POLIMEX-MOSTOSTAL CAPITAL GROUP

Condensed consolidated financial statements for the 1st quarter 2013

Warsaw, 10th May 2013.

This is a translation of a document originally issued in the Polish language.

Polimex-Mostostal SA

(Issuer's full name)

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1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF POLIMEX-MOSTOSTAL S.A.'s GROUP FOR 1st QUARTER 2013

SELECTED FINANCIAL DATA FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	PLN thousands		EUR thousands	
SELECTED FINANCIAL DATA	1st quarter / 2013 from 01.01.2013 to 31.03.2013	1st quarter / 2012 from 01.01.2012 to 31.03.2012	1st quarter / 2013 from 01.01.2013 to 31.03.2013	1st quarter / 2012 from 01.01.2012 to 31.03.2012
data relating to consolidated financial statements				
Revenue	532 566	903 015	127 597	216 291
Profit/(Loss) on operating activities	32 603	(166 060)	7 811	(39 775)
Gross profit/(loss)	(14 255)	(200 967)	(3 415)	(48 136)
Net profit/(loss)	(23 499)	(152 215)	(5 630)	(36 459)
Net profit / (loss) attributable to shareholders of the parent company	(23 493)	(152 517)	(5 629)	(36 531)
Net cash flows from operating activities	(338 683)	(520 056)	(81 145)	(124 564)
Net cash flows from investing activities	46 504	(26 921)	11 142	(6 448)
Net cash flows from financing activities	174 245	379 720	41 747	90 951
Net increase/(decrease) in cash and cash equivalents	(117 934)	(167 257)	(28 256)	(40 062)
Total assets*	3 307 367	3 850 403	791 729	941 833
Non-current liabilities*	1 300 734	1 175 570	311 374	287 552
Current liabilities*	1 496 710	1 974 747	358 287	483 036
Total equity*	504 704	481 402	120 818	117 754
Equity attributable to equity holders of the parent*	505 472	477 288	121 002	116 748
Issued capital*	53 359	20 846	12 773	5 099
Number of shares (pcs.) registered as at 31 03 2013/31 12 2012 and 31 03 2012	1 333 974 588	521 154 076	-	-
Number of shares (pcs.) as at 31.12.2012 after registration after statement of financial position date	-	1 333 974 588	-	-
Diluting potential ordinary shares (pcs.) as at statement of financial position date 31 03 2013 / 31 03 2012	364 926 591	12 142 323	-	-
Diluting potential ordinary shares (pcs.) as at statement of financial position date 31.12.2012 before registration after statement of financial position date	-	1 177 747 103	-	-
Diluting potential ordinary shares (pcs.) as at statement of financial position date 31.12.2012 after registration after statement of financial position date	-	364 926 591	-	-
Earnings per ordinary share attributable to equity holders of the parent (in PLN/ EUR)	(0.02)	(0.29)	0.00	(0.07)
Diluted earnings per ordinary share attributable to equity holders of the parent (in PLN/ EUR)	(0.01)	(0.29)	0.00	(0.07)
Book value per ordinary share attributable to equity holders of the parent registered as at the statement of financial position date (in PLN/ EUR)*	0.38	0.92	0.09	0.23
Book value per ordinary share attributable to equity holders of the parent registered after the statement of financial position date 31 12 2012 (in PLN/ EUR)*	-	0.36	-	0.09
Diluted book value per ordinary share attributable to equity holders of the parent as at the statement of financial position date (in PLN/ EUR)*	0.30	0.89	0.07	0.22

Diluted book value per ordinary share attributable to equity holders of the parent as at the statement of financial position date of 31.12.2012 before the registration after the statement of financial position date (in PLN/EUR)*	-	0.28	-	0.07
Diluted book value per ordinary share attributable to equity holders of the parent as at the statement of financial position date of 31.12.2012 after the registration after the statement of financial position date (in PLN/EUR)*	-	0.28	-	0.07

-individual items of assets and equity and liabilities of the statement of financial position were translated at the exchange rate of 4.1774 (for data as at 31.03.2013) and 4.0882 (for data as at the end of 2012), which were published by the National Bank of Poland for a given statement of financial position date,
-individual items of the income statement and the statement of cash flows were translated at the exchange rate of 4.1738 (for data for the first quarter of 2013) and 4.1750 (for data for the first quarter of 2012), 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.
*statement of financial position data is presented as at 31 March 2013 and as at 31 December 2012

CONDENSED CONSOLIDATED INCOME STATEMENT
for the three months ended 31 March 2013 (in PLN thousands)

	Note	For 3 months ended 31 March 2013 *unaudited*	For 3 months ended 31 March 2012 *restated*
Continuing operations			
Revenue		**532 566**	**903 015**
Sale of goods		160 156	233 002
Rendering of services		367 057	665 685
Rental income		5 353	4 328
Cost of sales		**478 006**	**1 023 426**
Gross profit / (loss)		**54 560**	**(120 411)**
Other operating income	1	34 526	5 493
Selling costs		6 416	8 285
Administrative expenses		30 576	40 757
Other operating expenses	2	19 491	2 100
Profit/ loss on operating activities		**32 603**	**(166 060)**
Finance income	3	7 322	4 145
Finance costs	4	55 414	39 112
Share of associate's profit		1 234	60
Gross profit/(loss)		**(14 255)**	**(200 967)**
Income tax	6	(9 244)	48 752
Net profit/loss from continuing operations		**(23 499)**	**(152 215)**
Discontinued Operations		**-**	**-**
Net profit/loss for the period		**(23 499)**	**(152 215)**
Attributable to:			
Equity holders of the parent		(23 493)	(152 517)
Non-controlling interests		(6)	302
		(23 499)	**(152 215)**
Earnings per share (in PLN):			
- number of shares		1 333 974 588	521 154 076
– basic, from net profit/ loss attributable to equity holders of the parent for the reporting period		(0.02)	(0.29)
Diluted earnings per share (in PLN):			
- number of shares		1 333 974 588	521 154 076
-diluting potential ordinary shares		364 926 591	12 142 323
– diluted, from net profit/loss attributable to equity holders of the parent for the reporting period		(0.01)	(0.29)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the three months ended 31 March 2013 (in PLN thousands)

	For 3 months ended 31 March 2013 *unaudited*	For 3 months ended 31 March 2012 *restated*
Net profit/(loss)	**(23 499)**	**(152 215)**
Currency translation differences on consolidation	**1 913**	**(7 155)**
Net gains/losses on cash flow hedges	(295)	1 655
Deferred tax	56	(314)
Other comprehensive income, net of tax	**1 674**	**(5 814)**
Total comprehensive income	**(21 825)**	**(158 029)**
Comprehensive income attributable to:	**(21 825)**	**(158 029)**
Equity holders of the parent	(21 819)	(158 331)
Non-controlling interests	(6)	302

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2013 (in PLN thousands)

	Note	31 March 2013 *unaudited*	31 December 2012 *audited*
ASSETS			
Non-current assets		**1 486 928**	**1 543 624**
Property, plant and equipment	7	695 426	708 242
Investment property		21 280	21 280
Goodwill on consolidation		282 694	282 694
Intangible assets	8	15 725	16 891
Investments in associates accounted for using the equity method		17 971	16 737
Financial assets		220 775	274 214
Non-current receivables		47 446	31 195
Non-current prepaid expenses		3 608	3 190
Deferred tax assets		182 003	189 181
Current assets		**1 734 615**	**1 843 772**
Inventories	9	314 921	308 355
Trade and other receivables	10	1 163 937	1 163 154
Income tax receivables		711	950
Prepaid expenses		14 951	14 307
Cash and cash equivalents		142 986	260 920
Financial assets		97 109	96 086
Available for sale non-current assets		**85 824**	**463 007**
TOTAL ASSETS		**3 307 367**	**3 850 403**
EQUITY AND LIABILITIES			
Equity		**505 472**	**477 288**
Issued capital		53 359	20 846
Share premium		1 168 224	738 237
Translation of a foreign operation		(5 926)	(7 839)
Supplementary capital		618 552	618 552
Unregistered share issue		-	412 500
Other capital		(85 254)	(85 254)
Reserve capital		32 086	32 086
Revaluation reserve		27	1 893
Retained earnings / Accumulated losses		(1 275 596)	(1 253 733)
Non-controlling interests		**(768)**	**4 114**
Total equity		**504 704**	**481 402**
Non-current liabilities		**1 300 734**	**1 175 570**
Interest bearing bank loans and borrowings		637 852	486 330
Long-term debentures		143 874	143 874
Provisions	11	144 752	170 031
Other liabilities		356 783	357 998
Deferred income tax liability		16 387	13 833
Accruals		1 086	3 504
Current liabilities	**12**	**1 496 710**	**1 974 747**
Trade and other payables		1 115 398	1 545 764
Current portion of interest-bearing bank loans and borrowings		159 768	179 234
Income tax payable		132	531
Accruals		47 666	47 808
Provisions		173 746	201 410
Liabilities related to assets available for sale		**5 219**	**218 684**
Total liabilities		**2 802 663**	**3 369 001**
TOTAL EQUITY AND LIABILITIES		**3 307 367**	**3 850 403**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2013 (in PLN thousands) *unaudited*

	Attributable to equity holders of the parent												
	Issued capital	Share premium	Unregistered share issue	Treasury shares	Translation of a foreign operation	Reserve capital	Revaluation reserve	Supplementary capital	Other capital	Retained earnings / Accumulated losses	Total	Non-controlling interests	Total equity
As at 1 January 2013	**20 846**	**738 237**	**412 500**	**-**	**(7 839)**	**32 086**	**1 893**	**618 552**	**(85 254)**	**(1 253 733)**	**477 288**	**4 114**	**481 402**
Other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**1 913**	**-**	**(239)**	**-**	**-**	**-**	**1 674**	**-**	**1 674**
Profit /loss for the period	-	-	-	-	-	-	-	-	-	(23 493)	(23 493)	(6)	(23 499)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**1 913**	**-**	**(239)**	**-**	**-**	**(23 493)**	**(21 819)**	**(6)**	**(21 825)**
Registration of share issue	32 513	429 987	(412 500)	-	-	-	-	-	-	-	50 000	-	50 000
Elimination on subsidiary consolidation	-	-	-	-	-	-	(1 627)	-	-	1 627	-	(4 876)	(4 876)
Other adjustments in equity in subsidiaries	-	-	-	-	-	-	-	-	-	3	3	-	3
As at 31 March 2013 *(unaudited)*	**53 359**	**1 168 224**	**-**	**-**	**(5 926)**	**32 086**	**27**	**618 552**	**(85 254)**	**(1 275 596)**	**505 472**	**(768)**	**504 704**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2012 (in PLN thousands) *restated*

	Attributable to equity holders of the parent											
	Issued capital	Share premium	Treasury shares	Translation of a foreign operation	Reserve capital	Revaluation reserve	Supplementary capital	Other capital	Retained earnings / Accumulated losses	Total	Non-controlling interests	Total equity
As at 1 January 2012	**20 846**	**738 237**	**(6 884)**	**1 328**	**32 086**	**(1 188)**	**555 994**	**(85 254)**	**278 655**	**1 533 820**	**12 149**	**1 545 969**
Adjustment of error	-	-	-	-	-	-	-	-	(234 009)	(234 009)	-	(234 009)
As at 1 January 2012	**20 846**	**738 237**	**(6 884)**	**1 328**	**32 086**	**(1 188)**	**555 994**	**(85 254)**	**44 646**	**1 299 811**	**12 149**	**1 311 960**
Other comprehensive income, net of tax	**-**	**-**	**-**	**(7 155)**	**-**	**1 341**	**-**	**-**	**-**	**(5 814)**	**-**	**(5 814)**
Profit /loss for the period	-	-	-	-	-	-	-	-	(152 517)	(152 517)	302	(152 215)
Total comprehensive income for the period	**-**	**-**	**-**	**(7 155)**	**-**	**1 341**	**-**	**-**	**(152 517)**	**(158 331)**	**302**	**(158 029)**
Other adjustments in equity in subsidiaries	-	-	-	-	-	-	-	-	(13)	(13)	(2)	(15)
As at 31 March 2012 *(restated)*	**20 846**	**738 237**	**(6 884)**	**(5 827)**	**32 086**	**153**	**555 994**	**(85 254)**	**(107 884)**	**1 141 467**	**12 449**	**1 153 916**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the three months ended 31 March 2013 (in PLN thousands)

