

**POLIMEX-MOSTOSTAL CAPITAL GROUP**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2012**



*Polimex-Mostostal Capital Group*

Interim condensed consolidated financial statements for the six months ended 30 June 2012

(in PLN thousands)

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Accounting policies and other explanatory notes included on pages 9 to 48 are an integral part of these consolidated financial statements

*Polimex-Mostostal Capital Group*

Interim condensed consolidated financial statements for the six months ended 30 June 2012

(in PLN thousands)

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT for the six months ended 30 June 2012

		<i>The three months ended</i>	<i>The six months ended</i>	<i>The three months ended</i>	<i>The six months ended</i>
		<i>30 June 2012</i>	<i>30 June 2012</i>	<i>30 June 2011</i>	<i>30 June 2011</i>
	Note	<i>(unaudited)</i>		<i>(unaudited)</i>	
<b>Continuing operations</b>					
Sale of goods		102 542	335 544	243 691	471 197
Rendering of services		799 046	1 591 427	977 645	1 624 117
Rental income		3 778	8 106	4 805	10 536
<b>Revenue</b>	9.1	<b>905 366</b>	<b>1 935 077</b>	<b>1 226 141</b>	<b>2 105 850</b>
Cost of sales		(1 285 241)	(2 226 082)	(1 141 456)	(1 935 160)
<b>Gross profit / (loss)</b>		<b>(379 875)</b>	<b>(291 005)</b>	<b>84 685</b>	<b>170 690</b>
Other operating income	9.3	6 296	11 789	11 613	16 216
Selling costs		(7 618)	(15 903)	(9 801)	(18 720)
Administrative expenses		(33 928)	(74 685)	(46 629)	(94 703)
Other operating expenses	9.4	(20 633)	(22 733)	(3 990)	(7 611)
<b>Operating profit / (loss) from continuing activity</b>		<b>(435 758)</b>	<b>(392 537)</b>	<b>35 878</b>	<b>65 872</b>
Finance income	9.5	1 022	5 167	(861)	5 888
Finance costs	9.6	(19 669)	(58 781)	(20 971)	(37 595)
Share of associate's profit		914	974	1 340	1 556
<b>Gross profit/(loss)</b>		<b>(453 491)</b>	<b>(445 177)</b>	<b>15 386</b>	<b>35 721</b>
Income tax	10	66 128	75 117	(2 049)	(9 629)
<b>Net profit/(loss) for the period</b>		<b>(387 363)</b>	<b>(370 060)</b>	<b>13 337</b>	<b>26 092</b>
Attributable to:					
Equity holders of the parent		(387 981)	(370 980)	13 315	25 768
Non-controlling interests		618	920	22	324
		<b>(387 363)</b>	<b>(370 060)</b>	<b>13 337</b>	<b>26 092</b>
Earnings per share (in PLN):					
– number of shares		521 154 076	521 154 076	521 154 076	521 154 076
– basic, for profit/ (loss) for the period attributable to equity holders of the parent		(0.74)	(0.71)	0.03	0.05
Diluted earnings per share:					
(in PLN):					
– number of shares		521 154 076	521 154 076	521 154 076	521 154 076
– diluting potential ordinary shares		12 142 323	12 142 323	12 142 323	12 142 323
– diluted, for profit/ (loss) for the period attributable to equity holders of the parent		(0.73)	(0.70)	0.02	0.05

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*Polimex-Mostostal Capital Group*

Interim condensed consolidated financial statements for the six months ended 30 June 2012

(in PLN thousands)

# **INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**for the six months ended 30 June 2012**

	<i>The three months ended 30 June 2012 (unaudited)</i>	<i>The six months ended 30 June 2012 (unaudited)</i>	<i>The three months ended 30 June 2011 (unaudited)</i>	<i>The six months ended 30 June 2011 (unaudited)</i>
<b>Net profit/(loss)</b>	<b>(387 363)</b>	<b>(370 060)</b>	<b>13 337</b>	<b>26 092</b>
Currency translation differences on consolidation	2 665	(4 490)	(1 802)	(680)
Net gains/losses on cash flow hedges	(158)	1 497	125	(3 368)
Deferred tax	30	(284)	(39)	640
Other comprehensive income, net of tax	2 537	(3 277)	(1 716)	(3 408)
<b>Total comprehensive income</b>	<b>(384 826)</b>	<b>(373 337)</b>	<b>11 621</b>	<b>22 684</b>
<b>Comprehensive income attributable to:</b>				
Equity holders of the parent	(385 444)	(374 257)	11 684	22 445
Non-controlling interests	618	920	(63)	239
	<b>(384 826)</b>	<b>(373 337)</b>	<b>11 621</b>	<b>22 684</b>

Polimex-Mostostal Capital Group

Interim condensed consolidated financial statements for the six months ended 30 June 2012  
(in PLN thousands)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	Note	30 June 2012 (unaudited)	31 December 2011 (restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	1 022 560	1 044 862
Investment properties		58 758	58 824
Goodwill on consolidation	14	489 534	491 674
Intangible assets		24 362	25 788
Investments in associates accounted for using the equity method		15 738	16 419
Financial assets		4 095	4 755
Non-current receivables		22 432	32 230
Non-current prepaid expenses		3 582	4 006
Deferred tax assets	10	160 654	82 360
		<b>1 801 715</b>	<b>1 760 918</b>
<b>Current assets</b>			
Inventories	15	453 288	445 111
Trade and other receivables	16	1 824 615	2 144 006
Income tax receivables		10 950	10 525
Accruals		16 276	17 655
Cash and cash equivalents	17	169 872	272 820
Financial assets	17.1	98 304	1 426
		<b>2 573 305</b>	<b>2 891 543</b>
<b>Available for sale non-current assets</b>		<b>288</b>	<b>359</b>
<b>TOTAL ASSETS</b>		<b>4 375 308</b>	<b>4 652 820</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity (attributable to equity holders of the parent)</b>		<b>1 138 409</b>	<b>1 512 675</b>
Issued capital		20 846	20 846
Share premium		738 237	738 237
Treasury shares		(6 884)	(6 884)
Translation of a foreign operation		(3 162)	1 328
Supplementary capital		618 552	555 994
Other capital		(85 254)	(85 254)
Reserve capital	18	32 086	32 086
Revaluation reserve		25	(1 188)
Retained earnings / Accumulated losses		(176 037)	257 510
<b>Non-controlling interests</b>		<b>13 067</b>	<b>12 149</b>
<b>Total equity</b>		<b>1 151 476</b>	<b>1 524 824</b>
<b>Non-current liabilities</b>			
Interest bearing bank loans and borrowings	19	61 517	136 751
Long-term debentures	20	-	73 000
Provisions	21	42 182	54 992
Other liabilities		98 001	94 261
Deferred income tax liability		20 134	20 503
Accruals		2 134	2 173
		<b>223 968</b>	<b>381 680</b>
<b>Current liabilities</b>			
Trade and other payables	22	1 553 075	1 967 822
Short-term debentures	20	407 846	334 742
Current portion of interest-bearing bank loans and borrowings	19	858 128	352 289
Income tax payable		771	1 511
Provisions	21	120 761	32 759
Accruals	22	59 283	57 193
		<b>2 999 864</b>	<b>2 746 316</b>
<b>Total liabilities</b>		<b>3 223 832</b>	<b>3 127 996</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4 375 308</b>	<b>4 652 820</b>

Accounting policies and other explanatory notes included on pages 9 to 48 are an integral part of these consolidated financial statements

*Polimex-Mostostal Capital Group*  
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(in PLN thousands)

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended 30 June 2012

	Note	<i>The six months ended 30 June 2012 (unaudited)</i>	<i>The six months ended 30 June 2011 (unaudited)</i>
<b>Cash flows from operating activities</b>			
Gross profit/(loss)		<b>(445 177)</b>	<b>35 721</b>
Adjustments for:		<b>(2 193)</b>	<b>(389 862)</b>
Share of profit of associates accounted for using the equity method		(974)	(1 556)
Depreciation / Amortisation		49 782	48 393
Interests and dividends, net		42 678	28 329
Gain/(loss) from investing activities		1 986	1 051
Change in receivables	17	231 116	(519 562)
Change in inventories	17	(8 177)	(20 031)
Change in payables except for loans and borrowings	17	(401 813)	117 231
Change in accruals and prepaid expenses		3 854	(15 935)
Change in provisions		75 192	(12 783)
Income tax paid		(4 995)	(13 777)
Other		9 158	(1 222)
<b>Net cash flows from operating activities</b>		<b>(447 370)</b>	<b>(354 141)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment and intangibles		11 943	1 253
Purchase of property, plant and equipment and intangibles		(49 549)	(53 994)
Proceeds from sale of investment property		14	12
Proceeds from sale of financial assets		157	-
Purchase of financial assets		(114)	(1)
Acquisition of a subsidiary, net of cash acquired		-	-
Dividends received		1 655	1 444
Interest received		113	1 044
Repayment of loans granted		10	4
Other		(568)	(181)
<b>Net cash flows from investing activities</b>		<b>(36 339)</b>	<b>(50 419)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of debentures		161 499	193 957
Proceeds from issue of shares		-	554
Expenses for redemption of debentures		(162 500)	(195 000)
Payment of finance lease liabilities		(8 006)	(5 639)
Proceeds from loans and borrowings		473 457	284 415
Repayment of loans and borrowings		(42 852)	(57 070)
Interest paid		(41 160)	(29 121)
Other		323	(882)
<b>Net cash flows from financing activities</b>		<b>380 761</b>	<b>191 214</b>
Net increase/(decrease) in cash and cash equivalents		(102 948)	(213 346)
Net foreign exchange difference		(774)	(474)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>272 820</b>	<b>373 814</b>
<b>Cash and cash equivalents at the end of the period, of which</b>		<b>169 872</b>	<b>160 468</b>
Balance of cash and cash equivalents recognised in the statement of cash flows comprises the following:			
		<i>30 June 2012 (unaudited)</i>	<i>31 December 2011</i>
Cash at bank and in hand		169 872	272 820
<b>Cash and cash equivalents recognised in the consolidated statement of cash flows</b>		<b>169 872</b>	<b>272 820</b>

*Polimex-Mostostal Capital Group*  
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the six months ended 30 June 2012 (unaudited)**

	Issued capital	Share premium	Treasury shares	Attributable to equity holders of the parent Translation of a foreign operation	Reserve capital	Revaluation reserve	Supplementary capital	Other capital	Retained earnings / Accumulated losses	Total	Non- controlling interests	Total equity
<b>As at 1 January 2012</b>	<b>20 846</b>	<b>738 237</b>	<b>(6 884)</b>	<b>1 328</b>	<b>32 086</b>	<b>(1 188)</b>	<b>555 994</b>	<b>(85 254)</b>	<b>278 655</b>	<b>1 533 820</b>	<b>12 149</b>	<b>1 545 969</b>
Adjustment of a fundamental error	-	-	-	-	-	-	-	-	(21 145)	(21 145)	-	(21 145)
<b>As at 1 January 2012</b>	<b>20 846</b>	<b>738 237</b>	<b>(6 884)</b>	<b>1 328</b>	<b>32 086</b>	<b>(1 188)</b>	<b>555 994</b>	<b>(85 254)</b>	<b>257 510</b>	<b>1 512 675</b>	<b>12 149</b>	<b>1 524 824</b>
<b>Other comprehensive income, net of tax</b>	-	-	-	<b>(4 490)</b>	-	<b>1 213</b>	-	-	-	<b>(3 277)</b>	-	<b>(3 277)</b>
Profit for the period	-	-	-	-	-	-	-	-	(370 980)	(370 980)	920	(370 060)
<b>Total comprehensive income for the period</b>	-	-	-	<b>(4 490)</b>	-	<b>1 213</b>	-	-	<b>(370 980)</b>	<b>(374 257)</b>	<b>920</b>	<b>(373 337)</b>
Profit distribution	-	-	-	-	-	-	62 558	-	(62 558)	-	-	-
Other adjustments in equity in subsidiaries	-	-	-	-	-	-	-	-	(9)	(9)	(2)	(11)
<b>As at 30 June 2012 (unaudited)</b>	<b>20 846</b>	<b>738 237</b>	<b>(6 884)</b>	<b>(3 162)</b>	<b>32 086</b>	<b>25</b>	<b>618 552</b>	<b>(85 254)</b>	<b>(176 037)</b>	<b>1 138 409</b>	<b>13 067</b>	<b>1 151 476</b>

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

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

Accounting policies and other explanatory notes included on pages 9 to 48 are an integral part of these consolidated financial statements



## 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 2012 and contain comparative data for the period ended 30 June 2011 and as at 31 December 2011. The income statement, comprehensive income statement and notes to the income statement cover the data for the period of three months ended 30 June 2012 and the comparative data for the period of three months ended 30 June 2011 – 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 Operations.

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

On 31 August 2012 the interim condensed consolidated financial statements of the Company for the six months ended 30 June 2012 were authorised for issue by the Board of Directors.

