo – investment loan in EUR (current portion)		30.06.2012	2 094	2 565
Fortis Bank – bank overdraft up to EUR 4,500 thousand (repaid)		01.10.2010	-	17 796
Unicredit Tiriac Bank – bank overdraft up to EUR 4,500 thousand		13.12.2011	17 933	-
Natural persons (former shareholders) – loans in EUR (repaid)		31.12.2010	-	1 159

(in PLN thousands)

	Grande Meccanica SPA	**17 956**	**9 519**
Cassa Di Risparmie di Terni e Nami SpA – working capital facility in EUR	Open	-	680
Banca Pop. Di Spoleto – revolving working capital facility up to EUR 1,000 thousand	Open	7 122	3 430
Monte dei Pachi di Sienna – working capital facility in EUR	Open	3 139	20
Banca Nationale Del Lavoro SpA – working capital facility in EUR	Open	3 450	3 112
Unicredit Banca d'Impressa – working capital facility in EUR	Open	4 245	2 277
	WBP Zabrze Sp.z o.o.	**1 556**	**-**
Orzesko-Knurowski Bank Spółdzielczy – bank overdraft up to PLN 2,420 thousand (the repayment date was extended until 28 August 2012)	28.08.2011	1 556	-
	Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.	**98**	**26**
Volkswagen Bank Polska S.A. – investment loan in PLN	05.11.2011	6	13
Volkswagen Bank Polska S.A. – investment loan in PLN (current portion)	31.12.2011	12	13
ING Bank Śląski S.A. – bank overdraft up to PLN 200 thousand	01.10.2011	80	-
Non-current			
	Parent company	**152 131**	**123 762**
PKO BP S.A. – non-revolving investment loan in PLN/EUR	31.08.2015	95 102	109 595
PKO BP S.A. – non-revolving working capital facility in EUR	26.12.2012	6 977	7 525
PKO BP S.A. – non-revolving working capital facility in PLN	26.12.2012	5 783	6 265
Getin Bank S.A. – investment loan in PLN (repaid)	25.02.2013	-	28
DnB Nord Polska S.A. – non-revolving investment loan in PLN	31.03.2013	134	199
PKO BP S.A. – non-revolving working capital facility up to PLN 600 thousand	04.10.2012	50	150
BOŚ S.A. – bank overdraft up to PLN 30,000 thousand	03.07.2012	29 684	-
PKO BP S.A. – bank overdraft under a multicurrency credit line with an option to use the loan of up to PLN 21,500 thousand	12.02.2013	14 401	-
	Sefako Group	**28 731**	**32 599**
PKO BP S.A. – investment loan in PLN	30.01.2016	26 991	30 789
Voivodship Environment Protection Fund – loan in PLN	2016	321	431
Voivodship Environment Protection Fund – loan in PLN	2016	419	379
Sędziszów Commune – loan in PLN	2016	1 000	1 000
	Stalfa Sp. zo.o.	**2 618**	**2 237**
Fortis Bank Polska S.A. – investment loan in PLN (repaid)	31.12.2013	-	1 600
Fortis Bank Polska S.A. – non-current loan in PLN (repaid)	27.09.2012	-	637
Kredyt Bank - investment loan in PLN	24.05.2013	1 368	-
Alior Bank S.A. – non-revolving credit facility in PLN	28.02.2013	1 250	-

(in PLN thousands)

	PRInż -1 Sp. z o.o.		**1 197**	**1 051**
BOŚ Bank S.A. – investment loan in PLN		30.06.2014	1 051	1 051
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN		16.03.2014	69	-
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN		16.06.2014	77	-
	Centrum Projektowe Polimex Mostostal Sp. z o.o.		**12 521**	**12 520**
Orzesko-Knurowski Bank Spółdzielczy – investment loan in PLN		18.12.2023	12 369	12 368
Voivodship Environment Protection Fund – loan in PLN		15.10.2020	152	152
	PPU Elektra Sp. z o.o.		**-**	**10**
PKO BP S.A. – revolving working capital facility in PLN (repaid)		28.03.2012	-	10
	Coifer Group		**9 764**	**10 583**
BRD – investment loan in EUR (repaid)		01.04.2011	-	81
BRD – investment loans in EUR		01.09.2011	712	720
Intensa Sanpaolo – investment loan in EUR		08.12.2017	9 052	9 782
	Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.		**20**	**26**
Volkswagen Bank Polska S.A. – investment loan in PLN		02.10.2013	20	26
	Moduł System Serwis Sp.z o.o.		**1 180**	**1354**
Raiffeisen Bank Polska S.A. – revolving credit facility in PLN		31.12.2013	1 180	1 354

Interest-bearing bank loans and borrowings	**688 894**	**461 549**
Current, of which:	**480 732**	**277 407**
Bank loans	480 574	275 973
Borrowings	158	1 434
Non-current, of which:	**208 162**	**184 142**
Bank loans	206 422	181 379
Borrowings	1 740	2 763

Comparison of interest rates for the periods	*30 June 2011 (unaudited)*	*31 December 2010*
Weighted average for bank loans in PLN	WIBOR + 1.7426 p.p.	WIBOR + 1.8273 p.p.
Weighted average for bank loans in EUR	EURIBOR + 2.1954 p.p. LIBOR + 0.9500 p.p.	EURIBOR + 2.2370 p.p. LIBOR + 0.9500 p.p.

(in PLN thousands)

19. Debentures

	30 June 2011 (unaudited)	*31 December 2010*
Long-term debentures	367 500	367 435
Short-term debentures with interest	39 654	39 331
Total debentures	**407 154**	**406 766**

In total, under the Debenture Issue Plan balance of debentures issued by Polimex-Mostostal S.A. as at the date of preparation of this report amounts to PLN 400.0 million, of which PLN 32.5 million is ascribed to short-term debentures and PLN 367.5 million is ascribed to long-term debentures.

On 25.08.2010 Appendix No 3 to the Agency Agreement and No 4 to Dealer Agreement were initialled adjusting the provisions of the above mentioned Agreements to the requirements of the Act of 09 July 2005 on trading in financial instruments and of the Regulation of the Minister of Finance of 20.11.2009 on procedure and conditions of performance of investments firms, banks referred to in Article 70.2 of the above mentioned Act and introducing a new regulation for issuing, trading and keeping the deposit of dematerialized debt securities issued through BRE Bank S.A. in non-public trade. On 25.08.2010 Annex No 2 to the Sales Underwriting Agreement of 30.05.2006 and the Agreement for Determining the Underwriting Rate were also executed.

