

POLIMEX-MOSTOSTAL CAPITAL GROUP
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010
WITH INDEPENDENT AUDITORS' REVIEW REPORT



Polimex-Mostostal Capital Group

Interim condensed consolidated financial statements for the six months ended 30 June 2010

(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT	3
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	6
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES	9
1. Corporate information	9
2. Composition of the Group	9
2.1. Subsidiaries	9
2.2. Associates	11
3. Composition of the Management Board and Supervisory Board of the parent company	11
4. Basis of preparation of consolidated financial statements	12
5. Significant accounting principles (policies)	13
6. Seasonality of operations	14
7. Segment information	14
7.1. Operating segments	14
8. Revenues and expenses	16
8.1. Sales of goods, rendering of services and rental income	16
8.2. Other operating income	16
8.3. Other operating expenses	16
8.4. Finance income	17
8.5. Finance costs	17
9. Income tax	17
9.1. Tax expense	17
10. Changes in the Capital Group	18
11. Dividends paid and proposed	20
12. Property, plant and equipment	20
13. Goodwill on consolidation	21
14. Inventories	21
15. Trade and other receivables	22
15.1. Trade receivables (gross) with remaining maturity from the statement of financial position date	22
15.2. Aging analysis of trade receivables	22
16. Cash and cash equivalents	23
17. Reserve capital	25
18. Interest-bearing bank loans and borrowings	26
19. Debentures	30
20. Provisions	30
20.1. Movements in provisions	30
21. Trade and other payables (current)	31
21.1. Trade payables with remaining maturity from the statement of financial position date	32
21.2. Past due trade payables	32
22. Contingent liabilities	32
23. Related party disclosures	33
23.1. Terms and conditions of transactions with related parties	34
24. Compensation of the Management Board and Supervisory Board of the Parent Company	34
25. Financial instruments	35
25.1. Financial risk management objectives and policies	38
26. Capital management	38
27. Events after the statement of financial position date	39

Accounting policies and other explanatory notes included on pages 9 to 39 are an integral part of these consolidated financial statements

Polimex-Mostostal Capital Group

Interim condensed consolidated financial statements for the six months ended 30 June 2010
(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT for the six months ended 30 June 2010

		The three months ended 30 June 2010 (unaudited)	The six months ended 30 June 2010 (unaudited)	The three months ended 30 June 2009 (unaudited)	The six months ended 30 June 2009 (unaudited)
	Note				
Continuing operations					
Sale of goods		200 262	297 136	251 289	483 887
Rendering of services		827 931	1 495 024	839 908	1 434 924
Rental income		6 139	13 992	2 393	6 408
Revenue	8.1	1 034 332	1 806 152	1 093 590	1 925 219
Cost of sales		(922 613)	(1 609 257)	(961 600)	(1 681 776)
Gross profit		111 719	196 895	131 990	243 443
Other operating income	8.2	6 136	9 337	5 519	9 556
Selling costs		(7 298)	(13 283)	(9 270)	(14 073)
Administrative expenses		(57 160)	(106 334)	(56 314)	(105 371)
Other operating expenses	8.3	(3 049)	(4 396)	(6 115)	(10 209)
Revenue from continuing operations		50 348	82 219	65 810	123 346
Finance income	8.4	3 171	18 734	(6 872)	27 171
Finance costs	8.5	(12 241)	(39 530)	(6 784)	(46 458)
Share of associate's profit		293	1 820	3 314	2 659
Profit before tax		41 571	63 243	55 468	106 718
Income tax	9	(10 656)	(15 852)	(13 457)	(23 923)
Profit for the period		30 915	47 391	42 011	82 795
Attributable to:					
Equity holders of the parent		25 881	42 704	37 938	72 136
Non-controlling interests		5 034	4 687	4 073	10 659
		30 915	47 391	42 011	82 795
Earnings per share (in PLN)					
– number of shares		464 355 625	464 355 625	464 355 625	464 355 625
– basic, for profit for the period attributable to equity holders of the parent		0.06	0.09	0.08	0.16
Diluted earnings per share (in PLN):					
– number of shares		464 355 625	464 355 625	464 355 625	464 355 625
– diluting potential ordinary shares		12 378 196	12 378 196	12 378 196	12 378 196
– diluted, for profit for the period attributable to equity holders of the parent		0.05	0.09	0.08	0.15

Accounting policies and other explanatory notes included on pages 9 to 39 are an integral part of these consolidated financial statements

Polimex-Mostostal Capital Group

Interim condensed consolidated financial statements for the six months ended 30 June 2010

(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2010

	The three months ended 30 June 2010 <i>(unaudited)</i>	The six months ended 30 June 2010 <i>(unaudited)</i>	The three months ended 30 June 2009 <i>(unaudited)</i>	The six months ended 30 June 2009 <i>(unaudited)</i>
Net profit	30 915	47 391	42 011	82 795
Currency translation differences on consolidation	7 211	5 558	(4 338)	262
Net gains/losses on cash flow hedges	(20 165)	(6 314)	48 244	14 455
Deferred tax	3 583	1 141	(9 150)	(2 728)
Other comprehensive income, net of tax	(9 371)	385	34 756	11 989
Total comprehensive income	21 544	47 776	76 767	94 784
Comprehensive income attributable to:				
Equity holders of the parent	17 745	43 804	69 004	84 463
Non-controlling interests	3 799	3 972	7 763	10 321
	21 544	47 776	76 767	94 784

Polimex-Mostostal Capital Group

Interim condensed consolidated financial statements for the six months ended 30 June 2010
(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION **as at 30 June 2010**

	Note	30 June 2010 (unaudited)	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	12	1 010 984	947 934
Investment properties		42 340	42 352
Goodwill on consolidation	13	486 312	486 919
Intangible assets		25 194	30 773
Investments in associates accounted for using the equity method		17 155	25 946
Financial assets		4 450	4 101
Non-current receivables		45 270	61 313
Non-current prepaid expenses		26	23
Deferred tax assets		80 586	85 932
		1 712 317	1 685 293
Current assets			
Inventories	14	424 522	350 916
Trade and other receivables	15	1 457 198	1 317 453
Income tax receivables		6 716	10 568
Prepaid expenses		13 568	9 937
Cash and cash equivalents	16	220 254	437 377
Financial assets		9 455	16 173
		2 131 713	2 142 424
TOTAL ASSETS		3 844 030	3 827 717
EQUITY AND LIABILITIES			
Equity (attributable to equity holders of the parent)		1 269 358	1 242 671
Issued capital		18 574	18 574
Share premium		513 466	513 466
Treasury shares		(6 884)	(6 884)
Translation of a foreign operation		2 740	(2 798)
Supplementary capital		471 415	381 566
Reserve capital	17	31 846	30 494
Revaluation reserve		1 259	5 697
Retained earnings / Accumulated losses		236 942	302 556
Non-controlling interests		144 386	140 783
Total equity		1 413 744	1 383 454
Non-current liabilities			
Interest bearing bank loans and borrowings	18	362 453	235 998
Long-term debentures	19	366 811	367 396
Provisions	20	81 344	81 836
Other liabilities		102 293	110 284
Deferred income tax liability		16 391	19 417
Accruals		2 369	2 806
		931 661	817 737
Arrangement liabilities to be written off		-	-
Current liabilities			
Trade and other payables	21	1 182 931	1 337 743
Short-term debentures	19	40 040	39 797
Current portion of interest-bearing bank loans and borrowings	18	169 981	114 826
Income tax payable		3 439	19 931
Provisions	20	42 985	56 405
Accruals	21	59 249	57 824
		1 498 625	1 626 526
Total liabilities		2 430 286	2 444 263
TOTAL EQUITY AND LIABILITIES		3 844 030	3 827 717

Accounting policies and other explanatory notes included on pages 9 to 39 are an integral part of these consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended 30 June 2010

	Note	The six months ended 30 June 2010 (unaudited)	The six months ended 30 June 2009 (unaudited)
Cash flows from operating activities			
Profit before tax		63 243	106 718
Adjustments for:		(355 694)	(131 143)
Share of profit of associates accounted for using the equity method		(1 820)	(2 659)
Depreciation / Amortisation		48 413	40 435
Interests and dividends, net		24 411	14 409
Gain from investing activities		(8 786)	(126)
(Increase)/ decrease in receivables	16	(142 245)	(296 967)
(Increase)/ decrease in inventories	16	(73 606)	(30 471)
Increase/ (decrease) in payables except for loans and borrowings	16	(159 987)	203 198
Change in accruals and prepaid expenses	16	(2 646)	(24 625)
Change in provisions	16	(13 912)	(12 835)
Income tax paid		(25 167)	(21 286)
Other		(349)	(216)
Net cash flows from operating activities		(292 451)	(24 425)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangibles		3 206	1 076
Purchase of property, plant and equipment and intangibles		(71 815)	(125 634)
Proceeds from sale of investment property		-	-
Purchase of investment property		-	-
Proceeds from sale of financial assets		162	-
Purchase of financial assets		(9 263)	(5)
Acquisition of a subsidiary, net of cash acquired		-	(363)
Dividends and interest received		2 228	2 182
Repayment of loans granted		623	-
Loans granted		-	-
Other		-	-
Net cash flows from investing activities		(74 859)	(122 744)
Cash flows from financing activities			
Proceeds from issue of debentures		193 995	194 153
Expenses for redemption of debentures		(194 995)	(194 999)
Payment of finance lease liabilities		(6 133)	(3 850)
Proceeds from loans and borrowings		280 901	182 482
Repayment of loans and borrowings		(99 291)	(28 742)
Dividends paid to equity holders of the parent		-	-
Interest paid		(24 501)	(19 605)
Other		211	1 386
Net cash flows from financing activities		150 187	130 825
Net increase/(decrease) in cash and cash equivalents		(217 123)	(16 344)
Net foreign exchange difference		609	(2 960)
Cash and cash equivalents at the beginning of the period		437 377	295 241
Cash and cash equivalents at the end of the period, of which		220 254	278 897
Balance of cash and cash equivalents recognised in the statement of cash flows comprises the following:			
		30 June 2010 (unaudited)	31 December 2009
Cash at bank and in hand		220 254	437 377
Cash and cash equivalents recognised in the consolidated statement of cash flows		220 254	437 377

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2010 (unaudited)

Attributable to equity holders of the parent

	<i>Note</i>	<i>Issued capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Translation of a foreign operation</i>	<i>Revaluation reserve</i>	<i>Reserve capital</i>	<i>Supplementary capital</i>	<i>Retained earnings/ Accumulated losses</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
As at 1 January 2010		18 574	513 466	(6 884)	(2 798)	5 697	30 494	381 566	302 556	1 242 671	140 783	1 383 454
Profit for the period		-	-	-	-	-	-	-	42 704	42 704	4 687	47 391
Other comprehensive income, net of tax		-	-	-	5 538	(4 438)	-	-	-	1 100	(715)	385
Total comprehensive income for the period		-	-	-	5 538	(4 438)	-	-	42 704	43 804	3 972	47 776
Revaluation of executive options		-	-	-	-	-	1 352	-	-	1 352	-	1 352
Profit distribution		-	-	-	-	-	-	89 849	(89 849)	-	-	-
Dividends paid	11	-	-	-	-	-	-	-	(18 574)	(18 574)	-	(18 574)
Consolidation adjustments due to the change of share in control over a subsidiary		-	-	-	-	-	-	-	-	-	(315)	(315)
Other adjustments in equity in subsidiaries		-	-	-	-	-	-	-	105	105	(54)	51
As at 30 June 2010 (unaudited)		18 574	513 466	(6 884)	2 740	1 259	31 846	471 415	236 942	1 269 358	144 386	1 413 744

Accounting policies and other explanatory notes included on pages 9 to 39 are an integral part of these consolidated financial statements.