### 2. Composition of the Group

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

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 2012 (%)	31 December 2011 (%)
	<b>Subsidiaries</b>				
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	95.97	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.(*)	Plock	Wholesale	50.00	50.00
7	Moduł System Serwis Sp. z o.o. (*)	Plock	Metal structure manufacturing	100.00	100.00
8	Stalfa Sp. z o.o.(*)	Sokołów Podlaski	Metal products manufacturing	100.00	100.00
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

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Other explanatory notes

(in PLN thousands)

12	MSP Tchervonograd - Ukraine (*)	Tchervonograd- Ukraine	Metal structure manufacturing	99.61	99.61
13	Polimex-Hotele Sp. z o.o. (*)	Warsaw	Construction housing	100.00	100.00
14	Polimex-Mostostal Development Sp. z o.o. (*)	Warsaw	Housing development	100.00	100.00
15	Torpol Sp. z o.o. (Capital Group) (*)	Poznań	Comprehensive execution of transport facilities	100.00	100.00
16	Energomontaż-Nieruchomości Sp. z o.o.(*)	Warsaw	Real estate trade, maintenance and management	100.00	100.00
17	Energomontaż-Magyarország Sp. z o.o.(*)	Budapest	Construction and erection works, services, trade	100.00	100.00
18	Energomontaż – Północ Gdynia Sp. z o.o. (*)	Gdynia	Construction and erection works, steel structure production, trade	99.99	99.99
19	Energop Sp. z o.o.(*)	Sochaczew	Production of pipelines and steel structures, construction and erection services	99.99	99.99
20	Energomontaż-Północ-Technika Spawalnicza i Laboratorium Sp. z o.o.(*)	Warsaw	R&D	99.96	99.96
21	Centrum Projektowe Polimex-Mostostal Sp. z o.o. (*)	Gliwice	Construction, urban and engineering design and planning	99.57	99.57
22	Zakład Budowlano – Instalacyjny Turbud Sp. z o.o.(*)	Płock	Housing development, industrial buildings and rehabilitation	100.00	100.00
23	Zarząd Majątkiem Górczewska Sp. z o.o.(*) (Real Estate Administration)	Warsaw	Real estate lease, tenancy and administration	100.00	100.00
24	Przedsiębiorstwo Produkcyjno-Usługowe Elektra Sp. z o.o.(*)	Zielona Góra	Construction and design of overhead lines and transformer stations	100.00	100.00
25	PxM Projekt - Południe Sp. z o.o. (*)	Cracow	Design services in construction sector	100.00	100.00
26	S.C. Coifer Impex SRL (*)	Romania	Steel structure manufacturing	100.00	100.00
27	WBP Zabrze Sp. z o.o.(*)	Zabrze	Design services	99.97	99.97
28	PRInż – 1 Sp. z o.o.(*)	Katowice	Road construction	91.06	89.62
29	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
30	Polimex-Mostostal Wschód Sp. z o.o. (*)	Moscow, Russia	Special and general construction	100.00	100.00

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31	Centralne Biuro Konstrukcji Kotłów S.A.(*)	Tarnowskie Góry	Specialist construction, services	98.50	98.50
32	Grande Meccanica SpA(*)	Narni, Italy	Production, construction	100.00	100.00
<b>Associates</b>					
33	PORTY S.A. in liquidation (***)	Gdańsk	Construction, trade, transport and machine rental	40.00	40.00
34	Polimex-Sices Polska Sp. z o.o. (**)	Warsaw	Execution of erection works	50.00	50.00
35	Energomontaż – Północ Bełchatów Sp. z o.o. (**) (Capital Group)	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 2012 the percentage of voting rights held by the Company 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.

### 3. Composition of the Board of Directors and of the Supervisory Board of the parent company

As at 30 June 2012, the Board of Directors of the Company consisted of:

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

On 26 June 2012 the Supervisory Board of Polimex-Mostostal S.A. appointed for the Board of Directors Mr. Robert Bednarski for the position of Vice President of the Board for Finance effective from 2 July 2012 and Mr. Robert Oppenheim for the position of Vice President for Operations effective from 6 July 2012.

On 10 August 2012 the Supervisory Board of Polimex-Mostostal S.A. recalled Mr. Konrad Jaskóła from the position of the President of the Board of Directors. Before the new President is appointed, the duties of the President of the Board are performed by Mr. Robert Oppenheim.

The composition of the Board of Directors of the Company as at the date of publication of these financial statements i.e. 31 August 2012 is as follows:

Robert Oppenheim	Acting 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
Robert Bednarski	Vice President of the Board

In the period from 01.01.2012 to 29.02.2012 the composition of the Supervisory Board of the Company was as follows:

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

On 29.02.2012 the Extraordinary Meeting of Shareholders of Polimex-Mostostal S.A. adopted resolutions No.4 to No.10 making the following amendments in the composition of the Supervisory Board:

- persons dismissed: Kazimierz Klęk, Mieczysław Puławski, Andrzej Szumański
- persons appointed: Andrzej Bartos, Paweł Dłużniewski, Dariusz Formela, Dariusz Krawczyk.

As at 30 June 2012, the Supervisory Board of the company consisted of:

Chairman of the Supervisory Board,	Jan Woźniak
Vice Chairman of the Supervisory Board,	Artur Jędrzejewski
Secretary of the Supervisory Board,	Paweł Dłużniewski
Member of the Supervisory Board	Dariusz Formela
Member of the Supervisory Board	Dariusz Krawczyk
Member of the Supervisory Board	Jacek Kseń
Member of the Supervisory Board	Andrzej Bartos

## 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. In July 2012 the resolution was adopted to liquidate Energomontaż-Magyarország Sp. z o.o.

### The Parent Company

As at the date of authorisation of these interim condensed financial statements, the Parent Company’s Board of Directors identified a number of circumstances that would indicate a significant threat to the continued activity of the Company.

In particular the continued activity of the Company depends on the execution of the agreement on refraining from enforcement of the liabilities of the Company (the Standstill Agreement) concluded on 24 July 2012 for the period of 4 months with the banks and Debenture Holders financing Company’s operations, which is described in detail below, as well as on reaching a long-term understanding with the financial Creditors of the Company. Moreover, in

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the six month period ended 30 June 2012 the Company made a net loss of PLN 439 million resulting mostly from remeasurement of executed contracts, in particular road contracts (described in detail in Note 9.2). Cash flows from operating activity were negative and amounted to PLN 418 million. Furthermore, as at 30 June 2012 current liabilities exceed current assets by PLN 606 million, and the total amount of current liabilities rose from PLN 546 million to PLN 1,104 million as compared to 31 December 2011.

In the reporting period the Board of Directors assessed and reviewed the budgets in the scope of settlement of contracts executed by the Company based on IAS 11. The review of budgets refers in particular to the contracts for the construction of express roads and motorways as well as to the contracts in the segment of general construction, power engineering and production. The above mentioned action is caused in particular by:

- difficult relationships, often of dispute or claim nature, with the main customers for the contracts executed by the Company in the Road and Railroad segment, first of all with the General Directorate for National Roads and Motorways. while executing the road contracts, the Company performed a significant scope of additional works, for which as at the statement of financial position date the Company failed to obtain a satisfactory and appropriate for the scope of works remuneration,
- entering into the final stage of the works executed under these contracts and related detailed financial settlements between the parties to the contracts, in particular in the scope of settling contracts executed on the financial consortium basis,
- a significant rise in the prices of basic materials and raw materials such as fuel, tarmac, aggregate, concrete, reinforced steel and the rise in the prices of transport services and exploitation of equipment. The rise in the prices in the period of execution of long-term contracts ranges from several to several dozen of per cent,
- decided deterioration in the last months of the general position and conditions for activities of entities operating in the so-called construction industry,
- significant deterioration in the last months of position in the scope of cash flows relating to the commitment of funds to the performance of road contracts,
- deterioration of general business situation and anticipated probability of weakening macroeconomic outlooks in Poland in the near future.

Making significant changes to the cost budgets referring to the contracts previously concluded had a negative effect on the financial results of the Company i.e. in the segment of roads and railroads they caused a decrease of the gross financial result by PLN 297.1 million, in the segment of general construction a decrease of the gross financial result by PLN 23.1 million, in the segment of power engineering a decrease of the gross financial result by PLN 36.7 million.

Due to the difficult financial and liquidity position of the Company in the 1st half of 2012, the Board of Directors presents below the actions which were taken in order to improve the liquidity and financial results of the Company after the date of preparation of these financial statements i.e. after 30 June 2012.

On 24 July 2012 the Company signed with 14 banks financing Company's operations and Debenture Holders a standstill agreement to refrain from the enforcement of Company's liabilities in the total amount of PLN 2.5 billion.

Apart from the Company, the banks financing the operations of the Company i.e. the banks which granted loans or guarantees on request of the Company and Debenture Holders holding receivables arising from the debentures issued by the Company in the total nominal amount of PLN 395 million ("Debenture Holders" and together with the Banks "Creditors") entered into the Agreement. The total financial exposure of Creditors on account of the loans and guarantees granted to the Company and issued debentures amounted to PLN 2,456.7 million as at 24 July 2012. The Agreement was concluded for the period of four months when the Company will negotiate with its financial Creditors the final understanding amending the terms and conditions of debt financing of the Company.

Under the Agreement the Company assumed an obligation to establish for the benefit of Creditors total mortgages on real property of the Company and its subsidiaries in total amount of approx. PLN 330 million. The creditors assumed an obligation to give precedence in the scope of established mortgages to the Creditors who shall grant on request of the Company new guarantees up to PLN 1.2 billion in connection with the performance of contracts specified in the Agreement or additional debt financing up to PLN 50 million. During the period when the Agreement is in force the Company shall pay to the Banks the charge on account of concluding the Agreement in the amount equal to 0.75% of the total exposure of the Banks on yearly basis as at 24 July 2012. The Company assumed an obligation to conduct its activity in the term of the Agreement taking into consideration the limitation stipulated in the Agreement and not to perform specified actions without the consent of Creditors having at least 66% of the total financial exposure of Creditors to the Company. To make the conclusion of final understanding with the creditors possible, the Company assumed an obligation to submit to the Creditors information on planned restructuring actions and its anticipated financial position as well as to employ a consultant, who shall make an independent assessment of the information presented by the Company. The Agreement may be terminated early by



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the Creditors or the Company depending on circumstances, in the situations specified in the Agreement, in particular in case of material breach of the Agreement by the Company or the Creditors.

Apart from the provisions presented above, the Agreement includes other provisions under which it may be terminated early. On 31 July 2012 Annex No.1 to the Agreement was signed modifying its provisions, in particular in the scope of cases of early termination. As all the terms and conditions specified in the Agreement were fulfilled at a defined date, the Agreement remains binding between the Company and the Creditors. As at the date of preparation of this document the Agreement covers with its provisions, apart from the Company, 62 entities, of which 15 are banks.

By the date of preparation of this report the Agreement is binding between the Company and its Creditors and its provisions are implemented and therefore:

- agreements were signed with Creditors' consultants,
- the Company commenced the payment of interest and agreed loan principals,
- securities were established on own real property and that of subsidiaries.

In the third decade of August the Company submitted to the Creditors the financial model including projections for the next three years, which is now being verified by an independent auditor appointed by the Creditors of the Company. Based on the model and on the conclusions from its verification by the Creditors the Company will submit to the Creditors the plan of capital and operating restructuring and the plan of disposal of assets not directly related to its core activity in order to conclude a mid or long-term restructuring agreement which will ensure the security of Company's operations, the possibility to receive guarantees for new projects and to reduce debt.

Under the restructuring agreement, the issue of shares, which could be subscribed by the current Creditors, Shareholders or a strategic investor, is being considered.

The Company assumes that the main source of financing of the Company in the nearest future will revenue generated by the Company.

The financial model presented to the Creditor assumes generating in two year time standalone revenue exceeding PLN 4 billion and EBITDA margin of 5-6%.

The model in the version not assuming proceeds from one-off events (e.g. divestment, sale of developer's assets or a loan from the Industrial Development Agency) indicates that current revenue generated by the Company in the nearest 12 month period will not be sufficient to service current debt to repay a portion of principal. At the same time the model indicates that the Company will have positive accumulated cash flow in 2014. However, the Company is planning to obtain these additional proceeds from divestment as it is described below.

The possibility of the Company to generate in the coming years a financial surplus is based on maintaining/increasing revenue and financial results in the segments of Power Engineering, Construction and Production and on reducing activity in the road construction sector from the Road and Railroad segment, while maintaining activity in the railroad sector. Legitimacy of such an approach is confirmed by historic data, according to which the activity and the Construction and Production segment was profitable and generated a financial surplus of PLN 65 – 80 million. Projected positive financial surplus in the Power Engineering segment is based mostly on the execution of the contract for Construction of Power Blocks at Opole Power Plant and on the planned execution of the contract for Construction of Power Blocks at the Kozienice Power Plant of the total amount of planned revenue of PLN 6,104 million, of which PLN 2,637 by the end of 2015.

An additional source of financing the Company (not included in the presented model) will be proceeds from the sale of subsidiaries, developer's real property and improvement of discipline in the scope of receivables collection. The Company submitted an application at the Industrial Development Agency to grant a loan and expects a positive response in this matter. An issue of shares is also being considered, which would be subscribed by a potential strategic investor after determining the terms and conditions of such a potential issue with the financial Creditors of the Company.

Restructuring in the Company will also include in particular a dramatic reduction in operating costs as a result of group redundancies and centralization of purchases.

On this basis, despite the existence of the above mentioned uncertainties, the Board of Directors of the Company prepared these financial statements assuming the continued activity.

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 2011, which were published on 20 March 2012.

## 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 2011 except for the application of the following amendments to standards and new interpretations in force for reporting periods beginning on or after 1 January 2012.

