

POLIMEX-MOSTOSTAL CAPITAL GROUP
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013



Polimex-Mostostal Capital Group

Interim condensed consolidated financial statements for the six months ended 30 June 2013
(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT	3
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	7
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES	11
1. Corporate information	11
2. Composition of the Group	11
3. Composition of the Board of Directors and of the Supervisory Board of the parent company	13
4. Basis of preparation of consolidated financial statements	14
5. Significant accounting principles (policies)	17
6. Adjustment of error	18
7. Seasonality of operations	18
8. Segment information	19
8.1. Operating segments	19
9. Revenues and expenses	22
9.1. Sales of goods, rendering of services and rental income	22
9.2. Revenue and costs of long-term contracts	22
9.3. Other operating income	23
9.4. Other operating expenses	23
9.5. Finance income	24
9.6. Finance costs	24
10. Income tax	24
10.1. Tax expense	24
11. Changes in the Capital Group	25
12. Dividends paid and proposed	26
13. Property, plant and equipment	26
14. Goodwill on consolidation	27
15. Inventories	27
16. Trade and other receivables	27
16.1. Trade receivables (gross) with remaining maturity from the statement of financial position date	28
16.2. Aging analysis of trade receivables	28
17. Cash and cash equivalents	28
17.1. Current financial assets	30
18. Available for sale long-term assets	30
19. Reserve capital	31
20. Interest-bearing bank loans and borrowings	32
21. Debentures	36
22. Provisions	37
22.1. Movements in provisions	37
23. Trade and other payables (current)	37
23.1. Trade payables with remaining maturity from the statement of financial position date	38
23.2. Past due trade payables	38
24. Liabilities directly related to assets available for sale	38
25. Contingent liabilities	39
26. Related party disclosures	40
26.1. Terms and conditions of transactions with related parties	40
27. Financial instruments	40
28. Compensation of the Board of Directors and of the Supervisory Board of the Parent Company	42
29. Capital management	43
30. Events after the statement of financial position date	44

Accounting policies and other explanatory notes included on pages 11 to 45 are an integral part of these consolidated financial statements

Polimex-Mostostal Capital Group

Interim condensed consolidated financial statements for the six months ended 30 June 2013
(in PLN thousands)

**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2013**

		<i>The three months ended</i>	<i>The six months ended</i>	<i>The three months ended</i>	<i>The six months ended</i>
		<i>30 June 2013</i>	<i>30 June 2013</i>	<i>30 June 2012</i>	<i>30 June 2012</i>
	Note		(unaudited)		(unaudited)
Continuing operations					
Sale of goods		87 972	248 128	102 542	335 544
Rendering of services		515 855	882 912	1 113 237	1 778 922
Rental income		2 795	8 148	3 778	8 106
Revenue	9.1	606 622	1 139 188	1 219 557	2 122 572
Cost of sales		(657 335)	(1 135 341)	(1 170 464)	(2 193 890)
Gross profit / (loss)		(50 713)	3 847	49 093	(71 318)
Other operating income	9.3	29 417	63 943	6 296	11 789
Selling costs		(6 928)	(13 344)	(7 618)	(15 903)
Administrative expenses		(29 976)	(60 552)	(33 928)	(74 685)
Other operating expenses	9.4	(19 431)	(38 922)	(20 633)	(22 733)
Operating profit / (loss) from continuing operations		(77 631)	(45 028)	(6 790)	(172 850)
Finance income	9.5	16 804	24 126	1 022	5 167
Finance costs	9.6	(28 685)	(84 099)	(19 669)	(58 781)
Share of associate's profit		803	2 037	914	974
Gross profit/(loss)		(88 709)	(102 964)	(24 523)	(225 490)
Income tax	10	(16 060)	(6 816)	15 375	(33 377)
Net profit/(loss) for the period		(72 649)	(96 148)	(39 898)	(192 113)
Attributable to:					
Equity holders of the parent		(72 689)	(96 182)	(40 516)	(193 033)
Non-controlling interests		40	34	618	920
		(72 649)	(96 148)	(39 898)	(192 113)
Earnings per share (in PLN):					
– number of shares		1 333 974 588	1 333 974 588	521 154 076	521 154 076
– basic, for profit/ (loss) for the period attributable to equity holders of the parent		(0.05)	(0.07)	(0.08)	(0.37)
Diluted earnings per share:					
(in PLN):					
– number of shares		1 333 974 588	1 333 974 588	521 154 076	521 154 076
– diluting potential ordinary shares		364 926 591	364 926 591	12 142 323	12 142 323
– diluted, for profit/ (loss) for the period attributable to equity holders of the parent		(0.04)	(0.06)	(0.08)	(0.36)

Accounting policies and other explanatory notes included on pages 11 to 45 are an integral part of these consolidated financial statements

Polimex-Mostostal Capital Group

Interim condensed consolidated financial statements for the six months ended 30 June 2013

(in PLN thousands)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
for the six months ended 30 June 2013**

	<i>The three months ended 30 June 2013 (unaudited)</i>	<i>The six months ended 30 June 2013 (unaudited)</i>	<i>The three months ended 30 June 2012 (unaudited)</i>	<i>The six months ended 30 June 2012 (unaudited)</i>
Net profit/(loss)	(72 649)	(96 148)	(39 898)	(192 113)
Currency translation differences on consolidation	723	2 636	2 665	(4 490)
Net gains/losses on cash flow hedges	-	(295)	(158)	1 497
Deferred tax	-	56	30	(284)
Other comprehensive income, net of tax	723	2 397	2 537	(3 277)
Total comprehensive income	(71 926)	(93 751)	(37 361)	(195 390)
Comprehensive income attributable to:				
Equity holders of the parent	(71 966)	(93 785)	(37 979)	(196 310)
Non-controlling interest	40	34	618	920
	<u>(71 926)</u>	<u>(93 751)</u>	<u>(37 361)</u>	<u>(195 390)</u>

Accounting policies and other explanatory notes included on pages 11 to 45 are an integral part of these consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

	Note	30 June 2013 (unaudited)	31 December 2012 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	650 436	708 242
Investment property		45 540	21 280
Goodwill on consolidation	14	282 694	282 694
Intangible assets		15 051	16 891
Investments in associates accounted for using the equity method		17 628	16 737
Financial assets		216 072	274 214
Non-current receivables		43 598	31 195
Non-current prepaid expenses		2 716	3 190
Deferred tax assets		206 046	189 181
		1 479 781	1 543 624
Current assets			
Inventories	15	290 027	308 355
Trade and other receivables	16	1 122 619	1 163 154
Income tax receivables		317	950
Prepaid expenses		16 422	14 307
Cash and cash equivalents	17	230 002	260 920
Financial assets	17.1	97 679	96 086
		1 757 066	1 843 772
Available for sale non-current assets	18	33 698	463 007
TOTAL ASSETS		3 270 545	3 850 403
EQUITY AND LIABILITIES			
Equity (attributable to equity holders of the parent)			
Issued capital		53 359	20 846
Share premium		1 168 224	738 237
Translation of a foreign operation		(3 445)	(7 839)
Supplementary capital		618 552	618 552
Unregistered share issue		-	412 500
Other capital		(85 254)	(85 254)
Reserve capital	19	32 086	32 086
Revaluation reserve		27	1 893
Retained earnings / Accumulated losses		(1 350 043)	(1 253 733)
Non-controlling interests		(727)	4 114
Total equity		432 779	481 402
Non-current liabilities			
Interest bearing bank loans and borrowings	20	42 494	486 330
Long-term debentures	21	-	143 874
Provisions	22	67 267	170 031
Other liabilities		322 819	357 998
Deferred income tax liability		13 392	13 833
Accruals		347	3 504
		446 319	1 175 570

Polimex-Mostostal Capital Group

Interim condensed consolidated financial statements for the six months ended 30 June 2013

(in PLN thousands)

Current liabilities			
Trade and other payables	23	1 183 876	1 545 764
Current portion of interest-bearing bank loans and borrowings	20	755 780	179 234
Short-term debentures		148 266	-
Income tax payable		10 046	531
Provisions	22	244 869	201 410
Accruals	23	48 610	47 808
		2 391 447	1 974 747
Liabilities directly related to assets available for sale	24	-	218 684
Total liabilities		2 837 766	3 369 001
TOTAL EQUITY AND LIABILITIES		3 270 545	3 850 403

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended 30 June 2013

	Note	<i>The six months ended 30 June 2013 (unaudited)</i>	<i>The six months ended 30 June 2012 (restated)</i>
Cash flows from operating activities			
Gross profit/(loss)		(102 964)	(225 490)
Adjustments for:		(207 515)	(221 880)
Share of profit of associates accounted for using the equity method		(2 037)	(974)
Depreciation / Amortisation		35 835	49 782
Interests and dividends, net		27 258	42 678
Gain/(loss) from investing activities		18 332	1 986
Change in receivables	17	46 600	43 621
Change in inventories	17	10 729	(8 177)
Change in payables except for loans and borrowings	17	(239 908)	(401 813)
Change in accruals and prepaid expenses		(4 852)	3 854
Change in provisions		(73 851)	43 000
Income tax paid		(286)	(4 995)
Other		(25 335)	9 158
Net cash flows from operating activities		(310 479)	(447 370)
Cash flows from investing activities			
Sale of property, plant and equipment and intangibles		30 501	11 943
Purchase of property, plant and equipment and intangibles		(8 801)	(49 549)
Sale of investment property		-	14
Sale of organized part of enterprise		47 307	-
Sale of financial assets		31 688	157
Purchase of financial assets		-	(114)
Acquisition of a subsidiary, net of cash acquired		-	-
Dividends received		-	1 655
Interest received		415	113
Repayment of loans granted		11	10
Other		(352)	(568)
Net cash flows from investing activities		100 769	(36 339)
Cash flows from financing activities			
Proceeds from issue of debentures		-	161 499
Proceeds from issue of shares		50 000	-
Expenses for redemption of debentures		(1 000)	(162 500)
Payment of finance lease liabilities		(7 113)	(8 006)
Proceeds from loans and borrowings		334 112	473 457
Repayment of loans and borrowings		(191 801)	(42 852)
Interest paid		(7 607)	(41 160)
Other		2 201	323
Net cash flows from financing activities		178 792	380 761
Net increase/(decrease) in cash and cash equivalents		(30 918)	(102 948)
Net foreign exchange difference		287	(774)
Cash and cash equivalents at the beginning of the period		260 920	272 820
Cash and cash equivalents at the end of the period*		230 002	169 872
<i>Restricted access cash</i>		73 083	-

Polimex-Mostostal Capital Group

Interim condensed consolidated financial statements for the six months ended 30 June 2013

(in PLN thousands)

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

	30 June 2013 (unaudited)	31 December 2012 (audited)
Cash at bank and in hand	230 002	260 920
Cash and cash equivalents recognised in the consolidated statement of cash flows*	230 002	260 920
<i>Restricted access cash</i>	73 083	-

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2013 (unaudited)

	Issued capital	Share premium	Unregistered share issue	Translation of a foreign operation	Reserve capital	Revaluation reserve	Supplementary capital	Other capital	Retained earnings / Accumulated losses	Total	Non-controlling interests	Total equity
As at 1 January 2013	20 846	738 237	412 500	(7 839)	32 086	1 893	618 552	(85 254)	(1 253 733)	477 288	4 114	481 402
Other comprehensive income, net of tax	-	-	-	2 636	-	(239)	-	-	-	2 397	-	2 397
Profit for the period	-	-	-	-	-	-	-	-	(96 182)	(96 182)	34	(96 148)
Total comprehensive income for the period	-	-	-	2 636	-	(239)	-	-	(96 182)	(93 785)	34	(93 751)
Registration of share issue	32 513	429 987	(412 500)	-	-	-	-	-	-	50 000	-	50 000
Elimination on subsidiary consolidation	-	-	-	1 758	-	(1 627)	-	-	(131)	-	(4 876)	(4 876)
Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-
Other adjustments in equity in subsidiaries	-	-	-	-	-	-	-	-	3	3	1	4
As at 30 June 2013 (unaudited)	53 359	1 168 224	-	(3 445)	32 086	27	618 552	(85 254)	(1 350 043)	433 506	(727)	432 779

Accounting policies and other explanatory notes included on pages 11 to 45 are an integral part of these consolidated financial statements

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2012 (unaudited)

	Issued capital	Share premium	Treasury shares	Attributable to equity holders of the parent Translation of a foreign operation	Reserve capital	Revaluation reserve	Supplementary capital	Other capital	Retained earnings / Accumulated losses	Total	Non-controlling interests	Total equity
As at 1 January 2012	20 846	738 237	(6 884)	1 328	32 086	(1 188)	555 994	(85 254)	278 655	1 533 820	12 149	1 545 969
Adjustment of a fundamental error	-	-	-	-	-	-	-	-	(234 009)	(234 009)	-	(234 009)
As at 1 January 2012	20 846	738 237	(6 884)	1 328	32 086	(1 188)	555 994	(85 254)	44 646	1 299 811	12 149	1 311 960
Other comprehensive income, net of tax	-	-	-	(4 490)	-	1 213	-	-	-	(3 277)	-	(3 277)
Profit for the period	-	-	-	-	-	-	-	-	(193 033)	(193 033)	920	(192 113)
Total comprehensive income for the period	-	-	-	(4 490)	-	1 213	-	-	(193 033)	(196 310)	920	(195 390)
Profit distribution	-	-	-	-	-	-	62 558	-	(62 558)	-	-	-
Other adjustments in equity in subsidiaries	-	-	-	-	-	-	-	-	(9)	(9)	(2)	(11)
As at 30 June 2012 (unaudited)	20 846	738 237	(6 884)	(3 162)	32 086	25	618 552	(85 254)	(210 954)	1 103 492	13 067	1 116 559

Accounting policies and other explanatory notes included on pages 11 to 45 are an integral part of these consolidated financial statements

ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES

1. Corporate information

The Polimex-Mostostal Capital Group ("the Group") is composed of Polimex-Mostostal S.A. (the "parent company", "Company") and its subsidiaries. The interim condensed consolidated financial statements of the Group cover the period of six months ended 30 June 2013 and contain comparative data for the period ended 30 June 2012 and as at 31 December 2012. The income statement, comprehensive income statement and notes to the income statement cover the data for the period of three months ended 30 June 2013 and the comparative data for the period of three months ended 30 June 2012 – they were not audited or reviewed by an auditor.

