

**INTERIM CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2010  
WITH INDEPENDENT AUDITORS' REVIEW REPORT**



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

		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
	Note		(unaudited)		
<b>Continuing operations</b>					
Sale of goods		107 786	174 753	61 083	185 974
Rendering of services		634 497	1 111 220	666 114	1 086 094
Rental income		1 768	3 455	1 227	2 245
<b>Revenue</b>	7.1	<b>744 051</b>	<b>1 289 428</b>	<b>728 424</b>	<b>1 274 313</b>
Cost of sales		(683 354)	(1 168 695)	(659 244)	(1 159 973)
<b>Gross profit</b>		<b>60 697</b>	<b>120 733</b>	<b>69 180</b>	<b>114 340</b>
Other operating income	7.2	2 438	4 945	1 306	2 253
Selling costs		(6 167)	(10 323)	(8 330)	(11 158)
Administrative expenses		(19 173)	(36 685)	(20 052)	(37 952)
Other operating expenses	7.3	(814)	(1 176)	(3 137)	(3 967)
<b>Revenue from continuing operations</b>		<b>36 981</b>	<b>77 494</b>	<b>38 967</b>	<b>63 516</b>
Finance income	7.4	15 960	19 077	(7 598)	9 528
Finance costs	7.5	(7 889)	(24 903)	(8 489)	(18 513)
<b>Profit before tax</b>		<b>45 052</b>	<b>71 668</b>	<b>22 880</b>	<b>54 531</b>
Income tax	8.1	(6 546)	(8 924)	(4 853)	(11 212)
<b>Net profit from continuing operations</b>		<b>38 506</b>	<b>62 744</b>	<b>18 027</b>	<b>43 319</b>
<b>Profit for the period</b>		<b>38 506</b>	<b>62 744</b>	<b>18 027</b>	<b>43 319</b>
Earnings per share (in PLN)					
– number of shares		464 355 625	464 355 625	464 355 625	464 355 625
– basic, for net profit for the period		0.08	0.14	0.04	0.09
– basic, for net profit from continuing operations for the period		0.08	0.14	0.04	0.09
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 net profit for the period		0.08	0.13	0.04	0.09
– diluted, for net profit from continuing operations for the period		0.08	0.13	0.04	0.09

## INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME for the six months ended 30 June 2010

	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
		(unaudited)		
<b>Net profit</b>	<b>38 506</b>	<b>62 744</b>	<b>18 027</b>	<b>43 319</b>
Net gains/losses on valuation of cash flow hedges	(10 419)	(4 000)	22 258	13 744
Deferred tax	1 790	760	(4 229)	(2 611)
<b>Other comprehensive income, net of tax</b>	<b>(8 629)</b>	<b>(3 240)</b>	<b>18 029</b>	<b>11 133</b>
<b>Total comprehensive income</b>	<b>29 877</b>	<b>59 504</b>	<b>36 056</b>	<b>54 452</b>

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION as at 30 June 2010

	Note	30 June 2010 (unaudited)	31 December 2009
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	526 890	508 856
Investment properties		2 836	2 836
Intangible assets		17 741	17 182
Financial assets	11	841 171	836 687
Non-current receivables		16 570	10 400
Deferred tax assets		53 156	58 335
		<b>1 458 364</b>	<b>1 434 296</b>
<b>Current assets</b>			
Inventories	12	202 089	132 487
Trade and other receivables	13	1 005 717	924 503
Prepaid expenses		3 765	4 327
Cash and cash equivalents	14	58 323	165 790
Financial assets		123 392	118 726
		<b>1 393 286</b>	<b>1 345 833</b>
<b>TOTAL ASSETS</b>		<b>2 851 650</b>	<b>2 780 129</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital		18 574	18 574
Share premium		513 466	513 466
Supplementary capital		471 415	381 566
Reserve capital	15	31 846	30 494
Revaluation reserve		1 173	4 413
Retained earnings / Accumulated losses		55 495	101 174
<b>Total equity</b>		<b>1 091 969</b>	<b>1 049 687</b>
<b>Non-current liabilities</b>			
Interest bearing bank loans and borrowings	16	272 690	149 863
Long-term debentures	17	366 811	367 396
Provisions	20	62 524	56 368
Non-current liabilities		46 722	55 025
		<b>748 747</b>	<b>628 652</b>
<b>Current liabilities</b>			
Trade and other payables	19	849 728	965 882
Short-term debentures	17	40 040	39 797
Current portion of interest-bearing bank loans and borrowings	16	61 456	13 137
Income tax payable		2 206	14 789
Accruals	19	27 681	30 694
Provisions	20	29 823	37 491
		<b>1 010 934</b>	<b>1 101 790</b>
<b>Total liabilities</b>		<b>1 759 681</b>	<b>1 730 442</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2 851 650</b>	<b>2 780 129</b>

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

	Note	For the six months ended 30 June	
		2010	2009
		<i>Unaudited</i>	
<b>Cash flows from operating activities</b>			
<b>Profit before tax</b>		<b>71 668</b>	<b>54 531</b>
<b>Adjustments for:</b>		<b>(264 907)</b>	<b>(50 993)</b>
Depreciation / Amortisation		24 606	21 267
Interests and dividends, net		11 898	12 147
Gain/loss from investing activities		(11 579)	63
Decrease/increase in receivables		(73 287)	(154 660)
Increase/decrease in inventories		(69 602)	(1 161)
Increase/decrease in payables except loans and borrowings		(126 015)	99 757
Change in accruals and prepaid expenses		(1 447)	(19 092)
Change in provisions		(1 512)	(11 885)
Income tax paid		(15 568)	(3 800)
Other		(2 401)	6 371
<b>Net cash flows from operating activities</b>		<b>(193 239)</b>	<b>3 538</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment and intangibles		1 535	324
Purchase of property, plant and equipment and intangibles		(51 410)	(88 250)
Purchase of financial assets		(9 261)	(18 275)
Dividends and interest received		800	898
Repayment of loans granted		826	9 564
Loans granted		(7 474)	(7 460)
<b>Net cash flows from investing activities</b>		<b>(64 984)</b>	<b>(103 199)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of debentures		193 995	194 153
Expenses for redemption of debentures		(194 995)	(194 999)
Payment of finance lease liabilities		-	-
Proceeds from loans and borrowings		249 061	134 660
Repayment of loans and borrowings		(77 915)	(7 391)
Interest paid		(19 661)	(17 304)
Other		271	1 165
<b>Net cash flows from financing activities</b>		<b>150 756</b>	<b>110 284</b>
Net decrease / increase in cash and cash equivalents		(107 467)	10 623
Net foreign exchange difference		577	(2 961)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>165 790</b>	<b>70 499</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>58 323</b>	<b>81 122</b>

*Polimex-Mostostal S.A.*  
*Interim condensed financial statements for the six months ended 30 June 2010*  
*(in PLN thousands)*

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**for the six months ended 30 June 2010**

	Issued capital	Share premium	Reserve capital	Revaluation reserve	Supplementary capital	Retained earnings / Accumulated losses	Total equity
<b>As at 1 January 2010</b>	<b>18 574</b>	<b>513 466</b>	<b>30 494</b>	<b>4 413</b>	<b>381 566</b>	<b>101 174</b>	<b>1 049 687</b>
<b>Profit for the period</b>	-	-	-	-	-	<b>62 744</b>	<b>62 744</b>
Other comprehensive income, net of tax	-	-	-	(3 240)	-	-	(3 240)
<b>Total comprehensive income for the period</b>	-	-	-	(3 240)	-	<b>62 744</b>	<b>59 504</b>
Revaluation of executive options	-	-	1 352	-	-	-	1 352
Profit distribution	-	-	-	-	89 849	(89 849)	-
Dividends	-	-	-	-	-	(18 574)	(18 574)
<b>As at 30 June 2010 (unaudited)</b>	<b>18 574</b>	<b>513 466</b>	<b>31 846</b>	<b>1 173</b>	<b>471 415</b>	<b>55 495</b>	<b>1 091 969</b>

