INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE PERIOD OF 6 MONTHS ENDED ON 30 JUNE 2017

Polimex Mostostal

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(amounts in the financial statements are expressed in PLN ths, unless otherwise stated)

POLIMEX-MOSTOSTAL S.A. INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD OF 6 MONTHS ENDED ON 30 JUNE 2017 YEAR

Interim profit and loss account

	For the period from 01.01.2017 till 30.06.2017	For the period from 01.01.2016 till 30.06.2016		
	Continuing operations	Continuing operations	Discontinued operations	Total
	(not audited)	(not audited)	(not audited)	(not audited)
Continuing operations				
Sales revenues	611 026	906 977	54 763	961 740
Cost of sales	(599 418)	(1 012 960)	(45 211)	(1 058 171)
Gross sales profit (loss)	**11 608**	**(105 983)**	**9 552**	**(96 431)**
Cost of sales	(1 080)	(936)	(1 994)	(2 930)
General management costs	(14 975)	(12 633)	–	(12 633)
Other operating revenues	3 620	8 544	84	8 628
Other operating costs	(1 383)	(1 251)	(133)	(1 384)
Profit (loss) from operating activities	**(2 210)**	**(112 259)**	**7 509**	**(104 750)**
Financial income	57 299	62 454	25	62 479
Financial costs	(13 848)	(14 878)	672	(14 206)
Gross profit (loss)	**41 241**	**(64 683)**	**8 206**	**(56 477)**
Income tax	(14 001)	12 823	5 613	18 436
Net profit (loss)	**27 240**	**(51 860)**	**13 819**	**(38 041)**
Profit/(loss) per share (in PLN per share)				
- basic	0.12	(0.60)	0.16	(0.44)
- diluted	0.13	(0.36)	0.11	(0.25)

Interim statement of comprehensive income

	For the period from 01.01.2017 till 30.06.2017	For the period from 01.01.2016 till 30.06.2016		
	Continuing operations	Continuing operations	Discontinued operations	Total
	(not audited)	(not audited)	(not audited)	(not audited)
Net profit (loss)	**27 240**	**(51 860)**	**13 819**	**(38 041)**
Items which will not be allocated in later periods to the profit and loss account:				
Actuarial profit / (loss)	(39)	203	–	203
Other net comprehensive income	**(39)**	**203**	**–**	**203**
Total comprehensive income	**27 201**	**(51 657)**	**13 819**	**(37 838)**

(amounts in the financial statements are expressed in PLN ths, unless otherwise stated)

Interim balance sheet

	Note	As at: 30 June 2017 (not audited)	As at: 31 December 2016 (audited)
Assets			
Fixed assets			
Tangible fixed assets	12	49 937	54 091
Investment property		34 347	34 347
Intangible assets		1 205	1 510
Financial assets	15	407 815	310 925
Long-term receivables		142 057	111 080
Deposits for construction contracts		29 365	38 141
Assets from deferred tax		152 290	165 251
Total non-current assets		**817 016**	**715 345**
Current assets			
Inventories		386	439
Trade and other receivables		308 651	293 669
Deposits for construction contracts		37 791	37 748
Long-term contracts valuation receivables		5 445	5 397
Financial assets		219 308	218 698
Cash	14	211 004	140 583
Other assets		2 851	1 363
Assets held for sale	13	41 422	74 012
Total current assets		**826 858**	**771 909**
Total assets		**1 643 874**	**1 487 254**
Liabilities and shareholders' equity			
Equity			
Share capital		473 238	173 238
Reserve capital		157 746	309 710
Other reserves		(232 302)	(444 924)
The capital element of the issued bonds convertible into shares		29 734	29 734
Accumulated other comprehensive income		35 457	35 767
Retained earnings / Uncovered losses		27 511	60 658
Total shareholder's equity		**491 384**	**164 183**
Long-term payables			
Credits and loans		170 228	169 825
Long-term bonds		164 745	160 336
Provisions	11	174 440	180 197
Liabilities arising from employee benefits		478	1 245
Other liabilities		49 149	60 747
Deposits for construction contracts		23 843	30 746
Total long-term liabilities		**582 883**	**603 096**
Short-term liabilities			
Credits and loans		1 285	1 362
Trade payables and other payables		249 632	331 038
Deposits for construction contracts		42 374	44 584
Long-term contracts valuation receivables		165 413	217 916
Provisions	11	100 550	103 572
Liabilities arising from employee benefits		8 613	9 580
Deferred income		1 740	1 297
Liabilities directly associated with the assets held for sale		–	10 626
Total short-term liabilities		**569 607**	**719 975**
Total liabilities		**1 152 490**	**1 323 071**
Total liabilities and equity		**1 643 874**	**1 487 254**

(amounts in the financial statements are expressed in PLN ths, unless otherwise stated)