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

The parent company was granted statistical REGON number 710252031.

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

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

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

On 30 August 2013 the interim condensed consolidated financial statements of the Company for the six months ended 30 June 2013 were authorised for issue by the Board of Directors.

2. Composition of the Group

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

The Group is composed of Polimex-Mostostal S.A. and the following subsidiaries:					
Item no.	Entity name	Registered office	Business activities	% held by the Company in share capital	
				30 June 2013 (%)	31 December 2012 (%)
	Subsidiaries				
1	Depolma GmbH (*)	Ratingen-Germany	Supplies and engineering services on agency basis	100.00	100.00
2	Polimex-Cekop Development Sp. z o. o. in liquidation (***)	Warsaw	Trading activities, consulting and advisory services	-	100.00
3	Fabryka Kotłów "Sefako" S.A. (Capital Group) (***)	Sędziszów	Designing, production and sale of boilers	-	95.97
4	Naf Industriemontage GmbH(*)	Berlin	Construction and erection services	100.00	100.00
5	Polimex-Development Kraków Sp. z o.o. (Capital Group) (*)	Cracow	Execution of construction works	100.00	100.00
6	Sinopol Trade Center Sp. z o.o.(*)	Płock	Wholesale	50.00	50.00
7	Modułowe Systemy Specjalistyczne Sp.z o.o. (former business name Moduł System Serwis Sp.z o.o.) (*)	Płock	Metal structure manufacturing	100.00	100.00
8	Stalfa Sp. z o.o.(*)	Sokołów Podlaski	Metal products manufacturing	100.00	100.00
9	Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o. (***)	Siedlce	Transport services	-	100.00
10	Polimex-Mostostal ZUT Sp. z o.o. (*)	Siedlce	Engineering services	100.00	100.00

Polimex-Mostostal Capital Group

Interim condensed consolidated financial statements for the six months ended 30 June 2013

Other explanatory notes
(in PLN thousands)

11	Polimex-Mostostal Ukraina SAZ (*)	Kiev	Housing development	100.00	100.00
12	MSP Tchervonograd - Ukraine (*)	Tchervonograd - Ukraine	Metal structure manufacturing	99.61	99.61
13	Polimex-Hotele Sp. z o.o. (*)	Warsaw	Housing development	100.00	100.00
14	Polimex-Mostostal Development Sp. z o.o. (*)	Warsaw	Housing development	100.00	100.00
15	Torpol S.A. (Capital Group) (*)	Poznań	Comprehensive execution of transport facilities	100.00	100.00
16	Polimex Venture Development Sp. z o.o. (former business name Energomontaż-Nieruchomości Sp. z o.o. (*))	Warsaw	Real estate trade, maintenance and management	100.00	100.00
17	Energomontaż-Magyarország Sp. z o.o. (*)	Budapest	Construction and erection works, services, trade	100.00	100.00
18	Energomontaż – Północ Gdynia Sp. z o.o. (***)	Gdynia	Construction and erection works, steel structure production, trade	-	99.99
19	Energop Sp. z o.o. (*)	Sochaczew	Production of pipelines and steel structures, construction and erection services	99.99	99.99
20	Energomontaż-Północ-Technika Spawalnicza i Laboratorium Sp. z o.o. (*)	Warsaw	Research & development works	99.96	99.96
21	Centrum Projektowe Polimex-Mostostal Sp. z o.o. (*)	Gliwice	Construction, urban and engineering design and planning	99.57	99.57
22	Zakład Budowlano Instalacyjny Turbud Sp. z o.o. in liquidation (***)	Płock	Housing development, industrial buildings and rehabilitation	-	100.00
23	Zarząd Majątkiem Górczewska Sp. z o.o. (*) (Real Estate Administration)	Warsaw	Real estate lease, tenancy and administration	100.00	100.00
24	Przedsiębiorstwo Produkcyjno-Usługowe Elektra Sp. z o.o. (*)	Zielona Góra	Construction and design of overhead lines and transformer stations	100.00	100.00
25	PxM -Projekt - Południe Sp. z o.o. (*)	Cracow	Design services in construction sector	100.00	100.00
26	S.C. Coifer Impex SRL (****)	Romania	Steel structure manufacturing	100.00	100.00
27	WBP Zabrze Sp. z o.o. (*)	Zabrze	Design services	99.97	99.97
28	PRInż – 1 Sp. z o.o. (*)	Sosnowiec	Road construction	91.06	91.06
29	Pracownia Wodno - Chemiczna Ekonomia Sp. z o.o. (*)	Bielsko Biala	Sewage and water treatment, technical and economic analyses in the scope of modernisation and construction of new systems	100.00	100.00

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

30	Polimex-Mostostal Wschód Sp. z o.o. (*)	Moscow, Russia	Special and general construction	100.00	100.00
31	Grande Meccanica SpA(*)	Narni, Italy	Production, construction	100.00	100.00
Associates					
32	PORTY S.A. in liquidation (***)	Gdańsk	Construction, trade, transport and machine rental	-	40.00
33	Polimex-Sices Polska Sp. z o.o. (**)	Warsaw	Execution of erection works	50.00	50.00
34	Energomontaż – Północ Bełchatów Sp. z o.o. (**) (Capital Group)	Bełchatów	Specialist construction and erection services	32.82	32.82
*	entity consolidated using the full method				
**	entity recognized using the equity method				
***	entity eliminated from consolidation (sale, liquidation)				
****	on 22 April 2013 the Company filed at the Civil Court in Bucharest, Romania a request to open a bankruptcy proceeding with reorganization option.				

As at 30 June 2013 the percentage of voting rights held by the Group in subsidiaries corresponds to the percentage held in the share capital of those entities, except for Centrum Projektowe Polimex-Mostostal Sp. z o.o., where voting rights are lower and amount to 99.28% (share in capital is 99.57%).

Polimex – Sices Sp. z o.o. is recognised in these financial statements using the equity method due to the fact that the Group does not exercise control over entity operations.

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

As at 30 June 2013, the Board of Directors of the Company consisted of:

Gregor Sobisch	President of the Board of Directors
Joanna Makowiecka	Vice President of the Board
Robert Bednarski	Vice President of the Board

In the reporting period and till the date the financial statements have been authorised for issue the composition of the Board of Directors of the Company changed as follows:

- on 21 March 2013 Mr Robert Oppenheim submitted his resignation from the position of Member of the Board and of Acting President of the Board;
- on 28 March 2013 the Supervisory Board of the Company delegated Mr Dariusz Krawczyk holding the position of the Vice President of the Supervisory Board of Polimex-Mostostal S.A. for the period to 30 April 2013 to temporarily perform duties of the Member of the Board of Directors and to act as the President of the Board;
- on 23 April 2013 the Supervisory Board of the Company appointed to the composition of the Board of Directors for the position of President of the Board Mr Gregor Sobisch for a three year individual term as of 3 June 2013;
- on 24 April 2013 the Supervisory Board of the Company appointed to the composition of the Board of Directors for the position of Vice President of the Board Ms Joanna Makowiecka for a three year individual term as of 3 June 2013;
- on 24 April the Supervisory Board of the Company delegated Mr Dariusz Krawczyk holding the position of the Vice President of the Supervisory Board of Polimex-Mostostal S.A. for the period to 2 June 2013 to temporarily perform duties of the Member of the Board of Directors and to act as the President of the Board.

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

- on 10 May 2013 the Supervisory Board of the Company appointed to the composition of the Board of Directors for the position of Vice President of the Board Mr Arkadiusz Kropidłowski for a three year individual term as of 1 July 2013.
- on 10 May 2013 the Supervisory Board of the Company dismissed from the Board of Directors Mr Aleksander Jonek, Vice President of the Board.

As at 30 June 2013, the Supervisory Board of the company consisted of:

Chairman of the Supervisory Board,	Jerzy Góra
Vice Chairman of the Supervisory Board	Ryszard Engel
Secretary of the Supervisory Board,	Artur Jędrzejewski
Member of the Supervisory Board	Wojciech Barański
Member of the Supervisory Board	Andrzej Kasperek
Member of the Supervisory Board	Dariusz Krawczyk
Member of the Supervisory Board	Tadeusz Kuczborski

In the reporting period and till the date the financial statements have been authorised for issue the composition of the Supervisory Board of the Company changed as follows:

- on 15 February 2013 the Extraordinary Meeting of Shareholders of Polimex-Mostostal S.A. adopted resolutions No.3 to No.10 making the following amendments to the composition of the Supervisory Board:
 - persons dismissed: Jan Woźniak, Sebastian Bogusławski, Andrzej Bartos, Dariusz Formela
 - persons appointed: Jerzy Góra, Tadeusz Kuczborski, Ryszard Engel, Andrzej Kasperek,
- on 28 March 2013 Mr Dariusz Krawczyk was delegated by the Supervisory Board for the period to 30 April 2013 to temporarily perform duties of the Member of the Board of Directors and act as the President of the Board,
- on 24 April the Supervisory Board of the Company delegated Mr Dariusz Krawczyk holding the position of the Vice President of the Supervisory Board of Polimex-Mostostal S.A. for the period to 2 June 2013 to temporarily perform duties of the Member of the Board of Directors and to act as the President of the Board.
- On 3 June 2013 the Ordinary Meeting of Shareholders of Polimex-Mostostal S.A. appointed the Supervisory Board of the Company for the common term for the period from 2013 to 2016 composed as follows: Jerzy Góra, Wojciech Barański, Tadeusz Kuczborski, Ryszard Engel, Andrzej Kasperek, Artur Jędrzejewski, Dariusz Krawczyk.
- On 11 June 2013 the Supervisory Board of the Company in the composition amended under the resolutions adopted by the Ordinary Meeting of Shareholders of the Company on 3 June 2013 established as follows: Chairman of the Supervisory Board - Jerzy Góra, Vice Chairman of the Supervisory Board - Ryszard Engel, Secretary to the Supervisory Board - Artur Jędrzejewski, Member of the Supervisory Board - Wojciech Barański, Member of the Supervisory Board - Andrzej Kasperek, Member of the Supervisory Board - Dariusz Krawczyk, Member of the Supervisory Board - Tadeusz Kuczborski

4. Basis of preparation of consolidated financial statements

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

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

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

The interim condensed consolidated financial statements do not cover all of the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2012, which were published on 19 March 2013.

The interim condensed consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. As at the date of authorisation of these financial statements, the parent company's Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Group, except for the following companies: Energomontaż-Magyarország Sp. z o.o. in liquidation, Zakład Budowlano –Instalacyjny Turbud Sp. z o.o. in liquidation. On 29 April 2013 the Civil Court in Bucharest, Romania issued a decision to open bankruptcy proceedings with reorganization option of Coifer Impex SRL, a subsidiary, with the registered office in Bucharest, Romania. The decision of the Court concerning the continuation of the proceedings will be taken on 6 September 2013. On 1 July 2013 Polimex-Sices Polska Sp. z o.o. was put in liquidation and on 12 July 2013 the liquidation procedure for Przedsiębiorstwo Produkcyjno-Usługowe Elektra Sp. z o.o. commenced.