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Other explanatory notes included on pages  
8 to 33 are an integral part of these interim condensed financial statements

*Polimex-Mostostal S.A.*  
*Interim condensed financial statements for the six months ended 30 June 2010*  
*(in PLN thousands)*

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

	Issued capital	Share premium	Reserve capital	Revaluation reserve	Supplementary capital	Retained earnings / Accumulated losses	Total equity
<b>As at 1 January 2009</b>	<b>18 574</b>	<b>513 466</b>	<b>18 016</b>	<b>(27 346)</b>	<b>295 905</b>	<b>83 055</b>	<b>901 670</b>
<b>Profit for the period</b>	-	-	-	-	-	<b>43 319</b>	<b>43 319</b>
Other comprehensive income, net of tax	-	-	-	<b>11 133</b>	-	-	<b>11 133</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>11 133</b>	-	<b>43 319</b>	<b>54 452</b>
Revaluation of executive options	-	-	8 600	-	-	-	8 600
Profit distribution	-	-	-	-	85 661	(85 661)	-
Dividends	-	-	-	-	-	(4 643)	(4 643)
<b>As at 30 June 2009 (unaudited)</b>	<b>18 574</b>	<b>513 466</b>	<b>26 616</b>	<b>(16 213)</b>	<b>381 566</b>	<b>36 070</b>	<b>960 079</b>

## **ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES**

### **1. Corporate information**

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

The interim condensed financial statements of the Company cover the period of six months ended 30 June 2010 and contain comparative data for the six months 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 Company is entered into the register of entrepreneurs of the National Court Register kept by the District Court for the Capital City of Warsaw, 12th Economic Department of the National Court Register, Entry No KRS 0000022460.

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

The Company has an unlimited period of operation.

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

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

Manufacturing,

Construction,

Power engineering,

Chemistry,

Roads and railroads,

Other activities.

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

The company has also prepared the interim condensed consolidated financial statements for the six months ended 30 June 2010 that were authorised for issue by the Management Board on 30 August 2010.

### **2. Composition of the Management Board**

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

### 3. Basis of preparation of financial statements

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

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

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

The interim condensed financial statements have been prepared on the assumption that the Company will continue as going concern in the foreseeable future. As at the date of authorisation of these interim condensed financial statements, the Company's Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Company.

The interim condensed financial statements do not cover all of the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's financial statements for the year ended 31 December 2009, which were published on 26 April 2010.

### 4. Significant accounting policies

The accounting policies used to prepare these interim condensed financial statements are consistent with ones used while preparing the Company's annual financial statements for the year ended 31 December 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 Company.
- 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. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

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 is applied prospectively and did not have any significant impact on the financial position or performance of the Company, because the Company does not perform such transactions that should be disclosed in standalone financial statements.

- 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 Company.
- 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 Company.
- *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 Company.

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

- 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*
- 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 Company has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

## 5. Seasonality of operations

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

## 6. Segment information

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

Manufacturing	- manufacturing and delivery of steel structures, platform gratings, shelving systems, pallets, road barriers. Services in the scope of steel structure corrosion protection with the use of hot dip galvanising, Duplex system, hydraulic painting.
Construction	- construction and erection services General contracting of facilities in construction industry (including developer's activity). Execution of large industrial and general construction facilities. Erection of steel structures, specialist equipment, halls and special structures.
Power Engineering	- services associated with the power engineering industry. General contracting of facilities in power engineering sector, continuous and full-scale servicing of power plants, heat and power plants, as well as industrial plants.
Chemistry	- general contracting of facilities in chemical industry. Assembly of equipment for processing systems in chemical and petrochemical industry, prefabrication and assembly of steel structures, processing pipelines, storage containers and pipelines, prefabrication and assembly of furnaces for refineries. Execution of environmentally-friendly projects. The recipients of the services are chemical plants, refineries, petrochemical and gas industry.
Roads and railroads	- general contracting of facilities in road construction industry. The recipient of these services is the General Directorate for National Roads and Motorways.
Other operations	- hardware and transport services, rental services, leases and other services not included in other segments.

No operating segments have been aggregated to form the 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, which to a certain extent, as the table below explains, is measured differently from profit or loss on operating activity in the financial statements. Company financing (including finance costs and finance income) and income tax are monitored on a company basis and are not allocated to operating segments.

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

### 6.1. Operating segments

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

	Continuing operations						Total Operations
	Manufacturing	Construction	Power Engineering	Chemistry	Roads and railroads	Other operations	Eliminations *)
<b>The three months ended</b>							
<b>30 June 2010</b>							
<i>(unaudited)</i>							
<b>Revenue</b>							
Sales to external customers	120 723	262 298	124 881	152 207	82 259	1 683	- 744 051
Inter-segment sales	40 602	6 788	580	-	-	1 003	(48 973)
Total segment revenue	<u>161 325</u>	<u>269 086</u>	<u>125 461</u>	<u>152 207</u>	<u>82 259</u>	<u>2 686</u>	<u>(48 973)</u> 744 051
<b>Results</b>							
Profit/ (loss) of the segment	<u>11 241</u>	<u>13 364</u>	<u>5 894</u>	<u>6 439</u>	<u>1 052</u>	<u>(1 009)</u>	<u>8 071</u> 45 052

\*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 15,960 thousand and finance costs in the amount of PLN 7,889 thousand.

Polimex-Mostostal S.A.  
Interim condensed financial statements for the six months ended 30 June 2010  
Other explanatory notes  
(in PLN thousands)

The six months ended 30 June 2010 (unaudited)	Continuing operations						Total Operations
	Manufacturing	Construction	Power Engineering	Chemistry	Roads and railroads	Other operations	Eliminations (*)
<b>Revenue</b>							
Sales to external customers	204 058	471 549	206 074	253 436	150 526	3 785	- 1 289 428
Inter-segment sales	74 356	6 936	2 189	-	-	1 003	(84 484) -
Total segment revenue	<u>278 414</u>	<u>478 485</u>	<u>208 263</u>	<u>253 436</u>	<u>150 526</u>	<u>4 788</u>	<u>(84 484) 1 289 428</u>
<b>Results</b>							
Profit/ (loss) of the segment	<u>15 321</u>	<u>27 386</u>	<u>13 007</u>	<u>11 075</u>	<u>11 168</u>	<u>(463)</u>	<u>(5 826) 71 668</u>
Segment assets	513 538	499 746	226 161	178 412	223 541	119 630	- 1 761 028
Unallocated assets	-	-	-	-	-	-	- 1 090 622
Total assets	<u>515 538</u>	<u>499 746</u>	<u>226 161</u>	<u>178 412</u>	<u>223 541</u>	<u>119 630</u>	<u>- 2 851 650</u>

\*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 19,077 thousand and finance costs in the amount of PLN 24,903 thousand.

The three months ended 30 June 2009 (unaudited)	Continuing operations						Total Operations
	Manufacturing	Construction	Power Engineering	Chemistry	Roads and railroads	Other operations	Eliminations (*)
<b>Revenue</b>							
Sales to external customers	96 285	287 600	144 804	133 582	62 234	3 919	- 728 424
Inter-segment sales	66 946	2 506	-	-	-	-	(69 452) -
Total segment revenue	<u>163 231</u>	<u>290 106</u>	<u>144 804</u>	<u>133 582</u>	<u>62 234</u>	<u>3 919</u>	<u>(69 452) 728 424</u>
<b>Results</b>							
Profit/ (loss) of the segment	<u>4 339</u>	<u>10 349</u>	<u>11 702</u>	<u>8 934</u>	<u>3 746</u>	<u>(103)</u>	<u>(16 087) 22 880</u>

\*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN (7,598) thousand and finance costs in the amount of PLN 8,489 thousand.