Current issues under Debenture Issue Plan are as follows:

i) coupon debentures:
- on 25.07.2007 a block of coupon debentures not admitted for listing, denominated in PLN for the amount of PLN 100 million and with the maturity at 25.07.2012, and
- on 16.10.2007 a block of coupon debentures not admitted for listing, denominated in PLN for the amount of PLN 73 million and with the maturity at 25.01.2013.

  Both blocks of coupon debentures have been consolidated and to 25.07.2012 maturity of half-year interest coupons falls at the same dates.
- on 16.10.2009 a block of coupon debentures not admitted for listing, denominated in PLN for the amount of PLN 194.5 million and with the maturity at 16.10.2012.

ii) discount debentures:
- on 28.06.2006 two blocks of short-term discount debentures not admitted for listing for the total amount of PLN 32.5 million, which were combined in one block on 07.01.2009 and its present maturity is at 31.08.2011.

20. Provisions

20.1. Movements in provisions

	Guarantee repair provisions	*Restructuring provision*	*Post-employment benefits*	*Other provisions*	*Total*
As at 1 January 2011	21 862	-	91 573	22 068	135 503
Recognised during the period	3 782	-	35	5 005	8 822
Utilised	(4 760)	-	151	2	(4 607)
Released	(4 785)	-	(857)	(11 356)	(16 998)
Reclassifications	-	-	-	-	-
As at 30 June 2011 *(unaudited)*	16 099	-	90 902	15 719	122 720
Current at 30 June 2011	10 094	-	10 007	12 408	32 509
Non-current at 30 June 2011	6 005	-	80 895	3 311	90 211

(in PLN thousands)

	Guarantee repair provisions	*Restructuring provision*	*Post-employment benefits*	*Other provisions*	*Total*
As at 1 January 2010	20 150	-	87 050	31 041	138 241
Acquisition of a subsidiary	-	-	85	-	85
Recognised during the year	14 765	217	17 100	16 032	48 114
Utilised	(1 544)	(217)	(1 510)	(5 318)	(8 589)
Released	(17 179)	-	(11 177)	(13 903)	(42 259)
Reclassifications	5 670	-	25	(5 784)	(89)
As at 31 December 2010	21 862	-	91 573	22 068	135 503
Current at 31 December 2010	12 858	-	10 326	19 921	43 105
Non-current at 31 December 2010	9 004	-	81 247	2 147	92 398

	Guarantee repair provisions	*Restructuring provision*	*Post-employment benefits*	*Other provisions*	*Total*
As at 1 January 2010	20 150	-	87 050	31 041	138 241
Recognised during the period	4 725	217	5 059	4 378	14 379
Utilised	(2 212)	(42)	(3 822)	(4 581)	(10 657)
Released	(6 483)	-	(2 317)	(8 834)	(17 634)
Reclassifications	-	-	-	-	-
As at 30 June 2010 *(unaudited)*	16 180	175	85 970	22 004	124 329
Current at 30 June 2010	9 601	175	11 565	21 644	42 985
Non-current at 30 June 2010	6 579	-	74 405	360	81 344

21. Trade and other payables (current)

	30 June 2011 (unaudited)	*31 December 2010*
Trade payables		
To related parties	14 363	17 738
To third parties	1 176 743	1 056 083
	1 191 106	**1 073 821**
Taxation, customs duty, social security and other payables		
VAT	13 252	53 349
Withholding tax	84	641
Personal income tax	12 911	10 929
Social Insurance Institution (ZUS)	49 968	42 037
National Disabled Persons Rehabilitation Fund (PFRON)	823	809
Other	4 889	2 108
	81 927	**109 873**
Financial liabilities		
Foreign currency contracts	-	565
Interest acquisition liabilities	860	16 247
Leases	11 785	15 715
Other	-	2 305
	12 645	**34 832**

(in PLN thousands)

Other liabilities		
Remuneration payable to employees	56 440	46 006
Fixed asset purchase payables	26 724	10 728
Arrangement payment liabilities	35	1 837
Dividend payable	20 846	-
Social fund	196	1 130
Other liabilities	27 675	10 572
	131 916	**70 273**

Accruals arising from:		
Unused annual leave	25 551	18 236
Bonuses and rewards	14 203	23 789
Accrued service expenses	5 176	8 059
Other	1 851	4 861
	46 781	**54 945**

Terms and conditions of payment of financial liabilities presented above:
Transactions with related parties are concluded on market conditions (typical trade transactions).
Trade payables are non-interest bearing and are normally settled within 30 to 180 days.
Other payables are non-interest bearing and have an average term of 1 month.
The net VAT payable is remitted to the appropriate tax authority in periods specified in tax regulations.
Interest payable is normally settled based on accepted interest notes.

21.1. Trade payables with remaining maturity from the statement of financial position date

	30 June 2011 (unaudited)	*31 December 2010*
Up to one month	674 736	660 463
Over 1 month to 3 months	174 866	169 085
Over 3 months to 6 months	8 655	7 057
Over 6 months to 1 year	12 389	31 809
Past due liabilities	320 460	205 407
Total trade payables	**1 191 106**	**1 073 821**

21.2. Past due trade payables

	30 June 2011 (unaudited)	*31 December 2010*
Up to one month	209 117	96 331
Over 1 month to 3 months	30 799	41 677
Over 3 months to 6 months	31 837	32 470
Over 6 months to 1 year	18 483	16 180
Over 1 year	30 224	18 749
Total past due liabilities	**320 460**	**205 407**

Past due liabilities include amounts receivable from subcontractors which depend on settling the receivables by the investor.

