

POLIMEX-MOSTOSTAL CAPITAL GROUP

**Condensed consolidated financial statements
for the 3rd quarter 2010**



Warsaw, 8 November 2010

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Contents

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF POLIMEX-MOSTOSTAL S.A.'s GROUP FOR THE 3rd QUARTER 2010.....	5
SELECTED FINANCIAL DATA FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	5
CONDENSED CONSOLIDATED INCOME STATEMENT.....	7
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....	8
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	9
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	10
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	11
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS.....	12
1.1. Review of Group's financial results in 3rd quarter 2010.....	13
1.2. Significant factors and events having an impact on achieved financial results.....	15
2. ADDITIONAL INFORMATION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	19
2.1. Information on the parent company and Polimex-Mostostal Group.....	19
2.1.1. Corporate information.....	19
2.1.2. Composition of the Group.....	20
2.1.3. Composition of the Company's Management Board.....	23
2.1.4. Approval of financial statements.....	23
2.2. Principles adopted for the preparation of the interim condensed consolidated financial statements for the 3rd quarter 2010.....	24
2.2.1. Significant accounting policies.....	24
2.2.2. Adjustments of errors.....	25
2.2.3. Estimates.....	25
2.2.4. Functional currency and presentation currency.....	26
2.2.5. Basis of consolidation.....	26
2.2.6. Investments in associates.....	27
2.2.7. Interest in a joint venture.....	27
2.2.8. Foreign currency translation.....	27
2.3. Error adjustments and changes of accounting policies.....	28
2.4. Selected other explanatory notes to the condensed consolidated financial statements (in PLN thousands).....	28
2.5. Operating segments and geographic information.....	31
2.6. Consolidated off-statement of financial position items.....	32
2.7. Risk management objectives and policies.....	32
2.8. Significant achievements and failures of Polimex-Mostostal Group in the 3rd quarter 2010 together with the list of key events that relate to them.....	41
2.9. Events after the date of preparation of the condensed quarterly financial statements, not included in the statements that may have a significant effect on the Issuer's future financial results.....	41
2.10. Other information that in the Issuer's opinion is significant for the assessment of its personnel status, financial position, financial results and their changes, and information that is significant for the assessment of Issuer's capabilities to fulfil obligations.....	43
2.11. Information concerning seasonal or cyclical nature of the Issuer's operations in the presented period.....	45
2.12. Issue, redemption and repayment of debt and capital securities.....	45
2.13. Dividend paid (or declared), in total and per share, in breakdown by ordinary and preference shares.....	46
2.14. Shareholders holding directly or indirectly through subsidiaries and related parties at least 5% of total votes at the Issuer's General Shareholders' Meeting as at the date of filing this quarterly report.....	46
2.15. Changes in the number of Issuer's shares or entitlement to the them held by the Management Board and Supervisory Board Members, in the period from filing the previous quarterly report.....	47
2.16. Statement of the Management Board concerning published forecasts.....	47
2.17. Proceedings before court, body competent for arbitrary proceedings or public administration body.....	47

2.18. Information on the Issuer's or its subsidiary entering into one or multiple transactions with related parties, if separately or jointly they are significant and have been entered into on terms and conditions other than market ones.....	47
2.19. Information on sureties, loans or guarantees granted by the Issuer or its subsidiary, jointly to one entity or its subsidiary if the total amount of current sureties and guaranties is at least 10% of the Issuer's equity.	47
2.20. Factors that in the Issuer's opinion will influence its future financial results in at least next quarter.	48
3. CONDENSED FINANCIAL STATEMENTS OF POLIMEX-MOSTOSTAL S.A. FOR THE 3rd QUARTER 2010.....	49
SELECTED FINANCIAL DATA FOR THE CONDENSED FINANCIAL STATEMENTS.....	49
CONDENSED INCOME STATEMENT	51
CONDENSED STATEMENT OF COMPREHENSIVE INCOME.....	51
CONDENSED STATEMENT OF FINANCIAL POSITION.....	52
CONDENSED STATEMENT OF CHANGES IN EQUITY.....	53
CONDENSED STATEMENT OF CHANGES IN EQUITY.....	54
CONDENSED STATEMENT OF CASH FLOWS	55
3.1. Review of Polimex-Mostostal S.A.'s financial results in the 3rd quarter 2010	56
4. ADDITIONAL INFORMATION TO THE CONDENSED FINANCIAL STATEMENTS.....	58
4.1. Operating segments and geographic information.....	58
4.2. Significant executed construction contracts at Polimex-Mostostal S.A.....	59
4.3. Selected other explanatory notes to the condensed financial statements (in PLN thousands)	60
4.4. Operating segments and geographic information.....	62
4.5. Off-statement of financial position items	63

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF POLIMEX-MOSTOSTAL S.A.'s GROUP FOR THE 3rd QUARTER 2010

SELECTED FINANCIAL DATA FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	in thousands	PLN	in thousands	EUR
	For the nine month period ended 30 September 2010	For the nine month period ended 30 September 2009	For the nine month period ended 30 September 2010	For the nine month period ended 30 September 2009
Income Statement and Comprehensive Income Statement				
Revenue	2 978 650	3 083 250	744 160	700 850
Revenue from continuing operations	128 654	190 789	32 142	43 368
Profit before tax	91 974	158 268	22 978	35 976
Net profit	67 763	120 107	16 929	27 301
Net profit attributable to shareholders of the parent company	60 016	105 933	14 994	24 080
Comprehensive income	70 884	156 602	17 709	35 597
Comprehensive income attributable to equity holders of the parent	62 674	138 021	15 658	31 373
Earnings per ordinary share attributable to equity holders of the parent (in PLN/ EUR)	0.13	0.23	0.03	0.05
Diluted earnings per ordinary share attributable to equity holders of the parent (in PLN/ EUR)	0.13	0.22	0.03	0.05

	in thousands	PLN	in thousands	EUR
	For the nine month period ended 30 September 2010	For the nine month period ended 30 September 2009	For the nine month period ended 30 September 2010	For the nine month period ended 30 September 2009
Statement of Cash Flows				
Net cash flows from operating activities	(330 790)	(7 605)	(82 642)	(1 729)
Net cash flows from investing activities	(90 800)	(200 954)	(22 685)	(45 679)
Net cash flows from financing activities	215 085	141 126	53 735	32 079
Net increase/(decrease) in cash and cash equivalents	(206 505)	(67 433)	(51 592)	(15 329)

	in thousands	PLN	in thousands	EUR
	As at 30 September 2010	As at 31 December 2009	As at 30 September 2010	As at 31 December 2009
Statement of financial position				
Total assets	4 005 163	3 827 717	1 004 556	931 726
Non-current liabilities	801 159	817 737	200 943	199 050
Current liabilities	1 766 054	1 626 526	442 953	395 922
Total equity	1 437 950	1 383 454	360 660	336 754
Equity attributable to equity holders of the parent	1 289 359	1 242 671	323 391	302 486

Issued capital	18 574	18 574	4 659	4 521
Number of shares (pcs.)	464 355 625	464 355 625	-	-
Diluting potential ordinary shares (pcs.)	12 378 196	12 378 196	-	-
Book value per share attributable to equity holders of the parent (in PLN/ EUR)	2.78	2.68	0.70	0.65
Diluted book value per share attributable to equity holders of the parent (in PLN/ EUR)	2.70	2.61	0.68	0.64

- individual items of the income statement and of the statement of cash flows were translated at the exchange rate of 4.0027 (for data covering the period from 01.01.2010 to 30.09.2010) and at 4.3993 (for data covering the period from 01.01.2009 to 30.09.2009), which are an arithmetic mean of average exchange rates published by the National Bank of Poland on the last day of each month covered by the presented data.

- individual items of assets and equity and liabilities of the statement of financial position were translated at the exchange rate of 3.9870 (for data as at the end of 3rd quarter 2010) and at 4.1082 (for data as at the end of 2009), which were published by the National Bank of Poland for a given statement of financial position date.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the nine months ended 30 September 2010 (in PLN thousands)

		For the three months ended 30 September 2010 <i>unaudited</i>	For the nine months ended 30 September 2010 <i>unaudited</i>	For the three months ended 30 September 2009 <i>restated</i>	For the nine months ended 30 September 2009 <i>restated</i>
Continuing operations	Note				
Revenue		1 172 498	2 978 650	1 158 031	3 083 250
Sale of goods		215 477	512 613	196 085	679 972
Rendering of services		955 746	2 450 770	958 361	2 393 285
Rental income		1 275	15 267	3 585	9 993
Cost of sales		1 067 665	2 676 922	1 034 087	2 715 863
Gross profit		104 833	301 728	123 944	367 387
Other operating income	1	3 963	13 300	(2 475)	7 081
Selling costs		7 450	20 733	6 750	20 823
Administrative expenses		51 677	158 011	50 957	156 328
Other operating expenses	2	3 234	7 630	(3 681)	6 528
Revenue from continuing operations		46 435	128 654	67 443	190 789
Finance income	3	613	19 347	161	27 332
Finance costs	4	20 455	59 985	17 072	63 530
Share of associate's profit		2 138	3 958	1 018	3 677
Profit before tax		28 731	91 974	51 550	158 268
Income tax		8 359	24 211	14 238	38 161
Net profit from continuing operations		20 372	67 763	37 312	120 107
Profit from discontinued operations for the reporting period					
Net profit for the reporting period		20 372	67 763	37 312	120 107
Attributable to:		20 372	67 763	37 312	120 107
Equity holders of the parent		17 312	60 016	33 797	105 933
Non-controlling interests		3 060	7 747	3 515	14 174
Earnings per share (in PLN)					
- number of shares			464 355 625		464 355 625
- basic, from net profit attributable to equity holders of the parent for the reporting period			0.13		0.23
Diluted earnings per share (in PLN)					
- number of shares			464 355 625		464 355 625
- diluting potential ordinary shares			12 378 196		12 378 196
- diluted, from net profit attributable to equity holders of the parent for the reporting period			0.13		0.22

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the nine months ended 30 September 2010 (in PLN thousands)

	For 3 months ended 30 September 2010 <i>unaudited</i>	For 9 months ended 30 September 2010 <i>unaudited</i>	For 3 months ended 30 September 2009 <i>restated</i>	For 9 months ended 30 September 2009 <i>restated</i>
Net profit	20 372	67 763	37 312	120 107
Currency translation differences on consolidation	(2 707)	2 851	(6 692)	(6 430)
Net gains/(losses) on valuation of cash flow hedges	6 638	324	38 381	52 836
Deferred tax	(1 195)	(54)	(7 183)	(9 911)
Other comprehensive income, net of tax	2 736	3 121	24 506	36 495
Total comprehensive income	23 108	70 884	61 818	156 602
 Comprehensive income attributable to:	 23 108	 70 884	 61 818	 156 602
Equity holders of the parent	18 870	62 674	53 558	138 021
Non-controlling interests	4 238	8 210	8 260	18 581

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2010 (in PLN thousands)

		30 September 2010 <i>unaudited</i>	31 December 2009 <i>audited</i>	30 September 2009 <i>restated</i>
ASSETS	Note			
Fixed (non-current) assets		1 707 770	1 685 293	1 548 699
Property, plant and equipment	6	979 128	947 934	863 652
Investment properties		75 122	42 352	43 282
Goodwill on consolidation		485 891	486 919	488 566
Intangible assets	7	24 505	30 773	26 478
Investments in associates accounted for using the equity method		19 293	25 946	23 412
Financial assets		4 575	4 101	3 282
Non-current prepaid expenses		31	23	242
Non-current receivables		49 602	61 313	35 030
Deferred tax assets		69 623	85 932	64 755
Current assets		2 297 393	2 142 424	2 224 242
Inventories	8	438 472	350 916	390 689
Trade and other receivables	9	1 591 181	1 317 453	1 582 728
Income tax receivables		6 382	10 568	2 520
Prepaid expenses		12 861	9 937	15 134
Cash and cash equivalents		230 872	437 377	227 808
Financial assets		17 625	16 173	5 363
Available for sale non-current assets		-	-	35
TOTAL ASSETS		4 005 163	3 827 717	3 772 976
EQUITY AND LIABILITIES				
Equity (attributable to equity holders of the parent)		1 289 359	1 242 671	1 175 067
Issued capital		18 574	18 574	18 574
Share premium		513 466	513 466	513 466
Treasury shares		(6 884)	(6 884)	(6 884)
Translation of a foreign operation		(18)	(2 798)	(628)
Supplementary capital		471 415	381 566	381 566
Reserve capital		32 534	30 494	27 645
Revaluation reserve		5 575	5 697	(7 035)
Retained earnings		254 697	302 556	248 363
Non-controlling interests		148 591	140 783	135 059
Total equity		1 437 950	1 383 454	1 310 126
Non-current liabilities		801 159	817 737	576 992
Interest-bearing bank loans and borrowings		233 488	235 998	188 601
Long-term debentures		367 425	367 396	172 828
Other liabilities		95 897	110 284	108 566
Provisions	10	85 611	81 836	87 552
Deferred tax liability		16 775	19 417	17 757
Accruals		1 963	2 806	1 688
Current liabilities	11	1 766 054	1 626 526	1 881 809
Trade and other payables		1 228 652	1 337 743	1 205 196
Short-term debentures		40 857	39 797	180 299
Current portion of interest-bearing loans and borrowings		396 671	114 826	389 712
Income tax payable		2 993	19 931	6 531
Provisions		37 403	56 405	32 967
Accruals		59 478	57 824	67 104
Arrangement liabilities to be written off		-	-	4 049
Total liabilities		2 567 213	2 444 263	2 462 850
TOTAL EQUITY AND LIABILITIES		4 005 163	3 827 717	3 772 976

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine months ended 30 September 2010 (in PLN thousands)

	Issued capital	Share premium	Treasury shares	Attributable to equity holders of the parent			Supplementary capital	Retained earnings / Accumulated losses	Total	Non-controlling interests	Total equity
				Translation of a foreign operation	Reserve capital	Revaluation reserve					
As at 1 January 2010	18 574	513 466	(6 884)	(2 798)	30 494	5 697	381 566	302 556	1 242 671	140 783	1 383 454
Profit for the period	-	-	-	-	-	-	-	60 016	60 016	7 747	67 763
Other comprehensive income, net of tax	-	-	-	2780	-	(122)	-	-	2 658	463	3 121
Total comprehensive income for the period	-	-	-	2 780	-	(122)	-	60 016	62 674	8 210	70 884
Revaluation of executive options	-	-	-	-	2 040	-	-	-	2 040	-	2 040
Profit distribution	-	-	-	-	-	-	89 849	(89 849)	-	-	-
Dividend	-	-	-	-	-	-	-	(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	-	-	-	-	-	-	-	548	548	(87)	461
As at 30 September 2010 <i>(unaudited)</i>	18 574	513 466	(6 884)	(18)	32 534	5 575	471 415	254 697	1 289 359	148 591	1 437 950

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine months ended 30 September 2010 (in PLN thousands)

(continued)

	Issued capital	Share premium	Treasury shares	Attributable to equity holders of the parent			Supplementary capital	Retained earnings / Accumulated losses	Total	Non-controlling interests	Total equity
				Translation of a foreign operation	Reserve capital	Revaluation reserve					
As at 1 January 2009	18 574	513 466	(6 884)	5 087	18 016	(44 838)	295 905	233 995	1 033 321	114 886	1 148 207
Profit for the period	-	-	-	-	-	-	-	105 933	105 933	14 174	120 107
Other comprehensive income, net of tax	-	-	-	(5 715)	-	37 803	-	-	32 088	4 407	36 495
Total comprehensive income for the period	-	-	-	(5 715)	-	37 803	-	105 933	138 021	18 581	156 602
Revaluation of executive options	-	-	-	-	9 629	-	-	-	9 629	-	9 629
Profit distribution	-	-	-	-	-	-	85 661	(85 661)	-	-	-
Dividend	-	-	-	-	-	-	-	(4 643)	(4 643)	-	(4 643)
Consolidation adjustments due to the change of share in control over a subsidiary	-	-	-	-	-	-	-	(556)	(556)	1 324	768
Non-controlling interest arising on obtaining control over a subsidiary	-	-	-	-	-	-	-	-	-	153	153
Other adjustments in equity in subsidiaries	-	-	-	-	-	-	-	(705)	(705)	115	(590)
As at 30 September 2009 <i>(restated)</i>	18 574	513 466	(6 884)	(628)	27 645	(7 035)	381 566	248 363	1 175 067	135 059	1 310 126