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
(in PLN thousands)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2010 (continued)

Attributable to equity holders of the parent

	<i>Note</i>	<i>Issued capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Translation of a foreign operation</i>	<i>Revaluation reserve</i>	<i>Reserve capital</i>	<i>Supplementary capital</i>	<i>Retained earnings/ Accumulated losses</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
As at 1 January 2009		18 574	513 466	(6 884)	5 087	(44 838)	18 016	295 905	233 995	1 033 321	114 886	1 148 207
Profit for the period		-	-	-	-	-	-	-	72 136	72 136	10 659	82 795
Other comprehensive income, net of tax		-	-	-	1 412	10 915	-	-	-	12 327	(338)	11 989
Total comprehensive income for the period		-	-	-	1 412	10 915	-	-	72 136	84 463	10 321	94 784
Revaluation of executive options		-	-	-	-	-	8 600	-	-	8 600	-	8 600
Profit distribution		-	-	-	-	-	-	85 661	(85 661)	-	-	-
Dividends paid	11	-	-	-	-	-	-	-	(4 643)	(4 643)	-	(4 643)
Non-controlling interest arising on obtaining control over a subsidiary		-	-	-	-	-	-	-	-	-	153	153
Consolidation adjustments due to the change of share in control over a subsidiary		-	-	-	-	-	-	-	64	64	2 023	2 087
Other adjustments in equity in subsidiaries		-	-	-	-	-	-	-	(861)	(861)	100	(761)
As at 30 June 2009 (unaudited)		18 574	513 466	(6 884)	6 499	(33 923)	26 616	381 566	215 030	1 120 944	127 483	1 248 427

Accounting policies and other explanatory notes included on pages 9 to 39 are an integral part of these consolidated financial statements.

ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES

1. Corporate information

The Polimex-Mostostal Capital Group ("the Group") is composed of Polimex-Mostostal S.A. (the "parent company", "Company") and its subsidiaries. The interim condensed consolidated financial statements of the Group cover the period of six months ended 30 June 2010 and contain comparative data for the period ended 30 June 2009 and as at 31 December 2009. The income statement, comprehensive income statement and notes to the income statement cover the data for the period of three months ended 30 June 2010 and the comparative data for the period of three months ended 30 June 2009 – they were not audited or reviewed by an auditor.

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

The parent company was granted statistical REGON number 710252031.

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

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

Manufacturing,

Construction,

Power engineering,

Chemistry,

Roads and railroads,

Other activities.

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

On 30 August 2010 the interim condensed consolidated financial statements of the Company for the six months ended 30 June 2010 were authorised for issue by the Management Board.

2. Composition of the Group

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

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

Item no.	Entity name	Registered office	Business activities	% held by the Group in share capital	
				30 June 2010 (%)	31 December 2009 (%)
	2.1. Subsidiaries				
1	Depolma GmbH (*)	Ratingen-Germany	Supplies and engineering services on agency basis	100.00	100.00
2	Polimex-Cekop Development Sp. z o. o.(*)	Warsaw	Trading activities, consulting and advisory services	100.00	100.00
3	Fabryka Kotłów "Sefako" S.A.(*)(Capital Group)	Sędziszów	Design, manufacturing and sale of boilers	89.20	89.20
4	Naftobudowa S.A. (*) (Capital Group)	Cracow	Comprehensive execution of construction and erection works	49.99	49.99
5	B. S. P. i R.I. Biprokwas Sp. z o.o.(*)	Gliwice	Preparing analyses, conceptions, studies and offers	-	On 30 November 2009 the Company was acquired by Energotechnika Projekt Sp z o.o. (current name – Centrum Projektowe Polimex Mostostal Sp. z o.o.)
6	Polimex-Development – Kraków Sp. z o.o. (*) (Capital Group)	Cracow	Execution of construction works	100.00	100.00

Polimex-Mostostal Capital Group

Interim condensed consolidated financial statements for the six months ended 30 June 2010

Other explanatory notes
(in PLN thousands)

7	Naftoremont Sp. z o.o. (*) (Capital Group)	Płock	Execution of construction and erection works	67.05	67.05
8	Stalfa Sp. z o.o. (*)	Sokołów Podlaski	Metal products manufacturing	100.00	100.00
9	Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o. (*)	Siedlce	Transport services	100.00	100.00
10	Polimex-Mostostal ZUT Sp. z o.o. (*)	Siedlce	Engineering services	100.00	100.00
11	Polimex-Mostostal Ukraina SAZ (*)	Kiev	Housing development	100.00	100.00
12	SPB Przembud Sp. z o.o. (***) in liquidation	Szczecin	Special and general construction	75.54	75.54
13	MSP Tchervonograd - Ukraine (**)	Tchervonograd - Ukraine	Metal structure manufacturing	99.50	99.50
14	Polimex-Hotele Sp. z o.o. (*)	Warsaw	Housing development	100.00	100.00
15	Polimex-Mostostal Development Sp. z o.o. (*)	Warsaw	Housing development	100.00	100.00
16	Torpol Sp. z o.o. (*) (Capital Group)	Poznań	Comprehensive execution of transport facilities	100.00	100.00
17	Energomontaż Północ S.A. (*) (Capital Group)	Warsaw	Execution of construction systems, manufacturing of metal structures, road transport of goods	65.55	65.55
18	Centrum Projektowe Polimex-Mostostal Sp. z o.o. (*)	Gliwice	Construction, urban and engineering design and planning	99.42	99.32
19	Zakład Budowlano – Instalacyjny Turbud Sp. z o.o. (*)	Płock	Housing development, industrial buildings and rehabilitation	100.00	100.00
20	EPE Rybnik Sp. z o.o. (*)	Rybnik	Overhaul services of power engineering equipment	100.00	100.00
21	Zarząd Majątkiem Górczewska Sp. z o.o. (*) (Real Estate Administration)	Warsaw	Real estate lease, tenancy and administration	100.00	100.00
22	Zakłady Remontowe Energetyki Kraków Sp. z o.o. (*)	Cracow	Engine, turbine and steam generator installation, repair and maintenance services	98.17	98.17
23	PxM Projekt-Południe Sp. z o.o.	Cracow	Design services in construction sector	100.00	100.00
24	Coifer Capital Group	Romania	Steel structure manufacturing	100.00	100.00
25	WBP Zabrze Sp. z o.o.	Zabrze	Design services	99.90	99.90
26	ZRE Lublin S.A.	Lublin	Steam generator installation, repair and maintenance services	69.76	69.76
27	PRInż – 1 Sp. z o.o.	Katowice	Road construction	88.08	86.78

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

28	ECe Remont Sp. z o.o.(*)	Zielona Góra	Overhaul services of electric and power engineering equipment maintenance works, inspections, repairs of production equipment, installations, buildings, structures and heat distribution networks	100.00	100.00
29	Pracownia Wodno-Chemiczna Ekonomia Sp. z o.o.(*)	Bielsko Biala	Sewage and water treatment, technical and economic analyses in the scope of modernisation and construction of new systems.	75.00	75.00
2.2. Associates					
30	PORTY S.A. (***), in liquidation	Gdańsk	Construction, trade, transport and machine rental	40.00	40.00
31	Polimex-Sices Sp. z o.o. (**)	Warsaw	Execution of erection works	50.00	50.00
32	Valmont Polska Sp. z o.o. (**), disposed of	Siedlce	Manufacturing	-	30.00
33	Energomontaż – Północ Bełchatów Sp. z o.o. (**)	Bełchatów	Specialist construction and erection services	32.82	32.82
*	entity consolidated using the full method				
**	entity recognized using the equity method				
***	Liquidation of Porty S.A. was entered into the National Court Register (KRS) on 28 June 2010 –the company is eliminated from consolidation				

As at 30 June 2010 the percentage of voting rights held by the Group in subsidiaries corresponds to the percentage held in the share capital of those entities, except for Centrum Projektowe Polimex-Mostostal Sp. z o.o., where voting rights are lower and amount to 98.81% (share in capital 99.42%).

In Naftobudowa S.A., which is a company listed on the Warsaw Stock Exchange, the parent company exercises control by holding directly 49.99% of shares and having the Supervisory Board composed mostly of Polimex-Mostostal S.A.'s employees including members of the Management Board of the parent company, which decides on the composition of the Management Board of this Company, and by having an absolute majority of votes at the General Shareholders' Meetings in recent years.

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

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

As at 30 June 2010, the Management Board of the Company consisted of:

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

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

As at 30 June 2010, the Supervisory Board of the company consisted of:

Chairman of the Supervisory Board,	Kazimierz Klęk
Vice Chairman of the Supervisory Board,	Andrzej Szumański
Member of the Supervisory Board	Wiesław Rozłucki
Member of the Supervisory Board	Janusz Lisowski
Secretary of the Supervisory Board,	Elżbieta Niebisz
Member of the Supervisory Board	Artur P. Jędrzejewski

On 30 June 2010 an Ordinary General Meeting of Polimex-Mostostal S.A.'s shareholders elected the Supervisory Board, whose composition for the next term is as follows:

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

4. Basis of preparation of consolidated financial statements

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

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

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

The interim condensed consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. As at the date of authorisation of these financial statements, the parent company's Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Group, except for the following companies:

- Nafto-Tur Sp. z o.o. in liquidation. The company was put in liquidation in 2010. These actions were caused by the fact that the company does not carry out operating activity and further continuation of its existence is not justified from an economic view point.
- PORTY S.A. in liquidation. The company was put in liquidation in 2010. These measures result from the fact that the company achieved its objective, for which it was established i.e. it completed the project in Libya and its further existence is not justified from the economic view point.