	3 month period ended 31 March 2013 *unaudited*	3 month period ended 31 March 2012 *restated*
Cash flows from operating activities		
Gross profit/(loss)	**(14 255)**	**(200 967)**
Adjustments for:	**(324 428)**	**(319 089)**
Share of profit of associates accounted for using the equity method	(1 234)	(60)
Depreciation / Amortisation	19 469	24 486
Interests and dividends, net	3 177	20 416
(Gain)/loss from investing activities	(2 839)	(167)
(Increase)/ decrease in receivables	70 235	122 850
(Increase)/ decrease in inventories	(6 566)	(16 236)
Increase/ (decrease) in payables except for loans and borrowings	(339 751)	(552 796)
Change in accruals and prepaid expenses	(3 622)	6 954
Change in provisions	(52 943)	73 740
Income tax paid	384	(889)
Other	(10 738)	2 613
Net cash flows from operating activities	**(338 683)**	**(520 056)**
Cash flows from investing activities		
Sale of property, plant and equipment and intangibles	29 964	2 065
Purchase of property, plant and equipment and intangibles	(5 779)	(28 909)
Sale of investment property	-	-
Purchase of investment property	-	-
Sale of financial assets	22 553	-
Purchase of financial assets	-	(106)
Acquisition of a subsidiary, net of cash acquired	-	-
Dividends and interest received	113	293
Repayment of loans granted	1	5
Loans granted	-	-
Other	(348)	(269)
Net cash flows from investing activities	**46 504**	**(26 921)**
Cash flows from financing activities		
Proceeds from issue of debentures	-	96 865
Proceeds from issue of shares	50 000	-
Expenses for redemption of debentures	(1 000)	(97 500)
Payment of finance lease liabilities	(3 525)	(2 904)
Proceeds from loans and borrowings	160 241	419 014
Repayment of loans and borrowings	(28 185)	(17 622)
Dividends paid to equity holders of the parent	-	-
Interest paid	(3 762)	(18 237)
Other	476	104
Net cash flows from financing activities	**174 245**	**379 720**
Net increase/(decrease) in cash and cash equivalents	**(117 934)**	**(167 257)**
Net foreign exchange difference	287	(1 160)
Cash and cash equivalents at the beginning of the period	**260 920**	**272 820**
Cash and cash equivalents at the end of the period	**142 986**	**105 563**

1.1. Review of Group's financial results in the period of 1st quarter 2013

In the period of 1st quarter 2013, Polimex-Mostostal Capital Group reported sales revenue in the amount of PLN 532,566 thousand (a decrease of 41.0% as against comparative data for the period of 1st quarter 2012). The volume of the Group's sales in the 1st quarter 2013 was affected by: (i) unfavourable weather conditions caused by lengthening winter season resulting in no possibility to perform construction and erection works in this period, (ii) deterioration of general business situation in construction, (iii) no opportunity for the Group to extend its backlog of orders due to the financial restructuring process conducted in the 2nd half of 2012 and the resulting lack of access to appropriate financial instruments (bank guarantees, financing working capital), (iv) reduction of orders in the scope of industry services; (v) disposal of shares in EPN Gdynia and Sefako, subsidiaries, and of an organized part of Transformatory enterprise resulting in the loss of revenue of PLN 63,854 thousand (from PLN 96,208 thousand reported in the 1st quarter 2012 to PLN 32,354 thousand reported in the 1st quarter 2013).

In the period of 1st quarter 2013, net loss attributable to equity holders of the parent amounted to PLN 23,493 thousand (an improvement in results by PLN 129,024 thousand as against comparative data for the period of 1st quarter 2012). Profit on operating activities amounted to PLN 32,603 thousand (an increase of PLN 198,663 thousand as against comparative data for the 1st quarter 2012). Releasing an actuarial provision for jubilee bonuses and retirement benefits and disposal of "the Dry Dock" real property in Gdynia had a positive effect on the Group's financial result from continuing activity in the 1st quarter 2013. Whereas disposal of shares in EPN Gdynia and Sefako had a negative effect. A reduction of administrative expenses (a decrease of 25.0% as against comparative data for the 1st quarter 2012, which is the effect of activity of the Board of Directors in the scope of operating restructuring and the resulting simplification of organizational structure and a significant reduction of costs of Group's functioning) also had a favourable effect on profit from continuing activity. The EBITDA value amounted to PLN 52,072 thousand (an increase of 193,646 thousand as against comparative data for the 1st quarter 2012).

PLN thousands	1Q 2013	1Q 2012	Change
Revenue from sales	**532 566**	**903 015**	**-41.0%**
Cost of sales	-478 006	-1 023 426	-53.3%
Gross profit / loss	**54 560**	**-120 411**	
Other operating income	34 526	5 493	528.5%
Selling costs	-6 416	-8 285	-22.6%
Administrative expenses	-30 576	-40 757	-25.0%
Other operating costs	-19 491	-2 100	828.1%
Profit/ Loss from operating activity	**32 603**	**-166 060**	
Finance income	7 322	4 145	76.6%
Finance costs	-55 414	-39 112	41.7%
Share in associate's profit	1 234	60	1956.7%
Profit/ Loss before tax	**-14 255**	**-200 967**	**-92.9%**
Income tax	-9 244	48 752	
Net profit/ loss	**-23 499**	**-152 215**	**-84.6%**
Net profit/ loss attributtable to equity holders of the parent	**-23 493**	**-152 517**	**-84.6%**
EBITDA	**52 072**	**-141 574**	

In the 1st quarter 2013 the Polimex-Mostostal Capital Group reported better results from the adjusted ones reported for the comparative period of last year. In the opinion of the Issuer achieving a lasting improvement of the results will be possible in the future periods.

- Continuation of implementation of correction actions which are aimed at regaining financial stability in the Company, which still is in a difficult financial position. An important issue is reduction of costs of company's functioning which is already reflected in a considerable reduction of administrative expenses as compared to the comparative data for the 1st quarter 2012.
- Conducted operating restructuring is aimed at simplification of the organizational structure and reduction of costs of the Group's functioning. A reduction of employment, which is aimed at adjusting the level and structure of employment to the current financial position of the Group, also contributed significantly. The collective redundancies procedure was commenced, which covers employees employed in different locations and on different positions, in particular a considerable group of employees holding non-production, directorial and managerial positions.
- Another key element of the restructuring programme of the company resulting from the provisions of the restructuring agreement signed with the creditors is divestment. The sale of assets, which are not included in the core activity of the company i.e. industrial construction, is continued. The transactions to sell Sefako and Energomontaż-Północ Gdynia together with the port real estate were closed. The talks with entities interested in purchasing the Dębica and Częstochowa galvanizing plants are also being finalized. In April 2013 Polimex-Mostostal concluded with the Śląsk Galvanising Plant a preliminary contract to sell the Corrosion Protection Plant in Częstochowa. The selling price amounts to PLN 44 million and shall be increased by the value of inventories of the plant, which is provisionally estimated at PLN 6 million as at the date of concluding the preliminary contract. The conclusion of the promised sale contract should take place by the end of July 2013 and depends on meeting conditions precedent.
- Polimex-Mostostal and its subsidiaries have also put for sale over 50 real properties whose common feature is their significant developer's potential. The first transactions should be executed in the 2nd quarter of this year. Real property put for sale include an office building in the centre of Warsaw at ul.Czackiego (the former Kwadrat Theatre) with usable floor area of approx. 4,500 sqm, an office building in Warsaw Powiśle at ul.Elektryczna with usable floor area of approx. 2,000 sqm, real property at ul.Górczewska in Warsaw (Bemowo district) with usable floor area of approx. 7.8 hectare where at present Tesco commercial facility is situated, two investment areas in the southern part of Katowice of the total area of over 5 hectares to be built up with service and housing facilities, four investment areas in Cracow of the total area of approx.4.5 hectares to be built up with service and housing facilities.
- The integration of support function, optimization of purchasing costs and the change in conducting operating activity (shifting from the divisional structure to segment one) will enable further improvement of financial position and will increase competitive advantage on the market both of the Company and the Group. The execution of giant modernization projects in the Polish power engineering sector, which are essential to implement in connection with maintaining national energy security (winning by the consortium of Hitachi Power Europe GmbH together with Polimex – Mostostal S.A. a tender procedure to construct a power block of 900-1000 MW fuelled with hard bituminous coal in Elektrownia "Kozienice" S.A. belonging to Enea group) are also of key importance.

- Additionally, activities are continued to improve the quality of the reporting and budgeting process itself and to make uniform contract planning procedures within the Polimex-Mostostal S.A. Company a controlling unit was established dedicated to analyses and verification of budgets for long-term contracts reporting directly to the Board of Directors. Its tasks include: coordination and implementation of a uniform project management process within the Company; day-to-day verification and improvement of the planning model and making uniform reporting procedures referring to contracts being performed; holding regular reviews of the status of key long-term contracts; verification of material completion of the key projects with reference to their cost completion; independent verification of submitted bids.
- The Company is in the course of making changes at the system level and in the scope of defining reports in available IT tools so as to enable day-to-day co-ordination and verification of the implementation of the plan. Additionally, the internal control function was strengthened with a team controlling execution of project budgets and application of required procedures.
- Good prospects on the domestic railway market due to the planned significant expenditure within the current and the next prospects of the UE budget. The Torpol Group is considered as one of the most important entities on the market and the backlog of orders of this subsidiary include such investments as a contract to design and modernize E75 Rail Baltica Rail line (the value of the contract is approx. PLB 1.5 bn gross) performed by the consortium of Torpol, PUT Intercor and Polimex-Mostostal or the construction of the new multimodal Łódź Fabryczna railway station - the project is being executed by the consortium of TORPOL Sp. z o.o. (the leader), Astaldi SpA, Przedsiębiorstwo Usług Technicznych Intercor based in Zawiercie and Przedsiębiorstwo Budowy Dróg i Mostów Mińsk Mazowiecki (the value of the contract is over PLN 1.7 bn gross)
- The backlog of the Group decreased by sales attributable to consortium members (not including the modernisation project in the Polish power engineering sector in Opole) amounts to PLN 7.4 billion, of which PLN 7.2 billion is concluded contracts and more than PLN 0.1 billion contracts in the final stage of negotiations. The current backlog for individual years is as follows: 2013 - PLN 2.2 billion and it relates in its entirety to concluded contracts; 2014 - PLN 2.7 billion (concluded contracts PLN 2.6 billion, contracts in the final stage of negotiations more than PLN 0.1 billion); 2015 – PLN 1.7 billion and it in its entirety relates to concluded contracts; in the next years PLN 0.7 billion and it in its entirety relates to concluded contracts. The backlog was specified based on sales generated by 31.03.2013.

As at 31.03.2013, the statement of financial position total of Polimex-Mostostal Capital Group amounted to PLN 3,307,367 thousand (a decrease of 14.1% as against comparative data as at 31.12.2012). The statement of financial position for the year 2012 in property, plant and equipment held for sale includes the assets of EPN Gdynia, Sefako and the Dry Dock of the total amount of PLN 191,140 thousand. As at 31.03.2013 non-current assets amounted to PLN 1,486,928 thousand (a decrease of 3.7% as against comparative data as at 31.12.2012), and current assets amounted to PLN 1,734,615 thousand (a decrease of 5.9% as against comparative data as at 31.12.2012). Property, plant and equipment were the largest item in fixed assets structure constituting 21.0% of total assets. Trade and other receivables constituting 35.2% of total assets were the largest item of current assets.

Equity attributable to equity holders of the parent as at 31.03.2013 amounted to PLN 505,472 thousand (an increase of 5.9% as against comparative data as at 31.12.2012), and liabilities amounted to PLN 2,802,663 thousand (a decrease of 16.8% as against comparative data as at 31.12.2012). The share premium, constituting 35.3% of total equity and liabilities, was the largest item in equity structure. Current liabilities constituting 45.3% of total liabilities and equity were the largest item of liabilities.