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

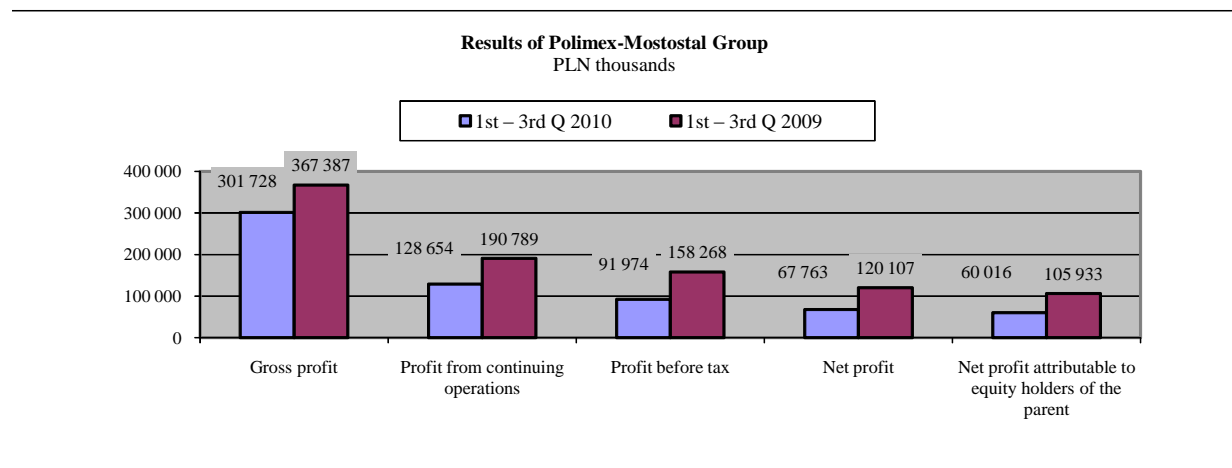
for the nine months ended 30 September 2010 (in PLN thousands)

	The nine months ended 30 September 2010 <i>unaudited</i>	The nine months ended 30 September 2009 <i>unaudited</i>
Cash flows from operating activities		
Gross profit/(loss)	91 974	158 268
Adjustments for:	(422 764)	(165 873)
Share of profit of associates accounted for using the equity method	(3 958)	(3 677)
Depreciation / Amortisation	72 408	61 405
Interests and dividends, net	34 692	21 331
(Gain)/loss from investing activities	(8 378)	(293)
(Increase)/ decrease in receivables	(291 431)	(270 876)
(Increase)/ decrease in inventories	(87 464)	4 589
Increase/ (decrease) in payables except for loans and borrowings	(104 468)	66 604
Change in accruals and prepaid expenses	(2 120)	(11 768)
Change in provisions	(15 227)	(8 436)
Income tax paid	(23 273)	(40 680)
Other	6 455	15 928
Net cash flows from operating activities	(330 790)	(7 605)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangibles	3 386	1 689
Purchase of property, plant and equipment and intangibles	(103 505)	(206 067)
Proceeds from sale of investment property	-	-
Purchase of investment property	-	-
Proceeds from sale of financial assets	12 662	-
Purchase of financial assets	(10 624)	(13)
Acquisition of a subsidiary, net of cash acquired	2 620	(656)
Dividends and interest received	4 038	4 093
Repayment of loans granted	623	-
Loans granted	-	-
Other	-	-
Net cash flows from investing activities	(90 800)	(200 954)
Cash flows from financing activities		
Proceeds from issue of debentures	258 643	323 710
Proceeds from issue of shares	-	-
Expenses for redemption of debentures	(259 994)	(324 980)
Payment of finance lease liabilities	(8 315)	(6 054)
Proceeds from loans and borrowings	382 515	217 380
Repayment of loans and borrowings	(103 180)	(34 797)
Dividends paid to equity holders of the parent	-	(4 643)
Dividends paid to non-controlling interests	(18 148)	-
Interest paid	(36 726)	(31 049)
Other	290	1 559
Net cash flows from financing activities	215 085	141 126
Net increase/(decrease) in cash and cash equivalents	(206 505)	(67 433)
Net foreign exchange difference	2 045	(2 619)
Cash and cash equivalents at the beginning of the period	437 377	295 241
Cash and cash equivalents at the end of the period	230 872	227 808

1.1. Review of Group's financial results in 3rd quarter 2010

In the period from 1st to 3rd quarter 2010, Polimex-Mostostal Capital Group recorded net profit attributable to equity holders of the parent in the amount of PLN 60,016 thousand (a decrease of 43.3% as against comparable data for the period from 1st to 3rd quarter 2009). From continuing operations the Group made the profit of PLN 128,654 thousand (a decrease of 32.6% as against comparable data for the period from 1st to 3rd quarter 2009). EBITDA amounted to PLN 201,062 thousand (a decrease of 20.3% as against comparable data for the period from 1st to 3rd quarter 2009).

The results of the Group in the period from the 1st to 3rd quarter 2010 are presented below:



The achieved results prove a significantly better performance of the parent company in the period from the 1st to the 3rd quarter 2010 (see section 3 of the Statements) as compared to Group companies. In the period from the 1st to the 3rd quarter 2010 Polimex-Mostostal S.A. reported considerably better results than in the analogous period in 2009 and what is more, with much higher net profitability (3.7% as against 2.9% in the comparative period). However, a significant profit gain was not earlier than in March this year together with intensification of works in numerous building sites of the following segments: construction, roads and railroads, power engineering and chemistry, helped with internal supplies of Polimex-Mostostal S.A.'s Production Plants. Dynamic increase in revenue was observed in particular in road projects executed for the benefit of the General Directorate for National Roads and Motorways. Additionally, continued activities in the scope of cost discipline as well as activities aimed at increasing the use of new production facilities had a positive influence.

For certain Group companies the following factors had an unfavourable influence on the results in the period from the 1st to the 3rd quarter 2010:

- for Coifer capital group – longer than expected recession together with severe devastating competition in the Romanian market; in accordance with data by RBS Bank (Romania) S.A. at the end of 2010 GDP is projected to fall by 2.9%; there is an exceptionally difficult situation in construction, where the number of commenced new projects has fallen considerably. The thorough reorganisation conducted in the Group, personnel changes made and close co-operation with Polimex-Mostostal S.A. made it possible to stop the decrease in the results. It is estimated that in 2011 the Group will achieve positive financial results;
- in the case of significant domestic groups (Energomontaż-Pólnoc group, Naftoremont group, Sefako group):
 - shifting new project starting dates by ordering parties,
 - lower revenue generated in production segment (Energomontaż Pólnoc Gdynia Sp. z o.o. and Energop Sp. z o.o – subsidiaries of Energomontaż-Pólnoc S.A.);

- in the case of Stalfa Sp. z o.o., the change of product range structure of the company (decreasing the share of props and pallets for the benefit of light steel structures) and associated costs of entering into the new market.

In the Issuer's opinion, the following factors will have a beneficial effect on Polimex-Mostostal Group's financial results:

- high value of the backlog held by the Group;
- integration of support function, optimisation of purchase costs, integration of operating activity and ownership changes relating to the process of combination of Polimex-Mostostal S.A. (the acquiring company) with 7 Group companies (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.) that is under way;
- probable to acquire and perform large modernisation projects in Polish power engineering sector; Polimex-Mostostal Group is continuing preparations in connection with the intention to participate in the said tender procedures.

The current backlog of the Group amounts to PLN 10.8 billion, of which PLN 9.0 billion is for signed contracts and PLN 1.8 billion for contracts in the final stage of negotiations. The current backlog for individual years is as follows: 2010: PLN 1.4 billion in entirety relating to contracts concluded, 2011: PLN 5.4 billion (PLN 4.9 billion is contracts concluded and PLN 0.5 billion is contracts in the final stage of negotiations); 2012: PLN 3.0 billion: PLN 2.2 billion and PLN 0.8 billion respectively, and in the following years: PLN 1.0 billion: PLN 0.5 billion and PLN 0.5 billion respectively.

The current backlog of business, after eliminating the sales attributable to consortium members, amounts to PLN 7.7 billion, of which PLN 7.0 billion is contracts signed and PLN 0.7 billion is contracts in the final stage of negotiations. The current backlog for individual years is as follows: 2010: PLN 1.1 billion in entirety relating to contracts concluded, 2011: PLN 3.7 billion (PLN 3.5 billion is contracts concluded and PLN 0.2 billion is contracts in the final stage of negotiations); 2012: PLN 2.1 billion: PLN 1.8 billion and PLN 0.3 billion respectively, and in the following years: PLN 0.8 billion: PLN 0.6 billion and PLN 0.2 billion respectively.

As at 30.09.2010, the statement of financial position total of Polimex-Mostostal Capital Group amounted to PLN 4,005,163 thousand (an increase of 6.2% as against comparable data at 30.09.2009). As at 30.09.2010 fixed assets amounted to PLN 1,707,770 thousand (an increase of 10.3% as against comparable data at 30.09.2009), and current assets amounted to PLN 2,297,393 thousand (an increase of 3.3% as against comparable data at 30.09.2009). Plant, property and equipment was the largest item in fixed assets structure constituting 24.5% of total assets. Trade and other receivables constituting 39.7% of total assets were the largest item of current assets.

Equity attributable to equity holders of the parent as at 30.09.2010 amounted to PLN 1,289,359 thousand (an increase of 9.7% as against comparable data at 30.09.2009), and liabilities amounted to PLN 2,567,213 thousand (an increase of 4.2% as against comparable data at 30.09.2009). The share premium, constituting 12.8% of total equity and liabilities, was the largest item in equity structure. Significant proportion of share premium resulted mainly from the issue of shares conducted in 2007 associated with acquisition of control over Energomontaż-Północ S.A. and acquisition of ZREW S.A. Current liabilities constituting 44.1% of total liabilities and equity were the largest item of liabilities.

According to the Statement of Cash Flows of the Group, in the period from the 1st to 3rd quarter 2010 there was a net decrease in cash and cash equivalents by PLN 206,505 thousand caused mainly by the increased demand for working capital, which was the result of an increase in receivables and inventories and an decrease in liabilities. Cash and cash equivalents at the end of the 3rd quarter 2010 amounted to PLN 230,872 thousand. Net cash from operating activities amounted to - PLN 330,790 thousand. Net cash from investing activities amounted to - PLN 90,800 thousand and net cash from financing activities was PLN 215,085 thousand.

The values of Capital Group statement of financial position ratios as well as income statement ratios mentioned below should be considered as correct. At the statement of financial position date, Polimex-Mostostal Capital Group had proper liquidity and promptly repaid borrowings. Current and quick liquidity ratios were at the safe level and were equal to 1.30 and 1.05 respectively, i.e. slightly higher than in a comparative period. There was a decrease of the general debt ratio. A decrease of profitability ratios was the result of still present economic slowdown and extremely unfavourable atmospheric conditions in construction sites (long winter, floods).

Liquidity ratios for the Polimex-Mostostal Capital Group:

current (<i>current assets : current liabilities</i>)	30.09.2010	1.30	30.09.2009	1.18
quick (<i>(current assets less inventories) : current liabilities</i>)		1.05		0.97

General debt ratio for the Polimex-Mostostal Capital Group:

(<i>liabilities : assets</i>)	30.09.2010	64.1%	30.09.2009	65.3%
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Net profit margin for the Polimex-Mostostal Capital Group:

(<i>net profit attributable to equity holders of the parent: revenue from sales</i>)	30.09.2010	2.0%	30.09.2009	3.4%
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EBITDA margin for the Polimex-Mostostal Capital Group:

(<i>EBITDA: revenue from sales</i>)	30.09.2010	6.8%	30.09.2009	8.2%
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Earnings per share in PLN for the Polimex-Mostostal Capital Group:

(<i>net profit attributable to equity holders of the parent: weighted average number of shares</i>)	30.09.2010	0.13	30.09.2009	0.23
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1.2. Significant factors and events having an impact on achieved financial results

1.2.1. Macroeconomic environment

In the opinion of BRE Bank S.A.'s analysts, data published in September indicate the continuation of economic recovery in the Polish economy and allow to assess the GDP growth rate in the 3rd quarter this year at about 4.0% y/y¹ as compared to 3.8% y/y in the 2nd quarter this year². It is connected with a continuing recovery in the German economy. According to data by GUS (Polish Central Statistical Office), the construction and assembly production important for the Issuer (in constant prices) including works of investment and overhaul nature, performed in the country by construction enterprises employing more than 9 persons, after eliminating the effect of seasonal factor, was at the level 1.5% lower in July 2010 than in July 2009, in August 2010 at the level 4.1% higher than in August 2009 and in September 2010 at the level 9.0% higher than in September 2009. An increase of performed works was reported in all branches of construction industry as against both September last year and August this year. As compared against September last year the increase amounted to: 21.4% in entities dealing mostly with mounting of buildings, 14.3% in enterprises whose core activity is specialist construction works and 5.4% in entities performing

¹ *Monthly Macroeconomic Review*, BRE Bank S.A., No 103 (10).

² *Gross Domestic Product in 2nd quarter 2010*, Current Information. Preliminary results, GUS, 30.08.2010.

mostly civil engineering works. As compared against August this year the increase in production of enterprises whose core activity is performing civil engineering works amounted to 17.8%, in enterprises performing works relating to mounting buildings – 8.9%, and in enterprises performing specialist construction works – 3.2%.³

Material costs are significant for the level of costs of Polimex-Mostostal Group, in particular the prices of steel and zinc alloys. The Issuer tries to shape its pricing policy so as the changes of prices of the above mentioned materials have the smallest influence on the profitability of conducted activity.

After significant price increases in the period from April to June, the 3rd quarter 2010 saw a decrease of CRUSPI, the world **steel** price index, from 205% to 180%. The prices have been stable for four months and no dramatic changes should be expected by the end of the year. Similar trends were reported in the index for Europe. Changes in prices published by the Polish Union of Steel Distributors (PUSD) show that prices of sheet metal and hot rolled profiles have remained at the high level since the spring. After a dramatic early spring rise, ribbed steel have become cheaper and its price is only slightly higher than this year's minimum. It can be stated that the market reaction to the attempt of price boost was not its recovery. A clear increase in demand for steel cannot be seen during the year. Further projections for the whole steel industry are difficult and uncertain.

In the 3rd quarter 2010 the prices of **zinc** alloys continued to grow, and the average zinc price at the London Metal Exchange amounted to USD 2,016 per tonne. In July the average price was USD 1,837 per tonne (an increase of 6.5% as compared to the average price in June), in August it was USD 2,055 per tonne (an increase of 11.9% as compared to the average price in July) and in September it amounted to USD 2,156 per tonne (an increase of 4.9% as compared to the average price in August). Throughout the 3rd quarter this year the stocks of zinc at the London Metal Exchange stayed at the same level. They may not increase until the following quarter as a result of a seasonal rise in demand.

The observed features of macroeconomic environment in the 3rd quarter 2010 was the **continuous strengthening of Polish zloty exchange rate as compared to the USD** and to a lesser extent as compared to the EUR. In 3rd quarter 2010 the arithmetic mean of average daily NBP exchange rates was for EUR/PLN: 4.0081 as compared to 4.0119 in 2nd quarter 2010 (a decrease of 0.10%) and for USD/PLN: 3.1048 as compared to 3.1605 in 2nd quarter 2010 (a decrease of 1.76%). In 3rd quarter 2010 the standard deviation of average daily NBP exchange rates for EUR/PLN was 0.0614 (0.1114 in the 2nd quarter 2010) and for USD/PLN it was 0.0964 (0.2184 in 2nd quarter 2010). The above mentioned observations indicate a decrease in the volatility of EUR/PLN exchange rate (the variability factor⁴ in the 3rd quarter 2010 was 1.53% as compared to 2.78% in the 2nd quarter 2010) and a decrease in volatility of USD/PLN exchange rate (the variability factor in the 3rd quarter 2010 was 3.10% as compared to 6.91% in the 2nd quarter 2010).

