

**INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012**



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

		<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>
	Note	<i>(unaudited)</i>		<i>(unaudited)</i>	
Continuing operations					
Sale of goods		109 823	220 710	136 753	270 978
Rendering of services		530 882	1 228 624	903 102	1 523 003
Rental income		3 609	7 003	3 759	6 966
Revenue	8.1	644 314	1 456 337	1 043 614	1 800 947
Cost of sales		(1 057 985)	(1 817 894)	(986 914)	(1 678 735)
Gross profit / (loss)		(413 671)	(361 557)	56 700	122 212
Other operating income	8.3	5 609	8 884	5 081	9 721
Selling costs		(5 834)	(12 361)	(8 095)	(15 831)
Administrative expenses		(14 863)	(33 700)	(22 903)	(48 726)
Other operating expenses	8.4	(11 383)	(12 729)	(2 946)	(5 987)
Operating profit / (loss) from continuing operations		(440 142)	(411 463)	27 837	61 389
Finance income	8.5	4 818	6 235	5 764	10 561
Finance costs	8.6	(79 878)	(111 269)	(18 524)	(30 671)
Gross profit/(loss)		(515 202)	(516 497)	15 077	41 279
Income tax	9.1	66 314	77 051	(562)	(6 758)
Net profit / (loss) for the period from continuing operations		(448 888)	(439 446)	14 515	34 521
Net profit/(loss) for the year		(448 888)	(439 446)	14 515	34 521
Earnings per share (in PLN)					
– number of shares		521 154 076	521 154 076	521 154 076	521 154 076
– basic, for net profit / (loss) for the period		(0.86)	(0.84)	0.03	0.07
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 net profit / (loss) for the period		(0.84)	(0.82)	0.03	0.06

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME for the six months ended 30 June 2012

	<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>	
Net profit/(loss)	(448 888)	(439 446)	14 515	34 521
Net gains/(losses) on valuation of cash flow hedges	(190)	1 442	185	(3 288)
Deferred tax	36	(274)	(35)	630
Other comprehensive income, net of tax	(154)	1 168	150	(2 658)
Total comprehensive income	(449 042)	(438 278)	14 665	31 863

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION as at 30 June 2012

	Note	30 June 2012 (unaudited)	31 December 2011 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	11	598 001	632 564
Investment properties		52 380	52 380
Intangible assets		21 857	23 457
Financial assets	12	384 127	454 387
Non-current receivables		17 597	22 741
Deferred tax assets		111 946	35 170
		1 185 908	1 220 699
Current assets			
Inventories	12	195 572	195 948
Trade and other receivables	14	1 401 097	1 653 465
Income tax receivables		10 101	10 101
Prepaid expenses		7 760	10 894
Cash and cash equivalents	15	112 905	176 594
Financial assets	12.1	168 708	60 835
		1 896 143	2 107 837
TOTAL ASSETS		3 082 051	3 328 536
EQUITY AND LIABILITIES			
Equity			
Issued capital		20 846	20 846
Share premium		738 237	738 237
Supplementary capital		618 552	555 994
Other capital		(444 924)	(444 924)
Reserve capital	16	32 086	32 086
Revaluation reserve		1	(1 167)
Retained earnings / Accumulated losses		(467 720)	34 284
Total equity		497 078	935 356
Non-current liabilities			
Interest bearing bank loans and borrowings	17	-	82 317
Long-term debentures	18	-	73 000
Provisions	21	34 241	45 826
Non-current liabilities		48 903	48 761
		83 144	249 904
Current liabilities			
Trade and other payables	20	1 240 100	1 536 056
Short-term debentures	18	407 846	334 742
Current portion of interest-bearing bank loans and borrowings	17	695 944	211 217
Income tax payable		-	-
Accruals	20	44 103	38 953
Provisions	21	113 836	22 308
		2 501 829	2 143 276
Total liabilities		2 584 973	2 393 180
TOTAL EQUITY AND LIABILITIES		3 082 051	3 328 536

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

	<i>For the six months ended 30 June 2012</i>	<i>For the six months ended 30 June 2011</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities		
Gross profit/(loss)	(516 497)	41 279
Adjustments for:	98 367	(325 810)
Depreciation / Amortisation	34 472	31 810
Interests and dividends, net	29 118	19 799
Gain/loss from investing activities	2 044	(205)
Decrease/increase in receivables	160 577	(431 919)
Increase/decrease in inventories	376	(2 397)
Increase/decrease in payables except for loans and borrowings	(280 351)	88 739
Change in accruals and prepaid expenses	8 284	(6 411)
Change in provisions	79 943	(8 608)
Income tax paid	-	(12 952)
Other (including impairment of shares in subsidiaries)	63 904	(3 666)
Net cash flows from operating activities	(418 130)	(284 531)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangibles	11 185	681
Purchase of property, plant and equipment and intangibles	(19 277)	(27 617)
Proceeds from sale of financial assets	116	-
Purchase of financial assets	(5 653)	(10 233)
Dividends received	2 183	1 444
Interest received	105	652
Repayment of loans granted	1 944	1 149
Loans granted	(2 477)	(18 720)
Other	-	42
Net cash flows from investing activities	(11 874)	(52 602)
Cash flows from financing activities		
Proceeds from issue of shares	-	554
Proceeds from issue of debentures	161 499	193 957
Expenses for redemption of debentures	(162 500)	(195 000)
Payment of finance lease liabilities	(3 050)	(1 410)
Proceeds from loans and borrowings	420 191	247 556
Repayment of loans and borrowings	(17 781)	(37 089)
Interest paid	(32 402)	(23 078)
Other	358	234
Net cash flows from financing activities	366 315	185 724
Net (decrease) / increase in cash and cash equivalents	(63 689)	(151 409)
Net foreign exchange difference	(774)	(669)
Cash and cash equivalents at the beginning of the period	176 594	280 934
Cash and cash equivalents at the end of the period	112 905	129 525