Interim cash flow statement

	For the period from 01.01.2017 till 30.06.2017	For the period from 01.01.2016 till 30.06.2016
	(not audited)	(not audited)
Cash flow from operating activities		
Gross profit (loss)	**41 241**	**(56 477)**
Adjustment items:	**(203 851)**	**(107 505)**
Depreciation	4 082	9 163
Net interest and dividends	5 021	(577)
Profit (loss) on investing activities	(937)	(1 303)
Increase/(decrease) in receivables	(32 007)	53 572
Increase/(decrease) in stock	(3 750)	2 883
Change in short-term liabilities, excluding loans and borrowings	(167 367)	(173 551)
Change in other assets and deferred income	(1 254)	726
Changes in provisions	(5 757)	22 088
Other	(1 882)	(20 506)
Net cash from operating activities	**(162 610)**	**(163 982)**
Net cash flows from investing activities		
Disposal of tangible fixed assets and intangible assets	1 606	2 482
Purchase of tangible fixed assets and intangible assets	(242)	(727)
Acquisition of financial assets	(7 011)	–
Interest and dividends received	5 582	7 852
Repayment of granted loans	2	4
Granted loans	(60 821)	–
Net cash from investing activities	**(60 884)**	**9 611**
Cash flows from financing activities		
Repayment of financial lease	–	(198)
Interest paid	(6 085)	(849)
Income from issuance of shares	300 000	–
Other	–	311
Net cash from financial activities	**293 915**	**(736)**
Increase / (Decrease) in cash and cash equivalents	70 421	(155 107)
Net exchange differences	(24)	34
Cash as at the period beginning	**140 583**	**308 849**
Cash as at the period end	**211 004**	**153 742**
** Cash with reduced disposal possibility*	13 623	125 589

(amounts in the financial statements are expressed in PLN ths, unless otherwise stated)

Interim statement of changes in equity

	Basic equity	Reserve equity	Other capital	Reserve equity of surplus from convertible bonds	Other comprehensive income from: Equity From revaluation	Other comprehensive income from: Actuarial profit/(loss)	Retained earnings/losses not covered	Total equity
As at 1 January 2017	**173 238**	**309 710**	**(444 924)**	**29 734**	**34 215**	**1 552**	**60 658**	**164 183**
Net profit/(loss)	–	–	–	–	–	–	27 240	27 240
Actuarial profit/(loss)	–	–	–	–	–	(39)	–	(39)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(39)**	**27 240**	**27 201**
Issue of shares	300,000	–	–	–	–	–	–	300 000
Division of profit	–	–	1 018	–	–	–	(1 018)	–
Allocation to other equity	–	(151 964)	211 604	–	–	–	(59 640)	–
In-kind contribution settlement	–	–	–	–	–	(271)	271	–
As at 30 June 2017	**473 238**	**157 746**	**(232 302)**	**29 734**	**34 215**	**1 242**	**27 511**	**491 384**

	Basic equity	Reserve equity	Other capital	Reserve equity of surplus from convertible bonds	Other comprehensive income from: Equity From revaluation	Other comprehensive income from: Actuarial profit/(loss)	Retained earnings/losses not covered	Total equity
As at 1 January 2016	**173 238**	**306 762**	**(444 924)**	**29 734**	**94 387**	**783**	**2 948**	**162 928**
Net profit/(loss)	–	–	–	–		–	(38 041)	(38 041)
Actuarial profit/(loss)	–	–	–	–	–	736	(533)	203
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**736**	**(38 574)**	**(37 838)**
Division of profit	**–**	2 947	**–**	**–**	**–**	**–**	(2 947)	**–**
The transfer of surplus from revaluation of fixed assets in connection with their transfer as an in-kind contribution to a subsidiary	–	–	–	–	(60 172)	–	60 172	–
As at 30 June 2016	**173 238**	**309 709**	**(444 924)**	**29 734**	**34 215**	**1 519**	**21 599**	**125 090**

(amounts in the financial statements are expressed in PLN ths, unless otherwise stated)

NOTES TO THE INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2017

1. General

Polimex-Mostostal Spółka Akcyjna (the "Company") operates under the statute established by the notarial deed on 18 May 1993 (Rep. A No 4056/93), as amended. The registered office of the Company is located in Warsaw at Al. Jana Pawła II 12, 00-124 Warszawa. The Company was registered by the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, under the KRS No 0000022460. The Company was given a statistical number (REGON) 710252031.

The Company has been established for an indefinite period. The financial year of the Company shall correspond to the calendar year.

Primary scope of Company's activities includes a wide range of construction and assembly services, industrial equipment and systems assembly rendered in the general contracting system at home and abroad. The company operates in the following fields: Energy and Oil, gas, chemistry. Any changes in the presentation of the reported items in relation to the previous period were described in the note number 7.

The Company's shares are listed at the Warsaw Stock Exchange. The Company is a parent company in Polimex-Mostostal Capital Group (the "Capital Group", "Group").

The interim condensed financial statements of the Company cover data for the period of 6 months ended on 30 June 2017 and as at 30 June 2017 and include comparative data for the period of 6 months ended on 30 June 2016 as at 31 December 2016.