In 2010 a restructuring of Polimex-Mostostal Capital Group is planned which will consist in transferring entire assets of certain subsidiaries to Polimex-Mostostal S.A. in return for the shares, which will be issued by Polimex-Mostostal S.A. to shareholders of these companies. Works aimed at the acquisition of selected subsidiaries are carried out in accordance with the approved and published schedule. The projected date of combination falls at the end of 2010.

The interim condensed consolidated financial statements do not cover all of the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2009.

5. Significant accounting principles (policies)

The accounting policies used to prepare these interim condensed consolidated financial statements are consistent with ones used while preparing the Group's annual consolidated financial statements for the year ended 31 December 2009 except for the application of the following amendments to standards and new interpretations in force for reporting periods beginning on or after 1 January 2010.

- IFRS 2 *Share-based payment: Group Cash-settled Share-based Payment Arrangements* – effective for financial years beginning on or after 1 January 2010. The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or performance of the Group.
- IFRS 3 *Business Combinations* (revised) and IAS 27 *Consolidated and Separate Financial Statements* (amended) – applicable to annual reporting periods beginning on or after 1 July 2009. IFRS 3 (revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration, and business combinations achieved in stages.

IAS 27 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes to IFRS 3 and IAS 27 will affect future acquisitions or loss of control in subsidiaries and transactions with non-controlling interests.

The change in accounting policies was applied prospectively and did not have any significant impact on the financial position or performance of the Group.

- IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items* – applicable to annual reporting periods beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The adoption of this amendment did not have an impact on the financial position or performance of the Company.
- IFRIC 17 *Distribution of Non-cash Assets to Owners* – applicable to annual reporting periods beginning on or after 1 July 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation did not have any effect on the financial position or performance of the Group.
- Improvements to IFRSs (issued May 2008) – in May 2008 the Board issued its first omnibus of amendments to its standards. The Company has implemented the following amendments from 1 January 2010:
 - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: the amendment clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and did not have any impact on the financial position or performance of the Group.
- *Improvements to IFRSs* (issued April 2009) – in April 2009 the Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.
 - IAS 36 *Impairment of Assets*: The amendment clarified that the largest unit permitted for allocation of goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment did not have any impact on the Company's financial statements as the annual impairment test is performed before aggregation.

The changes in the following standards did not have any impact on the accounting policies, the financial position or performance of the Group:

- IFRS 2 *Share-based payment*:
- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- IFRS 8 *Operating Segments*:
- IAS 1 *Presentation of Financial Statements*

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

- IAS 7 *Statement of cash flows*
- IAS 17 *Leases*
- IAS 36 *Impairment of Assets*
- IAS 38 *Intangible Assets*
- IAS 39 *Financial Instruments: Recognition and Measurement:*
- IFRIC 9 *Reassessment of embedded derivatives*
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*

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

6. Seasonality of operations

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

7. Segment information

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

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

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

7.1. Operating segments

The tables below present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2010 and the statement of financial position data as at 30 June 2010 and for the three months ended 30 June 2009 and the statement of financial position data as at 30 June 2009.

The three months ended 30 June 2010 (unaudited)	<i>Manufacturing</i>	<i>Construction</i>	<i>Power Engineering</i>	<i>Chemistry</i>	<i>Roads and railroads</i>	<i>Other operations</i>	<i>Eliminations (*)</i>	<i>Total Operations</i>
Revenue								
Sales to external customers	158 888	268 171	200 468	235 261	155 416	16 128	-	1 034 332
Inter-segment sales	46 952	8 385	2 164	13 830	-	15 041	(86 372)	-
Total segment revenue	<u>205 840</u>	<u>276 556</u>	<u>202 632</u>	<u>249 091</u>	<u>155 416</u>	<u>31 169</u>	<u>(86 372)</u>	<u>1 034 332</u>
Results								
Segment profit	1 520	16 349	10 359	14 129	6 922	1 069	(8 777)	41 571
*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 3,171 thousand, finance costs in the amount of PLN 12,241 thousand and a share in the associate's profit of PLN 293 thousand.								

The six months ended 30 June 2010(unaudited)	<i>Manufacturing</i>	<i>Construction</i>	<i>Power Engineering</i>	<i>Chemistry</i>	<i>Roads and railroads</i>	<i>Other operations</i>	<i>Eliminations (*)</i>	<i>Total Operations</i>
Revenue								
Sales to external customers	256 292	511 980	344 109	408 013	249 816	35 942	-	1 806 152
Inter-segment sales	87 328	9 285	7 403	26 567	-	25 125	(155 708)	-
Total segment revenue	<u>343 620</u>	<u>521 265</u>	<u>351 512</u>	<u>434 580</u>	<u>249 816</u>	<u>61 067</u>	<u>(155 708)</u>	<u>1 806 152</u>
Results								
Segment profit	2 798	22 339	15 268	23 815	16 631	1 368	(18 976)	63 243

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

Segment assets	609 955	821 629	457 217	503 258	483 587	227 997	-	3 103 643
Investment in an associate	-	4 196	12 959	-	-	-	-	17 155
Assets managed on Group basis	-	-	-	-	-	-	-	723 232
Total assets	<u>609 955</u>	<u>825 825</u>	<u>470 176</u>	<u>503 258</u>	<u>483 587</u>	<u>227 997</u>	-	<u>3 844 030</u>

Segment liabilities	68 072	342 026	184 585	285 598	309 913	124 768	-	1 314 962
Liabilities managed on Group basis	-	-	-	-	-	-	-	2 529 068
Total equity and liabilities	<u>68 072</u>	<u>342 026</u>	<u>184 585</u>	<u>285 598</u>	<u>309 913</u>	<u>124 768</u>	-	<u>3 844 030</u>

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

**The three months ended
30 June 2009 (unaudited)**

	<i>Manufacturing</i>	<i>Construction</i>	<i>Power Engineering</i>	<i>Chemistry</i>	<i>Roads and railroads</i>	<i>Other operations</i>	<i>Eliminations *)</i>	<i>Total Operations</i>
Revenue								
Sales to external customers	138 089	329 550	218 474	235 983	150 036	21 458	-	1 093 590
Inter-segment sales	<u>74 720</u>	<u>5 990</u>	<u>6 185</u>	<u>10 653</u>	<u>-</u>	<u>10 086</u>	<u>(107 634)</u>	<u>-</u>
Total segment revenue	<u>212 809</u>	<u>335 540</u>	<u>224 659</u>	<u>246 636</u>	<u>150 036</u>	<u>31 544</u>	<u>(107 634)</u>	<u>1 093 590</u>

Results

Segment profit	<u>10 552</u>	<u>7 477</u>	<u>17 278</u>	<u>18 900</u>	<u>8 267</u>	<u>3 336</u>	<u>(10 342)</u>	<u>55 468</u>
----------------	---------------	--------------	---------------	---------------	--------------	--------------	-----------------	---------------

*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN (6,872) thousand, finance costs in the amount of PLN 6,784 thousand and a share in the associate's profit of PLN 3,314 thousand.

**The six months ended 30
June 2009(unaudited)**

	<i>Manufacturing</i>	<i>Construction</i>	<i>Power Engineering</i>	<i>Chemistry</i>	<i>Roads and railroads</i>	<i>Other operations</i>	<i>Eliminations</i>	<i>Total Operations</i>
Revenue								
Sales to external customers	302 118	563 220	392 586	403 015	223 809	40 471	-	1 925 219
Inter-segment sales	<u>118 533</u>	<u>23 909</u>	<u>11 310</u>	<u>16 223</u>	<u>-</u>	<u>19 026</u>	<u>(189 001)</u>	<u>-</u>
Total segment revenue	<u>420 651</u>	<u>587 129</u>	<u>403 896</u>	<u>419 238</u>	<u>223 809</u>	<u>59 497</u>	<u>(189 001)</u>	<u>1 925 219</u>

Results

Segment profit	<u>37 069</u>	<u>15 241</u>	<u>36 383</u>	<u>25 351</u>	<u>5 267</u>	<u>4 035</u>	<u>(16 628)</u>	<u>106 718</u>
----------------	---------------	---------------	---------------	---------------	--------------	--------------	-----------------	----------------

Segment assets	532 098	825 552	522 166	466 294	512 112	171 099	-	3 029 321
Investment in an associate	5 306	5 945	11 185	-	-	-	-	22 436
Assets managed on Group basis	-	-	-	-	-	-	-	824 631
Total assets	<u>537 404</u>	<u>831 497</u>	<u>533 351</u>	<u>466 294</u>	<u>512 112</u>	<u>171 099</u>	-	<u>3 876 388</u>

Segment liabilities	226 747	466 229	277 584	332 200	341 959	127 101	-	1 771 820
Liabilities managed on Group basis	-	-	-	-	-	-	-	2 104 568
Total equity and liabilities	<u>226 747</u>	<u>466 229</u>	<u>277 584</u>	<u>332 200</u>	<u>341 959</u>	<u>127 101</u>	-	<u>3 876 388</u>

*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 27,171 thousand, finance costs in the amount of PLN 46,458 thousand and a share in the associate's profit of PLN 2,659 thousand.

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

8. Revenues and expenses

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

	The three months ended 30 June 2010	The six months ended 30 June 2010	The three months ended 30 June 2009	The six months ended 30 June 2009
				(<i>unaudited</i>)
Sale of goods	200 262	297 136	251 289	483 887
Rendering of services	827 931	1 495 024	839 908	1 434 924
Rental income	6 139	13 992	2 393	6 408
	1 034 332	1 806 152	1 093 590	1 925 219

Starting from 2010 when the Group is a consortium leader, it recognises in the income statement only the revenue arising from the share of Polimex-Mostostal Group in the consortium. That being so a change was introduced to the presentation of revenue from sales presented for the three month period ended 30 June 2009 in amount of PLN 82,853 thousand and for the six month period ended 30 June 2009 in amount of PLN 128,495 thousand (a decrease in revenue from sales and cost of sales for the above mentioned amount in the Group's income statement).