- Phase 1 of IFRS 9 *Financial Instruments: Classification and Measurement* - effective for financial years beginning on or after 1 January 2015 - it has not been endorsed by the EU till the day of approval of these financial statements. In the next phases the International Accounting Standards Board will deal with hedge accounting and impairment. The application of the phase 1 IFRS 9 will have an impact on the classification and valuation of Group's financial assets. The Group assessed the effect in relation with other phases, when they are published, so as to present a consistent picture,
- Amendments to IAS 12 *Income Taxes: Recovery of Underlying Assets* - effective for financial years beginning on or after 1 January 2012 - it has not been endorsed by the EU till the day of approval of these financial statements,
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* - effective for financial years beginning on or after 1 July 2011 - not endorsed by EU till the date of approval of these financial statements,
- IFRS 10 *Consolidated Financial Statements* - effective for financial years beginning on or after 1 January 2013 - it has not been endorsed by the EU till the day of approval of these financial statements,
- IFRS 11 *Joint Arrangements* - effective for financial years beginning on or after 1 January 2013 - it has not been endorsed by the EU till the day of approval of these financial statements,
- IFRS 12 *Disclosure of Interest in Other Entities* - effective for financial years beginning on or after 1 January 2013 - it has not been endorsed by the EU till the day of approval of these financial statements,
- Amendments to IFRS 10, IFRS 11 and IFRS 12: *Interim provisions* - effective for financial years beginning on or after 1 January 2013 - they have not been endorsed by the EU till the day of approval of these financial statements,
- IFRS 13 *Fair Value Measurement* - effective for financial years beginning on or after 1 January 2013 - it has not been endorsed by the EU till the day of approval of these financial statements,
- Amendments to IAS 19 *Employee Benefits* - effective for financial years beginning on or after 1 January 2013,
- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of other comprehensive income* effective for financial years beginning on or after 1 July 2012
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* - effective for financial years beginning on or after 1 January 2013 - it has not been endorsed by the EU till the day of approval of these financial statements,
- Amendments to IFRS 7 *Financial Instruments - Disclosures - Offsetting Financial Assets and Financial Liabilities* - effective for financial years beginning on or after 1 January 2013 - not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 32 *Financial Instruments - Presentation - Offsetting Financial Assets and Financial Liabilities* - effective for financial years beginning on or after 1 January 2014 - not endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Government Loans*- effective for financial years beginning on or after 1 January 2013 - they have not been endorsed by the EU till the day of approval of these financial statements,
- Amendments arising from the IFRS review (published in May 2012) amendments are effective for financial years beginning on or after 1 January 2013 - they have not been endorsed by the EU till the day of approval of these financial statements,

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

## 6. Adjustment of error

While settling construction contracts the Group applies the rules presented in International Accounting Standard 11 (IAS 11) which requires estimating the stage of completion of individual contracts at each statement of financial position date and determining a cost and revenue budget. Based on estimates by its Board of Directors, the Issuer in 2011 included in the revenue from one of the road contracts the amount of additional revenue arising from the claim against the investor and recognized on this account the net result of PLN 21 million. Recognition of the amount of this claim in the revenue budget for the contract and in the sales revenue for 2011 in the opinion of the auditor did not met all the requirements of the standard, which became the subject of the reservation in the auditors' opinion to the Issuer's financial statements for 2011.

*The adjustments are presented below:*

(in PLN thousands)	Net profit/(loss)	Equity
Financial data as at 31 December 2011 according to the approved financial statements for the period	102 886	1 545 969
Effect of change:		
Adjustments:		
a) measurement of long-term contracts	-21 145	-21 145
Financial data as at 31 December 2011 resulting from the changed accounting policies and adjustment of error	81 741	1 524 824

Financial data as at 31 December 2011

(in PLN thousands)	31 December 2011	Adjustment of error	Presentation adjustments*	31 December 2011 after the adjustment
<b>Assets</b>				
Trade and other receivables	2 007 611	-26 105	162 500	2 144 006
Deferred tax assets	77 400	4 960		82 360
<b>Liabilities and Equity</b>				
Retained earnings/ Accumulated losses	278 655	-21 145		257 510
Trade and other payables	1 805 322	-	162 500	1 967 822
<b>Total adjustments</b>		<b>-21 145</b>		

\*) The Parent Company executes a number of long-term contracts based on financial consortium contracts, which indicate that consortium members share revenue, costs and the result of the contract in a defined proportion, independent of the fact what portion of the contract is executed by the subcontractors indicated by individual consortium members. Originally in the financial statements for 2011 the upward adjustments for of revenue and costs under a contract were recognized in the statement of financial position separately for assets and liabilities, as a decrease of receivables and liabilities, respectively. In the current period the Parent Company changed the presentation in the statement of financial position in such a way that the adjustment is recognized as per account balance as a receivable or liability with reference to each contract executed within a financial consortium. The adjustment has no effect on the financial result of the Group.

## 7. Seasonality of operations

The activity of the Group shows seasonality in the scope of construction and assembly works, overhauls as well as road and railroad works. In winter the number of works performed in the open sites decreases. Moreover, in some sectors overhaul works are conducted in specified times of year (e.g. in power plants and heat and power plants they



concentrate in summer months). Whereas modernisation works are undertaken in multiannual cycles (e.g. in refineries and chemical plants).

The Group's schedules of performance of investment tasks include climatic conditions and while preparing budgets the consequences of applied procedures for awarding and settling of orders are taken into account.

## 8. Segment information

For management purposes, the Group is organised in business units based on their products and services. The Company has 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 main customers are the General Directorate for Roads and Motorways (roads) and PKP and Polskie Linie Kolejowe S.A. (railroads).
Other operations	hardware and transport services, rental services, leases and other services not included in other segments.

No operating segments have been aggregated to form the following 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.

### 8.1. 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 2021 and the statement of financial position data as at 30 June 2012 and for the three months and six months ended 30 June 2011 and the statement of financial position data as at 30 June 2011.

<b>The three months ended 30 June 2012 (unaudited)</b>	<i>Production</i>	<i>Construction</i>	<i>Power Engineering</i>	<i>Chemistry</i>	<i>Roads and railroads</i>	<i>Other operations</i>	<i>Segments total</i>	<i>Eliminations *)</i>	<i>Total Operations</i>
<b>Revenue</b>									
Sales to external customers	197 655	331 329	231 649	107 469	22 043	15 221	905 366	-	905 366
Inter-segment sales	52 008	5 363	7 148	1 031	(145)	(4 945)	60 460	(60 460)	-
Total segment revenue	<u>249 663</u>	<u>336 692</u>	<u>238 797</u>	<u>108 500</u>	<u>21 898</u>	<u>10 276</u>	<u>965 826</u>	<u>(60 460)</u>	<u>905 366</u>
<b>Results</b>									
Segment profit	<u>97</u>	<u>(34 466)</u>	<u>(56 697)</u>	<u>6 325</u>	<u>(350 797)</u>	<u>(220)</u>	<u>(435 758)</u>	<u>(17 733)</u>	<u>(453 491)</u>

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\*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 1,022 thousand, finance costs in the amount of PLN (19,669) thousand and a share in the associate's profit of PLN 914 thousand.

**The six months ended 30**

<b>June 2012 (unaudited)</b>	<i>Production</i>	<i>Construction</i>	<i>Power Engineering</i>	<i>Chemistry</i>	<i>Roads and railroads</i>	<i>Other operations</i>	<i>Segments total</i>	<i>Eliminations *)</i>	<i>Total Operations</i>
<b>Revenue</b>									
Sales to external customers	375 249	632 432	504 868	176 045	211 680	34 803	1 935 077	-	1 935 077
Inter-segment sales	166 000	13 770	15 029	2 819	-	5 750	203 368	(203 368)	-
Total segment revenue	541 249	646 202	519 897	178 864	211 680	40 553	2 138 445	(203 368)	1 935 077
<b>Results</b>									
Segment profit	2 460	(18 447)	(55 420)	14 581	(339 379)	3 668	(392 537)	(52 640)	(445 177)

\*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 5,167 thousand, finance costs in the amount of PLN (58,781) thousand and a share in the associate's profit of PLN 974 thousand.

**30 June 2012 (unaudited)**

**Continuing operations**

	<i>Production</i>	<i>Construction</i>	<i>Power Engineering</i>	<i>Chemistry</i>	<i>Roads and railroads</i>	<i>Other operations</i>	<b>TOTAL</b>
Segment assets	628 236	998 105	1 146 566	249 398	867 049	252 268	4 141 622
Investment in an associate	-	464	15 274	-	-	-	15 738
Assets managed on Group basis	-	-	-	-	-	-	217 948
Total assets	628 236	998 569	1 161 840	249 398	867 049	-	4 375 308
Segment liabilities	160 411	460 599	346 712	76 702	552 733	99 454	1 696 611
Liabilities managed on Group basis	-	-	-	-	-	-	2 678 697
Total equity and liabilities	160 411	460 599	346 712	76 702	552 733	99 454	4 375 308

Reconciliation to data presented in the statement of financial position

Segment assets do not include assets managed on a Group basis

-property, plant and equipment	22 883
-investment properties	12 151
- intangible assets	5 555
- financial assets	4 095
-deferred tax assets	160 654
-cash and cash equivalents	2 570
- other receivables	10 040
<b>Total</b>	<b>217 948</b>

Segment liabilities do not include assets managed on a Group basis:

-loans and borrowings	919 645
- debentures	407 846
- provision for employee and similar benefits	36 725
-deferred income tax liability	20 134
- taxation, customs duty and social security payables	142 871
<b>Equity</b>	<b>1 151 476</b>
<b>Total</b>	<b>2 678 697</b>

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**The three months ended 30 June 2011 (unaudited)**

	<i>Production</i>	<i>Construction</i>	<i>Power Engineering</i>	<i>Chemistry</i>	<i>Roads and railroads</i>	<i>Other operations</i>	<i>Segments total</i>	<i>Eliminations *)</i>	<i>Total Operations</i>
<b>Revenue</b>									
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	<u>258 133</u>	<u>301 404</u>	<u>247 777</u>	<u>125 309</u>	<u>369 782</u>	<u>32 860</u>	<u>1 335 265</u>	<u>(109 124)</u>	<u>1 226 141</u>
<b>Results</b>									
Segment profit	<u>8 358</u>	<u>10 044</u>	<u>1 743</u>	<u>8 042</u>	<u>5 490</u>	<u>2 201</u>	<u>35 878</u>	<u>(20 492)</u>	<u>15 386</u>

\*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)**

	<i>Production</i>	<i>Construction</i>	<i>Power Engineering</i>	<i>Chemistry</i>	<i>Roads and railroads</i>	<i>Other operations</i>	<i>Segments total</i>	<i>Eliminations *)</i>	<i>Total Operations</i>
<b>Revenue</b>									
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	<u>461 090</u>	<u>568 350</u>	<u>439 151</u>	<u>230 723</u>	<u>532 643</u>	<u>57 882</u>	<u>2 289 839</u>	<u>(183 989)</u>	<u>2 105 850</u>
<b>Results</b>									
Segment profit	<u>9 978</u>	<u>19 206</u>	<u>2 435</u>	<u>18 535</u>	<u>12 973</u>	<u>2 745</u>	<u>65 872</u>	<u>(30 151)</u>	<u>35 721</u>

\*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)**

	<i>Production</i>	<i>Construction</i>	<i>Power Engineering</i>	<i>Chemistry</i>	<i>Roads and railroads</i>	<i>Other operations</i>	<i>Segments total</i>	<i>Eliminations *)</i>	<i>Total Operations</i>
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	<u>653 868</u>	<u>862 833</u>	<u>1 109 722</u>	<u>353 693</u>	<u>876 614</u>	<u>192 685</u>	<u>4 049 415</u>	<u>-</u>	<u>4 262 347</u>

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

**30 June 2011 (unaudited)**

	<i>Production</i>	<i>Construction</i>	<i>Power Engineering</i>	<i>Chemistry</i>	<i>Roads and railroads</i>	<i>Other operations</i>	<i>Segments total</i>	<i>Eliminations *)</i>	<i>Total Operations</i>
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	<u>115 588</u>	<u>369 022</u>	<u>260 758</u>	<u>243 880</u>	<u>469 686</u>	<u>121 382</u>	<u>1 580 316</u>	<u>-</u>	<u>4 262 347</u>
Liabilities managed on Group basis, of which:									
loans and borrowings	628 639								
debentures	407 154								
provision for employee benefits	67 358								

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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

## 9. Revenues and expenses

### 9.1. Sales of goods, rendering of services and rental income

	<i>The three months ended 30 June 2012 (unaudited)</i>	<i>The six months ended 30 June 2012 (unaudited)</i>	<i>The three months ended 30 June 2011 (unaudited)</i>	<i>The six months ended 30 June 2011 (unaudited)</i>
Sale of goods	102 542	335 544	243 691	471 197
Rendering of services	799 046	1 591 427	977 645	1 624 117
Rental income	3 778	8 106	4 805	10 536
	<b>905 366</b>	<b>1 935 077</b>	<b>1 226 141</b>	<b>2 105 850</b>

In the reporting period the Board of Directors assessed and reviewed the budgets in the scope of settlement of contracts executed by the Company based on IAS 11. While assessing and reviewing the budgets for long-term contracts, in the reporting period an adjustment of fundamental error was made in the scope of estimates for settling one of the road contracts i.e. the contract for which the Company included in the financial statements for 2011 the amount of additional revenue arising from the claim against the investor worth PLN 26 million and recognized on this account the net profit of PLN 21 million – see Note 6.

### 9.2. Revenue and costs of long-term contracts

In the reporting period the Board of Directors of the Parent Company assessed and reviewed the budgets in the scope of settlement of contracts executed by the Parent Company based on IAS 11. The review of budgets refers in particular to the contracts for the construction of express roads and motorways as well as to the contracts in the segment of general construction, power engineering and production. The above mentioned action is caused in particular by:

- difficult relationships, often of dispute or claim nature, with the main customers for the contracts executed by the Company in the Road and Railroad segment, first of all with the General Directorate for National Roads and Motorways. while executing the road contracts, the Company performed a significant scope of additional works, for which as at the statement of financial position date the Company failed to obtain a satisfactory and appropriate for the scope of works remuneration,
- entering into the final stage of the works executed under these contracts and related detailed financial settlements between the parties to the contracts, in particular in the scope of settling contracts executed on the financial consortium basis,
- a significant rise in the prices of basic materials and raw materials such as fuel, tarmac, aggregate, concrete, reinforced steel and the rise in the prices of transport services and exploitation of equipment. The rise in the prices in the period of execution of long-term contracts ranges from several to several dozen of per cent,
- decided deterioration in the last months of the general position and conditions for activities of entities operating in the so-called construction industry,
- significant deterioration in the last months of position in the scope of cash flows relating to the performance of road contracts,
- deterioration of general business situation and anticipated probability of weakening macroeconomic outlooks in Poland in the near future.