The six months ended 30 June 2009 (unaudited)	Continuing operations						Total Operations
	Manufacturing	Construction	Power Engineering	Chemistry	Roads and railroads	Other operations	Eliminations (*)
<b>Revenue</b>							
Sales to external customers	214 329	496 089	247 681	209 360	97 254	9 600	- 1 274 313
Inter-segment sales	103 013	6 068	-	-	-	-	(109 081) -
Total segment revenue	<u>317 342</u>	<u>502 157</u>	<u>247 681</u>	<u>209 360</u>	<u>97 254</u>	<u>9 600</u>	<u>(109 081) 1 274 313</u>
<b>Results</b>							
Profit/ (loss) of the segment	<u>24 470</u>	<u>13 763</u>	<u>15 882</u>	<u>9 779</u>	<u>(1 305)</u>	<u>927</u>	<u>(8 985) 54 531</u>
Segment assets	412 896	526 729	292 079	155 036	261 648	112 327	- 1 760 715
Unallocated assets	-	-	-	-	-	-	- 1 005 959
Total assets	<u>412 896</u>	<u>526 729</u>	<u>292 079</u>	<u>155 036</u>	<u>261 648</u>	<u>112 327</u>	<u>- 2 766 674</u>

\*Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 9,528 thousand and finance costs in the amount of PLN 18,513 thousand.

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## 7. Revenues and expenses

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

	<i>The three months ended 30 June 2010</i>	<i>The six months ended 30 June 2010</i>	<i>The three months ended 30 June 2009 (unaudited)</i>	<i>The six months ended 30 June 2009</i>
Sale of goods	107 786	174 753	61 083	185 974
Rendering of services	634 497	1 111 220	666 114	1 086 094
Rental income	1 768	3 455	1 227	2 245
	<b>744 051</b>	<b>1 289 428</b>	<b>728 424</b>	<b>1 274 313</b>

Starting from 2010 when the Company is a consortium leader, it recognises in the income statement only the revenue arising from the share of Polimex-Mostostal S.A. 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 42,942 thousand and for the six month period ended 30 June 2009 in amount of PLN 60,606 thousand.

(a decrease in revenue from sales and cost of sales for the above mentioned amount in the Company's income statement).

### 7.2. Other operating income

	<i>The three months ended 30 June 2010</i>	<i>The six months ended 30 June 2010</i>	<i>The three months ended 30 June 2009 (unaudited)</i>	<i>The six months ended 30 June 2009</i>
Gain on disposal of property, plant and equipment	653	1 307	-	-
Recovered damages payments and fines	1 451	3 253	336	556
Court settlement	-	-	153	553
Other	334	385	817	1 144
<b>Total other operating income</b>	<b>2 438</b>	<b>4 945</b>	<b>1 306</b>	<b>2 253</b>

### 7.3. Other operating expenses

	<i>The three months ended 30 June 2010</i>	<i>The six months ended 30 June 2010</i>	<i>The three months ended 30 June 2009 (unaudited)</i>	<i>The six months ended 30 June 2009</i>
Provision for court cases	-	-	880	880
Court expenses	82	223	369	623
Donations	282	436	65	156
Other	450	517	1 823	2 308
<b>Total other operating expenses</b>	<b>814</b>	<b>1 176</b>	<b>3 137</b>	<b>3 967</b>

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## 7.4. Finance income

	<i>The three months ended 30 June 2010</i>	<i>The six months ended 30 June 2010</i>	<i>The three months ended 30 June 2009 (unaudited)</i>	<i>The six months ended 30 June 2009</i>
Revenue from measurement and exercise of derivative instruments	20	1 450	266	817
Bank interest and loan receivable	1 142	2 825	2 102	2 102
Dividend income	3 800	3 800	898	898
Excess of foreign exchange gains over foreign exchange losses	-	-	(11 631)	4 756
Revaluation of financial assets	-	-	661	661
Gain on sale of financial assets	10 340	10 340	-	-
Other	658	662	106	294
<b>Total finance income</b>	<b>15 960</b>	<b>19 077</b>	<b>(7 598)</b>	<b>9 528</b>

## 7.5. Finance costs

	<i>The three months ended 30 June 2010</i>	<i>The six months ended 30 June 2010</i>	<i>The three months ended 30 June 2009 (unaudited)</i>	<i>The six months ended 30 June 2009</i>
Interest on bank loans and borrowings	3 117	5 349	1 735	4 553
Debenture commissions and interest	6 473	13 496	5 658	11 052
Excess of foreign exchange losses	-	-	-	-
Expenses arising from measurement and exercise of derivative instruments	-	-	639	2 159
Revaluation of financial assets	255	255	-	-
Excess of foreign exchange losses over foreign exchange gains	(2 771)	4 125	-	-
Other	815	1 678	457	749
<b>Total finance costs</b>	<b>7 889</b>	<b>24 903</b>	<b>8 489</b>	<b>18 513</b>

## 8. Income tax

### 8.1. Tax expense

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

	<i>The three months ended 30 June 2010</i>	<i>The six months ended 30 June 2010</i>	<i>The three months ended 30 June 2009 (unaudited)</i>	<i>The six months ended 30 June 2009</i>
<b>Income statement</b>				
Current income tax	2 986	2 986	13 234	16 577
Current income tax expense	2 986	2 986	13 234	16 577
Deferred income tax	3 560	5 938	(8 381)	(5 365)
Relating to origination and reversal of temporary differences	3 560	5 938	(8 381)	(5 365)
<b>An income tax expense reported in the income statement</b>	<b>6 546</b>	<b>8 924</b>	<b>4 853</b>	<b>11 212</b>
<b>Comprehensive income statement</b>				
Deferred income tax	1 790	760	(4 229)	(2 611)
Relating to origination and reversal of temporary differences	1 790	760	(4 229)	(2 611)
<b>Tax expense/ tax credit recognised in other comprehensive income</b>	<b>1 790</b>	<b>760</b>	<b>(4 229)</b>	<b>(2 611)</b>

## Disclosure on investment in Tarnobrzeg Special Economic Zone.

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

## 9. Dividends paid

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).

Value of dividend per share paid from 2009 profit will be PLN 0.04 ( from 2008 profit it was PLN 0.01).

## 10. Property, plant and equipment

The six months ended 30 June 2010 (unaudited)	Land and buildings	Plant and equipment	Motor vehicles	Other fixed assets	Fixed assets under construction	Advanced payments to fixed assets under construction	Total
<b>Net carrying amount at 1 January 2010</b>	<b>246 432</b>	<b>117 245</b>	<b>27 784</b>	<b>11 031</b>	<b>106 364</b>	-	<b>508 856</b>
Additions	23 562	13 555	1 880	726	39 897	-	79 620
Disposals	(97)	(98)	(83)	(18)	(38 572)	-	(38 868)
Depreciation charge for the period	(5 708)	(12 333)	(3 342)	(1 335)	-	-	(22 718)
<b>Net carrying amount at 30 June 2010</b>	<b>264 189</b>	<b>118 369</b>	<b>26 239</b>	<b>10 404</b>	<b>107 689</b>	-	<b>526 890</b>
<b>As at 1 January 2010</b>							
Cost	281 294	230 292	50 225	26 600	106 914	100	695 425
Write-off and impairment loss	(34 862)	(113 047)	(22 441)	(15 569)	(550)	(100)	(186 569)
<b>Net carrying amount</b>	<b>246 432</b>	<b>117 245</b>	<b>27 784</b>	<b>11 031</b>	<b>106 364</b>	-	<b>508 856</b>
<b>As at 30 June 2010</b>							
Cost	304 373	240 102	51 048	26 806	108 239	100	730 668
Write-off and impairment loss	(40 184)	(121 733)	(24 809)	(16 402)	(550)	(100)	(203 778)
<b>Net carrying amount</b>	<b>264 189</b>	<b>118 369</b>	<b>26 239</b>	<b>10 404</b>	<b>107 689</b>	-	<b>526 890</b>