22. Contingent liabilities

Contingent liabilities and other off-statement of financial position items	*30 June 2011 (unaudited)*	*31 December 2010*
Contingent liabilities	**2 067 477**	**2 358 672**
To other parties (arising from)	2 067 477	2 358 672
- guaranties and sureties granted	1 420 343	1 545 506
- promissory notes	142 776	79 524
- legal claims	37 576	16 232

(in PLN thousands)

- other	170 943	152 110
- contractual capped mortgage and ordinary mortgage	268 839	565 300
- conditional agreements	-	-
- assignment of the debt	27 000	-
Other (arising from)	**114 623**	**114 623**
- transferred to off-statement of financial position records balances relating to: *	114 623	114 623
- receivables	48 839	48 839
- cash	15 973	15 973
- liabilities	25 330	25 330
- deferred income	24 481	24 481
Total off-statement of financial position items	**2 182 100**	**2 473 295**

* these are the balances on contracts executed by Polimex-Mostostal S.A. in Iraq before 1991

The parent company is the party to legal proceedings before administration authorities on applications filed by former owners to return expropriated plots being the property of State Treasury situated at ul.Górczewska in Warsaw. One of the plots is leased by Polimex-Mostostal S.A., and others are part of real property which is perpetually usufructed by Zarząd Majątkiem Górczewska Sp. z o.o.and administered by this company.

23. Related party disclosures

The total amounts of transactions with related parties for the 6 month period ended 30 June 2011 and as at this date, for the 12 month period ended 31 December 2010 and as at this date and for the three month period ended 30 June 2011 and for the three month period ended 30 June 2010 are given in the tables below:

Related party	*Sales to related parties*	*Purchases from related parties*	*Amounts owed by related parties*	*Amounts owed to related parties*
30 June 2011 (unaudited)				
Energomontaż Północ Gdynia Sp. z o.o.	188	4	156	-
Porty S.A.	-	14	537	3 143
Polimex-Sices Sp. z o.o.	489	20	6 612	10 587
Laboratorium Ochrony ŚP Sp. z o.o.	-	34	-	2
Terminal LNG S.A.	2	-	-	-
Lineal Sp.z o.o.	-	-	2	686
Total associates	**679**	**72**	**7 307**	**14 418**

Related party	*Sales to related parties*	*Purchases from related parties*	*Amounts owed by related parties*	*Amounts owed to related parties*
31 December 2010				
Associates				
Energomontaż Północ Bełchatów Sp. z o.o.	97	-	92	-
Polimex-Sices Sp. z o.o.	30 300	98 645	8 291	17 703
Porty S.A.	-	-	533	3 740
Laboratorium Ochrony Środowiska Pracy Sp. z o.o.	-	54	-	35
Sices Montaż	2 752	-	168	-
Terminal LNG S.A.	2	-	3	-
Total	**33 151**	**98 699**	**9 087**	**21 478**

(in PLN thousands)

Related party	*Sales to related parties*	*Purchases from related parties*	*Sales to related parties*	*Purchases from related parties*
	For the three months ended 30 June 2011 (unaudited)		*For the three months ended 30 June 2010 (unaudited)*	
Associates				
Energomontaż Północ Gdynia Sp. z o.o.	125	2	-	-
Polimex-Sices Sp. z o.o.	146	20	3 871	31 828
Valmont Sp. z o.o.	-	-	1 230	241
Laboratorium Ochrony Środowiska Pracy Sp. z o.o.	-	1	-	4
Terminal LNG S.A.	1	-	-	-
Lineal Sp.z o.o.	-	922	-	-
Total	**272**	**945**	**5 101**	**32 073**

23.1. Terms and conditions of transactions with related parties

Transactions with related parties are concluded on market conditions (typical trade transactions).

24. Financial instruments

Foreign currency risk

Cash flows of Polimex-Mostostal Capital Group companies are characterised by relatively significant sensitivity to changes in exchange rates, which arise from the fact that revenues are derived in foreign currencies, including mainly the euro. These entities are, apart from Polimex-Mostostal S.A., in particular: Torpol Sp. z o.o., FK Sefako S.A. and StalFa Sp. z o.o. To minimise the negative impact of foreign currency risk on the effects of their operations, these companies use not only natural hedging methods but also foreign exchange derivative instruments available on the market.

Based on accounting policies applied to the method of recording financial instruments, two groups of companies can be distinguished:
I) companies which have document risk management strategy and implemented hedge accounting policies; at the statement of financial position date this group includes Polimex-Mostostal S.A. and Torpol Sp. z o.o.
II) companies not applying hedge accounting.
Companies applying hedge accounting present hedge derivative instruments they hold at fair value and taking into account the changes in this value:
in portion recognised as an effective hedge -directly in other comprehensive income,
in portion recognised as ineffective - in the income statement.
Companies not applying hedge accounting recognise changes in fair value of derivative instruments directly in the income statement.

Polimex-Mostostal S.A.

Polimex-Mostostal S.A. financial cash flows are characterised by significant sensitivity to fluctuations of exchange rate relations which results from the fact that foreign currency revenues constitute substantial part of the total enterprise turnover. Basic foreign currency for the Company turnover is still the euro. To minimise the negative impact of exchange rate risk on the performance of the enterprise, the Company actively uses exchange rate derivative instruments available on the market thus applying the exchange rate risk management strategy adopted by the Company. Open transactions of derivative instruments are subject to current valuation with its results included in the enterprise's books of account.
Bearing the above mentioned facts in mind, since 1 October 2008 the Company has been applying hedge accounting for foreign currency derivatives so as to ensure stability and comparability of financial results of the Company for individual reporting periods. Application of the hedge accounting makes it possible to symmetrically present the compensating impact on the financial result of the current period of the hedging instrument fair value and hedged item corresponding to it.
As a result gains/losses on hedging transactions affect the profit/loss in the same period as the gains/losses on items they hedge. Thanks to this, the economic nature of hedging transactions is better reflected in the financial statements of the enterprise.

Derivative instruments hedging cash flows are recognised at fair value, taking into account a change in this value:
in portion recognised as an effective hedge - directly in other comprehensive income,
in portion recognised as ineffective - in the income statement.
Book records and presentation are according to the accounting policies adopted by the Company and regulations in force which are based on the following legal acts:
IFRS 7 – Financial Instruments: Disclosure,
IAS 39 – Financial instruments: Recognition and Measurement,
IAS 32 – Financial Instruments: Disclosure and Presentation.
The Company has transactional foreign currency exposures. Over 25% of transactions executed by the Company is denominated in currencies other than the presentation currency, whereas more than 90% of costs is denominated in this presentation currency.
The basic method of hedging against foreign exchange risk applied by the Company is natural hedging i.e. hedging foreign currency risk by entering into transactions which generate costs in the same currency as the revenue currency. If currency risk may not be hedged by natural hedging, the Company applies currency hedges – based on derivative financial instruments related to currency market – defined by the currency risk management strategies of the Company. These are in particular the following instruments:

- forward future contracts,
- currency PUT options (acquired options),
- structures optionally generated from PUT and CALL options – among the other things the so-called “zero-cost” symmetrical currency corridors built with PUT and CALL options of the same nominal value for the given expiry date of options (see details below).

