

**INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**



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

		<i>The three months ended 30 June 2013</i>	<i>The six months ended 30 June 2013</i>	<i>The three months ended 30 June 2012</i>	<i>The six months ended 30 June 2012</i>
	Note	<i>(unaudited)</i>		<i>(restated)</i>	
<b>Continuing operations</b>					
Sale of goods		83 451	174 153	109 823	220 710
Rendering of services		376 694	665 220	845 073	1 416 119
Rental income		2 008	4 930	3 609	7 003
<b>Revenue</b>	8.1	<b>462 153</b>	<b>844 303</b>	<b>958 505</b>	<b>1 643 832</b>
Cost of sales		(520 282)	(870 849)	(943 208)	(1 785 702)
<b>Gross profit / (loss)</b>		<b>(58 129)</b>	<b>(26 546)</b>	<b>15 297</b>	<b>(141 870)</b>
Other operating income	8.3	4 233	34 455	5 609	8 884
Selling costs		(4 963)	(9 940)	(5 834)	(12 361)
Administrative expenses		(20 934)	(39 349)	(14 863)	(33 700)
Other operating expenses	8.4	(2 927)	(5 031)	(11 383)	(12 729)
<b>Operating profit / (loss) from continuing operations</b>		<b>(82 720)</b>	<b>(46 411)</b>	<b>(11 174)</b>	<b>(191 776)</b>
Finance income	8.5	19 239	76 894	4 818	6 235
Finance costs	8.6	(36 464)	(50 727)	(79 878)	(111 269)
<b>Gross profit/(loss)</b>		<b>(99 945)</b>	<b>(20 244)</b>	<b>(86 234)</b>	<b>(296 810)</b>
Income tax	9.1	(15 197)	(7 978)	15 189	(35 311)
<b>Net profit / (loss) for the year from continuing operations</b>		<b>(84 748)</b>	<b>(12 266)</b>	<b>(101 423)</b>	<b>(261 499)</b>
<b>Net profit/(loss) for the period</b>		<b>(84 748)</b>	<b>(12 266)</b>	<b>(101 423)</b>	<b>(261 499)</b>
Earnings per share (in PLN):					
– number of shares		1 333 974 588	1 333 974 588	521 154 076	521 154 076
– basic, for net profit / (loss) for the period		(0.06)	(0.01)	(0.19)	(0.50)
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 net profit / (loss) for the period		(0.05)	(0.01)	(0.19)	(0.49)

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

	<i>The three months ended 30 June 2013</i>	<i>The six months ended 30 June 2013</i>	<i>The three months ended 30 June 2012</i>	<i>The six months ended 30 June 2012</i>
	<i>(unaudited)</i>		<i>(restated)</i>	
<b>Net profit/(loss)</b>	<b>(84 748)</b>	<b>(12 266)</b>	<b>(101 423)</b>	<b>(261 499)</b>
Net gains/(losses) on valuation of cash flow hedges	-	-	(190)	1 442
Deferred tax	-	-	36	(274)
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>(154)</b>	<b>1 168</b>
<b>Total comprehensive income</b>	<b>(84 748)</b>	<b>(12 266)</b>	<b>(101 577)</b>	<b>(260 331)</b>

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION as at 30 June 2013

	Note	30 June 2013 (unaudited)	31 December 2012 audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	453 694	475 885
Investment property		14 833	14 833
Intangible assets		12 043	13 175
Financial assets	12	398 949	457 467
Non-current receivables		38 828	25 124
Deferred tax assets		188 974	173 277
		<b>1 107 321</b>	<b>1 159 761</b>
<b>Current assets</b>			
Inventories	13	141 357	161 169
Trade and other receivables	14	818 721	854 448
Prepaid expenses		8 987	7 643
Cash and cash equivalents	15	97 351	162 235
Financial assets	12.1	141 577	157 253
		<b>1 207 993</b>	<b>1 342 748</b>
Available for sale long-term assets		<b>33 264</b>	<b>154 467</b>
<b>TOTAL ASSETS</b>		<b>2 348 578</b>	<b>2 656 976</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital		53 359	20 846
Share premium		1 168 224	738 237
Unregistered share issue		-	412 500
Supplementary capital		618 552	618 552
Other capital		(444 924)	(444 924)
Reserve capital	16	32 086	32 086
Revaluation reserve		27	27
Retained earnings / Accumulated losses		(1 375 651)	(1 363 385)
<b>Total equity</b>		<b>51 673</b>	<b>13 939</b>
<b>Non-current liabilities</b>			
Interest bearing bank loans and borrowings	17	8 732	466 912
Long-term debentures	18	-	143 874
Provisions	21	61 169	170 569
Non-current liabilities		284 692	315 509
Accruals		-	1 756
		<b>354 593</b>	<b>1 098 620</b>
<b>Current liabilities</b>			
Trade and other payables	20	882 697	1 251 764
Short-term debentures	18	148 266	-
Current portion of interest-bearing bank loans and borrowings	17	630 705	30 981
Income tax payable		7 624	-
Accruals	20	31 806	40 048
Provisions	21	241 214	221 624
		<b>1 942 312</b>	<b>1 544 417</b>
<b>Total liabilities</b>		<b>2 296 905</b>	<b>2 643 037</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2 348 578</b>	<b>2 656 976</b>

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

	<i>For the six months ended 30 June 2013</i>	<i>For the six months ended 30 June 2012</i>
	<i>(unaudited)</i>	<i>(restated)</i>
<b>Cash flows from operating activities</b>		
Gross profit/(loss)	<b>(20 244)</b>	<b>(296 810)</b>
<b>Adjustments for:</b>	<b>(316 154)</b>	<b>(121 320)</b>
Depreciation / Amortisation	24 926	34 472
Interests and dividends, net	20 997	29 118
Gain/loss from investing activities	(68 288)	2 044
Decrease/increase in receivables	76 652	(26 918)
Increase/decrease in inventories	15 927	376
Increase/decrease in payables except for loans and borrowings	(302 548)	(280 351)
Change in accruals and prepaid expenses	(11 342)	8 284
Change in provisions	(89 810)	47 751
Other (including impairment of shares in subsidiaries)	17 332	63 904
<b>Net cash flows from operating activities</b>	<b>(336 398)</b>	<b>(418 130)</b>
<b>Cash flows from investing activities</b>		
Sale of property, plant and equipment and intangibles	27 575	11 185
Purchase of property, plant and equipment and intangibles	(4 745)	(19 277)
Sale of organized part of enterprise	47 307	-
Sale of financial assets	31 688	116
Purchase of financial assets	-	(5 653)
Dividends received	816	2 183
Interest received	-	105
Repayment of loans granted	11	1 944
Loans granted	-	(2 477)
<b>Net cash flows from investing activities</b>	<b>102 652</b>	<b>(11 874)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	50 000	-
Proceeds from issue of debentures	-	161 499
Expenses for redemption of debentures	(1 000)	(162 500)
Payment of finance lease liabilities	(2 689)	(3 050)
Proceeds from loans and borrowings	331 284	420 191
Repayment of loans and borrowings	(207 778)	(17 781)
Interest paid	(3 161)	(32 402)
Other	2 206	358
<b>Net cash flows from financing activities</b>	<b>168 862</b>	<b>366 315</b>
Net (decrease) / increase in cash and cash equivalents	(64 884)	(63 689)
Net foreign exchange difference	1 975	(774)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>162 235</b>	<b>176 594</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>97 351</b>	<b>112 905</b>
Restricted access cash	73 083	-