In the period of 1st quarter 2013 as in the comparative period there was a net decrease in cash and cash equivalents. Cash and cash equivalents of the Group as at the end of the 1st quarter 2013 amounted to PLN 142,986 thousand. It should be noted that cash and cash equivalents do not comprise the amount of advance payment received by the Issuer in connection with the "Kozienice" contract. At present the above mentioned advance payment is recognised in financial assets item.

Net cash from operating activity, mostly due to a significant decrease of the level of trade payables as compared to the end of 2012, amounted to PLN - 338,683 thousand. Net cash from investing activities amounted to PLN - 46,504 thousand, and net cash from financing activities amounted to PLN 174,245 thousand.

The current and quick liquidity ratios of the Polimex-Mostostal Capital Group were as presented below. Nowadays the major objectives of the Group include improving financial liquidity by means of disposal of developer's and financial assets, which should result in the end in a considerable improvement of the situation and in the decrease of interest debt.

Ratios for the Capital Group	**31.03.2013**	**31.12.2012**
Current liquidity ratio (*current assets : current liabilities*)	1.16	0.93
Quick ratio ((*current assets - inventories – prepaid expenses.*) *: current liabilities*)	0.94	0.77
Debt ratio ((*Total equity and liabilities - equity*) *: total assets*)	84.7%	87.5%
Net profit margin (*net profit of equity holders of the parent : revenue from sales*)	-4.4%	-16.9%
Ratios for the Capital Group	**31.03.2013**	**31.03.2012**
EBITDA margin (*EBITDA : revenue from sales*)	9.8%	-15.7%
Earnings per ordinary share (*net profit of equity holders of the parent : average weighted number of shares*)	-0.02	-0.29
Amortisation/Depreciation	19 469	24 486
EBITDA	52 072	-141 574

1.2. Other significant factors having influence on the operating activity of the Company and of the Group

In the scope of significant factors having influence on financial results and position of the Company and the Group the following ones should be mentioned:

- economic slowdown and expected possible deterioration of macroeconomic parameters in Poland in the nearest future,
- decided deterioration of the general position and conditions for activities of entities operating in the construction industry,
- difficult relationships, often of dispute or claim nature, with the main customers for the contracts executed by the Company in the Infrastructure and General Construction segment,
- significant deterioration in the last year of the position in the scope of cash flows resulting from the execution of loss generating contracts,
- availability of financial instruments hedging execution of contracts (guarantees), which will be of key importance to acquire new contracts.

1.3. Operating segments and geographic information

In the period of 1st quarter 2013 the operating segments of the Issuer's Capital Group contributed to sales as follows:

PLN thousands

Segment	Change 1Q 2013 / 1Q 2012	1Q 2013		1Q 2012	
		value	share	value	share
Production	-12.3%	180 109	33.8%	205 480	22.8%
General Construction	-80.8%	46 049	8.6%	239 354	26.5%
Power Engineering and Chemistry	-39.0%	136 269	25.6%	223 339	24.7%
Service	-50.4%	69 145	13.0%	139 309	15.4%
Infrastructure Construction	-2.5%	90 322	17.0%	92 606	10.3%
Other operations	264.6%	10 672	2.0%	2 927	0.3%
Total revenue from sales	-41.0%	532 566	100%	903 015	100%

The value and **geographic structure** of Polimex-Mostostal S.A. Group's **sales** in the period of 1st quarter 2013 were as follows:

PLN thousands

Market	Change 1Q 2013 / 1Q 2012	1Q 2013		1Q 2012	
		value	share	value	share
Domestic	-42.2%	317 452	59.6%	549 506	60.9%
Foreign	-39.1%	215 114	40.4%	353 509	39.1%
Total revenue from sales	-41.0%	532 566	100.0%	903 015	100.0%

As compared to the period of 1st quarter 2012 there was observed a similar breakdown of sales by domestic and foreign ones. The domestic market, where 59.6% of total revenue from sales was generated, was the main market for Polimex-Mostostal S.A. Group in the period of 1st quarter 2013.

1.4. Significant construction contracts performed in 1st quarter 2013

In the 1st quarter 2013 Group companies obtained the largest sales revenue as a result of execution of the following contracts (for information on execution of contracts by Polimex-Mostostal S.A. see section 4.2):

Project name	Revenue generated in 1st quarter 2013	Operating segment
Modernisation of E-65 Warsaw-Gdynia rail lines	30 531	Infrastructure Construction
Modernisation of Warsaw-Łódź rail line	8 933	Infrastructure Construction
Total	**39 464**	

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 three months ended 31 March 2013 and contain comparative data for the three months ended 31 March 2012 and as at 31 March 2013, as at 31 December 2012 (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, poviat of the Capital City of Warsaw, WARSAW – CENTRUM commune, city of Warsaw.
Address: ul. Czackiego 15/17, 00-950 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: Power Engineering and Chemistry, General Construction, Production, Service, Infrastructure Construction, Other Operations.

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 Company in share capital	
				31 March 2013 (%)	31 December 2012 (%)
	Subsidiaries				
1	Depolma GmbH (*)	Ratingen-Germany	Supplies and engineering services on agency basis	100.00	100.00
2	Polimex-Cekop Development Sp. z o. o.(*)	Warsaw	Trading activities, consulting and advisory services	100.00	100.00
3	Fabryka Kotłów "Sefako" S.A. (Capital Group) (***)	Sędziszów	Designing, production and sale of boilers	-	95.97
4	Naf Industriemontage GmbH(*)	Berlin	Construction and erection services	100.00	100.00
5	Polimex-Development Kraków Sp. z o.o. (Capital Group) (*)	Cracow	Execution of construction works	100.00	100.00
6	Sinopol Trade Center Sp. z o.o.(*)	Płock	Wholesale	50.00	50.00
7	Moduł System Serwis Sp.z o.o. (*)	Płock	Metal structure manufacturing	100.00	100.00
8	Stalfa Sp. z o.o.(*)	Sokołów Podlaski	Metal products manufacturing	100.00	100.00
9	Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.(*)	Siedlce	Transport services	100.00	100.00
10	Polimex-Mostostal ZUT Sp. z o.o. (*)	Siedlce	Engineering services	100.00	100.00
11	Polimex-Mostostal Ukraina SAZ (*)	Kiev	Housing development	100.00	100.00
12	MSP Tchervonograd - Ukraine (*)	Tchervonograd - Ukraine	Metal structure manufacturing	99.61	99.61

13	Polimex-Hotele Sp. z o.o. (*)	Warsaw	Housing development	100.00	100.00
14	Polimex-Mostostal Development Sp. z o.o. (*)	Warsaw	Housing development	100.00	100.00
15	Torpol Sp. z o.o. (Capital Group) (*)	Poznań	Comprehensive execution of transport facilities	100.00	100.00
16	Energomontaż-Nieruchomości Sp. z o.o.(*)	Warsaw	Real estate trade, maintenance and management	100.00	100.00
17	Energomontaż-Magyarorszag Sp. z o.o.(*)	Budapest	Construction and erection works, services, trade	100.00	100.00
18	Energomontaż – Pólnoc Gdynia Sp. z o.o. (***)	Gdynia	Construction and erection works, steel structure production, trade	-	99.99
19	Energop Sp. z o.o.(*)	Sochaczew	Production of pipelines and steel structures, construction and erection services	99.99	99.99
20	Energomontaż-Pólnoc-Technika Spawalnicza i Laboratorium Sp. z o.o.(*)	Warsaw	Research & development works	99.96	99.96
21	Centrum Projektowe Polimex- Mostostal Sp. z o.o.(*)	Gliwice	Construction, urban and engineering design and planning	99.57	99.57
22	Zakład Budowlano Instalacyjny Turbud Sp. z o.o.(***) in liquidation	Płock	Housing development, industrial buildings and rehabilitation	-	100.00
23	Zarząd Majątkiem Górczewska Sp. z o.o.(*) (Real Estate Administration)	Warsaw	Real estate lease, tenancy and administration	100.00	100.00
24	Przedsiębiorstwo Produkcyjno-Usługowe Elektra Sp. z o.o.(*)	Zielona Góra	Construction and design of overhead lines and transformer stations	100.00	100.00

25	PxM -Projekt - Południe Sp. z o.o. (*)	Cracow	Design services in construction sector	100.00	100.00
26	S.C. Coifer Impex SRL (****)	Romania	Steel structure manufacturing	100.00	100.00
27	WBP Zabrze Sp. z o.o.(*)	Zabrze	Design services	99.97	99.97
28	PRInż – 1 Sp. z o.o.(*)	Katowice	Road construction	91.06	91.06
29	Pracownia Wodno - Chemiczna Ekonomia Sp. z o.o.(*)	Bielsko Biała	Sewage and water treatment, technical and economic analyses in the scope of modernisation and construction of new systems.	100.00	100.00
30	Polimex-Mostostal Wschód Sp. z o.o. (*)	Moscow, Russia	Special and general construction	100.00	100.00
31	Grande Meccanica SpA(*)	Narni, Italy	Production, construction	100.00	100.00
	Associates				
32	PORTY S.A. in liquidation (***)	Gdańsk	Construction, trade, transport and machine rental	40.00	40.00
33	Polimex - Sices Polska Sp. z o.o. (**)	Warsaw	Execution of erection works	50.00	50.00
34	Energomontaż – Północ Bełchatów Sp. z o.o. (**) (Capital Group)	Bełchatów	Specialist construction and erection services	32.82	32.82
*	entity consolidated using the full method				
**	entity recognized using the equity method				
***	Entity eliminated from consolidation (disposal, liquidation)				
****	on 22 April the Company filed at the Civil Court in Bucharest, Romania a request to open bankruptcy proceedings with reorganisation option.				

As at 31 March 2013 the percentage of voting rights held by the Group in subsidiaries corresponds to the percentage held in the share capital of those entities, except for Centrum Projektowe Polimex-Mostostal Sp. z o.o., where voting rights are lower and amount to 99.28% (share in capital 99.57%).

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

There were the following changes to the composition of the Group in the 1st quarter 2013:

- on 31 January 2013 conditions precedent specified in the conditional agreement to sell the shares of Fabryka Kotłów Sefako S.A. with the registered office in Sędziszów ("Sefako") concluded on 24 October 2012 between the Issuer and MARS Closed Investment Fund with the registered office in Warsaw, managed and represented by MS Towarzystwo Funduszy Inwestycyjnych S.A. with the registered office in Warsaw ("Buyer") ("Agreement for selling shares of Sefako") were jointly met. In line with the Agreement for selling Sefako shares the total price for sold shares is PLN 72,321 thousand. The selling price may be decreased depending on operations and financial position of the Sefako Company where any circumstances specified in the Agreement arise. The value of Sefako shares in the books of Polimex-Mostostal S.A. amounted in total to PLN 18,153 thousand;
- on 7 March 2013 conditions precedent specified in the conditional agreement to sell the shares of "Energomontaż-Pólnoc Gdynia" Sp. z o.o with the registered office in Gdynia ("EPG") concluded on 24 October 2012 (CR No. 102/2012 of 25 October 2012) between the Issuer and MARS Closed Investment Fund with the registered office in Warsaw, managed and represented by MS Towarzystwo Funduszy Inwestycyjnych S.A. with the registered office in Warsaw ("Buyer") ("Agreement for selling EPG shares") were jointly met. In line with the Agreement for selling EPG shares the total price for sold shares is PLN 43,369 thousand. The value of EPG shares in the Issuer's books amounted to PLN 21,887 in total.

2.1.3. Composition of the Company's Board of Directors

As at 31 March 2013 the composition of the Board of Directors was as follows:

Dariusz Krawczyk	Acting President of the Board
Aleksander Jonek	Vice President of the Board
Robert Bednarski	Vice President of the Board

In the reporting period and till the day the financial statements have been authorised for issue the composition of the Board of Directors of the Company did change.

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

2.1.4. Composition of the Supervisory Board

As at 31 March 2013 the composition of the Supervisory Board was as follows:

Jerzy Góra	Chairman of the Supervisory Board,
Ryszard Engel	Vice Chairman of the Supervisory Board
Dariusz Krawczyk	Vice Chairman of the Supervisory Board*)
Artur Jędrzejewski	Secretary of the Supervisory Board,
Tadeusz Kuczborski	Member of the Supervisory Board
Andrzej Kasperek	Member of the Supervisory Board
Marek Wierzbowski	Member of the Supervisory Board

*) on 28 March 2013 Mr Dariusz Krawczyk was delegated by the Supervisory Board for the period to 30 April 2013 to temporarily perform duties of the Member of the Board of Directors and act as the President of the Board,

*) on 24 April the Supervisory Board of the Company delegated Mr Dariusz Krawczyk holding the position of the Vice President of the Supervisory Board of Polimex-Mostostal S.A. for the period to 2 June 2013 to temporarily perform duties of the Member of the Board of Directors and to act as the President of the Board.