In 3rd quarter 2010 **the NBP reference rate did not change** and since 25.06.2009 it has remained at the level of 3.50%.

³ *Index numbers of industrial and construction-assembly production*, Current information. Preliminary results, GUS, 18.08.2010, 17.09.2010, 19.10.2010.

⁴ Variability factor = Standard deviation / Arithmetic mean

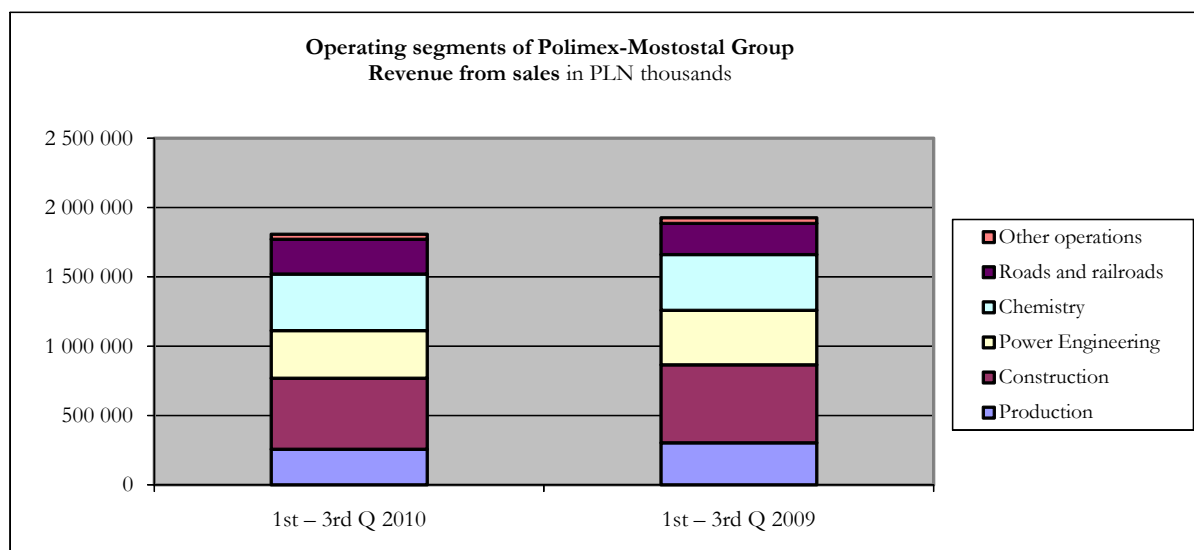
1.2.2. Operating segments and geographic information

In the period from 1st to 3rd quarter 2010 the operating segments participated in sales as follows:

PLN '000

Segment	Change 1st-3rd Q 2010 / 1st-3rd Q 2009	1st-3rd Q 2010		1st-3rd Q 2009	
		value	share	value	share
Production	2.2%	435 057	14.6%	425 636	13.8%
Construction	-11.6%	778 173	26.1%	880 296	28.6%
Power Engineering	-12.9%	572 205	19.2%	656 788	21.3%
Chemistry	3.1%	651 685	21.9%	632 122	20.5%
Roads and railroads	10.5%	470 367	15.8%	425 822	13.8%
Other activity	13.7%	71 163	2.4%	62 586	2.0%
Total revenue from sales	-3.4%	2 978 650	100.0%	3 083 250	100.0%

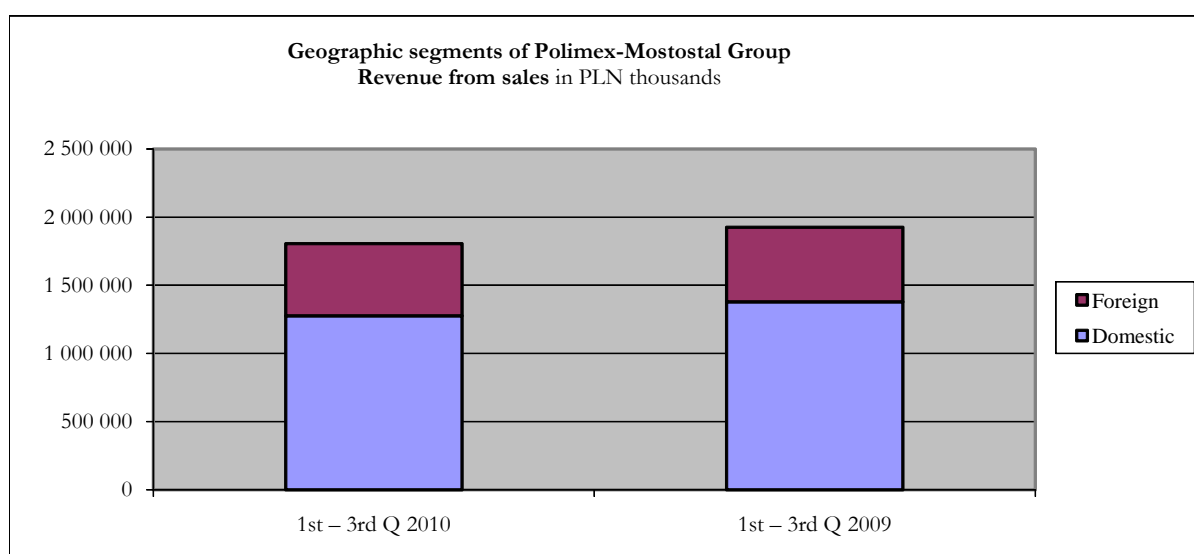
The highest share in sale was attributed to Construction industry – 26.1% (a decrease in sales value by 11.6% as against comparable data for the 1st – 3rd quarter 2009), and then Chemistry – 21.9% (an increase in sales of 3.1% as against comparable data for the 1st – 3rd quarter 2009; mostly in connection with the execution of the Polimex-Mostostal S.A.’s contract for general contracting of construction and assembly works under the investment task “Construction of Terephthalic Acid (PTA)”. Significant growth in revenues attributed to Roads and railroads (an increase in sales value of 10.5% as against comparable data for the 1st – 3rd quarter 2009) was mostly the result of the dynamic growth of works in road and railroad infrastructure.



The value and **geographic structure** of Polimex-Mostostal S.A. Group's sales in the period from the 1st to the 3rd quarter 2010 was as follows:

Segment	Change 1st-3rd Q 2010 / 1st-3rd Q 2009	1st-3rd Q 2010		1st-3rd Q 2009	
		value	share	value	share
Domestic	-8.6%	2 105 511	70.7%	2 302 608	74.7%
Foreign	11.8%	873 139	29.3%	780 642	25.3%
Total revenue from sales	-3.4%	2 978 650	100.0%	3 083 250	100.0%

As compared to the period from 1st to 3rd quarter 2009 a value and structure growth in sales to foreign markets was reported. The domestic market, where 70.7% of total revenues from sales of Polimex-Mostostal Capital Group were generated, was the main market for the Group in the period from 1st to 3rd quarter 2010.



1.2.3. Significant executed construction contracts

In the 3rd quarter 2010 the Group companies generated the highest revenue from the execution of the following contracts (information on execution of contracts by Polimex-Mostostal S.A. in section 4.2):

Project name	Revenue made in 3 rd quarter 2010 in PLN thousands	Operating segment
Contract for performance of LOT B – modernisation of routes: Legionowo – Nowy Dwór Mazowiecki; Nowy Dwór Mazowiecki - Modlin; Modlin - Nasielsk; Nasielsk - Świercze under FS Project No 2005/PL/16/C/PT/001 "Modernisation of E-65 railroad section Warsaw - Gdynia stage 2" in Poland.	84 360	Roads and railroads
Assembly of containers Rotterdam, Dalia	20 838	Chemistry
Assembly of containers LURGI; ROTTERDAM AL HERACLES	16 132	Chemistry
Contract for performance of E-65 Warsaw – Gdynia in the section from km 287.700 (in Szymankowo-Lisewo route) to km 315.700 (in Pszczółki – Pruszcz Gdański route) covered by the area of Local Steering Centre in Tczew under project „Modernisation of E-65 railroad, Warsaw – Gdynia section, stage 2”.	13 816	Roads and railroads
Assembly of containers GELDOF, Amsterdam	12 795	Chemistry

Desulphurisation installation in Kozienice Power Plant	11 274	Power Engineering
WESTFALEN project (bunches of RH1 heater/2 block E) for Alstom Power Systems (Germany)	5 602	Power Engineering
MHC Lotos Gdańsk	4 977	Chemistry
Assembly works PTA at Anwil S.A.	4 807	Chemistry
KARLSRUHE project (coils SH – 4) for Alstom Power Systems (Germany)	3 883	Power Engineering
Assembly of a boiler in Ireland (MEATH project) for BWV (Denmark)	3 450	Power Engineering
Total	181 934	

2. ADDITIONAL INFORMATION TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1. Information on the parent company and Polimex-Mostostal Group

2.1.1. Corporate information

The Polimex-Mostostal Capital Group (“the Group”) is composed of Polimex-Mostostal S.A., the parent company (“the parent”, “the Company”, “the Parent Company”) and its subsidiaries. The consolidated financial statements of the Group cover the nine months ended 30 September 2010 and contain comparative data for the nine months ended 30 September 2009 and as at 30 September 2009 and as at 31 December 2009 (for the statement of financial position).

Polimex - Mostostal S.A. (the parent company) operates based on articles of association established with a notarial deed on 18 May 1993 (Rep. No 4056/93) with further amendments.

Registered Office: country POLAND, the MAZOVIA province, powiat of the Capital City of Warsaw, WARSAW – CENTRUM commune, city of Warsaw.

Address: ul. Czackiego 15/17 -950 – 950 WARSAW.

The Company has been registered by the District Court for the Capital City of Warsaw, 12th Economic Department of the National Court Register, Entry No KRS 0000022460.

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

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

- Production,
- Construction,
- Power engineering,
- Chemistry,
- Roads and railroads,
- Other activities.

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

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

2.1.2. Composition of the Group

The Group comprises Polimex-Mostostal S.A., the parent company, with the registered office in Warsaw and the following subsidiaries and Capital Groups:

Item no.	Entity name	Registered office	Business activities	% held by the Group in share capital	
				30 September 2010 (%)	31 December 2009 (%)
	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	Polimex-Development – Kraków Sp. z o.o. (*) (Capital Group)	Cracow	Execution of construction works	100.00	100.00
6	Naftoremont Sp. z o.o. (*) (Capital Group)	Plock	Execution of construction and erection works	67.05	67.05
7	Stalfa Sp. z o.o.(*)	Sokolów Podlaski	Metal products manufacturing	100.00	100.00
8	Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o. (*)	Siedlce	Transport services	100.00	100.00
9	Polimex-Mostostal ZUT Sp. z o.o. (*)	Siedlce	Engineering services	100.00	100.00
10	Polimex-Mostostal Ukraina SAZ (*)	Kiev	Housing development	100.00	100.00
11	SPB Przembud Sp. z o.o. (***) in liquidation	Szczecin	Specialist and general construction	75.54	75.54

12	MSP Tchernovograd - Ukraine (**)	Tchernovograd- Ukraine	Metal structure manufacturing	99.50	99.50
13	Polimex-Hotele Sp. z o.o. (*)	Warsaw	Housing development	100.00	100.00
14	Polimex-Mostostal Development Sp. z o.o. (*)	Warsaw	Housing development	100.00	100.00
15	Torpol Sp. z o.o. (*) (Capital Group)	Poznań	Comprehensive execution of transport facilities	100.00	100.00
16	Energomontaż Północ S.A. (*) (Capital Group)	Warsaw	Execution of construction systems, manufacturing of metal structures, road transport of goods	65.55	65.55
17	Centrum Projektowe Polimex Mostostal Sp. z o.o. (*)	Gliwice	Construction, urban and engineering design and planning	99.42	99.32
18	Zakład Budowlano – Instalacyjny Turbud Sp. z o.o.(*)	Płock	Housing development, industrial buildings and rehabilitation	100.00	100.00
19	EPE Rybnik Sp. z o.o.(*)	Rybnik	Overhaul services of power engineering equipment	100.00	100.00
20	Zarząd Majątkiem Górczewska Sp. z o.o.(*) (Real Estate Administration)	Warsaw	Real estate lease, tenancy and administration	100.00	100.00
21	Zakłady Remontowe Energetyki Kraków Sp. z o.o.(*)	Cracow	Engine, turbine and steam generator installation, repair and maintenance services	98.17	98.17
22	PxM Projekt-Południe Sp. z o.o.	Cracow	Design services in construction sector	100.00	100.00
23	Coifer Capital Group	Romania	Steel structure manufacturing	100.00	100.00
24	WBP Zabrze Sp. z o.o.	Zabrze	Design services	99.90	99.90

25	ZRE Lublin S.A.	Lublin	Steam generator installation, repair and maintenance services	69.76	69.76
26	PRInż – 1 Sp. z o.o.	Katowice	Road construction	88.62	86.78
27	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
28	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
29	Polimex-Mostostal Wschód Sp. z o.o. (***)	Moscow, Russia	Specialist and general construction	100%	100%
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. (**)	Siedlce	Manufacturing	30.00	30.00
33	Energomontaż – Północ Belchatów Sp. z o.o. (**)	Belchatów	Specialist construction and erection services	32.82	32.82
*	entity consolidated using the full method				
**	entity recognized using the equity method				
***	the entity consolidated using the full method from 2010				
****	the Company eliminated from consolidation				

As at 30 September 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 is 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.

The following changes took place in the composition of the Group in the 3rd quarter 2010:

- as a result of executing a number of contracts to transfer share for the total amount of PLN 52 thousand, the Issuer increased its holding in the capital of Przedsiębiorstwo Robót Inżynieryjnych PRInż-1 Sp. z o.o. up to 88.62%
- Polimex-Mostostal Wschód Sp. z o.o. z with the registered office in Russia, in which the Issuer holds 100% share in capital, has been consolidated using the full method. In the prior years the company conducted hardly any operations and was not included in the consolidation.

2.1.3. Composition of the Company's Management Board

As at 30 September 2010 the composition of the Management Board was as follows:

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

2.1.4. Approval of financial statements

These condensed consolidated financial statements were authorized for issue by the Management Board on 8 November 2010.

2.2. Principles adopted for the preparation of the interim condensed consolidated financial statements for the 3rd quarter 2010

2.2.1. Significant accounting policies

Basis of preparation of financial statements

The condensed consolidated financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments and available for sale financial assets, which are measured at fair value.

The carrying amount of recognised hedged assets and liabilities is adjusted by the changes in fair value attributable to the risk against which the assets and liabilities are hedged.

The condensed consolidated financial statements are presented in Polish zloty ("PLN") and all values are rounded to the nearest thousand (PLN '000).

The condensed consolidated financial statements have been prepared on the assumption that the significant Group companies will continue as going concerns in the foreseeable future. As at the date of authorisation of these condensed consolidated financial statements the Group's Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of Group's significant companies except for the following companies: Nafto-tour Sp. z o.o. in liquidation (company of Naftobudowa Group), Porty S.A. in liquidation, Energomontaż-Północ –Sochaczew" in bankruptcy (the company of Energomontaż Północ Group).

Statement of compliance

These condensed financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') applicable to interim reporting, which have been adopted by the European Union, in particular IAS 34. At the date of authorisation of these financial statements for issue, in light of the current process of IFRS adoption 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 adopted 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').

Certain Group entities keep their books of account in accordance with accounting policies (principles) specified in the Accounting Act of 29 September 1994 („the Act”) with further amendments and the regulations issued based on that Act ("Polish accounting standards") or according to accounting standards in force in the countries where the companies have their registered offices. The condensed consolidated financial statements contain adjustments introduced to make the financial statements of these entities compliant with IFRSs.