*Polimex-Mostostal S.A.*  
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*(in PLN thousands)*

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**for the six months ended 30 June 2013**

	Issued capital	Share premium	Unregistered share issue	Other capital	Reserve capital	Supplementary capital	Revaluation reserve	Retained earnings / Accumulated losses	Total equity
<b>As at 1 January 2013</b>	<b>20 846</b>	<b>738 237</b>	<b>412 500</b>	<b>(444 924)</b>	<b>32 086</b>	<b>618 552</b>	<b>27</b>	<b>(1 363 385)</b>	<b>13 939</b>
Gain/ (loss) for the period	-	-	-	-	-	-	-	(12 266)	(12 266)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12 266)</b>	<b>(12 266)</b>
Distribution of profit for 2012	-	-	-	-	-	-	-	-	-
Registration of share issue	32 513	429 987	(412 500)	-	-	-	-	-	50 000
<b>As at 30 June 2013 (unaudited)</b>	<b>53 359</b>	<b>1 168 224</b>	<b>-</b>	<b>(444 924)</b>	<b>32 086</b>	<b>618 552</b>	<b>27</b>	<b>(1 375 651)</b>	<b>51 673</b>

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Other explanatory notes included on pages  
8 to 34 are an integral part of these interim condensed financial statements

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

	Issued capital	Share premium	Other capital	Reserve capital	Supplementary capital	Revaluation reserve	Retained earnings / Accumulated losses	Total equity
<b>As at 1 January 2012</b>	<b>20 846</b>	<b>738 237</b>	<b>(444 924)</b>	<b>32 086</b>	<b>555 994</b>	<b>(1 167)</b>	<b>55 429</b>	<b>956 501</b>
Adjustment of a fundamental error	-	-	-	-	-	-	(234 009)	(234 009)
<b>As at 1 January 2012</b>	<b>20 846</b>	<b>738 237</b>	<b>(444 924)</b>	<b>32 086</b>	<b>555 994</b>	<b>(1 167)</b>	<b>(178 580)</b>	<b>722 492</b>
Gain/ (loss) for the period	-	-	-	-	-	-	(261 499)	(261 499)
Other comprehensive income for the period	-	-	-	-	-	1 168	-	1 168
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 168</b>	<b>(261 499)</b>	<b>(260 331)</b>
Distribution of profit for 2011	-	-	-	-	62 558	-	(62 558)	-
<b>As at 30 June 2012 (restated)</b>	<b>20 846</b>	<b>738 237</b>	<b>(444 924)</b>	<b>32 086</b>	<b>618 552</b>	<b>1</b>	<b>(502 637)</b>	<b>462 161</b>

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Other explanatory notes included on pages  
8 to 34 are an integral part of these interim condensed financial statements

## ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES

### 1. Corporate information

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

The interim condensed financial statements of the Company cover the period of six months ended 30 June 2013 and contain comparative data for the six months 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 Company is entered into the register of entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw, 12th Economic Department of the National Court Register, Entry No KRS 0000022460.

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

The Company has an unlimited period of operation.

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

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

On 30 August 2012 the interim condensed financial statements of the Company for the six months ended 30 June 2013 were authorised for issue by the Board of Directors.

The company has also prepared the interim condensed consolidated financial statements for the six months ended 30 June 2013 that were authorised for issue by the Board of Directors on 30 August 2013.

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

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.
- 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.



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- 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

### **3. Basis of preparation of financial statements**

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

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

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

The interim condensed financial statements have been prepared on the assumption that the Company will continue as going concern in the foreseeable future.

### **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 201,794,000.00 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

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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 breeched 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 breeching 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 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 Company 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 Opolo 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.

#### 4. Significant accounting principles (policies)

The accounting policies used to prepare these interim condensed financial statements are consistent with ones used while preparing the Company's annual financial statements for the year ended 31 December 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),

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- 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 Company as at 30 June 2012 is presented in the table below:

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(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	(439 446)		(439 446)
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	(261 499)		(261 499)

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.

## 5. Adjustment of error

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

## 6. Seasonality of operations

The activity of the Company shows seasonality in the scope of construction and assembly works, overhauls as well as road and railroad works. In winter the number of works 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 Company's schedules of performance of investment tasks include climatic conditions and while preparing budgets the consequences of applied procedures for awarding and settling of orders are taken into account.



## 7. Segment information

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

Production	manufacturing and delivery of steel structures, platform gratings, shelving systems, pallets, road barriers. Services in the scope of steel structure corrosion protection with the use of hot dip galvanising, Duplex system, hydraulic painting.
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 contracting of facilities in road and railroad construction industry. The main customers are the General Directorate for Roads and Motorways (roads) and PKP and Polskie Linie Kolejowe S.A. (railroads).
Other operations	hardware and transport services, rental services, leases and other services not included in other segments.

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

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

### 7.1. Operating segments

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

	Continuing operations							Total Operations	
	Production	General Construction	Power Engineering And Chemistry	Service	Infrastructure Construction	Other operations	Segments total	Eliminations *)	
<b>The three months ended 30 June 2013 (unaudited)</b>									
<b>Revenue</b>									
Sales to external customers	96 505	62 089	107 263	94 848	98 524	2 924	462 153	-	462 153
Inter-segment sales	15 332	1 397	1 251	4 449	-	179	22 608	(22 608)	-
Total segment revenue	<u>111 837</u>	<u>63 486</u>	<u>108 514</u>	<u>99 297</u>	<u>98 524</u>	<u>3 103</u>	<u>484 761</u>	<u>(22 608)</u>	<u>462 153</u>
<b>Results</b>									
Profit/ (loss) of the segment	(8 248)	(7 612)	(14 659)	(8 346)	(46 530)	2 675	(82 720)	(17 225)	(99 945)

\*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 19,239 thousand and finance costs in the amount of PLN (36,464) thousand.