In the reporting period and till the day the financial statements have been authorised for issue the composition of the Supervisory Board of the Company did change.

- On 15 February 2013 the Extraordinary Meeting of Shareholders of Polimex-Mostostal S.A. adopted resolutions No.3 to No.10 making the following amendments to the composition of the Supervisory Board:
  - persons dismissed: Jan Woźniak, Sebastian Boguslawski, Andrzej Bartos, Dariusz Formela
  - persons appointed: Jerzy Góra, Tadeusz Kuczborski, Ryszard Engel, Andrzej Kasperek.

2.1.5. Approval of financial statements

These condensed consolidated financial statements were authorized for issue by the Board of Directors on 10th May 2013.

2.2. Principles adopted for the preparation of the interim condensed consolidated financial statements for the 1st quarter 2013

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 parent company's Management Board is not aware of any facts or

circumstances that would indicate a threat to the continued activity of the key Group companies, except for the following companies: Energomontaż-Magyarorszag Sp. z o.o. in liquidation, Zakład Budowlano –Instalacyjny Turbud Sp. z o.o. in liquidation. On 29 April 2013 the Civil Court in Bucharest, Romania issued a decision to open bankruptcy proceedings with reorganization option of Coifer Impex SRL, a subsidiary, with the registered office in Bucharest, Romania. The decision of the Court concerning the continuation of the proceedings will be taken on 6 September 2013.

Financial position of the Issuer.

Under the Agreement on Regulations of Debt Servicing the Company agreed with certain financial creditors of the Company a plan and schedule of restructuring of financial liabilities of the Company covered with this agreement. The Agreement on Regulations of Debt Servicing provides for repayment of the entire existing financial liabilities of the Company by the end of 2016, which includes repayment of loans in the amount of approx. PLN 650 million and of Debentures in the amount of approx. PLN 144 million. The capability of the Company to repay its debt in dates provided for in the Agreement on Regulations of Debt Servicing depends on a number of factors, of which many are beyond the control of the Company. It may not be ruled out that measures taken by the Company in order to generate operating results allowing servicing of debt covered by the Agreement on Regulations of Debt Servicing will not bring expected results. In particular, it may not be ruled out that there will be delays in operating restructuring of the Company or that the restructuring will not bring intended results, as well as that the Company will not be able to generate projected revenue from contracts being performed and from divestment process. The above mentioned factors may hinder timely repayment of Company's debt covered by the Agreement on Regulations of Debt Servicing or even make it impossible.

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

Working capital defined as a difference between current assets taking into consideration available for sale long-term assets and current liabilities (including current loans) as at 31 March 2013 was positive and amounted to PLN 253,872 thousand, as at 31 December 2012 it was negative and amounted to PLN (47,202) thousand.

	31 March 2013	31 December 2012
Total available for sale long-term assets	1 299 227	1 497 215
Current liabilities	1 045 355	1 544 417
Working capital	253 872	(47 202)

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

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

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 2012, which was communicated to the public on 18 March 2013.

2.2.2. Adjustment of error

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

The Issuer in the financial statements and consolidated financial statements for the year 2012 made an adjustment of error whose effect on the net result and the consolidated net result of the year 2011 was estimated in the amount of PLN 234,009 thousand. No adjustment mentioned above in the condensed consolidated financial statements for the 1st quarter 2012 increased the net results presented for the period by PLN 5.2 million. Moreover, adjustment to the net result in the 2nd quarter 2012 made while reviewing the financial statements by the auditor for the 1st half of 2012 and due to an in-depth internal audit in the Company in portion i.e. in the amount of PLN -164.3 million referred also to the 1st quarter 2012. The Issuer's comparative data for the 1st quarter 2012 presented in these condensed consolidated financial statements were adjusted by the amounts mentioned above.

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 31 March 2013 Polimex-Mostostal Group recognised deferred tax assets in the amount of PLN 207,123 thousand and a deferred tax liability in the amount of PLN 41,507 thousand.
As at 31 March 2013 the parent company recognised deferred tax assets in the amount of PLN 191,178 thousand and deferred tax liability in the amount of PLN 25,120 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 consolidated financial statements and the presentation currency is also Polish zloty except for the following companies: Tchervonograd MSP –Ukraine, Polimex-Mostostal Ukraine, Depolma GmbH, Germany, Polimex-Mostostal Wschód Sp. z o.o., Russia, Naf Industriemontage GmbH, Germany, Energomontaż Magyarorszag Sp. z o.o., Hungary as well as Coifer, Romania and Grande Meccanica Sp.A., Italy.

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 3 months ended 31 March 2012. 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 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 4.1738 PLN/EUR
- translation of assets and equity and liabilities as at 31 March 2013 – the exchange rate of 4.1774 PLN/EUR
- translation of turnover, financial results and cash flows for the comparative period – the exchange rate of 4.1750 PLN/EUR
- translation of assets and equity and liabilities as at 31 December 2012 – the exchange rate of 4.0882 PLN/EUR

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

Note 1 **Other operating income**	For 3 months ended 31 March 2013	For 3 months ended 31 March 2012
	unaudited	*unaudited*
Gain on disposal of non-financial fixed assets	22 911	470
Reversed provision for expenses	6 691	1 474
Recovered damages payments and fines	2 544	2 348
Other	2 380	1 201
Other operating income, total	**34 526**	**5 493**

Note 2 **Other operating expenses**	For 3 months ended 31 March 2013	For 3 months ended 31 March 2012
	unaudited	*unaudited*
Donations	2	237
Damages and fines	1 162	994
Court expenses	834	134
Costs of post-accident repairs	23	24
Loss on disposal of non-financial fixed assets	239	12
Provision for expenses	15 485	-
Other	1 746	699
Total other operating expenses	**19 491**	**2 100**

Note 3 **Finance income**	For 3 months ended 31 March 2013	For 3 months ended 31 March 2012
	unaudited	*unaudited*
Interest	1 272	390
Revenue from measurement and exercise of derivative instruments	231	865
Foreign exchange gains	4 007	2 609
Other	1 812	281
Total finance income	**7 322**	**4 145**

Note 4 **Finance costs**	For 3 months ended 31 March 2013	For 3 months ended 31 March 2012
	unaudited	*unaudited*
Interest	14 446	13 315
Debenture commissions and interest	41	7 093
Bank commissions and charges	2 340	985
Expenses arising from measurement and exercise of derivative instruments	-	17
Foreign exchange losses	835	16 399
Loss on disposal of financial fixed assets	36 040	-
Other	1 712	1 303
Total finance costs	**55 414**	**39 112**

Note 5 Costs by type	For 3 months ended 31 March 2013 *unaudited*	For 3 months ended 31 March 2012 *unaudited*
Depreciation / Amortisation	19 469	24 486
Materials and energy	164 725	344 641
External services	225 186	412 770
Taxes and charges	8 463	10 318
Employee benefits expenses	185 417	260 391
Other costs by type	9 092	14 119
Total costs by type	**612 352**	**1 066 725**

Note 6 Income tax	For 3 months ended 31 March 2013 *unaudited*	For 3 months ended 31 March 2012 *restated*
Current income tax	(1 061)	(1 980)
Deferred income tax	(8 183)	50 732
Total income tax	**(9 244)**	**48 752**

Note 7	31 March 2013 *unaudited*	31 December 2012 *audited*
Property, plant and equipment		
Land, buildings and structures	308 108	329 872
Plant and machinery	255 207	251 872
Motor vehicles	60 191	61 644
Other property, plant and equipment	71 920	64 854
of which: Fixed assets under construction and advance payments to fixed assets under construction	*57 491*	*48 469*
Total property, plant and equipment, net	**695 426**	**708 242**

Note 8	31 March 2013 *unaudited*	31 December 2012 *audited*
Intangible assets		
Software	13 207	14 386
Other	2 518	2 505
Total intangible assets, net	**15 725**	**16 891**

Note 9	31 March 2013 *unaudited*	31 December 2012 *audited*
Inventories		
Raw materials	103 421	107 347
Semi-finished goods and work in progress	181 956	174 690
Finished goods	23 045	19 514
Goods for resale	1 083	1 055
Advance payments to supplies	5 416	5 749
Total inventories, net	**314 921**	**308 355**

Note 10	31 March 2013 *unaudited*	31 December 2012 *audited*
Current receivables		
Trade receivables	1 079 067	1 109 989
Other receivables	84 870	53 165
Total current receivables, net	**1 163 937**	**1 163 154**

Note 11	31 March 2013 *unaudited*	31 December 2012 *audited*
Non-current provisions		
Provisions for employee benefits	31 917	56 154
Other provisions	112 835	113 877
Total non-current provisions	**144 752**	**170 031**

Note 12	31 March 2013 *unaudited*	31 December 2012 *audited*
Current liabilities		
Trade payables	947 616	1 201 122
Current portion of interest-bearing loans and borrowings	159 768	179 234
Income tax	132	531
Other tax liabilities, ZUS (Social Insurance Institution)	38 266	153 276
Financial liabilities (including short-term discount debentures)	10 937	100 206
Other liabilities	118 579	91 160
Accruals	47 666	47 808
Provisions	173 746	201 410
Total current liabilities	**1 496 710**	**1 974 747**

2.4. Operating segments and geographic information

The tables below present data on consolidated revenue of individual operating segments and geographic information of the Group for the three months ended 31 March 2013, for the three months ended 31 March 2012 (in PLN thousands):

Operating segments for the three months ended 31 March 2013 *unaudited*	Continuing operations							
	Production	General Construction	Power Engineering and Chemistry	Service	Infrastructure Construction	Other operations	Eliminations	Total Operations
Revenue								
Sales to external customers	180 109	46 049	136 269	69 145	90 322	10 672	-	532 566
Inter-segment sales	10 859	353	2 511	6 046	31	1 543	(21 343)	-
Total segment revenue	**190 968**	**46 402**	**138 780**	**75 191**	**90 353**	**12 215**	**(21 343)**	**532 566**

Operating segments for the three months ended 31 March 2012 *restated*	Continuing operations							
	Production	General Construction	Power Engineering and Chemistry	Service	Infrastructure Construction	Other operations	Eliminations	Total Operations
Revenue								
Sales to external customers	205 480	239 354	223 339	139 309	92 606	2 927	-	903 015
Inter-segment sales	124 535	145	17 543	14 869	149	598	(157 839)	-
Total segment revenue	**330 015**	**239 499**	**240 882**	**154 178**	**92 755**	**3 525**	**(157 839)**	**903 015**

Geographic information for the three months ended 31 March 2013 *unaudited*	Domestic	Foreign	Eliminations	TOTAL
Revenue				
Sales to external customers	317 452	215 114	-	532 566
Inter-segment sales	1 590	571	(2 161)	-
Total segment revenue	**319 042**	**215 685**	**(2 161)**	**532 566**

Geographic information for the three months ended 31 March 2012 *restated*	Domestic	Foreign	Eliminations	TOTAL
Revenue				
Sales to external customers	549 506	353 509	-	903 015
Inter-segment sales	1 970	12 791	(14 761)	-
Total segment revenue	**551 476**	**366 300**	**(14 761)**	**903 015**

2.5. Consolidated off-statement of financial position items
as at 31 March 2013 (in PLN thousands)

	31 March 2013 *unaudited*	31 December 2012 *audited*
Contingent receivables		
From other parties (arising from)	**733 315**	**779 508**
- guaranties and sureties received	370 991	443 102
- legal claims	362 324	336 406
Contingent liabilities	**2 650 620**	**2 661 285**
To other parties (arising from)	2 650 620	2 661 285
- guaranties and sureties granted	1 938 622	2 104 146
- promissory notes	71 368	237 102
- legal claims	202 698	190 451
- other	437 932	129 586
Other (arising from)	**114 623**	**114 623**
- transferred to off-statement of financial position records balances	114 623	
relating to*:		114 623
- receivables	48 839	48 839
- cash	15 973	15 973
- liabilities	25 330	25 330
- deferred income	24 481	24 481
Total off-statement of financial position items	**3 498 558**	**3 555 416**

In connection with concluded loan and guarantee contracts, also in the scope of liabilities arising from debentures, and in particular in connection with the Agreement of 24 July 2012 on refraining from enforcement of liabilities, the Agreement of 21 December 2012 on Regulations of Debt Servicing and the Agreement of 21 December 2012 on New Guarantee Facility and the attached revolving credit facility, the Parent Company and the Group Companies established mortgages, pledges, temporary ownership titles, assignments and issued promissory notes to secure the debt relating to the above mentioned instruments. Total commitment of the Group on account of the above mentioned instruments amounted to approx. PLN 2,282 million as at 31 March 2013.