Significant accounting principles

Significant accounting principles applied when preparing these financial statements were described in detail in the consolidated financial statements for the 12 month period ended 31 December 2009, which was communicated to the public on 26 April 2010.

Presentation and reclassification changes made to keep the data comparable and covering financial data for the nine months ended 30 September 2009 and as at 30 September 2009 and as at 31 December 2009 are as follows:

- starting from 2010, when the Company and the Group are a consortium leader, they recognize in the income statement only the revenue arising from the share of Polimex-Mostostal and the Group in the consortium. In connection with the above, there was a change made in the presentation of revenue from sales presented for the 9 months ended 30 September 2009 - a decrease in revenue from sales and the cost of sale of PLN 102,223 thousand in the income statement of the Company and respectively in the consolidated income statement of the Group in the amount of PLN 228,690 thousand,
- in the Issuer's statement of financial position as at 30 September 2009 and in the Group's consolidated statement of financial position an adjustment of the fundamental error was made relating to the valuation of long-term contracts covered by valorisation in 2007 and 2008. The adjustment resulted in the decrease in Company's and Group's assets and equity and liabilities by PLN 20,589 thousand. The adjustment was described in detail in the annual report for 2009.

2.2.2. Adjustments of errors

There was no adjustment of a fundamental error in the reporting period.

2.2.3. Estimates

Preparation of financial statements in accordance with IFRSs requires estimates and assumptions to be made, which have an effect on the amounts reported in the financial statements as well as in other information and explanatory notes. Despite the fact that the assumptions and estimates are based on the Management's best knowledge of current activities and events, achieved results may differ from the estimated ones.

As at 30 September 2010 Polimex-Mostostal Group recognised deferred tax assets in the amount of PLN 146,512 thousand and a deferred tax liability in the amount of PLN 93,664 thousand.

In the 3rd quarter 2010 the following adjustments for provisions and revaluation reserves were made in the Group:

increase:

- provisions for executive options PLN 687 thousand.
- provisions for costs of contracts and other costs PLN 9,768 thousand
- provisions for employee benefits PLN 11,164 thousand
- provisions for guarantee repairs PLN 999 thousand
- provisions for a loss PLN 303 thousand
- other provisions PLN 525 thousand
- inventories allowance PLN 1,790 thousand

decrease:

- release of provisions for costs of contracts and other costs PLN 8,102 thousand
- release of receivables allowance PLN 3,219 thousand
- release of provisions for employee benefits PLN 11,238 thousand
- release of provisions for guarantee repairs PLN 2,198 thousand
- release of provisions for losses PLN 1,727 thousand
- release of other provisions PLN 353 thousand
- release of inventories allowance PLN 1,634 thousand

Condensed financial statements of Polimex - Mostostal S.A., the parent company.

As at 30 September 2010 the parent company recognised deferred tax assets in the amount of PLN 121,142 thousand and a deferred tax liability in the amount of PLN 76,889 thousand.

In the 3rd quarter of 2010 the following adjustments for provisions and revaluation reserves were made:

increase:

- provisions for executive options PLN 687 thousand.
- provisions for costs of contracts and other costs PLN 3,041 thousand
- provisions for employee benefits PLN 5,309 thousand
- provisions for guarantee repairs PLN 999 thousand
- inventories allowance PLN 670 thousand
- other provisions PLN 52 thousand

decrease:

- release of provisions for costs of contracts and other costs PLN 290 thousand
- release of receivables allowance PLN 434 thousand
- release of provisions for employee benefits PLN 3,871 thousand
- release of provisions for guarantee repairs PLN 2,189 thousand

2.2.4. Functional currency and presentation currency

Polish zloty is the functional currency of the parent company and other companies included in these condensed consolidated financial statements and the presentation currency is also Polish zloty except for the following companies: Tchervonograd MSP, Polimex Mostostal Ukraine, Depolma GmbH, Coifer Capital Group and Polimex Mostostal Wschód. Financial data of the above mentioned companies were translated into the presentation currency in accordance with the principles specified in IAS 21.

2.2.5. Basis of consolidation

These condensed consolidated financial statements comprise the financial statements of *Polimex-Mostostal S.A.* and financial statements of subsidiaries each time prepared for the 9 months ended 30 September 2010. Financial statements of subsidiaries are prepared for the same reporting period as those of the parent company, using consistent accounting policies, and based on the uniform accounting policies applied to similar business transactions and events. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All significant intercompany balances and transactions, including unrealised gains arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless they indicate an impairment.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which such control is transferred out of the Group. An entity is controlled by the Parent Company when the parent has, directly or indirectly, through its subsidiaries, more than half of the votes at the shareholders' meeting of that entity, unless it is possible to prove that such holding does not represent control. Control is also exercised if the company has the power to influence the financial and operating policy of a given entity.

2.2.6. Investments in associates

Investments in associates are accounted for using the equity method. An associate is an entity in which the Parent Company has, either directly or through subsidiaries, significant influence and which is neither its subsidiary nor a joint venture. Financial statements of the associates are the basis for valuation of the Parent's investments in associates using the equity method. The financial year of an associate and that of the Parent Company is identical. Certain associates apply accounting policies as defined in the Accounting Act. Before the share in their net assets is calculated, financial data of associates is adjusted to bring it to conformity with IFRS applied by the Group.

Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Parent's share of the associates' net assets, less any impairment losses. The income statement reflects the parent's share in the results of operations of the associates. Where there has been a change recognised directly in the associates' equity, the Parent recognises its share in each change and discloses it, when applicable, in the statement of changes in equity.

2.2.7. Interest in a joint venture

Interests in joint ventures in which the Group exercises joint control are accounted for using the equity method. Before the share in the joint venture's net assets is calculated, the financial data of the joint venture is adjusted to bring it to conformity with IFRS applied by the Group.

Investments in joint ventures are assessed for impairment if there is any objective evidence that an investment may be impaired or when an impairment write-off recognised in previous years is no longer required.

2.2.8. Foreign currency translation

Transactions denominated in currencies other than Polish zloty are translated into Polish zloty at the foreign exchange rate prevailing on the transaction date.

At the statement of financial position date, assets and liabilities expressed in currencies other than Polish zloty are translated into Polish zloty using the average NBP (the National Bank of Poland) rate prevailing for the given currency at the year-end. Foreign currency differences that arise on translation are recognised appropriately in the finance income (costs). Non-monetary foreign currency assets and liabilities recognised at historical cost are translated at the historical foreign exchange rate prevailing on the transaction date. Non-monetary foreign currency assets and liabilities recognised at fair value are translated into Polish zloty using the rate of exchange binding as at the date of remeasurement to fair value.

To translate selected financial data into EUR the following exchange rates were adopted:

- translation of turnover, financial results and cash flows for the current period – the exchange rate of 4.0027 PLN/EUR
- translation of assets and equity and liabilities as at 30 September 2010 – the exchange rate of 3.9870 PLN/EUR
- translation of turnover, financial results and cash flows for the comparative period – the exchange rate of 4.3993 PLN/EUR
- translation of assets and equity and liabilities as at 31 December 2009 – the exchange rate of 4.1082 PLN/EUR

2.3. Error adjustments and changes of accounting policies

There was no adjustment of a fundamental error in the reporting period.

2.4. Selected other explanatory notes to the condensed consolidated financial statements (in PLN thousands)

Note 1

	for the nine months ended 30 September 2010 <i>unaudited</i>	for the nine months ended 30 September 2009 <i>unaudited</i>
Other operating income		
Gain on disposal of non-financial fixed assets	2 097	501
Reversed provision for future expenses	763	542
Court settlement	282	249
Recovered damages payments and fines	4 866	1 301
Grants received	1 195	602
Gain/loss on the associate's liquidation	404	184
Accrued liquidated damages	62	-
Other	3 631	3 702
Other operating income, total	13 300	7 081

Note 2

	for the nine months ended 30 September 2010 <i>unaudited</i>	for the nine months ended 30 September 2009 <i>unaudited</i>
Other operating expenses		
Donations	857	531
Damages and fines	1 670	1 176
Court expenses	452	1 069
Costs of post-accident repairs	185	342
Liquidated assets non- written off	144	58
Provision for expenses	147	226
Costs relating to utilisation of grants	971	-
Impairment loss on property, plant and equipment	184	1 106
Other	3 020	2 020
Total other operating expenses	7 630	6 528

Note 3

	for the nine months ended 30 September 2010 <i>unaudited</i>	for the nine months ended 30 September 2009 <i>unaudited</i>
Finance income		
Interest	3 248	4 549
Interest for delay in debt payment	61	552
Dividends	-	861
Revenue from measurement and exercise of derivative instruments	7 962	18 178
Foreign exchange gains	56	2 739
Gain on disposal of investment	6 511	-
Revaluation of financial assets	-	-
Other	1 509	453
Total finance income	19 347	27 332

Note 4

	for the nine months ended 30 September 2010 <i>unaudited</i>	for the nine months ended 30 September 2009 <i>unaudited</i>
Finance costs		
Interest	16 893	13 149
Debenture commissions and interest	19 923	15 859
Expenses arising from measurement and exercise of derivative instruments	1 312	16 434
Finance charges payable under finance lease agreements	1 365	1 375
Bank commissions and charges	2 016	604
Foreign exchange losses	15 155	14 160
Other	3 321	1 949
Total finance costs	59 985	63 530

Note 5

	for the nine months ended 30 September 2010 <i>unaudited</i>	for the nine months ended 30 September 2009 <i>unaudited</i>
Costs by type		
Depreciation / Amortisation	72 408	61 405
Materials and energy	680 198	776 695
External services	1 519 593	1 320 245
Taxes and charges	30 923	24 732
Employee benefits expenses	698 523	687 921
Other costs by type	56 810	55 015
Total costs by type	3 058 455	2 926 013

Note 6

	30 September 2010 <i>unaudited</i>	31 December 2009 <i>audited</i>	30 September 2009 <i>unaudited</i>
Property, plant and equipment			
Land, buildings and structures	515 744	473 912	375 638
Plant and machinery	263 960	244 945	199 953
Motor vehicles	70 204	65 064	60 346
Other property, plant and equipment	129 220	164 013	227 715
<i>of which: fixed assets under construction</i>	<i>106 653</i>	<i>140 482</i>	<i>207 247</i>
Total property, plant and equipment, net	979 128	947 934	863 652

	30 September 2010 <i>unaudited</i>	31 December 2009 <i>audited</i>	30 September 2009 <i>unaudited</i>
Note 7			
Intangible assets			
Software	16 169	17 033	14 664
Goodwill	4 015	4 015	2 515
Other	4 321	9 725	9 299
Total intangible assets, net	24 505	30 773	26 478
	30 September 2010 <i>unaudited</i>	31 December 2009 <i>audited</i>	30 September 2009 <i>unaudited</i>
Note 8			
Inventories			
Raw materials	125 170	64 325	75 463
Semi-finished goods and work in progress	285 228	260 422	288 345
Finished goods	16 686	15 385	16 941
Goods for resale	2 760	998	297
Supply advance payments	8 628	9 786	9 643
Total inventories, net	438 472	350 916	390 689
	30 September 2010 <i>unaudited</i>	31 December 2009 <i>audited</i>	30 September 2009 <i>restated</i>
Note 9			
Current receivables			
Trade receivables	1 545 327	1 269 077	1 517 511
Other receivables	45 854	48 376	65 217
Total current receivables, net	1 591 181	1 317 453	1 582 728
	30 September 2010 <i>unaudited</i>	31 December 2009 <i>audited</i>	30 September 2009 <i>unaudited</i>
Note 10			
Non-current provisions			
Provisions for employee benefits	74 609	77 129	74 031
Other provisions	11 002	4 707	13 521
Total non-current provisions	85 611	81 836	87 552
	30 September 2010 <i>unaudited</i>	31 December 2009 <i>audited</i>	30 September 2009 <i>unaudited</i>
Note 11			
Current liabilities			
Trade payables	1 025 376	1 077 675	914 699
Current portion of interest-bearing loans and borrowings	396 671	114 826	389 712
Income tax	2 993	19 931	6 531
Other tax liabilities, ZUS (Social Insurance Institution)	88 435	118 767	98 609
Financial liabilities (including debentures)	56 400	77 650	226 825
Other liabilities	99 298	103 448	145 362
Accruals	59 478	57 824	67 104
Provisions	37 403	56 405	32 967
Total current liabilities	1 766 054	1 626 526	1 881 809

2.5. Operating segments and geographic information

The tables below present data on consolidated revenue of individual operating segments and geographical information of the Group for the nine months ended 30 September 2010 (in PLN thousands)

Operating segments for the nine months ended 30 September 2010	Continuing operations						Eliminations	Total Operations
	Production	Construction	Power Engineering	Chemistry	Roads and railroads	Other operations		
Sales to external customers	435 057	778 173	572 205	651 685	470 367	71 163	-	2 978 650
Inter-segment sales	132 955	16 240	12 763	38 807	-	34 318	(235 083)	-
Total segment revenue	568 012	794 413	584 968	690 492	470 367	105 481	(235 083)	2 978 650

Operating segments for the nine months ended 30 September 2009	Continuing operations						Eliminations	Total Operations
	Production	Construction	Power Engineering	Chemistry	Roads and railroads	Other operations		
Sales to external customers	425 636	880 296	656 788	632 122	425 822	62 586	-	3 083 250
Inter-segment sales	190 295	37 406	16 004	40 805	-	30 185	(314 695)	-
Total segment revenue	615 931	917 702	672 792	672 927	425 822	92 771	(314 695)	3 083 250

Geographic information for the nine months ended 30 September 2010	Domestic		Foreign	Eliminations	TOTAL
Sales to external customers		2 105 511	873 139	-	2 978 650
Inter-segment sales		6 382	13 224	(19 606)	-
Total segment revenue		2 111 893	886 363	(19 606)	2 978 650

Geographic information for the nine months ended 30 September 2009	Domestic		Foreign	Eliminations	TOTAL
Sales to external customers		2 302 608	780 642	-	3 083 250
Inter-segment sales		2 556	7 361	(9 917)	-
Total segment revenue		2 305 164	788 003	(9 917)	3 083 250

2.6. Consolidated off-statement of financial position items as at 30 September 2010 (in PLN thousands)

	30 September 2010 <i>unaudited</i>	31 December 2009 <i>audited</i>	30 September 2009 <i>unaudited</i>
Contingent receivables	404 486	562 137	440 950
From related parties (arising from)	-	30 557	-
- guaranties and sureties received	-	30 557	-
From other parties (arising from)	404 486	531 580	440 950
- guaranties and sureties received	294 379	386 015	336 445
- bills of exchange	42 090	55 691	57 928
- legal claims	68 017	89 874	46 577
Contingent liabilities	1 718 716	1 790 279	1 662 522
To related parties (arising from)	-	31 501	-
- guaranties and sureties granted	-	31 501	-
To other parties (arising from)	1 718 716	1 758 778	1 662 522
- guaranties and sureties granted	1 225 263	1 233 096	1 189 192
- promissory notes	175 847	146 893	141 912
- legal claims	15 151	14 133	5 836
- other	693	618	616
- contractual ordinary/ capped* mortgage	301 762	310 012	301 762
- conditional agreements	-	18 768	23 204
- assignment of the debt	-	35 258	-
Other (arising from)	114 623	114 623	121 522
- perpetual usufruct right to land	-	-	6 899
- transferred to off-statement of financial position records	114 623	114 623	114 623
balances relating to**:			
- receivables	48 839	48 839	48 839
- cash	15 973	15 973	15 973
- liabilities	25 330	25 330	25 330
- deferred income	24 481	24 481	24 481
Total off-statement of financial position items	2 237 825	2 467 039	2 224 994

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 in Tarnobrzeg Special Economic Zone zone 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 in Tarnobrzeg Special Economic Zone zone 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 at ul.Elektryczna 2a KW WA 4M/00234465/1,

5. Mortgages of Polimex Mostostal Group's subsidiaries in the amount of PLN 79,312 thousand as at 30 September 2010, PLN 87,562 thousand as at 31 December 2009 and as at 30 September 2009 in the amount of PLN 79,312 thousand.