2. Composition of the Management Board and the Supervisory Board

The composition of the Management Board as at 30 June 2017 until the date of publishing these interim condensed financial statements is as follows:

Antoni Józwowicz	President of the Board
Andrzej Juszczyński	Vice-President of the Management Board

During the reported period and until the date of publishing these interim condensed financial statements the following changes occurred in the composition of the Management Board of the Company:

27.02.2017	Resignation of Mr Tomasz Kucharczyk from the role of the Board Member (Regulatory Announcement No 24/2017).
28.02.2017	The Supervisory Board of the Company appointed to the Board Mr Andrzej Juszczyński entrusting him the role of Vice President (Regulatory Announcement No 26/2017).
30.03.2017	Resignation of Mr Tomasz Rawecki from the role of Vice President (Regulatory Announcement No 32/2017).

The composition of the Supervisory Board as at 30 June 2017 was as follows:

Wojciech Kowalczyk	Chairman of the Supervisory Board
Bartłomiej Kurkus	Vice Chairman of the Supervisory Board
Andrzej Sokolewicz	Secretary of the Supervisory Board
Andrzej Komarowski	Member of the Supervisory Board.
Marta Zygmunt	Member of the Supervisory Board

Paweł Mazurkiewicz	Member of the Supervisory Board.
Konrad Milczarski	Member of the Supervisory Board.

During the reporting period and until the date of publication of this interim condensed financial statements the following changes occurred in the composition of the Supervisory Board:

20.01.2017	Recalling Ms Anna Młynarska-Sobaczewska, Mr Bartłomiej Kachniarz, Mr Marcin Milewicz, Mr Przemysław Figarski and Mr Bartosz Ostachowski from the Supervisory Board. At the same time Mr Paweł Mazurkiewicz, Ms Marta Zygmunt and Konrad Milczarski were appointed to carry out the roles of the Supervisory Board members (Regulatory Announcement No 12/2017)
12.05.2017	Resignation of Ms Iwona Warsewicz from carrying out the role of the Supervisory Board member (Regulatory Announcement No 44/2017)
12.05.2017	Extraordinary Assembly of Shareholders appointed Mr Wojciech Kowalczyk to the composition of the Supervisory Board (Regulatory Announcement No 47/2017).

3. Approval of the interim condensed financial statements

These interim condensed financial statement are not subject to the approval by the approving authority pursuant to the article 53 of the Accounting act dated 29 September 1994. The interim condensed financial statements are signed by the head of unit, i.e. the Management Board of Polimex-Mostostal S.A. and the person responsible for drawing up the interim condensed financial statements. These interim condensed financial statements were signed on 25 August 2017.

4. Platform of the applied International Financial Reporting Standards

Compliance statement

These interim condensed financial statements of the Company were prepared in accordance with the International Accounting Standard ("IAS") 34 – Interim Financial Reporting ("IAS 34") and in accordance with the relevant accounting standards applicable to interim financial reporting adopted by the European Union, published and in force at the time of preparation of the interim financial statements by applying the same rules to the current and comparable period. Detailed accounting principles adopted by the Company were described in the financial statements of the Company for the year ended on 31 December 2016 published on 27 March 2017.

The impact of new and amended standards and interpretations

Approving these financial statements not any amendments to the existing standards occurred which were issued by IFRIC and approved to be applied in the EU and were to come into force for the first time in the financial statements of the Company for the year 2017.

IFRS in the form approved by the EU do not significantly differ at present from the regulations adopted by the International Financial Reporting Interpretations Committee (IFRIC), except the following interpretations and standards which as at 25 August 2017 have not yet been adopted for application:

- IFRS 14 “Regulatory Deferral Accounts” (applicable in reference to the annual periods commencing on 1 January 2016 or after this date), the European Commission decided not to commence the process to approve this temporary standard to be applied in the territory of the EU until the final version of IFRS 14 has been issued,
- IFRS 16 “Leases” (applicable in reference to the annual periods beginning on 1 January 2019 year or after that date),
- Amendments to IFRS 2 “Share-based payment” - Classification and measurement of share-based payments (applicable in reference to the annual periods beginning on 1 January 2018 or after that date),