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Year ended 31 December 2009	Land and buildings	Plant and equipment	Motor vehicles	Other fixed assets	Fixed assets under construction	Advanced payments to fixed assets under construction	Total
<b>Net carrying amount at 1 January 2009</b>	<b>159 358</b>	<b>89 953</b>	<b>23 417</b>	<b>9 594</b>	<b>43 366</b>	<b>100</b>	<b>325 788</b>
Additions	96 168	46 711	10 188	3 864	190 978	-	347 909
Disposals	(1 575)	(204)	(96)	(64)	(127 980)	(100)	(130 019)
Depreciation charge for the year	(7 519)	(19 215)	(5 725)	(2 363)	-	-	(34 822)
<b>Net carrying amount at 31 December 2009</b>	<b>246 432</b>	<b>117 245</b>	<b>27 784</b>	<b>11 031</b>	<b>106 364</b>	<b>-</b>	<b>508 856</b>
<b>As at 1 January 2009</b>							
Cost	186 738	185 858	40 810	23 658	43 916	100	481 080
Write-off and impairment loss	(27 380)	(95 905)	(17 393)	(14 064)	(550)	-	(155 292)
<b>Net carrying amount</b>	<b>159 358</b>	<b>89 953</b>	<b>23 417</b>	<b>9 594</b>	<b>43 366</b>	<b>100</b>	<b>325 788</b>
<b>As at 31 December 2009</b>							
Cost	281 294	230 292	50 225	26 600	106 914	100	695 425
Write-off and impairment loss	(34 862)	(113 047)	(22 441)	(15 569)	(550)	(100)	(186 569)
<b>Net carrying amount</b>	<b>246 432</b>	<b>117 245</b>	<b>27 784</b>	<b>11 031</b>	<b>106 364</b>	<b>-</b>	<b>508 856</b>
<b>The six months ended 30 June 2009 (unaudited)</b>							
<b>Net carrying amount at 1 January 2009</b>	<b>159 358</b>	<b>89 953</b>	<b>23 417</b>	<b>9 594</b>	<b>43 366</b>	<b>100</b>	<b>325 788</b>
Additions	6 860	10 903	2 269	1 411	82 169	-	103 612
Disposals	(487)	(15)	(15)	(72)	(7 893)	(100)	(8 582)
Depreciation charge for the period	(3 711)	(11 137)	(2 766)	(1 409)	-	-	(19 023)
<b>Net carrying amount at 30 June 2009</b>	<b>162 020</b>	<b>89 704</b>	<b>22 905</b>	<b>9 524</b>	<b>117 642</b>	<b>-</b>	<b>401 795</b>
<b>As at 1 January 2009</b>							
Cost	186 738	185 858	40 810	23 658	43 916	100	481 080
Write-off and impairment loss	(27 380)	(95 905)	(17 393)	(14 064)	(550)	-	(155 292)
<b>Net carrying amount</b>	<b>159 358</b>	<b>89 953</b>	<b>23 417</b>	<b>9 594</b>	<b>43 366</b>	<b>100</b>	<b>325 788</b>
<b>As at 30 June 2009</b>							
Cost	193 102	195 720	42 752	24 491	118 192	-	574 257
Write-off and impairment loss	(31 082)	(106 016)	(19 847)	(14 967)	(550)	-	(172 462)
<b>Net carrying amount</b>	<b>162 020</b>	<b>89 704</b>	<b>22 905</b>	<b>9 524</b>	<b>117 642</b>	<b>-</b>	<b>401 795</b>



## 11. Non-current financial assets

	30 June 2010 (unaudited)	31 December 2009
<b>Shares and interests</b>		
Shares - companies listed on the stock exchange	534 877	535 101
Shares and interests – companies not listed on the stock exchange	288 103	289 311
Other financial assets	18 191	12 275
<b>Total</b>	<b>841 171</b>	<b>836 687</b>

In line with the provisions of IAS 36, the Management of Polimex-Mostostal S.A. conducted as at 30 June 2010 tests for impairment of investment in Energomontaż Północ Group and COIFER Group.

While reviewing for impairment the value of investment in the standalone financial statements was compared to the value of a subsidiary resulting from the measurement using discounted cash flow method. The amount of capital employed resulting from discounting future cash flows was increased by non-operating assets and non-operating cash and decreased by bank loans and borrowings taken out by the company. When the goodwill recognised in this manner is higher than the acquisition price there are basis for impairment.

As at 30 June 2010 the book value of Energomontaż – Północ S.A.'s shares recognised in the financial statements amounts to PLN 503.9 million (the value of 1 share is PLN 32). The market value of the shares, measured based on Energomontaż - Północ S.A. stock exchange price as at 30 June 2010 which was PLN 16.2 per share, amounted to PLN 300 million. The test for impairment of the investment in Energomontaż Północ S.A. revealed that as at the statement preparation date there is no need to impair the goodwill of the company. The valuation was at PLN 590.7 million. The prepared valuation updates the fair value of Energomontaż Group of 31.12.2009 with the financial results for the first half of 2010 and for macroeconomic factors which affect the valuation model.

The valuation was done with the following assumptions:

- average annual growth of revenues at the level of about 12%,
- EBIT margin: 8.5% - 8.7%,
- weighted average cost of capital (WACC) 9.18%,
- capital expenditure equal to amortisation/depreciation in the entire projection period,
- keeping inventory turnover at the level of 2 days, accounts payable ratio at the level of 99 days,
- growth rate after the forecasting period: 3%.

An increase in weighted average cost of capital by more than 1.4 percentage point or a decrease in growth rate after the projection period of more than 2.5 percentage point would result in the need to recognize impairment of investment in Energomontaż Północ S.A.

At 30 December 2010 the book value of COIFER Group shares reported in the financial statements is PLN 74,133 thousand. The test for impairment of investment in COIFER Group revealed that at the completion of these financial statements there is no need to impair the goodwill of this company. The valuation was at PLN 107.8 million.

The valuation was done with the following assumptions:

- average annual growth of revenues at the level of about 3.9 %,
- weighted average cost of capital (WACC) 9.68%,
- capital expenditure at the average level of PLN 3.2 million per year for the forecasting period,
- growth rate after the forecasting period: 3%.

An increase in the weighted average cost of capital by more than 1.9 percentage point would result in the need to recognize impairment of the investment in COIFER Group.

Due to difficulties in the local market, a new Management was appointed in Romanian Coifer Group the objective of which is restructuring the Group and adjusting it to new business environment.

The strategy assumes, among other things, an increase of share of contracts performed outside Romania in the Group's revenue. Due to a relatively long time needed to achieve specified efficiency parameters and to the economic situation in Romania, there is some risk connected with the implementation of the assumed strategy.

However, taking into consideration conservative assumptions made for the strategy, it can be assumed that the objectives will be achieved.

## 12. Inventories

	30 June 2010 (unaudited)	31 December 2009
Raw materials	76 804	28 154
Work-in-progress (at cost)	98 899	83 679
Finished goods	16 255	11 273
Raw materials advance payments	10 087	9 317
Goods for resale	44	64
<b>Total inventories, at the lower of cost and net realisable value</b>	<b>202 089</b>	<b>132 487</b>

The Company in the period of six months ended 30 June 2010 wrote down the value of materials for the amount of PLN 24 thousand.