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

2.7. Risk management objectives and policies

The main types of risks in the Group include risks related to interest rate, liquidity, foreign currency, credit, raw material prices. The Management reviews and agrees on policies for managing each of these risks - the policies are summarised below. The Group also monitors the market price risk arising from all financial instruments it holds.

Interest rate risk**Polimex-Mostostal S.A.**

The parent company has financial assets in bank accounts and has liabilities on account of bank loans and issued debentures based on floating interest rate. The Company monitors the situation on the financial market, analyses trends and prognoses in a scope of reference market rates in order to decide, at a proper moment, to conclude contracts hedging the Company against the increase of interest costs of loans, which may be unbeneficial to the Company. As at 31.09.2010 the Company had no open transactions hedging interest rate risk.

Polimex-Mostostal Capital Group

The Group companies, like the parent company, have cash in banks and liabilities for bank loans based on the floating interest rate. The companies monitor the situation on the financial market, analyse trends and prognoses in a scope of reference market rates in order to decide, in proper moment, to conclude contracts preventing the them from the increase of debt interest costs which may be unbeneficial to the Group companies. On 12 March 2010 Energop Sp. z o.o. , a subsidiary of Energomontaż-Północ S.A., which is part of Polimex-Mostostal Group, entered into an interest rate swap transaction in a form of an amortised swap. The interest rate risk relating to the investment loan in EUR drawn by the Company is the subject of this hedging transaction. The output nominal value of the transaction was specified at EUR 4 million – the hedged amount of loan is reduced (amortised) on quarterly basis in the period from 30 September 2010 (transaction initial date) to 16 December 2013 (transaction final date). Quarterly, in the dates given in the transaction terms and conditions, the company makes an interest payment to the other party based on the fixed interest rate of 2.20% p.a. in exchange for interest payments based on the floating interest rate equal to EUR-LIBOR 3M.

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 S.A.

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

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

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

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

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

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

IFRS 7 – Financial Instruments: Disclosure,

IAS 39 – Financial instruments: Recognition and Measurement,

IAS 32 – Financial Instruments: Disclosure and Presentation.

The Company has transactional foreign currency exposures. About 25% of transactions executed by the Company is denominated in currencies other than the presentation currency, whereas more than 90% of costs is denominated in the 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 3rd quarter 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 September 2010 Polimex-Mostostal S.A. was a party to 20 hedging strategies as characterised below (nominal values of transactions as well as price conditions for instruments to be exercised after 30.09.2010):

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 5 October 2010 and 3 June 2011 amounts to EUR 3,109,000 (in each case the nominal value of the acquired PUT option clears the nominal value of the issued CALL option). The 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. The 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 1,027,000 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 forward future contract of 30 September 2009 to sell the total of EUR 1,753,000 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.
3. A forward future contract of 27 October 2009 to sell the total of EUR 1,845,000 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;
4. A series of forward future contracts of 16 December 2009 on the sale of the total amount of EUR 3,079,000 for PLN to be exercised in 6 dates in the period from 11 October 2010 to 3 June 2011. The forward rate for each maturity date was specified at 4.2650 PLN/EUR;
5. A series of forward contracts of 3 March 2010 on the sale of the total amount of EUR 929,000 for PLN to be exercised in 3 dates in the period between 29 October 2010 and 15 June 2011. The forward rate for each maturity date was specified at 3.9610 PLN/EUR;
6. A forward future contract of 5 May 2010 to sell EUR 212,000 for PLN to be exercised at 11 October 2010. The forward rate was specified at 4.0400 PLN/EUR;

7. A series of forward future contracts of 5 May 2010 on the sale of the total amount of EUR 900,000 for PLN to be exercised in 6 dates in the period from 11 October 2010 and 20 December 2010. The forward rate for each maturity date was specified at 4.0600 PLN/EUR;
8. A forward future contract of 5 May 2010 to sell the total of EUR 3,497,000 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;
9. 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;
10. A series of forward future contracts of 5 May 2010 on the sale of the total amount of EUR 449,000 for PLN to be exercised in 2 dates in the period between 29 November 2010 and 30 March 2011. The forward rate for each maturity date was specified at 4.0743 PLN/EUR;
11. 2 forward future contracts of 6 May 2010 to sell the total of EUR 2,436,000 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;
12. A series of forward future contracts of 21 May 2010 on the sale of the total amount of EUR 968,000 for PLN to be exercised in 4 dates in the period between 29 October 2010 and 29 March 2011. The forward rate for each maturity date was specified at 4.1810 PLN/EUR;
13. A series of forward future contracts of 21 May 2010 on the sale of the total amount of EUR 616,000 for PLN to be exercised in 2 dates in the period between 29 October 2010 and 30 November 2011. The forward rate for each maturity date was specified at 4.1850 PLN/EUR;
14. A series of forward future contracts of 7 June 2010 on the sale of the total amount of EUR 3,689,000 for PLN to be exercised in 7 dates in the period between 26 October 2010 and 3 June 2011. The forward rate for each maturity date was specified at 4.2112 PLN/EUR;
15. A series of forward contracts of 29 June 2010 on the sale of the total amount of EUR 600,000 for PLN to be exercised in 6 dates in the period from 5 October 2010 and 15 December 2010. The forward rate for each maturity date was specified at 4.1773 PLN/EUR.
16. 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.

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 30.09.2010 Polimex-Mostostal S.A. had open hedging transactions for the amount of EUR 34,299,000 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 20,715,000 fall in the 4th quarter 2010. The remaining EUR 13,584,000 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
October	490	6 155	6 645
November	490	5 757	6 247
December	490	7 333	7 823
Total in 4th quarter 2010	1 470	19 245	20 715

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

Measurement of derivative instruments as at 30 September 2010

As at 30 September 2010, fair value of the open derivative instruments was assessed at PLN 6,639.2 thousand. In accordance with the hedge accountancy policy approved by the Company, effectiveness of hedging connections was measured. Cash flow hedges were considered as highly effective, and the change in the effective portion of the fair value of financial instruments was recognized directly in other comprehensive income; data in PLN thousands

As at 30.06.2010	Movement in 3 rd quarter 2010	As at 30.09.2010
1 173	2 830	4 003

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

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

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

Detailed list	4th quarter 2010
Projected foreign currency proceeds – equivalent in EUR thousands	55 440
Future foreign currency expenditures – equivalent in EUR thousands	31 264
Business exposure to foreign currency risk in EUR thousand	24 176
Open hedging transactions as at 30.09.2010 to be exercised in 4 th Q 2010; in EUR thousands	20 715
Open item in foreign currency (after taking into consideration hedging transactions) in EUR thousands	3 461

The nominal value of open hedging instruments as at 30 September 2010 accounts for 86% of total projected exposure to foreign currency risk in the 4th quarter 2010. Foreign currency cash flows for contracts concluded by the Company by the date of the completion of this list account for more than 85% of business exposure computed as above. As a result, business exposure to foreign currency risk for cash flows contracted as at 30.09.2010 was covered in 100% 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 September 2010 the Company entered into the following hedging transaction:

* a series of forward future contracts of 29 October 2010 on the sale of the total amount of EUR 1,536,000 for PLN to be exercised in 3 dates in the period between 30 November 2010 and 28 January 2011. The forward rate for each maturity date was specified at 4.0001 PLN/EUR.

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 held with projected exposure to foreign currency risk. In the 3rd quarter 2010 the Group companies consequently applied the implemented policies for foreign currency risk management.

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

The foreign currency issues in listed companies of Naftobudowa S.A. and Energomontaż-Północ S.A. were presented in reports for the 3rd quarter 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 September 2010 total maximum nominal value of open hedging transactions entered into by the Group companies (including Polimex-Mostostal S.A.) amounted to EUR 61,291 thousand and GBP 3,370 thousand. Transactions for the EUR/PLN pair will have been settled in 56% by 31 December 2010. The time composition of hedging 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*
4th Quarter 2010	34 407
Total in 2010	34 407
After 31.12.2010	26 884
TOTAL	61 291

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

Measurement of derivative instruments as at 30 September 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 (and its changes) in part recognised as an effective hedge is transferred to revaluation reserve. 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 September 2010 the total fair value of open instruments hedging foreign exchange risk in the Group was calculated at the amount of PLN 11,163 thousand. The valuation is attributable in full to the Group companies which apply hedge accounting.

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 30.06.2010	Movement in 3 rd quarter 2010	As at 30.09.2010
85	2 830	2 915

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 October to December 2010 as follows:

Detailed list	4th quarter 2010
Projected foreign currency proceeds – in EUR thousands	122 580
Projected foreign currency expenditures – in EUR thousands	70 613
Business exposure to foreign currency risk in EUR thousand	51 967
Open hedging transactions as at 30.09.2010 to be exercised in 4 th Q 2010; in EUR thousands	34 407
Open item in foreign currency (after taking into consideration hedging transactions) in EUR thousands	17 560

The nominal value of open hedging instruments as at 30 September 2010 accounts for 66% of total projected exposure to foreign currency risk in the period from October 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 90% of business exposure computed as above. As a result, business exposure to foreign currency risk for cash flows contracted as at 30.09.2010 was covered in 73% by hedging transactions.

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 September 2010 Group Companies (apart from Polimex-Mostostal S.A.) entered into the following hedging transactions:

StalFa Sp. z o.o.

* a series of forward future contracts of 29 October 2010 on the sale of the total amount of EUR 800,000 for PLN to be exercised in 8 dates in the period between 25 November 2010 and 27 June 2011. The forward rate for each maturity date was specified at 4.0000 PLN/EUR,

FK Sefako S.A.

* a forward future contract of 29 October 2010 to sell EUR 160,000 for PLN to be exercised at 8 November 2010. The forward rate was specified at 3.9712 PLN/EUR.

Credit risk

Credit risk for the Group arises mainly from applying deferred payment periods for its customers, investments made in securities and deposits opened at banks. Due to relatively high creditworthiness of contracting parties, for whom Group's sales are made, and opening deposits with reputable banks the risk is minor. Furthermore, the Parent

Company and the Group insure part of credit risk (block policy), aim at hedging their payments with documentary letters of credit or bank and insurance guarantees and other hedges which minimise credit risk such as (ordinary or registered) pledge, mortgage or bills of exchange.

Liquidity risk

The risk of the Group losing liquidity arises from the fact that the amounts and payment periods for receivables and payables do not match. The Group hedges against this risk by taking short term bank loans and issuing debt securities which amount and maturity date matches the hedged cash flows. To hedge against this risk, diversification of supplier and customer portfolios, diversification of bank loan portfolio, financing subcontracting projects with funds received from employers are of key importance.

Raw material price risk

Economic effectiveness of production carried out by the Parent company in the Group depends to a large extent on fluctuations of raw material prices, mainly steel and zinc composite prices. The main factor which limits the above mentioned risk is the fact that the Issuer has a team of first class specialists analysing the market and making centralised material purchases (economies of scale, opportunity to negotiate lower purchase prices).

2.8. Significant achievements and failures of Polimex-Mostostal Group in the 3rd quarter 2010 together with the list of key events that relate to them

In 3rd quarter 2010 the significant achievements of the Issuer included:

- Signing on 04.08.2010 of the contract with ALSTOM Power Systems GmbH, Stuttgart (Germany) for erection of structure and channels in Mannheim Power Plant with net value of EUR 14.8 million.
- Concluding on 23.09.2010 the contract with the General Directorate for National Roads and Motorways, Branch in Rzeszów, ul. Legionów 20, Kielce in the procedure for awarding a public contract in the restricted tender procedure entitled: "Construction of A-4 Motorway, section Rzeszow (East Rzeszów junction) – Jarosław (Wierzbna junction) from km 581+250 to km 622+450. The net value of the contract is PLN 1,799.9 million. The contract was concluded by the consortium: Polimex-Mostostal S.A. (Consortium Leader) and Doprastav a.s. Bratislava. Polimex - Mostostal S.A.'s share in the execution of the Contract is 51%, and Doprastav a.s.'s share is 49%. On the same date the Issuer received the General Contract for bonds signed by Pekao S.A. supporting the above mentioned contract in the total amount of PLN 112.0 million together with the Contract to grant a bond (a performance bond and a quality bond).
- Concluding on 27.09.2010 the contract with Gdańskie Inwestycje Komunalne Euro 2012 Sp. z o.o. representing the Commune of Gdansk City for the construction of the European Solidarity Centre in Gdansk. The total value of the net contract is PLN 128.4 million.

2.9. Events after the date of preparation of the condensed quarterly financial statements, not included in the statements that may have a significant effect on the Issuer's future financial results

The events that occurred after the statement of financial position date that may have a significant effect on the Issuer's future financial results included:

- Receiving information that the tender of the consortium composed of: Polimex-Mostostal S.A. (Consortium Leader), MSF Engenharia Lisbon, MSF Polska Sp. z o.o., Doprastav a.s. Bratislava and Zakład Robót Mostowych "MOSTMAR" Sp.j. submitted in the procedure for awarding in the restricted tender procedure a public contract for „Design and construction of A1 motorway Stryków – „Tuszyn” junction in the section from km 295 +850 (from "Stryków I" junction, without the junction) to km 335+937.65" was chosen by the Awarding entity: General Directorate for National Roads and Motorways in Warsaw as the lowest price tender. The net value of the contract is PLN 949.7 million. Polimex-Mostostal S.A. share in the works and remuneration is to constitute 25 % of the whole.

The events that occurred after the statement of financial position date that may have a significant effect on the Issuer's Group companies' future financial results included:

- Energomontaż-Północ S.A.:
 - Selecting by PGE Górnictwo i Energetyka Konwencjonalna S.A. the tender of Energomontaż-Północ S.A. and Energop Sp. z o.o. consortium's tender for "Modernisation and overhaul of the system of main steam and water pipelines for blocks 7-12 at PGE Elektrownia Belchatów S.A." as the most beneficial tender.
- Torpol Sp. z o.o.:
 - Receiving information that two tenders submitted by the company were selected as the most beneficial. The party to potential contracts in both cases will be PKP Polskie Linie Kolejowe S.A. with the registered office in Warsaw. The subject of the first tender is performance of construction works in the area of LCS Gdańsk: LOT A – stations, LOT B – routes, under the project No. 7.1-1.2 “Modernisation of E 65/ C-E 65 railroad in the Warsaw-Gdynia section – area LCS Gdansk, LCS Gdynia”. The contract price for the entire Consortium amounts to PLN 479.1 million net, and the works to be performed attributed to TORPOL Sp. z o.o. (Consortium Leader) are estimated at PLN 228.0 million net. The subject of the second tender is the performance of construction works in the area of LCS Gdynia: LOT A – stations, LOT B – routes, under the project No. 7.1-1.2 “Modernisation of E 65/ C-E 65 railroad in the Warsaw-Gdynia section – area LCS Gdansk, LCS Gdynia”. The net price for the entire consortium amounts to PLN 371.5 million net, and the works to be performed attributed to TORPOL Sp. z o.o. (Consortium Member) are estimated at PLN 88.0 million net.
 - Receiving information that the tender submitted by the company together with consortium members was selected as the most beneficial one. The party to the potential contract will be PKP Polskie Linie Kolejowe S.A. with the registered office in Warsaw. The subject of the tender is design and performance of construction works in Kraków - Medyka – state border railroad in the Tarnów – Dębica section in km 80.200 – 111.500 under the Project „Modernisation of E30/C-E30 railroad, Kraków-Rzeszów section, stage 3”. Tender procedure 2.1. The contract price for the entire consortium amounts to PLN 538.2 million net, and the works to be performed attributed to TORPOL Sp. z o.o. (Consortium Member) are estimated at PLN 99.0 million net.