8.2. Other operating income

	The three months ended 30 June 2010	The six months ended 30 June 2010	The three months ended 30 June 2009	The six months ended 30 June 2009
				(<i>unaudited</i>)
Reversed provisions for expenses	148	332	1 327	1 497
Gain on disposal of property, plant and equipment	1 595	2 001	-	421
Recovered damages payments and fines	1 641	3 691	2 489	2 871
Accrued liquidated damages	7	13	14	14
Court settlement	282	282	207	607
Gain/loss on subsidiary liquidation	404	404	6	7
Grants	417	444	1 135	1 135
Other	1 642	2 170	341	3 004
Other operating income, total	6 136	9 337	5 519	9 556

8.3. Other operating expenses

	The three months ended 30 June 2010	The six months ended 30 June 2010	The three months ended 30 June 2009	The six months ended 30 June 2009
				(<i>unaudited</i>)
Provision for disputable claims	-	-	808	1 281
Provision for costs of contracts	147	147	-	549
Loss on disposal of property, plant and equipment	-	106	42	125
Damages and fines	503	632	612	1 557
Court expenses	158	375	859	859
Donations	423	634	131	288
Post-accident repairs	298	476	208	263
Costs relating to utilisation of grants	774	774	-	1 087
Adjustment of a loan	-	-	-	637
Impairment loss on property, plant and equipment	184	184	1 106	1 106
Settlement	-	-	511	511
Other	562	1 068	1 838	1 946
Other operating expenses	3 049	4 396	6 115	10 209

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

8.4. Finance income

	The three months ended 30 June 2010	The six months ended 30 June 2010	The three months ended 30 June 2009	The six months ended 30 June 2009
			<i>(unaudited)</i>	
Revenue from measurement and exercise of derivative instruments	(1 418)	4 335	6 046	9 026
Bank interest and loan receivable	771	2 239	2 002	2 795
Income from interest for delay in payment	369	372	488	519
Gain on sale of financial assets	6 560	6 560	-	-
Measurement of lease liabilities	-	-	-	340
Dividend income	-	-	-	35
Foreign exchange gains	848	4 027	(15 910)	13 641
Other	(3 959)	1 201	502	815
Total finance income	3 171	18 734	(6 872)	27 171

8.5. Finance costs

	The three months ended 30 June 2010	The six months ended 30 June 2010	The three months ended 30 June 2009	The six months ended 30 June 2009
			<i>(unaudited)</i>	
Measurement and execution of derivative instruments	2 058	1 260	(3 838)	19 555
Interest on bank loans and borrowings	5 736	10 506	1 576	6 589
Debenture interest	6 473	13 496	5 675	11 069
Interest on other liabilities	357	553	1 295	1 427
Finance charges payable under finance lease agreements	452	797	550	1 014
Foreign exchange losses	(3 205)	9 282	708	5 701
Bank charges on guarantees and loans	1 653	2 734	339	555
Other	(1 283)	902	479	548
Total finance costs	12 241	39 530	6 784	46 458

9. Income tax

9.1. Tax expense

Major components of income tax expense for the six months ended 30 June 2010 and for the six months ended 30 June 2009 are as follows:

	The three months ended 30 June 2010	The six months ended 30 June 2010	The three months ended 30 June 2009	The six months ended 30 June 2009
			<i>(unaudited)</i>	
Consolidated income statement				
Current income tax	9 682	10 706	17 228	30 456
Current income tax expense	9 682	10 706	17 228	30 456
Deferred income tax	974	5 146	(3 771)	(6 533)
Relating to origination and reversal of temporary differences	974	5 146	(3 771)	(6 533)
Income tax expense reported in consolidated income statement	10 656	15 852	13 457	23 923
Comprehensive income statement				
Deferred income tax	3 583	1 141	(9 150)	(2 728)
Relating to origination and reversal of temporary differences	3 583	1 141	(9 150)	(2 728)
Tax expense/ tax credit recognised in other comprehensive income	3 583	1 141	(9 150)	(2 728)

Disclosure on investment in Tarnobrzeg Special Economic Zone.

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

Estimated discounted value of tax relief Polimex-Mostostal S.A. is entitled to amounts to PLN 72 million, whereas maximum (nominal) value of relief which can be utilised is PLN 103 million. Nominal value of the relief calculated with the use of stage of investment expenditure made amounts to about PLN 103 million. Taking into consideration the fact that as at 30.06.2010 the advancement of the venture in the light of investment expenditure made (compared to the one declared in the permit) was 100%, in the opinion of the Company, which is based on prepared financial projections, it is justified to recognize assets relating to future benefits flowing from Permit No.171/ARP S.A./2008 obtained on 23 July 2008 in the amount of PLN 35.2 million as at 30.06.2010. Taking into account the fact that 30.1 million worth asset was recognised in the Company statements for the year 2009, the increase of the asset on account of the analysed issue in the first half of 2010 amounts to PLN 5.1 million.

Sefako S.A.

As at 30 June 2010 the Company met all requirements for obtaining a tax relief for operations in the Special Economic Zone (SEZ) i.e. it has employed 150 persons and completed the investment with the minimum value of PLN 75 million, which was confirmed by the control from the zone. Maximum value of the relief which can be used by 2017 is about PLN 37 million and relates to income covered by the permit and made in the SEZ. Due to a fall in orders for boilers produced by the Company caused by an economic slowdown, the Company, to maintain assumed profitability, may be forced to reduce temporarily its employment, and at the same time not fulfil the requirement specified in the permit relating to the operations in the SEZ. In this situation the Company requested the Ministry of Economy to change the permit and postpone the date for fulfilment of the requirement relating to additional employment.

The Company did not recognise an asset for the expected relief on this account because as at the statement of financial position date the risk of failure to fulfil the requirements for the relief in the coming periods was significant.

10. Changes in the Capital Group

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

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

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

The following changes took place in the composition of the Group in the first six months of 2009:

- the shares were acquired in Pracownia Wodno-Chemiczna Ekonomia Sp. z o.o. with the registered office in Bielsko Biala for the amount of PLN 700 thousand thus obtaining 75% interest in the company equity. Fair value of identifiable assets and liabilities of Pracownia Wodno-Chemiczna Sp. z o.o. in the initial settlement of the acquisition is as follows: The final settlement of the acquisition was on 31 December 2009.

	<i>Carrying amount at acquisition date</i>	<i>Fair value recognised on acquisition</i>
Property, plant and equipment	147	147
Intangible assets	4	4
Investment properties	-	-
Financial assets	-	-
Deferred tax assets	-	-
Cash and cash equivalents	207	207
Inventories	-	-
Trade receivables	748	748
Prepaid expenses	51	51
Total	1 157	1 157
Liabilities and accruals	546	546
Total	546	546
Fair value of net assets		611
Fair value of acquired net assets		458
Goodwill		242
Consideration:		700
Cash payment		700

- the shares were acquired in ECe Remont Sp. z o.o. with the registered office in Zielona Góra for the amount of PLN 2,500 thousand thus obtaining 100 % interest in the company equity. Fair value of identifiable assets and liabilities of ECe Remont Sp. z o.o. in the initial settlement of the acquisition is as follows: The final settlement of the acquisition was on 31 December 2009.

	<i>Carrying amount at acquisition date</i>	<i>Fair value recognised on acquisition</i>
Property, plant and equipment	687	1 142
Intangible assets	2 672	66
Investment properties	-	-
Financial assets	-	-
Deferred tax assets	-	-
Cash and cash equivalents	163	163
Inventories	139	139
Trade receivables	1 839	1 839
Prepaid expenses	8	8
Total	5 508	3 357
Liabilities and accruals	3 049	3 049
Total	3 049	3 049
Fair value of net assets		308
Goodwill		2 192
Consideration:		2 500
Cash payment		2 500

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

11. Dividends paid and proposed

Equity dividends on ordinary shares from 2009 profit will be paid on 16 September 2010 and will amount to PLN 18,574 thousand (dividend from 2008 profit, paid on 16 September 2009, amounted to PLN 4,644 thousand).

The dividend per share paid for the year 2009 will be PLN 0.04 (for the year 2008 it was PLN 0.01)

12. Property, plant and equipment

The six months ended 30 June 2010 (unaudited)

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

Year ended 31 December 2009

	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Motor vehicles</i>	<i>Other fixed assets</i>	<i>Fixed assets under construction</i>	<i>Advanced payments to fixed assets under construction</i>	<i>Total</i>
Net carrying amount at 1 January 2009	309 280	192 796	50 467	17 872	125 248	15 186	710 849
Acquisition of a subsidiary	935	56	260	38	-	-	1 289
Reclassification	(169)	4 723	7 074	1 827	(4 866)	(9 398)	(809)
Additions	182 747	89 684	22 201	9 968	230 923	25	535 548
Disposals	(4 075)	(2 804)	(1 001)	(455)	(210 848)	(5 788)	(224 971)
Revaluation	-	-	-	-	-	-	-
Depreciation charge for the period	(14 806)	(39 510)	(13 937)	(5 719)	-	-	(73 972)
Net carrying amount at 31 December 2009	473 912	244 945	65 064	23 531	140 457	25	947 934
As at 1 January 2009							
Cost	371 069	370 098	89 043	40 842	131 575	15 186	1 017 813
Write-off and impairment loss	(61 789)	(177 302)	(38 576)	(22 970)	(6 327)	-	(306 964)
Net carrying amount	309 280	192 796	50 467	17 872	125 248	15 186	710 849
As at 31 December 2009							
Cost	550 293	452 711	118 101	52 540	152 882	125	1 326 652
Write-off and impairment loss	(76 381)	(207 766)	(53 037)	(29 009)	(12 425)	(100)	(378 718)
Net carrying amount	473 912	244 945	65 064	23 531	140 457	25	947 934

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

**The six months ended 30 June 2009
(unaudited)**

	<i>Land and buildings</i>	<i>Plant and equipment</i>	<i>Motor vehicles</i>	<i>Other fixed assets</i>	<i>Fixed assets under construction</i>	<i>Advanced payments to fixed assets under construction</i>	<i>Total</i>
Net carrying amount at 1 January 2009	309 280	192 796	50 467	17 872	125 248	15 186	710 849
Acquisition of a subsidiary	935	73	260	22	-	-	1 290
Reclassification	27	378	108	88	8 247	(8 848)	-
Additions	12 758	19 925	9 410	3 351	113 525	81	159 050
Disposals	(568)	(950)	(93)	(393)	(15 165)	(5 634)	(22 803)
Depreciation charge for the period	(7 096)	(21 398)	(5 656)	(2 799)	-	-	(36 949)
Net carrying amount at 30 June 2009	315 336	190 824	54 496	18 141	231 855	785	811 437
As at 1 January 2009							
Cost	371 069	370 098	89 043	40 842	131 575	15 186	1 017 813
Write-off and impairment loss	(61 789)	(177 302)	(38 576)	(22 970)	(6 327)	-	(306 964)
Net carrying amount	309 280	192 796	50 467	17 872	125 248	15 186	710 849
As at 30 June 2009							
Cost	381 690	381 804	97 691	42 895	243 283	785	1 148 148
Write-off and impairment loss	(66 354)	(190 980)	(43 195)	(24 754)	(11 428)	-	(336 711)
Net carrying amount	315 336	190 824	54 496	18 141	231 855	785	811 437

13. Goodwill on consolidation

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

For acquired entities of Coifer and Energomontaż Pólnoc S.A. the operating segment basis is the lowest basis on which the Management monitors the realisability of goodwill and conducts tests for impairment of goodwill. Allocation of goodwill to group operating segments is the result of synergy effects of operations of Coifer and Energomontaż Pólnoc S.A. and other group companies and of a defined within the Group the system for Group asset management and the system for resource allocation.