## 13. Trade and other receivables

	30 June 2010 (unaudited)	31 December 2009
Trade receivables	986 213	921 166
- of which, receivables from related parties	11 498	15 954
Receivables from public authorities	1 393	-
Other receivables from third parties	18 111	3 337
<b>Total receivables (net)</b>	<b>1 005 717</b>	<b>924 503</b>
Doubtful debts allowance	31 537	37 471
<b>Total receivables, gross</b>	<b>1 037 254</b>	<b>961 974</b>

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

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

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

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

	30 June 2010 (unaudited)	31 December 2009
Up to one month	507 344	468 931
Over 1 month to 3 months	243 617	169 835
Over 3 months to 6 months	46 557	12 760
Over 6 months to 1 year	28 862	58 382
Past due receivables	190 960	248 200
<b>Total trade receivables, gross</b>	<b>1 017 340</b>	<b>958 108</b>
Allowance for trade receivables	(31 127)	(36 942)
<b>Net trade receivables</b>	<b>986 213</b>	<b>921 166</b>

### 13.2. Aging analysis of trade receivables

	30 June 2010 (unaudited)	31 December 2009
Up to one month past due	32 359	86 966
Over 1 month to 3 months past due	26 493	41 960
Over 3 months to 6 months past due	42 218	13 542
Over 6 months to 1 year past due	21 768	35 174

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Over 1 year past due	68 122	70 558
<b>Total past due trade receivables, gross</b>	<b>190 960</b>	<b>248 200</b>
Allowance for trade receivables*	(31 124)	(36 942)
<b>Total</b>	<b>159 836</b>	<b>211 258</b>

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

### 13.3. Allowances for trade receivables

Movements in allowance for receivables were as follows:

	30 June 2010 (unaudited)	31 December 2009	30 June 2009 (unaudited)
Allowance for receivables at the beginning of the period	36 942	17 607	17 607
Increase:	2 477	29 464	14 713
- provision for impairment	2 477	29 464	14 713
Decrease:	8 292	10 129	3 112
- utilisation	7 759	1 387	1 765
- receivables pay-off	533	8 742	1 347
<b>Allowance for receivables at the end of the period</b>	<b>31 127</b>	<b>36 942</b>	<b>29 208</b>

## 14. Cash and cash equivalents

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

	30 June 2010 (unaudited)	31 December 2009
Cash at bank and in hand	58 323	165 790
	<b>58 323</b>	<b>165 790</b>

## 15. 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.

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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 EBITDA 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)

## 16. Interest-bearing bank loans and borrowings

### Bank loan and borrowing liabilities at 30 June 2010

Bank / financing entity	Maturity	30 June 2010 (unaudited)	31 December 2009
<b>Current</b>			
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
Depolma GmbH – loan in EUR	10.12.2010	773	766
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
Polimex-Hotele Sp. z o.o. – loan in PLN	31.12.2010	2 158	2 129
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	-

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Bank PEKAO S.A. – working capital facility up to PLN 50,000 thousand	27.06.2011	50 000	-
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**Non-current**

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

**Interest-bearing bank loans and borrowings total:**

	<b>334 146</b>	<b>163 000</b>
<b>Current, of which:</b>	<b>61 456</b>	<b>13 137</b>
Bank loans	58 525	10 242
Borrowings	2 931	2 895
<b>Non-current, of which:</b>	<b>272 690</b>	<b>149 863</b>
Bank loans	272 690	149 863

	30 June 2010 (unaudited)	31 December 2009
<b>Comparison of interest rates for the periods</b>		
Weighted average for bank loans in PLN	WIBOR 1 M + 1.62135 p.p. WIBOR O/N + 2.0000 p.p.	WIBOR 1M +1.18777 p.p.; WIBOR ON+ 0.9000 p.p.; EURIBOR 1M + 2.7000 p.p.
Weighted average for bank loans in EUR	EURIBOR + 2.7000 p.p.	LIBOR 1M+ 1.3500 p.p.

## 17. Debentures

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

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 until 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.

## 18. Financial instruments

Polimex-Mostostal S.A. financial cash flows are characterised by significant sensitivity to fluctuations of exchange rate relations which results from the fact that foreign currency revenues constitute substantial part of the total enterprise turnover. Basic foreign currency for the Company turnover is still the euro. To minimise the negative impact of exchange rate risk on the performance of the enterprise, the Company actively uses exchange rate derivative instruments available on the market thus applying the exchange rate risk management strategy adopted by the Company. Open transactions of derivative instruments are subject to current valuation with its results included in the enterprise's books of account.

Bearing the above mentioned facts in mind, since 1 October 2008 the Company has been applying hedge accounting for foreign currency derivatives so as to ensure stability and comparability of financial results of the Company for individual reporting periods. Application of the hedge accounting makes it possible to symmetrically present the compensating impact on the financial result of the current period of the hedging instrument fair value and hedged item corresponding to it.

As a result gains/losses on hedging transactions affect the profit/loss in the same period as the gains/losses on items they hedge. Thanks to this, the economic nature of hedging transactions is better reflected in the financial statements of the enterprise.

Derivative instruments hedging cash flows are recognised at fair value, taking into account a change in this value:

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

Book records and presentation are according to the accounting policies adopted by the Company and regulations in force which are based on the following legal acts:

IFRS 7 – Financial Instruments: Disclosure,

IAS 39 – Financial instruments: Recognition and Measurement,

IAS 32 – Financial Instruments: Presentation.

The Company has transactional foreign currency exposures. About 20% of transactions executed by the Company is denominated in currencies other than the presentation currency, whereas more than 90% of costs is denominated in this presentation currency.

The basic method of hedging against foreign exchange risk applied by the Company is natural hedging i.e. hedging foreign currency risk by entering into transactions which generate costs in the same currency as the revenue currency. If currency risk may not be hedged by natural hedging, the Company applies currency hedges – based on derivative financial instruments related to currency market – defined by the currency risk management strategies of the Company. These are in particular the following instruments:

- ❖ forward future contracts,
- ❖ currency PUT options (acquired options),
- ❖ structures optionally generated from PUT and CALL options – among the other things the so-called “zero-cost” symmetrical currency corridors built with PUT and CALL options of the same nominal value for the given expiry date of options (see details below).

Terms and conditions of hedging of derivative instruments are negotiated in a manner corresponding to terms and conditions of hedged item, and providing maximum hedging efficiency. In the 1st half of 2010 the Company consequently applied implemented operating policies and procedures aimed at limiting the negative impact of foreign currency risk on the performance of the enterprise.

### Disclosure on concluded hedging transactions

To limit the volatility of future cash flows related to foreign currency risk, at 30 June 2010 Polimex-Mostostal S.A. was a party to 24 hedging strategies as characterised below (nominal values of transactions as well as price conditions for instruments to be exercised after 30.06.2010):

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

##### I. Foreign currency options

The Company is the party to 2 symmetrical option transactions concluded on 18 June 2009 and 10 June 2010. The total nominal value of currency options to be exercised over the period between 6 July 2010 and 3 June 2011 amounts to EUR 4,379,000 (in each case the nominal value of the acquired PUT option clears the nominal value of the CALL option). Exercise rates of PUT options the Company is entitled to amount to 4.55 PLN/EUR for the transaction of 18 June 2009 and 4.00 PLN/EUR for the transaction of 10 June 2010. Exercise rates of CALL options issued by the Company amount to 4.68 PLN/EUR and 4.4950 PLN/EUR respectively.