Restructuring of debt

On 21 December 2012 the Company and „Polimex-Development” Kraków, Polimex-Mostostal Development BR Development, its subsidiaries concluded with the Financing Banks and Debenture Holders the Agreement on Regulations of Debt Servicing specifying the terms and conditions of financing the Company by Creditors by:

- financial restructuring of Company's debt by: (i) postponing by the Financing Banks by 31 December 2016 the final repayment of limits of working capital facilities granted to the Company and converting granted investment loans into working capital facilities, whereas as at the date of signing the Agreement on Regulations of Debt Servicing the total commitment of the Financing Banks amounted to approx. PLN 670 million; (ii) spreading out into 12 equal monthly instalments of each recourse arising from granted guarantees by the Financing Banks which occurred in the term of the Agreement on Regulations of Debt Servicing yet not later than by 31 December 2016; (iii) assuming an obligation by the Debenture Holders to convert receivables arising from debentures issued by the Company in the amount of approx. PLN 250 million into Series M shares of the Company and to postpone the final repayment of the remaining portion of receivables of the Debenture Holders in the amount of approx. PLN 144 million by 31 December 2016.; (iv) Financing Banks which granted guarantees to the Company assumed an obligation to maintain Company's existing guarantee commitment by its expiry date and they assumed an obligation to make available new guarantee facilities to the Company in the total amount of PLN 201.8 million; and (v) the Company assumed an obligation to make early payments of the debt (i.e. the limits of working capital facilities and liabilities arising from debentures), partly in 2015 and in majority in 2016.
- operating restructuring of the Company under which the Company: (i) assumed an obligation to devise and implement a plan of operating restructuring of the Group by reducing operating costs of the Group's activity by the total of PLN 300 million by the end of 2015; and (ii) assumed an obligation to dispose of specified assets and to generate proceeds on this account in the amount of at least PLN 600 million by 31 December 2015. Assets being disposed of will include shares and interest in Subsidiaries, inessential property, plant and equipment, organized part of an enterprise and developer's and investment property as well as selected operating real property.

On the same date the Company concluded with the Financing Banks the Agreement for New Guarantee Facility of the Company up to PLN 201,794 thousand and an attached revolving credit facility.

On 25 March 2013 the parties to the Agreement on Regulations of Debt Servicing concluded annex No. 1 thereof aimed at clarifying definition matters included therein, extending the scope of contracts which may be the subject of the Agreement of New Guarantee Facility and clarifying the provisions relating to the catalogue and form of submitting by the Company of securities of credit commitment of the Creditors.

Then on 4 July 2013 the Company concluded with the Creditors annex No. 2 to the Agreement on Regulations of Debt Servicing under which:

- (i) the Creditors gave their consent to spread out into monthly instalments interest payable which the Company was obliged to pay on 28 June 2013 and waived their rights arising from the breach by the Company of the Agreement consisting in Company's failure to timely pay the above mentioned interest;
- (ii) banks being parties to the Agreement assumed an obligation to make available, in the period by 30 September 2013, to the Company existing working capital facilities up to the total amount of their limits irrespective of the occurrence and continuation of the breach of the Agreement;
- (iii) the Creditors assumed an obligation, in the period by 30 September 2013, not to block or limit Company's access to financial funds in the Company's accounts irrespective of the occurrence and continuation of the breach of the Agreement.

Additionally, under the above mentioned annex the banks being parties to the Agreement declared to take further measures to issue on request of the Company guarantees in the total amount not lower than PLN 15 million and not exceeding PLN 30 million whose issuing will enable the Company to demand reimbursement of guarantee deposits retained by ordering parties to secure Company's obligations arising from performed contracts. As part of performance of the above mentioned declaration the banks being parties to the Agreement issued under the New Guarantee Facility on request of the Company guarantees in the total amount of PLN 15 million by 31 July 2013.

Financial position of the Issuer.

Under the Agreement on Regulations of Debt Servicing the Company agreed with certain financial creditors of the Company a plan and schedule of restructuring of financial liabilities of the Company covered with this agreement. The Agreement on Regulations of Debt Servicing provides for repayment of the entire existing financial liabilities of the Company by the end of 2016, which includes repayment of loans in the amount of approx. PLN 630 million and of Debentures in the amount of approx. PLN 148 million. Company's ability to pay debt within deadlines stipulated in the Agreement on Regulations of Debt Servicing depends on a number of factors including ones depending on external circumstances. It may not be ruled out that measures taken by the Company in order to generate operating results allowing servicing of debt covered by the Agreement on Regulations of Debt Servicing will not bring expected results. In particular, it may not be ruled out that there will be delays in operating restructuring of the Company or that the restructuring will not bring intended results, as well as that the Company will not be able to generate projected revenue from contracts being performed and planned contracts as well as from divestment process. The above mentioned factors may hinder timely repayment of Company's debt covered by the Agreement on Regulations of Debt Servicing or even make it impossible.

Moreover, the schedule of repayment of debt covered by the Agreement on Regulations of Debt Servicing provides that it will be repaid in instalments in 2015 and 2016, additionally a significant portion of this debt will be subject to repayment in one-off payment on 31 December 2016. If the Company does not make an early payment of a portion of this debt from generated from operating activity surplus or divestment programme, it is highly probable that the debt of the Company remaining to be repaid as at 31 December 2016 will require further refinancing. Accordingly, it may not be ruled out that if it is necessary to refinance the debt of the Company covered by the Agreement on Regulations of Debt Servicing, the Company will not be able to acquire such financing in financial institutions at a due time and on satisfying terms and conditions or to acquire it at all.

In the first half of the year the terms and conditions of the Agreement on Debt Servicing were breached as follows: (i) failure to generate the total proceeds from issues of series N1, N2 and O shares in the total amount of PLN 250 million and (ii) failure of the Company to conclude annexes to selected construction contracts in the period specified by the Creditors i.e. by 31 July 2013. The Creditors gave their consent to waive their rights arising from breaching the Agreement. The Company was obliged by the Creditors to perform the above mentioned obligations by 30 September 2013.

In connection with the breach of the terms and conditions of the Agreement on Regulations of Debt Servicing (ARDS) of 21.12.2013 the Company was obliged by the requirements of the accounting standards (IAS 1) to reclassify liabilities arising from loans and borrowings and of long-term debentures from non-current liabilities to current ones as at 30 June 2013. On 2 July 2013 the Company received consent from the Creditors to waive their rights arising from the breach of the Agreement consisting in (i) failure to generate the total proceeds from issue of series N1, N2 and O shares in the total amount of PLN 250 million and (ii) failure of the Company to conclude annexes to selected construction contracts in the period specified by the Creditors i.e. by 30 June 2013. The consent of the Creditors mentioned above will enable the Company to present loans in long-term liabilities in the next reporting periods and will result in improvement of the working capital ratio, which will be positive.

Working capital of the Issuer defined as a difference between current assets taking into consideration available for sale long-term assets and current liabilities (not including the reclassification of loans and borrowings and short term debentures) as at 30 June 2013 is positive and amounts to PLN 55,498 thousand, as at 31 December 2012 it is negative and amounts to PLN (47,202) thousand.

	30 June 2013	31 December 2012
Total available for sale long-term assets	1 241 257	1 497 215
Current liabilities (after eliminating debt which is subject to reclassification in line with IAS 1)	1 185 759	1 544 417
Short-term financial position of the Company	55 498	(47 202)

The Board of Directors of the Company is implementing the process of restructuring of the Company's operating activity to reduce operating costs by means of such measures as reduction of administrative expenses, centralisation of purchasing, optimisation of the organisational structure, optimisation of the backlog of contracts, continuation of the divestment programme i.e. the program of selling by the Company assets not related to its core activity.

The positive completion of the restructuring process depends among other things on effort undertaken in the scope of employment restructuring to make the Group competitive and to make employment flexible. In the next periods the Company is planning to acquire to perform significant long-term contracts. Among other things the Board of Directors of Polimex-Mostostal S.A. signed on 13 August 2013 with PGE Górnictwo i Energetyka Konwencjonalna S.A. an annex to the contract of 15 February 2012 for construction of No.5 and 6 power blocks at the Opole Power Plant. Under the annex the Parties agreed that an additional condition of releasing the Notice to Proceed is arranging and implementing the terms and conditions regulating relationships between the Ordering party, the General Contractor and/or Subcontractor and PKO Bank Polski S.A. including financing principles, terms and security of payment and contract performance bonds. Moreover, the Parties agreed that the Ordering Party may release the Notice to Proceed not later than within 24 months of concluding the Contract (i.e. by 15 February 2014) and the Notice to Proceed may be released not earlier than 120 days of issuing by the Ordering Party a notice of the intention to release the Notice to Proceed. At the same time the General Contractor received from the Ordering Party a notice on the intention to release the Notice to Proceed in which the ordering Party indicated that it is planning to release the Notice to Proceed on 15 December 2013 on condition that all terms and conditions stipulated in the Contract for the above mentioned document to be released have been met.

Another key element of the restructuring programme of the Company resulting from the provisions of the ARDS signed with the Creditors is divestment. The sale of the Company's non-core assets is continued. The Company is working on the package sale of these assets, which would allow to improve the liquidity position of the Company. It should be indicated that a prospective source of extra proceeds is possible additional payment to capital.

Due to the fact that cases of breaching of the terms and conditions of the agreement concluded with banks and debenture holders ("Creditors") specifying the terms of financing the Company by the Creditors, Polimex-Mostostal S.A. is taking action to renegotiate the provisions of the ARDS in the scope of facilitating operating activity of the entity. Delays concerning the factors and assumptions mentioned above may impede or unable timely repayment of Company's liabilities covered by the ARDS. As at the date of preparation of these financial statements the Board of Directors has taken action aimed at negotiating the consent of the Creditors to convert a portion of debt into shares, to change terms of payment of financial liabilities and to make the remaining terms and conditions of debt servicing more flexible.

In the opinion of the Board of Directors the above mentioned measures give grounds to state that the position of the Company will gradually improve despite the fact that there are circumstances indicating a threat for the Company to continue as a going concern, in particular in the next 12 months of preparation of these financial statements. Thus these financial statements have been prepared on the assumption that the Company will continue as going concern in the foreseeable future.

5. Significant accounting principles (policies)

The accounting policies used to prepare these interim condensed consolidated financial statements are consistent with ones used while preparing the Company's annual consolidated financial statements of the Group for the year ended 31 December 2012 except for the application of the following amendments to standards and new interpretations in force for reporting periods beginning after 1 January 2013:

- IFRS 10 *Consolidated financial statements* (in force for reporting periods beginning on or after 1 January 2013),
- IFRS 11 *Joint Arrangements* (in force for reporting periods beginning on or after 1 January 2013),
- IFRS 12 *Disclosure of Interest in Other Entities* (in force for reporting periods beginning on or after 1 January 2013),
- IFRS 13 *Fair Value Measurement* (in force for reporting periods beginning on or after 1 January 2013),
- IAS 27 (reviewed in 2011) *Separate Financial Statements* (in force for reporting periods beginning on or after 1 January 2013),
- IAS 28 (reviewed in 2011) *Investment in Associates and Joint Ventures* (in force for reporting periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 *First-time Adoption of IFRS: Government Loans* (in force for reporting periods beginning on or after 1 January 2013),
- Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (in force for reporting periods beginning on or after 1 January 2013),

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interest in Other Entities: Transition Guidance* (in force for reporting periods beginning on or after 1 January 2013),
- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of other comprehensive income* (in force for reporting periods beginning on or after 1 January 2013),
- Amendments to IAS 19 *Employee Benefits: Improvements to the accounting for post-employment benefits* (in force for reporting periods beginning on or after 1 January 2013),
- Amendments to various standards *Improvements to IFRS (2012)* – amendments made under annual improvement project to IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) focus mostly on elimination of inconsistencies and clarification of wording (effective for reporting periods beginning on or after 1 January 2013),
- Interpretation of IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (in force for reporting periods beginning on or after 1 January 2013).

The above mentioned standards and amendments to thereof did not have a significant impact on accounting policy adopted so far by the entity.

Restatement of comparative data

As described in note 2.2.2 to the adjusted consolidated financial statements for the period of 9 months ended 30 September 2012, published on 19 December 2012, due to the detailed verification of budgets an adjustment was made to measurement of long-term contracts performed by the Company as at 30 September 2012. The effects of the above mentioned adjustment also affected the financial data as at 30 June 2012. The effect of the adjustment on the net result of the Group as at 30 June 2012 is presented in the table below:

Financial statements of Polimex-Mostostal S.A. Group:

(in PLN thousands)	Net profit/(loss)	Adjustment	Net profit/(loss)
Financial data as at 30 June 2012 in line with the financial statements for this period published on 31 August 2012	(370 060)		(370 060)
Effect of change:			
Adjustments:			
a) adjustment of measurement of long-term contracts	177 947	177 947	177 947
Financial data as at 30 June 2012 after the adjustment of measurement of long-term contracts	(192 113)		(192 113)

In the Road and Railroad Segment after the verification of measurement of long-term contracts the effect of adjustment on the net result of the Company as at 30 June 2012 amounts to PLN 143,784 thousand, in the General Construction Segment to PLN 14,151 thousand and in the Power Engineering Segment to PLN 20,012 thousand.