Polimex – Mostostal S.A.
Interim condensed financial statements for the six months ended 30 June 2012
(in PLN thousands)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2012

	Issued capital	Share premium	Other capital	Reserve capital	Supplementary capital	Revaluation reserve	Retained earnings / Accumulated losses	Total equity
As at 1 January 2012	20 846	738 237	(444 924)	32 086	555 994	(1 167)	55 429	956 501
Adjustment of fundamental error	-	-	-	-	-	-	(21 145)	(21 145)
As at 1 January 2012	20 846	738 237	(444 924)	32 086	555 994	(1 167)	34 284	935 356
Gain/ (loss) for the period	-	-	-	-	-	-	(439 446)	(439 446)
Other comprehensive income for the period	-	-	-	-	-	1 168	-	1 168
Comprehensive income for the period	-	-	-	-	-	1 168	(439 446)	(438 278)
Distribution of profit for 2011					62 558		(62 558)	-
As at 30 June 2012 (unaudited)	20 846	738 237	(444 924)	32 086	618 552	1	(467 720)	497 078

Other explanatory notes included on pages
8 to 39 are an integral part of these interim condensed financial statements

Polimex – Mostostal S.A.
Interim condensed financial statements for the six months ended 30 June 2012
(in PLN thousands)

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

	Issued capital	Share premium	Other capital	Reserve capital	Supplementary capital	Revaluation reserve	Retained earnings / Accumulated losses	Total equity
As at 1 January 2011	20 837	737 454	(444 924)	33 221	471 415	3 851	98 176	920 030
Profit for the period	-	-	-	-	-	-	34 521	34 521
Other comprehensive income for the period	-	-	-	-	-	(2 658)	-	(2 658)
Comprehensive income for the period	-	-	-	-	-	(2 658)	34 521	31 863
Share issue – exercise of executive options	9	545	-	-	-	-	-	554
Other adjustments	-	238	-	(238)	-	-	-	-
Revaluation of executive options	-	-	-	(1 305)	-	-	-	(1 305)
Profit distribution	-	-	-	-	84 579	-	(84 579)	-
Dividends	-	-	-	-	-	-	(20 846)	(20 846)
As at 30 June 2011 (unaudited)	20 846	738 237	(444 924)	31 678	555 994	1 193	27 272	930 296

Other explanatory notes included on pages
8 to 39 are an integral part of these interim condensed financial statements

ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES

1. Corporate information

Polimex - Mostostal Spółka Akcyjna ('the Company') is a company with the registered office in Warsaw at ul. Czackiego 15/17 whose shares are in the public offering and are quoted at the Warsaw Stock Exchange in the continuous trading.

The interim condensed financial statements of the Company cover the period of six months ended 30 June 2012 and contain comparative data for the six months 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 Company is entered into the register of entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw, 12th Economic Department of the National Court Register, Entry No KRS 0000022460.

Polimex-Mostostal S.A. has been granted REGON statistical number 710252031.

The Company has an unlimited period of operation.

The main area of company business is execution of construction and erection works, fitting equipment and industrial installations, manufacturing.

Polimex-Mostostal S.A. conducts business activities in the following segments: Production, Construction, Power Engineering, Chemistry, Roads and Railroads, Other Operations.

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

The Company has also prepared the interim condensed consolidated financial statements for the six months ended 30 June 2012 that were authorised for issue by the Board of Directors on 31 August 2012.

2. Composition of the Board of Directors and of the Supervisory Board

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 Formeła, 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 Formeła
Member of the Supervisory Board	Dariusz Krawczyk
Member of the Supervisory Board	Jacek Kseń
Member of the Supervisory Board	Andrzej Bartos

3. Basis of preparation of financial statements

These interim condensed 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 interim condensed financial statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Company's activities, in terms of accounting policies applied by the Company there is no difference between the IFRSs applied by the Company 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 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 financial statements have been prepared on the assumption that the Company will continue as going concern in the foreseeable future. However, as at the date of authorisation of these interim condensed financial statements, the Company's Board of Directors identified a number of circumstances that would indicate a substantial 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 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 8.2) and impairment made on investment (described in detail in Note 12). 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 particular in the road and railroad segment they caused a decrease of the gross financial result by PLN 297.1 million, in the general construction segment a decrease of the gross financial result by PLN 23.1 million, in the power engineering sector 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 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 between the Company and its Creditors is binding and its provisions are implemented and therefore:

- agreements were signed with Creditor's 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. 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 also 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 Koźienice 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.

4. Significant accounting principles (policies)

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

- 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 Company's financial assets. The Company assessed the effect in relation with other phases, when they will be 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 Company has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

The Company is in the course of the analysis of the effect of application of new standards for the expected financial position and financial results of the Company.

5. Adjustment of error

While settling construction contracts the Company 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 the Board of Directors, the Company 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 meet all the requirements of the standard, which became the subject of the reservation in the auditors' opinion to the Company's financial statements for 2011. In 2012 the Board of Directors of the Company made another analysis of the above mentioned road contract which resulted in the exclusion from the contract budget of the claim against the investor for the purpose of the measurement in line with IAS 11, making adjustments to the comparative data for 2011.