## II. Forward future contracts

1. A forward future contract of 5 August 2009 to sell the total of EUR 1,668,000 for PLN to be exercised at 30 November 2010. The forward rate was specified at 4.2000 PLN/EUR; It is the intention of the Company to gradually „shorten” transactions and materialise the hedged item in connection with which the hedging transaction was opened;
2. A series of forward future contracts of 17 August 2009 on the sale of the total amount of EUR 398,000 for PLN to be exercised in 3 dates in the period from 28 July 2010 to 28 September 2010. The forward rate for each maturity date was specified at 4.27 PLN/EUR;
3. A forward future contract of 30 September 2009 to sell the total of EUR 1,803,000 for PLN to be exercised at 29 December 2010. The forward rate was specified at 4.3445 PLN/EUR. The Company intends to “shorten” the transaction along with materialization of the hedged item for which this hedging transaction was opened.
4. A forward future contract of 27 October 2009 to sell the total of EUR 3,500,000 for PLN to be exercised at 27 May 2011. The forward rate was specified at 4.3385 PLN/EUR. It is the intention of the Company to gradually „shorten” transactions and materialise the hedged item in connection with which the hedging transaction was opened;
5. A series of forward future contracts of 20 November 2009 on the sale of the total amount of EUR 840,000 for PLN to be exercised in 2 dates in the period from 28 July 2010 to 26 August 2010. The forward rate for each maturity date was specified at 4.20 PLN/EUR;
6. A series of forward future contracts of 16 December 2009 on the sale of the total amount of EUR 4,363,000 for PLN to be exercised in 9 dates in the period from 12 July 2010 to 3 June 2011. The forward rate for each maturity date was specified at 4.2650 PLN/EUR;
7. A series of forward future contracts of 3 March 2010 on the sale of the total amount of EUR 1,316,000 for PLN to be exercised in 4 dates in the period from 30 September 2010 to 15 June 2011. The forward rate for each maturity date was specified at 3.9610 PLN/EUR;
8. A series of forward future contracts of 5 May 2010 on the sale of the total amount of EUR 357,000 for PLN to be exercised in 3 dates in the period from 11 August 2010 to 11 October 2010. The forward rate for each maturity date was specified at 4.0400 PLN/EUR;
9. A series of forward future contracts of 5 May 2010 on the sale of the total amount of EUR 1,800,000 for PLN to be exercised in 12 dates in the period from 9 July 2010 and 20 December 2010. The forward rate for each maturity date was specified at 4.0600 PLN/EUR;
10. A forward future contract of 5 May 2010 to sell the total of EUR 4,425,000 for PLN to be exercised at 29 December 2010. The forward rate was specified at 4.0740 PLN/EUR; It is the intention of the Company to gradually „shorten” transactions and materialise the hedged item in connection with which the hedging transaction was opened;
11. A series of forward future contracts of 5 May 2010 on the sale of the total amount of EUR 5,450,000 for PLN to be exercised in 3 dates in the period between 30 November 2010 and 25 February 2011. The forward rate for each maturity date was specified at 4.0730 PLN/EUR;
12. A series of forward future contracts of 5 May 2010 on the sale of the total amount of EUR 1,424,000 for PLN to be exercised in 5 dates in the period between 29 July 2010 and 30 March 2011. The forward rate for each maturity date was specified at 4.0743 PLN/EUR;
13. 2 forward future contracts of 6 May 2010 to sell the total of EUR 3,260,000 for PLN to be exercised at 31 December 2010 and 30 June 2011. Forward rates were specified at 4.1815 PLN/EUR for the first date and 4.23 PLN/EUR for the second date. It is the intention of the Company to gradually „shorten” transactions and materialise the hedged item in connection with which the hedging transaction was opened;
14. A forward future contract of 19 May 2010 to sell EUR 305,000 for PLN to be exercised at 31 August 2010. The forward rate was specified at 4.10 PLN/EUR;
15. A series of forward future contracts of 21 May 2010 on the sale of the total amount of EUR 1,424,000 for PLN to be exercised in 5 dates in the period between 28 September 2010 and 29 March 2011. The forward rate for each maturity date was specified at 4.1810 PLN/EUR;
16. A series of forward future contracts of 21 May 2010 on the sale of the total amount of EUR 1,235,000 for PLN to be exercised in 3 dates in the period between 29 September 2010 and 30 November 2011. The forward rate for each maturity date was specified at 4.1850 PLN/EUR;
17. A series of forward future contracts of 7 June 2010 on the sale of the total amount of EUR 3,901,000 for PLN to be exercised in 8 dates in the period between 24 September 2010 and 3 June 2011. The forward rate for each maturity date was specified at 4.2112 PLN/EUR;
18. A forward future contract of 7 June 2010 to sell EUR 195,000 for PLN to be exercised at 30 September 2010. The forward rate was specified at 4.2004 PLN/EUR;

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19. A series of forward future contracts of 7 June 2010 on the sale of the total amount of EUR 418,000 for PLN to be exercised in 2 dates in the period between 19 July 2010 and 12 August 2011. The forward rate for each maturity date was specified at 4.1778 PLN/EUR;

20. A series of forward contracts of 29 June 2010 on the sale of the total amount of EUR 1,200,000 for PLN to be exercised in 12 dates in the period from 5 July 2010 and 15 December 2010. The forward rate for each maturity date was specified at 4.1773 PLN/EUR.

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

On 15 April 2010 and 5 May 2010 the Company agreed on conditions of symmetrical foreign currency option transactions aimed at limiting the volatility of projected cash flows in GBP. The total nominal value of currency options to be exercised over the period between 24 August 2011 and 13 April 2012 amounts to GBP 3,370,000 (in each case the nominal value of acquired PUT option clears the nominal value of issued CALL option). Exercise rates of PUT options the Company is entitled to amount to 4.38 PLN/GBP for the transaction of 15 April 2010 and 4.65 PLN/GBP for the transaction of 5 May 2010, while exercise rates of CALL options issued by the Company amount to 4.85 PLN/GBP and 5.1490 PLN/GBP respectively.

The parameters of the hedging instruments presented above fully guarantee the level of exchange rate relations required by the Company and necessary for reaching planned financial results on a hedged item. As a result, possible negative cash flows resulting from the settlement of the hedging instruments should not be perceived as a loss, but only as an unrealised additional benefit (above the previous assumption of the Company).

Summing up, as at 30.06.2010 Polimex-Mostostal S.A. had open hedging transactions for the amount of EUR 43,661,000 and GBP 3,370,000. In each case the hedged item is highly probable future cash flows from export contracts being executed by the Company (supply of steel products and rendering of construction services).

Maturity dates of hedging transactions for the amount of EUR 33,817,000 fall in the 2<sup>nd</sup> half of 2010. The remaining EUR 9,844,000 is to be exercised in 1st half of 2011. Expiry dates of transactions for PLN/GBP pair fall in the period from 24 August 2011 to 13 April 2012.

The table below presents the schedule for the settlement of PLN/EUR hedging instruments in individual months of 2010:

Month the hedging instrument is exercised in 2010*	Nominal value of a hedging instrument		
	Nominal value of PUT = CALL options in EUR thousands	Nominal value of future contracts in EUR thousands	Total in the period in EUR thousands
July	390	3 980	4 370
August	390	4 171	4 561
September	490	6 650	7 140
October	490	5 518	6 008
November	490	4 898	5 388
December	490	5 860	6 350
<b>Total in 2nd half 2010</b>	<b>2 740</b>	<b>31 077</b>	<b>33 817</b>

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

Since 1 October 2008 the Company has been applying hedge accounting. It covers all transactions of derivative instruments of currency exchange rate, concluded in compliance with the applied strategy of hedging of currency risk, meeting the criteria of hedge accounting.

Measurement of derivative instruments as at 30 June 2010.

As at 30 June 2010, fair value of the open derivative instruments was assessed at PLN -657.8 thousand. In accordance with the hedge accountancy policy approved by the Company, effectiveness of hedging connections was measured. Cash flow hedges were regarded as highly effective and the change of effective portion of fair value of financial instruments was recognized in other comprehensive income in the following order (amounts after taking into consideration the effect on deferred tax) in PLN thousands :

As at 31.12.2009	Movement in 1 <sup>st</sup> half of 2010	As at 30.06.2010
4 413	-3 240	1 173

Temporary value of currency options which was excluded from the efficiency measurement was reflected in the profit and loss account in financial activity (finance costs / finance income).



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

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

Detailed list	2 <sup>nd</sup> half 2010
Projected foreign currency proceeds – equivalent in EUR thousands	143 184
Projected foreign currency expenditures – equivalent in EUR thousands	59 653
<b>Business exposure to foreign currency risk in EUR thousands</b>	<b>83 531</b>
Open hedging transactions as at 30.06.2010 to be exercised in the 2nd half 2010; in EUR thousands	33 817
<b>Open item in foreign currency (after taking into consideration hedging transactions) in EUR thousands</b>	<b>49 714</b>

The nominal value of open hedging instruments as at 30 June 2010 accounts for 40% of total projected exposure to foreign currency risk in the 2<sup>nd</sup> half of 2010. Foreign currency cash flows for contracts concluded by the Company by the date of the completion of this list account for more than 55% 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 73% by hedging transactions.