Making significant changes to cost budgets relating to concluded contracts had a negative effect on the results of the Company i.e. in the road and railroad segment they caused a decrease of the gross financial result of PLN 297.1 million, in the general construction segment a decrease of the gross financial result of PLN 23.1 million, in power engineering segments a decrease of the gross financial result of PLN 36.6 million. The amounts are the effect of both prior reversion of profits recognized on these contracts in previous periods and they reflect a considerable

decrease of estimated profitability of the executed contracts, which in the case of projecting a loss on the execution of a portion of the contracts, in accordance with regulations of IAS 11, must be immediately reflected in the recognition of the entire future estimated loss on a given contract by means of making appropriate provisions for the loss on contracts at the moment of ascertaining estimated negative profitability of a given contract. In particular the significant changes were made on the following contracts:

**The construction of A2 motorway in Stryków – Konotopa section.**

As a result of unfavourable events that occurred during the execution of the contract, the contract margin was decreased and consequently the Company was forced to recognize a substantial loss. The factors which had the largest impact are as follows:

- lack of liquidity during the execution of the project, especially in the final stage of its execution,
- an increase of prices of materials especially of fuel, tarmac, which resulted in a significant rise of the costs of executing the project,
- necessity to take over a considerable portion of works after the companies that pronounced bankruptcy (such as DSS) and performing the works with own forces, which resulted in incurring additional costs. Under bankruptcy proceedings, the Company made claims against these entities.
- unplanned costs relating to the execution of additional works such as building culverts, which as a result of lacking precise description of the subject of the order at PFU were replaced with bridge structures, which resulted in a rise of costs of a few dozens of million zlotys.

Additionally, the Ordering Party accrued penalties in the amount of PLN 26.8 million for not submitting by the Consortium of the review of a work schedule at a specified date. The share of Polimex-Mostostal S.A. in the amount of penalty is 49%. Based on an independent legal opinion excluding the legitimacy of the claim, with the decision of the Board of Directors the amount was not included in the measurement of the contract.

On account of the factors described above, a series of claims was files with the investor.

**The Construction of A4 motorway in Szarów-Brzesko section.**

Due to exceeding the contractual deadline for execution of the Project (September this year), the Company assumes t complete the contract by the end of 2012. Extended execution period is to a large extent the result of difficult liquidity situation, which will have a direct effect on the amount of projected loss. Additionally the Company will incur increased costs of maintaining the site in the extended period and of execution of works. Apart from the factors described above, the increase of loss on the contract was caused by:

- an increase of prices of materials (such as fuel, tarmac), an increase of transport costs,
- geological conditions different from the ones anticipated in the project,
- performing of a considerable scope of additional works, for which till the reporting date the Company failed to receive appropriate remuneration.

Further real threat to the execution of the contract poses difficulties with maintaining liquidity, which would fully guarantee unbroken cycle of works and at the same time completion of the contract in the projected December date. It should be mentioned that if the contract is completed in the planned date i.e. by the end of 2012, it is highly probable that Time Claims of Contractor No.19 and 20 filed with the Ordering Party together with the request to extend the time for completion of works by 48 days, will be considered positively.

Independent of the above premises an additional factor having an effect on the adjustment of the budget was the fact that not all contracts and orders concluded with subcontractors were included in the budget prepared at the end of 2011.

On account of the factors described above, a series of claims was files with the investor.

**The construction of S-69 express Road Bielsko Biala - Żywiec**

The Company assumed a slight negative margin on this contract. Due to the delay of works on the contract and planned extension of the execution time as well as the circumstances detailed below, the projected loss increased considerably:

- lack of liquidity allowing to perform works on time and keep to mile stones,

- an increase of prices of materials (such as fuel, tarmac), an increase of transport costs, increased costs of performing works in the scope of embankments and base courses,
- performing of increased scope of additional works (not included in the contract) at prices which did not guarantee covering of the incurred costs,
- the Ordering Party did not approve the use of man-made materials, imposing higher quality standards than the ones described in technical documentation, for which the Company did not receive the remuneration, which would cover the amount of incurred costs.

Independent of the above premises, an additional factor having effect on the adjustment of budget was a too optimistic valuation of the scope of bridge structure works and of their assembly performed with own forces. On account of these works the Company recognised the loss of a several dozen of millions, which was not included in the budget at the end of 2011.

A further real threat to the execution of the contract is the difficult financial position of one of the Consortium members. The factor was included in the measurement of the contract. However, there is uncertainty as to the necessity to incur expenditure on works necessary to complete the project. Depending on the financial position of the Consortium member, it may become necessary to perform further works using a substitute contractor.

The Company should complete the works in line with the contract by mid November. As of this date the Company does not have an annex to the execution contract, although obtaining it is highly probable. However, if the extension is for too short a time, the Company may incur additional costs on this account.

On account of the factors described above, a series of claims was filed with the investor.

#### **The Construction of A4 motorway in Rzeszów-Jarosław section.**

Originally anticipated margin was decreased due to the following factors:

- no approval of changes in the binding project relating to the assessment of subgrade conditions,
- problems with liquidity allowing to perform works on time and keep mile stones, the Company has difficulties with acquiring of the second tranche of advance payment due to the failure to obtain a bank guarantee,
- an increase of prices of, among other things, concrete, steel, fuel and incurring increased costs on building haul roads,
- resulting from the contract, difficult to measure cost of 10-year warranty period, which as at the best estimate of works as at the reporting date, was included in the contracts budget for specific types of works,
- extending the contract execution period by about 14 months (the Company expects to sign an annex to the contract in question, extending its execution time and considerably increasing the scope of works).

Additionally, the Ordering Party accrued penalties in the amount of PLN 35.6 million for delay in the execution of the contract. The share of Polimex-Mostostal S.A. in the amount of penalty is 51%. Based on an independent legal opinion excluding the legitimacy of the claim, with the decision of the Board of Directors the amount was not included in the measurement of the contract.

Independent of the above, an additional factor having an effect on the adjustment to the budget was a too optimistic valuation of certain scopes of works in particular those referring to the construction of embankments, before acquiring own sources of aggregate intake.

Independent of the above premises an additional factor having an effect on the adjustment of the budget was the fact that not all contracts and orders concluded with subcontractors were included in the budget prepared at the end of 2011.

On account of the factors described above, a series of claims was filed with the investor.

The amount of claims which are will be demanded by the Company from the Ordering Party in connection with the execution of the contract for construction of express roads and motorways amounts to PLN 244 million, while any unjustified additional claims of the Company against the Ordering Parties in line with IAS 11 were not taken into consideration for the measurement of unfinished construction contracts as at 30 June 2012.

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As at the date of publication of these financial statements, claims were filed with courts in the amount not exceeding a half of the claims due to the Company.

In power engineering segment the cause of changes was mostly the fact that not all contracts and orders concluded with subcontractors as well as all costs covered with the scope of works were included in the contract budget prepared at the end of 2011.

In the general construction sector the cause of an increase of projected costs was a rise of prices of materials, problems with liquidity allowing to execute works on time. Due to the situation on the market for construction companies, the works are executed using substitute contractors or own forces, which resulted in higher costs of contracts and in the recognition of a negative margin.

While making the verification of the budgets for long-term contracts and analyzing the causes of significant changes of budgeted profitability of executed long-term contracts, the contracts and orders for commissioning works subcontractors as described above were identified, which should probably be included in the cost budgets in previous reporting periods. Currently the Company is in the course of making further detailed verification of contract budgets, especially of the material completion of executed works with the participation of technical consultants. Moreover, the Company intends to commission conducting of control procedure with the participation of independent experts. The aim of conducted works is to determine precisely the correct measurements of contracts, explain the causes of potential irregularities in measurements in previous reporting periods and estimate the potential effect of these adjustments on the opening balance and comparative data for 2011. The Company plans to complete the process in the second half of 2012 and adjustments to the opening balance arising on this account, if any, will be included in the annual financial statements of the company for the year ending 31 December 2012.

### 9.3. Other operating income

	<i>The three months ended 30 June 2012</i>	<i>The six months ended 30 June 2012</i>	<i>The three months ended 30 June 2011</i>	<i>The six months ended 30 June 2011</i>
	<i>(unaudited)</i>		<i>(unaudited)</i>	
Reversed provisions for expenses	34	1 750	3 782	4 100
Gain on disposal of property, plant and equipment	(211)	259	658	977
Damages and fines	4 390	6 738	1 635	3 291
Liabilities written off	1 235	1 235	5 299	5 299
Court settlement	-	-	51	290
Grants	66	96	66	66
Other	782	1 711	122	2 193
<b>Other operating income, total</b>	<b>6 296</b>	<b>11 789</b>	<b>11 613</b>	<b>16 216</b>

### 9.4. Other operating expenses

	<i>The three months ended 30 June 2012</i>	<i>The six months ended 30 June 2012</i>	<i>The three months ended 30 June 2011</i>	<i>The six months ended 30 June 2011</i>
	<i>(unaudited)</i>		<i>(unaudited)</i>	
Provision for costs of contracts	2 527	2 552	158	158
Loss on disposal of property, plant and equipment	1 820	1 832	404	418
Revaluation of property, plant and equipment	8 000	8 000	-	-
Damages and fines	3 393	4 387	792	2 849
Court expenses	1 013	1 147	525	1 272
Donations	140	377	138	427
Post-accident repairs	-	24	123	215
Allowance on account of tax	2 338	2 338	-	-



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Receivables written-off	56	56	1 218	1 223
Other	1 346	2 020	632	1 049
<b>Total other operating expenses</b>	<b>20 633</b>	<b>22 733</b>	<b>3 990</b>	<b>7 611</b>

## 9.5. Finance income

	<i>The three months ended 30 June 2012 (unaudited)</i>	<i>The six months ended 30 June 2012 (unaudited)</i>	<i>The three months ended 30 June 2011 (unaudited)</i>	<i>The six months ended 30 June 2011 (unaudited)</i>
Revenue from measurement and exercise of derivative instruments	256	1 121	1 032	1 321
Bank interest and loan receivable	383	608	666	1 603
Proceeds from interest for delay in payment	900	1 065	138	1 866
Gain on sale of financial assets	-	-	-	-
Dividend income	151	151	100	100
Foreign exchange gains	(416)	2 193	(2 808)	847
Other	(252)	29	11	151
<b>Total finance income</b>	<b>1 022</b>	<b>5 167</b>	<b>(861)</b>	<b>5 888</b>

## 9.6. Finance costs

	<i>The three months ended 30 June 2012 (unaudited)</i>	<i>The six months ended 30 June 2012 (unaudited)</i>	<i>The three months ended 30 June 2011 (unaudited)</i>	<i>The six months ended 30 June 2011 (unaudited)</i>
Measurement and execution of derivative instruments	17	34	(275)	(141)
Interest on bank loans and borrowings	15 311	28 626	10 185	17 566
Interest and commission on debentures	7 205	14 298	6 666	12 871
Finance charges payable under finance lease agreements	846	1 600	696	1 109
Foreign exchange losses	(5 035)	11 364	2 270	3 282
Bank charges on guarantees and loans	1 757	2 742	616	1 247
Other	(432)	117	813	1 661
<b>Total finance costs</b>	<b>19 669</b>	<b>58 781</b>	<b>20 971</b>	<b>37 595</b>

## 10. Income tax

### 10.1. Tax expense

Major components of income tax expense for the six months ended 30 June 2012 and for the six months ended 30 June 2011 are as follows:

	<i>The three months ended 30 June 2012 (unaudited)</i>	<i>The six months ended 30 June 2012 (unaudited)</i>	<i>The three months ended 30 June 2011 (unaudited)</i>	<i>The six months ended 30 June 2011 (unaudited)</i>
<b>Consolidated income statement</b>				
Current income tax	2 333	4 313	2 890	3 927
Current income tax expense	2 333	4 313	2 890	3 927
Deferred income tax	(68 461)	(79 430)	(841)	5 702
Relating to origination and reversal of temporary differences	(68 461)	(79 430)	(841)	5 702
<b>Income tax expense reported in consolidated income statement</b>	<b>(66 128)</b>	<b>(75 117)</b>	<b>2 049</b>	<b>9 629</b>
<b>Comprehensive income statement</b>				
Deferred income tax	30	(284)	(39)	640
Relating to origination and reversal of temporary differences	30	(284)	(39)	640
<b>Tax expense/ tax credit recognised in other comprehensive income</b>	<b>30</b>	<b>(284)</b>	<b>(39)</b>	<b>640</b>



### **Disclosure on investment in 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 amounted to PLN 72 million, whereas the maximum (nominal) realisable relief was estimated at PLN 103 million.

Based on prepared financial projections the Company recognised by 30 June 2012 the asset for future benefits from the permit obtained on 23 July 2008 in the amount of PLN 37.7 million. Owing to the fact that the terms and conditions of the Permit were formally fulfilled, the Company, starting from the 2nd quarter 2011, commenced to utilise the granted relief. By 30 June 2012 the amount of utilised tax relief had amounted to PLN 5.9 million. Consequently total benefits recognized by the Company resulting from the Zone Permit amounted to PLN 43.6 million as at 30.06.2012.