- IFRS 17 “Insurance Contracts” (applicable in reference to the annual periods beginning on 1 January 2021 or after that date),
- Amendments to IFRS 4 “Insurance Contracts” – Application of IFRS 9 “Financial Instruments” and IFRS 4 “Insurance Instruments” (applicable to annual periods beginning on 1 January 2018 or after that date or at the moment of applying IFRS 9 “Financial Instruments” for the first time),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures - Sale or contribution of assets between an investor and its associate or joint venture and further amendments (the effective date of the amendments was delayed until the completion of research works on the property rights method),
- Amendments to IFRS 15 “Revenue from Contracts with Customers” – Explanatory notes to IFRS 15 “Revenue from Contracts with Customers” (applicable in reference to the annual periods beginning on 1 January 2018 or after that date),
- Amendments to IAS 7 “Statement of Cash Flows” – Initiative referring to disclosures (applicable in reference to the annual periods beginning on 1 January 2017 or after that date),
- Amendments to IAS 12 “Income taxes” - Recognition of deferred income tax assets for unrealised losses (applicable in reference to the annual periods beginning on 1 January 2017 or after that date),
- Amendments to IAS 40 “Investment Property” – Transfer of investment property (applicable in reference to annual periods beginning on 1 January 2018 or after that date),
- Amendments to various standards "Amendments to IFRS (2014-2016 cycle)" – the amendments made within the procedure of annual amendments to IFRS (IFRS 1, IFRS 12 and IAS 28) focused mostly on solving discrepancies and clarifying the vocabulary (amendments to IFRS 12 apply to annual periods beginning on 1 January 2017 or after that date and the amendments to IFRS 1 and IAS 28 apply to annual periods beginning on 1 January 2018 or after that date),
- IFRIC interpretation 22 "Foreign Currency Transactions and Advance Consideration" (applicable in reference to the annual periods beginning on 1 January 2018 year or after that date).
- IFRIC interpretation 23 "Uncertainty over income tax treatments" (applicable in reference to the annual periods beginning on 1 January 2019 or after that date).

According to the Company’s estimations the above mentioned new standards and amendments to the existing standards would not significantly affect the interim condensed financial statements if they were applied by the Company as at the balance sheet date except IFRS 16. Pursuant to IFRS 16 the lessee recognises the right to use the element of assets and the liability under lease. The right to use the element of assets shall be treated alike other non-financial assets and depreciated accordingly. Lease liabilities are initially valued at the present value of the lease payments paid during the period of the lease, discounted at the interest rate contained in the lease, if its determination is not difficult. If this rate is not easy to determine, the lessee applies the marginal interest rate. In reference to the classification of lease at the lessors it is implemented in the same way as pursuant to IAS 17, i.e. as the operational or financial lease. Lease shall be classified at the lessor as the financial lease in case substantially all the risks and rewards incident to ownership of an asset are transferred. Otherwise lease shall be classified as operational lease. In the financial lease the lessor shall recognise finance income in the lease period based on constant net periodic investment return rate. The lessor shall recognise operational lease payments on a straight-line basis or in any other systematic way in case it better reflects the formula of gaining benefits from using the assets in question. The Company is the lessee in the following agreements: rental of cars, computers and other IT equipment, office real estate. These agreements are now recognised in accordance with the principles of operating lease. After a new standard has become effective, the Company shall amend the way of recognising in the records and shall present the agreements pursuant to the requirements of the new standard. The changes shall result in the recognition of the relevant amounts relating to those agreements in assets and liabilities of the balance sheet.

At the same time, apart from regulations adopted by the EU, there is financial assets and liabilities collaterals portfolio accounting, the principles of which were not approved to be applied in the EU. According to the Company's estimations, the application of financial assets and liabilities collaterals portfolio accounting according to IAS 39 "Financial Instruments: Recognition and Measurement" would not significantly affect the interim condensed financial statements if they were adopted by the EU to be applied as at the balance sheet date.

As at the date of preparing these interim condensed financial statements, the Company did not apply the following standards, amendments to the standards and interpretations which were published and approved to be applied in the EU and which have not yet become effective and which may significantly affect the Company's accounting policy:

- IFRS 9 "Financial Instruments" (applicable in reference to the annual periods beginning on 1 January 2018 or after that date),

  The standard introduces one model which provides for two categories of the financial assets classification: measured at fair value and valued at amortised cost. The classification is made at the moment of the initial recognition and depends on the financial instruments management model adopted by the entity and on the characteristics of contractual cash flows from these instruments.

  The standard introduces the amendment to the method of recognising financial assets impairment, introduces the approach based on the expected loss. The Company is in the process of analysis of the impact of the new standard on the financial statements. The majority of the Company's customers are companies associated with the Public Treasury or agencies which are organisational units of the Public Treasury. According to the Company, credit risk of these entities is very low and transition to the trade receivables impairment model, based on expected loss, shall not cause the necessity to recognise significant write-downs.

- IFRS 15 "Revenue from Contracts with Customers" and further amendments (applicable in reference to the annual periods beginning on 1 January 2018 or after that date),

  Within the scope of the new standard, the Company identifies two major areas which are different in comparison to currently applicable principles, these are: the moment of recognising sales revenues and the necessity to separate some elements of contracts. The rules laid down in the new standard specify that the moment of recognising sales revenues shall be the moment on which the entity fulfils the obligation to provide to the contracting authority. Depending on the circumstances, recognition of revenue shall be spread over time (in case the fulfilment of the obligation is spread over time) or recognised at the given moment (in case the fulfilment of the obligation occurs at the given moment). The new standard also specifies that the services offered in the context of complex packages should be extracted, depending on the fulfilment of specific contractual conditions. Revenues from the extracted elements shall be recognised regardless other elements of the contract. The Company carries out complex construction contracts, in which the scope of works is broad and includes many tasks. Depending on the contractual conditions, for each of the carried-out contracts, the method of recognising revenues may be revised in relation to the currently applied accounting policy.