The Management is not aware of any reasons for impairment of goodwill as at 30 June 2010. In accordance with IAS 36 *Impairment of Assets* the Company will conduct an annual test for impairment of goodwill at the end of financial year ended 31 December 2010.

14. Inventories

	<i>30 June 2010 (unaudited)</i>	<i>31 December 2009</i>
Raw materials	111 691	64 325
Goods for resale	952	998
Raw materials advance payments	11 554	9 786
Work-in-progress (at cost)	282 245	260 422
Finished goods	18 080	15 385
Total inventories, at the lower of cost and net realisable value	424 522	350 916

The Group in the period of six months ended 30 June 2010 wrote down the value of materials for the amount of PLN 1,760 thousand.

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

15. Trade and other receivables

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December 2009</i>
Trade receivables	1 404 971	1 269 077
of which: trade receivables from related parties	14 402	26 558
Receivables from public authorities	12 199	16 103
Other receivables from third parties	40 028	32 273
Total receivables (net)	<u>1 457 198</u>	<u>1 317 453</u>
Doubtful debts allowance	<u>67 129</u>	<u>72 808</u>
Total receivables, gross	<u><u>1 524 327</u></u>	<u><u>1 390 261</u></u>

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

For terms and conditions of related party transactions refer to Note 23.

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

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

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December 2009</i>
Up to one month	699 054	570 773
Over 1 month to 3 months	369 469	299 486
Over 3 months to 6 months	62 725	30 932
Over 6 months to 1 year	45 520	73 951
Past due receivables	292 397	364 557
Gross trade receivables	<u>1 469 165</u>	<u>1 339 699</u>
Allowance for trade receivables	<u>64 194</u>	<u>70 622</u>
Net trade receivables	<u>1 404 971</u>	<u>1 269 077</u>

15.2. Aging analysis of trade receivables

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December 2009</i>
Up to one month past due	58 566	124 070
Over 1 month to 3 months past due	49 474	74 829
Over 3 months to 6 months past due	51 042	16 340
Over 6 months to 1 year past due	30 976	43 127
Over 1 year past due	102 339	106 191
Gross past due trade receivables	<u>292 397</u>	<u>364 557</u>
Allowance for trade receivables*	<u>61 472</u>	<u>66 808</u>
Total	<u>230 925</u>	<u>297 749</u>

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

Movements in allowance for receivables were as follows:

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December 2009</i>	<i>30 June 2009</i> <i>(unaudited)</i>
Allowance for receivables at the beginning of the period	70 622	54 968	54 968
Increase, of which:	7 762	45 820	26 719
- allowance for receivables	7 762	45 820	26 719
Decrease, of which:	14 190	30 166	16 685
- utilisation	8 609	19 259	5 592
- receivables pay-off	3 964	10 907	3 370
- release of allowance for receivables	1 446	-	3 501
- other	171	-	4 222
Allowance for receivables at the end of the period	<u>64 194</u>	<u>70 622</u>	<u>65 002</u>

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

16. Cash and cash equivalents

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December 2009</i>
Cash at bank and in hand	177 814	375 672
Other	68	3
Deposits	42 372	61 702
Total cash	220 254	437 377

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Fair value of cash and cash equivalents as at 30 June 2010 amounts to PLN 220,254 thousand, (as at 31 December 2009 it amounted to PLN 437,377 thousand).

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

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

	The six months ended 30 June 2010 <i>(unaudited)</i>
Increase/(decrease) in liabilities in the statement of financial position	(162 803)
Adjustment for lease liabilities	1 359
Adjustment for liabilities relating to investment acquisitions	7 915
Adjustment for currency option valuation liabilities	4 700
Adjustment for dividend payable	(18 574)
Adjustment for contingent additional payments to financial assets and assignments	8 932
Adjustment for forward valuation	(1516)
Change in liabilities in the statement of cash flows	(159 987)

	The six months ended 30 June 2009 <i>(unaudited)</i>
Increase/(decrease) in inventories in the statement of financial position	(30 610)
Inventories of acquired EC Remont Sp. z o.o.	139
(Increase)/decrease in inventories in the statement of cash flows	(30 471)

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

	The six months ended 30 June 2009 (unaudited)
Increase/(decrease) in receivables in the statement of financial position	(299 600)
Receivables of acquired EC Remont Sp. z o.o.	1 885
Receivables of acquired Pracownia Wodno Chemiczna Ekonomia	748
(Increase)/decrease in receivables in the statement of cash flows	(296 967)
	The six months ended 30 June 2009 (unaudited)
Increase/(decrease) in liabilities in the statement of financial position	211 832
Liabilities of acquired EC Remont Sp. z o.o.	(3 033)
Liabilities of acquired Pracownia Wodno Chemiczna Ekonomia	(428)
Adjustment for lease liabilities	467
Adjustment for liabilities relating to investment acquisitions	(12 985)
Adjustment for currency option valuation liabilities	11 989
Adjustment for dividend payable	(4 644)
Change in liabilities in the statement of cash flows	203 198
	The six months ended 30 June 2009 (unaudited)
Change in provisions in the statement of financial position	(12 820)
Provisions of acquired EC Remont Sp. z o.o.	(15)
Change in provisions in the statement of cash flows	(12 835)
	The six months ended 30 June 2009 (unaudited)
Change in accruals and prepaid expenses in the statement of financial position	(24 658)
Accruals and prepaid expenses of acquired EC Remont Sp. z o.o.	8
Accruals and prepaid expenses of acquired Pracownia Wodno Chemiczna Ekonomia	25
Change in accruals and prepaid expenses in the statement of cash flows	(24 625)
Acquisition of a subsidiary, net of cash acquired	
	The six months ended 30 June 2009 (unaudited)
Acquisition of EC Remont Sp. z o.o. by Polimex-Mostostal S.A.	0
Cash of EC Remont Sp. z o. o. on acquisition	163
Acquisition of EC Remont Sp. z o.o., net of cash acquired	163
Acquisition of Pracownia Wodno Chemiczna Ekonomia by Polimex-Mostostal S.A.	(700)
Cash of Pracownia Wodno Chemiczna Ekonomia on acquisition	207
Acquisition of Pracownia Wodno-Chemiczna Ekonomia, net of cash acquired	(493)
Total acquisition of subsidiaries, net of cash acquired	(330)

17. Reserve capital

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

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

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

16,535,013 bearer subscription warrants were vested.

2,525,412 bearer subscription warrants remain to be redeemed.

Warrants may be exercised in the following periods:

- warrants granted for 2006: from 1 October 2010 to 31 December 2013,
- warrants granted for 2007: from 1 October 2011 to 31 December 2013,
- warrants granted for 2008: from 1 October 2012 to 31 December 2013,

In 2009 the phase of vesting warrants based on the above criteria was completed. In a three-year period of plan maintenance, all three criteria were met twice, the highest criteria entitling to obtain the maximum number of warrants. In 2008 only two criteria were met: „EBITDA/per share” and „earnings per share”, while the „market condition” was not fulfilled. Thus, the total number of issued warrants amounted to 16,535,013 convertible to 16,535,013 shares.

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

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

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

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

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

As at 30 June 2010 the balance of the provision for this plan recognised in reserve capital of the Company amounts to PLN 31,846 thousand (PLN 30,494 thousand as at 31 December 2009)

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

18. Interest-bearing bank loans and borrowings

Bank / financing entity	Capital Group Entity	Maturity	30 June 2010	31 December 2009
Current				
	Parent company		58 525	10 242
Bank Handlowy w Warszawie – bank overdraft up to PLN 10,000 thousand		22.09.2010	918	-
Kredyt Bank S.A. – working capital facility up to PLN 40,000 thousand		30.10.2010	-	634
PKO BP S.A. – working capital facility in EUR (current portion)		26.12.2012	1 244	1 232
PKO BP S.A. – working capital facility in PLN (current portion)		26.12.2012	964	964
Bank PEKAO S.A. – working capital facility up to PLN 70,000 thousand (as at 30.06.2010 presented in non-current debt)		31.07.2010	-	8
Toyota Bank Polska S.A. – investment loan in PLN (repaid)		28.06.2010	-	23
PKO BP S.A. – working capital facility up to PLN 20,000 thousand (repaid)		30.06.2010	-	7 381
Bank Millenium S.A. – bank overdraft up to PLN 15,000 thousand		20.03.2011	3 789	-
Bank Millenium S.A. – bank overdraft up to PLN 5,000 thousand		20.03.2011	1 610	-
Bank PEKAO S.A. – working capital facility up to PLN 50,000 thousand		27.06.2011	50 000	-
	Sefako Group		21 737	18 199
Bank PEKAO S.A. – bank overdraft up to PLN 6,000 thousand		31.10.2010	4 593	1 750
PKO BP S.A. – working capital facility up to PLN 14,000 thousand (current portion)		06.07.2013	7 922	7 183
PKO BP S.A. – investment loan in PLN (current portion)		30.01.2016	7 595	7 539
BRE Bank S.A. – investment loan in PLN (current portion)		30.09.2011	1 067	1 067
PKO BP S.A. – revolving working capital facility up to PLN 2,300 thousand		31.01.2010	-	550
Wojewódzki Fundusz Ochrony Środowiska (Voivodship Environment Protection Fund) – loan in PLN (current portion)		31.10.2016	18	-
Wojewódzki Fundusz Ochrony Środowiska (Voivodship Environment Protection Fund) – loan in PLN (current portion)		31.10.2016	260	-
Bank Spółdzielczy w Sędziszowie – bank overdraft up to PLN 800 thousand		16.08.2010*	282	110
*the facility repayment period was extended by 12 months until 16.08.2011, the limit of debt was also increased from PLN 800 thousand to PLN 1,250 thousand				
	Naftobudowa Group		-	5 810
DZ Bank S.A. – bank overdraft up to PLN 10,000 thousand		31.08.2010	-	2 961
BPH S.A. – bank overdraft up to PLN 10,000 thousand		31.08.2011	-	2 849
	ZUT Sp. z o.o.		893	-
Pekao S.A. – bank overdraft up to PLN 1,000 thousand		31.01.2011	893	-
	Stalfa Sp. z o.o.		13 111	13 353
Pekao S.A. – bank overdraft up to PLN 10,000 thousand (repaid)		30.06.2010	-	9 542
Fortis Bank Polska S.A. – bank overdraft up to PLN 4,000 thousand		25.10.2010	3 997	2 528
Fortis Bank Polska S.A. – investment loan in PLN (current portion)		31.12.2013	400	800
Fortis Bank Polska S.A. – long-term credit facility in PLN (current portion)		27.09.2012	424	483
Alior Bank S.A. – bank overdraft up to PLN 7,000 thousand		28.01.2011	6 746	-
Alior Bank S.A. – bank overdraft up to PLN 3,000 thousand		28.01.2011	1 544	-