2.10. Other information that in the Issuer's opinion is significant for the assessment of its personnel status, financial position, financial results and their changes, and information that is significant for the assessment of Issuer's capabilities to fulfil obligations

Information significant for the assessment of Issuer's personnel status, financial position, financial results and their changes and information that is significant for the assessment of the Issuer's capabilities to fulfil obligations have been partly included in other items. To supplement this information, the following events relating to the Issuer may be mentioned:

- Signing on 06.07.2010 of Appendixes to the package of Contracts under which the Company's co-operation with Bank PEKAO S.A. in the scope of credit facilities, guarantee facilities and credit and guarantee facilities was extended.
- Holding on 12.07.2010 of an Extraordinary Meeting of Shareholders of Polimex-Mostostal S.A. which gave its consent to:
 - the combination of Polimex-Mostostal S.A. with 6 companies: Energomontaż-Północ S.A., Naftoremont Sp. z o.o., ZRE Kraków Sp. z o.o., ZRE Lublin S.A., EPE Rybnik Sp. z o.o. and ECeRemont Sp. z o.o. by transferring all assets of these companies to Polimex-Mostostal S.A. on terms specified in the Combination Plan agreed on by the managements of combining companies on 26 April 2010;
 - combination of Polimex-Mostostal S.A. and Naftobudowa S.A. by transferring all assets of the company to Polimex-Mostostal S.A. on terms specified in the Combination Plan agreed on by the managements of combining companies on 29 April 2010; the resolution on combination with Naftobudowa S.A. is a conditional one and it will have legal consequences provided that the Combination with 6 companies mentioned above is entered into the register of entrepreneurs of the National Court Register by the registry court which have local jurisdiction for Polimex-Mostostal S.A.
- Signing on 20.07.2010 with Raiffeisen Bank Polska S.A. Appendix to Debt Contract under which the limit for guarantees issued was increased to PLN 100.0 million. The guarantee facility is valid until 31 July 2011.
- Receiving on 04.10.2010 a factoring contract signed by Bank Millennium S.A., the subject of which is buying out of debt from the Municipality of Kraków in the maximum amount of PLN 83,300,000, in the maximum settlement cycle by 31.03.2013.
- Signing on 07.10.2010 with EFG Eurobank Ergasias S.A. Spółka Akcyjna Branch in Poland, conducting operations under the business name of Polbank EFG, the Contract for Multifunctional Credit Limit in the amount of PLN 100.0 million. Under the limit granted, the Bank will issue on Polimex-Mostostal S.A.'s order bank guarantees valid not longer than through 23.10.2019. The orders may be submitted until 06.10.2011r., with the option to extend the limit availability on the Borrower's request for the following 12 months.

The events listed below and having significant impact upon position of the Issuer's Capital Group companies occurred after 30 June 2010:

- Naftobudowa S.A.:
 - Holding on 16.07.2010 of the Extraordinary Meeting of Shareholders of Naftobudowa S.A., which gave its consent to the combination of Naftobudowa S.A. and Polimex-Mostostal S.A. on terms specified in the Combination Plan agreed on by the managements of combining companies on 29 April 2010; the

resolution on combination with Polimex-Mostostal S.A. is a conditional one and it will have legal consequences provided that the Combination of Polimex-Mostostal S.A. with 6 companies mentioned above is entered into the register of entrepreneurs of the National Court Register by the registry court which have local jurisdiction for Polimex-Mostostal S.A.

- Energomontaż-Pólnoc S.A.:
 - Holding on 19.07.2010 of the Extraordinary Meeting of Shareholders of Energomontaż-Pólnoc S.A., which gave its consent to the combination of Energomontaż-Pólnoc S.A. and Polimex-Mostostal S.A. on terms specified in the Combination Plan agreed on by the managements of combining companied on 26 April 2010.
 - Concluding on 26.07.2010 by the Consortium of companies: Hitachi Ltd with the registered office in Tokyo (Consortium Leader) and Energomontaż-Pólnoc SA with the registered office in Warsaw (Consortium Member) of the Contract with Vattenfall Heat Poland S.A. with the registered office in Warsaw for complete and modern catalytic systems for denitrification of combustion gases for unit boilers type OP-430 No 10, 14 and 15 and OP-390 No 11 at Siekierki Heat and Power Plant in Warsaw as a turn-key project, reducing the emission of NOx. The lump remuneration for the execution of contract subject was specified at PLN 139.5 million net. The value of works performed by Energomontaż-Pólnoc S.A. under the said contract will amount to PLN 75.0 million net.
 - Initialling on 13.10.2010 by Energomontaż-Pólnoc S.A. and its subsidiaries "Energomontaż-Pólnoc-Gdynia" Sp. z o.o. and "Energop" Sp. z o.o with RSB Bankk (Polska) S.A., an appendix to the contract concluded on 31.10.2006 increasing the total limit attributed to the parties utilised in the form of contract performance bonds issued by the Bank to the maximum amount of PLN 50.0 million.
- Naftoremont Sp. z o.o.
 - Holding on 13.07.2010 of the Extraordinary Meeting of Shareholders of Naftoremont Sp. z o.o. which gave its consent to the combination of Naftoremont Sp. z o.o. with Polimex-Mostostal S.A. on terms specified in the Combination Plan agreed on by the managements of combining companied on 26 April 2010.
- EPE Rybnik Sp. z o.o.
 - Holding on 12.07.2010 of the Extraordinary Meeting of Shareholders of EPE Rybnik Sp. z o.o., which gave its consent to the combination of EPE Rybnik Sp. z o.o. with Polimex-Mostostal S.A. on terms specified in the Combination Plan agreed on by the managements of combining companied on 26 April 2010.
- ECeRemont Sp. z o.o.:
 - Holding on 12.07.2010 of the Extraordinary Meeting of Shareholders of ECeRemont Sp. z o.o., which gave its consent to the combination of ECeREmont Sp. z o.o. with Polimex-Mostostal S.A. on terms specified in the Combination Plan agreed on by the managements of combining companied on 26 April 2010.
- ZRE Lublin S.A.
 - Holding on 22.07.2010 of the Extraordinary Meeting of Shareholders of ZRE Lublin S.A., which gave its consent to the combination of ZRE Lublin S.A. and Polimex-Mostostal S.A. on terms specified in the Combination Plan agreed on by the managements of combining companied on 26 April 2010.

- ZRE Kraków Sp. z o.o.
 - Holding on 16.07.2010 of the Extraordinary Meeting of Shareholders of ZRE Kraków Sp. z o.o., which gave its consent to the combination of ZRE Kraków Sp. z o.o. with Polimex-Mostostal S.A. on terms specified in the Combination Plan agreed on by the managements of combining companies on 26 April 2010.

2.11. Information concerning seasonal or cyclical nature of the Issuer's operations in the presented period.

The activity of the Issuer and the Group Companies shows seasonality in the scope of construction and assembly works, overhauls and road and railroad works. In winter the number of works performed in the open sites decreases. Additionally, in some industries overhaul works are performed in specified seasons of the year (e.g. in power plants and heat and power plants they concentrate in summer months), while procedures in the scope of acquisition and execution of public contracts result in the concentration of works in the second half of the year.

The above mentioned factors often make revenue from sales reported by the Issuer's Group in 1st quarter are at the lowest level in the whole year. In the following quarters revenue from sale increases to reach its peak in the fourth quarter.

The Issuer's Group's schedules of performance of investment tasks include climatic conditions and the sales plans include the consequences of applied procedures for awarding and settling of orders. The organisational structure of the Issuer's Group is adjusted to the nature of conducted activities. Additionally, the Issuer's Group eliminates the influence of seasonality by rendering services for the benefit of employers operating in various sectors and by exporting products to countries located in other climate zones.

In the 3rd quarter 2010 no atmospheric occurrences with a negative impact on the progress of works conducted by the Issuer and the Group companies were reported, and the effect of seasonality remained at the same level as in the prior years.

2.12. Issue, redemption and repayment of debt and capital securities

Under the Debenture Issue Plan for the total amount of PLN 400 million the following were issued:

A) long-term debentures:

1. at 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
2. at 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.

3. on 16.10.2009 a new block of long-term coupon debentures was issued for the total amount of PLN 194.5 million 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 10.12.2010.

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

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

2.13. Dividend paid (or declared), in total and per share, in breakdown by ordinary and preference shares

On 16 September 2010 the dividend on ordinary shares was paid out in the amount of PLN 18,574 thousand. The value of the dividend per share for 2009 was PLN 0.04.

2.14. Shareholders holding directly or indirectly through subsidiaries and related parties at least 5% of total votes at the Issuer's General Shareholders' Meeting as at the date of filing this quarterly report

The table below presents the list of shareholders holding at least 5% of the total number of votes at Issuer's General Shareholders' Meeting and of other shareholders according to information received by the Issuer as at 2 November 2010:

Item No	Shareholder	No of shares/votes	% interest in share capital/total votes at GSM
1.	ING Nationale-Nederlanden Polska Otwarty Fundusz Emerytalny (ING Nationale-Nederlanden Poland Open Pension Fund)	40 406 650	8.70
2.	Otwarty Fundusz Emerytalny PZU „Złota Jesień” (PZU „Złota Jesień” Open Pension Fund)	40 000 000	8.61
3.	AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK (Open Pension Fund)	27 486 075	5.92
4.	Pioneer Fundusz Inwestycyjny Otwarty (Open Investment Fund)	46 518 451	10.02
5.	Polimex-Cekop Development Sp. z o.o. *)	13 152 500	2.83
6.	Other shareholders	296 791 949	63.92
	Number of shares of all issues	464 355 625	100.00

**) The Company is 100% subsidiary of Polimex-Mostostal S.A.*

2.15. Changes in the number of Issuer's shares or entitlement to the them held by the Management Board and Supervisory Board Members, in the period from filing the previous quarterly report

Current holding of issuer's shares by Management Board and Supervisory Board Members as at the date of filing the quarterly report with indication of changes in the holding that have occurred in the period since filing the report for 1st half 2010 is as follows:

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

2.16. Statement of the Management Board concerning published forecasts

The forecasts regarding financial performance of Polimex-Mostostal S.A. or Polimex-Mostostal Group in 2010 have not been published.

2.17. Proceedings before court, body competent for arbitrary proceedings or public administration body

The total value of proceedings concerning active debts/liabilities of Polimex-Mostostal Group as of 30 September 2010 amounted to:

- proceedings concerning active debts PLN 68,017 thousand.
- proceedings concerning liabilities: PLN 15,151 thousand.

2.18. Information on the Issuer's or its subsidiary entering into one or multiple transactions with related parties, if separately or jointly they are significant and have been entered into on terms and conditions other than market ones

According to information acknowledged by the Issuer, transactions concluded in the reporting period by the Issuer or its subsidiaries with related entities were concluded under market conditions, and their nature and terms resulted from operating activity.

2.19. Information on sureties, loans or guarantees granted by the Issuer or its subsidiary, jointly to one entity or its subsidiary if the total amount of current sureties and guaranties is at least 10% of the Issuer's equity.

In the 3rd quarter 2010 the Issuer granted a guarantee for the benefit of the General Directorate for National Roads and Motorways in the total amount of PLN 122.5 million

2.20. Factors that in the Issuer's opinion will influence its future financial results in at least next quarter.

The findings of the NBP (the National Bank of Poland)⁵ show that in the 3rd quarter 2010 enterprises recorded a further improvement of the situation. It was favoured by the increasing utilisation of production capacity and a decrease of excessive stocks of finished goods. Repayment capacity, in particular in the scope of bank loans, remained to be high. At the same time optimism of quarterly forecasts fell. A deterioration was registered in terms of anticipated situation, demand, orders, production, exports and employment. A positive element in these forecast was newly planned investments, although the scale of improvement still does not indicate a significant recovery. Many enterprises still declare that they are withholding the start of investment and are waiting for more serious symptoms of economic recovery. However, the companies which are in the implementation stage of the investments will carry them on in most cases. Abandoning the completion of already started projects is a rare occurrence nowadays. It constitutes an additional confirmation the financial situation of the real sector is good.

Credit availability improved considerably. Interest in this form of financing has increased but remains relatively low. SME sector still declares a low demand for credit. Whereas large enterprises, which invest relatively more, more often intend to increase their credit liabilities. Despite an increase in demand for credit, own funds still remain the main source of financing investing activity.

Instytut Badań nad Gospodarką Rynkową (IBnGR, the Gdansk Institute for Market Economics)⁶ forecasts that in 2010 an increase in the Gross Domestic Product in Poland will amount to 3.6%. In 2011 the economic growth will be slightly lower and will amount to 3.4%. In quarterly terms, a decreasing growth rate of GDP should be expected, which will be the result of low capital expenditure in prior years, an increase of fiscal burden in the economy and anticipated tightening of the monetary policy. In 2011 the added value should grow fastest in construction (over 8%), slightly slower in the industry (over 7%), and a rise in market services will double (nearly 3%) as compared to 2010.

The reversal of negative trends in investments will be of key importance for the growth of internal demand. IBnGR forecasts that an increase in capital expenditures in 2011 will amount to 5.5%. However, it should be remembered that capital expenditure decreasing for two years in a row make a low reference base in 2011 and in this context the projected growth of investments should be assessed as moderate.

In the Issuer's opinion the situation and prospects of Polish construction market and Polimex-Mostostal Group's improve slowly but systematically. The Issuer's desires to emphasise that it is well advanced in the restructuring processes within the Group which are aimed at making full consolidation of the Group companies' results possible, reduction of administration costs and other costs in the Group, achieving a stronger competitive advantage in developing sectors, making the Group more transparent through simplification of its structure, unification of management systems and increasing complementarity of services rendered.

⁵ *Informacja o kondycji sektora przedsiębiorstw ze szczególnym uwzględnieniem stanu koniunktury w III kw. 2010 oraz prognoz koniunktury na IV kw. 2010*, Narodowy Bank Polski, Instytut Ekonomiczny, październik 2010 (*Information on the state of enterprise sector with emphasis on the state of business tendency in the 3rd quarter 2010 and business tendency forecasts for 4th quarter 2010*, the National Bank of Poland, Economic Institute, October 2010).

⁶ *Stan i prognoza koniunktury gospodarczej*, Instytut Badań nad Gospodarką Rynkową, 29 kwiecień 2010 (*State and forecast of business tendency*, The Gdansk Institute for Market Economics, 29 April 2010).

3. CONDENSED FINANCIAL STATEMENTS OF POLIMEX-MOSTOSTAL S.A. FOR THE 3rd QUARTER 2010

SELECTED FINANCIAL DATA FOR THE CONDENSED FINANCIAL STATEMENTS

	in thousands	PLN	in thousands	EUR
	For the nine month period ended	For the nine month period ended	For the nine month period ended	For the nine month period ended
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Income Statement and Comprehensive Income Statement				
Revenue	2 213 805	2 058 834	553 078	467 991
Revenue from continuing operations	117 229	100 321	29 287	22 804
Profit before tax	96 223	79 782	24 040	18 135
Net profit	82 047	60 715	20 498	13 801
Comprehensive income	81 637	84 117	20 395	19 121
Earnings per ordinary share (in PLN/ EUR)	0.18	0.13	0.04	0.03
Diluted earnings per ordinary share (in PLN/ EUR)	0.17	0.13	0.04	0.03

	in thousands	PLN	in thousands	EUR
	For the nine month period ended	For the nine month period ended	For the nine month period ended	For the nine month period ended
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Statement of Cash Flows				
Net cash flows from operating activities	(232 204)	3 733	(58 012)	849
Net cash flows from investing activities	(89 049)	(165 344)	(22 247)	(37 584)
Net cash flows from financing activities	223 380	140 292	55 807	31 890
Net increase/(decrease) in cash and cash equivalents	(97 873)	(21 319)	(24 452)	(4 845)

	in thousands	PLN	in thousands	EUR
	As at 30 September 2010	As at 31 December 2009	As at 30 September 2010	As at 31 December 2009
Statement of financial position				
Total assets	3 064 677	2 780 129	768 667	676 727
Non-current liabilities	634 480	628 652	159 137	153 024
Current liabilities	1 315 407	1 101 790	329 924	268 193
Equity	1 114 790	1 049 687	279 606	255 510
Issued capital	18 574	18 574	4 659	4 521
Number of shares (pcs.)	464 355 625	464 355 625	-	-
Diluting potential ordinary shares (pcs.)	12 378 196	12 378 196	-	-

Book value per ordinary share (in PLN/ EUR)	2.40	2.26	0.60	0.55
Diluted book value per ordinary share (in PLN/ EUR)	2.34	2.20	0.59	0.54

- individual items of the income statement and of the statement of cash flows were translated at the exchange rate of 4.0027 (for data covering the period from 01.01.2010 to 30.09.2010) and at 4.3993 (for data covering the period from 01.01.2009 to 30.09.2009), which are an arithmetic mean of average exchange rates published by the National Bank of Poland on the last day of each month covered by the presented data.