(amounts in the financial statements are expressed in PLN ths, unless otherwise stated)

5. Shareholders of the Company

The table below presents the shareholders holding at least 5% of total number of votes as at 30 June 2017.

Shareholder	Number of shares/votes	Percentage share in the share capital / the total number of votes at the AGM
ENEA Spółka Akcyjna (joint-stock company) with registered office in Poznań, ENERGA Spółka Akcyjna with registered office in Gdańsk, PGE Polska Grupa Energetyczna Spółka Akcyjna with registered office in Warsaw PGNiG Technologie Spółka Akcyjna with registered office in Krosno - as Investors acting jointly and in agreement *	156 000 097	65.93%
Bank Polska Kasa Opieki SA	15 076 137	6.37%
Others - less than 5% of the share capital	65 542 568	27.70%
Number of all issued shares	**236 618 802**	**100.00%**

* each investor holding 16.48%

As at 30 June 2017, the members of the Management Board and the Supervisory Board do not hold any shares of the Company. From 30 June 2017 until the date of transferring the report to the public, there has been any changes in the number of shares and the shareholding of the Company or rights to the Company's shares of the supervisors and managers.

6. Significant values based on professional judgement and estimates

Basic assumptions concerning the future and other key sources of uncertainty occurring at the balance sheet date, to which vital risk of the significant adjustment of balance value of assets and liabilities in the next financial year are related, are discussed below.

Periods of economic utility of tangible fixed assets
The Company verifies the forecasted economic utility periods of tangible fixed assets by the end of each annual reporting period.

Fair value measurement and measurement procedures
The Company measures investment properties at fair value for the purposes of financial reporting. The evaluation shall be carried out by external valuation experts. The valuations are prepared with the revenue or comparative methods.

In the measurement of real property fair value, the most advantageous and the best real property application approach has been applied (what constitutes the current use of these properties). The external valuation of land, buildings and structures within the scope of level 3 was performed with the application of the revenue or comparative approach.

The Company applies the revalued model for asset classes: real estate and structures. In case of the revaluation, the Company obtains the valuation to fair value for each location of the real estate and structures. Revaluation is made for the entire class of assets in case fair value significantly differs from the balance value. Valuations are prepared by the revenue or comparative methods.

The Company applies valuation to fair value in case of shares in associates, for which maintaining reliable valuation is possible. If the transfer of shares occurs after the balance sheet date and before the approval of the financial statements, the value of the disposal is considered a reliable estimate of fair value and shares are recognised at this value at the balance sheet date.

Impairment of Assets

The Company conducts the tangible fixed assets and shares impairment tests in case there are factors indicating the possibility of assets impairment. It requires estimation of the value in use of the cash-generating unit to which these assets belongs. Estimation of the value in use is to determine future cash flows generated by the cash-generating unit and requires the establishment of a discount rate to use in order to calculate the current value of these flows.

Component of deferred income tax assets

The Company recognises the component of deferred tax assets on the basis of the assumption that tax profit enabling its use will be achieved in future. The deteriorations of the achieved tax results in the future, could lead to a situation, in which this assumption would become unjustified.

Revenue recognition

The Company uses the percentage of work completion method for the settlement of long-term contracts. Use of this method requires from the Company to estimate the proportions of works completed so far to all services to be performed. Based on the updated budgets of the contracts and the degree of progress of the construction contracts, the Company recognises the effects of changes in the estimates in the result of the subsequent period.

Gross margins of the contracts carried out are determined pursuant to the formal Projects Review process as the difference between the sales price and the total estimated costs of the contract (total costs incurred and costs estimated until the end of the contract). Review of the estimated costs to complete the project shall be made during the Projects Review carried out monthly, quarterly, half-yearly, or with a different frequency depending on the type of contract. The costs to complete the project are determined by competent teams, substantially responsible for carrying out a given field pursuant to knowledge and experience.

The valuation of liabilities for employee benefits – pension and disability schemes

The provisions for employee benefits were estimated using actuarial methods.
The provisions are updated biannually (on 30 June and 31 December).

Warranty repairs provision, note 11

Provisions for liabilities under warranty repairs are established in the course of contract implementation proportionally to the sales revenues. The amount of created provisions depends on the type of construction services carried out and is specified by the percentage of the revenue from the sale of the given contract. The value of the cost of warranty repairs may, however, be subject to an individual analysis (including pursuant to the opinion of the manager responsible for the given construction) and may be increased or reduced in justified cases. Dissolution of the provisions takes place during the first 3-5 years after the completion of the investment in proportions reflecting the repair costs actually incurred.