Terms and conditions of hedging of derivative instruments are negotiated in a manner corresponding to terms and conditions of hedged item, and providing maximum hedging efficiency. In the 1st half of 2011 the Company consequently applied implemented operating policies and procedures aimed at limiting the negative impact of foreign currency risk on the performance of the enterprise.

Disclosure on concluded hedging transactions
To limit the volatility of future cash flows related to foreign currency risk, at 30 June 2011 Polimex-Mostostal S.A. was a party to 26 hedging strategies as characterised below (nominal values of transactions as well as price conditions for instruments to be exercised after 30.06.2011):

A. Reducing volatility of cash flows related to the PLN/EUR pair.
I. Foreign currency options
The Company is the party to 9 symmetrical option transactions concluded between 14 February 2011 and 20 June 2011. The total nominal value of currency options to be exercised over the period between 4 July 2011 and 3 December 2012 amounts to EUR 8,773,000 (in each case the nominal value of the acquired PUT option clears the nominal value of the CALL option). The exercise rates of PUT options the Company is entitled to range from 3.90 PLN/EUR to 4.00 PLN/EUR depending on a transaction. The exercise rates of CALL options issued by the Company range from 4.0150 PLN/EUR to 4.35 PLN/EUR depending on a transaction.
II. Forward future contracts
1. The forward future contract of 26 November 2010 to sell the total of EUR 1,800,000 for PLN to be exercised at 30 September 2011. The forward rate was specified at 4.1100 PLN/EUR. It is the intention of the Company to gradually „shorten” transactions and materialise the hedged item in connection with which the hedging transaction was opened;
2. The series of forward future contracts of 26 November 2010 to sell the total amount of EUR 1,983,000 for PLN to be exercised in 3 dates in the period between 20 September 2011 and 10 November 2011. The forward rate for each maturity date was specified at 4.1000 PLN/EUR;
3. The series of forward future contracts of 8 December 2010 to sell the total amount of EUR 1,307,000 for PLN to be exercised in 4 dates in the period between 27 July 2011 and 26 October 2011. The forward rate for each maturity date was specified at 4.1017 PLN/EUR;
4. The series of forward future contracts of 8 December 2010 to sell the total amount of EUR 1,600,000 for PLN to be exercised in 3 dates in the period between 26 July 2011 and 27 September 2011. The forward rate for each maturity date was specified at 4.1087 PLN/EUR;
5. 2 forward future contracts of 10 December 2010 to sell the total amount of EUR 4,440,000 for PLN to be exercised at 29 July 2011 and 30 April 2012. Forward rates for both dates were specified at 4.1117 PLN/EUR. It is

the intention of the Company to gradually „shorten” transactions and materialise the hedged item in connection with which the hedging transaction was opened;
6. The forward future contract of 10 December 2010 to sell the total of EUR 3,060,000 for PLN to be exercised at 30 December 2011. The forward rate was specified at 4.1340 PLN/EUR. It is the intention of the Company to gradually „shorten” transactions and materialise the hedged item in connection with which the hedging transaction was opened;
7. The series of forward future contracts of 22 February 2011 to sell the total amount of EUR 691,000 for PLN to be exercised in 2 dates in the period from 31 August 2011 to 31 October 2011. The forward rate for each date was specified at 4.0100 PLN/EUR;
8. The forward future contract of 01 March 2011 to sell the total amount of EUR 470,000 for PLN to be exercised on 30 September 2011. The forward rate was specified at 4.0300 PLN/EUR. It is the intention of the Company to gradually „shorten” transactions and materialise the hedged item in connection with which the hedging transaction was opened;
9. The forward future contract of 01 March 2011 to sell the total amount of EUR 600,000 for PLN to be exercised on 31 October 2011. The forward rate was specified at 4.0340 PLN/EUR. It is the intention of the Company to gradually „shorten” transactions and materialise the hedged item in connection with which the hedging transaction was opened;
10. The series of forward future contract of 1 March 2011 to sell the total of EUR 1,780,000 for PLN to be exercised in two dates on 31 October 2011 and on 31 January 2012. The forward rate was specified at 4.0400 PLN/EUR. It is the intention of the Company to gradually „shorten” transactions and materialise the hedged item in connection with which the hedging transaction was opened;
11. The forward future contract of 11 March 2011 to sell the total of EUR 1,510,000 for PLN to be exercised at 31 January 2012. The forward rate was specified at 4.1045 PLN/EUR. It is the intention of the Company to gradually „shorten” transactions and materialise the hedged item in connection with which the hedging transaction was opened;
12. The series of forward future contract of 11 March 2011 to sell the total of EUR 2,100,000 for PLN to be exercised in two dates on 28 October 2011 and on 30 March 2012. The forward rate was specified at 4.0975 PLN/EUR. It is the intention of the Company to gradually „shorten” transactions and materialise the hedged item in connection with which the hedging transaction was opened;
13. The series of forward future contracts of 31 March 2011 to sell the total amount of EUR 2,366,000 for PLN to be exercised in 3 dates in the period between 28 July 2011 and 29 September 2011. The forward rate for each date was specified at 4.0500 PLN/EUR.

B. Reducing volatility of cash flows related to the PLN/GBP pair.

<u>I. Foreign currency options</u>

On 15 April 2010 and 5 May 2010 the Company agreed on terms and conditions of 2 symmetrical foreign currency option transactions aimed at limiting the volatility of projected cash flows in GBP. The total nominal value of currency options to be exercised over the period between 24 August 2011 and 13 April 2012 amounts to GBP 3,370,000 (in each case the nominal value of acquired PUT option clears the nominal value of issued CALL option). Exercise rates of PUT options the Company is entitled to amount to 4.38 PLN/GBP for the transaction of 15 April 2010 and 4.65 PLN/GBP for the transaction of 5 May 2010, while exercise rates of CALL options issued by the Company amount to 4.85 PLN/GBP and 5.1490 PLN/GBP respectively.