- individual items of assets and equity and liabilities of the statement of financial position were translated at the exchange rate of 3.9870 (for data as at the end of 3rd quarter 2010) and at 4.1082 (for data as at the end of 2009), which were published by the National Bank of Poland for a given statement of financial position date.

CONDENSED INCOME STATEMENT

for the nine months ended 30 September 2010 (in PLN thousands)

		For 3 months ended 30 September 2010 <i>unaudited</i>	For 9 months ended 30 September 2010 <i>unaudited</i>	For 3 months ended 30 September 2009 <i>restated</i>	For 9 months ended 30 September 2009 <i>restated</i>
Continuing operations	Note				
Revenue		924 377	2 213 805	784 521	2 058 834
Sale of goods		159 133	333 886	93 442	279 416
Rendering of services		763 862	1 875 082	689 409	1 775 503
Rental income		1 382	4 837	1 670	3 915
Cost of sales		861 015	2 029 710	718 152	1 886 847
Gross profit		63 362	184 095	66 369	171 987
Other operating income	1	1 924	6 869	(233)	2 020
Selling costs		5 429	15 752	5 298	16 456
Administrative expenses		19 163	55 848	16 589	54 541
Other operating expenses	2	959	2 135	(1 278)	2 689
Revenue from operating activities		39 735	117 229	45 527	100 321
Finance income	3	1 781	20 858	(2 647)	6 881
Finance costs	4	16 961	41 864	8 907	27 420
Profit before tax		24 555	96 223	33 973	79 782
Income tax	6	5 252	14 176	7 855	19 067
Net profit for the reporting period		19 303	82 047	26 118	60 715
Earnings per share (in PLN)					
- number of shares			464 355 625		464 355 625
- basic, for net profit for the reporting period			0.18		0.13
Diluted earnings per share (in PLN)					
- number of shares			464 355 625		464 355 625
- diluting potential ordinary shares			12 378 196		12 378 196
- diluted, for net profit for the reporting period			0.17		0.13

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the nine months ended 30 September 2010 (in PLN thousands)

	for 3 months ended 30 September 2010 <i>unaudited</i>	for 9 months ended 30 September 2010 <i>unaudited</i>	for 3 months ended 30 September 2009 <i>restated</i>	for 9 months ended 30 September 2009 <i>restated</i>
Net profit	19 303	82 047	26 118	60 715
Net gains/(losses) on valuation of cash flow hedges	3 495	(505)	15 147	28 891
Deferred tax	(665)	95	(2 878)	(5 489)
Other comprehensive income, net of tax	2 830	(410)	12 269	23 402
Total comprehensive income	22 133	81 637	38 387	84 117

CONDENSED STATEMENT OF FINANCIAL POSITION

as at 30 September 2010 (in PLN thousands)

		30 September 2010 <i>unaudited</i>	31 December 2009 <i>audited</i>	30 September 2009 <i>restated</i>
	Note			
ASSETS				
Fixed (non-current) assets		1 574 103	1 434 296	1 359 347
Property, plant and equipment	7	529 195	508 856	436 649
Investment properties		2 836	2 836	2 836
Intangible assets	8	17 198	17 182	13 826
Financial assets		947 894	836 687	858 720
Deferred tax assets		44 253	58 335	34 621
Non-current prepaid expenses		-	-	-
Non-current receivables		32 727	10 400	12 695
Current assets		1 490 574	1 345 833	1 386 498
Inventories	9	213 886	132 487	167 224
Trade and other receivables	10	1 152 571	924 503	1 079 206
Income tax receivables		2 986	-	-
Prepaid expenses		5 516	4 327	6 160
Cash and cash equivalents		67 917	165 790	49 180
Financial assets		47 698	118 726	84 728
TOTAL ASSETS		3 064 677	2 780 129	2 745 845
EQUITY AND LIABILITIES				
Equity		1 114 790	1 049 687	990 773
Issued capital		18 574	18 574	18 574
Share premium		513 466	513 466	513 466
Reserve capital		32 534	30 494	27 645
Supplementary capital		471 415	381 566	381 566
Revaluation reserve		4 003	4 413	(3 944)
Retained earnings		74 798	101 174	53 466
Non-current liabilities		634 480	628 652	381 635
Interest-bearing bank loans and borrowings		160 231	149 863	97 081
Provisions	11	63 329	56 368	59 090
Non-current liabilities		43 495	55 025	52 636
Long-term debentures		367 425	367 396	172 828
Current liabilities	12	1 315 407	1 101 790	1 373 437
Trade and other payables		940 398	965 882	867 735
Current portion of interest-bearing loans and borrowings		274 522	13 137	273 376
Short-term debentures		40 857	39 797	180 299
Income tax payable		-	14 789	2 509
Accruals		28 998	30 694	33 716
Current provisions		30 632	37 491	15 802
Total liabilities		1 949 887	1 730 442	1 755 072
TOTAL EQUITY AND LIABILITIES		3 064 677	2 780 129	2 745 845

CONDENSED STATEMENT OF CHANGES IN EQUITY

for the nine months ended 30 September 2010 (in PLN thousands)

unaudited

	Issued capital	Share premium	Reserve capital	Supplementary capital	Revaluation reserve	Retained earnings / Accumulated losses	Total equity
As at 1 January 2010	18 574	513 466	30 494	381 566	4 413	101 174	1 049 687
Profit for the period	-	-	-	-	-	82 047	82 047
Other comprehensive income for the period	-	-	-	-	(410)	-	(410)
Comprehensive income for the period	-	-	-	-	(410)	82 047	81 637
Revaluation of executive options	-	-	2 040	-	-	-	2 040
Profit distribution	-	-	-	89 849	-	(89 849)	-
Dividends	-	-	-	-	-	(18 574)	(18 574)
As at 30 September 2010 (unaudited)	18 574	513 466	32 534	471 415	4 003	74 798	1 114 790

CONDENSED STATEMENT OF CHANGES IN EQUITY

for the nine months ended 30 September 2010 (in PLN thousands)

unaudited (continued)

	Issued capital	Share premium	Reserve capital	Supplementary capital	Revaluation reserve	Retained earnings / Accumulated losses	Total equity
As at 1 January 2009	18 574	513 466	18 016	295 905	(27 346)	83 055	901 670
Profit for the period	-	-	-	-	-	60 715	60 715
Other comprehensive income for the period	-	-	-	-	23 402	-	23 402
Total comprehensive income for the period	-	-	-	-	23 402	60 715	84 117
Revaluation of executive options	-	-	9 629	-	-	-	9 629
Profit distribution	-	-	-	85 661	-	(85 661)	-
Dividends	-	-	-	-	-	(4 643)	(4 643)
As at 30 September 2009 <i>(restated)</i>	18 574	513 466	27 645	381 566	(3 944)	53 466	990 773

CONDENSED STATEMENT OF CASH FLOWS

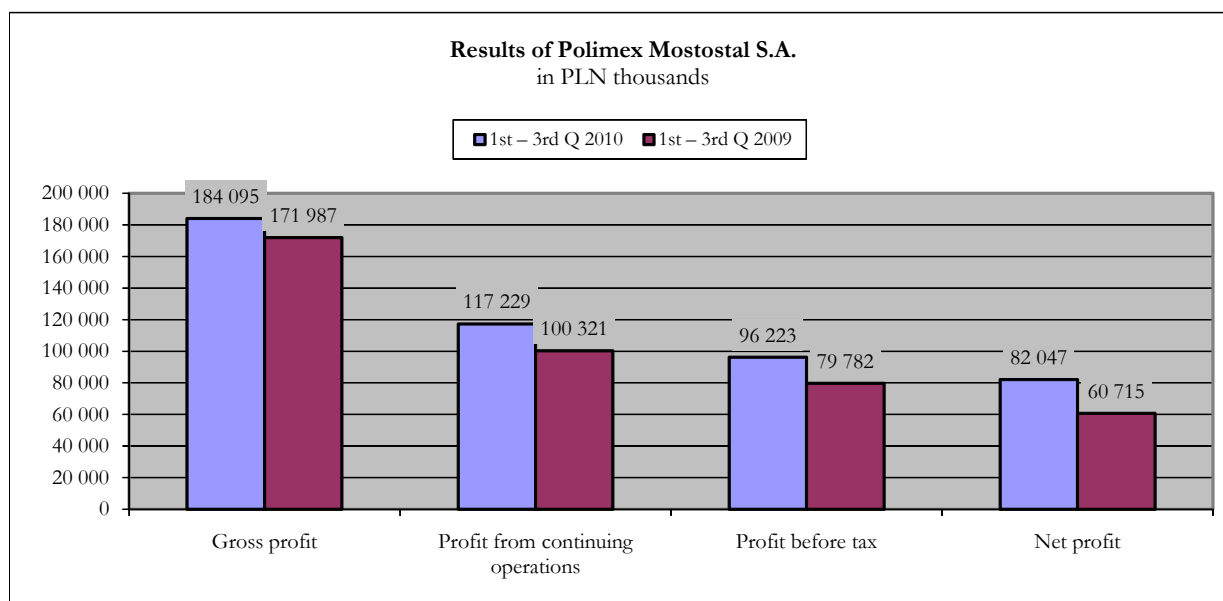
for the nine months ended 30 September 2010 (in PLN thousands)

	The nine months ended 30 September 2010 <i>unaudited</i>	The nine months ended 30 September 2009 <i>restated</i>
Cash flows from operating activities		
Gross profit/(loss)	96 223	79 782
Adjustments for:	(328 427)	(76 049)
Share of profit of associates accounted for using the equity method	-	-
Depreciation / Amortisation	37 098	31 726
Interests and dividends, net	21 581	18 118
(Gain)/loss from investing activities	(11 556)	56
(Increase)/ decrease in receivables	(249 603)	(148 178)
(Increase)/ decrease in inventories	(81 399)	(415)
Increase/ (decrease) in payables except for loans and borrowings	(27 195)	56 135
Change in accruals and prepaid expenses	(1 529)	(14 677)
Change in provisions	102	(14 550)
Income tax paid	(17 774)	(13 582)
Other	1 848	9 318
Net cash flows from operating activities	(232 204)	3 733
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangibles	1 585	352
Purchase of property, plant and equipment and intangibles	(64 048)	(147 230)
Proceeds from sale of investment property	-	-
Purchase of investment property	-	-
Proceeds from sale of financial assets	12 500	-
Purchase of financial assets	(10 622)	(18 568)
Acquisition of a subsidiary, net of cash acquired	-	-
Dividends and interest received	800	898
Repayment of loans granted	946	9 664
Loans granted	(30 210)	(10 460)
Other	-	-
Net cash flows from investing activities	(89 049)	(165 344)
Cash flows from financing activities		
Proceeds from issue of shares	-	-
Proceeds from issue of debentures	258 643	323 710
Expenses for redemption of debentures	(259 994)	(324 980)
Finance lease liabilities (payment of liabilities)	-	-
Proceeds from loans and borrowings	373 319	182 429
Repayment of loans and borrowings	(101 566)	(9 989)
Dividends paid to equity holders of the parent	(18 574)	(4 643)
Dividends paid to non-controlling interests	-	-
Interest paid	(28 832)	(27 362)
Other	384	1 127
Net cash flows from financing activities	223 380	140 292
Net increase/(decrease) in cash and cash equivalents	(97 873)	(21 319)
Net foreign exchange difference	2 025	463
Cash and cash equivalents at the beginning of the period	165 790	70 499
Cash and cash equivalents at the end of the period	67 917	49 180

3.1. Review of Polimex-Mostostal S.A.'s financial results in the 3rd quarter 2010

Polimex-Mostostal S.A. reported in the period from the 1st to the 3rd quarter 2010 the net profit of PLN 82,047 thousand (an increase of 35.1% as against comparative data for the period from the 1st to the 3rd quarter 2009). Profit from continuing operations amounted to PLN 117,229 thousand (an increase of 16.9% as against comparable data for the period from 1st to 3rd quarter 2009). EBITDA amounted to PLN 154,327 thousand (an increase of 16.9% as against comparable data for the period from 1st to 3rd quarter 2009).

The results of the Polimex-Mostostal S.A. in the period from the 1st to 3rd quarter 2010 are presented below:



The statement of financial position total of Polimex-Mostostal S.A. as at 30.09.2010 amounted to PLN 3,064,677 thousand (an increase of 11.6% as against comparable data as at 30.09.2009). As at 30.09.2010 fixed assets amounted to PLN 1,574,103 thousand (an increase of 15.8% as against comparable data at 30.09.2009), and current assets amounted to PLN 1,490,574 thousand (an increase of 7.5% as against comparable data at 30.09.2009). The largest item in the structure of fixed assets was financial assets constituting 30.9%, and next plant, property and equipment constituting 17.3% of total assets. Trade and other receivables constituting 37.6% of total assets were the largest item of current assets.

Equity of Polimex-Mostostal S.A. as at 30.09.2010 amounted to PLN 1,114,790 thousand (an increase of 12.5% as against comparable data at 30.09.2009), and liabilities amounted to PLN 1,949,887 thousand (an increase of 11.1% as against comparable data at 30.09.2009). The share premium, constituting 16.8% of total equity and liabilities, was the largest item in equity structure. Current liabilities constituting 42.9% of total equity and liabilities and equity were the largest item of liabilities.

For Polimex-Mostostal S.A., in the period from 1st to 3rd quarter 2010 there was a net decrease in cash and cash equivalents of PLN 97,873 thousand which was caused mainly by the increase in working capital. Cash and cash equivalents at the end of the 3rd quarter 2010 amounted to PLN 67,917 thousand. Net cash from operating activities amounted to - PLN 232,204 thousand. Net cash from investing activities amounted to - PLN 89,049 thousand and net cash from financing activities was PLN 223,380 thousand.

Values of Company statement of financial position as well as profit and loss account ratios mentioned below should be considered as correct. As at the statement of financial position date, Polimex-Mostostal S.A. had proper liquidity and promptly repaid borrowings. Current and quick liquidity ratios increased and were on safe level and were equal to 1.13 and 0.97 respectively. Net profit margin and EBITDA margin rose. Earnings per share increased by 35.1%.