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

	Tchervonograd		1 257	338
Ukrzazprombank – working capital facility in EUR (repaid)	04.02.2010	-		338
Ukrzazprombank – working capital facility in UAH	01.02.2011	257		-
Ukrzazprombank – working capital facility in EUR	01.02.2011	1 000		-
	Torpol Group		5 224	4 789
Alior Bank S.A. – bank overdraft up to PLN 1,500 thousand	27.08.2010	1 224		789
Alior Bank S.A. – credit facility in credit account up to PLN 4,000 thousand	27.08.2010	4 000		4 000
	PRInż -1 Sp. z o.o.		1 487	1 016
BOŚ S.A. – revolving loan up to PLN 3,000 thousand	12.07.2011	1 000		596
BOŚ S.A. – bank overdraft up to PLN 3,000 thousand	12.07.2011	277		-
BOŚ S.A. – investment loan in PLN (current portion)	30.06.2014	210		420
	Naftoremont Group		932	-
ING Bank Polska S.A. – bank overdraft up to PLN 1,000 thousand	18.09.2010	622		-
PBS in Ciechanów – bank overdraft up to PLN 400 thousand	07.05.2011	310		-
	Energomontaż Północ Group		1 276	1 264
RBS Bank (Polska) S.A. – investment loan in EUR (current portion)	15.12.2013	1 276		1 264
	Centrum Projektowe Polimex Mostostal Sp. z o.o.		2 551	1 941
BRE Bank S.A. – bank overdraft up to PLN 450 thousand	30.03.2010	-		332
Bank PEKAO S.A. – bank overdraft up to PLN 300 thousand	31.03.2011	-		166
Bank Milenium S.A. – bank overdraft up to PLN 3,400 thousand	27.05.2011	2 503		1 443
Orzesko-Knurowski B.S. – bank overdraft up to PLN 1,000 thousand	29.09.2010	48		-
	Polimex- Development Kraków Sp. z o.o.		25 319	26 231
PKO BP S.A. – investment loan in PLN	31.03.2011	6 436		6 676
PKO BP S.A. – investment loan in PLN	30.06.2011	18 883		19 555
	EPE Rybnik		377	128
DnB Nord Bank Polska S.A. – investment loan in PLN (current portion)	31.03.2013	142		79
DnB Nord Polska S.A. – bank overdraft up to PLN 500 thousand	29.06.2011	188		-
Getin Bank S.A. – investment loan in PLN (current portion)	25.02.2013	21		20
Getin Bank S.A. – investment loan in PLN	25.04.2011	26		29
	Coifer Group		33 841	30 518
Cassa Di Risparmio di Spleto Spa – loan in EUR	30.06.2010	-		387
Cassa Di Risparmio di Terni e Nami SpA – working capital facility in EUR	Open	1 016		4 003

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

Intensa Sanpaolo – investment loan in EUR (current portion)	01.11.2017	3 091	2 984
Banca Pop. Banca Pop. Di Spoleto – working capital facility up to EUR 1,000 thousand	Open	961	-
Monte dei Pachi di Sienna – working capital facility in EUR	Open	2 791	2 848
Fortis Bank – bank overdraft up to EUR 4,500 thousand	01.10.2010	18 106	18 463
Fortis Bank – bank overdraft up to EUR 1,100 thousand	31.08.2010	4 426	-
Banca Nazionale Del Lavoro SpA – working capital facility in EUR	Open	318	14
Unicredit Banca – working capital facility in EUR	Open	625	-
Natural persons (former shareholders) – loans in EUR	31.12.2010	2 507	1 819
	ECE Remont Sp. z o.o.	940	971
PKO BP S.A. – bank overdraft up to PLN 1,000 thousand	02.09.2010	940	971
	WBP Zabrze Sp. z o.o.	2 420	-
Orzesko-Knurowski B.S. – bank overdraft up to PLN 2,420 thousand	28.08.2010	2 420	-
	Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.	91	26
Volkswagen Bank Polska S.A. – investment loan in PLN (current portion)	05.11.2011	13	26
Volkswagen Bank Polska S.A. – investment loan in PLN (current portion)	02.10.2013	11	-
ING Bank Polska S.A. – bank overdraft up to PLN 200 thousand	15.10.2010	67	-
Non-current			
	Parent company	272 690	149 863
Bank PEKAO S.A. – bank overdraft up to PLN 50,000 thousand	31.07.2011	33 756	-
Bank PEKAO S.A. – working capital facility up to PLN 70,000 thousand	31.07.2011	68 268	-
BOŚ S.A. – bank overdraft up to PLN 30,000 thousand	03.07.2011	5 545	-
PKO BP S.A. – investment loan in PLN/EUR	31.08.2015	149 876	133 597
PKO BP S.A. – working capital facility in EUR	26.12.2012	8 499	9 038
PKO BP S.A. – working capital facility in PLN	26.12.2012	6 746	7 228
	Sefako Group	45 041	41 656
BRE Bank S.A. – investment loan in PLN	30.09.2011	533	1 067
PKO BP S.A. – investment loan in PLN	29.01.2016	34 810	38 328
Wojewódzki Fundusz Ochrony Środowiska (Voivodship Environment Protection Fund) – loan in PLN	31.10.2016	247	749
Wojewódzki Fundusz Ochrony Środowiska (Voivodship Environment Protection Fund) – loan in PLN	31.10.2016	651	512
Sędziszów Commune – loan in PLN	20.08.2012	1 000	1 000
PKO BP S.A. – working capital facility up to PLN 14,000 thousand	06.07.2013	4 800	-
Nordea Bank Polska S.A. – revolving working capital facility up to PLN 5,000 thousand	02.02.2012	3 000	-
	Stalfa Sp. zo.o.	3 886	3 321
Fortis Bank Polska S.A. – investment loan in PLN	31.12.2013	2 400	2 400
Fortis Bank Polska S.A. – long-term credit facility in PLN	27.09.2012	1 486	921

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

	PRInż -1 Sp. z o.o.		1 472	1 472
BOŚ Bank S.A. – investment loan in PLN		30.06.2014	1 472	1 472
	Centrum Projektowe Polimex Mostostal Sp. z o.o.		11 682	9 982
Orzesko-Knurowski Bank Spółdzielczy – investment loan in PLN		18.12.2023	11 682	9 982
	Energomontaż Północ Group		15 308	15 169
RBS Bank (Polska) S.A. – investment loan in EUR		15.12.2013	15 308	15 169
	EPE Rybnik		313	323
Getin Bank S.A. – investment loan in PLN		25.02.2013	40	50
Getin Bank S.A. – investment loan in PLN		25.04.2011	-	11
DnB Nord Polska S.A. – investment loan in PLN		31.03.2013	273	262
	Coifer Group		11 571	13 612
BRD – investment loan in EUR		01.04.2011	226	335
BRD – investment loans in EUR		01.09.2011	997	1 654
Intensa Sanpaolo – investment loan in EUR		01.11.2017	10 348	11 623
	ECE Remont Sp. z o.o.		450	550
PKO BP S.A. – working capital facility in PLN		04.10.2012	450	550
	Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.		40	50
Volkswagen Bank Polska S.A. – investment loan in PLN		02.10.2013	33	50
Volkswagen Bank Polska S.A. – investment loan in PLN		05.11.2011	7	-
Interest-bearing bank loans and borrowings			532 434	350 824
Current, of which:			169 981	114 826
Bank loans			167 196	112 620
Borrowings			2 785	2 206
Non-current, of which:			362 453	235 998
Bank loans			359 332	231 748
Borrowings			3 121	4 250
Comparison of interest rate for the periods				
Weighted average for bank loans in PLN		30 June 2010 (unaudited)	31 December 2009	
Weighted average for bank loans in EUR		WIBOR + 1.91513 p.p.;	WIBOR + 1.5932 p.p.;	
Weighted average for bank loans in EUR		EURIBOR + 3.76131 p.p.	EURIBOR + 2.6096 p.p.	
Weighted average for bank loans in EUR		LIBOR + 0.9500 p.p.	LIBOR + 1.1348 p.p.	

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

19. Debentures

	<i>30 June 2010</i> <i>(unaudited)</i>	<i>31 December 2009</i>
Long-term debentures	366 811	367 396
Short-term debentures with interest	40 040	39 797
Total debentures	406 851	407 193

Polimex-Mostostal S.A. issued debentures under Debenture Issue Plan (with appendixes) as follows:

A) long-term debentures:

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

Both blocks of coupon debentures have been consolidated and to 25.07.2012 maturity of half-year interest coupons falls at the same dates.

- on 16.10.2009 a block of long-term coupon debentures was issued for the total amount of PLN 194,500,000 with maturity at 16.10.2012.

B) short-term debentures - on 28.06.2006 - two blocks of short-term discount debentures not admitted for listing for the total amount of PLN 32.5 million, which were combined in one block on 07.01.2009 and its present maturity is at 31.08.2010.

The balance of debentures issued by Polimex-Mostostal S.A. at their nominal value is PLN 400.0 million, of which

- short-term discounted debentures payable are PLN 32.5 million as at the statement preparation date;
- long-term coupon debentures payable amount to PLN 367.5 million.

The carrying amount of debentures (interest included) is PLN 406,851 thousand.