<u>II. Forward future contracts</u>

1. The series of forward future contracts of 30 November 2010 to sell the total amount of GBP 544,000 for PLN to be exercised in 2 dates in the period between 15 July 2011 and 15 November 2011. The forward rate for each maturity date was specified at 4.9340 PLN/GBP;
2. The series of forward future contracts of 1 December 2010 to sell the total amount of GBP 544,000 for PLN to be exercised in 2 dates in the period between 25 July 2011 and 25 November 2011. The forward rate for each maturity date was specified at 4.8660 PLN/GBP.

The parameters of the hedging instruments presented above fully guarantee the level of exchange rate relations required by the Company and necessary for reaching planned financial results on a hedged item. As a result, possible negative cash flows resulting from the settlement of the hedging instruments should not be perceived as a loss, but only as an unrealised additional benefit (above the previous assumption of the Company).

Summing up, as at 30.06.2011 Polimex-Mostostal S.A. had open hedging transactions for the amount of EUR 32,480,000 thousand and GBP 4,458,000. In each case the hedged item is highly probable future cash flows

from foreign currency contracts being executed by the Company (supply of steel products and rendering of construction services).
Maturity dates of hedging transactions for the amount of EUR 29,167,000 fall in 2011. The remaining EUR 3,313,000 is to be exercised in 2012. Expiry dates of transactions for PLN/GBP pair fall in the period from 13 July 2011 to 13 April 2012.

The table below presents the schedule for the settlement of PLN/EUR hedging instruments in the consecutive quarters of 2011:

Quarter the hedging instrument is exercised in 2011*	Nominal value of a hedging derivative instrument		
	Nominal value of PUT = CALL options in EUR thousands	Nominal value of future contracts in EUR thousands	**Total in the period in EUR thousands**
3rd quarter	7 449	14 367	21 816
4th quarter	736	6 615	7 351
Total in 2nd half 2011	**8 185**	**20 982**	**29 167**

**the age composition of forward contracts maturity according to the projections of occurrence of a hedged item.*

Measurement of derivative instruments as at 30 June 2011.
As at 30 June 2011, fair value of the open derivative instruments was assessed at PLN 2,962.5 thousand. In accordance with the hedge accountancy policy approved by the Company, effectiveness of hedging connections was measured. Cash flow hedges were regarded as highly effective and the change of effective portion of fair value of financial instruments was recognized directly in other comprehensive income in the following order (amounts after taking into consideration the effect on deferred tax) in PLN thousands

As at 31.12.2010	Movement in 1st half of 2011	As at 30.06.2011
3 851	(2 658)	1 193

Temporary value of currency options which was excluded from the efficiency measurement was reflected in the profit and loss account in financial activity (finance costs/finance income).

It should be emphasized that the measurement presented above is only of computational nature and does not affect current liquidity or general financial situation of the Company.

Fluctuations of the average exchange rate of EUR have significant influence on the amount of income expressed in PLN resulting from contracts concluded in a foreign currency. Based on contracts which have been entered into and contracts which are highly probable to be concluded, the Company assessed the foreign currency exposure in the 2nd half of 2011 as follows:

Detailed list	**2nd half 2011**
Projected foreign currency proceeds – equivalent in EUR thousands	128 294
Projected foreign currency expenditures – equivalent in EUR thousands	52 121
Business exposure to foreign currency risk in EUR thousand	**76 173**
Open hedging transactions as at 30.06.2011 to be exercised in the 2nd half of 2011; in EUR thousands	29 167
Open item in foreign currency (after taking into consideration hedging transactions) in EUR thousands	**47 006**

The nominal value of open hedging instruments as at 30 June 2011 accounts for 38% of total projected exposure to foreign currency risk in the audited period of 2011. Foreign currency cash flows for contracts concluded by the Company by the date of the completion of this list account for nearly 73% of business exposure computed as above. As a result, business exposure to foreign currency risk for cash flows contracted as at 30.06.2011 was covered in 53% by hedging transactions.
Fluctuations of the exchange rate of PLN/EUR shall have a neutral impact upon financial performance of the Company in the scope of cash flows from foreign currency contracts under hedging instruments. Current influence

of this parameter shall relate to the part of foreign currency revenues (net proceeds) as yet not covered by hedging transactions.

After 30 June 2011 the Company entered into the following hedging transaction:

- the series of forward future contracts of 8 July 2011 to sell the total amount of EUR 603,000 for PLN to be exercised in 2 dates in the period between 16 January 2012 and 3 February 2012. The forward rate for each maturity date was specified at 4.0015 PLN/EUR;
- on 12 July 2011 the Company agreed on terms and conditions of a symmetrical transaction of European currency options (the so-called currency corridor). The total nominal value of currency options to be exercised over the period between 27 October 2011 and 26 April 2012 amounts to EUR 1,762,000 (in each case the nominal value of the acquired PUT option clears the nominal value of the CALL option). The exercise exchange rates of PUT options the Company is entitled to are 4.00 PLN/EUR, whereas the exercise exchange rates of CALL options issued by the Company are 4.19 PLN/EUR;
- on 25 July 2011 the Company agreed on terms and conditions of a symmetrical transaction of European currency options (the so-called currency corridor). The total nominal value of currency options to be exercised over the period between 27 October 2011 and 26 September 2012 amounts to EUR 2,560,000 (in each case the nominal value of the acquired PUT option clears the nominal value of the CALL option). The exercise exchange rates of PUT options the Company is entitled to are 4.00 PLN/EUR, whereas the exercise exchange rates of CALL options issued by the Company are 4.1650 PLN/EUR.
- on 16 August 2011 the Company agreed on terms and conditions of a symmetrical transaction of European currency options (the so-called currency corridor). The total nominal value of currency options to be exercised over the period between 6 October 2011 and 7 December 2011 amounts to EUR 600,000 (in each case the nominal value of the acquired PUT option clears the nominal value of the CALL option). The exercise exchange rates of PUT options the Company is entitled to are 4.05 PLN/EUR, whereas the exercise exchange rates of CALL options issued by the Company are 4.44 PLN/EUR.