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	Continuing operations							Total Operations
The six months ended 30 June 2013 (unaudited)	Production	General Construction	Power Engineering And Chemistry	Service	Infrastructure Construction	Other operations	Segments total	Eliminations *)
<b>Revenue</b>								
Sales to external customers	208 903	106 497	231 781	162 828	125 967	8 327	844 303	-
Inter-segment sales	24 480	1 750	2 314	10 180	-	384	39 108	(39 108)
Total segment revenue	233 383	108 247	234 095	173 008	125 967	8 711	883 411	(39 108)
<b>Results</b>								
Profit/ (loss) of the segment	(13 493)	(7 094)	(13 936)	(18 587)	(46 988)	53 687	(46 411)	26 167

\*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 76,894 thousand and finance costs in the amount of PLN (50,727) thousand.

	Continuing operations							Total Operations
30 June 2013 (unaudited)	Production	General Construction	Power Engineering and Chemistry	Infrastructure Construction	Service	Other operations		
Segment assets	357 539	162 379	790 077	179 959	299 804	95 498		1 885 256
Unallocated assets (managed on Company basis)	-	-	-	-	-	-		463 322
Total assets	357 539	162 379	790 077	179 959	299 804	95 498		2 348 578
Reconciliation to data presented in the statement of financial position								
Segment assets do not include assets managed on a Company basis								
-property, plant and equipment	17 436							
- intangible assets	5 185							
- financial assets	242 222							
-deferred tax assets	188 974							
- other	9 505							
Total unallocated assets (managed on Company basis)	463 322							
Segment liabilities	97 800	232 884	641 515	254 717	101 831	31 664		1 360 411
Unallocated liabilities	-	-	-	-	-	-		988 167
Total equity and liabilities	97 800	232 884	641 515	254 717	101 831	31 664		2 348 578
Segment liabilities do not include assets managed on a Company basis:								
-loans and borrowings	639 437							
- debentures	148 266							
- provision for employee and similar benefits	24 894							
- provisions for sureties and restructuring	37 407							
- taxation, customs duty and social security payables	76 454							
- other	10 036							
Equity	51 673							
Total unallocated equity and liabilities	988 167							

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The three months ended 30 June 2012 (restated)	Continuing operations							Total Operations	
	Production	General Construction	Power Engineering and Chemistry	Service	Infrastructure Construction	Other operations	Segments total	Eliminations *)	
<b>Revenue</b>									
Sales to external customers	142 958	301 213	161 078	188 087	164 280	889	958 505	-	958 505
Inter-segment sales	62 145	-	11 150	16 745	-	323	90 363	(90 363)	-
Total segment revenue	<u>205 103</u>	<u>301 213</u>	<u>172 228</u>	<u>204 832</u>	<u>164 280</u>	<u>1 212</u>	<u>1 048 868</u>	<u>(90 363)</u>	<u>958 505</u>
<b>Results</b>									
Profit/ (loss) of the segment	(10 289)	17 803	(9 873)	(5 753)	(4 699)	1 637	(11 174)	(75 060)	(86 234)

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

The six months ended 30 June 2012 (restated)	Continuing operations							Total Operations	
	Production	General Construction	Power Engineering and Chemistry	Service	Infrastructure Construction	Other operations	Segments total	Eliminations *)	
<b>Revenue</b>									
Sales to external customers	283 209	536 622	316 953	326 911	178 204	1 933	1 643 832	-	1 643 832
Inter-segment sales	167 387	-	24 730	31 458	-	582	224 157	(224 157)	-
Total segment revenue	<u>450 596</u>	<u>536 622</u>	<u>341 683</u>	<u>358 369</u>	<u>178 204</u>	<u>2 515</u>	<u>1 867 989</u>	<u>(224 157)</u>	<u>1 643 832</u>
<b>Results</b>									
Profit/ (loss) of the segment	(11 898)	7 187	(14 203)	(7 845)	(167 760)	2 743	(191 776)	(105 034)	(296 810)

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

Continuing operations							
30 June 2012 (przeznaczalność)	Production	General Construction	Power Engineering and Chemistry	Infrastructure Construction	Service	Other operations	Total Operations
Segment assets	456 046	369 109	565 114	535 810	363 799	144 864	2 434 742
Unallocated assets (managed on Company basis)	-	-	-	-	-	-	620 921
Total assets	456 046	369 109	565 114	535 810	363 799	144 864	3 055 663

Reconciliation to data presented in the statement of financial position

Segment assets do not include assets managed on a Company basis

-property, plant and equipment	22 433
- intangible assets	5 555
- financial assets	450 801
-deferred tax assets	111 946
-cash and cash equivalents	2 436
-investment real property	12 151
- taxation, customs duty and social security receivable	10 101
- other	5 498
Total unallocated assets (managed on Company basis)	620 921



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Segment liabilities	113 956	332 250	273 794	379 092	123 532	81 463	1 304 087
Unallocated liabilities	-	-	-	-	-	-	1 751 576
Total equity and liabilities	113 956	332 250	273 794	379 092	123 532	81 463	3 055 663

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

-loans and borrowings	692 907
- debentures	407 846
- provision for employee and similar benefits	36 725
- taxation, customs duty and social security payables	146 038
- other	5 899
Equity	462 161
Total unallocated equity and liabilities	1 751 576

## 8. Revenues and expenses

### 8.1. Sales of goods, rendering of services and rental 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 (restated)</i>	<i>The six months ended 30 June 2012 (restated)</i>
Sale of goods	83 451	174 153	109 823	220 710
Rendering of services	376 694	665 220	845 073	1 416 119
Rental income	2 008	4 930	3 609	7 003
	<b>462 153</b>	<b>844 303</b>	<b>958 505</b>	<b>1 643 832</b>

### 8.2. 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

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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 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.