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

2.6. Risk management objectives and policies

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: Torpol Sp. z o.o. 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; at the statement of financial position date this group includes Polimex-Mostostal S.A. and Torpol Sp. z o.o.

II) companies not applying hedge accounting.

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

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

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

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.

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.

Natural hedging, e.g. hedging of currency risk by concluding transactions generating costs in currency of revenues, is currently the basic method of protection against price risk applied by the Company. Additionally, a foreign exchange risk management strategy used by the Company allows to use derivative instruments relating to currency market (future forward contracts, PUT currency options (acquired options), option structures build with PUT and CALL options). Their practical application depends on having treasury limits at banks servicing the Company. On 21 December 2012 the Agreement on Regulation of Debt Servicing was concluded, whose provisions did not provide

for the possibility of using foreign currency derivative instruments as available credit products. In these circumstances it is assumed that natural hedging will gain importance as the basic tool to limit the currency risk arising from the business activity of the enterprise. The Company will continue talks with banks on granting treasury limits allowing to manage foreign exchange risk more effectively.

As at 31 March 2013 the Company did not hold any active foreign exchange derivative instruments.

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 in the expected scope, the companies, within treasury limit they have, may 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.

As at 31 March 2013 the Group Companies did not hold any active foreign exchange derivative instruments.

Raw material price risk

Economical effectiveness of production of the Group Companies depends to large extent on fluctuations in prices of raw materials including mainly steel and zinc composite. A rise in prices of raw materials may lead to an increase of costs of production conducted by the Group. There is a significant risk that in the future the prices of strategic raw materials used by the Group may go up and that it will result in increase prices of Group's products and consequently in limitation of their sales. The above mentioned circumstances may have a negative effect on the operations, financial position and performance of the Group.

2.7. Review of operating and financial position

Polimex-Mostostal S.A. implemented a new organisational structure consisting in concentration on five segments of business activity conducted before by 22 divisions operating within the structure of the Company. The process was completed as of 1 January 2013 and at present optimization of individual services and departments is being carried out to achieve the best cost and operating effectiveness. Within the new structure the following five segments were distinguished:

- Power Engineering and Chemistry (services for power engineering and chemical industry including general contracting in power engineering as well as in chemistry and petrochemistry sectors, also overhaul services in the scope of constant and comprehensive services to power plants, heat and power plant and industrial plants);

- General Construction (construction and assembly works relating to execution of facilities in the form of general contracting in the area of industrial and public utility construction and design services);
- Infrastructure Construction (services in the scope of road and bridge construction together with lighting and ancillary infrastructure as well as construction services in the scope of environment protection);
- Service support (construction and assembly works and services in the scope of industrial service support); and
- Production (production of steel structures, platform gratings and corrosion protection services). For each segment a Company's division was allotted based on previous profile of activity. The objective of shifting from the division structure to the segment structure was to increase the capacity of the Company to efficiently and economically effectively allocate owned resources to the execution of large investment projects in the developing segments of the market.

2.8. Significant events affecting the situation of the Polimex-Mostostal Capital Group in the 1st quarter 2013

In 1st quarter 2013 the significant events of the Issuer included:

- on 21 January 2013 the Company withdrew from the contract with Świecie Commune to perform construction and technological works together with design for the task of "Inter-Commune Complex for the Disposal of Municipal Waste for the poviats of Świecie and Chełmno in Sulnówek" due to the fault of the Ordering Party. The value of the contract was PLN 34.5 million.
- on 23 January 2013 the Issuer received information on issuing on 22 January 2013 by the District Court in Warsaw for the Capital City of Warsaw, 12th Economic Department of the National Court Register a decision under which amendments to the Articles of Association of the Company made with No.3, No.4 and No.6 resolutions of the Extraordinary Meeting of Shareholders of the Company on 15 October 2012 were registered in the register of entrepreneurs. Based on the decision above the Court registered:
  - the increase of share capital of the Company by the amount of PLN 16,666,666.64 by means of issuing 416,666,666 series M ordinary bearer shares of the nominal value of PLN 0.04 each;
  - the increase of share capital of the Company by the amount of PLN 15,846,153.84 by means of issuing 396,153,846 series N1 ordinary bearer shares of the nominal value of PLN 0.04 each.
  - as a result of registering the increases of share capital mentioned above, as at the date of publication of this current report the share capital of the Company is PLN 53,358,983.52 and it breaks down into 1,333,974,588 shares of the nominal value of PLN 0.04 each entitling to exercise 1,333,974,588 votes at the general meeting of the Company.

  Moreover, based on the decision mentioned above the Court registered a conditional increase of the share capital by the amount not exceeding PLN 10,265,216.88 by means of issuing 256,630,422 subscription warrants entitling their holders to take up not more than 256,630,422 series O ordinary bearer shares, which was adopted under No.6 Resolution of the Extraordinary General Meeting of Shareholders of the Company of 15 October 2012. As a result of the registration mentioned above, the total conditional share capital of the Company amounts to PLN 11,845,869.72.

- As of 31 January 2013 the following conditions precedent specified in the conditional agreement to sell the shares of Fabryka Kotłów Sefako S.A. with the registered office in Sędziszów concluded on 24 October 2012 between the Issuer and MARS Closed Investment Fund with the registered office in Warsaw, managed and represented by MARS Towarzystwo Funduszy Investycyjnych S.A. with the registered office in Warsaw were jointly met. Performing the Agreement to Sell the Shares of Sefako the Issuer transferred to the Buyer the ownership of 1,175,705 Sefako inscribed shares of the nominal value of PLN 10 each of the total nominal value of PLN 11,757,050 constituting approx. 95.97% of interest in Sefako's share capital and entitling to approx. 95.97% of votes at Sefako's General Meeting.

  After the disposal transaction the Issuer does not hold any of Sefako shares. In line with the Agreement to Sell the Shares of Sefako the total price for shares being sold amounts to PLN 72,321,000, and by 31 January 2013 the Issuer was paid the total amount of PLN 36,160,500 as advance payment.
- On 13 February 2013 the Issuer concluded with MARS Finance 1 a limited company with the registered office in Warsaw ("Buyer") a conditional sale contract ("Contract") for:
  - a share amounting to 3,333/10,000 portion in the perpetual usufructary right of the real estate located in Gdynia together with the share in the proprietary right of structures and machinery ("Real Estate 1");
  - a share amounting to 847/10,000 portion in the perpetual usufructary right of the real estate located in Gdynia together with the share in the proprietary right of buildings, structures and machinery ("Real Estate 2") and;
  - the perpetual usufructary right of the real estate located in Gdynia together with the proprietary right of buildings, structures and machinery ("Real Estate 3").

  The Contract was concluded while executing the Preliminary Contract of 24 October 2012, which was described in the Issuer's current report No. 102/2012 of 25 October 2012. The Contract transferring to the Buyer the ownership of Real Estate („Dispositive Contract") shall be concluded by the Parties after meeting conditions precedent (conditions precedent of the sale of significant assets were met on 7 March 2013). The price of the Real Estate specified in the Contract amounts to PLN 43,330,000, and by 14 February 2013 the Issuer was paid the total of PLN 26,615,000 by the Buyer on account of Advance Payment and Additional Advance Payment. The remaining portion of the selling price of the Real Estate shall by paid by the Buyer within 3 working days of concluding the Dispositive Contract.
- On 14 February 2013 the Board of Directors was informed by BNP Paribas Bank Polska S.A. ("Bank") on the fact that the Bank received on 12 February 2013 a notice to pay the amount of PLN 25,938,604.23 on account of the contract performance bond for the benefit of Helical Sośnica sp. z o.o. issued by the Bank at the request of the Company. The above guarantee was granted in connection with the execution of the contract for "Construction of the Central Europe Shopping Centre". The guarantee expired on 12 February 2013. At the same time the Company informs that on 25 February 2013 the Regional Court in Warsaw, 20th Economic Department issued a decision under which it banned Helical Sośnica sp. z o.o. from exercising its rights arising from the above mentioned bond issued by the Bank. The decision was delivered onto Helical Sośnica Sp. z o.o. on 31 January 2013.
- On 15 February 2013 the Extraordinary Meeting of Shareholders of Polimex-Mostostal S.A. made the amendments to the composition of the Supervisory Board of the Company: From the prior composition of

the Supervisory Board the following persons were dismissed: Jan Woźniak, Sebastian Bogusławski, Dariusz Formela, Andrzej Bartos, and for period by the end of current term of office the following persons were appointed: Ryszard Engel, Andrzej Kasperek, Jerzy Góra, Tadeusz Kuczborski.

- On 22 February 2013 the Board of Directors of the Company received information from its subsidiary operating under the business name of TORPOL S.A. on selecting as the most favourable one the tender of the Consortium of the following companies: Kapsch CarrierCom Sp. z o.o. (Consortium Leader) with the registered office in Warsaw, Kapsch CarrierCom AG (Consortium Partner) with the registered office in Vienna, Austria and TORPOL S.A. (Consortium Partner) with the registered office in Poznań for "Design, construction and implementation of ERTMS/GSM-R radio subsystem, design and construction of line fiber-optic cables and construction of teletransmission systems executed under project POIiŚ 7.1.-25 "Construction of GSM-R system infrastructure with NPW ERTMS in E 20/C-E 20 rail line corridor F in Kunowice-Terespol section A, C and D partial order" for PKP Polskie Linie Kolejowe S.A. with the registered office in Warsaw. The tender price is PLN 214,347,465.36 gross (PLN 174,266,232.00 net), of which TORPOL S.A.'s share amounts to 60%.
- On 28 February 2013 the Board received from PKO BP S.A. a signed Annex to the Contract for non-revolving working capital credit facility in the Polish currency in the amount of PLN 200,000,000.00. The Annex clarifies the provisions of the Loan Contract adjusting it to the provisions of the Agreement on Regulations of Debt Servicing signed on 21.12.2012. The amount of the credit facility was specified in the amount of debt as at the date of signing the Agreement on Regulations of Debt Servicing i.e. PLN 199,996,784.76. The credit facility shall be entirely repaid on 31.12.2016.
- On 21 March 2013 the Issuer received information on filing a resignation from the position of Acting President of the Board and the Member of the Board of Directors of the Company by Mr Robert Oppenheim effective as of 29 March 2013.
- On 26 March 2013 in connection with the request submitted by Hitachi Ltd Power System Company to pay claims within the guarantee period from the contract performance bond issued by RBS Bank (Polska) S.A., the bank paid from the bond the amount of EUR 713,151 in accordance with the received request. The claim of the Consortium leader against Polimex-Mostostal S.A. was caused by the fact of having received a request to pay from the contract performance bond issued by Hitachi Ltd on behalf of the Consortium for the benefit of the Ordering Party i.e. Enea Wytwarzanie S.A.
- On 28 March 2013 the Supervisory Board of the Company delegated Mr Dariusz Krawczyk holding the position of the Vice President of the Supervisory Board of Polimex-Mostostal S.A. for the period to 30 April 2013 to temporarily perform duties of the Member of the Board of Directors of Polimex-Mostostal S.A. and to act as the President of the Board.