Liquidity ratios for Polimex-Mostostal S.A.:

current (<i>current assets : current liabilities</i>)	30.09.2010	1.13	30.09.2009	1.01
quick (<i>(current assets less inventories) : current liabilities</i>)		0.97		0.89

General debt ratio for Polimex-Mostostal S.A.:

(<i>liabilities : assets</i>)	30.09.2010	63.6%	30.09.2009	63.9%
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Net profit margin for Polimex-Mostostal S.A.:

(<i>net profit attributable to equity holders of the parent: revenue from sales</i>)	30.09.2010	3.7%	30.09.2009	2.9%
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EBITDA margin for Polimex-Mostostal S.A.:

(<i>EBITDA: revenue from sales</i>)	30.09.2010	7.0%	30.09.2009	6.4%
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Earnings per share in PLN for the Polimex-Mostostal S.A.:

(<i>net profit attributable to equity holders of the parent: weighted average number of shares</i>)	30.09.2010	0.18	30.09.2009	0.13
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4. ADDITIONAL INFORMATION TO THE CONDENSED FINANCIAL STATEMENTS

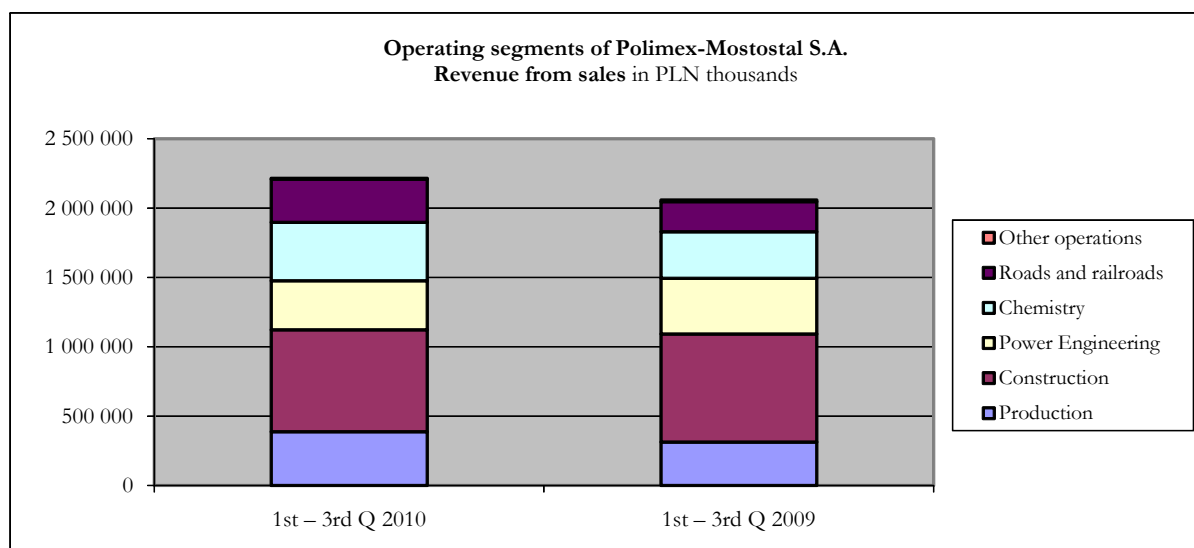
4.1. Operating segments and geographic information

In the period from 1st to 3rd quarter 2010 the **operating segments** participated in sales as follows:

PLN '000

Segment	Change 1st-3rd Q 2010 / 1st-3rd Q 2009	1st-3rd Q 2010		1st-3rd Q 2009	
		value	share	value	share
Production	24.2%	386 504	17.5%	311 091	15.1%
Construction	-5.7%	736 189	33.3%	781 033	37.9%
Power Engineering	-12.4%	352 061	15.9%	401 906	19.5%
Chemistry	26.2%	422 954	19.1%	335 054	16.3%
Roads and railroads	43.4%	310 798	14.0%	216 767	10.5%
Other activity	-59.2%	5 299	0.2%	12 983	0.6%
Total revenue from sales	7.5%	2 213 805	100.0%	2 058 834	100.0%

The highest share in sale was attributed to Construction industry – 33.3% (a decrease in sales value by 5.7% as against comparable data for the 1st – 3rd quarter 2009), and then Chemistry – 19.1% (an increase in sales of 26.2% as against comparable data for the 1st – 3rd quarter 2009; mostly in connection with the execution of the Polimex-Mostostal S.A.’s contract for general contracting of construction and assembly works under the investment task “Construction of Terephthalic Acid (PTA)”. Significant growth in revenues of Roads and railroads segment (an increase in sales value of 43.4% as against comparable data for the 1st – 3rd quarter 2009) was mostly the result of the dynamic growth of works in road infrastructure.

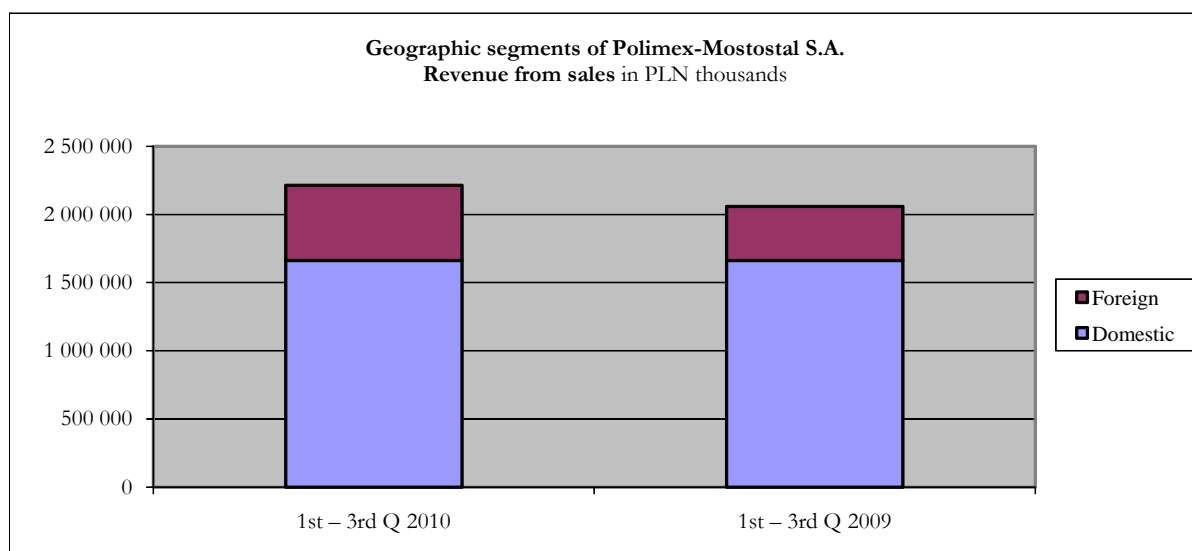


The value and geographic structure of Polimex-Mostostal S.A.'s sales in the period from the 1st to the 3rd quarter 2010 was as follows:

PLN '000

Segment	Change 1st-3rd Q 2010 / 1st-3rd Q 2009	1st-3rd Q 2010		1st-3rd Q 2009	
		value	share	value	share
Domestic	0.0%	1 661 842	75.1%	1 662 212	80.7%
Foreign	39.2%	551 963	24.9%	396 622	19.3%
Total revenue from sales	7.5%	2 213 805	100.0%	2 058 834	100.0%

As compared to the period from 1st to 3rd quarter 2009 a value and structure growth in sales to foreign markets was reported. The domestic market, where 75.1% of total revenues from sales was generated, was the main market for Polimex-Mostostal S.A in the period from 1st to 3rd quarter 2010.



4.2. Significant executed construction contracts at Polimex-Mostostal S.A.

In the 3rd quarter 2010 the Issuer generated the highest revenue from the execution of the following contracts:

Project name	Revenue made in 3 rd quarter 2010 in PLN thousands	Operating segment
Construction of the section of A-1 motorway from "Sośnica" junction to "Maciejów" junction	149 712	Roads and railroads
Construction of Terephthalic Acid Production Plant (PTA) in Włocławek	71 637	Chemistry
Construction of Wisła Kraków Stadium	60 401	Construction
Construction of 35 storage containers in Rotterdam, Holland; turnkey project	37 839	Chemistry
Assembly of oil hydrocracking installation for Lotos S.A. in Gdańsku	30 496	Chemistry
Extension of streets: ul.Surzyckiego - ul.Botewa and ul.Śliwaka in Kraków	27 512	Roads and railroads
Construction of Legia Stadium in Warsaw	24 491	Construction
Construction of the national road - Trasa Nowohucka in Kraków	23 530	Roads and railroads
Gotten haulage from 2.1 shaft in LW Bogdanka	22 708	Construction

Construction of A-4 motorway in the section from "Szarów" junction to "Brzesko" junction	20 404	Roads and railroads
Construction and assembly of a boiler in Neurath Power Plant in Germany	15 940	Power Engineering
Centre for Art Education in Gorzów	13 895	Construction
Total	498 565	

4.3. Selected other explanatory notes to the condensed financial statements (in PLN thousands)

Note 1

	for the nine months ended 30 September 2010 <i>unaudited</i>	for the nine months ended 30 September 2009 <i>unaudited</i>
Other operating income		
Gain on disposal of non-financial fixed assets	1 319	22
Liabilities written off	-	34
Court settlement	-	195
Recovered damages payments and fines	4 390	486
Bonuses and abatements received	-	236
Grants received	566	479
Other	594	568
Other operating income, total	6 869	2 020

Note 2

	for the nine months ended 30 September 2010 <i>unaudited</i>	for the nine months ended 30 September 2009 <i>unaudited</i>
Other operating expenses		
Donations	524	323
Court expenses	314	833
Costs of guarantee repairs	670	375
Liquidated assets non- written off	-	78
Provision for fines	-	288
Other	627	792
Total other operating expenses	2 135	2 689

Note 3

	for the nine months ended 30 September 2010 <i>unaudited</i>	for the nine months ended 30 September 2009 <i>unaudited</i>
Finance income		
Interest	3 730	3 138
Dividends	3 801	898
Revenue from measurement and exercise of derivative instruments	2 268	1 776
Reimbursement of additional payments to shares	303	-
Gain on disposal of investment	10 340	-
Revaluation of financial assets	-	661
Other	416	408
Total finance income	20 858	6 881

Note 4

	for the nine months ended 30 September 2010 <i>unaudited</i>	for the nine months ended 30 September 2009 <i>unaudited</i>
Finance costs		
Interest	9 287	7 651
Debenture commissions and interest	19 923	15 859
Expenses arising from measurement and exercise of derivative instruments	-	2 143
Foreign exchange losses	10 025	415
Revaluation of financial assets	255	560
Other	2 374	792
Total finance costs	41 864	27 420

Note 5

	for the nine months ended 30 September 2010 <i>unaudited</i>	for the nine months ended 30 September 2009 <i>unaudited</i>
Costs by type		
Depreciation / Amortisation	37 098	31 726
Materials and energy	514 562	575 136
External services	1 305 993	1 105 599
Taxes and charges	18 639	12 216
Employee benefits expenses	418 527	375 124
Other costs by type	18 447	13 238
Total costs by type	2 313 266	2 113 039

Note 6

	for the nine months ended 30 September 2010 <i>unaudited</i>	for the nine months ended 30 September 2009 <i>unaudited</i>
Income tax		
Current income tax	12 023	25 579
Deferred income tax	2 153	(6 512)
Total income tax	14 176	19 067

Note 7

	30 September 2010 <i>unaudited</i>	31 December 2009 <i>audited</i>	30 September 2009 <i>unaudited</i>
Property, plant and equipment			
Land, buildings and structures	264 561	246 432	160 583
Plant and machinery	144 490	117 245	86 712
Motor vehicles	25 490	27 784	21 986
Other property, plant and equipment	94 654	117 395	167 368
<i>of which: fixed assets under construction</i>	<i>84 227</i>	<i>106 364</i>	<i>157 977</i>
Total property, plant and equipment, net	529 195	508 856	436 649

Note 8

	30 September 2010 <i>unaudited</i>	31 December 2009 <i>audited</i>	30 September 2009 <i>unaudited</i>
Intangible assets			
Software	13 183	13 167	11 311
Goodwill	4 015	4 015	2 515
Total intangible assets, net	17 198	17 182	13 826

	30 September 2010 <i>unaudited</i>	31 December 2009 <i>audited</i>	30 September 2009 <i>unaudited</i>
Note 9			
Inventories			
Raw materials	92 355	28 154	34 994
Semi-finished goods and work in progress	99 712	83 679	110 241
Finished goods	14 855	11 273	13 643
Goods for resale	44	64	34
Supply advance payments	6 920	9 317	8 312
Total inventories, net	213 886	132 487	167 224
	30 September 2010 <i>unaudited</i>	31 December 2009 <i>audited</i>	30 September 2009 <i>restated</i>
Note 10			
Current receivables			
Trade receivables	1 149 164	921 166	1 076 994
Other receivables	3 407	3 337	2 212
Total current receivables, net	1 152 571	924 503	1 079 206
	30 September 2010 <i>unaudited</i>	31 December 2009 <i>audited</i>	30 September 2009 <i>unaudited</i>
Note 11			
Non-current provisions			
Provisions for employee benefits	55 967	55 080	53 712
Other provisions	7 362	1 288	5 378
Total non-current provisions	63 329	56 368	59 090
	30 September 2010 <i>unaudited</i>	31 December 2009 <i>audited</i>	30 September 2009 <i>unaudited</i>
Note 12			
Current liabilities			
Trade payables	836 120	834 660	761 312
Current portion of interest-bearing loans and borrowings	274 522	13 137	273 376
Income tax	-	14 789	2 509
Other tax liabilities, ZUS (Social Insurance Institution)	46 895	67 740	51 247
Financial liabilities (including debentures)	45 664	54 954	193 027
Other liabilities	52 575	48 325	42 448
Accruals	28 999	30 694	33 716
Provisions	30 632	37 491	15 802
Total current liabilities	1 315 407	1 101 790	1 373 437

4.4. Operating segments and geographic information

The tables below present data on revenue of individual operating segments and geographic information of the Company for the nine months ended 30 September 2010 (in PLN thousands)

Operating segments for the nine months ended 30 September 2010	Production	Construction	Continuing operations		Roads and railroads	Other operations	Eliminations	Total Operations
			Power Engineering	Chemistry				
Revenue								
Sales to external customers	386 504	736 189	352 061	422 954	310 798	5 299	-	2 213 805
Inter-segment sales	99 515	9 474	2 248	-	-	2 315	(113 552)	-
Total segment revenue	486 019	745 663	354 309	422 954	310 798	7 614	(113 552)	2 213 805

Operating segments for the nine months ended 30 September 2009	Production	Construction	Continuing operations		Roads and railroads	Other operations	Eliminations	Total Operations
			Power Engineering	Chemistry				
Revenue								
Sales to external customers	311 091	781 033	401 906	335 054	216 767	12 983	-	2 058 834
Inter-segment sales	165 699	10 690	432	-	-	-	(176 821)	-
Total segment revenue	476 790	791 723	402 338	335 054	216 767	12 983	(176 821)	2 058 834

**Geographic information
for the nine months
ended
30 September 2010**

	Domestic	Foreign	Eliminations	TOTAL
Revenue				
Sales to external customers	1 661 842	551 963	-	2 213 805
Revenue from continuing operations	1 661 842	551 963	-	2 213 805
Total segment revenue	1 661 842	551 963	-	2 213 805

**Geographic information
for the nine months
ended
30 September 2009**

	Domestic	Foreign	Eliminations	TOTAL
Revenue				
Sales to external customers	1 662 212	396 622	-	2 058 834
Revenue from continuing operations	1 662 212	396 622	-	2 058 834
Total segment revenue	1 662 212	396 622	-	2 058 834

4.5. Off-statement of financial position items
as at 30 September 2010 (in PLN thousands)

	30 September 2010 <i>unaudited</i>	31 December 2009 <i>audited</i>	30 September 2009 <i>unaudited</i>
Contingent receivables	380 875	504 842	414 307
From other parties (arising from)	380 875	504 842	414 307
- guaranties and sureties received	274 525	362 173	312 617
- bills of exchange	38 333	53 348	56 163
- legal claims	68 017	89 321	45 527
Contingent liabilities	1 526 085	1 388 137	1 352 362
To related parties (arising from)	216 758	154 923	157 368
- guaranties and sureties granted	216 758	154 923	157 368
To other parties (arising from)	1 309 327	1 233 214	1 194 994
- guaranties and sureties granted	1 027 835	958 104	922 175
- promissory notes	43 891	20 489	21 834
- legal claims	15 151	13 653	5 331
- conditional agreements	-	18 518	23 204
- contractual capped / ordinary* mortgage	222 450	222 450	222 450
Other (arising from)	114 623	114 623	121 522
- perpetual usufruct right to land	-	-	6 899
- transferred to off-statement of financial position records balances relating to**	114 623	114 623	114 623

- receivables	48 839	48 839	48 839
- cash	15 973	15 973	15 973
- liabilities	25 330	25 330	25 330
- deferred income	24 481	24 481	24 481
Total off-statement of financial position items	2 021 583	2 007 602	1 888 191

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 in Tarnobrzeg Special Economic Zone zone 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 in Tarnobrzeg Special Economic Zone zone 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 at 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 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