### 8.3. Other operating income

	<i>The three months ended 30 June 2013</i>	<i>The six months ended 30 June 2013</i>	<i>The three months ended 30 June 2012</i>	<i>The six months ended 30 June 2012</i>
	<i>(unaudited)</i>		<i>(unaudited)</i>	
Gain on disposal of property, plant and equipment	(774)	21 067	(144)	-
Liabilities written off	351	657	-	-
Release of provision for contractual penalties	-	1 450	-	-
Release of provision for other expenses	718	3 018	-	383
Damages and fines	3 927	6 378	4 112	6 314
Gain/loss on subsidiary liquidation	1 494	1 494	-	-
Grants	50	50	-	-
Reimbursement of court expenses	15	74	145	248
Other	(1 548)	267	1 496	1 939
<b>Total other operating income</b>	<b>4 233</b>	<b>34 455</b>	<b>5 609</b>	<b>8 884</b>

### 8.4. Other operating expenses

	<i>The three months ended 30 June 2013</i>	<i>The six months ended 30 June 2013</i>	<i>The three months ended 30 June 2012</i>	<i>The six months ended 30 June 2012</i>
	<i>(unaudited)</i>		<i>(unaudited)</i>	
Loss on sale of non-financial fixed assets	-	-	1 698	1 698
Damages and fines	926	1 985	3 250	4 226
Court expenses	280	937	465	548
Donations	-	-	42	202
Deductions on account of tax	-	-	2 338	2 338
Provision for contentious issues, court cases	1 300	1 300	2 552	2 552
Costs of post-accident repairs	-	-	-	-
Other	421	809	1 038	1 165
<b>Total other operating expenses</b>	<b>2 927</b>	<b>5 031</b>	<b>11 383</b>	<b>12 729</b>

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## 8.5. 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	-	-	376	503
Interest income	3 287	4 433	1 807	2 818
Dividend income	1 963	1 963	2 183	2 183
Excess of foreign exchange gains over foreign exchange losses	4 808	8 283	-	-
Gain on sale of financial assets	(3 415)	47 808	-	-
Revaluation of financial assets	3 503	3 503	-	-
Revenue from discounting sureties	8 667	8 667	-	-
Other	426	2 237	452	731
<b>Total finance income</b>	<b>19 239</b>	<b>76 894</b>	<b>4 818</b>	<b>6 235</b>

## 8.6. 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>
Interest and commissions on bank loans, borrowings and other liabilities	10 517	24 502	12 725	23 303
Debenture commissions and interest	4 561	4 602	7 205	14 298
Expenses arising from measurement and exercise of derivative instruments	-	-	-	-
Revaluation of financial assets	21 062	21 062	63 228	63 228
Excess of foreign exchange losses over foreign exchange gains	-	-	(3 161)	9 905
Other	324	561	(119)	535
<b>Total finance costs</b>	<b>36 464</b>	<b>50 727</b>	<b>79 878</b>	<b>111 269</b>

## 9. Income tax

### 9.1. Tax expense

Major components of income tax expense for the six months ended 30 June 2013 and 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>
<b>Income statement</b>				
Current income tax	7 853	7 853	-	-
Current income tax burden relating to settlements abroad	7 853	7 853	-	-
Deferred income tax	(23 050)	(15 831)	15 189	(35 311)
Relating to origination and reversal of temporary differences	(23 050)	(15 831)	15 189	(35 311)
<b>An income tax expense recognised in the income statement</b>	<b>(15 197)</b>	<b>(7 978)</b>	<b>15 189</b>	<b>(35 311)</b>
<b>Comprehensive income statement</b>				
Deferred income tax	-	-	36	(274)
Relating to origination and reversal of temporary differences	-	-	36	(274)
<b>Tax expense/ tax credit recognised in other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>36</b>	<b>(274)</b>

### Disclosure on investment in Tarnobrzeg Special Economic Zone.

On 23 July 2008 the Company obtained Permit No. 171/ARP S.A./2008 to conduct business activity in EURO-PARK WISŁOSAN Tarnobrzeg Special Economic Zone. On 26 February 2010 the Company received decision No

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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.

## 10. Dividends paid

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.

## 11. Property, plant and equipment

The six months ended 30 June 2013 (unaudited)	Land and buildings	Plant and equipment	Motor vehicles	Other fixed assets	Fixed assets under construction	Advanced payments to fixed assets under construction	Total
<b>Net carrying amount at 1 January 2013</b>	<b>260 762</b>	<b>172 460</b>	<b>29 643</b>	<b>11 860</b>	<b>1 160</b>	-	<b>475 885</b>
Additions	116	2 120	256	50	1 988	-	4 530
Disposals	(367)	(1 754)	(378)	(65)	(1 397)	-	(3 961)
Reclassification	415	(28)	-	(1)	-	-	386
Depreciation charge for the period	(5 839)	(12 895)	(2 678)	(1 734)	-	-	(23 146)
<b>Net carrying amount at 30 June 2013</b>	<b>255 087</b>	<b>159 903</b>	<b>26 843</b>	<b>10 110</b>	<b>1 751</b>	-	<b>453 694</b>
<b>As at 1 January 2013</b>							
Cost	336 688	349 460	69 689	40 758	1 710	-	798 305
Accumulated depreciation and impairment loss	(75 926)	(177 000)	(40 046)	(28 898)	(550)	-	(322 420)
<b>Net carrying amount</b>	<b>260 762</b>	<b>172 460</b>	<b>29 643</b>	<b>11 860</b>	<b>1 160</b>	-	<b>475 885</b>
<b>As at 30 June 2013</b>							
Cost	290 977	330 445	65 953	39 510	2 298	-	729 183
Accumulated depreciation and impairment loss	(35 890)	(170 542)	(39 110)	(29 400)	(547)	-	(275 489)
<b>Net carrying amount</b>	<b>255 087</b>	<b>159 903</b>	<b>26 843</b>	<b>10 110</b>	<b>1 751</b>	-	<b>453 694</b>