(in PLN thousands)	Net profit/(loss)	Equity
Financial data as at 31 December 2011 according to the approved financial statements for the period	62 558	956 501
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	41 413	935 356

Financial data as at 31 December 2011

(in PLN thousands)	31 December 2011	Adjustment of error	Presentation adjustments	31 December 2011 after the adjustment
Assets				
Trade and other receivables	1 517 070	-26 105	162 500	1 653 465
Deferred tax assets	30 210	4 960	-	35 170
Liabilities and Equity				
Retained earnings/ Accumulated losses	55 429	-21 145		34 284
Trade and other payables	1 373 556		162 500	1 536 056
Total adjustments		-21 145		

*the 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 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 Company.

6. Seasonality of operations

The activity of the Company 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 Company'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.

7. Segment information

For management purposes, the Company 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.

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, which to a certain extent, as the table below explains, is measured differently from profit or loss on operating activity in the financial statements. Company financing (including finance costs and finance income) and income tax are monitored on a company basis and are not allocated to operating segments.

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

7.1. Operating segments

The tables below present revenue and profit information regarding the Company's operating segments for the three months and six months ended 30 June 2012 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.

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Continuing operations									Total Operations
The three months ended 30 June 2012 (unaudited)	Production	Construction	Power Engineering	Chemistry	Roads and railroads	Other operations	Segments total	Eliminations (*)	
Revenue									
Sales to external customers	142 884	309 376	172 165	106 865	(88 571)	1 595	644 314	-	644 314
Inter-segment sales	61 443	5 382	8 579	1 083	-	2 855	79 342	(79 342)	-
Total segment revenue	204 327	314 758	180 744	107 948	(88 571)	4 450	723 656	(79 342)	644 314
Results									
Profit/ (loss) of the segment	(9 775)	(24 488)	(59 578)	7 019	(353 588)	268	(440 142)	(75 060)	(515 202)

*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 4,818 thousand and finance costs in the amount of PLN (79,878) thousand.

Continuing operations									Total Operations
The six months ended 30 June 2012 (unaudited)	Production	Construction	Power Engineering	Chemistry	Roads and railroads	Other operations	Segments total	Eliminations (*)	
Revenue									
Sales to external customers	282 965	584 123	384 927	174 852	26 102	3 368	1 456 337	-	1 456 337
Inter-segment sales	166 000	13 770	15 029	2 819	-	5 750	203 368	(203 368)	-
Total segment revenue	448 965	597 893	399 956	177 671	26 102	9 118	1 659 705	(203 368)	1 456 337
Results									
Profit/ (loss) of the segment	(11 887)	(7 506)	(65 018)	15 220	(344 251)	1 979	(411 463)	(105 034)	(516 497)

*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 6,235 thousand and finance costs in the amount of PLN (111,269) thousand.

Continuing operations								
30 June 2012 (unaudited)	Production	Construction	Power Engineering	Chemistry	Roads and railroads	Other operations	TOTAL	
Segment assets		455 968	561 367	525 483	244 963	536 107	144 848	2 468 736
Segment liabilities		113 956	367 771	286 503	77 592	379 092	70 643	1 295 557
Unallocated assets:								
- property, plant and equipment		22 883						
- intangible assets		5 555						
- financial assets		450 800						
-deferred tax assets		111 946						
-cash and cash equivalents		2 570						
-investment properties		12 151						
- other		7 410						
Total assets		3 082 051						

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Unallocated liabilities:	
- loans and borrowings	692 907
- debentures	407 846
- provision for employee and similar benefits	36 725
- taxation, customs duty and social security payables	146 037
- other	5 901
Equity	497 078
Total equity and liabilities	3 082 051

Continuing operations									Total Operations
The three months ended 30 June 2011 (unaudited)	Production	Construction	Power Engineering	Chemistry	Roads and railroads	Other operations	Segments total	Eliminations *)	
Revenue									
Sales to external customers	149 533	274 324	198 784	122 692	296 603	1 678	1 043 614	-	1 043 614
Inter-segment sales	76 407	969	3 492	1 626	-	1 939	84 433	(84 433)	-
Total segment revenue	<u>225 940</u>	<u>275 293</u>	<u>202 276</u>	<u>124 318</u>	<u>296 603</u>	<u>3 617</u>	<u>1 128 047</u>	<u>(84 433)</u>	<u>1 043 614</u>
Results									
Profit/ (loss) of the segment	<u>9 350</u>	<u>7 720</u>	<u>(572)</u>	<u>8 071</u>	<u>2 904</u>	<u>364</u>	<u>27 837</u>	<u>(12 760)</u>	<u>15 077</u>

*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 5,764 thousand and finance costs in the amount of PLN (18,524) thousand.

Continuing operations									Total Operations
The six months ended 30 June 2011 (unaudited)	Production	Construction	Power Engineering	Chemistry	Roads and railroads	Other operations	Segments total	Eliminations *)	
Revenue									
Sales to external customers	279 329	525 167	341 483	225 418	426 376	3 174	1 800 947	-	1 800 947
Inter-segment sales	120 851	2 314	9 367	3 722	-	3 828	140 082	(140 082)	-
Total segment revenue	<u>400 180</u>	<u>527 481</u>	<u>350 850</u>	<u>229 140</u>	<u>426 376</u>	<u>7 002</u>	<u>1 941 029</u>	<u>(140 082)</u>	<u>1 800 947</u>
Results									
Profit/ (loss) of the segment	<u>13 228</u>	<u>22 714</u>	<u>(3 709)</u>	<u>18 868</u>	<u>9 798</u>	<u>490</u>	<u>61 389</u>	<u>(20 110)</u>	<u>41 279</u>

*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 10,561 thousand and finance costs in the amount of PLN (30,671) thousand.