2.9. Events after the statement of financial position date, as of which the condensed consolidated quarterly financial statements were prepared, having a significant effect on the financial statements and future financial results of the Issuer

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:

- Termination of the Company's Collective Labour Agreement which took place at the beginning of April will let the Company use more flexible forms of remuneration, better suited to market conditions.
- Filing the most favourable tender by the consortium whose leader is Polimex-Mostostal S.A. to perform construction and assembly works of a significant value of PLN 75 million at Głogów Copperworks (KGHM).
- The Board of Directors of Polimex-Mostostal S.A. with the registered office in Warsaw acting under Article 395, Article 399.1, Article 4021 and 4022 of the Code of Commercial Companies and Article 30.2 of the Articles of Association of the Company convenes an Ordinary General Meeting on 3 June 2013.
- Polimex-Mostostal obtained the consent of its Creditors to extend the deadline to raise another PLN 50 million on account of issuing shares of the Company. On 27 February this year it submitted to the financial creditors, parties to the restructuring agreement concluded in December last year, a request to extend by 31 May this year the deadline to raise another PLN 50 million on account of issuing shares of the Company (the issue price - PLN 0.52). On 9 April this year the creditors made a binding decision on this issue and gave their consent to extend the deadline in line with the proposal of the company.
- On 12 April 2013 the Company received from PKO BP S.A. a signed Annex No.1 to the Contract for Investment Loan in the amount of PLN 150,000,000. The Annex clarifies the provisions of the Loan Contract adjusting it to the provisions of the Agreement on Regulations of Debt Servicing signed on 21.12.2012. The amount of the credit facility was specified in the amount of debt as at the date of signing the Agreement on Regulations of Debt Servicing i.e. PLN 93,442,253.94. The credit facility shall be entirely repaid on 31.12.2016.
- On 22 April 2013 the Board received information on filing by Coifer Impex SRL with the registered office in Bucharest, Romania, a subsidiary, a request to open a bankruptcy procedure with reorganization option. On 29 April the Board of Directors received information on issuing a decision by the Civil Court in Bucharest to open bankruptcy proceedings with reorganization option of Coifer Impex SRL, a subsidiary, with the registered office in Bucharest, Romania. The decision of the Court concerning the continuation of the procedure will be taken on 06.09.2013.
- On 23 April 2013 the Supervisory Board of the Company appointed to the composition of the Board of Directors: Mr Gregor Sobisch for the position of the President of the Board for a three-year individual term of office as of 3 June 2013 and Ms Joanna Makowiecka for the position of the Vice President of the Board of Directors for a three-year individual term of office as of 3 June 2013.
- On 26 April 2013 Polimex-Mostostal concluded with the Śląsk Galvanising Plant a preliminary contract to sell the Corrosion Protection Plant in Częstochowa. The selling price amounts to PLN 44 million and shall be increased by the value of inventories of the plant, which is provisionally estimated at PLN 6 million as at

the date of concluding the preliminary contract. The conclusion of the promised sale contract should take place by the end of July 2013 and depends on meeting conditions precedent.

- On 30 April 2013 the Board of Directors informed the Regional Labour Inspector under Article 8 of the Act of 23 May 1991 on solving collective disputes of initiating a collective dispute procedure by trade union organizations operating at the Issuer's.

2.10. 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 performer in the open sites decreases. Moreover, in some sectors overhaul works concentrate on specified times of year (e.g. in power plants and heat and power plants in summer months). Whereas modernisation works are undertaken in multiannual cycles (e.g. in power plants and chemical plants).

A considerable share construction and assembly works have in the revenue of the Company and of the Capital Group makes sales the lowest in the 1st quarter. This year due to a long winter, the effect of the weather factor on the sales was greater than in previous years.

The Issuer's Group's schedules of performance of investment tasks include climatic conditions and while preparing budgets the consequences of applied procedures for awarding and settling of orders are taken into account. The organisational structure of the Issuer's Group is adjusted to the nature of conducted activities.

The Group undertakes measures aimed at reducing the seasonality of sales by means of rendering services for branches of industry which are less affected by seasonality and exporting services to countries in different climatic zones.

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

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

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

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

Under the Agreement on Regulations of Debt Servicing, Debenture Holders assumed an obligation to converse debt arising from debentures issued by the Company in the amount of approx. PLN 250 million to Series M shares. The conversion was on 21 December 2012. In the scope of remaining, unpaid portion of receivables of Debenture Holders in the amount of approx. PLN 143,874 thousand the Debenture Holders assumed an obligation to postpone the final repayment of this receivable by 31 December 2016.

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

In the 1st quarter 2013 no dividend was paid or declared.

2.13. 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 total vote.

Item No	Shareholder	No of shares/votes	% interest in share capital/total votes at GSM
1.	Agency for Development of Industry	300 000 001	22.49
2.	ING Nationale-Nederlanden Polska Otwarty Fundusz Emerytalny (ING Nationale-Nederlanden Poland Open Pension Fund)	185 431 892	13.90
3.	PIONIER PEKAO Investment Management SA	**74 829 384**	**5.61**
4.	Other Shareholders	**773 713 311**	**58.00**
	Number of shares of all issues	**1 333 974 588**	**100.00**

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

Current holding of issuer's shares by the Board of Directors and Supervisory Board Members as at the date of filing the quarterly report with indication of changes in the holding that occurred in the period from filing the annual report for 2012 is as follows:

Position held	Current number of shares held	Change in holding in the period from communicating the annual report for 2012
Member of the Board of Directors	2,376,281	no change
Total	2,376,281	

2.15. Statement of the Board of Directors concerning published forecasts

The forecasts regarding financial performance of Polimex-Mostostal S.A. and Polimex-Mostostal Group in 2013 have not been published.

2.16. Ongoing proceedings concerning receivables and liabilities 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 31 March 2013 amounted to:

Proceedings concerning active debts PLN 362,324 thousand, of which the key proceedings are:

1. Defendant: Koksownia Przyjaźń Sp. z o.o., the value of the subject of the litigation: PLN 58,114,940.00; the subject of the litigation: demand for increasing the remuneration due to rising prices in the market for construction materials and services; PxM's share 65%.
2. Defendant: the State Treasury – the General Directorate for National Roads and Motorways – the value of the subject of litigation: PLN 114,604,498.00, the subject of litigation: granting additional remuneration for the scope of works, which needed to be performed because the geological and hydrological conditions found in the foundation soil were worse than the ones described in geological engineering documentation; date of bringing: 7 May 2012, PxM's share: 51%.
3. Defendant: the State Treasury – the General Directorate for National Roads and Motorways; the value of the subject of the litigation: PLN 36,961,661.00; the subject of the litigation: demand for increasing remuneration due to rising prices of liquid fuel and tarmac; date of bringing: 3 June 2012, PxM's share 49%.
4. Defendant: the State Treasury – the General Directorate for National Roads and Motorways – the value of the subject of litigation: PLN 4,380,734.00; the subject of litigation: increasing lump remuneration relating to the settlement element; date of bringing: 16 July 2012, PXM's share 51%.
5. Own recovery of claims against Sea Resources Office Tripolis, Libya – the value of the subject of litigation: PLN 26,484,910.28;
6. Recovery of claims relating to the contracts performer by the Issuer in Iraq in 1990s; recovery through Iraq Debt Reconciliation Office, Jordan; the value of the claim: PLN 25,286,018.
7. Defendant: Helical Sośnica Sp. z o.o. – the value of the litigation: PLN 25,442,404; the subject of the litigation: security to the claim.
8. Defendant: Podkarpackie Voivodship – the value of the subject of litigation: PLN 7,042,856.00; the subject of litigation: revaluation of contract; date of bringing: 28 January 2008.
9. Defendant: Poczta Polska S.A., the value of the subject of litigation: PLN 3,529,589.83; the subject of the litigation: pecuniary consideration; date of bringing: 3 August 2010.

Proceedings concerning liabilities: PLN 202,698 thousand.

2.17. 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.

2.18. 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.

There were no such events in the 1st quarter 2013.

3. CONDENSED FINANCIAL STATEMENTS OF POLIMEX-MOSTOSTAL S.A. FOR THE 1st QUARTER 2013.

SELECTED FINANCIAL DATA FOR THE CONDENSED FINANCIAL STATEMENTS

	PLN thousands		EUR thousands	
SELECTED FINANCIAL DATA	1st quarter / 2013 from 01.01.2013 to 31.03.2013	1st quarter / 2012 from 01.01.2012 to 31.03.2012	1st quarter / 2013 from 01.01.2013 to 31.03.2013	1st quarter / 2012 from 01.01.2012 to 31.03.2012
data relating to financial statements				
Revenue	382 150	685 327	91 559	164 150
Profit/(Loss) on operating activities	36 309	(180 602)	8 699	(43 258)
Gross profit/(loss)	79 701	(210 576)	19 096	(50 437)
Net profit/(loss)	72 482	(160 076)	17 366	(38 342)
Net cash flows from operating activities	(332 676)	(431 848)	(79 706)	(103 437)
Net cash flows from investing activities	46 776	(15 072)	11 207	(3 610)
Net cash flows from financing activities	172 960	347 001	41 439	83 114
Net increase/decrease in cash and cash equivalents	(112 940)	(99 919)	(27 059)	(23 933)
Total assets*	2 403 878	2 656 976	575 448	649 913
Non-current liabilities*	1 222 102	1 098 620	292 551	268 730
Current liabilities*	1 045 355	1 544 417	250 241	377 774
Equity*	136 421	13 939	32 657	3 410
Issued capital*	53 359	20 846	12 773	5 099
Number of shares (pcs.) registered as at 31 03 2013/ 31 12 2012 and 31 03 2012.	1 333 974 588	521 154 076	-	-
Number of shares (pcs.) as at 31.12.2012 after registration after statement of financial position date	-	1 333 974 588	-	-
Diluting potential ordinary shares (pcs.) as at statement of financial position date 31 03 2013 / 31 03 2012	364 926 591	12 142 323	-	-
Diluting potential ordinary shares (pcs.) as at statement of financial position date 31.12.2012 before registration after statement of financial position date	-	1 177 747 103	-	-
Diluting potential ordinary shares (pcs.) as at statement of financial position date 31.12.2012 after registration after statement of financial position date	-	364 926 591	-	-
Earnings per ordinary share (in PLN/ EUR)	0.05	(0.31)	0.01	(0.07)
Diluted earnings per ordinary share (in PLN/ EUR)	0.04	(0.30)	0.01	(0.07)
Book value per ordinary share registered as at the statement of financial position date (in PLN/ EUR)*	0.10	0.03	0.02	0.01
Book value per ordinary share registered after statement of financial position date 31.12.2012 (in PLN/EUR)*	-	0.01	-	0.00
Diluted book value per ordinary share as at the statement of financial position date (in PLN/ EUR)*	0.08	0.03	0.02	0.01
Diluted book value per ordinary share as at the statement of financial position date of 31.12.2012 before the registration after the statement of financial position date (in PLN/EUR)*	-	0.01	-	0.00

Diluted book value per ordinary share as at the statement of financial position date of 31.12.2012 after the registration after the statement of financial position date (in PLN/EUR)*	-	0.01	-	0.00

-individual items of assets and equity and liabilities of the statement of financial position were translated at the exchange rate of 4.1774 (for data as at 31.03.2013) and 4.0882 (for data as at the end of 2012), which were published by the National Bank of Poland for a given statement of financial position date,
-individual items of the income statement and the statement of cash flows were translated at the exchange rate of 4.1738 (for data for the first quarter of 2013) and 4.1750 (for data for the first quarter of 2012), 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.
*statement of financial position data is presented as at 31 March 2013 and as at 31 December 2012

CONDENSED INCOME STATEMENT
for the three months ended 31 March 2013 (in PLN thousands)

	Note	For 3 months ended 31 March 2013 *unaudited*	For 3 months ended 31 March 2012 *restated*
Continuing operations			
Revenue		**382 150**	**685 327**
Sale of goods		90 702	110 887
Rendering of services		288 526	571 046
Rental income		2 922	3 394
Cost of sales		**350 567**	**842 494**
Gross profit / (loss)		**31 583**	**(157 167)**
Other operating income	1	30 222	3 275
Selling costs		4 977	6 527
Administrative expenses		18 415	18 837
Other operating expenses	2	2 104	1 346
Profit/ loss on operating activities		**36 309**	**(180 602)**
Finance income	3	57 655	1 417
Finance costs	4	14 263	31 391
Gross profit/(loss)		**79 701**	**(210 576)**
Income tax	6	(7 219)	50 500
Net profit/loss from continuing operations		**72 482**	**(160 076)**
Earnings per share (in PLN):			
- number of shares		1 333 974 588	521 154 076
- basic, for net profit/loss for the reporting period		0.05	(0.31)
Diluted earnings per share (in PLN)			
- number of shares		1 333 974 588	521 154 076
-diluting potential ordinary shares		364 926 591	12 142 323
- diluted, for net profit/loss for the reporting period		0.04	(0.30)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
for the three months ended 31 March 2013 (in PLN thousands)