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	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Motor vehicles</i>	<i>Other fixed assets</i>	<i>Fixed assets under construction</i>	<i>Advanced payments to fixed assets under construction</i>	<i>Total</i>
<b>Net carrying amount at 1 January 2012</b>	<b>354 978</b>	<b>210 161</b>	<b>37 507</b>	<b>15 821</b>	<b>14 097</b>	-	<b>632 564</b>
Additions	2 263	7 305	611	1 059	9 571	-	20 809
Disposals	(13 039)	(4 220)	(1 029)	(712)	(11 294)	-	(30 294)
Revaluation	(5 567)	-	-	-	-	-	(5 567)
Reclassification	(58 987)	(10 124)	(952)	(239)	(11 214)	-	(81 516)
Amortisation charge for the year	(18 886)	(30 662)	(6 494)	(4 069)	-	-	(60 111)
<b>Net carrying amount at 31 December 2012</b>	<b>260 762</b>	<b>172 460</b>	<b>29 643</b>	<b>11 860</b>	<b>1 160</b>	-	<b>475 885</b>
<b>As at 1 January 2012</b>							
Cost	426 972	385 594	79 105	44 261	14 645	-	950 577
Write-off and impairment loss	(71 994)	(175 433)	(41 598)	(28 440)	(548)	-	(318 013)
<b>Net carrying amount</b>	<b>354 978</b>	<b>210 161</b>	<b>37 507</b>	<b>15 821</b>	<b>14 097</b>	-	<b>632 564</b>
<b>As at 31 December 2012</b>							
Cost	336 688	349 460	69 689	40 758	1 710	-	798 305
Write-off and impairment loss	(75 926)	(177 000)	(40 046)	(28 898)	(550)	-	(322 420)
<b>Net carrying amount</b>	<b>260 762</b>	<b>172 460</b>	<b>29 643</b>	<b>11 860</b>	<b>1 160</b>	-	<b>475 885</b>

## 12. Non-current financial assets

	<i>30 June 2013 (unaudited)</i>	<i>31 December 2012</i>
<b>Shares and interests</b>		
Shares and interests – companies not listed on the stock exchange	162 036	183 030
Other financial assets*	236 913	274 437
<b>Total</b>	<b>398 949</b>	<b>457 467</b>

\*including deposits relating to power engineering contracts

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

The tests revealed that as at completion of these financial statements there are premises to impair the investment in the following companies: Grande Meccanica SpA in the amount of PLN 5,848 thousand, WBP Zabrze Sp. z o.o. in the amount of PLN 2,384 thousand, Przedsiębiorstwo Robót Inżynieryjnych PRInż – 1 Sp. z o.o. in the amount of PLN 2,845 thousand, Centrum Projektowe Polimex-Mostostal S.A. in the amount of PLN 4,989 thousand.

### 12.1. Current financial assets

	<i>30 June 2013 (unaudited)</i>	<i>31 December 2012</i>
Loans granted	44 776	62 009
Bank guarantee deposits relating to contracts being performed*	96 801	95 244
<b>Total</b>	<b>141 577</b>	<b>157 253</b>

\*of which: advance payment to the execution of the contract for Construction of Blocks at the Opole Power Plant in the amount of PLN 96.5 million.

## 13. Inventories

	<i>30 June 2013 (unaudited)</i>	<i>31 December 2012</i>
Raw materials	59 988	70 474
Work-in-progress (at cost)	65 541	67 928
Finished goods	13 090	17 493
Raw materials advance payments	2 695	5 241
Goods for resale	43	33
<b>Total inventories, at the lower of cost and net realisable value</b>	<b>141 357</b>	<b>161 169</b>

## 14. Trade and other receivables

	30 June 2013 (unaudited)	31 December 2012
Trade receivables	804 788	843 608
- of which, receivables from related parties	14 669	25 332
Receivables from public authorities	-	-
Other receivables	13 933	10 840
<b>Total receivables (net)</b>	<b>818 721</b>	<b>854 448</b>
Doubtful debts allowance	144 305	97 710
<b>Total receivables, gross</b>	<b>963 026</b>	<b>952 158</b>

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

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

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

	30 June 2013 (unaudited)	31 December 2012
Up to one month	390 514	447 879
Over 1 month to 3 months	128 747	101 486
Over 3 months to 6 months	8 677	18 371
Over 6 months to 1 year	54 362	35 582
Past due receivables	364 548	338 000
<b>Total trade receivables, gross</b>	<b>946 848</b>	<b>941 318</b>
Allowance for trade receivables	(142 060)	(97 710)
<b>Net trade receivables</b>	<b>804 788</b>	<b>843 608</b>

### 14.2. Aging analysis of trade receivables

	30 June 2013 (unaudited)	31 December 2012
Up to one month past due	37 054	129 016
Over 1 month to 3 months past due	132 055	73 232
Over 3 months to 6 months past due	69 604	47 633
Over 6 months to 1 year past due	59 244	21 656
Over 1 year past due	66 591	66 463
<b>Total past due trade receivables, gross</b>	<b>364 548</b>	<b>338 000</b>
Allowance for trade receivables	(100 372)	(95 520)
<b>Total</b>	<b>264 176</b>	<b>242 480</b>

### 14.3. Allowances for trade receivables

Movements in allowance for receivables were as follows:

	30 June 2013 (unaudited)	31 December 2012
Allowance for receivables at the beginning of the period	97 710	41 755
Increase:	52 587	63 463
- provision for impairment	52 587	63 463
Decrease:	8 237	7 508
- utilisation	1 141	5 187
- release	7 096	2 321
<b>Allowance for receivables at the end of the period</b>	<b>142 060</b>	<b>97 710</b>



## 15. Cash and cash equivalents

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

	30 June 2013 (unaudited)	31 December 2012
Cash at bank and in hand	19 789	157 417
Other restricted access cash*	73 083	-
Short-term deposits	4 479	4 818
	<b>97 351</b>	<b>162 235</b>

\*including cash deposited in the account for a power engineering contract

## 16. Reserve capital

Reserve capital resulted from Resolution No 2 of Extraordinary General Meeting of Shareholders of Polimex-Mostostal S.A. of 31 January 2006 establishing the Incentive Plan for Directors and Officers of Polimex-Mostostal S.A. Partial modification to the principles of the Plan was introduced by Resolution No 39 of Ordinary Meeting of Shareholders of Polimex-Mostostal S.A. of 28 June 2007.

In connection with the implementation of the Plan the share capital of the Company 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 Company may be conditionally increased by not more than PLN 928,687.32 by means of issuing not more than 23,217,183 series J bearer shares with nominal value of PLN 0.04 (say four grosz) each. The purpose of a conditional increase of the equity is granting rights to take up Company shares to the holders of subscription warrants issued under the incentive plan for the directors and officers of the Company and major subsidiaries. The plan is for three years and the warrants will be issued after meeting assumed growth criteria for each of the reporting periods i.e. 2009, 2010 and 2011.

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

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

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

As at 30 June 2013 the balance of the provision for this plan recognised in reserve capital of the Company amounts to PLN 32,086 thousand (as at 31 December 2012 PLN 32,086 thousand).