Continuing operations									Total Operations
30 June 2011 (unaudited)	Production	Construction	Power Engineering	Chemistry	Roads and railroads	Other operations	Segments total	Eliminations *)	
Segment assets	547 430	527 221	535 606	303 992	611 949	92 705	2 618 903	-	2 618 903
Unallocated assets**	-	-	-	-	-	-	589 438	-	589 438
Total assets	<u>547 430</u>	<u>527 221</u>	<u>535 606</u>	<u>303 992</u>	<u>611 949</u>	<u>92 705</u>	<u>3 208 341</u>	<u>-</u>	<u>3 208 341</u>

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**Segment unallocated assets, of which:

-property, plant and equipment	84 624
- intangible assets	11 273
- financial assets	379 515
-deferred tax assets	36 162
-cash and cash equivalents	27 374
- other receivables	43 138
- other	7 352
Total unallocated assets	589 438

Segment liabilities	76 369	313 369	225 905	197 855	327 573	70 713	1 211 784	-	1 211 784
Unallocated liabilities**	-	-	-	-	-	-	1 996 557	-	1 996 557
Total equity and liabilities	76 369	313 369	225 905	197 855	327 573	70 713	3 208 341	-	3 208 341

-loans and borrowings	467 708
- debentures	407 154
- provision for employee benefits	67 358
- taxation, customs duty, social security and other payables	104 221
- other	19 820
- equity	930 296
Total unallocated equity and liabilities	1 996 557

8. Revenues and expenses

8.1. Sales of goods, rendering of services and rental 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>	<i>(unaudited)</i>	<i>(unaudited)</i>
Sale of goods	109 823	220 710	136 753	270 978
Rendering of services	530 882	1 228 624	903 102	1 523 003
Rental income	3 609	7 003	3 759	6 966
	644 314	1 456 337	1 043 614	1 800 947

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 5.

8.2. Revenue and costs of long-term contracts

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. 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 Consortium's failure to submit at a specified date the review of a work schedule. 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 filed 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 to 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 files 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 delays 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.

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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 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. 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 verifying 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.

8.3. 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>	
Gain on disposal of property, plant and equipment	(144)	-	50	317
Release of provision for legal cases	-	-	3 094	3 094
Release of provision for other expenses	-	383	354	672
Damages and fines	4 112	6 314	1 489	3 005
Reimbursement of court expenses	145	248	89	313
Other	1 496	1 939	5	2 320
Total other operating income	5 609	8 884	5 081	9 721

8.4. 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>	
Loss on sale of non-financial fixed assets	1 698	1 698	-	-
Receivables written-off	-	-	1 105	1 110
Damages and fines	3 250	4 226	721	2 711
Court expenses	465	548	290	906
Donations	42	202	60	315
Deductions on account of tax	2 338	2 338	-	-
Provisions for contentious issues	2 552	2 552	-	-
Costs of post-accident repairs	-	-	37	37
Other	1 038	1 165	733	908
Total other operating expenses	11 383	12 729	2 946	5 987

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8.5. 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	376	503	567	569
Interest income	1 807	2 818	1 245	4 065
Dividend income	2 183	2 183	2 439	2 439
Excess of foreign exchange gains over foreign exchange losses	-	-	-	1 390
Revaluation of financial assets	-	-	1 507	1 507
Other	452	731	6	591
Total finance income	4 818	6 235	5 764	10 561

8.6. 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>
Interest and commissions on bank loans, borrowings and other liabilities	12 725	23 303	7 493	12 202
Debenture commissions and interest	7 205	14 298	6 666	12 871
Expenses arising from measurement and exercise of derivative instruments	-	-	-	-
Revaluation of financial assets	63 228	63 228	-	-
Excess of foreign exchange losses over foreign exchange gains	(3 161)	9 905	3 366	3 366
Other	(119)	535	999	2 232
Total finance costs	79 878	111 269	18 524	30 671

9. Income tax

9.1. Tax expense

Major components of income tax expense for the six months ended 30 June 2012 and 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>
Income statement				
Current income tax	-	-	3 091	3 091
Current income tax expense	-	-	-	-
Deferred income tax	(66 314)	(77 051)	(2 529)	3 667
Relating to origination and reversal of temporary differences	(66 314)	(77 051)	(2 529)	3 667
An income tax expense recognised in the income statement	(66 314)	(77 051)	562	6 758
Comprehensive income statement				
Deferred income tax	36	(274)	(35)	630
Relating to origination and reversal of temporary differences	36	(274)	(35)	630
Tax expense/ tax credit recognised in other comprehensive income	36	(274)	(35)	630

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

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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 half-yearly basis to review their contents and possibly revalue the asset recognised for the subject undertaking.

10. Dividends paid

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.

11. Property, plant and equipment

The six months ended 30 June 2012 (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 2012	354 978	210 161	37 507	15 821	14 097	-	632 564
Additions	1 559	4 942	108	833	8 004	-	15 446
Disposals	(11 064)	(283)	(149)	(48)	(6 089)	-	(17 633)
Reclassifications	14	53	-	(67)	-	-	-
Depreciation charge for the period	(11 544)	(15 265)	(3 439)	(2 128)	-	-	(32 376)
Net carrying amount at 30 June 2012	333 943	199 608	34 027	14 411	16 012	-	598 001
As at 1 January 2012							
Cost	426 972	385 594	79 105	44 261	14 645	-	950 577
Accumulated depreciation and impairment loss	(71 994)	(175 433)	(41 598)	(28 440)	(548)	-	(318 013)
Net carrying amount	354 978	210 161	37 507	15 821	14 097	-	632 564
As at 30 June 2012							
Cost	416 581	387 243	77 525	43 894	16 012	-	941 255
Accumulated depreciation and impairment loss	(82 638)	(187 635)	(43 498)	(29 483)	-	-	(343 254)
Net carrying amount	333 943	199 608	34 027	14 411	16 012	-	598 001