20. Provisions

20.1. Movements in provisions

	<i>Guarantee repair provisions</i>	<i>Restructuring provision</i>	<i>Post-employment benefits</i>	<i>Other provisions</i>	<i>Total</i>
As at 1 January 2010	20 150	-	87 050	31 041	138 241
Recognised during the period	4 725	217	5 059	4 378	14 379
Utilised	(2 212)	(42)	(3 822)	(4 581)	(10 657)
Released	(6 483)	-	(2 317)	(8 834)	(17 634)
Reclassifications	-	-	-	-	-
As at 30 June 2010 (unaudited)	16 180	175	85 970	22 004	124 329
Current at 30 June 2010	9 601	175	11 565	21 644	42 985
Non-current at 30 June 2010	6 579	-	74 405	360	81 344
	<i>Guarantee repair provisions</i>	<i>Restructuring provision</i>	<i>Post-employment benefits</i>	<i>Other provisions</i>	<i>Total</i>
As at 1 January 2009	15 215	185	75 503	38 037	128 940
Acquisition of a subsidiary	-	-	123	-	123
Recognised during the year	15 914	-	19 870	24 187	59 971
Utilised	(899)	(79)	(7 975)	(2 557)	(11 510)
Released	(10 064)	(106)	(517)	(28 596)	(39 283)
Reclassifications	(16)	-	46	(30)	-
As at 31 December 2009	20 150	-	87 050	31 041	138 241
Current at 31 December 2009	17 367	-	9 921	29 117	56 405
Non-current at 31 December 2009	2 783	-	77 129	1 924	81 836

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

	<i>Guarantee repair provisions</i>	<i>Restructuring provision</i>	<i>Post-employment benefits</i>	<i>Other provisions</i>	<i>Total</i>
As at 1 January 2009	15 215	185	75 503	38 037	128 940
Acquisition of a subsidiary	-	-	12	4	16
Recognised during the period	2 920	204	3 327	5 075	11 526
Utilised	(8 683)	(67)	(759)	(11 145)	(20 654)
Released	(232)	(83)	(109)	(3 284)	(3 708)
Reclassifications	-	-	(289)	289	-
As at 30 June 2009 (unaudited)	<u>9 220</u>	<u>239</u>	<u>77 685</u>	<u>28 976</u>	<u>116 120</u>
Current at					
30 June 2009	4 290	239	9 177	20 679	34 385
Non-current at					
30 June 2009	4 930	-	68 508	8 297	81 735

21. Trade and other payables (current)

	<i>30 June 2010 (unaudited)</i>	<i>31 December 2009</i>
Trade payables		
To related parties	24 731	47 311
To third parties	911 999	1 030 364
	<u>936 730</u>	<u>1 077 675</u>
Taxation, customs duty, social security and other payables		
VAT	36 682	65 421
Withholding tax	64	25
Personal income tax	13 701	10 392
Social Insurance Institution (ZUS)	46 416	41 732
National Disabled Persons Rehabilitation Fund (PFRON)	890	855
Other	1 505	342
	<u>99 258</u>	<u>118 767</u>
Financial liabilities		
Foreign currency contracts	5 095	6 756
Interest acquisition liabilities	2 300	10 535
Leases	14 830	16 203
Other	1 831	4 359
	<u>24 056</u>	<u>37 853</u>
Other liabilities		
Remuneration payable to employees	53 193	42 066
Fixed asset purchase payables	12 083	19 217
Supply advance payments	15 327	28 034
Arrangement payment liabilities	35	1 837
Dividend payable	18 574	-
Social fund	(44)	628
Other liabilities	23 719	11 666
	<u>122 887</u>	<u>103 448</u>
Accruals arising from:		
Unused annual leave	26 414	20 888
Bonuses and rewards	16 329	25 293
Accrued service expenses	9 125	8 624
Other	7 381	3 019
	<u>59 249</u>	<u>57 824</u>

Terms and conditions of payment of financial liabilities presented above:

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

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

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

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

Interest payable is normally settled based on accepted interest notes.

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

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

	30 June 2010 (unaudited)	31 December 2009
Up to one month	574 461	572 053
Over 1 month to 3 months	170 834	185 633
Over 3 months to 6 months	9 364	23 487
Over 6 months to 1 year	70 526	76 198
Past due liabilities	111 545	220 304
Total trade payables	936 730	1 077 675

21.2. Past due trade payables

	30 June 2010 (unaudited)	31 December 2009
Up to one month	60 278	127 131
Over 1 month to 3 months	20 954	77 752
Over 3 months to 6 months	14 976	3 214
Over 6 months to 1 year	6 675	4 587
Over 1 year	8 662	7 620
Total past due liabilities	111 545	220 304

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

22. Contingent liabilities

Contingent liabilities and other off-statement of financial position items	30 June 2010 (unaudited)	31 December 2009
Contingent liabilities	1 682 208	1 790 279
To related parties	-	31 501
To other parties (arising from)	1 682 208	1758 778
- guaranties and sureties granted	1 176 822	1 233 096
- promissory notes	178 331	146 893
- legal claims	15 569	14 133
- other	-	618
- contractual capped mortgage and ordinary mortgage*	310 012	310 012
- conditional agreements	-	18 768
- assignment of the debt	1 474	35 258
Other (arising from)	114 623	114 623
- transferred to off-statement of financial position records balances relating to: **	114 623	114 623
- receivables	48 839	48 839
- cash	15 973	15 973
- liabilities	25 330	25 330
- deferred income	24 481	24 481
Total off-statement of financial position items	1 796 831	1 904 902

* mortgage disclosure:

1. An ordinary mortgage on real property in Siedlce Terespolska 12 KW (Land and Mortgage Register) No 49875, creditor Bank PeKaO S.A., secured item : bank guarantee issued under an individual agreement of 26.02.2004,
2. An ordinary and contractual capped mortgage on real property in Siedlce KW No 97087 and 98170, creditor Bank PKO BP, secured item: investment loan, financing in connection with the construction of a new plant in Siedlce in Tarnobrzeg Special Economic Zone subzone Siedlce,
3. A contractual capped mortgage on real property in Siedlce KW No 97087 and 98170, creditor Bank PKO BP, secured item: bank loan to finance VAT, financing in connection with the construction of a new plant in Siedlce in Tarnobrzeg Special Economic Zone subzone Siedlce,

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

4. obligation to establish a mortgage on bank request, if any, on real property in Siedlce ul. Terespolska KW No 49875 and/or in Warsaw ul. Elektryczna 2a KW WA 4M/00234465/1.

5. Mortgages of subsidiaries of Polimex Mostostal Group in the amount of PLN 87,562 thousand as at 30 June 2010 and PLN 87,562 thousand as at 31 December 2009.

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

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

In July 2007 the parent Company acquired 100% interest in Turbud Sp. z o.o. for PLN 2,090 thousand, on the stipulation that this amount will be increased by PLN 1,000 thousand if in the period of 2008-2010 the acquired company meets the level of sales and net profitability specified in the contract.

In February 2008 the parent Company acquired 100 % interest in Coifer Company with the registered office in Romania. According to the contract payments for interest are made in instalments, with the first payment being EUR 9,375 thousand – payment made in February 2008, 2nd instalment EUR 9,375 thousand – payment made in August 2008. The last payment for the acquired interest at the amount of EUR 2,500 thousand was made in February 2010.

In January 2008 the Company acquired 100% interest in Polimex Mostostal Projekt Południe Sp. z o.o. (formerly known as Tebodin SAP Projekt Kraków Sp. z o.o.) for the amount of PLN 4,670 thousand. If in the years 2008-2010 the acquired company meets the level of sales and net profitability specified in the contract, the acquisition price will be increased by PLN 650 thousand. .

Torpol Group

In 2008 the parent company of Torpol Group acquired interest in Elmont Company. The acquisition agreement specified a contingent payment for former owners amounting to PLN 2.7 million, which should be settled after Elmont meets performance targets specified in the agreement. As at 30 June 2010 the Management concluded that final amount of the contingent payment is not enough probable to be recognised in the financial statements.

23. Related party disclosures

The total amounts of transactions with related parties for the six month period ended 30 June 2010 and as at this date, for the 12 month period ended 31 December 2009 and as at this date and for the three month period ended 30 June 2010 and for the three month period ended 30 June 2009:

<i>Related party</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
<i>30 June 2010 (unaudited)</i>				
Associates				
Porty S.A.	7	-	627	4 054
Polimex-Sices Sp. z o.o.	4 659	49 375	11 264	20 674
Valmont Sp. z o.o.	2 037	241	2 374	14
Laboratorium Ochrony Środowiska Pracy Sp. z o.o.	-	21	-	-
Energomontaż Północ Bełchatów Sp. z o.o.	-	-	135	-
Terminal LNG S.A.	-	-	2	-
Total	6 703	49 637	14 402	24 742
<i>Related party</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
<i>31 December 2009</i>				
Associates				
Porty S.A.	-	5 925	8 807	22 364
Polimex-Sices Sp. z o.o.	2 752	76 227	532	24 922
Valmont Sp. z o.o.	3 980	727	1 306	9
Laboratorium Ochrony Środowiska Pracy Sp. z o.o.	-	48	-	16
Terminal LNG S.A.	-	-	2	-
Total	6 732	82 927	10 647	47 311

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

<i>Related party</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>
	<i>For the three months ended 30 June 2010 (unaudited)</i>		<i>For the three months ended 30 June 2009 (unaudited)</i>	
Associates				
Porty S.A.	-	-	29	-
Polimex-Sices Sp. z o.o.	3 871	31 828	677	26 095
Valmont Sp. z o.o.	1 230	241	976	44
Laboratorium Ochrony Środowiska Pracy Sp. z o.o.	-	4	-	2
Polibur	-	-	-	-
Terminal LNG S.A.	-	-	-	-
Total	5 101	32 073	1 682	26 141

23.1. Terms and conditions of transactions with related parties

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

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

	<i>For the six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>(unaudited)</i>	
Management Board	1 937	3 344
Supervisory Board	243	199
Total	2 180	3 543

		<i>For the six months ended 30 June</i>	
		<i>2010</i>	<i>2009</i>
		<i>(unaudited)</i>	
President of the Management Board	Konrad Jaskóła	674	1 243
Vice President of the Board	Aleksander Jonek	438	725
Vice President of the Board	Grzegorz Szkopek	413	688
Vice President of the Board	Zygmunt Artwik	412	688
Total		1 937	3 344

The current holding of the Issuer's shares by the persons managing and supervising the Issuer as at the publication of the financial statements of Polimex-Mostostal S.A. and of Polimex-Mostostal Group for the six months of 2010 and for the six months of 2009 is as follows:

<i>Position held</i>	<i>Current number of shares held</i>	<i>Change in holding in the period from communicating the report for 1st quarter of 2010</i>
Member of the Management Board	3,820,350 pcs	no change
Member of the Management Board	1,939,075 pcs	no change
Member of the Supervisory Board	77,000 pcs	no change
Total	5,836,425 pcs	-

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

Position held	Current number of shares held	Change in holding in the period from communicating the report for 1st quarter of 2009
Member of the Management Board	3,820,350 pcs	no change
Member of the Management Board	1,894,575 pcs	no change
Member of the Supervisory Board	77,000 pcs	no change
Total	5,791,925 pcs	-

Compensation of the Management Board in subsidiaries, of which:

		<i>The six months ended 30 June 2010 (unaudited)</i>	<i>The six months ended 30 June 2009 (unaudited)</i>
President of the Management Board	Konrad Jaskóła	69	66
Vice President of the Board	Grzegorz Szkopek	82	77
Vice President of the Board	Zygmunt Artwik	49	50
Vice President of the Board	Aleksander Jonek	31	34
Total		231	227

Compensation of the Management Board in associates, of which:

President of the Management Board	Konrad Jaskóła	575	-
-----------------------------------	----------------	-----	---

Compensation paid to the Supervisory Board by the Issuer over the six months of 2010 amounted to PLN 243 thousand and over the six months of 2009 it amounted to PLN 199 thousand, of which:

		<i>The six months ended 30 June 2010 (unaudited)</i>	<i>The six months ended 30 June 2009 (unaudited)</i>
Chairman of the Supervisory Board,	Kazimierz Klęk	52	49
Vice Chairman of the Supervisory Board,	Andrzej Szumański	45	43
Member of the Supervisory Board	Wiesław Rozłucki	35	34
Member of the Supervisory Board	Artur P. Jędrzejewski	35	-
Member of the Supervisory Board	Janusz Lisowski	35	34
Secretary of the Supervisory Board,	Elżbieta Niebisz	41	39
Total		243	199

25. Financial instruments

Foreign currency risk

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

Based on accounting policies applied to the method of recording financial instruments, two groups of companies can be distinguished:

I) companies which have document risk management strategy and implemented hedge accounting policies; this group includes not only Polimex-Mostostal S.A. but also such entities as Energomontaż-Północ S.A., Naftobudowa S.A. and Torpol Sp. z o.o.

II) companies not applying hedge accounting.

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

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

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

Polimex-Mostostal Capital Group

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

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

It is the Group's policy to negotiate the terms of hedging derivative instruments to match the terms of the hedged item so as to maximise hedge effectiveness. The Group Companies monitor the market situation on regular basis and confront hedging transactions they own with projected exposure to foreign currency risk. In the first half of 2010 the Group companies consequently applied the implemented policies for foreign currency risk management. The following hedging transactions were concluded as characterised below:

Torpol Sp. z o.o.

- ❖ forward future contract of 7 January 2010 to sell EUR 3,000,000 for PLN to be exercised at 31 March 2011. The forward rate was specified at 4.1980 PLN/EUR;
- ❖ forward future contract of 7 January 2010 to sell EUR 4,000,000 for PLN to be exercised at 31 March 2011. The forward rate was specified at 4.1800 PLN/EUR;

StalFa Sp. z o.o.

- ❖ a series of forward future contracts of 5 May 2010 on the sale of the total amount of EUR 700,000 for PLN to be exercised in 7 dates from 25 June 2010 to 27 December 2010. The forward rate for each maturity date was specified at 4.1100 PLN/EUR;
- ❖ a series of forward future contracts of 20 May 2010 on the sale of the total amount of EUR 350,000 for PLN to be exercised in 7 dates from 30 June 2010 to 31 December 2010. The forward rate for each maturity date was specified at 4.1750 PLN/EUR;
- ❖ a series of forward contracts of 4 June 2010 on the sale of the total amount of EUR 350,000 for PLN to be exercised in 7 dates from 30 June 2010 to 31 December 2010. The forward rate for each maturity date was specified at 4.2160 PLN/EUR;

Naftobudowa S.A. and Energomontaż-Północ S.A.

The foreign currency risk issues in listed companies of Naftobudowa S.A. and Energomontaż-Północ S.A. were presented in reports for the 1st half of 2010 published by these entities.

Disclosure on the volume of concluded hedging transactions

The Group companies limit the volatility of future foreign currency cash flows in view of their exposure to foreign currency risk. In each case the hedged position is highly probable future cash flows from export contracts or domestic contracts denominated in a foreign currency.

As at 30 June 2010 total maximum nominal value of open hedging transactions entered into by the Group companies (including Polimex-Mostostal S.A.) amounted to EUR 83,029 thousand and GBP 3,370 thousand. Transactions for the EUR/PLN pair will have been settled in 72% by 31 December 2010. The time composition of hedging

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

instruments for the foreign currency risk for EUR PLN pair (according to the criterion of planned exercise date) is presented in the table below.

Instrument settlement period	Maximum nominal amount of hedging instruments to be settled in EUR thousands*
3rd Quarter 2010	30 556
4th Quarter 2010	29 329
Total in 2010	59 885
After 31.12.2010	23 144
TOTAL	83 029

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

Measurement of derivative instruments as at 30 June 2010.

Certain Group companies execute effectively implemented hedge accounting policies. In case of these entities (in particular Polimex-Mostostal S.A., Energomontaż-Północ S.A.; Naftobudowa S.A. and Torpol Sp. z o.o.) the fair value of hedging instruments (and its changes) in part recognised as an effective hedge is recognized in other comprehensive income. The remaining portion (including the portion which is excluded from effectiveness measurement) is recognised directly in the profit and loss. In case of other entities using derivative instruments for foreign currency risk management, the fair value measurement is recognised in the profit and loss.

As at 30 June 2010 the total fair value of open instruments hedging foreign exchange risk in the Group was calculated at the amount of – PLN 538 thousand, of which – PLN 80 thousand is attributable to Group companies applying hedge accounting. The remaining portion of the measurement of open transactions relates to companies not applying hedging accounting policies and therefore recording all changes in fair value directly in the profit or loss. Movements in the derivative instrument revaluation reserve in the Group Companies (including Polimex-Mostostal S.A.) are presented in the table below (movements after taking into consideration the effect on deferred tax) – in PLN thousands .

As at 31.12.2009	Movement in 1 st half of 2010	As at 30.06.2010
5 259	-5 173	86

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

Fluctuations of the average exchange rate of EUR have significant influence on the amount of income expressed in PLN resulting from contracts concluded in a foreign currency. Based on contracts which have been entered into and contracts which are highly probable to be concluded, the Capital Group assessed the foreign currency exposure in the period from July to December 2010 as follows:

Detailed list	2 nd half 2010
Projected foreign currency proceeds – in EUR thousands	280 590
Projected foreign currency expenditures – in EUR thousands	145 348
Business exposure to foreign currency risk in EUR thousands	135 242
Open hedging transactions as at 30.06.2010 to be exercised in the 2nd half 2010; in EUR thousands	59 885
Open item in foreign currency (after taking into consideration hedging transactions) in EUR thousands	75 357

The nominal value of open hedging instruments as at 30 June 2010 accounts for 44% of total projected exposure to foreign currency risk in the period from July to December 2010. Foreign currency cash flows for contracts concluded by the Group companies by the date of the completion of this list account for over 70% of business exposure computed as above. As a result, business exposure to foreign currency risk for cash flows contracted as at 30.06.2010 was covered in 62% by hedging transactions.

Polimex-Mostostal Capital Group
Interim condensed consolidated financial statements for the six months ended 30 June 2010
Other explanatory notes
(in PLN thousands)

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

After 30 June 2010 Group Companies (apart from Polimex-Mostostal S.A.) made the following operations in the scope of hedging transactions:

StalFa Sp. z o.o.

On 18 August 2010 the Company in operation of adjusting the portfolio of hedging instruments to currently projected foreign exchange exposure closed open transactions hedging foreign exchange exposure with the nominal value of EUR 1,000,000.

25.1. Financial risk management objectives and policies

As at 30 June 2010 the Group held the following financial instruments measured at fair value:

	30 June 2010 (unaudited)	Level 1	Level 2	Level 3
Financial assets measured at fair value, of which:	4 601	-	4 601	-
Securities	-	-	-	-
Derivative financial instruments	4 601	-	4 601	-
Available-for-sale financial assets	129	129		
Financial liabilities measured at fair value, of which:	5 095	-	5 095	-
Hedge accounting	4 029	-	4 029	-
Derivative financial instruments	1 066	-	1 066	-

As at 31 December 2009 the Group held the following financial instruments measured at fair value:

	31 December 2009	Level 1	Level 2	Level 3
Financial assets measured at fair value, of which:	10 839	-	10 839	-
Securities	-	-	-	-
Derivative financial instruments	10 839	-	10 839	-
Available-for-sale financial assets	149	149	-	-
Financial liabilities measured at fair value, of which:	7 238	-	7 238	-
Hedge accounting	2 055	-	2 055	-
Derivative financial instruments	5 183	-	5 183	-

In the six months ended 30 June 2010 no items moved between Level 1 and Level 2 of fair value hierarchy or no instruments were moved to the level of fair value.

26. Capital management

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

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

	30 June 2010 (unaudited)	31 December 2009
Interest-bearing bank loans, borrowings and debentures	939 285	758 017
Trade and other payables	1 285 224	1 448 027
Less cash and cash equivalents	220 254	437 377
Net debts	2 004 255	1 768 667
Equity attributable to equity holders of the parent	1 413 744	1 383 454
Capital and net debt	3 417 999	3 152 121
Gearing ratio (net debt/capital and net debt)	58.6%	56.1%

27. Events after the statement of financial position date

Business combination of Polimex Mostostal S.A. and seven subsidiaries was approved by the General Meetings of combining companies from 12 to 22 July 2010. The following companies will be incorporated in the organisation structure of Polimex Mostostal S.A.:

- Energomontaż-Północ S.A.
- Naftobudowa S.A.
- Naftoremont Sp. z o.o.
- ZRE Kraków Sp. z o.o.
- ZRE Lublin S.A.
- EPE-Rybnik Sp.z o.o.
- ECeRemont Sp.z o.o.

The projected date of combination falls at the end of 2010.

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

Konrad Jaskóła
President of the Management Board

Aleksander Jonek
Vice President of the Board

Grzegorz Szkopek
Vice President of the Board

Zygmunt Artwik
Vice President of the Board

The person who was entrusted with keeping accounting books

Ewa Kaczorek
Chief Accountant

Warsaw, 30 August 2010