## 17. Interest-bearing bank loans and borrowings

Bank / financing entity	Maturity	30 June 2013	31 December 2012
<b>Current</b>		<b>630 705</b>	<b>30 981</b>
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	-
<b>Non-current</b>		<b>8 732</b>	<b>466 912</b>
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
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



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PKO BP S.A. - working capital facility in PLN (under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended)*)	31.12.2016	-	5 783
PKO BP S.A. - working capital facility in PLN (under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended)*)	31.12.2016	-	50
PKO BP S.A. - working capital facility in PLN (under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended)*)	31.12.2016	-	-
Bank Zachodni WBK S.A. (former Kredyt Bank S.A.) - working capital facility in PLN (under the Agreement on Regulations of Debt Servicing of 21.12.2012 as further amended)*)	31.12.2016	-	39 338
Depolma GmbH – loan in EUR	10.12.2016	839	787
Polimex-Hotele Sp. z o.o. – loan in PLN	31.12.2016	2 058	2 187
Polimex-Cekop Development Sp. z o.o. – loan in PLN	31.12.2015	4 624	4 500
Polimex Venture Development Sp. z o.o. – loan in PLN	01.01.2017	1 211	-

\*)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.

#### Interest-bearing bank loans and borrowings

<b>Current, of which:</b>	<b>630 705</b>	<b>30 981</b>
Bank loans	630 705	30 981
<b>Non-current, of which:</b>	<b>8 732</b>	<b>466 912</b>
Bank loans	-	459 438
Borrowings	8 732	7 474

	30 June 2013 (unaudited)	31 December 2012
<b>Comparison of interest rates for the periods</b>		
Weighted average for bank loans in PLN	WIBOR 1M +1.6896 p.p.; WIBOR 3M +2.3056 p.p.	WIBOR 1M+1.3125 p.p. WIBOR 3M+2.2500 p.p.
Weighted average for bank loans in EUR	EUROIBOR 3M +3.6589 p.p.	EURIBOR 1M + 3.0000 p.p. LIBOR 1M + 2.5000 p.p. EURIBOR 3M +2.8555 p.p.

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 loans from long-term liabilities to short-term liabilities 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.

## 18. Debentures

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

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

Apart from the Company, the banks financing the operations of the Company i.e. the banks which granted loans or guarantees on request of the Company and Debenture Holders holding receivables arising from the debentures issued by the Company in the total nominal amount of PLN 395 million ("Debenture Holders" and together with the Banks "Creditors") entered into the Agreement. The Agreement was concluded for the period of four months when

the Company negotiated with its financial Creditors the final understanding amending the terms and conditions of debt financing of the Company. 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 Company 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 debt servicing specifying the terms and conditions of financing the Company by Creditors.

Under the Agreement on Regulations of Debt Servicing, Debenture Holders assumed an obligation to converse debt arising from debentures issued by the Company 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 with interest 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.

## 19. Financial instruments

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

Polimex-Mostostal S.A. financial cash flows are characterised by significant sensitivity to fluctuations of exchange rate relations which results from the fact that foreign currency revenues constitute substantial part of the total enterprise turnover. Basic foreign currency for the Company turnover is still the euro.

The basic method of hedging against foreign exchange risk applied by the Company is natural hedging i.e. hedging foreign currency risk by entering into transactions which generate costs in the same currency as the revenue currency. Additionally, a foreign exchange risk management strategy used by the Company allows to use derivative instruments relating to currency market (future forward contracts, PUT currency options (acquired options), option structures build with PUT and CALL options). Their practical application depends on having treasury limits at banks servicing the Company. On 21 December 2012 the Agreement on Regulation of Debt Servicing was concluded, whose provisions did not provide for the possibility of using foreign currency derivative instruments as available credit products. In these circumstances it is assumed that natural hedging will gain importance as the basic tool to limit the currency risk arising from the business activity of the enterprise. The Company will continue talks with banks on granting treasury limits allowing to manage foreign exchange risk more effectively.

As at 30 June 2013 the Company 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 Company assessed the foreign currency exposure in the period from July to December 2013 as follows:

Detailed list	3 <sup>rd</sup> – 4 <sup>th</sup> Q 2013
Projected foreign currency proceeds – equivalent in EUR thousands	58 322
Projected foreign currency expenditures – equivalent in EUR thousands	18 908
<b>Business exposure to foreign currency risk in EUR thousands</b>	<b>39 414</b>

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

## Interest rate risk

The Company has financial assets in bank accounts and has liabilities on account of bank loans and issued debentures based on floating interest rate. The Company monitors situation on the financial market, analyses trends and prognoses in a scope of reference market rates in order to decide, at a proper moment, to conclude contracts preventing the Company from the increase of debt interest costs which may be unbeneficial to the Company. As at 30.06.2013 the Company had no open transactions hedging interest rate risk.

## 20. Trade and other payables (current)

	30 June 2013 (unaudited)	31 December 2012
<b>Trade payables</b>		
To related parties	26 950	33 091
To third parties	729 872	941 811
	<b>756 822</b>	<b>974 902</b>
<b>Taxation, customs duty, social security and other payables</b>		
VAT	26 894	77 336
Withholding tax	15	9
Personal income tax	7 908	13 633
Social Insurance Institution (ZUS)	23 303	33 329
National Disabled Persons Rehabilitation Fund (PFRON)	557	555
Other	(2 000)	(1 513)
	<b>56 677</b>	<b>123 349</b>
<b>Financial liabilities</b>		
Foreign currency contract liabilities	-	-
Finance lease and hire purchase contracts	1 426	3 276
Advance payments to disposal of financial assets	-	86 960
Other	18 969	179
	<b>20 395</b>	<b>90 415</b>
<b>Other liabilities</b>		
Remuneration payable to employees	24 614	35 914
Non-current asset purchase payables	1 720	3 719
Social fund	1 357	1 750
Other liabilities	21 112	21 715
	<b>48 803</b>	<b>63 098</b>
<b>Accrued expenses related to:</b>		
Unused annual leave	18 720	18 290
Bonuses and rewards	10 296	9 003
Court expenses	-	12 550
Other	2 790	205
	<b>31 806</b>	<b>40 048</b>

Trade payables are non-interest bearing and are normally settled within 30 to 180 days.

Other payables are non-interest bearing and have an average term of 1 month.

The net VAT payable is remitted to the appropriate tax authority in periods specified in tax regulations.

Interest payable is normally settled based on accepted interest notes.