Restructuring provision, note 11

The Company establishes a restructuring provision where it has a detailed formal plan identifying the activity or part of the business, to which this plan applies, basic locations that are covered by this plan, the number of employees who are to receive the compensation in return for the termination of an employment relationship and the time limit within which the plan will be implemented; in addition, this plan has been announced or its implementation has started.

Provisions for litigation, note 11

Provisions related to the effects of the pending judicial proceedings are created when a lawsuit has been filed against the entity and the probability of a judgment adverse for the unit is larger than the probability of the favourable judgment. The probability shall be assessed on the basis of the course of the judicial proceedings and legal opinions. The established provisions are charged to other operating expenses.

Provisions for penalties, note 11

Technical staff involved in carrying out the construction contract with the legal department construing the provisions of the contract estimate the amounts of contractual penalties. Provisions for penalties are created in the case when the probability of imposition of penalty by the contracting party in respect of improper performance of the contract is high.

(amounts in the financial statements are expressed in PLN ths, unless otherwise stated)

Provision for the costs of contracts settlement, note 11
Provisions for the costs of the contracts relate to the final settlement of the road construction contracts.

Provision for the expected loss on the construction contracts, note 11
At each balance sheet date, the Company revaluates the estimates of total revenues and costs of realised projects. The projected contract-related loss is recognised as costs of the period, when it was recognised in accordance with IAS 11.

Provisions for surety, note 11
Granted surety is recognised in the accounting records as the provision in case at the balance sheet date it is highly probable that the borrower will not be able to repay its debts.

Revaluation write-downs of materials and receivables
As at each balance sheet date, the Company analyses individual trade payables impairment premises such as: litigation receivables, receivables claimed at court, receivables from companies in bankruptcy or liquidation and others. On this basis, individual write-offs updating the value of receivables are made and other receivables are included by the Company in a statutory write-off according to the age structure.
As at each balance sheet date, the Company updates the revaluation write-down on the value of redundant materials, taking into account the period of stock retention and possible future use.
In the reported period the Company created revaluation write-downs for inventories of PLN 1 thousand. At the same time, the amount of reversals of revaluation write-downs for inventories in this period amounted to PLN 291 thousand. During the reporting period, the company created write-downs on receivables amounting to PLN 2 810 thousand. In the same period, the amount of revaluation write-downs on receivables decreased by PLN 6 727 thousand due to use of write-downs and repayment of receivables.

7. Reporting segments and geographical information

The tables below present data on revenues of particular reporting segments and geographical information of the Company for the period of 6 months ended on 30 June 2017.

Due to the failure to meet the quantitative thresholds set out in IFRS 8, the Company merged information on the segments: Industrial Construction and Infrastructure Construction with the information presented in the Other operations segment. The comparative figures for six months ended on 30 June 2016 were restated to reflect this change.

Reporting segments

For the period from 01.01.2017 to 30.06.2017	Power sector	Petroleum, gas, chemistry	Other activities	Exceptions	Total activities
Revenues					
Sales to external customers	555 667	2 399	52 960	–	611 026
Sales between segments	–	–	8 615	(8 615)	–
Total segment revenues	**555 667**	**2 399**	**61 575**	**(8 615)**	**611 026**
Results					
Profit / (loss) from operating activities	5 690	2 607	(10 507)	–	(2 210)
Financial revenues and costs balance	17	(12)	43 446	–	43
Gross profit / (loss) of the segment	**5 707**	**2 595**	**32 939**	**–**	**41 241**

(amounts in the financial statements are expressed in PLN ths, unless otherwise stated)

For the period from 01.01.2016 to 30.06.2016	Manufacture (discontinued operations)	Power sector	Petroleum, gas, chemistry	Other activities	Exceptions	Total activities
Revenues						
Sales to external customers	54 763	851 955	2 332	52 690	–	961 740
Sales between segments	1 346	–	–	11 491	(12 837)	–
Total segment revenues	**56 109**	**851 955**	**2 332**	**64 181**	**(12 837)**	**961 740**
Results						
Profit / (loss) from operating activities	7 509	(107 015)	176	(5 420)	–	(104 750)
Financial revenues and costs balance	697	118	7	47 451	–	48 273
Gross segment profit / (loss)	**8 206**	**(106 897)**	**183**	**42 031**	**–**	**(56 477)**

Revenues due to transactions between segments are eliminated.

Geographical information

For the period from 01.01.2017 to 30.06.2017	Country	Abroad	TOTAL
Revenues			
Sales to external customers	598 476	12 550	611 026

For the period from 01.01.2016 to 30.06.2016			
Revenues			
Sales to external customers	915 686	46 054	961 740

8. Information concerning the changes to contingent liabilities, which occurred since the end of the last financial year

	As at: 30 June 2017	As at: 31 December 2016
Contingent liabilities	**1 264 382**	**1 311 096**
- guarantees and sureties granted	816 997	854 608
- promissory notes	3 486	3 596
- legal cases	443 899	452 892

In conjunction with concluded loan agreements and guarantees, as well as in the scope of bond liabilities, and in particular, in connection with the Agreement dated 24 July 2012 on suspending the enforcement of liabilities, the Agreement dated 21 December 2012 on the Debt Service Policy as amended, the Agreement dated 21 December 2012 as amended on the New Guarantee Line and its related revolving facility, the Company established mortgages, pledges, transfers, assignments, issued promissory notes and accepted sureties of certain subsidiaries to secure claims under the subjective instruments. As at 30 June 2017, total exposure of the Company under these instruments amounted approximately to PLN 1 129 million (as at 31 December 2016: PLN 1 167 million).