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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 2011	337 392	186 604	40 569	18 831	74 928	-	658 324
Additions	44 763	55 671	5 382	3 247	35 227	-	144 290
Disposals	(1 392)	(2 505)	(2 857)	(1 846)	(92 387)	-	(100 987)
Reclassification	(10 952)	(170)	1 918	20	(3 671)	-	(12 855)
Amortisation charge for the year	(14 833)	(29 439)	(7 505)	(4 431)	-	-	(56 208)
Net carrying amount at 31 December 2011	354 978	210 161	37 507	15 821	14 097	-	632 564
As at 1 January 2011							
Cost	398 192	338 945	77 260	44 817	75 478	100	934 792
Write-off and impairment loss	(60 800)	(152 341)	(36 691)	(25 986)	(550)	(100)	(276 468)
Net carrying amount	337 392	186 604	40 569	18 831	74 928	-	658 324
As at 31 December 2011							
Cost	426 972	385 594	79 105	44 261	14 645	-	950 577
Write-off and impairment loss	(71 994)	(175 433)	(41 598)	(28 440)	(548)	-	(318 013)
Net carrying amount	354 978	210 161	37 507	15 821	14 097	-	632 564

12. Non-current financial assets

	<i>30 June 2012 (unaudited)</i>	<i>31 December 2011</i>
Shares and interests		
Shares and interests – companies not listed on the stock exchange	380 381	431 278
Other financial assets	3 746	23 109
Total	384 127	454 387

In line with IAS 36 the Board of Directors of Polimex-Mostostal S.A. conducted impairment tests for all investments in the Companies.

The tests showed that as at the date of preparation of these financial statements there is a need to impair the investment for the shares in the following companies:

<i>Company</i>	<i>Net carrying amount at 31 December 2011</i>	<i>Change of impairment in the period from 1 January 2012</i>	<i>Net carrying amount at 30 June 2012</i>
S.C. Coifer Impex SRL	50 403	26 329	24 074
PRInż -1 Sp. z o.o.	17 468	12 838	4 630
Centrum Projektowe Polimex – Mostostal Sp. z o.o.	9 868	1 999	7 869
Polimex – Projekt Południe Sp. z o.o.	4 877	1 276	3 601
Zakład Transportu Sp. z o.o.	3 419	1 045	2 374
Energomontaż Magyarország Sp. z o.o.*	1 407	1 407	-
Polimex-Mostostal Ukraina SAZ**	17 353	9 340	8 013
Total:	104 795	54 234	50 561

* company in liquidation

** impairment to the amount of company's net assets

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The main reasons, in the opinion of the Board of Directors of the Company, which caused the impairment of value of shares in the above mentioned companies are mainly as follows:

- poor financial position of the companies (large debt, liquidity problems),
- projected decrease of sales resulting from deteriorating trends in the construction industry,
- projected increase of competition and consequently a decrease in margins on future contracts.

12.1. Current financial assets

	30 June 2012 (unaudited)	31 December 2011
Financial assets	168 708*	60 835

*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.

13. Inventories

	30 June 2012 (unaudited)	31 December 2011
Raw materials	76 054	75 311
Work-in-progress (at cost)	95 235	95 622
<i>of which developer's inventories</i>	70 399	71 717
Finished goods	22 018	20 929
Raw materials advance payments	2 213	3 706
Goods for resale	52	380
Total inventories, at the lower of cost and net realisable value	195 572	195 948

14. Trade and other receivables

	30 June 2012 (unaudited)	31 December 2011 (restated)
Trade receivables	1 395 308	1 645 081
<i>- of which, receivables from related parties</i>	27 486	19 787
Receivables from public authorities	-	3 679
Other receivables	5 789	4 705
Total receivables (net)	1 401 097	1 653 465
Doubtful debts allowance	53 829	42 041
Total receivables, gross	1 454 926	1 695 506

For terms and conditions of related party transactions refer to Note 24. Trade receivables are non-interest bearing and are usually receivable within 30 to 180 days.

The Company has a policy to sell only to customers who have undergone an appropriate credit verification procedure. Thanks to that, as the Management believes, there is no additional credit risk that would exceed the doubtful debts allowance recognised for trade receivables of the Company.

The 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 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 Company.

The effect of the adjustment on the financial position data for the comparative period is presented in Note 5.

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

	30 June 2012 (unaudited)	31 December 2011 (restated)
Up to one month	893 791	1 202 730
Over 1 month to 3 months	334 816	149 771
Over 3 months to 6 months	20 440	7 951
Over 6 months to 1 year	29 074	41 682
Past due receivables	171 016	284 702
Total trade receivables, gross	1 449 137	1 686 836
Allowance for trade receivables	(53 829)	(41 755)
Net trade receivables	1 395 308	1 645 081

14.2. Aging analysis of trade receivables

	30 June 2012 (unaudited)	31 December 2011 (restated)
Up to one month past due	36 966	109 284
Over 1 month to 3 months past due	19 638	45 355
Over 3 months to 6 months past due	18 873	39 716
Over 6 months to 1 year past due	30 167	25 004
Over 1 year past due	65 372	65 343
Total past due trade receivables, gross	171 016	284 702
Allowance for trade receivables*	(53 829)	(41 755)
Total	117 187	242 947

*the allowance refers to the receivables past due for over 1 year.