Fluctuations of the exchange rate of PLN/EUR shall have a neutral impact upon financial performance of the Company in the scope of cash flows from foreign currency contracts under hedging instruments. Current influence of this parameter shall relate to the part of foreign currency revenues (net proceeds) as yet not covered by hedging transactions. After 30 June 2010 the Company entered into further hedging transactions as described below:

1. A forward future contract of 19 July 2010 to sell the total of EUR 3,740,000 for PLN to be exercised at 28 June 2011. The forward rate was specified at 4.2000 PLN/EUR. The Company intends to “shorten” the transaction along with materialization of the hedged item for which this hedging transaction was opened.

### 18.1. Financial risk management objectives and policies

As at 30 June 2010 the Company 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 – hedge accounting, of which:				
Securities	-	-	-	-
Financial instruments	-	-	-	-
Financial liabilities measured at fair value – hedge accounting, of which:				
Embedded derivatives	658	-	658	-
Derivative financial instruments	-	-	-	-
	658	-	658	-
	31 December 2009	Level 1	Level 2	Level 3
Financial assets measured at fair value – hedge accounting, of which:				
Securities	4 700	-	4 700	-
Financial instruments	-	-	-	-
Financial liabilities measured at fair value – hedge accounting, of which:				
Embedded derivatives	4 700	-	4 700	-
Derivative financial instruments	-	-	-	-
	-	-	-	-

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.

## 19. Trade and other payables (current)

	30 June 2010 (unaudited)	31 December 2009
<b>Trade payables</b>		
To related parties	93 073	134 930
To third parties	618 538	699 730
	<b>711 611</b>	<b>834 660</b>
<b>Taxation, customs duty, social security and other payables</b>		
VAT	23 827	37 801
Withholding tax	47	4
Personal income tax	7 124	5 459
Social Insurance Institution (ZUS)	27 756	24 047
National Disabled Persons Rehabilitation Fund (PFRON)	448	429
	<b>59 202</b>	<b>67 740</b>
<b>Financial liabilities</b>		
Interest acquisition liabilities	2 300	10 535
Foreign currency contract liabilities	658	-
Finance lease and hire purchase contracts	4 101	4 622
Sureties granted to subsidiaries	4 531	-
	<b>11 590</b>	<b>15 157</b>
<b>Other liabilities</b>		
Remuneration payable to employees	32 859	24 560
Amounts owed to related parties	813	738
Non-current asset purchase payables	11 110	17 614
Social fund	(1 080)	422
Dividend payable	18 574	-
Other liabilities	5 049	4 991
	<b>67 325</b>	<b>48 325</b>
<b>Accrued expenses related to:</b>		
Unused annual leave	17 444	11 629
Bonuses and rewards	7 331	14 776
Retirement benefits	-	1 418
Bank guarantee costs	977	989
Court expenses	458	458
Other	1 471	1 424
	<b>27 681</b>	<b>30 694</b>

Terms and conditions of payment of financial liabilities presented above:

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

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

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

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

Interest payable is normally settled based on accepted interest notes.

## 20. Provisions

### 20.1. Movements in provisions

	<i>Guarantee repair provisions</i>	<i>Other long-term employee benefits and post employment benefits*</i>	<i>Other provisions</i>	<i>Total</i>
<b>As at 1 January 2010</b>	<b>18 207</b>	<b>62 538</b>	<b>13 114</b>	<b>93 859</b>
Recognised during the year	4 059	4 164	1 950	10 173
Utilised	(2 170)	(2 292)	-	(4 462)
Released	(4 965)	-	(1 993)	(6 958)
Reclassifications	-	-	(265)	(265)
<b>As at 30 June 2010 (unaudited)</b>	<b>15 131</b>	<b>64 410</b>	<b>12 806</b>	<b>92 347</b>
Current at 30 June 2010 (unaudited)	8 574	8 443	12 806	29 823
Non-current at 30 June 2010 (unaudited)	6 557	55 967	-	62 524

\*of which: provisions for jubilee bonuses in amount of PLN 38,166 thousand, provisions for retirement benefits in amount of PLN 17,768 thousand and provisions for the social fund in amount of PLN 8,476 thousand

<b>As at 1 January 2009</b>	<b>9 312</b>	<b>58 902</b>	<b>21 228</b>	<b>89 442</b>
Recognised during the year	11 193	9 293	13 635	34 121
Utilised	(740)	(5 657)	-	(6 397)
Released	(1 542)	-	(21 765)	(23 307)
Reclassifications	(16)	-	16	-
<b>As at 31 December 2009</b>	<b>18 207</b>	<b>62 538</b>	<b>13 114</b>	<b>93 859</b>
Current as at 31 December 2009	16 919	7 458	13 114	37 491
Non-current as at 31 December 2009	1 288	55 080	-	56 368

\*of which: provisions for jubilee bonuses in amount of PLN 36,294 thousand, provisions for retirement benefits in amount of PLN 17,768 thousand and provisions for the social fund in amount of PLN 8,476 thousand

<b>As at 1 January 2009</b>	<b>9 312</b>	<b>58 902</b>	<b>21 228</b>	<b>89 442</b>
Recognised during the year	1 702	-	5 089	6 791
Utilised	(8 608)	-	(9 292)	(17 900)
Released	(196)	-	(580)	(776)
<b>As at 30 June 2009 (unaudited)</b>	<b>2 210</b>	<b>58 902</b>	<b>16 445</b>	<b>77 557</b>
Current at 30 June 2009 (unaudited)	620	5 190	12 657	18 467
Non-current at 30 June 2009 (unaudited)	1 590	53 712	3 788	59 090

\*of which: provisions for jubilee bonuses in amount of PLN 35,096 thousand, provisions for retirement benefits in amount of PLN 15,523 thousand and provisions for the social fund in amount of PLN 8,283 thousand

## 21. Capital management

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

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

	30 June 2010 (unaudited)	31 December 2009
Interest-bearing bank loans, borrowings and debentures	740 997	570 193
Trade and other payables	896 450	1 020 907
Less cash and cash equivalents	58 323	165 790
Net debts	1 579 124	1 425 310
Equity	1 091 969	1 049 687
<b>Capital and net debt</b>	<b>2 671 093</b>	<b>2 474 997</b>
Gearing ratio (net debt/capital and net debt)	59.1%	57.6%

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

	30 June 2010 (unaudited)	31 December 2009
<b>Contingent liabilities</b>	<b>1 414 968</b>	<b>1 388 137</b>
To related parties (arising from)	206 277	154 923
- guaranties and sureties granted	206 277	154 923
To other parties (arising from)	1 208 691	1 233 214
- guaranties and sureties granted	926 263	958 104
- promissory notes	44 409	20 489
- legal claims	15 569	13 653
- conditional agreements	-	18 518
- contractual capped mortgage*	222 450	222 450
<b>Other (arising from)</b>	<b>114 623</b>	<b>114 623</b>
- transferred to off-statement of financial position records balances relating to: **	114 623	114 623
- receivables	48 839	48 839
- cash	15 973	15 973
- liabilities	25 330	25 330
- deferred income	24 481	24 481
<b>Total</b>	<b>1 529 591</b>	<b>1 502 760</b>

\* 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.

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.

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

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

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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 September 2007 the parent Company acquired 100% interest in Energy and Power Engineering Zakład Robót Energetycznych Sp. z o.o., at present operating under the business name of EPE Rybnik Sp. z o.o., for PLN 3,500 thousand, on the stipulation that this amount will be increased by PLN 1,000 thousand if in the period 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, 2<sup>nd</sup> 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.