(amounts in the financial statements are expressed in PLN ths, unless otherwise stated)

9. Information on transactions with related entities

The tables below include total amounts of transactions with related entities for the period of 6 months ended on 30 June 2017 and as at this day and for the period of 6 months ended on 30 June 2016 and as at 31 December 2016.

		Sales to related entities	Purchase from related entities	Profit sharing	Receivables from related entities	Receivables in respect of the participation of profit sharing	Liabilities to related entities
Other entities related through shareholders	2017	465 571	3 272	–	78 678	–	453
Subsidiaries	2017	29 436	421 749	47 889	140 894	161 697	102 895
Associates	2017	–	262	–	–	–	338
Total		**495 007**	**425 283**	**47 889**	**219 572**	**161 697**	**103 686**
Subsidiaries	2016	51 062	764 326	55 791	121 512	113 458	55 048
Associates	2016	29	1 955	–	7	–	332
Total		**51 091**	**766 281**	**55 791**	**121 519**	**113 458**	**55 380**

According to the information owned by the Company, the transactions concluded in the reporting period were concluded at arm's length basis and their nature and conditions resulted from the conducted operating activities.

10. Transactions with participation of entities related to the State Treasury

The Company is a party to transactions with entities related to the State Treasury. These transactions, which are simultaneously the transactions with shareholders and entities affiliated by the shareholders, were presented in the note 9 as transactions with entities related by the shareholders. Transactions concluded with other entities related to the State Treasury are transactions conducted at arm's length basis and these transactions are not significant.

In the preceding periods, the Group conducted significant transactions with the General Directorate for National Roads and Motorways. These transactions are subject to the court proceedings described in the note 25.

(amounts in the financial statements are expressed in PLN ths, unless otherwise stated)

11. Changes in provisions

	Provisions for warranty repairs	Restructuring provisions	Provision for legal cases	Provision for penalties	Provision for contract costs settlements	Provision for loss	Provisions for sureties	Total
As at 1 January 2017	**66 659**	**1 819**	**19 855**	**24 129**	**150 748**	**20 541**	**18**	**283 769**
Established during the financial year	1 989	–	–	1 318	–	71	–	**3 378**
Used	(3 170)	(1 595)	(184)	(2 443)	–	(4 574)	–	**(11 966)**
Released	(41)	–	(123)	–	(26)	(1)	–	**(191)**
As at 30 June 2017	**65 437**	**224**	**19 548**	**23 004**	**150 722**	**16 037**	**18**	**274 990**
Short-term as at 30 June 2017	22 725	224	19 548	11 004	31 012	16 037	–	**100 550**
Long-term as at 30 June 2017	42 712	–	–	12 000	119 710	–	18	**174 440**

As at 1 January 2016	**62 749**	**2 745**	**19 906**	**40 913**	**164 146**	**4 331**	**495**	**295 285**
Established during the financial year	9 095	119	654	–	–	38 195	–	**48 063**
Used	–	(653)	(496)	(9 722)	–	(5 531)	(334)	**(16 736)**
Released	(4 524)	–	(95)	(4 246)	–	–	–	**(8 865)**
Other	–	–	–	(320)	–	(374)	–	**(694)**
As at 30 June 2016	**67 320**	**2 211**	**19 969**	**26 625**	**164 146**	**36 621**	**161**	**317 053**
Short-term as at 30 June 2016	18 817	2 211	4 411	16 829	–	36 621	26	**78 915**
Long-term as at 30 June 2016	48 503	–	15 558	9 796	164 146	–	135	**238 138**

(amounts in the financial statements are expressed in PLN ths, unless otherwise stated)