14.3. Allowances for trade receivables

Movements in allowance for receivables were as follows:

	30 June 2012 (unaudited)	31 December 2011
Allowance for receivables at the beginning of the period	41 755	49 672
Increase:	-	2 872
- provision for impairment	13 842	2 872
Decrease:	1 768	10 789
- utilisation	1 103	5 275
- release	665	5 514
Allowance for receivables at the end of the period	53 829	41 755

15. Cash and cash equivalents

For the purpose of the interim condensed statement of cash flows, cash and cash equivalents comprise the following items:

	30 June 2012 (unaudited)	31 December 2011
Cash at bank and in hand	112 905	176 594
	112 905	176 594

16. 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.

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 Company amounts to PLN 32,086 thousand (PLN 32,086 thousand as at 31 December 2011).

17. Interest-bearing bank loans and borrowings

Bank / financing entity	Maturity	30 June 2012	31 December 2011
		(unaudited)	
Current		695 944	211 217
BGŻ S.A. – working capital facility up to PLN 26,250 thousand (as at the date of preparation of these financial statements, under the agreement to refrain from enforcement of liabilities of 24 July 2012, the standstill agreement, 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)	24.07.2012	22 855	-
Bank PEKAO S.A. – loan in the form of a credit facility (as at the date of 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)*)	31.07.2012	150 000	150 000
Bank PEKAO S.A. – loan in the form of a credit facility (as at the date of 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)*)	31.07.2012	30 425	-
BPH S.A. – bank overdraft up to PLN 23,500 thousand (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)	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 S.A. – bank overdraft up to PLN 50,000 thousand (as at the date of 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)	02.08.2012	48 709	-
DZ Bank S.A. – bank overdraft up to EUR 3,000 thousand (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)	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 (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)	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	-
Polimex-Hotele Sp. z o.o. – loan in PLN	31.12.2012	2 216	2 277
Depolma GmbH – loan in EUR	10.12.2012	820	850

*)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

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Non-current		- 82 317
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

Interest-bearing bank loans and borrowings

Current, of which:	695 944	211 217
Bank loans	692 908	208 090
Borrowings	3 036	3 127
Non-current, of which:	-	82 317
Bank loans	-	82 317
Borrowings	-	-

	<i>30 June 2012</i> <i>(unaudited)</i>	<i>31 December 2011</i>
Comparison of interest rates for the periods		
Weighted average for bank loans in PLN	WIBOR 1 M + 1.4240 p.p.	WIBOR 1M+1.3858 p.p.
	WIBOR 3 M + 1.6197 p.p.	WIBOR 3M+ 1.6357 p.p.
	WIBOR ON + 1.9500 p.p.	WIBOR ON+ 1.9500 p.p.
Weighted average for bank loans in EUR	EURIBOR 1M + 1.6197 p.p.	EURIBOR 1M + 2.0871 p.p.

18. Debentures

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

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

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.

19. Financial instruments

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 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;
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).

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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 2nd 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
Total in 2012	2 419	6 210	8 629

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

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.

Interest rate risk

The parent company has financial assets in bank accounts and has liabilities on account of bank loans and issued debentures based on floating interest rate. The Company monitors situation on the financial market, analyses trends and prognoses in a scope of reference market rates in order to decide, at a proper moment, to conclude contracts preventing the Company from the increase of debt interest costs which may be unbeneficial to the Company. As at 30.06.2012 the Company had no open transactions hedging interest rate risk.

20. Trade and other payables (current)

	30 June 2012 (unaudited)	31 December 2011 (restated)
Trade payables		
To related parties	43 082	58 065
To third parties	1 026 067	1 319 089
	1 069 149	1 377 154
Taxation, customs duty, social security and other payables		
VAT	52 476	28 422
Withholding tax	42	65
Personal income tax	8 268	8 349
Social Insurance Institution (ZUS)	38 177	36 015
National Disabled Persons Rehabilitation Fund (PFRON)	742	726
Other	4 293	518
	103 998	74 095
Financial liabilities		
Foreign currency contract liabilities	-	3 000
Finance lease and hire purchase contracts	5 596	6 317
Other	-	6 492
	5 596	15 809
Other liabilities		
Remuneration payable to employees	40 644	37 101
Amounts owed to related parties	-	-
Non-current asset purchase payables	3 804	12 239
Social fund	(1 365)	(848)
Other liabilities	18 274	20 506
	61 357	68 998
Accrued expenses related to:		
Unused annual leave	27 353	19 521
Bonuses and rewards	9 046	16 967
Court expenses	-	458
Other	7 704	2 007
	44 103	38 953

Terms and conditions of payment of financial liabilities presented above:

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.

The 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 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

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liability with reference to each contract executed within a financial consortium. The adjustment has no effect on the financial result of the Company.

The effect of the adjustment of the financial position data for the comparative period is presented in Note 5.

21. Provisions

21.1. Movements in provisions

	Guarantee repair provisions	Restructuring provision	Other long-term employee benefits and post employment benefits	Other provision*s	Total
As at 1 January 2012	8 884	-	49 287	9 963	68 134
Recognised during the year	2 659	-	-	116 052	118 711
Utilised	(1 457)	-	-	(178)	(1 635)
Released	(1 802)	-	(12 562)	(22 769)	(37 133)
As at 30 June 2012 (unaudited)	8 284	-	36 725	103 068	148 077
Current at 30 June 2012 (unaudited)	3 294	-	8 451	102 091	113 836
Non-current at 30 June 2012 (unaudited)	4 990	-	28 274	977	34 241

* which include in particular provisions for contract losses

	Guarantee repair provisions	Restructuring provision	Other long-term employee benefits and post employment benefits	Other provisions	Total
As at 1 January 2011	20 142	-	84 247	14 910	119 299
Recognised during the year	7 036	-	434	10 861	18 331
Utilised	(8 691)	-	(701)	(498)	(9 890)
Released	(9 603)	-	(34 693)	(15 310)	(59 606)
As at 31 December 2011	8 884	-	49 287	9 963	68 134
Current as at 31 December 2011	3 894	-	8 451	9 963	22 308
Non-current as at 31 December 2011	4 990	-	40 836	-	45 826

22. Capital management

The primary objective of the Company'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 Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Within net debt the Company includes interest bearing bank loans and borrowings, trade and other payables, less cash and cash equivalents.