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

### **Sefako S.A.**

„Sefako” Company under permit No. 118/2008 of 16.09.2008 was given consent to conduct business activity in the „Starachowice” Special Economic Zone. On 18.08.2010 with decision No. 151/IW/10 the above mentioned permit was amended in the scope of the dates of fulfilling the terms of employment. In line with this decision average annual employment at the level of 1,350 persons should be maintained from 31.12.2011 to 31.12.2016.

As at the statement of financial position date of 30.06.2012 the Company meets all requirements to obtain a tax relief on activities in the Special Economic Zone i.e. it employed 150 persons (reached the 1,350 persons level of employment) and realised an investment worth minimum PLN 75 million, which is acknowledged by the inspection from the zone (expenditure incurred in the zone amounted to PLN 76,837 thousand as at 31.12.2009, discounted value of this expenditure was PLN 74,636 thousand). Maximum value of the relief which can be used by 2017 is about PLN 38 million and relates to income covered by the permit and made in the SEZ.

As at the statement of financial position date of 31 December 2011 (with the Resolution of the Board of Directors No. 48/VIII/07/2012) it recognized an asset for the anticipated tax relief on account of the appurtenance to the Special Economic Zone, which may be realized from 2012 to 2017. Assuming that all zone terms and conditions will be fulfilled in 2012-2017 and basing on “The strategy of Fabryka Kotłów SEFAKO S.A. for 2011-2016” the company estimated the amount of tax relief projected to be used in the following 6 years of the existence of the Starachowice Special Economic Zone. Based on the above mentioned projections it is highly probable that the deferred tax asset will be utilized. The relief was estimated applying prudence principle and the estimated future income of the company was reduced by potential provisions for risk connected with the uncertainty of estimates. The estimated relief amounts to PLN 17.6 million. Its amount in individual years is as follows:

Period	20	2	20	20	20	2	Total
Income tax (anticipated future relief)	1 168	2 427	2 755	3 760	3 865	3 625	17 600

From 1 January 2012 the company commenced to utilise the zone relief in the scope of the Company Income Tax (Resolution of the Board No. 41/VIII/24/2011 on execution of utilization of the tax relief the SEFAKO Company is entitled to on account of income generated from the activity in the Starachowice SEZ).

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As at 30.06.2012 the company used the tax relief in the amount of PLN 819.2 thousand and an asset of this amount was correspondingly derecognized. The asset for anticipated tax relief in the SEZ as at 30 June 2012 amounts to PLN 16,780.8 thousand.

### **EPE Gdynia**

On 8 February 2011 the Company was granted the permit for production in the area of Pomerania Special Economic Zone in the scope of ready-made metal products except for machinery and equipment. As a result an asset was recognised for deferred tax on paid capital expenditure relating to PSEZ in the amount of 40% in force in the PSEZ. As at 31.12.2011 the asset amounted to PLN 2,709,041.54 and as at 30.06.2012 it was PLN 4,407,809.87.

## **11. Changes in the Capital Group**

The following changes took place in the composition of the Group in the first six months of 2012:

- increasing capital in Energop Sp. z o.o. in the amount of PLN 1,134.5 thousand,
- intragroup transaction – sale of the shares of Centralne Biuro Konstrukcji Kotłów S.A. (98.50%) by Polimex-Mostostal S.A. to Sefako S.A., a subsidiary.

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 99.99%.

## **12. Dividends paid and proposed**

On 27 June 2012 the General Meeting of Shareholders decided in line with the provisions of Resolution No.7 to assign the entire net profit for the financial year 2011 in the amount of PLN 62,558 thousand to the supplementary capital.

Equity dividends on ordinary shares for 2010 paid on 30 September 2011 amounted to PLN 20,846 thousand.

The value of dividend per share paid from 2010 profit was PLN 0.04.

## **13. Property, plant and equipment**

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	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Motor vehicles</i>	<i>Other fixed assets</i>	<i>Fixed assets under construction</i>	<i>Advanced payments to fixed assets under construction</i>	<i>Total</i>
Net carrying amount at 1 January 2012	553 829	320 723	79 091	20 875	65 765	4 579	1 044 862
Additions	2 877	20 683	3 039	1 857	21 095	6 378	55 929
Disposals	(13 978)	(1 377)	(507)	(176)	(7 005)	(443)	(23 486)
Revaluation	(8 000)	-	-	-	-	-	(8 000)
Reclassifications	30 154	363	740	(67)	(29 583)	(1 607)	-
Depreciation charge for the period	(11 426)	(24 917)	(7 469)	(2 933)	-	-	(46 745)
<b>Net carrying amount at 30 June 2012</b>	<b>553 456</b>	<b>315 475</b>	<b>74 894</b>	<b>19 556</b>	<b>50 272</b>	<b>8 907</b>	<b>1 022 560</b>

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As at 1 January 2012							
Cost	660 154	593 082	147 111	57 442	66 315	4 579	1 528 683
Write-off and impairment loss	(106 325)	(272 359)	(68 020)	(36 567)	(550)	-	(483 821)
<b>Net carrying amount</b>	<b>553 829</b>	<b>320 723</b>	<b>79 091</b>	<b>20 875</b>	<b>65 765</b>	<b>4 579</b>	<b>1 044 862</b>

As at 30 June 2012							
Cost	680 063	607 455	147 831	57 667	50 340	8 907	1 552 263
Write-off and impairment loss	(126 607)	(291 980)	(72 937)	(38 111)	(68)	-	(529 703)
<b>Net carrying amount</b>	<b>553 456</b>	<b>315 475</b>	<b>74 894</b>	<b>19 556</b>	<b>50 272</b>	<b>8 907</b>	<b>1 022 560</b>

**Year ended 31 December 2011**

	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Motor vehicles</i>	<i>Other fixed assets</i>	<i>Fixed assets under construction</i>	<i>Advanced payments to fixed assets under construction</i>	<i>Total</i>
Net carrying amount at 1 January 2011	549 820	285 213	71 146	23 802	97 025	942	1 027 948
Reclassification	(22 297)	10 729	9 980	(161)	(7 323)	(3 838)	(12 910)
Revaluation	-	(13)	(13)	-	-	-	(26)
Additions	56 151	75 443	18 151	5 268	71 694	7 514	234 221
Disposals	(7 785)	(4 284)	(6 371)	(2 067)	(95 631)	(39)	(116 177)
Depreciation charge for the period	(22 060)	(46 365)	(13 802)	(5 967)	-	-	(88 194)
<b>Net carrying amount at 31 December 2011</b>	<b>553 829</b>	<b>320 723</b>	<b>79 091</b>	<b>20 875</b>	<b>65 765</b>	<b>4 579</b>	<b>1 044 862</b>

As at 1 January 2011							
Cost	649 748	524 054	132 068	57 605	110 477	1 042	1 474 994
Write-off and impairment loss	(99 928)	(238 841)	(60 922)	(33 803)	(13 452)	(100)	(447 046)
<b>Net carrying amount</b>	<b>549 820</b>	<b>285 213</b>	<b>71 146</b>	<b>23 802</b>	<b>97 025</b>	<b>942</b>	<b>1 027 948</b>
As at 31 December 2011							
Cost	660 154	593 082	147 111	57 442	66 315	4 579	1 528 683
Write-off and impairment loss	(106 325)	(272 359)	(68 020)	(36 567)	(550)	-	(483 821)
<b>Net carrying amount</b>	<b>553 829</b>	<b>320 723</b>	<b>79 091</b>	<b>20 875</b>	<b>65 765</b>	<b>4 579</b>	<b>1 044 862</b>

**The six months ended  
30 June 2011  
(unaudited)**

	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Motor vehicles</i>	<i>Other fixed assets</i>	<i>Fixed assets under construction</i>	<i>Advanced payments to fixed assets under construction</i>	<i>Total</i>
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)
<b>Net carrying amount at 30 June 2011</b>	<b>542 097</b>	<b>312 155</b>	<b>70 560</b>	<b>23 211</b>	<b>64 834</b>	<b>8 360</b>	<b>1 021 217</b>

As at 1 January 2011							
Cost	649 748	524 054	132 068	57 605	110 477	1 042	1 474 994
Write-off and impairment loss	(99 928)	(238 841)	(60 922)	(33 803)	(13 452)	(100)	(447 046)
<b>Net carrying amount</b>	<b>549 820</b>	<b>285 213</b>	<b>71 146</b>	<b>23 802</b>	<b>97 025</b>	<b>942</b>	<b>1 027 948</b>
As at 30 June 2011							
Cost	652 503	571 931	140 264	58 808	65 384	8 460	1 497 350
Write-off and impairment loss	(110 406)	(259 776)	(69 704)	(35 597)	(550)	(100)	(476 133)
<b>Net carrying amount</b>	<b>542 097</b>	<b>312 155</b>	<b>70 560</b>	<b>23 211</b>	<b>64 834</b>	<b>8 360</b>	<b>1 021 217</b>

## 14. 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. As at 30 June 2012 the Board of Directors identified the premises for impairment in relation to the goodwill as a result the Company conducted appropriate tests to confirm the realisability of goodwill on operating segment basis. Impairment tests showed that as at the date of preparation of these financial statements there is no need to impair goodwill as the fair value arising from discounting future cash flows for individual segments is higher than goodwill increased by fixed assets and net working capital. In accordance with the regulations of 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 2012.

## 15. Inventories

	<i>30 June 2012</i> <i>(unaudited)</i>	<i>31 December 2011</i>
Raw materials	138 275	129 608
Goods for resale	2 138	2 695
Raw materials advance payments	2 458	4 302
Work-in-progress (at cost)*	285 664	282 750
Finished goods	24 753	25 756
<b>Total inventories</b> , at the lower of cost and net realisable value	<b>453 288</b>	<b>445 111</b>

\*of which: Developer's inventories in the amount of PLN 263 million as at 30 June 2012 and of PLN 265 million as at 31 December 2011, respectively.

## 16. Trade and other receivables

	<i>30 June 2012</i> <i>(unaudited)</i>	<i>31 December 2011</i> <i>(restated)</i>
Trade receivables	1 763 509	2 082 676
of which: trade receivables from related parties	3 178	126
Receivables from public authorities	29 850	37 090
Other receivables from third parties	31 256	21 232
Other receivables from related parties	-	3 008
Total receivables (net)	1 824 615	2 144 006
Doubtful debts allowance	70 332	54 004
Total receivables, gross	1 894 947	2 198 010

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 24.

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.

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

	<i>30 June 2012</i> <i>(unaudited)</i>	<i>31 December 2011</i> <i>(restated)</i>
Up to one month	1 107 899	1 425 171
Over 1 month to 3 months	407 641	276 667
Over 3 months to 6 months	23 402	25 505
Over 6 months to 1 year	42 962	50 951
Past due receivables	250 696	358 100
Gross trade receivables	1 832 600	2 136 394
Allowance for trade receivables	(69 091)	(53 718)
<b>Net trade receivables</b>	<b>1 763 509</b>	<b>2 082 676</b>

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## 16.2. Aging analysis of trade receivables

	<i>30 June 2012</i> <i>(unaudited)</i>	<i>31 December 2011</i>
Up to one month past due	60 775	144 146
Over 1 month to 3 months past due	38 806	54 004
Over 3 months to 6 months past due	28 456	44 949
Over 6 months to 1 year past due	35 475	28 998
Over 1 year past due	87 184	86 003
Gross past due trade receivables	250 696	358 100
Allowance for trade receivables*	(69 091)	(52 154)
<b>Total</b>	<b>181 605</b>	<b>305 946</b>

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

Movements in allowance for receivables were as follows:

	<i>30 June 2012</i> <i>(unaudited)</i>	<i>31 December 2011</i>	<i>30 June 2011</i> <i>(unaudited)</i>
Allowance for receivables at the beginning of the period	<b>53 718</b>	61 012	<b>61 012</b>
<b>Increase, of which:</b>	<b>17 598</b>	<b>5 563</b>	<b>1 466</b>
- allowance for receivables	17 598	5 563	1 466
- changes in Group structure	-	-	-
<b>Decrease, of which:</b>	<b>2 225</b>	<b>12 857</b>	<b>4 340</b>
- utilisation	1 198	6 633	74
- receivables pay-off	1 027	85	2 053
- release of allowance for receivables	-	6 139	2 091
- other	-	-	122
<b>Allowance for receivables at the end of the period</b>	<b>69 091</b>	<b>53 718</b>	<b>58 138</b>

## 17. Cash and cash equivalents

	<i>30 June 2012</i> <i>(unaudited)</i>	<i>31 December 2011</i>
Cash at bank and in hand	156 609	265 962
Deposits	13 263	6 858
<b>Total cash</b>	<b>169 872</b>	<b>272 820</b>

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 2012 amounts to PLN 169,872 thousand, (as at 31 December 2011 it amounted to PLN 272,820 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:

	<i>The six months ended</i> <i>30 June 2012</i> <i>(unaudited)</i>
<b>Change in receivables in the statement of financial position</b>	329 189
Adjustment for reclassification of surety to current assets	(96 530)
Adjustment for receivables from disposal of non-financial assets	(1 543)
Change in receivables in the statement of cash flows	231 116

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	<i>The six months ended</i> <i>30 June 2012</i> <i>(unaudited)</i>
<b>Change in liabilities in the statement of financial position</b>	(411 007)
Adjustment for liabilities relating to investment acquisitions	10 368
Adjustment for lease liabilities	(1 174)
Change in liabilities in the statement of cash flows	(401 813)
	<i>The six months ended</i> <i>30 June 2011</i> <i>(unaudited)</i>
<b>Change in liabilities in the statement of financial position</b>	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

### 17.1. Current financial assets

	<i>30 June 2012</i> <i>(unaudited)</i>	<i>31 December 2011</i>
Financial assets	98 304*	1 426
*Of which: advance payment to the execution of the contract for Construction of Blocks at the Opole Power Plant in the amount of PLN 96.5 million.		