## 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 twelve 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>				
<b>Subsidiaries</b>				
Energomontaż Północ S.A.	309	20 968	131	26 332
Sefako S.A.	23	-	9	981
Naftobudowa S.A.	550	19 528	14	17 213
Zakład Budowlano – Instalacyjny Turbud Sp. z o.o.	56	1 197	-	142
Torpol Sp. z o.o.	12	1	-	43
Prinz 1 Sp. z o.o.	107	3 309	130	1 745
Centrum Projektowe Polimex Mostostal Sp. z o.o. (former Energotechnika Sp. z o.o.)	108	4 329	3 333	2 702
EPE Rybnik Sp. z o.o.	33	3 722	12	1 785
Polimex Mostostal Projekt Południe Sp. z o.o.	1	-	-	-
Naftoremont Sp. z o.o.	77	2 139	19	15 008
Moduł System Service Sp. z o.o.	-	71	-	79
Zarząd Majątkiem Górczewska Sp. z o.o.	134	-	27	-
Wojewódzkie Biuro Projektów w Zabrze Sp. z o.o.	-	-	31	-
S.C.Coifer Impex SRL	754	1 109	7 207	-
Stalfa Sp. z o.o.	2 695	4 389	2 281	905
Polimex-Mostostal ZUT Sp. z o.o.	733	8 163	17	1 416
Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.	194	4 268	1	574
MSP Tchervonograd	1 145	5	2 021	5
Polimex Mostostal Ukraine	-	-	1 680	-
Polimex-Development Kraków Sp. z o.o.	2 362	236	110 877	81
Polimex-Cekop Development Sp. z o.o.	2	-	1	-
Polimex-Mostostal Development Sp. z o.o.	305	-	11 288	-
Polimex-Hotele Sp. z o.o.	12	30	2	2 159
ZRE Kraków Sp. z o.o.	-	575	-	2 689
ECE Remont Sp. z o.o.	5	-	838	50
Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.	-	469	-	217
Depolma GmbH	-	-	-	1 073
<b>Total</b>	<b>9 617</b>	<b>74 508</b>	<b>139 919</b>	<b>75 199</b>

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<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>				
<b>Associates</b>				
Porty S.A.	7	-	627	4 054
Polimex-Sices Sp. z o.o.	4 659	49 375	3 677	20 674
Valmont Sp. z o.o.	2 037	241	1 036	-
Laboratorium Ochrony Środowiska Pracy Sp. z o.o.	-	21	-	-
Terminal LNG S.A.	-	-	2	-
<b>Total</b>	<b>6 703</b>	<b>49 637</b>	<b>5 342</b>	<b>24 728</b>

<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>2009</i>				
<b>Subsidiaries</b>				
Energomontaż Północ S.A.	5 401	29 971	3	30 388
Sefako S.A.	15 807	80	71	981
Naftobudowa S.A.	1 435	13 285	242	4 323
Zakład Budowlano – Instalacyjny Turbud Sp. z o.o.	-	-	-	272
Torpol Sp. z o.o.	94	-	-	16
PRInż -I Sp. z o.o.	22	18 052	-	3 297
Centrum Projektowe Polimex Mostostal Sp. z o.o. (former Energotechnika Sp. z o.o.)	151	5 645	2 300	2 662
Centrum Projektowe Polimex Mostostal Sp. z o.o. (before combination B.S.P.i R.I. Biprokwas Sp. z o.o.)	218	270	2 175	149
EPE Rybnik Sp. z o.o.	727	8 865	323	5 763
Polimex Mostostal Projekt Południe Sp. z o.o.	4	28	-	-
Naftoremont Sp. z o.o.	2 455	67 272	54	25 605
Zarząd Majątkiem Górczewska Sp. z o.o.	1 174	-	7	-
Moduł System Service Sp. z o.o.	8	569	-	86
Wojewódzkie Biuro Projektów w Zabrze Sp. z o.o.	30	-	31	-
Stalfa Sp. z o.o.	3 281	7 886	942	112
Polimex-Mostostal ZUT Sp. z o.o.	2 680	24 981	-	1 951
Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.	213	8 742	-	1 131
SPB Przembud Sp. z o.o.	2	-	1	-
MSP Tchervonograd	1 315	1 688	1 742	-
Polimex Mostostal Ukraine	285	-	-	-
Polimex-Development Kraków Sp. z o.o.	4 655	44	105 088	-
Polimex-Cekop Development Sp. z o.o.	3	-	-	-
Polimex-Mostostal Development Sp. z o.o.	507	-	9 652	-
Polimex-Hotele Sp. z o.o.	25	5	4	2 129
ZRE Kraków SP. z o.o.	12	9 884	-	3 885
Ece Remont Sp. z o.o.	24	2	34	50
Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.	-	1 103	-	124
S.C.Coifer Impex SRL	1 825	5 580	5 283	7 572
Depolma GmbH	-	11	403	1 073
<b>Total</b>	<b>42 353</b>	<b>203 963</b>	<b>128 355</b>	<b>91 569</b>

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<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>
<b>Associates</b>	2009			
Porty S.A.	-	5 925	8 807	22 364
Polimex-Sices Sp. z o.o.	2 752	76 227	532	24 912
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	-
<b>Total</b>	<b>6 732</b>	<b>82 927</b>	<b>10 647</b>	<b>47 301</b>

<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>	
<b>Subsidiaries</b>				
Energomontaż Północ S.A.	121	13 478	3 264	6 334
Sefako S.A.	10	-	1 236	52
Naftobudowa S.A.	129	17 832	870	2 768
Zakład Budowlano – Instalacyjny Turbud Sp. z o.o.	-	702	-	-
Torpol Sp. z o.o.	-	-	-	-
Prinż 1 Sp. z o.o.	107	2 990	29	3 441
Centrum Projektowe Polimex Mostostal Sp. z o.o. (former Energotechnika Sp. z o.o.)	51	3 827	134	1 855
EPE Rybnik Sp. z o.o.	19	2 187	4	755
Polimex Mostostal Projekt Południe Sp. z o.o.	-	-	-	-
Naftoremont Sp. z o.o.	34	830	1 589	31 928
Moduł System Service Sp. z o.o.	-	40	3	46
Zarząd Majątkiem Górczewska Sp. z o.o.	67	-	965	-
Wojewódzkie Biuro Projektów w Zabrze Sp. z o.o.	-	-	-	-
S.C.Coifer Impex SRL	402	984	454	1 722
Stalfa Sp. z o.o.	1 661	2 745	1 041	1 959
Polimex-Mostostal ZUT Sp. z o.o.	332	4 139	545	6 486
Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.	142	2 344	46	1 977
MSP Tchervonograd	222	-	245	400
Polimex Mostostal Ukraine	-	-	285	-
Polimex-Development Kraków Sp. z o.o.	1 214	177	1 632	18
Polimex-Cekop Development Sp. z o.o.	1	-	1	-
Polimex-Mostostal Development Sp. z o.o.	156	-	140	-
Polimex-Hotele Sp. z o.o.	6	19	7	22
ZRE Kraków Sp. z o.o.	-	265	-	2 386
ECE Remont Sp. z o.o.	4	-	11	-
Pracownia Wodno -Chemiczna Ekonomia Sp. z o.o.	-	297	-	513
Depolma GmbH	-	-	-	-
<b>Total</b>	<b>4 678</b>	<b>52 856</b>	<b>12 501</b>	<b>62 662</b>

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<i>Related party</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>
	<i>For the three months ended 30 June 2010 (unaudited)</i>		<i>For the three months ended 30 June 2009 (unaudited)</i>	
<b>Associates</b>				
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.	-	-	-	-
<b>Total</b>	<b>5 101</b>	<b>32 073</b>	<b>1 682</b>	<b>26 141</b>

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

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

### 23.2. Directors' loan

There were no directors' loans.

### 23.3. Other directors' interests

There were no other directors' interests.

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

### 24.1. Compensation paid to members of the Management Board and members of the Supervisory Board

	<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
<b>Total</b>	<b>2 180</b>	<b>3 543</b>

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
<b>Total</b>	<b>5,836,425 pcs</b>	<b>-</b>



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<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 2009</i>
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
<b>Total</b>	<b>5,791,925 pcs</b>	<b>-</b>

## 25. 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