Polimex-Mostostal Capital Group

A preferred method of hedging against foreign exchange risk applied by Polimex-Mostostal Capital Group companies remains natural hedging i.e. hedging foreign currency risk by entering into transactions which generate costs in the same currency as the revenue currency. If it is not possible to hedge foreign currency risk with natural hedging, the companies apply foreign exchange hedges based on using derivative instruments related to the foreign currency market. These are in particular the following instruments:

- ❖ forward future contracts,
- ❖ PUT/CALL currency options (acquired options);
- ❖ option structures constructed with PUT and CALL options, in particular the so called „zero-cost" symmetric currency corridors built with PUT and CALL options.

It is the Group's policy to negotiate the terms of hedging derivative instruments to match the terms of the hedged item so as to maximise hedge effectiveness. The Group Companies monitor the market situation on regular basis and confront hedging transactions they held with projected exposure to foreign currency risk.

In the first half of 2011 the Group companies consequently applied the implemented policies for foreign currency risk management. Below are transactions entered into by Group companies in the 1st half 2011 (excluding Polimex-Mostostal S.A.) with maturity dates after 30 June 2011.

StalFa Sp. z o.o.:

- the series of forward contracts of 24 February 2011 to sell the total amount of EUR 100,000 for PLN to be exercised in 2 dates in the period from 5 July 2011 and 11 July 2011, the forward rate for each maturity date was specified at 4.0001 PLN/EUR;
- the series of forward contracts of 11 March 2011 to sell the total amount of EUR 250,000 for PLN to be exercised in 5 dates in the period from 18 July 2011 and 15 December 2011, the forward rate for each maturity date was specified at 4.0510 PLN/EUR;
- the series of forward contracts of 14 March 2011 to sell the total amount of EUR 250,000 for PLN to be exercised in 5 dates in the period from 25 August 2011 and 27 December 2011, the forward rate for each maturity date was specified at 4.0630 PLN/EUR;
- the series of forward contracts of 17 March 2011 to sell the total amount of EUR 250,000 for PLN to be exercised in 5 dates in the period from 5 August 2011 and 5 December 2011, the forward rate for each maturity date was specified at 4.1175 PLN/EUR;

Torpol Sp. z o.o.:
- the forward future contract of 17 March 2011 to sell EUR 1,500,000 for PLN to be exercised at 31 January 2012, the forward rate was specified at 4.1300 PLN/EUR;
- the forward future contract of 18 March 2011 to sell EUR 1,500,000 for PLN to be exercised at 31 January 2012, the forward rate was specified at 4.1100 PLN/EUR;
- on 29 April 2011 the company shifted the maturity of a forward future contract to be exercised on 29.04.2011. The shifting of the date related to the amount of EUR 1,257.9 thousand. The new maturity was determined at 30 September 2011. The exercise rate was specified at 4.4275 PLN/EUR. The operations adjusted the parameters of the hedging instrument to the expected exercise date of the business item it covered.

Energomontaż – Północ Gdynia Sp. z o.o.,
- the series of forward future contracts of 22.02.2011 to sell the total amount of NOK 2,386.3 thousand for PLN to be exercised in 4 dates in the period from 13 July 2011 to 23 August 2011. Forward rates range from 0.5114 PLN/NOK to 0.5119 PLN/NOK.
- the series of forward future contracts of 21 April 2011 to sell the total amount of EUR 116,600 for PLN to be exercised in 6 dates in the period between 27 July 2011 and 16 November 2011. Forward rates range from 3.9965 PLN/EUR to 4.0202 PLN/EUR;
- the series of forward future contracts of 16 June 2011 to sell the total amount of EUR 332,200 for PLN to be exercised in 19 dates in the period between 14 September 2011 and 22 February 2012. Forward rates range from 3.9972 PLN/EUR to 4.0410 PLN/EUR;
- the series of forward future contracts of 17 June 2011 to sell the total amount of EUR 271,900 for PLN to be exercised in 17 dates in the period between 28 September 2011 and 22 February 2012. Forward rates range from 4.0042 PLN/EUR to 4.0280 PLN/EUR;
- the series of forward future contracts of 20 June 2011 to sell the total amount of EUR 265,000 for PLN to be exercised in 11 dates in the period between 28 September 2011 and 22 February 2012. Forward rates range from 4.0104 PLN/EUR to 4.0306 PLN/EUR;
- the series of forward future contracts of 24 June 2011 to sell the total amount of EUR 268,800 for PLN to be exercised in 11 dates in the period between 28 September 2011 and 22 February 2012. Forward rates range from 4.0088 PLN/EUR to 4.0397 PLN/EUR;
- the series of forward future contracts of 28 June 2011 to sell the total amount of EUR 267,800 for PLN to be exercised in 11 dates in the period between 28 September 2011 and 22 February 2012. Forward rates range from 4.0225 PLN/EUR to 4.0507 PLN/EUR;
- the series of forward future contracts of 29 June 2011 to sell the total amount of EUR 268,400 for PLN to be exercised in 11 dates in the period between 28 September 2011 and 22 February 2012. Forward rates range from 4.0275 PLN/EUR to 4.0560 PLN/EUR.

<u>Disclosure on the volume of concluded hedging transactions</u>
The Group companies limit the volatility of future foreign currency cash flows in view of their exposure to foreign currency risk. In each case the hedged position is highly probable future cash flows from export contracts or domestic contracts denominated in a foreign currency.
As at 30 June 2011 total maximum nominal value of open hedging transactions entered into by the Group companies (including Polimex-Mostostal S.A.) amounted to EUR 39,379 thousand, GBP 4,458 thousand and NOK 3,279 thousand.
Transactions for the EUR/PLN pair will have been settled in 84% by 31 December 2011. The time composition of hedging instruments for the foreign currency risk for EUR/PLN pair (according to the criterion of planned exercise date) is presented in the table below.

Instrument settlement period	Maximum nominal amount of hedging instruments to be settled in EUR thousands*
3rd quarter	23 718
4th quarter	9 254
Total in 2nd half 2011	**32 972**
After 31.12.2011	6 407
TOTAL	**39 379**

**the age composition of forward contracts maturity according to the projections of occurrence of a hedged item.*

<u>Measurement of derivative instruments as at 30 June 2011.</u>
Certain Group companies execute effectively implemented hedge accounting policies. In case of these entities (in particular Polimex-Mostostal S.A and Torpol Sp. z o.o.) the fair value of hedging instruments and (and its changes) in part recognised as an effective hedge is transferred to revaluation reserve. The remaining portion (including the portion which is excluded from effectiveness measurement) is recognised directly in the profit and loss. In case of other entities using derivative instruments for foreign currency risk management, the fair value measurement is recognised in the profit and loss.