## 18. 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 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: zero).

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.



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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 EBIDTA per Company share,
- Criterion 2: Meeting the 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 2012 the balance of the provision for these plans recognised in the reserve capital of the Group amounts to PLN 32,086 thousand (PLN 32,086 thousand as at 31 December 2011).

## 19. Interest-bearing bank loans and borrowings

<i>Bank / financing entity</i>	<i>Capital Group Entity</i>	<i>Maturity</i>	<i>30 June 2012</i>	<i>31 December 2011</i>
<b>Current</b>				
	<b>Parent company</b>		<b>692 908</b>	<b>208 090</b>
BGŻ S.A. – working capital facility up to PLN 26,250 thousand ( <i>as at the date of preparation of these financial statements, under the Agreement to refrain from enforcement of liabilities, the standstill agreement of 24 July 2012, a contract was concluded to assign rights to cash for security interest under which the Bank secured cash raised in Polimex-Mostostal S.A.'s account in this Bank</i> )		24.07.2012	22 855	-
Bank PEKAO S.A. – loan in the form of credit facility ( <i>as at the preparation of these financial statements under the Agreement to refrain from enforcement of liabilities of 24 July 2012, the standstill agreement, the loan was not demanded for immediate payment</i> )*)		31.07.2012	150 000	150 000
Bank PEKAO S.A. – loan in the form of credit facility ( <i>as at the preparation of these financial statements under the Agreement to refrain from enforcement of liabilities of 24 July 2012, the standstill agreement, the loan was not demanded for immediate payment</i> )*)		31.07.2012	30 425	-
BPH S.A. – bank overdraft up to PLN 23,500 thousand ( <i>as at the date of preparation of these financial statements an agreement was made under which the overdraft will be repaid in 8 equal instalments, with the payment of the first instalment being made not later than 03.08.2012 and the final repayment and closing of the account on 04.03.2013</i> )		30.11.2012	21 423	-
PKO BP S.A. – working capital facility in EUR		26.12.2012	7 564	8 503
PKO BP S.A. – working capital facility in EUR		26.12.2012	5 863	6 345
PKO BP S.A. – investment loan in PLN/EUR		31.08.2015	96 346	29 861
PKO BP S.A. – non-revolving working capital facility up to PLN 600 thousand		04.10.2012	67	167
PKO BP S.A. – loan up to PLN 21,500 thousand under multipurpose credit limit of PLN 86,000 thousand		12.02.2013	15 362	-
PKO BP S.A. – working capital facility up to PLN 200,000 thousand		30.06.2014	199 996	-
BOŚ Bank S.A. – loan in the current account up to PLN 50,000 thousand ( <i>as at the preparation of these financial statements under the Agreement to refrain from enforcement of liabilities of 24 July 2012, the standstill agreement, the loan was not demanded for immediate payment</i> )*)		02.08.2012	48 709	-

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DZ Bank S.A. – bank overdraft up to EUR 3,000 thousand ( <i>as at the date of preparation of these financial statements an agreement was concluded under which the principal will be repaid in 4 monthly instalments reduced by the amount of PLN 5.0 million repayable on the date of concluding the agreement; final repayment date is on 24.11.2012</i> )	31.10.2012	12 755	13 214
ING Bank Śląski S.A. – loan up to PLN 30,000 thousand under credit line of PLN 200, 000 thousand ( <i>as at the date of preparation of these financial statements an agreement was concluded under which the principal will be repaid in 8 equal monthly instalments with the payment of the first instalment by 31.07.2012</i> )	30.11.2012	29 618	-
DnB Nord Bank Polska S.A. – investment loan up to PLN 450 thousand	31.03.2013	122	-
Bank Millennium S.A. – working capital facility up to PLN 20,000 thousand	19.04.2013	19 752	-
Kredyt Bank S.A. – working capital facility up to PLN 40,000 thousand	30.10.2012	32 051	-

*\*)the loan in the form of multipurpose multicurrency credit facility in the total amount of PLN 420,000 thousand, of which: working capital facility up to PLN 200,000 thousand (PLN 50,000 thousand of bank overdraft; PLN 150,000 thousand of revolving loan in the form of tranches to finance contracts being performed); loan to prefinance VAT of PLN 36,000 thousand*

**Sefako Group** **41 946** **35 005**

Bank PEKAO S.A. – bank overdraft up to PLN 10,000 thousand	31.10.2012	7 921	8 377
PKO BP S.A. – loan in the form of a multipurpose credit limit up to PLN 20,000 thousand	30.06.2013	17 633	13 164
PKO BP S.A. – investment loan in PLN (current portion)	30.06.2013	7 540	7 540
PKO BP S.A. – investment loan in PLN (current portion)	30.06.2013	588	-
Bank Spółdzielczy w Sędziszowie– bank overdraft up to PLN 1,400 thousand	31.07.2012	985	1 126
Bank Spółdzielczy w Wolbromie– bank overdraft up to PLN 500 thousand (repaid)	30.04.2012	-	500
Bank Spółdzielczy w Wolbromie – investment loan up to PLN 700 thousand (current portion)	30.06.2013	200	200
Nordea Bank Polska S.A. – revolving working capital facility up to PLN 5,000 thousand	30.06.2012	5 000	3 888
Nordea Bank Polska S.A. – bank overdraft up to PLN 2,000 thousand	01.02.2013	1 919	-
Voivodship Environment Protection Fund – loan (current portion)	30.06.2013	80	30
Voivodship Environment Protection Fund – loan (current portion)	30.06.2013	80	80
Sędziszów Commune – loan (current portion)	20.08.2012	-	100

**Modul System** **1 262** **853**  
**Service Sp. z o.o.**

ING Bank Śląski S.A. – bank overdraft up to PLN 1,000 thousand	01.09.2012	922	513
Raiffeisen Bank Polska S.A. – revolving credit facility in PLN (current portion)	30.06.2013	340	340

**Sinopol Trade** **-** **790**  
**Center Sp. z o.o.**

Polski Bank Spółdzielczy w Ciechanowie – bank overdraft up to PLN 1,050 thousand (not extended)	05.05.2012	-	790
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**PPU Elektra** **-** **826**  
**Sp. z o.o.**

Bank Millenium S.A. – bank overdraft up to PLN 2,000 thousand	24.04.2013	-	418
Bank Millenium S.A. – reversed factoring up to PLN 1,000 thousand (not extended)	27.03.2013	-	408



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	<b>Polimex-Mostostal ZUT Sp. z o.o.</b>	<b>914</b>	<b>453</b>
Bank PEKAO S.A. – bank overdraft up to PLN 1,000 thousand	31.01.2013	914	453
	<b>Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.</b>	<b>-</b>	<b>224</b>
Bank PEKAO S.A. – bank overdraft up to PLN 500 thousand	31.12.2012	-	224
	<b>Stalfa Sp. z o.o.</b>	<b>15 877</b>	<b>15 342</b>
Bank PEKAO S.A. – bank overdraft up to PLN 1,000 thousand	31.07.2012	987	958
Alior Bank S.A. – bank overdraft up to PLN 7,000 thousand	29.03.2013	5 999	6 845
Alior Bank S.A. – non-revolving credit facility in PLN (current portion)	30.06.2013	596	1 083
Kredyt Bank S.A. – bank overdraft up to PLN 6,720 thousand	29.01.2013	6 531	5 392
Kredyt Bank S.A. – investment loan in PLN (current portion)	24.05.2013	1 764	1 064
	<b>Tchervonograd MSP -Ukraine</b>	<b>3 085</b>	<b>3 770</b>
Ukrgazprombank – working capital facility up to UAH 3,225 thousand	23.08.2012	1 361	1 830
Ukrgazprombank – working capital facility up to EUR 262 thousand	23.08.2012	1 101	1 147
Ukrgazprombank – working capital facility up to EUR 159 thousand	31.01.2013	623	793
	<b>Torpol Group</b>	<b>23 913</b>	<b>1 884</b>
DnB Nord Polska S.A. – bank overdraft up to NOK 15,000 thousand	30.07.2012	7 179	1 884
Bank PEKAO S.A. – bank overdraft up to PLN 5,000 thousand	30.06.2013	4 922	-
Bank Zachodni WBK S.A. – bank overdraft up to PLN 25,000 thousand	28.02.2013	11 812	-
	<b>PRInż -1 Sp. z o.o.</b>	<b>12 278</b>	<b>10 344</b>
BOŚ S.A. – revolving loan up to PLN 10,000 thousand under multipurpose line up to PLN 17,000 thousand	02.06.2012	9 922	8 650
BOŚ S.A. – investment loan in PLN (current portion)	30.06.2013	210	427
BOŚ S.A. – bank overdraft up to PLN 2,500 thousand under multipurpose line up to PLN 17,000 thousand	12.07.2012	2 105	1 145
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	31.12.2012	15	29
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN	31.12.2012	14	28
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN	31.12.2012	12	24
	<b>Energop Sp. z o.o.</b>	<b>8 330</b>	<b>16 391</b>
RBS Bank (Polska) S.A. – investment loan in EUR (as at the date of preparation of these financial statements the repayment date was amended to 25.03.2013)	31.12.2012	4 397	12 231
RBS Bank (Polska) S.A. – bank overdraft up to EUR 1,200 thousand (as at the preparation of these financial statements the amount of facility was decreased to EUR 1,000 thousand)	31.08.2012	3 933	4 160

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	<b>Energomontaż- Północ Gdynia Sp. z o.o.</b>	<b>1 625</b>	<b>-</b>
Bank Millennium S.A. – bank overdraft up to PLN 8,000 thousand	12.12.2012	1 625	-
	<b>Centrum Projektowe Polimex Mostostal Sp. z o.o.</b>	<b>9 096</b>	<b>6 885</b>
Bank PEKAO S.A. – bank overdraft up to PLN 1,300 thousand	31.07.2012	1 222	1 247
Bank Millennium S.A. – bank overdraft up to PLN 5,400 thousand	15.02.2013	5 406	3 280
	30.06.2013	9	17
Voivodship Environment Protection Fund – loan in PLN (current portion)			
Orzesko-Knurowski Polski Bank Spółdzielczy – bank overdraft up to PLN 2,000 thousand	19.10.2012	1 943	1 310
Orzesko-Knurowski Bank Spółdzielczy – investment loan in PLN (current portion)	30.06.2013	516	1 031
	<b>Polimex – Development Kraków Group</b>	<b>15 784</b>	<b>17 386</b>
PKO BP S.A. – investor loan in PLN	30.09.2012	4 102	4 190
PKO BP S.A. – investor loan in PLN	30.09.2012	11 682	13 196
	<b>Coifer Group</b>	<b>20 232</b>	<b>17 390</b>
Intensa Sanpaolo – investment loan in EUR (current portion)	30.06.2013	1 607	1 967
Unicredit Tiriak Bank – bank overdraft up to EUR 4,500 thousand	28.11.2012	18 625	15 423
	<b>Grande Meccanica SpA</b>	<b>8 094</b>	<b>14 539</b>
Banca Pop. Di Spoleto – working capital facility up to EUR 1,018 thousand	Open	2 480	3 307
Monte dei Pachi di Sienna – working capital facility up to EUR 352 thousand	Open	1 520	7 857
Banca Nazionale Del Lavoro SpA – working capital facility up to EUR 950 thousand	Open	4 083	548
Unicredit Banca d'Impresa – working capital facility up to EUR 1,000 thousand	Open	11	2 827
	<b>WBP Zabrze Sp. z o.o.</b>	<b>2 742</b>	<b>1 771</b>
Orzesko-Knurowski Polski Bank Spółdzielczy – bank overdraft up to PLN 3,000 thousand	15.05.2013	2 742	1 771
	<b>Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.</b>	<b>42</b>	<b>21</b>
Volkswagen Bank Polska S.A. – investment loan in PLN (current portion)	30.06.2013	14	-
Volkswagen Bank Polska S.A. – investment loan in PLN (current portion)	30.06.2013	15	-
ING Bank Śląski S.A. – bank overdraft up to PLN 200 thousand	01.09.2012	13	21

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	<b>Zakład Budowlano-Instalacyjny Turbud Sp. z o.o.</b>		-	<b>325</b>
PEKAO S.A. – bank overdraft up to PLN 500 thousand	31.08.2012	-		325
<b>Non-current</b>				
	<b>Parent company</b>		-	<b>82 317</b>
PKO BP S.A. – investment loan in PLN/EUR	31.08.2015	-		82 118
DnB Nord Polska S.A. – investment loan in PLN	31.03.2013	-		199
	<b>Sefako Group</b>	<b>22 261</b>		<b>25 249</b>
PKO BP S.A. – investment loan in PLN	30.01.2016	19 452		23 249
PKO BP S.A. – investment loan in PLN	31.03.2015	1 029		
Voivodship Environment Protection Fund – loan in PLN	31.10.2016	189		249
Voivodship Environment Protection Fund – loan in PLN	31.10.2016	391		451
Sędziszów Commune – loan in PLN	31.08.2016	900		800
Bank Spółdzielczy w Wolbromie – investment loan up to PLN 700 thousand	30.04.2014	300		500
	<b>Stalfa Sp. zo.o.</b>	<b>387</b>		<b>553</b>
Kredyt Bank S.A. - investment loan in PLN	24.05.2013	-		386
Alior Bank S.A. – non-revolving credit facility in PLN	28.02.2014	387		167
	<b>PRInż -1 Sp. z o.o.</b>	<b>765</b>		<b>765</b>
BOŚ S.A. – investment loan in PLN	30.06.2014	631		631
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN	16.03.2014	41		41
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN	16.06.2014	48		48
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN	25.10.2014	45		45
	<b>Energop Sp. z o.o.</b>	<b>7 867</b>		-
RBS Bank (Polska) S.A. – investment loan in EUR (as at the date of preparation of these financial statements the repayment date was amended to 25.03.2013)	15.12.2014	7 867		-
	<b>Centrum Projektowe Polimex Mostostal Sp. z o.o.</b>	<b>11 472</b>		<b>11 472</b>
Orzesko-Knurowski Bank Spółdzielczy – investment loan in PLN	18.12.2023	11 337		11 337
Voivodship Environment Protection Fund – loan in PLN	15.10.2020	135		135
	<b>Coifer Group</b>	<b>8 547</b>		<b>10 001</b>
Intensa Sanpaolo – investment loan in EUR	08.12.2017	8 547		10 001