## 21. Provisions

### 21.1. Movements in provisions

	Guarantee repair provisions	Restructuring provision	Other long-term employee benefits and post employment benefits	Other provisions*	Total
<b>As at 1 January 2013</b>	<b>29 736</b>	<b>16 753</b>	<b>51 044</b>	<b>294 660</b>	<b>392 193</b>
Recognised during the year	17 639	-	5 553	15 688	38 880
Utilised	(9 386)	-	-	(2 657)	(12 043)
Released	(1 572)	(7 287)	(26 150)	(81 638)	(116 647)
<b>As at 30 June 2013</b> <i>(unaudited)</i>	<b>36 417</b>	<b>9 466</b>	<b>30 447</b>	<b>226 053</b>	<b>302 383</b>
Current at 30 June 2013 <i>(unaudited)</i>	24 241	9 466	5 961	201 546	241 214
Non-current at 30 June 2013 <i>(unaudited)</i>	12 176	-	24 486	24 507	61 169

\*including in particular provisions for losses on contracts

	Provisions for guarantee repairs and refunds	Restructuring provision	Other long-term employee benefits and post employment benefits	Other provisions	Total
<b>As at 1 January 2012</b> <i>(restated)</i>	<b>8 884</b>	<b>-</b>	<b>49 287</b>	<b>49 806</b>	<b>107 977</b>
Recognised during the year	31 041	52 312	10 038	253 399	346 790
Utilised	(7 453)	(35 559)	-	(178)	(43 190)
Released	(2 736)	-	(8 281)	(8 367)	(19 384)
<b>As at 31 December 2012</b>	<b>29 736</b>	<b>16 753</b>	<b>51 044</b>	<b>294 660</b>	<b>392 193</b>
Current as at 31 December 2012	21 973	16 753	408	182 490	221 624
Non-current as at 31 December 2012	7 763	-	50 636	112 170	170 569

## 22. Capital management

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

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

	30 June 2013 <i>(unaudited)</i>	31 December 2012
Interest-bearing bank loans, borrowings and debentures	787 703	641 767
Trade and other payables	1 167 389	1 567 273
Less cash and cash equivalents	97 351	162 235
Net debts	1 857 741	2 046 805
Equity	51 673	13 939
<b>Capital and net debt</b>	<b>1 909 414</b>	<b>2 060 744</b>
Gearing ratio (net debt/capital and net debt)	97,3%	99,3%

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

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

	30 June 2013 (unaudited)	31 December 2012
<b>Contingent liabilities</b>	<b>1 724 311</b>	<b>2 148 275</b>
- guaranties and sureties granted	1 447 061	1 778 406
- promissory notes	62 200	49 832
- legal claims	213 042	190 451
- other	2 008	129 586
<b>Other (arising from)</b>	<b>114 623</b>	<b>114 623</b>
- transferred to off-statement of financial position records balances relating to: *	114 623	114 623
- receivables	48 839	48 839
- cash	15 973	15 973
- liabilities	25 330	25 330
- deferred income	24 481	24 481
<b>Total</b>	<b>1 838 934</b>	<b>2 262 898</b>

\* 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 Company established mortgages, pledges, assignments, issued promissory notes and accepted sureties of certain subsidiaries to secure the debt relating to the above mentioned instruments. Total commitment of the Company on account of the above mentioned instruments amounted to approx. PLN 2,296 million as at 30 June 2013.

The 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.

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## 24. 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.

Related party	Sales to related parties	Purchases from related parties	Amounts owed by related parties and loans	Amounts owed to related parties
<b>Subsidiaries</b>				
<i>30 June 2013 (unaudited)</i>				
Energomontaż Północ Gdynia Sp. z o.o.	885	31	-	-
Energop Sp. z o.o.	47	6 992	-	7 781
Energomontaż-Północ-Technika Spawalnicza i Laboratorium Sp. z o.o.	263	1 261	27	1 768
Polimex Venture Development Sp. z o.o. (formerly Energomontaż-Nieruchomości Sp. z o.o.)	8	11	-	1 211
NAF Industriemontage GmbH	1 494	-	5	-
Torpol S.A.	-	-	10	-
PRInż -I Sp. z o.o.	42	12 720	1 933	3 104
Centrum Projektowe PxM Sp. z o.o.	65	947	2 712	700
PxM-Projekt - Południe Sp. z o.o.	-	49	1	60
Modułowe Systemy Specjalistyczne Sp. z o.o. (former business name Moduł System Serwis Sp. z o.o.)	116	1 374	1 032	488
Zarząd Majątkiem Górczewska Sp. z o.o.	189	-	39	-
WBP Zabrze Sp. z o.o.	72	2 540	15	2 631
Stalfa Sp. z o.o.	2 361	2 531	990	1 180
Polimex-Mostostal ZUT Sp. z o.o.	323	3 116	34	2 057
Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.	47	1 349	-	-
Tchervonograd MSP -Ukraine	372	-	720	-
Polimex Mostostal Ukraine	461	-	18 420	-
Polimex-Development Kraków Capital Group	85	2 422	21 958	1 179
Polimex-Cekop Development Sp. z o.o.	(2)	107	-	-
Polimex-Mostostal Development Sp. z o.o.	(639)	1 073	26 897	255
Polimex Hotele Sp. z o.o.	6	(129)	2	2 058
Polimex Mostostal Wschód Sp. z o.o.	2 520	-	1 060	-
Pracownia Wodno Chemiczna "Ekonomia" Sp. z o.o.	-	294	-	263
S.C. Coifer Impex SRL	354	69	-	-
Grande Meccanica SPA	-	-	2 497	-
Sinopol Trade Centre Sp. z o.o.	4	-	1 044	-
Depolma GmbH	-	-	-	1 105
Elektra Sp. z o.o.	85	-	5	4
<b>Total subsidiaries</b>	<b>9 158</b>	<b>36 757</b>	<b>79 401</b>	<b>25 844</b>
<b>Associates</b>				
Energomontaż Północ Gdynia Sp. z o.o.	1 147	-	1 147	-
Polimex-Sices Sp. z o.o.	2 608	1 314	1	3 627
<b>Total associates</b>	<b>3 755</b>	<b>1 314</b>	<b>1 148</b>	<b>3 627</b>