	For 3 months ended 31 March 2013 *unaudited*	For 3 months ended 31 March 2012 *restated*
Net profit/(loss)	**72 482**	**(160 076)**
Net gains/losses on cash flow hedges	-	1 632
Deferred tax	-	(310)
Other comprehensive income, net of tax	**-**	**1 322**
Total comprehensive income	**72 482**	**(158 754)**

CONDENSED STATEMENT OF FINANCIAL POSITION
as at 31 March 2013 (in PLN thousands)

	Note	31 March 2013 *unaudited*	31 December 2012 *audited*
ASSETS			
Non-current assets		**1 104 651**	**1 159 761**
Property, plant and equipment	7	464 845	475 885
Investment property		14 833	14 833
Intangible assets	8	12 297	13 175
Financial assets		409 455	457 467
Non-current receivables		37 163	25 124
Non-current prepaid expenses		-	-
Deferred tax assets		166 058	173 277
Current assets		**1 219 454**	**1 342 748**
Inventories	9	164 156	161 169
Trade and other receivables	10	837 884	854 448
Prepaid expenses		7 156	7 643
Cash and cash equivalents		49 295	162 235
Financial assets		160 963	157 253
Current assets available for sale		**79 773**	**154 467**
TOTAL ASSETS		**2 403 878**	**2 656 976**
EQUITY AND LIABILITIES			
Equity		**136 421**	**13 939**
Issued capital		53 359	20 846
Share premium		1 168 224	738 237
Unregistered share issue		-	412 500
Supplementary capital		618 552	618 552
Other capital		(444 924)	(444 924)
Reserve capital		32 086	32 086
Revaluation reserve		27	27
Retained earnings / Accumulated losses		(1 290 903)	(1 363 385)
Non-current liabilities		**1 222 102**	**1 098 620**
Interest bearing bank loans and borrowings		617 345	466 912
Long-term debentures		143 874	143 874
Provisions	11	144 938	170 569
Other liabilities		315 154	315 509
Accruals		791	1 756
Current liabilities	12	**1 045 355**	**1 544 417**
Trade and other payables		820 120	1 251 764
Short-term debentures		-	-
Current portion of interest-bearing bank loans and borrowings		7 067	30 981
Income tax payable		-	-
Accruals		39 889	40 048
Provisions		178 279	221 624
Total liabilities		**2 267 457**	**2 643 037**
TOTAL EQUITY AND LIABILITIES		**2 403 878**	**2 656 976**

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2013 (in PLN thousands)
unaudited

	Issued capital	Share premium	Unregistered share issue	Other capital	Reserve capital	Supplementary capital	Revaluation reserve	Retained earnings / Accumulated losses	Total equity
As at 1 January 2013	**20 846**	**738 237**	**412 500**	**(444 924)**	**32 086**	**618 552**	**27**	**(1 363 385)**	**13 939**
Profit for the period	-	-	-	-	-	-	-	72 482	72 482
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
Comprehensive income for the period	-	-	-	-	-	-	**-**	**72 482**	**72 482**
Registration of share issue	32 513	429 987	(412 500)	-	-	-	-	-	**50 000**
As at 31 March 2013 *(unaudited)*	**53 359**	**1 168 224**	**-**	**(444 924)**	**32 086**	**618 552**	**27**	**(1 290 903)**	**136 421**

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2012 (in PLN thousands)
restated

	Issued capital	Share premium	Other capital	Reserve capital	Supplementary capital	Revaluation reserve	Retained earnings / Accumulated losses	Total equity
As at 1 January 2012	**20 846**	**738 237**	**(444 924)**	**32 086**	**555 994**	**(1 167)**	**55 429**	**956 501**
Adjustment of error	-	-	-	-	-	-	(234 009)	(234 009)
As at 1 January 2012	**20 846**	**738 237**	**(444 924)**	**32 086**	**555 994**	**(1 167)**	**(178 580)**	**722 492**
Profit /loss for the period	-	-	-	-	-	-	(160 076)	(160 076)
Other comprehensive income for the period	-	-	-	-	-	1 322	-	1 322
Comprehensive income for the period	-	-	-	-	-	**1 322**	**(160 076)**	**(158 754)**
As at 31 March 2012 *(restated)*	**20 846**	**738 237**	**(444 924)**	**32 086**	**555 994**	**155**	**(338 656)**	**563 738**

CONDENSED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2013 (in PLN thousands)

	3 month period ended 31 March 2013 *unaudited*	3 month period ended 31 March 2012 *restated*
Cash flows from operating activities		
Gross profit/(loss)	**79 701**	**(210 576)**
Adjustments for:	**(412 377)**	**(221 272)**
Depreciation / Amortisation	12 616	15 170
Interests and dividends, net	876	15 469
(Gain)/loss from investing activities	(101 259)	(87)
(Increase)/ decrease in receivables	90 291	71 319
(Increase)/ decrease in inventories	(2 987)	2 112
Increase/ (decrease) in payables except for loans and borrowings	(342 301)	(405 823)
Change in accruals and prepaid expenses	(637)	1 435
Change in provisions	(68 976)	77 674
Other	-	1 459
Net cash flows from operating activities	**(332 676)**	**(431 848)**
Cash flows from investing activities		
Sale of property, plant and equipment and intangibles	27 297	1 734
Purchase of property, plant and equipment and intangibles	(3 075)	(12 480)
Sale of financial assets	22 553	-
Purchase of financial assets	-	(5 645)
Dividends and interest received	-	214
Repayment of loans granted	1	1 940
Loans granted	-	(835)
Net cash flows from investing activities	**46 776**	**(15 072)**
Cash flows from financing activities		
Proceeds from issue of shares	50 000	-
Proceeds from issue of debentures	-	96 865
Expenses for redemption of debentures	(1 000)	(97 500)
Finance lease liabilities (payment of liabilities)	(1 393)	-
Proceeds from loans and borrowings	151 054	372 424
Repayment of loans and borrowings	(24 535)	(10 620)
Interest paid	(1 645)	(14 294)
Other	479	126
Net cash flows from financing activities	**172 960**	**347 001**
Net increase/decrease in cash and cash equivalents	**(112 940)**	**(99 919)**
Net foreign exchange difference	287	(1 160)
Cash and cash equivalents at the beginning of the period	**162 235**	**176 594**
Cash and cash equivalents at the end of the period	**49 295**	**76 675**

3.1. Review of Polimex-Mostostal S.A.'s financial results in the period of 1st quarter of 2013

In the period of 1st quarter 2013, Polimex-Mostostal S.A. generated sales revenue in the amount of PLN 382,150 thousand (a decrease of 44.2% as against comparative data for the period of 1st quarter 2012). The volume of sales in the 1st quarter 2013 was affected by: (i) unfavourable weather conditions caused by lengthening winter season resulting in no possibility to perform construction and erection works in this period, (ii) deterioration of general business situation in construction, (iii) no opportunity for the Company to extend its backlog of orders due to the financial restructuring process conducted in the 2nd half of 2012 and the resulting lack of access to appropriate financial instruments (bank guarantees, financing working capital), (iv) reduction of orders in the scope of industry services, (v) disposal of an organized part of Transformatory enterprise resulting in the loss of revenue of PLN 13,576 thousand (PLN 13,576 thousand reported in the 1st quarter 2012 as against no revenue in the 1st quarter 2013).

In the period of 1st quarter 2013 net profit amounted to PLN 72,482 thousand (an increase of PLN 232,558 thousand as against adjusted comparative data for the period of 1st quarter 2012). Profit from operating activity amounted to PLN 36,309 thousand (an increase of PLN 216,911 thousand as against comparative data for the 1st quarter 2012). The result from continuing activity in the 1st quarter 2013 was affected by: (i) releasing provisions for jubilee bonuses and retirement benefits due to termination of the Company Collective Labour Agreement on 02.04.2013, (ii) disposal of the "Dry Dock" real property in Gdynia as part of the divestment programme. The EBITDA value amounted to PLN 48,925 thousand (an increase of 214,358 thousand as against comparative data for the 1st quarter 2012).

The results of the Polimex-Mostostal S.A. in the period of 1st quarter 2013 are presented below:

PLN thousands	1Q 2013	1Q 2012	Change
Revenue from sales	**382 150**	**685 327**	**-44.2%**
Cost of sales	-350 567	-842 494	-58.4%
Gros profit/ loss	**31 583**	**-157 167**	
Other operating income	30 222	3 275	822.8%
Selling costs	-4 977	-6 527	-23.7%
Administrative expenses	-18 415	-18 837	-2.2%
Other operating costs	-2 104	-1 346	56.3%
Profit/ Loss from operating activity	**36 309**	**-180 602**	
Finance income	57 655	1 417	3969.1%
Finance costs	-14 263	-31 391	-54.6%
Profit/ Loss before tax	**79 701**	**-210 576**	
Income	-7 219	50 500	
Net profit/ loss	**72 482**	**-160 076**	
EBITDA	**48 925**	**-165 432**	

Generated results show that in 1st quarter 2013 Polimex-Mostostal S.A. reported results higher than in the analogous period of the previous year. The main reasons for better performance were as follows:

- Gain on completing the sale of shares of Fabryka Kotlów Sefako S.A. and Energomontaż-Pólnoc Gdynia, together with port real estate in Gdynia.
- Implementation of correction actions which are aimed at regaining financial stability in the Company, which still is in a difficult financial position. An important issue is reduction of costs of functioning of the Company,
- Conducted operating restructuring aimed at simplification of the organizational structure and reduction of costs of the Company's functioning. A reduction of employment, which is to be adjusted to the current financial position of the Company, also contributed significantly.

  On 12 April 2013 the Board of Directors made a decision to continue the restructuring of employment by means of collective redundancies procedure. The Company informed trade unions operating in the Company on the necessity to make collective redundancies in 5 Segments and in the Back Office Operations. In total 1,194 employees are intended to be made redundant, of which 361 persons holding salaried positions and 833 holding worker positions. The intended period of handing in termination notices: from 1 June to 30 September 2013.

  The decision to reduce employment was caused by the following factors: (i) lower number of contracts performed by segments, low profitability of performed orders due to increasing prices of raw materials and services as well as difficulties in acquiring new orders cased by the crisis in general construction and road construction sectors as well as in power engineering industry; (ii) difficult financial and economic position of the Company caused by the necessity to service liabilities to banks, debenture holders and other creditors of the Company; (iii) the change of organizational structure of the Company introduced with resolution of the Board of Directors of 4 July 2012 consisting in forming five segments in place of previously existing divisions and the necessity to adapt the level of employment to the organisational changes.

Employment structure in 1Q 2013 in the Company

Detailed list	Change	Employment as at *)	
	1Q 2013/2012	1Q 2013	2012
Board of Directors of the parent	-25.00%	3	4
Back Office	-37.86%	407	655
Production	-18.22%	7 195	8 798
Total	-19.58%	7 605	9 457

The statement of financial position total of Polimex-Mostostal S.A. as at 31.03.2013 amounted to PLN 2,403,878 thousand (a decrease of 9.5% as against comparative data as at 31.12.2012). In the statement of financial position for the year 2012 in non-current assets held for sale the value of EPN Gdynia, Sefako and the Dry Dock amounts to PLN 75,186 thousand. As at 31.03.2013 non-current assets amounted to PLN 1,104,651 thousand (a decrease of 4.8% as against comparative data as at 31.12.2012), and current assets amounted to PLN 1,219,454 thousand (a decrease of 9.2% as against comparative data as at 31.12.2012). Property, plant and equipment were the largest item in fixed assets structure constituting 19.3% of total assets. Trade and other receivables constituting 34.9% of total assets were the largest item of current assets.