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	<b>Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.</b>	<b>33</b>	<b>13</b>
Volkswagen Bank Polska S.A. – investment loan in PLN	02.10.2013	6	13
Volkswagen Bank Polska S.A. – investment loan in PLN	11.12.2014	27	-
	<b>Modul System Service Sp. z o.o.</b>	<b>868</b>	<b>1 010</b>
Raiffeisen Bank Polska S.A. – revolving credit facility in PLN	31.12.2013	868	1 010
	<b>Energomontaż- Północ Gdynia Sp.z o.o.</b>	<b>2 031</b>	<b>2 105</b>
Bank Millennium S.A. – investment loan in EUR	31.12.2018	2 031	2 105
	<b>Tchervonograd MSP -Ukraine</b>	<b>1 137</b>	<b>1 146</b>
Kredobank – working capital facility up to USD 337 thousand	08.12.2013	1 137	1 146
	<b>Polimex – Development Kraków Group</b>	<b>6 149</b>	<b>2 120</b>
BRE Bank S.A. – investment loan in PLN	15.08.2014	6 149	2 120
<b>Interest-bearing bank loans and borrowings</b>		<b>919 645</b>	<b>489 040</b>
<b>Current, of which:</b>		<b>858 128</b>	<b>352 289</b>
Bank loans		857 959	352 062
Borrowings		169	227
<b>Non-current, of which:</b>		<b>61 517</b>	<b>136 751</b>
Bank loans		59 902	135 116
Borrowings		1 615	1 635
<b>Comparison of interest rates for the periods</b>	<b>30 June 2012 (unaudited)</b>	<b>31 December 2011</b>	
Weighted average for bank loans in PLN	WIBOR 1M + 1.4335p/p/ WIBOR 3M + 2.0132 p/p/ WIBOR ON + 1.9500 p/p/ no WIBOR 6M	WIBOR 1M + 1.4601p/p/ WIBOR 3M + 2.1958 p/p/ WIBOR ON + 1.9500 p/p/ WIBOR 6M + 2.8500 p/p/	
Weighted average for bank loans in EUR	EURIBOR 1M +1.6645 p.p. LIBOR 1M+ +2.5000 p.p. EURIBOR 3M +2.4654 p.p.	EURIBOR 1M +1.5973 p.p. LIBOR 1M+ +0.9500 p.p. EURIBOR 3M +2.5755 p.p.	

## 20. Debentures

	<b>30 June 2012 (unaudited)</b>	<b>31 December 2011</b>
Long-term debentures	-	73 000
Short-term debentures with interest	407 846	334 742
<b>Total debentures</b>	<b>407 846</b>	<b>407 742</b>

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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.

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 were consolidated and until 25.07.2012 the 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 current, discounted debentures not admitted to public trade and in total amount of PLN 32.5 million, which were consolidated on 07.01.2009 in one block and its present maturity falls on 31.08.2011.

On 24 July 2012 the Company concluded with the banks financing the activity of the Company and with the Debenture Holders holding debt on account of debentures issued by the Company ("Debenture Holders" and together with the Banks "Creditors") the Agreement to refrain from enforcement of liabilities, hereinafter referred to as the Standstill Agreement. Apart from the Company, the parties to the Standstill Agreement are Banks which granted loans or issued guarantees on request of the Company and Debenture Holders holding debt on account of the debentures issued by the Company – as at the date of preparation of these statements - of the total amount of PLN 395 million. Under the Standstill Agreement all debentures were submitted for redemption as of 24.07.2012, but at the same time in accordance with the Standstill Agreement the Debenture holders assumed an obligation to the Company and other Creditors to refrain from enforcing their rights arising from the held debentures in the period of the Standstill Agreement i.e. by 24.11.2012. Under the Agreement the interest on debentures of all issues was made uniform as calculated from 25.07.2012.

With one of the Debenture Holders holding debentures of the nominal value of PLN 5 million, who did not enter the Standstill Agreement, the Company, with the consent of the Creditors, executed the Settlement under which the repayment of liabilities of the nominal value of PLN 5 million with interest in instalments by 30.01.2013 was agreed. As a security for the receivable the Debenture Holder is entitled to, the Company established a security in the form of submitting itself to collection proceedings under Article 777.1.5 of the Code of Civil Procedure.

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## 21. Provisions

### 21.1. Movements in provisions

	<i>Guarantee repair provisions</i>	<i>Restructuring provision</i>	<i>Post-employment benefits</i>	<i>Other provisions*</i>	<i>Total</i>
As at 1 January 2012	15 315	-	57 539	14 897	87 751
Recognised during the period	3 659	-	197	117 128	120 984
Utilised	(1 474)	-	(164)	(471)	(2 109)
Released	(5 783)	-	(12 580)	(25 320)	(43 683)
Reclassifications	-	-	-	-	-
As at 30 June 2012 ( <i>unaudited</i> )	<u>11 717</u>	<u>-</u>	<u>44 992</u>	<u>106 234</u>	<u>162 943</u>
Current at					
30 June 2012	6 712	-	8 908	105 141	120 761
Non-current at					
30 June 2012	5 005	-	36 084	1 093	42 182

\*which include in particular provisions for contract losses

	<i>Provisions for guarantee repairs and refunds</i>	<i>Restructuring provision</i>	<i>Post-employment benefits</i>	<i>Other provisions</i>	<i>Total</i>
As at 1 January 2011	21 862	-	91 573	22 068	135 503
Recognised during the year	13 051	-	2 745	13 521	29 317
Utilised	(8 746)	-	(1 555)	(774)	(11 075)
Released	(10 852)	-	(35 224)	(11 870)	(57 946)
Reclassifications	-	-	-	(8 048)	(8 048)
As at 31 December 2011	<u>15 315</u>	<u>-</u>	<u>57 539</u>	<u>14 897</u>	<u>87 751</u>
Current at					
31 December 2011	10 303	-	8 947	13 509	32 759
Non-current at					
31 December 2011	5 012	-	48 592	1 388	54 992

	<i>Guarantee repair provisions</i>	<i>Restructuring provision</i>	<i>Post-employment benefits</i>	<i>Other provisions</i>	<i>Total</i>
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 ( <i>unaudited</i> )	<u>16 099</u>	<u>-</u>	<u>90 902</u>	<u>15 719</u>	<u>122 720</u>
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

## 22. Trade and other payables (current)

	<i>30 June 2012 (unaudited)</i>	<i>31 December 2011 (restated)</i>
Trade payables		
To related parties	10 823	12 209
To third parties	<u>1 289 757</u>	<u>1 708 005</u>
	<b>1 300 580</b>	<b>1 720 214</b>
Taxation, customs duty, social security and other payables		
VAT	67 916	49 697
Withholding tax	42	508
Personal income tax	11 953	11 934
Social Insurance Institution (ZUS)	57 716	51 069
National Disabled Persons Rehabilitation Fund (PFRON)	1 047	989
Other	<u>6 868</u>	<u>3 321</u>
	<b>145 542</b>	<b>117 518</b>

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Financial liabilities		
Foreign currency contracts	735	4 069
Interest acquisition liabilities	-	1 000
Leases	16 581	18 322
Other	1 008	78
	<b>18 324</b>	<b>23 469</b>
Other liabilities		
Remuneration payable to employees	55 258	49 331
Fixed asset purchase payables	4 768	15 774
Social fund	(1 299)	(471)
Other liabilities	29 902	41 987
	<b>88 629</b>	<b>106 621</b>
Accruals arising from:		
Unused annual leave	34 727	25 393
Bonuses and rewards	14 136	22 010
Accrued service expenses	3 476	6 509
Other	6 944	3 281
	<b>59 283</b>	<b>57 193</b>

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.

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

	30 June 2012 (unaudited)	31 December 2011
Up to one month	610 164	818 063
Over 1 month to 3 months	273 531	313 343
Over 3 months to 6 months	26 859	19 841
Over 6 months to 1 year	96 262	31 433
Past due liabilities	293 764	537 534
<b>Total trade payables</b>	<b>1 300 580</b>	<b>1 720 214</b>

## 22.2. Past due trade payables

	30 June 2012 (unaudited)	31 December 2011
Up to one month	175 296	282 556
Over 1 month to 3 months	64 928	160 572
Over 3 months to 6 months	14 280	28 340
Over 6 months to 1 year	10 559	30 052
Over 1 year	28 701	36 014
<b>Total past due liabilities</b>	<b>293 764</b>	<b>537 534</b>

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

## 23. Contingent liabilities

	30 June 2012 (unaudited)	31 December 2011
Contingent liabilities and other off-statement of financial position items		
Contingent liabilities	3 568 587	2 930 131

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To other parties (arising from)	3 568 587	2 930 131
- guaranties and sureties granted	2 329 763	1 766 151
- promissory notes	144 154	144 778
- legal claims	41 029	43 984
- other	226 970	163 355
- contractual capped mortgage and ordinary mortgage	797 864	784 863
- assignment of the debt	28 807	27 000
<b>Other (arising from)</b>	<b>120 075</b>	<b>120 472</b>
- perpetual usufruct right to land	5 452	5 849
- 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
<b>Total off-statement of financial position items</b>	<b>3 688 662</b>	<b>3 050 603</b>

\* 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.

## 24. Related party disclosures

The total amounts of transactions with related parties for the six month period ended 30 June 2012 and as at this date, for the twelve month period ended 31 December 2011 and as at this date and for the three month period ended 30 June 2012 and for the three month period ended 30 June 2011.

<i>Related party</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
<i>30 June 2012 (unaudited)</i>				
<b>Associates</b>				
Energomontaż Północ Gdynia Sp. z o.o.	1 846	5	91	1
Polimex-Sices Sp. z o.o.	3	-	3 087	10 813
Laboratorium Ochrony ŚP Sp. z o.o.	-	20	-	-
Lineal Sp. z o.o.	5	50	-	9
<b>Total associates</b>	<b>1 854</b>	<b>75</b>	<b>3 178</b>	<b>10 823</b>
<i>Related party</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Receivables from related parties</i>	<i>Amounts owed to related parties</i>
<i>2011</i>				
<b>Associates</b>				
Energomontaż Północ Gdynia Sp. z o.o.	462	8	133	-
Polimex-Sices Sp. z o.o.	659	6 050	3 001	10 813
Laboratorium Ochrony ŚP Sp. z o.o.	-	79	-	34
Terminal LNG S.A.	6	-	-	-
Lineal Sp. z o.o.	-	3 758	-	1 362
<b>Total</b>	<b>1 127</b>	<b>9 895</b>	<b>3 134</b>	<b>12 209</b>



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<i>Related party</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>
	<i>For the three months ended 30 June 2012 (unaudited)</i>		<i>For the three months ended 30 June 2011 (unaudited)</i>	
<b>Associates</b>				
Energomontaż Północ Gdynia Sp. z o.o.	174	2	125	2
Polimex-Sices Sp. z o.o.	2	-	146	20
Laboratorium Ochrony Środowiska				
Pracy Sp. z o.o.	-	-	-	1
Terminal LNG S.A.	-	-	1	-
Lineal Sp z o.o.	5	29	-	922
<b>Total</b>	<b>181</b>	<b>31</b>	<b>272</b>	<b>945</b>

## 24.1. Terms and conditions of transactions with related parties

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

## 25. 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 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 2012 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 2012 Polimex-Mostostal S.A. was a party to 16 hedging strategies as characterised below (nominal values of transactions as well as price conditions for instruments to be exercised after 30.06.2012):

#### ***A. Reducing volatility of cash flows related to the PLN/EUR pair.***

##### I. Foreign currency options

The Company was the party to 6 symmetrical option transactions concluded between 11 May 2011 and 15 May 2012. The total nominal value of currency options to be exercised over the period between 10 July 2012 and 3 December 2012 amounts to EUR 2,418,500 (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 4.20 PLN/EUR depending on a transaction. The exercise rates of CALL options issued by the Company range from 4.1650 PLN/EUR to 4.72 PLN/EUR depending on a transaction.