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<i>Related party</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>
	<i>For three months ended 30 June 2013 (unaudited)</i>		<i>For three months ended 30 June 2012 (unaudited)</i>	
Energomontaż Północ Gdynia Sp. z o.o.	885	31	1 126	2
Energop Sp. z o.o.	47	1 295	158	6 656
Energomontaż-Północ-Technika Spawalnicza i Laboratorium Sp. z o.o.	133	625	155	546
Polimex Venture Development (former Energomontaż-Nieruchomości Sp. z o.o.)	5	-	7	-
Fabryka Kotłów „Sefako S.A.” (Boiler Factory)	-	-	48	-
Torpol S.A.	-	-	-	33
PRInż -I Sp. z o.o.	18	4 733	35	1 182
Centrum Projektowe PxM Sp. z o.o.	35	565	41	1 455
PxM-Projekt - Południe Sp. z o.o.	-	-	3	225
Modułowe Systemy Specjalistyczne Sp. z o.o. (former business name Moduł System Serwis Sp. z o.o.)	64	366	336	1 193
Zarząd Majątkiem Górczewska Sp. z o.o.	95	-	95	-
WBP Sp. z o.o.	36	1 085	36	-
Stalfa Sp. z o.o.	1 214	1 077	2 780	1 938
Polimex-Mostostal ZUT Sp. z o.o.	158	1 178	271	1 750
Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.	47	1 349	57	2 586
MSP Tchervonograd	171	-	434	574
Polimex Mostostal Ukraine	228	-	227	-
Polimex-Development Kraków Capital Group	40	1 151	132	1
Polimex-Cekop Development Sp. z o.o.	1	68	1	-
Polimex-Mostostal Development Sp. z o.o.	(160)	621	1 612	-
Polimex Hotele Sp. z o.o.	3	(74)	3	19
Polimex Mostostal Wschód Sp. z o.o.	1 142	-	1 070	-
Pracownia Wodno Chemiczna "Ekonomia" Sp. z o.o.	-	147	-	201
S.C. Coifer Impex SRL	355	69	528	11 420
Grande Meccanica SPA	-	-	-	-
Sinopol Trade Centre Sp. z o.o.	2	-	-	-
Depolma GmbH	-	-	-	-
Elektra Sp. z o.o.	74	-	18	-
Turbud Sp. z o.o.	-	-	81	6
Centralne Biuro Konstrukcji Kotłów S.A.	-	-	1	668
<b>Total subsidiaries</b>	<b>4 593</b>	<b>14 286</b>	<b>9 255</b>	<b>30 455</b>
Energomontaż Północ Bełchatów Sp. z o.o.	-	-	8	-
Polimex-Sices Sp. z o.o.	2 606	-	2	-
Laboratorium Ochrony ŚP Sp. z o.o.	-	-	-	20
<b>Total associates</b>	<b>2 606</b>	<b>-</b>	<b>10</b>	<b>20</b>



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<i>Related party</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Receivables from related parties</i>	<i>Amounts owed to related parties</i>
<b>Subsidiaries</b>	<b>2012</b>			
Energomontaż Północ Gdynia Sp. z o.o.	4 766	66	2 538	27
Energop Sp. z o.o.	475	17 737	65	1 258
Energomontaż-Północ-Technika Spawalnicza i Laboratorium Sp. z o.o.	604	3 925	33	1 400
Polimex Venture Development Sp. z o.o. (former business name: Energomontaż- Nieruchomości Sp. z o.o.)	27	-	-	-
Energomontaż-Nieruchomości Sp. z o.o.	-	-	1 325	-
Fabryka Kotłów "Sefako" S.A.	98	296	32	-
NAF Industriemontage GmbH	129	-	5	-
Torpol S.A.	9	37	10	1
PRInż -I Sp. z o.o.	194	20 770	3 375	7 190
Centrum Projektowe PxM Sp. z o.o.	180	7 695	2 654	580
PxM - Projekt - Południe Sp. z o.o. Modułowe Systemy Specjalistyczne Sp. z o.o. (former business name Moduł System Serwis Sp. z o.o.)	124	565	2	-
Zarząd Majątkiem Górczewska Sp. z o.o.	858	3 985	1 212	647
WBP Zabrze Sp. z o.o.	379	-	7	-
Stalfa Sp. z o.o.	145	4 233	222	1 928
Polimex-Mostostal ZUT Sp. z o.o.	7 183	7 944	670	750
Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.	793	8 773	33	3 521
MSP Tchervonograd	179	10 073	22	214
Polimex Mostostal Ukraine	3 263	2 715	946	-
Polimex – Development Kraków Capital Group	921	-	18 256	-
Polimex-Cekop Development Sp. z o.o.	532	1 799	21 980	365
Polimex-Mostostal Development Sp. z o.o.	4 883	70	-	4 500
Polimex Hotele Sp. z o.o.	3 343	1 210	29 878	1 488
Mostostal Siedlce Wschód Sp. z o.o.	11	33	4	2 187
Pracownia Wodno Chemiczna "Ekonomia" Sp. z o.o.	4 901	-	95	-
S.C. Coifer Impex SRL	-	363	-	202
Grande Meccanica SPA	2 623	49 186	5 952	2 239
Sinopol Trade Centre Sp. z o.o.	147	-	39	-
Depolma GmbH	8	-	1 044	-
Elektra Sp. z o.o.	72	-	-	787
Turbud Sp. z o.o.	48	215	8	214
Centralne Biuro Konstrukcji Kotłów S.A.	253	979	-	-
<b>Total</b>	<b>37 208</b>	<b>144 558</b>	<b>90 407</b>	<b>30 543</b>
<i>Related party</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Receivables from related parties</i>	<i>Amounts owed to related parties</i>
<b>Associates</b>	<b>2012</b>			
Energomontaż Północ Gdynia Sp. z o.o.	1 680	-	2	-
Polimex-Sices Sp. z o.o.	6	-	3 001	10 682
Laboratorium Ochrony ŚP Sp. z o.o.	-	20	-	-
Terminal LNG S.A.	-	-	-	-
<b>Total</b>	<b>1 686</b>	<b>20</b>	<b>3 003</b>	<b>10 682</b>



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

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

## 24.2. Directors' loan

There were no other directors' loans.

## 24.3. Other directors' interests

There were no other directors' interests.

## 25. Compensation of key management personnel of the Company

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

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

Persons managing 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 do not hold any Issuer's shares.

A person supervising the Issuer holds 5,700 Issuer's shares.

## 26. 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

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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.

- 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.

<hr style="width: 20%; margin: 0 auto;"/> Gregor Sobisch President of the Board of Directors	<hr style="width: 20%; margin: 0 auto;"/> Joanna Makowiecka Vice President of the Board	<hr style="width: 20%; margin: 0 auto;"/> Robert Bednarski Vice President of the Board
<hr style="width: 20%; margin: 0 auto;"/> Arkadiusz Kropidłowski Vice President of the Board		

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

\_\_\_\_\_  
Warsaw, 30<sup>th</sup> August 2013.