6. Adjustment of error

There was no adjustment of an error in the reporting period.

7. Seasonality of operations

The activity of the Group shows seasonality in the scope of construction and assembly works, overhauls as well as road and railroad works. In winter the number of works performer in the open sites decreases. Moreover, in some sectors overhaul works are conducted in specified times of year (e.g. in power plants and heat and power plants they concentrate in summer months). Whereas modernisation works are undertaken in multiannual cycles (e.g. in refineries and chemical plants).

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

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

8. Segment information

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

Production	manufacturing and delivery of steel structures, platform gratings, shelving systems, pallets, road barriers. Services in the scope of steel structure corrosion protection with the use of hot dip galvanising, Duplex system, hydraulic painting.
General 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 and Chemistry	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. 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.
Service	services in the scope of industrial maintenance: maintenance, day-to-day repairs, emergency works, (scheduled, medium and general etc) overhauls, modernization, fitting steam and water boilers as well as condensation, heating and industrial turbines together with ancillary machinery, regulation of industrial automation systems, servicing.
Infrastructure Construction	Roads and railroads, general construction of facilities in road and railroad industry. The main customers are the General Directorate for Roads and Motorways (roads) and PKP and Polskie Linie Kolejowe S.A. (railroads).
Other operations	hardware and transport services, rental services, leases and other services not included in other segments.

No operating segments have been aggregated to form the following reportable operating segments.

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

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

8.1. Operating segments

The tables below present revenue and profit information regarding the Group's operating segments for the three months and six months ended 30 June 2013 and the statement of financial position data as at 30 June 2013 and for the three months and six months ended 30 June 2012 and the statement of financial position data as at 30 June 2012.

The three months ended 30 June 2013 (unaudited)	<i>Production</i>	<i>General Construction</i>	<i>Power Engineering and Chemistry</i>	<i>Infrastructure Construction</i>	<i>Service</i>	<i>Other operations</i>	<i>Segments total</i>	<i>Eliminations *)</i>	<i>Total Operations</i>
Revenue									
Sales to external customers	118 017	63 314	117 518	207 085	96 106	4 582	606 622	-	606 622
Inter-segment sales	21 187	1 821	1 586	324	4 491	951	30 360	(30 360)	-
Total segment revenue	139 204	65 135	119 104	207 409	100 597	5 533	636 982	(30 360)	606 622
Results									
Segment profit	(20 173)	(7 671)	(18 176)	(50 352)	(8 182)	27 726	(76 828)	(11 881)	(88 709)

*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 16,804 thousand and finance costs in the amount of PLN (28,685) thousand.

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

The six months ended 30 June 2013 (unaudited)	<i>Production</i>	<i>General Construction</i>	<i>Power Engineering and Chemistry</i>	<i>Infrastructure Construction</i>	<i>Service</i>	<i>Other operations</i>	<i>Segments total</i>	<i>Eliminations *)</i>	<i>Total Operations</i>
Revenue									
Sales to external customers	298 126	109 363	253 787	297 407	165 251	15 254	1 139 188	-	1 139 188
Inter-segment sales	32 046	2 174	4 097	355	10 537	2 494	51 703	(51 703)	-
Total segment revenue	<u>330 172</u>	<u>111 537</u>	<u>257 884</u>	<u>297 762</u>	<u>175 788</u>	<u>17 748</u>	<u>1 190 891</u>	<u>(51 703)</u>	<u>1 139 188</u>
Results									
Segment profit	<u>(39 858)</u>	<u>(7 027)</u>	<u>(18 917)</u>	<u>(50 008)</u>	<u>(18 204)</u>	<u>91 023</u>	<u>(42 991)</u>	<u>(59 973)</u>	<u>(102 964)</u>

*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 24,126 thousand and finance costs in the amount of PLN (84,099) thousand.

30 June 2013 (unaudited)

Continuing operations

	<i>Production</i>	<i>General Construction</i>	<i>Power Engineering and Chemistry</i>	<i>Infrastructure Construction</i>	<i>Service</i>	<i>Other operations</i>	TOTAL
Segment assets	474 332	167 017	1 065 166	650 516	304 241	238 939	2 900 211
Investment in an associate	-	1 314	16 313	-	-	-	17 627
Assets managed on Group basis	-	-	-	-	-	-	352 707
Total assets	474 332	168 331	1 081 479	650 516	304 241	238 939	3 270 545
Segment liabilities	120 516	232 184	666 532	578 204	98 656	36 576	1 732 668
Liabilities managed on Group basis	-	-	-	-	-	-	1 537 877
Total equity and liabilities	120 516	232 184	666 532	578 204	98 656	36 576	3 270 545

Reconciliation to data presented in the statement of financial position

Segment assets do not include assets managed on a Group basis

-property, plant and equipment	17 436
-investment real property	14 833
- intangible assets	5 186
- financial assets	99 463
-deferred tax assets	206 046
-cash and cash equivalents	2 974
- other receivables	6 769
Total	352 707

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

-loans and borrowings	798 274
- debentures	148 266
- provision for employee and similar benefits	69 925
-deferred income tax liability	13 392
- taxation, customs duty and social security payables	75 203
- other	38
Equity	432 779
Total	1 537 877

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

The three months ended 30 June 2012 (restated)	<i>Production</i>	<i>General Construction</i>	<i>Power Engineering and Chemistry</i>	<i>Infrastructure Construction</i>	<i>Service</i>	<i>Other operations</i>	<i>Segments total</i>	<i>Eliminations *)</i>	<i>Total Operations</i>
Revenue									
Sales to external customers	216 444	305 952	232 084	274 103	188 577	2 397	1 219 557	-	1 219 557
Inter-segment sales	93 872	238	15 554	8	16 911	1 113	127 696	(127 696)	-
Total segment revenue	<u>310 316</u>	<u>306 190</u>	<u>247 638</u>	<u>274 111</u>	<u>205 488</u>	<u>3 510</u>	<u>1 347 253</u>	<u>(127 696)</u>	<u>1 219 557</u>
Results									
Segment profit	<u>(8 385)</u>	<u>17 365</u>	<u>(5 706)</u>	<u>(2 143)</u>	<u>(6 448)</u>	<u>(559)</u>	<u>(5 876)</u>	<u>(18 647)</u>	<u>(24 523)</u>

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

The six months ended 30 June 2012 (restated)	<i>Production</i>	<i>General Construction</i>	<i>Power Engineering and Chemistry</i>	<i>Infrastructure Construction</i>	<i>Service</i>	<i>Other operations</i>	<i>Segments total</i>	<i>Eliminations *)</i>	<i>Total Operations</i>
Revenue									
Sales to external customers	421 924	545 306	455 423	366 709	327 886	5 324	2 122 572	-	2 122 572
Inter-segment sales	218 407	383	33 097	157	31 780	1 711	285 535	(285 535)	-
Total segment revenue	<u>640 331</u>	<u>545 689</u>	<u>488 520</u>	<u>366 866</u>	<u>359 666</u>	<u>7 035</u>	<u>2 408 107</u>	<u>(285 535)</u>	<u>2 122 572</u>
Results									
Segment profit	<u>(4 492)</u>	<u>6 543</u>	<u>(3 559)</u>	<u>(163 215)</u>	<u>(8 485)</u>	<u>1 332</u>	<u>(171 876)</u>	<u>(53 614)</u>	<u>(225 490)</u>

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

30 June 2012 (unaudited)

Continuing operations

	<i>Production</i>	<i>General Construction</i>	<i>Power Engineering and Chemistry</i>	<i>Infrastructure Construction</i>	<i>Service</i>	<i>Other operations</i>	TOTAL
Segment assets	814 483	382 698	1 277 849	882 482	372 551	377 561	4 107 624
Investment in an associate	-	464	15 274	-	-	-	15 738
Assets managed on Group basis	-	-	-	-	-	-	225 558
Total assets	814 483	383 162	1 293 123	882 482	372 551	377 561	4 348 920
Segment liabilities	233 035	329 289	376 271	569 491	120 722	81 417	1 710 225
Liabilities managed on Group basis	-	-	-	-	-	-	2 638 695
Total equity and liabilities	233 035	329 289	376 271	569 491	120 722	81 417	4 348 920

Reconciliation to data presented in the statement of financial position

Segment assets do not include assets managed on a Group basis

-property, plant and equipment	22 433
-investment real property	12 151
- intangible assets	5 555
- financial assets	5 868
-deferred tax assets	160 654
-cash and cash equivalents	2 436
- other receivables	7 208
- other	9 253
Total	225 558

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

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

-loans and borrowings	919 644
- debentures	407 846
- provision for employee and similar benefits	36 725
-deferred income tax liability	20 134
- taxation, customs duty and social security payables	130 721
- other	7 066
Equity	1 116 559
Total	2 638 695

9. Revenues and expenses

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

	<i>The three months ended</i>	<i>The six months ended</i>	<i>The three months ended</i>	<i>The six months ended</i>
	<i>30 June 2013</i>	<i>30 June 2013</i>	<i>30 June 2012</i>	<i>30 June 2012</i>
	<i>(unaudited)</i>		<i>(unaudited)</i>	
Sale of goods	87 972	248 128	102 542	335 544
Rendering of services	515 855	882 912	1 113 237	1 778 922
Rental income	2 795	8 148	3 778	8 106
	606 622	1 139 188	1 219 557	2 122 572

9.2. Revenue and costs of long-term contracts

In line with the requirements of IAS 1 the Board assesses and reviews budgets in the scope of settling long-term contracts being performed by the Company, reviewing revenue and costs estimated as works progress. Budgets reviews refers both to contracts in progress as at 30 June 2013 and the ones in the warranty period on which account there is the risk of incurring extra costs.

The Company is performing contracts with no external funding and with limited liquidity. It causes difficulties in the scope of keeping contractual deadlines and leads to disputes with main contract customers. Despite this fact the Company completed numerous significant long-term contracts and as far as contracts to be completed are concerned it concluded or is in the course of arranging annexes and understandings extending delivery dates. It will permit the Company to mitigate the risk of charging and deducting contractual penalties.

Polimex-Mostostal S.A. completed the construction of a modern heat and power block at the EC1 Bielsko-Biała Heat and Power Plant. The Ordering Party, Tauron Wytwarzanie S.A., documented final acceptance of the facility completion on 28 June this year. The value of the contract of December 2009 is PLN 409,700 thousand net. The scope of works performed by Polimex-Mostostal covered comprehensive design and construction of the block as a turn-key project including the delivery, supply, commissioning and handing over to use a new heat and power block. Polimex-Mostostal consistently and according to the schedule is developing its activity in the industrial construction sector especially in the power engineering, petro chemistry and chemistry sector. The Company is the contractor of one of the largest project for the conventional power engineering, together with Hitachi Power Europe, it is extending the Kozienice power plant (the value of this contract for Polimex-Mostostal is PLN 2.18 billion net), it is also a member of the consortium responsible for the construction of new power blocks in the Opole power plant (the value of the contract for Polimex-Mostostal is PLN 3.92 billion net)

Despite difficulties in maintaining undisturbed liquidity the Company is making up a number of delays in the scope of road contracts which are being performed. The Company put into use an over 23 kilometre section of the A4 Szarów-Brzesko motorway, other sections performed by the Company are in the significant stage of completion.

The contract performed on design and construction basis for A1 Stryków-Tuszyn motorway worth over PLN 949 million net is in the initial stage of completion. Polimex is the Consortium leader performing the order with the share amounting to 37% of the contract value. In line with the contract in force the works in this section are to be completed in 2014. The new 40-kilometer section of A1 motorway will link Łódź – North junction with the existing section of A1 motorway from Tuszyn to Piotrków Trybunalski. Actual construction works commenced at the end of

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

April this year. A real threat to timely performance of this contract is the difficult financial position of one of the consortium members, announcing bankruptcy by another (Mostmar), which resulted in necessity to take over a considerable portion of works. 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. Maintaining liquidity, which would ensure uninterrupted cycle of works, and consequently a timely completion of the contract at projected deadlines, causes difficulties. The Company has incurred and is still incurring costs of maintain construction and of performance of works and the contract is executed at a significant loss. Accordingly, and due to the initial stage of completion of the contract there is a considerable uncertainty as to assumptions taken for valuation, which may change because of a number of external factors.