As at 30 June 2011 the total fair value of open instruments hedging foreign exchange risk in the Group was calculated at the amount of PLN 3,721.9 thousand. The valuation in 99% is attributable to companies applying hedge accounting. Movements in the derivative instrument revaluation reserve in the Group Companies (including Polimex-Mostostal S.A.) are presented in the table below (movements after taking into consideration the effect on deferred tax) – in PLN thousands.

As at 31.12.2010	Movement in 1st half of 2011	As at 30.06.2011
3 895	(2 728)	1 167

It should be emphasized that the measurement presented above is only of computational nature and does not affect current liquidity or general financial situation of the Group.
Fluctuations of the average exchange rate of EUR have significant influence on the amount of income expressed in PLN resulting from contracts concluded in a foreign currency. Based on contracts which have been entered into and contracts which are highly probable to be concluded, the Capital Group assessed the foreign currency exposure in 2nd half 2011 as follows:

Detailed list	**2nd half 2011**
Projected foreign currency proceeds – in EUR thousands	190 264
Projected foreign currency expenditures – in EUR thousands	85 072
Business exposure to foreign currency risk in EUR thousand	**105 192**
Open hedging transactions as at 30.06.2011 to be exercised in the 2nd half of 2011; in EUR thousands	32 972
Open item in foreign currency (after taking into consideration hedging transactions) in EUR thousands	**72 220**

The nominal value of open hedging instruments as at 30 June 2011 accounts for 31% of total projected exposure to foreign currency risk in the audited period of 2011. Foreign currency cash flows for contracts concluded by the Group companies by the date of the completion of this list account for nearly 80% of business exposure computed as above. As a result, business exposure to foreign currency risk for cash flows contracted as at 30.06.2011 was covered in 39% by hedging transactions.

Fluctuations of PLN/EUR exchange rate will have a neutral effect on the Capital Group financial results in the scope of cash flows from foreign currency contracts covered by hedging instruments. Current effect of this market parameter will only relate to the portion of foreign currency transactions (net proceeds), which will not be covered with hedging transactions.

After 30 June 2011 Group Companies (apart from Polimex-Mostostal S.A.) entered into the following hedging transactions:

StalFa Sp. z o.o.:
- the series of forward contracts of 12 July 2011 to sell the total amount of EUR 150,000 for PLN to be exercised in 5 dates in the period between 19 August 2011 and 19 December 2011. The forward rate for each date was specified at 4.06 PLN/EUR,
- the series of forward contracts of 9 August 2011 to sell the total amount of EUR 240,000 for PLN to be exercised in 8 dates in the period between 9 September 2011 and 31 December 2011. The forward rate for each date was specified at 4.10 PLN/EUR;

(in PLN thousands)

- the series of forward contracts of 10 August 2011 to sell the total amount of EUR 120,000 for PLN to be exercised in 4 dates in the period between 30 September 2011 and 31 December 2011. The forward rate for each date was specified at 4.13 PLN/EUR;
- the series of forward contracts of 11 August 2011 to sell the total amount of EUR 120,000 for PLN to be exercised in 4 dates in the period between 15 September 2011 and 15 December 2011. The forward rate for each date was specified at 4.1735 PLN/EUR;
- the series of forward contracts of 11 August 2011 to sell the total amount of EUR 120,000 for PLN to be exercised in 4 dates in the period between 9 September 2011 and 19 December 2011. The forward rate for each date was specified at 4.1740 PLN/EUR.

Energomontaż – Północ Gdynia Sp. z o.o.,

- the series of forward future contracts of 12 July 2011 to sell the total amount of EUR 268,400 for PLN to be exercised in 11 dates in the period between 28 September 2011 and 22 February 2012. Forward rates range from 4.0460 PLN/EUR to 4.0765 PLN/EUR,
- the series of forward future contracts of 17 August 2011 to sell the total amount of EUR 250,800 for PLN to be exercised in 10 dates in the period between 12 October 2011 and 22 February 2012. Forward rates range from 4.1330 PLN/EUR to 4.1744 PLN/EUR.

FK Sefako S.A.

- the forward future contract of 11 July 2011 to sell EUR 250,000 for PLN to be exercised at 29 July 2011.The forward rate was specified at 3.9730 PLN/EUR;
- the forward future contract of 12 July 2011 to sell EUR 250,000 for PLN to be exercised at 29 July 2011.The forward rate was specified at 4.0270 PLN/EUR;
- the series of forward contracts of 25 July 2011 to sell the total amount of EUR 1,300,000 for PLN to be exercised in 2 dates in the period between 30 August 2011 and 29 September 2011. Forward rates range from 4.0120 PLN/EUR to 4.0225 PLN/EUR. It is the intention of the Company to gradually „shorten" transactions and materialise the hedged item in connection with which the hedging transaction was opened;
- the series of forward contracts of 24 August 2011 to sell the total amount of EUR 300,000 for PLN to be exercised in 2 dates in the period between 29 September 2011 and 28 October 2011. Forward rates range from 4.1680 PLN/EUR to 4.1767 PLN/EUR. The Company intends to "shorten" the transaction along with materialization of the hedged item for which this hedging transaction was opened.