	30 June 2012 (unaudited)	31 December 2011 (restated)
Interest-bearing bank loans, borrowings and debentures	1 103 790	701 276
Trade and other payables	1 289 003	1 584 817
Less cash and cash equivalents	112 905	176 594
Net debts	2 279 888	2 109 499
Equity	497 078	935 356
Capital and net debt	2 776 966	3 044 855
Gearing ratio (net debt/capital and net debt)	82.1%	69.3%

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To improve liquidity the Board of Directors adopted a proactive strategy of bringing forward collection of past due receivables. Proceeds on this account are used to pay liabilities arising from the plan of Company's expenditure, which is devised on regular basis.

23. Contingent liabilities, legal claims and other off-statement of financial position items

	<i>30 June 2012</i> <i>(unaudited)</i>	<i>31 December 2011</i>
Contingent liabilities	2 688 552	2 226 248
- guaranties and sureties granted	1 984 287	1 517 144
- promissory notes	46 734	85 360
- legal claims	41 029	42 809
- contractual capped mortgage	418 986	418 232
- other	197 516	162 703
Other (arising from)	114 623	114 623
- transferred to off-statement of financial position records balances relating to: *	114 623	114 623
- receivables	48 839	48 839
- cash	15 973	15 973
- liabilities	25 330	25 330
- deferred income	24 481	24 481
Total	2 803 175	2 340 871

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

The 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 and loans</i>	<i>Amounts owed to related parties</i>
Subsidiaries				
	<i>30 June 2012 (unaudited)</i>			
Energomontaż Północ Gdynia Sp. z o.o.	2 260	2	931	364
Energop Sp.z o.o.	275	11 578	101	6 596
Energomontaż-Północ-Technika Spawalnicza i Laboratorium Sp. z o.o.	306	1 512	34	714
Energomontaż-Nieruchomości Sp.z o.o.	13	-	4	-
Energomontaż-Nieruchomości Sp.z o.o.	-	-	3 326	-
Fabryka Kotłów Sefako S.A. (Boiler Factory)	8 834	85	482	-
NAF Industriemontage GmbH	-	-	679	-
Torpol Sp. z o.o.	9	33	20	-
PRInż -1 Sp. z o.o.	92	10 052	2 267	4 278
Centrum Projektowe PxM Sp. z o.o.	98	2 879	2 583	834
PxM Projekt Południe Sp. z o.o.	3	344	9	37

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Moduł System Service Sp. z o.o.	398	1 946	1 062	607
Zarząd Majątkiem Górczewska Sp. z o.o.	189	-	7	-
WBP Zabrze Sp. z o.o.	73	1 916	134	2 155
Stalfa Sp. z o.o.	4 666	3 799	2 463	540
Polimex-Mostostal ZUT Sp. z o.o.	443	3 799	107	2 599
Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.	101	5 649	4	1 299
Tchervonograd MSP -Ukraine	1 432	2 016	2 474	1 551
Polimex Mostostal Ukraine	462	-	18 742	-
Polimex-Development Kraków Sp. z o.o.	294	1	21 812	-
Polimex-Cekop Development Sp. z o.o.	2	-	-	-
Polimex-Mostostal Development Sp. z o.o.	2 769	-	29 244	-
Polimex Hotele Sp. z o.o.	5	62	1	2 216
Mostostal Siedlce Wschód Sp.z o.o.	2 771	-	847	-
Pracownia Wod- Chem. "Ekonomia" Sp. z o.o.	-	201	-	2
S.C. Coifer Impex SRL	1 136	37 005	9 933	10 066
Grande Meccanica SPA	147	-	40	-
Sinopol Trade Centre Sp.z o.o.	4	-	1	-
Depolma GmbH	-	-	-	821
Elektra Sp.z o.o.	22	-	8	-
Zakład Budowlano Instalacyjny Turbud Sp. z o.o.	131	16	2 481	262
Centralne Biuro Konstrukcji Kotłów S.A.	1	1 043	-	642
Total subsidiaries	26 936	83 938	99 796	35 583

Associates

Energomontaż Północ Gdynia Sp. z o.o.	1 669	-	2	-
Polimex-Sices Sp. z o.o.	3	-	3 087	10 813
Laboratorium Ochrony ŚP Sp. z o.o.	-	20	-	-
Total associates	1 672	20	3 089	10 813

<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 three months ended 30 June 2012 (unaudited)</i>		<i>For three months ended 30 June 2011 (unaudited)</i>	
Energomontaż Północ Gdynia Sp. z o.o.	1 126	2	1 186	-
Energop Sp.z o.o.	158	6 656	142	3 391
Energomontaż-Północ-Technika Spawalnicza i Laboratorium Sp. z o.o.	155	546	190	1 537
Energomontaż-Nieruchomości Sp.z o.o.	7	-	7	-
Energomontaż-Nieruchomości Sp.z o.o.	-	-	48	15
Sefako S.A.	48	-	-	79
Torpol Sp. z o.o.	-	33	-	-
PRInż -I Sp. z o.o.	35	1 182	6	1 621
Centrum Projektowe PxM Sp. z o.o.	41	1 455	43	2 854
PxM Projekt Południe Sp. z o.o.	3	225	-	70
Moduł System Service Sp. z o.o.	336	1 193	57	957
Zarząd Majątkiem Górczewska Sp. z o.o.	95	-	92	-
WBP Sp. z o.o.	36	-	36	2 969