At the end of August 2013 on average 200 construction machines and 200 persons worked in the „Stryków-Tuszyn” section daily. Next layers of embankments and cuts are made, further works on removal of the humus layer in the site and on stabilising the soil for the main road are continued, works are carried out at the reconstruction of conflicts of water and sewage, power engineering and communication infrastructure, works on reconstruction of the gas pipeline as well as laboratory and surveyed measurements in performed sections of works are continued. In the nearest future the Company is planning to perform further earthworks, to make further layers of embankments and cuts, to conduct water and sewage, power engineering and communication works as well as works on engineering facilities. In the nearest future it is planning to acquire a partner who will take over a significant scope of works that remain to be performed.

9.3. Other operating income

	<i>The three months ended</i> 30 June 2013	<i>The six months ended</i> 30 June 2013	<i>The three months ended</i> 30 June 2012	<i>The six months ended</i> 30 June 2012
	<i>(unaudited)</i>		<i>(unaudited)</i>	
Reversed provisions for expenses	(781)	3 022	276	1 750
Gain on disposal of property, plant and equipment	(883)	22 028	(211)	259
Damages and fines	4 016	6 560	4 390	6 738
Liabilities written off	360	666	1 235	1 235
Released provision for severance payments and leaves	1 450	1 450	-	-
Grants	50	50	96	96
Revaluation of investment property to fair value	24 246	24 246	-	-
Other	959	5 921	510	1 711
Other operating income, total	29 417	63 943	6 296	11 789

9.4. Other operating expenses

	<i>The three months ended</i> 30 June 2013	<i>The six months ended</i> 30 June 2013	<i>The three months ended</i> 30 June 2012	<i>The six months ended</i> 30 June 2012
	<i>(unaudited)</i>		<i>(unaudited)</i>	
Provision for costs of contracts	(15 031)	454	2 552	2 552
Loss on disposal of property, plant and equipment	(238)	1	1 820	1 832
Revaluation of property, plant and equipment	-	-	8 000	8 000
Damages and fines	929	2 091	3 393	4 387
Court expenses	314	1 148	1 013	1 147
Donations	7	9	140	377
Post-accident repairs	110	133	-	24
Provision for court fees	1 325	1 325	-	-
Allowance on account of tax	-	-	2 338	2 338
Elimination of subsidiaries on consolidation	31 362	31 362	-	-
Receivables written-off	88	88	56	56
Other	565	2 311	1 321	2 020
Total other operating expenses	19 431	38 922	20 633	22 733

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

9.5. Finance income

	<i>The three months ended 30 June 2013 (unaudited)</i>	<i>The six months ended 30 June 2013 (unaudited)</i>	<i>The three months ended 30 June 2012 (unaudited)</i>	<i>The six months ended 30 June 2012 (unaudited)</i>
Revenue from measurement and exercise of derivative instruments	-	231	256	1 121
Bank interest and loan receivable	3 394	4 123	383	608
Proceeds from interest for delay in payment	40	583	900	1 065
Revaluation of financial assets	3 503	3 503	-	-
Dividend income	-	-	151	151
Discounting sureties	4 162	4 162	-	-
Foreign exchange gains	5 415	9 422	(416)	2 193
Other	290	2 102	(252)	29
Total finance income	16 804	24 126	1 022	5 167

9.6. Finance costs

	<i>The three months ended 30 June 2013 (unaudited)</i>	<i>The six months ended 30 June 2013 (unaudited)</i>	<i>The three months ended 30 June 2012 (unaudited)</i>	<i>The six months ended 30 June 2012 (unaudited)</i>
Measurement and execution of derivative instruments	-	-	17	34
Interest on bank loans and borrowings	13 304	27 750	15 311	28 626
Interest and commission on debentures	4 561	4 602	7 205	14 298
Finance charges payable under finance lease agreements	412	1 959	846	1 600
Foreign exchange losses	291	1 126	(5 035)	11 364
Bank charges on guarantees and loans	1 115	3 455	1 757	2 742
Revaluation of financial assets	4 959	4 996	-	-
Loss on sale of financial assets	3 621	39 661	87	87
Other	422	550	(519)	30
Total finance costs	28 685	84 099	19 669	58 781

10. Income tax

10.1. Tax expense

Major components of income tax expense for the six months ended 30 June 2013 and for the six months ended 30 June 2012 are as follows:

	<i>The three months ended 30 June 2013 (unaudited)</i>	<i>The six months ended 30 June 2013 (unaudited)</i>	<i>The three months ended 30 June 2012 (unaudited)</i>	<i>The six months ended 30 June 2012 (unaudited)</i>
Consolidated income statement				
Current income tax	10 576	11 637	2 333	4 313
Current income tax expense	10 576	11 637	2 333	4 313
Deferred income tax	(26 636)	(18 453)	13 042	(37 690)
Relating to origination and reversal of temporary differences	(26 636)	(18 453)	13 042	(37 690)
Income tax expense reported in consolidated income statement	(16 060)	(6 816)	15 375	(33 377)
Comprehensive income statement				
Deferred income tax	-	56	30	(284)
Relating to origination and reversal of temporary differences	-	56	30	(284)
Tax expense/ tax credit recognised in other comprehensive income	-	56	30	(284)

Disclosure on investment in Tarnobrzeg Special Economic Zone.

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

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

The discounted value of tax relief Polimex-Mostostal S.A. is entitled to upon the fulfilled investment condition as at 31.03.2011 amounted to PLN 72 million, whereas the maximum (nominal) realisable relief was estimated at PLN 103 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 2013 the amount of accrued tax relief had amounted to PLN 5.5 million (at the nominal value). Taking into consideration the weak market posing a real risk of unfulfilling previously assumed financial projections for years 2013-2017, implemented process of operating and financial reorganization of the Company resulting in, for example, reduction of employment, which is one of key conditions of the obtained Permit, the Company, applying the prudence principle, made a decision to write off the recognized tax asset in the amount of PLN 38.3 million as of 31 December 2012.

At present the Company is analyzing the grounds for further functioning under the obtained Permit and decisions in the scope will be taken in the nearest future.

11. Changes in the Capital Group

There were the following changes to the composition of the Group in the first six months of 2013:

- on 31 January 2013 conditions precedent specified in the Conditional Agreement to sell the shares of Fabryka Kotłów Sefako S.A. with the registered office in Sędziszów ("Sefako") concluded on 24 October 2012 between the Issuer and MARS Closed Investment Fund with the registered office in Warsaw, managed and represented by MS Towarzystwo Funduszy Inwestycyjnych S.A. with the registered office in Warsaw ("Buyer") ("Agreement for selling shares of Sefako") were jointly met. In line with the Agreement for selling Sefako shares the total price for sold shares is PLN 72,321 thousand. The selling price may be decreased depending on operations and financial position of the Sefako Company where any circumstances specified in the Agreement arise. The value of Sefako shares in the books of Polimex-Mostostal S.A. amounted in total to PLN 18,153 thousand;
- on 7 March 2013 conditions precedent specified in the Conditional Agreement to sell the shares of "Energomontaż-Północ Gdynia" Sp. z o.o with the registered office in Gdynia ("EPG") concluded on 24 October 2012 (CR No. 102/2012 of 25 October 2012) between the Issuer and MARS Closed Investment Fund with the registered office in Warsaw, managed and represented by MS Towarzystwo Funduszy Inwestycyjnych S.A. with the registered office in Warsaw ("Buyer") ("Agreement for selling EPG shares") were jointly met. In line with the Agreement for selling EPG shares the total price for sold shares is PLN 46,369 thousand. The value of EPG shares in the Issuer's books amounted to PLN 21,887 in total.
- on 5 April 2013 the shares of Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o. with the registered office in Siedlce were sold. The price for the sold shares is PLN 1,700 thousand. The value of shares of Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o. in the Issuer's books was PLN 1,613 thousand.
- on 22 April 2013 S.C. Coifer Impex SRL with the registered office in Romania filed at the Civil Court in Bucharest, Romania a request to open a bankruptcy proceeding with reorganization option. On 29 April 2013 the Civil Court in Bucharest, Romania issued a decision to open a bankruptcy proceedings with reorganization option of Coifer Impex SRL with the registered office in Bucharest, Romania. The decision of the Court concerning the continuation of the proceedings will be taken on 6 September 2013.

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

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

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

12. Dividends paid and proposed

In 2012 the Company generated a loss. On 3 June 2013 the General Meeting of Shareholders adopted No. 27 Resolution to cover the loss with subsequent profits of the Company.

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.

On 27 June 2012 the General Meeting of Shareholders adopted 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.

13. Property, plant and equipment

The six months ended 30 June 2013 (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 2013	329 872	251 872	61 644	16 385	48 469	-	708 242
Additions	1 628	4 551	1 164	458	5 293	-	13 094
Disposals	(378)	(3 805)	(582)	(1 644)	(2 052)	-	(8 461)
Elimination on subsidiary consolidation	(23 037)	(4 292)	(1 106)	(165)	(1 148)	-	(29 748)
Revaluation	-	299	70	1	-	-	370
Reclassification	415	(28)	-	(1)	-	-	386
Depreciation charge for the period	(7 252)	(18 524)	(5 586)	(2 085)	-	-	(33 447)
Net carrying amount at 30 June 2013	301 248	230 073	55 604	12 949	50 562	-	650 436
As at 1 January 2013							
Cost	430 232	491 210	122 524	51 375	49 258	-	1 144 599
Write-off and impairment loss	(100 360)	(239 338)	(60 880)	(34 990)	(789)	-	(436 357)
Net carrying amount	329 872	251 872	61 644	16 385	48 469	-	708 242
As at 30 June 2013							
Cost	356 589	456 383	116 983	48 527	51 112	-	1 029 594
Write-off and impairment loss	(55 341)	(226 310)	(61 379)	(35 578)	(550)	-	(379 158)
Net carrying amount	301 248	230 073	55 604	12 949	50 562	-	650 436
Year ended 31 December 2012							
	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Motor vehicles</i>	<i>Other fixed assets</i>	<i>Fixed assets under construction</i>	<i>Advanced payments to fixed assets under construction</i>	<i>Total</i>
Net carrying amount at 1 January 2012	553 829	320 723	79 091	20 875	65 765	4 579	1 044 862
Revaluation	(16 706)	(1 368)	(303)	2	(238)	-	(18 613)
Additions	4 990	29 558	5 858	4 457	46 503	9 955	101 321
Disposals	(16 647)	(9 018)	(2 417)	(918)	(15 770)	(443)	(45 213)
Reclassification	(170 545)	(37 154)	(6 190)	(2 474)	(47 791)	(14 091)	(278 245)
Elimination on subsidiary consolidation	(1 912)	(179)	(350)	(4)	-	-	(2 445)
Depreciation charge for the period	(23 137)	(50 690)	(14 045)	(5 553)	-	-	(93 425)
Net carrying amount at 31 December 2012	329 872	251 872	61 644	16 385	48 469	-	708 242

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

As at 1 January 2012							
Cost	660 154	593 082	147 111	57 442	66 315	4 579	1 528 683
Write-off and impairment loss	(106 325)	(272 359)	(68 020)	(36 567)	(550)	-	(483 821)
Net carrying amount	<u>553 829</u>	<u>320 723</u>	<u>79 091</u>	<u>20 875</u>	<u>65 765</u>	<u>4 579</u>	<u>1 044 862</u>
As at 31 December 2012							
Cost	430 232	491 210	122 524	51 375	49 258	-	1 144 599
Write-off and impairment loss	(100 360)	(239 338)	(60 880)	(34 990)	(789)	-	(436 357)
Net carrying amount	<u>329 872</u>	<u>251 872</u>	<u>61 644</u>	<u>16 385</u>	<u>48 469</u>	<u>-</u>	<u>708 242</u>

14. Goodwill on consolidation

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

For acquired subsidiaries the Capital Group's operating segment basis is the lowest basis on which the Management monitors the realisability of goodwill and conducts tests for impairment of goodwill. As at 30 June 2013 the Board of Directors did not identify the premises for impairment in relation to the goodwill as a result the Company conducted appropriate tests to confirm the realisability of goodwill on basis of Power Engineering and Chemistry operating segment. Impairment tests showed that as at the date of preparation of these financial statements there is no need to impair goodwill as the fair value arising from discounting future cash flows for the operating segment is higher than goodwill increased by fixed assets and net working capital. In accordance with the regulations of IAS 36 *Impairment of Assets* the Company will conduct an annual test for impairment of goodwill at the end of financial year ended 31 December 2013.