25. Compensation of the Management Board and Supervisory Board of the Parent Company

	For the six months ended 30 June	
	2011	*2010*
	(unaudited)	
Management Board	2 130	1 937
Supervisory Board	254	243
Total	**2 384**	**2 180**

		For the six months ended 30 June	
		2011	*2010*
		(unaudited)	
President of the Board	Konrad Jaskóła	683	674
Vice President of the Board	Aleksander Jonek	610	438
Vice President of the Board	Grzegorz Szkopek	419	413
Vice President of the Board	Zygmunt Artwik	418	412
Total		**2 130**	**1 937**

(in PLN thousands)

The current holding of the Issuer's shares by the persons managing and supervising the Issuer as at the publication of the financial statements of Polimex-Mostostal S.A. and of Polimex Mostostal Group for the six months of 2011 and for the six months of 2010 is as follows:

Position held	*Number of held shares as at 30 June 2011*	*Change in holding in the period from communicating the report for 1st quarter of 2011*
Member of the Management Board	3,820,350	no change
Member of the Management Board	1,939,075	no change
Member of the Supervisory Board	96,548	no change
Total	**5,855,973**	**-**

Position held	*Number of held shares as at 30 June 2010*	*Change in holding in the period from communicating the report for 1st quarter of 2010*
Member of the Management Board	3,820,350	no change
Member of the Management Board	1,939,075	no change
Member of the Supervisory Board	77,000	no change
Total	**5,836,425**	**-**

Compensation of the Management Board in subsidiaries, of which:

		The six months ended 30 June 2011 (unaudited)	*The six months ended 30 June 2010 (unaudited)*
President of the Board	Konrad Jaskóła	11	69
Vice President of the Board	Grzegorz Szkopek	35	82
Vice President of the Board	Zygmunt Artwik	27	49
Vice President of the Board	Aleksander Jonek	32	31
Total		**105**	**231**

Compensation of the Management Board in associates, of which:

President of the Board	Konrad Jaskóła	-	575

Compensation paid to the Supervisory Board by the Issuer over the six months of 2011 amounted to PLN 254 thousand and over the six months of 2010 it amounted to PLN 243 thousand, of which:

		The six months ended 30 June 2011 (unaudited)	*The six months ended 30 June 2010 (unaudited)*
Chairman of the Supervisory Board,	Kazimierz Klęk	54	52
Vice Chairman of the Supervisory Board,	Jacek Kseń	47	-
Member of the Supervisory Board	Mieczysław Puławski	37	-
Member of the Supervisory Board	Andrzej Szumański	37	45
Member of the Supervisory Board	Jan Woźniak	37	-
Secretary of the Supervisory Board,	Artur P. Jędrzejewski	42	35

(in PLN thousands)

Member of Supervisory Board - until 30.06.2010	Wiesław Rozłucki	-	35
Member of Supervisory Board - until 30.06.2010	Janusz Lisowski	-	35
Member of the Supervisory Board until 30 06 2010	Elżbieta Niebisz	-	41
Total		**254**	**243**

26. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Within net debt the Group includes interest bearing bank loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes convertible preference shares, equity attributable to the equity holders of the parent less the net unrealised gains reserve.

	30 June 2011 (unaudited)	*31 December 2010*
Interest-bearing bank loans, borrowings and debentures	1 096 048	868 315
Trade and other payables	1 511 088	1 375 674
Less cash and cash equivalents	160 468	373 814
Net debts	2 446 668	1 870 175
Equity attributable to equity holders of the parent	1 449 782	1 449 011
Capital and net debt	**3 896 450**	**3 319 186**
Gearing ratio (net debt/capital and net debt)	62,8%	56,3%

27. Events after the statement of financial position date

After 30 June 2011 the following events significant to the operations of the parent company occurred:

- Signing on 26.07.2011 with the Commune of Świecie the contract for the construction of Inter-Commune Complex for the Disposal of Municipal Waste for the poviats of Świecie and Chełmno in Sulnówek. The net value of the contract is PLN 34.5 million.
- Taking the second place in the tender for the construction of „Podium" sports and show hall in Gliwice. The value of the Issuer's tender is PLN 294.3 million. Due to the fact that the investor rejected for formal reasons the less expensive offer, signing the contract, if any, will take place after conducting appeal procedures.
- Signing on 12.07.2011 the contract with the University of Gdansk for the construction of a teaching and administrative building of the University of Gdansk in Gdansk. The net value of the contract is PLN 62.8 million.
- Signing on 24.08.2011 the contract to perform the first stage of the modernisation of the Ernest Pohl football stadium in Zabrze. The scope of works includes the construction of three new stands. The net value of the contract is PLN 156.5 million.
- Receiving on 13.07.2011 the notification from the Municipal Administration of Roads and Bridges in Tychy on selecting as the most favourable one the tender submitted by the Issuer for the execution of construction works for the project of „Remodelling of National Road No.1 and 86 Gdansk – Cieszyn in the borders of the city of Tychy – section DK-1". The tender net amount is PLN 121.9 million.

(in PLN thousands)

The events listed below and having significant impact upon position of the Issuer's Capital Group companies occurred after 30 June 2011:

- Torpol Sp. z o.o.

  - The contract signed on 18.08.2011 with PKP Polskie Linie Kolejowe S.A. (Polish Railroads) with the registered office in Warsaw, the City of Łódź and Polskie Koleje Państwowe S.A. (Polish National Railways) with the registered office in Warsaw (Employer) for „Modernisation of Warsaw Łódź railroad, stage II, LOT B2 – Łódź Widzew – Łódź Fabryczna section with the Łódź Fabryczna station and the construction of underground section of the Łódź Fabryczna station servicing departures and arrivals of trains and passengers". Extension of the road system and infrastructure around the multimodal Łódź Fabryczna station– construction of an integrated interchange over and under ul.Weglowa". Total remuneration for all works to be executed by the consortium composed of: TORPOL Sp. z o.o. (the consortium leader) and Astaldi S.p.A. with the registered office in Rome, Italy, Przedsiębiorstwo Usług Technicznych INTERCOR Sp. z o.o. with the registered office in Zawiercie and Przedsiębiorstwo Budowy Dróg i Mostów Sp. z o.o. with the registered office in Minsk (the consortium partners) amounts to PLN 1,430.3 million net, of which 40% is attributable to TORPOL Sp z o.o.
  - Signing on 17.08.2011 with Trakcja – Tiltra S.A. with the registered office in Warsaw the contract for the design and construction of Kraków – Medyka – state border railroad, Podłęże – Bochnia section under the project of „Modernisation of E30/C-E30 railroad, Kraków – Rzeszów section, stage III". The net value of the contract is PLN 290,287,460.

The Board of Directors of Polimex-Mostostal S.A.

Konrad Jaskóła President of the Board	Aleksander Jonek Vice President of the Board	Grzegorz Szkopek Vice President of the Board
Zygmunt Artwik Vice President of the Board		

The person who was entrusted with keeping the accounting books

Ewa Kaczorek
Chief Accountant

Warsaw, 30th August 2011.