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Stalfa Sp. z o.o.	2 780	1 938	1 832	1 813
Polimex-Mostostal ZUT Sp. z o.o.	271	1 750	345	2 468
Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.	57	2 586	48	2 347
MSP Tchervonograd	434	574	684	784
Polimex Mostostal Ukraine	227	-	166	-
Polimex-Development Kraków Sp. z o.o.	132	1	130	1 305
Polimex-Cekop Development Sp. z o.o.	1	-	1	-
Polimex-Mostostal Development Sp. z o.o.	1 612	-	1 358	-
Polimex Hotele Sp. z o.o.	3	19	3	80
Mostostal Siedlce Wschód Sp. z o.o.	1 070	-	2 457	-
Pracownia Wod- Chem. "Ekonomia" Sp. z o.o.	-	201	-	150
S.C. Coifer Impex SRL	528	11 420	2 282	13 144
Grande Meccanica SPA	-	-	21	-
Sinopol Trade Centre Sp. z o.o.	-	-	2	-
Depolma GmbH	-	-	-	11
Elektra Sp. z o.o.	18	-	18	-
Turbud Sp. z o.o.	81	6	28	4
Centralne Biuro Konstrukcji Kociołów S.A.	1	668	-	95
Total subsidiaries	9 255	30 455	11 182	35 694
Energomontaż Północ Gdynia Sp. z o.o.	8	-	-	-
Polimex-Sices Sp. z o.o.	2	-	228	20
Laboratorium Ochrony ŚP Sp. z o.o.	-	20	-	1
Terminal LNG S.A.	-	-	2	-
Total associates	10	20	230	21

<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>
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2011

Subsidiaries

Energomontaż Północ Gdynia Sp. z o.o.	4 763	178	981	391
Energop Sp. z o.o.	5 351	16 692	95	10 270
Energomontaż-Północ-Technika Spawalnicza i Laboratorium Sp. z o.o.	2 522	4 956	34	1 147
Energomontaż-Nieruchomości Sp. z o.o.	27	-	-	-
Energomontaż-Magyarorszag Sp. z o.o.	48	15	3 355	1
Sefako S.A.	33	193	3	5
NAF Industriemontage GmbH	-	105	-	-
Torpol Sp. z o.o.	2	14	24	14
PRInż -I Sp. z o.o.	72	14 607	1 907	7 146
Centrum Projektowe PxM Sp. z o.o.	178	8 760	2 616	2 434
PxM Projekt Południe Sp. z o.o.	28	3 785	242	1 093
Moduł System Service Sp. z o.o.	1 126	4 724	2 124	2 375
Zarząd Majątkiem Górczewska Sp. z o.o.	383	-	7	-
WBP Zabrze Sp. z o.o.	144	8 652	44	1 707
Stalfa Sp. z o.o.	7 263	10 576	842	172
Polimex-Mostostal ZUT Sp. z o.o.	1 333	13 124	83	3 101
Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.	180	9 539	2	998
MSP Tchervonograd	5 159	3 322	3 676	1 360
Polimex Mostostal Ukraine	1 577	-	18 365	-

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Polimex-Development Kraków Sp. z o.o.	478	3 237	20 085	-
Polimex-Cekop Development Sp. z o.o.	39	-	-	-
Polimex-Mostostal Development Sp. z o.o.	7 789	41	26 230	-
Polimex Hotele Sp. z o.o.	59	180	61	2 277
Mostostal Siedlce Wschód Sp. z o.o.	6 128	-	262	-
Pracownia Wod- Chem. "Ekonomia" Sp. z o.o.	-	479	-	250
S.C. Coifer Impex SRL	6 581	65 221	11 032	15 051
Grande Meccanica SPA	151	-	68	-
Depolma GmbH	-	37	-	850
Elektra Sp. z o.o.	67	-	1 064	-
Turbud Sp. z o.o.	1 086	532	1 324	283
Centralne Biuro Konstrukcji Kotłów S.A.	1	1 552	-	852
Total	52 568	170 521	94 526	51 777

<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>
Associates				
Energomontaż Północ Gdynia Sp. z o.o.	104	-	8	-
Polimex-Sices Sp. z o.o.	559	6 050	3 001	10 813
Laboratorium Ochrony ŚP Sp. z o.o.	-	79	-	34
Terminal LNG S.A.	6	-	-	-
Total	669	6 129	3 009	10 847

24.1. Terms and conditions of transactions with related parties

Transactions between related parties are entered into on the same conditions as transactions entered into on market conditions.

24.2. Directors' loan

There were no directors' loans.

24.3. Other directors' interests

There were no other directors' interests.

25. Compensation of key management personnel of the Company

25.1. Compensation paid to members of the Board of Directors and to members of the Supervisory Board

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

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
Total	5,759,425	-

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.

26. Events after the statement of financial position date

After 30 June 2012 the following events significant to the operations of Polimex-Mostostal S.A. 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, the Standstill Agreement. 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. For details of the Agreement to refrain from enforcement of Company's liabilities see Note 3.
- 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 Koźienice 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.
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.
- 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. 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

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- 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 delay in the execution of 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 Consortium's failure to submit at a specified date the review of work schedule for the A2 Stryków-Konotopa 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, 31st August 2012.