15. Inventories

	<i>30 June 2013</i> <i>(unaudited)</i>	<i>31 December 2012</i>
Raw materials	92 540	107 347
Goods for resale	1 727	1 055
Raw materials advance payments	2 792	5 749
Work-in-progress (at cost)*	176 330	174 690
Finished goods	16 638	19 514
Total inventories, at the lower of cost and net realisable value	<u>290 027</u>	<u>308 355</u>

*of which: Developer's inventories in the amount of PLN 159 million as at 30 June 2013 and of PLN 160 million as at 31 December 2012, respectively.

16. Trade and other receivables

	<i>30 June 2013</i> <i>(unaudited)</i>	<i>31 December 2012</i>
Trade receivables	1 084 263	1 109 989
of which: trade receivables from related parties	109	86
Receivables from public authorities	9 575	18 250
Other receivables from third parties	27 634	31 915
Other receivables from related parties	1 147	3 000
Total receivables (net)	<u>1 122 619</u>	<u>1 163 154</u>
Doubtful debts allowance	146 587	113 987
Total receivables, gross	<u>1 269 206</u>	<u>1 277 141</u>

Trade receivables are non-interest bearing and are usually receivable within 30 to 180 days.

For terms and conditions of related party transactions refer to Note 26.

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

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

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

	<i>30 June 2013</i> <i>(unaudited)</i>	<i>31 December 2012</i>
Up to one month	530 430	599 887
Over 1 month to 3 months	197 610	135 586
Over 3 months to 6 months	16 777	21 329
Over 6 months to 1 year	59 580	46 756
Past due receivables	423 910	418 346
Gross trade receivables	1 228 307	1 221 904
Allowance for trade receivables	(144 044)	(111 915)
Net trade receivables	1 084 263	1 109 989

16.2. Aging analysis of trade receivables

	<i>30 June 2013</i> <i>(unaudited)</i>	<i>31 December 2012</i>
Up to one month past due	65 808	167 371
Over 1 month to 3 months past due	142 690	84 025
Over 3 months to 6 months past due	73 653	53 949
Over 6 months to 1 year past due	64 644	25 611
Over 1 year past due	77 115	87 390
Gross past due trade receivables	423 910	418 346
Allowance for trade receivables	(102 356)	(97 094)
Total	321 554	321 252

Movements in allowance for receivables were as follows:

	<i>30 June 2013 (unaudited)</i>	<i>31 December 2012</i>
Allowance for receivables at the beginning of the period	111 915	53 718
Increase, of which:	52 695	76 495
- allowance for receivables	52 681	76 327
- changes in Group structure	-	137
- other	14	31
Decrease, of which:	20 566	18 298
- utilisation	1 194	6 462
- receivables pay-off	1	4 492
- release of allowance for receivables	7 147	29
- changes in the Capital Group	12 224	-
- reclassification	-	7 315
Allowance for receivables at the end of the period	144 044	111 915

17. Cash and cash equivalents

	<i>30 June 2013</i> <i>(unaudited)</i>	<i>31 December 2012</i>
Cash at bank and in hand	146 640	255 186
Restricted access cash	73 083	-
Deposits	10 279	5 734
Total cash	230 002	260 920

*of which: cash deposited in the account for a power engineering contract

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

at the respective short-term deposit rates. Fair value of cash and cash equivalents as at 30 June 2013 amounts to PLN 230,002 thousand, (as at 31 December 2012 it amounted to PLN 260,920 thousand).

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

	The six months ended 30 June 2013 (unaudited)
Change in inventories in the statement of financial position	18 328
Adjustment for inventories of disposed Organised Part of Enterprise	(3 885)
Elimination of subsidiary on consolidation	(3 714)
Change in inventories in the statement of cash flows	10 729
	The six months ended 30 June 2013 (unaudited)
Change in receivables in the statement of financial position	28 132
Adjustment for write-down of loans granted to subsidiaries	432
Adjustment for change of guarantee deposits	356
Adjustment for receivables of an entity eliminated on consolidation	(37 317)
Adjustment for receivables arising from dividend from an associate	1 147
Adjustment for advance payments on account of execution of long-term contracts	53 850
Change in receivables in the statement of cash flows	46 600
	The six months ended 30 June 2013 (unaudited)
Change in accruals and prepaid expenses in the statement of financial position	(3 996)
Elimination of subsidiary on consolidation	(856)
Change in accruals and prepaid expenses in the statement of cash flows	(4 852)
	The six months ended 30 June 2013 (unaudited)
Change in liabilities in the statement of financial position	(397 067)
Adjustment for liabilities relating to investment acquisitions	1 657
Adjustment for lease liabilities	7 113
Adjustment for advance payments received on account of disposal of assets	86 960
Adjustment for liabilities arising from redemption of debentures	1 000
Adjustment for liabilities of a subsidiary eliminated on consolidation	56 601
Adjustment for discounting sureties of companies eliminated on consolidation due to their disposal	3 828
Change in liabilities in the statement of cash flows	(239 908)
	The six months ended 30 June 2013 (unaudited)
Change in loan liabilities in the statement of financial position	132 710
Adjustment for loan liabilities of companies eliminated on consolidation due to their disposal	27 628
Adjustment for liabilities arising from accrued interest	(18 027)
Change in loan liabilities in the statement of cash flows	142 311

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

	The six months ended 30 June 2013 (unaudited)
Change in provisions in the statement of financial position	(59 305)
Adjustment for provisions of an entity eliminated on consolidation	(14 546)
Change in provisions in the statement of cash flows	(73 851)
	The six months ended 30 June 2012 (restated)
Change in receivables in the statement of financial position	141 694
Adjustment for reclassification of guarantee deposits to current assets	(96 530)
Adjustment for receivables from disposal of non-financial assets	(1 543)
Change in receivables in the statement of cash flows	43 621
	The six months ended 30 June 2012 (restated)
Change in liabilities in the statement of financial position	(411 007)
Adjustment for liabilities relating to investment acquisitions	10 368
Adjustment for lease liabilities	(1 174)
Change in liabilities in the statement of cash flows	(401 813)

17.1. Current financial assets

	30 June 2013 (unaudited)	31 December 2012
Financial assets	97 679*	96 086*

*Of which: advance payments to execution of contracts in the amount of PLN 96.9 million.

18. Available for sale long-term assets

	30 June 2013	31 December 2012
Non-current assets	33 698	299 731
Property, plant and equipment	33 698	274 249
Intangible assets	-	1 568
Financial assets	-	578
Non-current receivables	-	117
Deferred tax assets	-	23 219
Current assets	-	163 276
Inventories	-	13 447
Trade and other receivables	-	141 548
Income tax receivables	-	36
Prepaid expenses	-	583
Cash and cash equivalents	-	5 358
Financial assets	-	2 304
Total available for sale long-term assets	33 698	463 007

In line with the provisions of the Agreement on Regulations of Debt Servicing signed on 21 December 2012 the Issuer assumed an obligation to dispose of specified assets and generate proceeds on this account in the amount of not less than PLN 600 million by 31 December 2015. Assets being disposed of include shares and interest in Subsidiaries, inessential property, plant and equipment, organized part of an enterprise and developer's and investment property as well as selected operating real property. The table above presents financial data relating to transactions of disposing of assets available for sale completed after the statement of financial position date and these assets whose disposal is planned within a year of the statement of financial position date.

19. 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 of the Issuer 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 were redeemed.

In accordance with Resolution No. 26 of 4 July 2008 the share capital of the Issuer 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 Issuer 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 Issuer share,
- Criterion 2: Meeting the required growth rate of consolidated earnings per Issuer share,
- Criterion 3: Achieving the required difference between the change in the simple average of Issuer 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 Issuer 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 2013 and as at 30 June 2012 the balance of the provision for these plans recognised in the reserve capital of the Issuer amounts to PLN 32,086 thousand.

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

20. Interest-bearing bank loans and borrowings

Bank / financing entity	Capital Group Entity	Maturity	30 June 2013	31 December 2012
Current				
	Parent company		630 705	30 981
BPH S.A. – working capital facility up to PLN 47,000 thousand (<i>repaid</i>)		04.03.2013	-	5 969
ING Bank Śląski – a working capital facility up to PLN 7,718 thousand (<i>on 24.07.2012 an understanding was concluded under which the loan principal shall be repaid in 8 equal monthly instalments with the first instalment paid not later than on 31.07.2012</i>)(<i>repaid</i>)		28.02.2013	-	5 012
Bank Millennium S.A. – working capital facility up to PLN 20,000 thousand (<i>repaid</i>)		19.04.2013	-	20 000
BOŚ S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)		31.12.2016	49 253	-
Bank PEKAO S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)		31.12.2016	155 797	-
Bank PEKAO S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)		31.12.2016	50 000	-
PKO BP S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)		31.12.2016	199 997	-
PKO BP S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)		31.12.2016	93 442	-
PKO BP S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)		31.12.2016	7 286	-
PKO BP S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)		31.12.2016	5 782	-
PKO BP S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)		31.12.2016	50	-
PKO BP S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)		31.12.2016	28 028	-
Bank Zachodni WBK S.A. (former Kredyt Bank S.A.) - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)		31.12.2016	41 070	-
*)repayment of the total amount of loans settled under the Agreement on Regulations of Debt Servicing (ARDS) of 21.12.2012 as further amended shall be made in line with the schedule of repayment starting from 30.06.2015 to 31.12.2016.				
	Modułowe Systemy Specjalistyczne Sp. z o.o.		1 813	2 027
ING Bank Śląski S.A. – bank overdraft up to PLN 1,000 thousand		31.12.2013	1 019	989
Raiffeisen Bank Polska S.A. – revolving credit facility in PLN		31.12.2013	794	1 038
	PPU Elektra Sp. z o.o.		2 009	1 855
Bank Millenium S.A. – bank overdraft up to PLN 2,000 thousand		20.05.2013	2 009	1 855

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

	Polimex-Mostostal ZUT Sp. z o.o.	412	645
Bank PEKAO S.A. – bank overdraft up to PLN 1,000 thousand repaid in monthly instalments (<i>current amount of loan PLN 450 thousand</i>)	31.01.2014	412	645
	Stalfa Sp. z o.o.	14 386	13 724
Bank PEKAO S.A. – bank overdraft up to PLN 700 thousand	31.07.2013	698	697
Alior Bank – bank overdraft up to PLN 7,000 thousand	25.04.2014	6 825	5 965
Alior Bank – non-revolving credit facility in PLN (current portion)	28.02.2014	769	1 025
BZ WBK S.A. (former Kredyt Bank S.A.) – bank overdraft up to PLN 6,720 thousand	28.02.2014	6 094	5 650
BZ WBK S.A. (former Kredyt Bank S.A.) – investment loan in PLN	24.05.2013	-	387
	Tchervonograd MSP -Ukraine	343	866
Kredobank – working capital facility up to EUR 290 thousand (current portion)	30.06.2014	-	157
Kredobank – working capital facility up to USD 148 thousand	08.12.2013	343	709
	Torpol Group	54 296	45 177
Bank Millennium S.A. – bank overdraft up to PLN 13,000 thousand	15.01.2014	11 115	1 467
Alior Bank S.A. – bank overdraft up to PLN 10,000 thousand	04.09.2013	-	5 629
Alior Bank S.A. – revolving credit facility in the credit account up to PLN 23,000 thousand	19.06.2014	22 918	6 811
BZ WBK S.A. – bank overdraft up to PLN 12,500 thousand	31.05.2014	12 160	24 257
DnB Nord Polska S.A. – bank overdraft up to NOK 17,000 thousand	30.06.2014	1 158	2 343
Bank PEKAO S.A. – bank overdraft up to PLN 5,000 thousand	30.06.2013	4 950	4 670
BOŚ S.A. – bank overdraft up to PLN 2,000 thousand	31.12.2013	1 995	-
	PRInż -1 Sp. z o.o.	11 491	12 942
BOŚ S.A. – a revolving working capital facility with the sublimit up to PLN 10,000	15.05.2015	10 000	10 000
BOŚ S.A. – investment loan in PLN	30.06.2014	420	635
BOŚ S.A. – a bank overdraft with sublimit up to PLN 2,500 thousand	15.05.2015	980	2 173
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN	16.03.2014	25	41
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN	16.06.2014	33	48
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN	25.10.2014	33	45
	Energop Sp. z o.o.	10	9 303
RBS Bank (Polska) S.A. – investment loan in EUR (<i>as at the date of preparation of these financial statements the loan is refinanced with investment loan drafted at PKO BP S.A.</i>)	25.05.2013	10	9 303
	Centrum Projektowe Polimex Mostostal Sp. z o.o.	8 265	9 312
Bank PEKAO S.A. – bank overdraft up to PLN 1,050 thousand repaid in monthly instalments (<i>current amount of loan PLN 538 thousand</i>)	30.11.2013	419	972
Bank Millennium S.A. – bank overdraft up to PLN 5,400 thousand	30.06.2013	5 400	5 400
Voivodship Environment Protection Fund – loan in PLN (current portion)	30.06.2014	-	17
Orzesko-Knurowski Polski Bank Spółdzielczy – bank overdraft up to PLN 2,000 thousand	19.10.2013	1 931	1 892