Equity of Polimex-Mostostal S.A. as at 31.03.2013 amounted to PLN 136,421 thousand (an increase of 878.7% as against comparative data as at 31.12.2012), and liabilities amounted to PLN 2,267,457 thousand (a decrease of 14.2% as against comparative data as at 31.12.2012). The share premium, constituting 48.6% of total equity and liabilities, was the largest item in equity structure. Non-current liabilities constituting 50.8% of total liabilities and equity were the largest item of liabilities.

In the period of 1st quarter 2013 as in the comparative period there was a net decrease in cash and cash equivalents. Cash and cash equivalents of the Company as at the end of the 1st quarter 2013 amounted to PLN 49,295 thousand. It should be noted that cash and cash equivalents do not comprise the amount of advance payment received by the Issuer in connection with the "Kozienice" contract. At present the above mentioned advance payment is recognised in financial assets item.

Net cash from operating activity, mostly due to a significant decrease of the level of trade payables as compared to the end of 2012, amounted to PLN - 332,676 thousand. Net cash from investing activities amounted to PLN - 46,776 thousand, and net cash from financing activities amounted to PLN 172,960 thousand.

As at the statement of financial position date Polimex-Mostostal S.A. maintained financial liquidity. Current and quick liquidity ratios were at the level of 1.2 and 1.0 respectively. An increase in EBITDA margin and net profit margin was the result of a higher profit from continuing operations and net profit as against comparative period. Nowadays the major objectives of the Company include improving liquidity by means of disposal of developer's and financial assets, which should result in the end in the decrease of interest debt.

Financial ratios for Polimex-Mostostal S.A.	**1Q 2013**	**31.12.2012**
Current liquidity ratio *(current assets :current liabilities)*	1.2	0.9
Quick ratio *((current assets - inventories – prepaid expenses) :current liabilities)*	1.0	0.8
Debt ratio *((total equity and liabilities - equity) : total assets)*	94.3%	99.5%
Net profit margin *(net profit of equity holders of the parent : revenue from sales)*	19.0%	-23.4%
Financial ratios for Polimex-Mostostal S.A.	**1Q 2013**	**1Q 2012**
EBITDA margin *(EBITDA : revenue from sales)*	12.8%	-24.1%
Earnings per ordinary share (*net profit of equity holders of the parent : average weighted number of shares*)	0.05	-0.31
Amortisation/Depreciation	12 616	15 170
EBITDA	48 925	-165 432

4. ADDITIONAL INFORMATION TO THE CONDENSED FINANCIAL STATEMENTS

4.1. Operating segments and geographic information

In the period of 1st quarter 2013 the **operating segments** contributed to sales as follows:

PLN thousands

Segment	Change 1Q 2013 / 1Q 2012	1Q 2013		1Q 2012.	
		value	share	value	share
Production	-19.9%	112 398	29.4%	140 251	20.5%
General Construction	-81.1%	44 408	11.6%	235 409	34.3%
Power Engineering and Chemistry	-20.1%	124 518	32.6%	155 875	22.7%
Service	-51.0%	67 980	17.8%	138 824	20.3%
Infrastructure Construction	97.1%	27 443	7.2%	13 924	2.0%
Other operations	417.5%	5 403	1.4%	1 044	0.2%
Total revenue from sales	-44.2%	382 150	100.0%	685 327	100.0%

The value and geographic structure of Polimex-Mostostal S.A.'s sales in the period of 1st quarter 2013 was as follows:

PLN thousands

Market	Change 1Q 2013 / 1Q 2012	1Q 2013		1Q 2012	
		value	share	value	share
Domestic	-46.4%	241 095	63.1%	450 026	65.7%
Foreign	-40.1%	141 055	36.9%	235 301	34.3%
Revenue from sales	-44.2%	382 150	100.0%	685 327	100.0%

As compared to the period of 1st quarter 2012 there was observed a similar breakdown of sales by domestic and foreign ones. The domestic market, where 63.1% of total revenue from sales was generated, was the main market for Polimex-Mostostal S.A in the period of 1st quarter 2013.

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

In the 1st quarter 2013 the Issuer generated the highest revenue from the execution of the following contracts:

PROJECT NAME	Revenue recognised in the income statement in 1st quarter 2013	Operating segment
Construction of a power block at Kozienice Power Plant	31 325	Power Engineering and Chemistry
System for denitriding and dedusting of combustion gases at PKN Orlen S.A.	23 132	Power Engineering and Chemistry
Construction of a heating block EC1 (Heat and Power Plant) Bielsko-Biała	18 687	Power Engineering and Chemistry
Modernisation of the stadium in Zabrze	13 571	General Construction
Assembly of the pressure elements of a boiler in Moorburg Power Plant	13 271	Power Engineering and Chemistry
Mannheim - assembly of a steel structure	11 341	Power Engineering and Chemistry
Wartsila – delivery of a steel structure	9 035	Production
A4 Rzeszów-Jarosław Motorway	8 353	Infrastructure Construction
Geldof, assembly of containers in Terneuzen	7 530	Service
Delivery and assembly of a steel structure and cover Brista 2 KB	7 327	Power Engineering and Chemistry
Total	**143 572**	

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

Note 1	For three months ended 31 March 2013 *unaudited*	For three months ended 31 March 2012 *unaudited*
Other operating income		
Gain on disposal of non-financial fixed assets	21 841	144
Court settlement	-	-
Reversed provision for future expenses	3 750	383
Recovered damages payments and fines	2 451	2 202
Other	2 180	546
Other operating income, total	**30 222**	**3 275**

Note 2	For three months ended 31 March 2013 *unaudited*	For three months ended 31 March 2012 *unaudited*
Other operating expenses		
Donations	-	160
Court expenses	657	83
Damages and fines	1 059	976
Other	388	127
Total other operating expenses	**2 104**	**1 346**

Note 3	For three months ended 31 March 2013 *unaudited*	For three months ended 31 March 2012 *unaudited*
Finance income		
Interest	1 146	1 011
Revenue from measurement and exercise of derivative instruments	-	126
Foreign exchange gains	3 475	-
Gain on sale of financial assets	51 223	-
Other	1 811	280
Total finance income	**57 655**	**1 417**

Note 4	For three months ended 31 March 2013 *unaudited*	For three months ended 31 March 2012 *unaudited*
Finance costs		
Interest	11 799	9 784
Debenture commissions and interest	41	7 093
Bank commissions and charges	2 186	794
Foreign exchange losses	-	13 066
Other	237	654
Total finance costs	**14 263**	**31 391**

Note 5	For three months ended 31 March 2013 *unaudited*	For three months ended 31 March 2012 *unaudited*
Costs by type		
Depreciation / Amortisation	12 616	15 170
Materials and energy	125 576	281 365
External services	177 510	374 651
Taxes and charges	5 022	5 917
Employee benefits expenses	142 158	193 471
Other costs by type	3 852	9 784
Total costs by type	**466 734**	**880 358**

Note 6	For three months ended 31 March 2013 *unaudited*	For three months ended 31 March 2012 *restated*
Income tax		
Current income tax	-	-
Deferred income tax	(7 219)	50 500
Total income tax	**(7 219)**	**50 500**

Note 7	31 March 2013 *unaudited*	31 December 2012 *audited*
Property, plant and equipment		
Land, buildings and structures	239 262	260 762
Plant and machinery	177 185	172 460
Motor vehicles	29 078	29 643
Other property, plant and equipment	19 320	13 020
of which: Fixed assets under construction and advance payments to fixed assets under construction	*8 201*	*11 860*
Total property, plant and equipment, net	**464 845**	**475 885**

Note 8	31 March 2013 *unaudited*	31 December 2012 *audited*
Intangible assets		
Software	11 905	12 902
Other	392	273
Total intangible assets, net	**12 297**	**13 175**

Note 9	31 March 2013 *unaudited*	31 December 2012 *audited*
Inventories		
Raw materials	68 787	70 474
Semi-finished goods and work in progress	69 978	67 928
Finished goods	20 302	17 493
Goods for resale	30	33
Raw materials advance payments	5 059	5 241
Total inventories, net	**164 156**	**161 169**

Note 10	31 March 2013 *unaudited*	31 December 2012 *audited*
Current receivables		
Trade receivables	775 918	843 608
Other receivables	61 966	10 840
Total current receivables, net	**837 884**	**854 448**

Note 11	31 March 2013 *unaudited*	31 December 2012 *audited*
Non-current provisions		
Provisions for employee benefits	26 293	50 636
Other provisions	118 645	119 933
Total non-current provisions	**144 938**	**170 569**

Note 12	31 March 2013 *unaudited*	31 December 2012 *audited*
Current liabilities		
Trade payables	702 455	974 902
Current portion of interest-bearing loans and borrowings	7 067	30 981
Other tax liabilities, ZUS (Social Insurance Institution)	12 792	123 349
Financial liabilities (including short-term discount debentures)	2 515	90 415
Other liabilities	102 358	63 098
Accruals	39 889	40 048
Provisions	178 279	221 624
Total current liabilities	**1 045 355**	**1 544 417**

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 three months ended 31 March 2013, for the three months ended 31 March 2012 (in PLN thousands).

Operating segments for the three months ended 31 March 2013 *unaudited*	Production	General Construction	Continuing operations Power Engineering and Chemistry	Service	Infrastructure Construction	Other operations	Eliminations	Total Operations
Revenue								
Sales to external customers	112 398	44 408	124 518	67 980	27 443	5 403	-	382 150
Inter-segment sales	9 148	353	1 063	5 731	-	205	(16 500)	-
Total segment revenue	**121 546**	**44 761**	**125 581**	**73 711**	**27 443**	**5 608**	**(16 500)**	**382 150**

Operating segments for the three months ended 31 March 2012 *restated*	Production	General Construction	Continuing operations Power Engineering and Chemistry	Service	Infrastructure Construction	Other operations	Eliminations	Total Operations
Revenue								
Sales to external customers	140 251	235 409	155 875	138 824	13 924	1 044	-	685 327
Inter-segment sales	105 242	-	13 580	14 713	-	259	(133 794)	-
Total segment revenue	**245 493**	**235 409**	**169 455**	**153 537**	**13 924**	**1 303**	**(133 794)**	**685 327**

Geographic information for the three months ended 31 March 2013 *unaudited*	Domestic	Foreign	Eliminations	TOTAL
Revenue				
Sales to external customers	241 095	141 055	-	382 150

Geographic information for the three months ended 31 March 2012 *restated*	Domestic	Foreign	Eliminations	TOTAL
Revenue				
Sales to external customers	450 026	235 301	-	685 327

4.5. Off-statement of financial position items

as at 31 March 2013 (in PLN thousands)

	31 March 2013 *unaudited*	31 December 2012 *audited*
Contingent receivables	**757 225**	**779 508**
From related and other parties (arising from)	757 225	779 508
- guaranties and sureties received	394 901	443 102
- legal claims	362 324	336 406
Contingent liabilities	**2 152 372**	**2 148 275**
To related and other parties (arising from)	2 152 372	2 148 275
- guaranties and sureties granted	1 694 097	1 778 406
- promissory notes	52 061	49 832
- legal claims	202 698	190 451
- other	203 516	129 586
Other (arising from)	**114 623**	**114 623**
- transferred to off-statement of financial position records balances relating to*	114 623	114 623
- receivables	48 839	48 839
- cash	15 973	15 973
- liabilities	25 330	25 330
- deferred income	24 481	24 481
Total off-statement of financial position items	**3 024 220**	**3 042 406**

In connection with concluded loan and guarantee contracts, also in the scope of liabilities arising from debentures, and in particular in connection with the Agreement of 24 July 2012 on refraining from enforcement of liabilities, the Agreement of 21 December 2012 on Regulations of Debt Servicing and the Agreement of 21 December 2012 on New Guarantee Facility and the attached revolving credit facility, the Company established mortgages, pledges, temporary ownership titles, assignments, issued promissory notes and accepted sureties of certain subsidiaries to secure the debt relating to the above mentioned instruments. Total commitment of the Company on account of the above mentioned instruments amounted to approx. PLN 2,369 million as at 31 March 2013.

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

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

Dariusz Krawczyk **Acting President of the Board**	**Robert Bednarski** **Vice President of the Board**	**Aleksander Jonek** **Vice President of the Board**

Warsaw, 10th May 2013.