##### II. Forward future contracts

1. the forward future contract of 19 January 2012 to sell EUR 190,000 for PLN to be exercised on 28 December 2012. Forward rate was specified at 4.3929 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 forward future contract of 11 April 2012 to sell EUR 600,000 for PLN to be exercised on 31 August 2012. The forward rate was specified at 4.2520 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;
3. the forward future contract of 11 April 2012 to sell EUR 240,000 for PLN to be exercised on 31 August 2012. The forward rate was specified at 4.2520 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;
4. the forward future contract of 11 April 2012 to sell EUR 690,000 for PLN to be exercised on 31 October 2012. The forward rate was specified at 4.2810 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;
5. the forward future contract of 11 April 2012 to sell EUR 680,000 for PLN to be exercised on 31 December 2012. The forward rate was specified at 4.3075 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 11 April 2012 to sell EUR 790,000 for PLN to be exercised on 31 December 2012. The forward rate was specified at 4.3075 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 forward future contract of 24 May 2012 to sell EUR 70,000 for PLN to be exercised at 31 July 2012. The forward rate was specified at 4.3680 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;
8. the forward future contract of 24 May 2012 to sell the total of EUR 2,400,000 for PLN to be exercised in two dates at 31 December 2012 and 30 September 2013. The forward rate was specified at 4.4690 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;

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9. a series of forward future contracts of 30 May 2012 to sell the total of EUR 1,150,000 for PLN to be exercised in two dates at 12 July 2012 and 13 August 2012. The forward rate was specified at 4.4070 PLN/EUR.

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

Forward future contracts

A series of forward future contracts of 30 May 2012 to sell the total of SEK 19,350,000 for PLN to be exercised in 10 dates from 30 July 2012 to 28 June 2013. The forward rate was specified at 0.4923 PLN/SEK.

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 30.06.2012 Polimex-Mostostal S.A. had open hedging transactions for the amount of EUR 9,228,500 thousand and SEK 19,350,000. 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 8,628,500 and SEK 14,010,000 fall in 2012. The remaining amount of EUR 600,000 and SEK 5,340,000 is to be exercised in the period from 30 January 2013 to 30 September 2013. The table below presents the schedule for the settlement of PLN/EUR hedging instruments in each quarter of the 2<sup>nd</sup> half of 2012.

Quarter the hedging instrument is exercised in 2012*	Nominal value of a hedging 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	2 246	3 080	5 326
4th quarter	173	3 130	3 303
<b>Total in 2012</b>	<b>2 419</b>	<b>6 210</b>	<b>8 629</b>

*\*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 2012.

As at 30 June 2012, fair value of the open derivative instruments was assessed at PLN 100.6 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 31.12.2011	Change in 1st half 2012	As at 30.06.2012
-1 167	1 168	1

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 period from July to December 2012 as follows:

Detailed list	2 <sup>nd</sup> half 2012
Projected foreign currency proceeds – equivalent in EUR thousands	117 159
Projected foreign currency expenditures – equivalent in EUR thousands	52 133
<b>Business exposure to foreign currency risk in EUR thousands</b>	<b>65 026</b>
Open hedging transactions as at 30.06.2012 to be exercised in the 2nd half 2012; in EUR thousands	8 629
<b>Open item in foreign currency (after taking into consideration hedging transactions) in EUR thousands</b>	<b>56 397</b>

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The nominal value of open hedging instruments as at 30 June 2012 accounts for 13% of total projected exposure to foreign currency risk in the period from June to December 2012. Foreign currency cash flows for contracts concluded by the Company by the date of the completion of this list account for more than 74% of business exposure computed as above. As a result, business exposure to foreign currency risk for cash flows contracted as at 30.06.2012 was covered in 18% 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.

On 19 July 2012, in connection with the negotiations conducted with financial Creditors on terms and conditions of the agreement to refraining from enforcement of liabilities, the Company prematurely terminated all open transactions hedging currency risk.

### **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 2012 the Group companies consequently applied the implemented policies for foreign currency risk management.

### **Disclosure on the volume of concluded hedging transactions**

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 2012 total maximum nominal value of open hedging transactions entered into by the Group companies (including Polimex-Mostostal S.A.) amounted to EUR 16,167.5 thousand, SEK 19,350.0 thousand and USD 4,900 thousand.

Maturity dates of hedging transactions for the amount of EUR 12,637.5 thousand and SEK 14,010.0 thousand fall in 2012. The remaining EUR 3,530.0, SEK 5,340.0 thousand and USD 4,900 thousand shall be exercised in 2013. The time composition of hedging instruments for the foreign currency risk for EUR PLN pair in individual quarters of 2012 (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	8 406,5
4th quarter	4 231,0
<b>Total in 2012</b>	<b>12 637,5</b>

*\*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 2012.**

Certain Group companies execute effectively implemented hedge accounting policies. In case of these entities (in particular Polimex-Mostostal S.A., Torpol Sp. z o.o. and FK Sefako S.A.) 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 2012 the total fair value of open instruments hedging foreign exchange risk in the Group was calculated at the amount of PLN -187.4 thousand. 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.

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As at 31.12.2011	Change in 1st half 2012	As at 30.06.2012
(1 188)	1 213	25

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 the period from July to December 2012 as follows:

Detailed list	2 <sup>nd</sup> half 2012
Projected foreign currency proceeds – equivalent in EUR thousands	166 997
Projected foreign currency expenditures – equivalent in EUR thousands	61 528
<b>Business exposure to foreign currency risk in EUR thousands</b>	<b>105 469</b>
Open hedging transactions as at 30.06.2012 to be exercised in the 2nd half 2012; in EUR thousands	12 638
<b>Open item in foreign currency (after taking into consideration hedging transactions) in EUR thousands</b>	<b>92 831</b>

The nominal value of open hedging instruments as at 30 June 2012 accounts for 12% of total projected exposure to foreign currency risk in the period from June to December 2012. Foreign currency cash flows for contracts concluded by the Group companies by the date of the completion of this list account for nearly 82% of business exposure computed as above. As a result, business exposure to foreign currency risk for cash flows contracted as at 30.06.2012 was covered in 15% 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 2012 Group Companies (apart from Polimex-Mostostal S.A.) entered into the following hedging transactions:

*FK Sefako S.A.*

- the forward future contract of 25 July 2012 to sell EUR 100,000 for PLN to be exercised on 16 August 2012. Future rate was specified at 4.2025 PLN/EUR;

## 26. Compensation of the Board of Directors and of the Supervisory Board of the Parent Company

		<i>For the six months ended 30 June</i>	
		2012	2011
		<i>(unaudited)</i>	
Board of Directors		1 939	2 130
Supervisory Board		282	254
<b>Total</b>		<b>2 221</b>	<b>2 384</b>

  

		<i>For the six months ended 30 June</i>	
		2012	2011
		<i>(unaudited)</i>	
President of the Board of Directors	Konrad Jaskóła	658	683
Vice President of the Board	Aleksander Jonek	432	610
Vice President of the Board	Grzegorz Szkopek	406	419
Vice President of the Board	Zygmunt Artwik	443	418
<b>Total</b>		<b>1 939</b>	<b>2 130</b>



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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 2012 and for the six months of 2011 is as follows:

<i>Position held</i>	<i>Current number of shares held</i>	<i>Change in holding in the period from communicating the report for 1st quarter of 2012</i>
Member of the Board of Directors	3,820,350	no change
Member of the Board of Directors	1,939,075	no change
<b>Total</b>	<b>5,759,425</b>	<b>-</b>

At present supervising persons do not hold any Issuer's shares. By 29 February 2012 i.e. by the date of making amendments by the Extraordinary Meeting of Shareholders in the composition of the Supervisory Board, the Member of the Supervisory Board had held 96,548 shares.

Compensation of the Board of Directors in subsidiaries, of which:

		<i>The six months ended 30 June 2011 (unaudited)</i>	<i>The six months ended 30 June 2011 (unaudited)</i>
President of the Board of Directors	Konrad Jaskóła	27	11
Vice President of the Board	Grzegorz Szkopek	27	35
Vice President of the Board	Zygmunt Artwik	26	27
Vice President of the Board	Aleksander Jonek	6	32
<b>Total</b>		<b>86</b>	<b>105</b>

Compensation paid to the Supervisory Board by the Issuer over the six months of 2012 amounted to PLN 282 thousand and over the six months of 2011 it amounted to PLN 254 thousand, of which:

		<i>The six months ended 30 June 2012 (unaudited)</i>	<i>The six months ended 30 June 2011 (unaudited)</i>
Chairman of the Supervisory Board,	Jan Woźniak	45	37
Vice Chairman of the Supervisory Board,	Artur P. Jędrzejewski	47	42
Secretary of the Supervisory Board,	Paweł Dłużniewski	22	-
Member of the Supervisory Board	Dariusz Formela	19	-
Member of the Supervisory Board	Dariusz Krawczyk	19	-
Member of the Supervisory Board	Jacek Kseń	45	47
Member of the Supervisory Board	Andrzej Bartos	19	-
Chairman of the Supervisory Board, (to 29 February 2012)	Kazimierz Klęk	28	54
Member of the Supervisory Board (to 29 February 2012)	Mieczysław Puławski	19	37
Member of the Supervisory Board (to 29 February 2012)	Andrzej Szumański	19	37
<b>Total</b>		<b>282</b>	<b>254</b>

## 27. 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.

	<i>30 June 2012</i> <i>(unaudited)</i>	<i>31 December 2011</i>
Interest-bearing bank loans, borrowings and debentures	1 327 491	896 782
Trade and other payables	1 651 076	2 062 083
Less cash and cash equivalents	<u>169 872</u>	<u>272 820</u>
Net debts	2 808 695	2 686 045
Equity attributable to equity holders of the parent	<u>1 138 409</u>	<u>1 512 675</u>
<b>Capital and net debt</b>	<b><u>3 947 104</u></b>	<b><u>4 198 720</u></b>
Gearing ratio (net debt/capital and net debt)	71.2%	64.0%

## 28. Events after the statement of financial position date

After 30 June 2012 the following events significant to the operations of the **parent company** occurred:

- On 12 July the Company signed the turn-key contract with Polski Koncern Naftowy ORLEN S.A. with its registered office in Plock to design, supply and construct the catalytic system for denitrifying and dedusting of combustion gases from boilers OOG-320 No.1, 2 and 3 and OOG-420 No. 4, 5, 6 and 7 of Heat and Power Plant in the Production Plant of Polski Koncern Naftowy ORLEN S.A. The remuneration for performing the complete scope of works necessary to fulfil the contract amounts to PLN 379,032,024.66 net.
- On 24 July 2012 the Company signed with the banks financing Company's operations and Debenture Holders a standstill agreement to refrain from the enforcement of Company's liabilities.  
Apart from the Company, the parties to the Agreement are the banks financing the operations of the Company i.e. the banks which granted loans or guarantees on request of the Company and Debenture Holders holding receivables arising from the debentures issued by the Company in the total nominal amount of PLN 387.6 million ("Debenture Holders" and together with the Banks "Creditors"). The total financial exposure of Creditors on account of the loans and guarantees granted to the Company and issued debentures amounted to PLN 2,456.7 million as at 24 July 2012. The Agreement was concluded for the period of four months when the Company will negotiate with its financial Creditors the final understanding amending the terms and conditions of debt financing of the Company.
- On 27 July 2012 the National Chamber of Appeal decided to dismiss the appeal of the consortium of CNEEC-COVEC for the decision on selecting the tender of the consortium of Polimex-Mostostal and Hitachi as the most advantageous in the tender proceedings for the construction of the coal block for supercritical parameters of the electrical of 1,000 MW at the Kozienice Power Plant, belonging to Enea. The value of the contract is PLN 5,105,386,417.00 net, of which the share of Polimex-Mostostal S.A. constitutes 42.7% i.e. PLN 2,180,000,000.00 net, as the Company informed in the current report of 29 May 2012.  
On 27 August 2012 the consortium of CNEEC-COVEC brought action to the court for the decision of the NCA. According to Enea the decision of the NCA is binding, and the contract with the consortium should be signed in mid September 2012.



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4. In the period from 1 August 2012 the Company commenced the restructuring of employment which results from two facts: the consolidation of operations in accordance with industry characteristics (industry segments) and the economic situation in the Company's environment. Change of structure into segments makes it necessary to liquidate overlapping functions, which are now present at every division. Industry concentration will allow to get economies of scale in using joined resources.  
The economic crisis which also results in a decrease of investment orders and projects and of their profitability forces the Company to slash costs, including labour costs.  
Group redundancies started in August have covered the group of over 900 persons in the sectors of production, general construction, power engineering and service. The costs of termination of work contracts are distributed in time due to the needs of restructured entities and individual terms and conditions of employment. According to preliminary estimates these costs may amount to approx. PLN 12 million in the period from October 2012 to January 2013.
5. On 10 August 2012 the Supervisory Board of Polimex-Mostostal S.A. recalled Mr. Konrad Jaskóła from the position of the President of the Board of Directors. Before the new President is appointed, the duties of the President of the Board are performed by Mr. Robert Oppenheim.
6. On 28 August 2012 the Company received from the Ordering Party the notice on accruing contractual penalties in connection with the failure to submit by the Consortium at a specified date the reviewed schedule of works for the A-2 Stryków-Konotopa contract. The total amount of accrued penalties amounts to PLN 26.8 million, of which the share of the Company is 49% i.e. PLN 13 million. Based on an independent legal opinion excluding the legitimacy of the claim, with the decision of the Board of Directors the amount was not included in the measurement of the contract as at the date of preparation of these statements.
7. On 30 August 2012 the Company received from the Ordering Party a charge ticket relating to accruing penalties for the delay in the execution of the A4 Rzeszów-Jarosław contract. The total amount of accrued penalties amounts to PLN 35.6 million, of which the share of the Company is PLN 18.2 million. Based on an independent legal opinion, indicating the fact that the claim is illegitimate on the merits and its execution shall be a breach of the contract, the Board of Directors of the Company made a decision that the amount was not included in the measurement of the contract as at the date of approval of the financial statements.

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

\_\_\_\_\_  
Robert Oppenheim  
acting 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

\_\_\_\_\_  
Robert Bednarski  
Vice President of the Board

The person who was entrusted with keeping the accounting books:

\_\_\_\_\_  
Ewa Kaczorek – Chief Accountant

\_\_\_\_\_  
Warsaw, 31 August 2012.