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

Orzesko-Knurowski Bank Spółdzielczy – investment loan in PLN (current portion)	30.06.2014	515	1 031
	Polimex- Development Kraków Sp. z o.o.	15 279	15 703
PKO BP S.A. – investor loan in PLN	31.12.2013	3 861	4 255
PKO BP S.A. – investor loan in PLN	31.12.2013	11 418	11 448
	Coifer Group	-	20 186
Intensa Sanpaolo – investment loan in EUR (current portion)	31.12.2013	-	1 857
Unicredit Tiriak Bank – a bank overdraft up to EUR 4,470 thousand (<i>the loan was repaid before its maturity on demand of the Bank</i>)	13.09.2013	-	18 329
	Grande Meccanica SpA	14 461	14 193
Cassa Di Risparmio di Terni e Nami SpA – working capital facility up to EUR 340 thousand	Open	853	-
Banca Pop. Di Spoleto – revolving working capital facility up to EUR 1,000 thousand	Open	4 284	3 155
Monte dei Pachi di Sienna – working capital facility up to EUR 1,598 thousand	Open	1 515	3 639
Banca Nazionale Del Lavoro SpA – working capital facility up to EUR 780 thousand	Open	3 377	3 475
Unicredit Banca d'Impresa – working capital facility up to EUR 1,000 thousand	Open	4 325	3 924
Banca Pop. Di Spoleto – loan in EUR	08.07.2013	107	-
	WBP Zabrze Sp. z o.o.	2 287	2 275
Orzesko-Knurowski Bank Spółdzielczy – a bank overdraft up to PLN 3,000 thousand (<i>as at the date of preparation of these statements extended by 30.06.2014 with the limit of PLN 2,300 thousand</i>)	30.06.2013	2 287	2 275
	Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.	23	45
ING Bank Śląski S.A. – bank overdraft up to PLN 200 thousand (<i>repaid</i>)	28.02.2013	2	16
Volkswagen Bank Polska S.A. – investment loan in PLN	02.10.2013	5	13
Volkswagen Bank Polska S.A. – investment loan in PLN (current portion)	30.06.2014	16	16
Non-current			
	Parent company	4 624	459 438
BOŚ S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)	31.12.2016	-	44 418
Bank PEKAO S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)	31.12.2016	-	150 000
Bank PEKAO S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)	31.12.2016	-	49 013
PKO BP S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)	31.12.2016	-	69 997
PKO BP S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)	31.12.2016	-	93 522

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

PKO BP S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)	31.12.2016	-	7 317
PKO BP S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)	31.12.2016	-	5 783
PKO BP S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)	31.12.2016	-	50
PKO BP S.A. - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)	31.12.2016	-	-
Bank Zachodni WBK S.A. (former Kredyt Bank S.A.) - working capital facility in PLN (<i>under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended</i> *)	31.12.2016	-	39 338
Polimex-Cekop Development Sp. z o.o. – loan in PLN	31.12.2015	4 624	-
*)repayment of the total amount of loans settled under the Agreement on Regulations of Debt Servicing (ARDS) of 21.12.2012 as further amended shall be made in line with the schedule of repayment starting from 30.06.2015 to 31.12.2016.			
	Stalfa Sp. z o.o.	-	170
Alior Bank – non-revolving credit facility in PLN	28.02.2014	-	170
	Centrum Projektowe Polimex Mostostal Sp. z o.o.	10 307	10 425
Orzesko-Knurowski Bank Spółdzielczy – investment loan in PLN	18.12.2023	10 307	10 307
Voivodship Environment Protection Fund – loan in PLN	15.10.2020	-	118
	Coifer Group	-	7 365
Intensa Sanpaolo – investment loan in EUR	08.12.2017	-	7 365
	Tchervonograd MSP -Ukraine	3 628	2 282
Ukrgazprombank – working capital facility up to UAH 3,225 thousand	18.09.2014	1 304	1 226
Ukrgazprombank – working capital facility up to EUR 262 thousand	18.09.2014	1 103	1 056
Ukrgazprombank – working capital facility up to EUR 290 thousand	13.03.2015	1 221	-
	Torpol Group	7 272	-
BOŚ S.A. – loan in a credit account up to PLN 12,000 thousand	10.10.2014	7 272	-
	Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.	10	18
Volkswagen Bank Polska S.A. – investment loan in PLN	11.12.2014	10	18
	Energop Sp. z o.o.	9 740	-
PKO BP S.A. – investment loan in EUR	20.06.2016	9 740	-
	Polimex – Development Inwestycje Sp. z o.o. Apartamenty Tatarska	6 913	6 632
BRE Bank S.A. – investment loan in PLN	15.08.2014	6 913	6 632

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

Interest-bearing bank loans and borrowings	798 274	665 564
Current, of which:	755 780	179 234
Bank loans	755 673	179 217
Borrowings	107	17
Non-current, of which:	42 494	486 330
Bank loans	37 870	486 212
Borrowings	4 624	118

	<i>30 June 2013 (unaudited)</i>	<i>31 December 2012</i>
Comparison of interest rates for the periods		
Weighted average for bank loans in PLN	WIBOR 1M + 1.6896p/p/ WIBOR 3M + 2.3056 p/p	WIBOR 1M + 1.6012 p.p.; WIBOR 3M + 2.3263 p.p.
Weighted average for bank loans in EUR	- - EURIBOR 3M +3 6589 p.p.	EURIBOR 1M +3.0000 p. p. LIBOR 1M +2.5000 p. p. EURIBOR 3M +2.8555 p. p.

21. Debentures

	<i>30 June 2013 (unaudited)</i>	<i>31 December 2012</i>
Long-term debentures	-	143 874
Short-term debentures with interest	148 266	-
Total debentures	148 266	143 874

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

Apart from the Issuer, the banks financing the operations of the Issuer i.e. the banks which granted loans or guarantees on request of the Issuer and Debenture Holders holding receivables arising from the debentures issued by the Issuer in the total nominal amount of PLN 395 million ("Debenture Holders" and together with the Banks "Creditors") entered into the Agreement. The Agreement was concluded for the period of four months when the Issuer negotiated with its financial Creditors the final understanding amending the terms and conditions of debt financing of the Issuer. In line with the provisions of the Annex to Standstill Agreement, signed on 20 September 2012, the life of terms and conditions of the Agreement was extended by 31 March 2013.

On 21 December 2012 the Issuer and „Polimex-Development” Kraków; Polimex-Mostostal Development and BR Development, its Subsidiaries, concluded with the Financing Banks and Debenture Holders the Agreement on regulations of servicing debt specifying the terms and conditions of financing the Issuer by Creditors.

Under the Agreement on Regulations of Servicing Debt, Debenture Holders assumed an obligation to converse debt arising from debentures issued by the Issuer in the amount of approx. PLN 250 million to Series M shares. The conversion was on 21 December 2012. In the scope of remaining, unpaid portion of receivables of Debenture Holders in the amount of approx. PLN 148,266 thousand the Debenture Holders assumed an obligation to postpone the final repayment of this receivable by 31 December 2016.

Due to the breach of the terms and conditions of the Agreement on Regulations of Debt Servicing (ARDS) of 21.12.2012, in line with the requirements of the accounting standard, IFRS 1, the Polimex-Mostostal S.A. Company reclassified long-term debentures to short-term ones as at 30 June 2013. On 2 July 2013 the Company received consent from the Creditors to waive their rights arising from the breach of the Agreement consisting in (i) failure to generate the total proceeds from issue of series N1, N2 and O shares in the total amount of PLN 250 million and (ii) failure of the Company to conclude annexes to selected construction contracts in the period specified by the Creditors i.e. by 30 June 2013.

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

22. Provisions

22.1. Movements in provisions

	<i>Guarantee repair provisions</i>	<i>Restructuring provision</i>	<i>Post-employment benefits</i>	<i>Other provisions*</i>	<i>Total</i>
As at 1 January 2013	30 207	16 753	56 849	267 632	371 441
Elimination of subsidiary on consolidation	(48)	-	-	15 014	14 966
Recognised during the period	17 625	-	5 815	38 708	62 148
Utilised	(9 403)	-	(149)	(10 208)	(19 760)
Released	(1 572)	(7 287)	(26 189)	(81 704)	(116 752)
Reclassifications	-	-	(45)	-	(45)
Foreign exchange adjustment	-	-	109	29	138
As at 30 June 2013 (unaudited)	<u>36 809</u>	<u>9 466</u>	<u>36 390</u>	<u>229 471</u>	<u>312 136</u>
Current at					
30 June 2013	24 586	9 466	6 205	204 612	244 869
Non-current at					
30 June 2013	12 223	-	30 185	24 859	67 267

*including in particular provisions for losses on contracts

	<i>Provisions for guarantee repairs and refunds</i>	<i>Restructuring provision</i>	<i>Post-employment benefits</i>	<i>Other provisions</i>	<i>Total</i>
As at 1 January 2012	15 315	-	57 539	54 740	127 594
Elimination on subsidiary consolidation	-	-	(89)	(615)	(704)
Recognised during the year	34 351	52 312	11 970	228 442	327 075
Utilised	(13 478)	(35 559)	(386)	(729)	(50 152)
Released	(2 736)	-	(10 063)	(10 992)	(23 791)
Reclassifications	(3 245)	-	(2 122)	(3 214)	(8 581)
As at 31 December 2012	<u>30 207</u>	<u>16 753</u>	<u>56 849</u>	<u>267 632</u>	<u>371 441</u>
Current at					
31 December 2012	22 317	16 753	695	161 645	201 410
Non-current at					
31 December 2012	7 890	-	56 154	105 987	170 031

23. Trade and other payables (current)

	<i>30 June 2013 (unaudited)</i>	<i>31 December 2012</i>
Trade payables		
To related parties	-	10 694
To third parties	1 005 954	1 190 428
	<u>1 005 954</u>	<u>1 201 122</u>
Taxation, customs duty, social security and other payables		
VAT	42 321	92 159
Withholding tax	15	9
Personal income tax	9 658	16 492
Social Insurance Institution (ZUS)	30 607	44 947
National Disabled Persons Rehabilitation Fund (PFRON)	997	745
Other	(1 233)	(1 076)
	<u>82 365</u>	<u>153 276</u>
Financial liabilities		
Liabilities from disposal of financial assets and investment property	-	86 960
Leases	9 412	13 067
Other	16 551	179
	<u>25 963</u>	<u>100 206</u>

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

Other liabilities		
Remuneration payable to employees	31 433	42 948
Fixed asset purchase payables	1 761	5 056
Social fund	2 283	2 276
Other	34 117	40 880
	69 594	91 160
Total current liabilities	1 183 876	1 545 764
Accruals arising from:		
Unused annual leave	22 286	21 950
Bonuses and rewards	10 505	9 854
Long-term contracts	11 246	1 125
Other	4 573	14 879
	48 610	47 808

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

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

	30 June 2013 (unaudited)	31 December 2012
Up to one month	476 834	463 524
Over 1 month to 3 months	113 163	133 656
Over 3 months to 6 months	14 157	10 501
Over 6 months to 1 year	150 043	79 294
Past due liabilities	251 757	514 147
Total trade payables	1 005 954	1 201 122

23.2. Past due trade payables

	30 June 2013 (unaudited)	31 December 2012
Up to one month	99 241	216 582
Over 1 month to 3 months	86 513	138 798
Over 3 months to 6 months	26 679	111 164
Over 6 months to 1 year	17 912	18 877
Over 1 year	21 412	28 726
Total past due liabilities	251 757	514 147

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

24. Liabilities directly related to assets available for sale

	30 June 2013	31 December 2012
Non-current liabilities	-	49 688
Interest bearing bank loans and borrowings	-	42 155
Provisions	-	2 024
Other liabilities	-	2 973
Deferred income tax liability	-	643
Accruals	-	1 893

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

Current liabilities	-	168 996
Trade and other payables	-	109 740
Current portion of interest-bearing bank loans and borrowings	-	46 749
Income tax payable	-	362
Provisions	-	6 557
Accruals	-	5 588
Total liabilities directly related to assets available for sale	-	218 684

In line with the provisions of the Agreement on Regulations of Debt Servicing signed on 21 December 2012 the Issuer assumed an obligation to dispose of specified assets and generate proceeds on this account in the amount of not less than PLN 600 million by 31 December 2015. Assets being disposed of include shares and interest in Subsidiaries, inessential property, plant and equipment, organized part of an enterprise and developer's and investment property as well as selected operating real property. The table above presents financial data relating to transactions of disposing of assets available for sale completed after the statement of financial position date and these assets whose disposal is planned within a year of the statement of financial position date.

25. Contingent liabilities

	<i>30 June 2013</i>	<i>31 December 2012</i>
Off-statement of financial position items and court claims		
Contingent liabilities	2 193 614	2 661 285
- guaranties and sureties granted	1 693 787	2 104 146
- promissory notes	78 630	237 102
- legal claims	213 042	190 451
- other	208 155	129 586
Other (arising from)	114 623	114 623
- perpetual usufruct right to land	-	-
- 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

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

In connection with concluded loan and guarantee contracts, also in the scope of liabilities arising from debentures, and in particular in connection with the Agreement of 24 July 2012 on refraining from enforcement of liabilities, the Agreement of 21 December 2012 on Regulations of Debt Servicing and the Agreement of 21 December 2012 on New Guarantee Facility and the attached revolving credit facility, the Parent Company and the Group Companies established mortgages, pledges, temporary ownership titles, assignments and issued promissory notes to secure the debt relating to the above mentioned instruments. Total commitment of the Group on account of the above mentioned instruments amounted to approx. PLN 2,909 million as at 30 June 2013.

The parent company is the party to legal proceedings before administration authorities 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.

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

26. Related party disclosures

The tables below present the total amounts of transactions with related parties for the six month period ended 30 June 2013 and as at this date, for the twelve month period ended 31 December 2012 and as at this date and for the three month period ended 30 June 2013 and for the three month period ended 30 June 2012.

<i>Related party</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
<i>30 June 2013 (unaudited)</i>				
Associates				
Energomontaż Północ Gdynia Sp. z o.o.	1 226	5	1 255	-
Polimex-Sices Sp. z o.o.	2 608	1 314	1	-
Lineal Sp.z o.o.	-	272	-	-
Total associates	3 834	1 591	1 256	-
<i>Related party</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
<i>2012</i>				
Associates				
Energomontaż Północ Bełchatów Sp. z o.o.	1 902	10	85	-
Polimex-Sices Sp. z o.o.	6	-	3 001	10 683
Laboratorium Ochrony Środowiska Pracy Sp. z o.o.	-	20	-	-
Sices Montaż Sp. z o.o.	-	-	-	-
Terminal LNG S.A.	-	-	-	-
Lineal Sp. z o.o.	5	111	-	11
	1 913	141	3 086	10 694
<i>Related party</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>
	<i>For the three months ended 30 June 2013 (unaudited)</i>		<i>For the three months ended 30 June 2012 (unaudited)</i>	
Associates				
Energomontaż Północ Gdynia Sp. z o.o.	30	3	174	2
Polimex-Sices Sp. z o.o.	2 606	-	2	-
Lineal Sp z o.o.	-	25	5	29
Total	2 636	28	181	31

26.1. Terms and conditions of transactions with related parties

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

27. Financial instruments

Foreign currency risk

Cash flows of Polimex-Mostostal Capital Group companies are characterised by relatively significant sensitivity to changes in exchange rates, which arise from the fact that revenues are derived in foreign currencies, including mainly the euro. To minimise the negative effect of exchange risk on results of operations, the companies apply mostly natural hedging. If they have open treasury limits, it is also possible to utilize foreign exchange derivative instruments available on the market under the risk management strategies implemented by these entities.

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

Based on accounting policies applied to the method of recording financial instruments, two groups of companies can be distinguished (it refers to situations when exchange rate derivatives are used):

I) companies which have document risk management strategy and implemented hedge accounting policies; at the statement of financial position date this group includes Polimex-Mostostal S.A. and Torpol Sp. z o.o.

II) companies not applying hedge accounting.

Companies applying hedge accounting present hedge derivative instruments they hold at fair value and taking into account the changes in this value:

in portion recognised as an effective hedge	- directly in other comprehensive income,
in portion recognised as ineffective	- in the income statement.

Companies not applying hedge accounting recognise changes in fair value of derivative instruments directly in the income statement.

The main method of hedging against foreign exchange risk applied by Polimex-Mostostal Capital Group companies remains natural hedging i.e. hedging foreign currency risk by entering into transactions which generate costs in the same currency as the revenue currency. If it is not possible to hedge foreign currency risk with natural hedging in the expected scope, the companies, if they have open treasury limits, may apply foreign exchange hedges based on using derivative instruments related to the foreign currency market. These may be in particular the following instruments:

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

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

As at 30 June 2013 the Group Companies did not hold any active foreign exchange derivative instruments.

Fluctuations of the average exchange rate of EUR have significant influence on the amount of income expressed in PLN resulting from contracts concluded in a foreign currency. Based on contracts which have been entered into and contracts which are highly probable to be concluded, the Capital Group assessed the foreign currency exposure in the period from July to December 2013 as follows:

Detailed list	3 rd – 4 th Q 2013
Projected foreign currency proceeds – equivalent in EUR thousands	63 874
Projected foreign currency expenditures – equivalent in EUR thousands	19 821
Business exposure to foreign currency risk in EUR thousands	44 053

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

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

28. Compensation of the Board of Directors and of the Supervisory Board of the Parent Company

		<i>For the six months ended 30 June</i>	
		<i>2013</i>	<i>2012</i>
		<i>(unaudited)</i>	
Board of Directors		1 844	1 939
Supervisory Board		301	282
Total		2 145	2 221

		<i>For the six months ended 30 June</i>	
		<i>2013</i>	<i>2012</i>
		<i>(unaudited)</i>	
Acting President of the Board (in the period from 29 March 2013 to 2 June 2013)	Dariusz Krawczyk	114	-
President of the Board (until 21 March 2013)	Robert Oppenheim	422	-
Vice President of the Board	Robert Bednarski	374	-
President of the Board (until 10 August 2012)	Konrad Jaskóła	-	658
Vice President of the Board (until 10 May 2013)	Aleksander Jonek	642	432
Vice President of the Board (until 31 August 2012)	Grzegorz Szkopek	-	406
Vice President of the Board (until 30 November 2012)	Zygmunt Artwik	292	443
Total		1 844	1 939

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 2013 and for the six months of 2012 is as follows:

At present a person supervising the Issuer holds 5,700 Issuer's shares.

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

		<i>The six months ended 30 June 2013 (unaudited)</i>	<i>The six months ended 30 June 2012 (unaudited)</i>
President of the Board (until 21 March 2013)	Robert Oppenheim	28	-
Prezes Zarządu (until 10 August 2012)	Konrad Jaskóła	-	27
Vice President of the Board (until 31 August 2012)	Grzegorz Szkopek	-	27
Vice President of the Board (until 30 November 2012)	Zygmunt Artwik	-	26
Vice President of the Board (until 10 May 2013)	Aleksander Jonek	-	6
Total		28	86

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

Compensation paid to the Supervisory Board by the Issuer over the six months of 2013 amounted to PLN 301 thousand and over the six months of 2012 it amounted to PLN 282 thousand, of which:

		<i>The six months ended 30 June 2013 (unaudited)</i>	<i>The six months ended 30 June 2012 (unaudited)</i>
Chairman of the Supervisory Board,	Jerzy Góra	33	-
Vice Chairman of the Supervisory Board	Ryszard Engel	30	-
Vice Chairman of the Supervisory Board	Dariusz Krawczyk	28	19
Secretary of the Supervisory Board,	Artur Jędrzejewski	48	47
Member of the Supervisory Board	Andrzej Kasperek	23	-
Member of the Supervisory Board	Marek Wierzbowski	39	-
Member of the Supervisory Board	Tadeusz Kuczborski	23	-
Member of the Supervisory Board	Wojciech Barański	-	-
Chairman of the Supervisory Board, to 15 February 2013	Jan Woźniak	24	45
Secretary to the Supervisory Board to 15 October 2012	Paweł Dłużniewski	-	22
Secretary of the Supervisory Board, to 15 February 2013	Sebastian Bogusławski	20	-
Member of the Supervisory Board to 15 February 2013	Dariusz Formela	16	19
Member of the Supervisory Board do dnia 15 października 2012 roku	Jacek Kseń	-	45
Member of the Supervisory Board to 15 February 2013	Andrzej Bartos	17	19
Chairman of the Supervisory Board, (to 29 February 2012)	Kazimierz Klęk	-	28
Member of the Supervisory Board (to 29 February 2012)	Mieczysław Puławski	-	19
Member of the Supervisory Board (to 29 February 2012)	Andrzej Szumański	-	19
Total		301	282

29. Capital management

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

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

	<i>30 June 2013 (unaudited)</i>	<i>31 December 2012</i>
Interest-bearing bank loans, borrowings and debentures	946 540	809 438
Trade and other payables	1 506 695	1 903 762
Less cash and cash equivalents	230 002	260 920
Net debts	2 223 233	2 452 280
Equity attributable to equity holders of the parent	433 506	477 288
Capital and net debt	2 656 739	2 929 568
Gearing ratio (net debt/capital and net debt)	83.7%	83.7%

30. Events after the statement of financial position date

After 30 June 2013 the following events significant to the operations of Polimex-Mostostal S.A. occurred:

- on 31 July 2013 the Board of the company received information on the Creditors giving their consent to waive their rights arising from the breach of the Agreement consisting in (i) failure to generate the total proceeds from issue of series N1, N2 and O shares in the total amount of PLN 250 million and (ii) failure of the Company to conclude annexes to selected construction contracts in the period specified by the Creditors i.e. by 31 July 2013. The Company was obliged by the Creditors to perform the above mentioned obligations by 31 August 2013.
- by 31 July 2013 the Banks which are parties to the Agreement issued under the New Guarantee Facility on request of the Company guarantees in the total amount of over PLN 15 million which enable the Company to apply for reimbursement of deposits retained by ordering parties to secure obligations of the Company arising from performed contracts.
- on 7 August 2013 the Issuer concluded with WELDON Sp. z o.o., the Buyer, the Contract to sell an organized part of enterprise of Corrosion Protection Plant Dębica Branch in Dębica. The selling price is PLN 18,315 thousand.
- on 13 August 2013 the Issuer concluded with PGE Górnictwo i Energetyka Konwencjonalna S.A. (former PGE Elektrownia Opole S.A.) ("the Ordering Party") and with RAFAKO S.A. and Mostostal Warszawa S.A. acting jointly with the Company as a consortium (jointly "the General Contractor") an annex to the contract to construct No. 5 and 6 power blocks at the Opole power plant of 15 February 2012 ("the Contract") of which the Company informed in current reports No.8/2012 of 15 February 2012 and No. 64/2013 of 16 May 2013.

Under the annex the Parties agreed that an additional condition of releasing the Notice to Proceed is arranging and implementing the terms and conditions regulating relationships between the Ordering party, the General Contractor and/or Subcontractor and PKO Bank Polski S.A. including financing principles, terms and security of payment and contract performance bonds.

Moreover, the Parties agreed that the Ordering Party may release the Notice to Proceed not later than within 24 months of concluding the Contract (i.e. by 15 February 2014) and the Notice to Proceed may be released not earlier than 120 days of issuing by the Ordering Party a notice of the intention to release the Notice to Proceed.

At the same time the General Contractor received today from the Ordering Party a notice on the planned date of releasing the Notice to Proceed in which the Ordering Party indicated that it is planning to release the Notice to Proceed on 15 December 2013 on condition that all terms and conditions stipulated in the Contract for the above mentioned document to be released have been met.

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2013
Other explanatory notes
(in PLN thousands)

- on 13 August 2013 the Issuer concluded with PGE Górnictwo i Energetyka Konwencjonalna S.A. (former PGE Elektrownia Opole S.A.) ("the Ordering Party") and with RAFAKO S.A. and Mostostal Warszawa S.A. acting jointly with the Company as a consortium (jointly "the Consortium"), Powszechna Kasa Oszczędności Bank Polski S.A. ("PKO BP") and Alstom Power sp. z o.o. ("Alstom") an unbinding letter of intent concerning the construction of No. 5 and 6 power blocks at the Opole Power Plant ("the Project") performed by the Consortium under the Contract of 15 February 2012 ("the Contract") of which the Company informed in current reports No.8/2012 of 15 February 2012, No. 64/2013 of 16 May 2013 and No.111/2013 of 14 August 2013. The subject matter of the letter of intent is to specify the terms and conditions of Alstom joining the execution of the Project and to determine the scope of necessary amendments in the Project documentation in connection with Alstom access. The parties of the letter of intent declared their intention to specify the terms and conditions of Alstom joining the Project and to sign necessary amendments to the Project documentation by 30 September 2013.

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

Gregor Sobisch
President of the Board of
Directors

Joanna Makowiecka
Vice President of the Board

Robert Bednarski
Vice President of the Board

Arkadiusz Kropidłowski
Vice President of the Board

Ewa Kaczorek – Chief Accountant

Warsaw, 30th August 2013.