12. Information on acquisition, sale and tangible fixed assets revaluation write-offs

	Land and buildings valued according to the revalued model	Machinery and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets in progress	Total
Net value as at 1 January 2017	**28 151**	**11 795**	**9 976**	**3 255**	**914**	**54 091**
Acquisition	–	353	–	14	–	**367**
Divestment	(84)	(247)	(40)	(41)	–	**(412)**
In-kind contribution to the subsidiary	(9 862)	(3 335)	(48)	(184)	–	**(13 429)**
Reclassification from assets available for sale	5 929	5 577	45	132	–	**11 683**
Reclassification to assets available for sale	(144)	(360)	–	(2)	–	**(506)**
Increase / decrease due to the changes in the sales plan	3 933	(2 109)	3	79	–	**1 906**
Depreciation write-down for the accounting period	(461)	(1 209)	(534)	(1 559)	–	**(3 763)**
Net value as at 30 June 2017	**27 462**	**10 465**	**9 402**	**1 694**	**914**	**49 937**
As at 1 January 2017						
Gross value	36 987	84 818	36 960	24 171	2 304	**185 240**
Depreciation and impairment write-down	(8 836)	(73 023)	(26 984)	(20 916)	(1 390)	**(131 149)**
Net value as at 1 January 2017	**28 151**	**11 795**	**9 976**	**3 255**	**914**	**54 091**
As at 30 June 2017						
Gross value	34 915	82 139	31 139	23 372	2 304	**173 869**
Depreciation and impairment write-down	(7 453)	(71 674)	(21 737)	(21 678)	(1 390)	**(123 932)**
Net value as at 30 June 2017	**27 462**	**10 465**	**9 402**	**1 694**	**914**	**49 937**

(amounts in the financial statements are expressed in PLN ths, unless otherwise stated)

Information on acquisition, sale and tangible fixed assets revaluation write-offs (continued)

	Land and buildings valued according to revalued model	Machinery and equipment	Means of transport	Other tangible fixed assets	Tangible fixed assets in progress	Total
Net value as at 1 January 2016	**203 283**	**97 795**	**14 373**	**8 006**	**1 061**	**324 518**
Acquisition	8	22	–	45	86	**161**
Decrease	(361)	(450)	(33)	(1)	–	**(845)**
In-kind contribution to the subsidiary	(162 186)	(79 558)	(2 664)	(657)	(232)	**(245 297)**
Reclassification from assets for sale	–	563	20	–	–	**583**
Reclassification from assets for sales	–	(8)	(9)	–	–	**(17)**
Depreciation write-down for the accounting period	(1 389)	(3 537)	(942)	(1 862)	–	**(7 730)**
Net value as at 30 June 2016	**39 355**	**14 827**	**10 745**	**5 531**	**915**	**71 373**
As at 1 January 2016						
Gross value	295 084	280 788	47 039	38 159	2 451	**663 521**
Depreciation and impairment write-down	(91 801)	(182 993)	(32 666)	(30 153)	(1 390)	**(339 003)**
As at 1 June 2016	**203 283**	**97 795**	**14 373**	**8 006**	**1 061**	**324 518**
As at 30 June 2016						
Gross value	76 949	95 621	37 314	30 934	2 305	**243 123**
Depreciation and impairment write-down	(37 594)	(80 794)	(26 569)	(25 403)	(1 390)	**(171 750)**
Net value as at 30 June 2016	**39 355**	**14 827**	**10 745**	**5 531**	**915**	**71 373**

(amounts in the financial statements are expressed in PLN ths, unless otherwise stated)

13. Assets and liabilities held for sale

In accordance with the provisions of the Agreement on Debt Policy signed on 21 December 2012, the Company shall divest certain assets. Assets sold include redundant tangible assets, organised parts of the enterprise and real estate. The table below presents the financial data for those assets, the sale of which is planned within the period of one year from the balance sheet date.

	As at 30 June 2017	As at 31 December 2016
Tangible fixed assets	6 446	17 880
Investment property	25 999	25 999
Intangible assets	–	9
Shares in subsidiaries	8 977	8 975
Inventories	–	1 990
Receivables	–	12 509
Cash	–	137
Receivables regarding the valuation of long-term contracts	–	6 513
Total assets held for sale	**41 422**	**74 012**
Trade liabilities	–	5 566
Liabilities under long-term contracts valuation	–	1 069
Liabilities arising from employee benefits, including:	–	3 991
liabilities arising from pension entitlements	–	512
other liabilities arising from employee benefits	–	3 480
Liabilities directly associated with assets classified as held for sale	**–**	**10 626**

The decrease in the value of assets and liabilities presented as held for sale results from the changes in the sales plan. The Company discontinued to present them as held for the sale of assets and liabilities connected with Rudnik branch due to the fact that it was transferred within the framework of the capital group to the company of Mostostal Siedlce spółka z ograniczoną odpowiedzialnością spółka komandytowa (limited liability company limited partnership) on 30 June 2017. This transaction is further described in the note 17.

14. Cash and cash equivalents

	As at 30 June 2017	As at 31 December 2016
Cash at bank and in hand	15 725	136 104
Short-term deposits	195 279	4 479
Total	**211 004**	**140 583**
Funds with limited opportunity to dispose of	13 623	112 075

(amounts in the financial statements are expressed in PLN ths, unless otherwise stated)

15. Long-term financial assets

	As at 30 June 2017	**As at 31 December 2016**
Shares in subsidiaries	346 399	310 232
Shares in associates	503	503
Bank guarantee deposits	89	182
Loans	60 824	8
Total	**407 815**	**310 925**

16. Description of the factors and events that have a significant impact on the situation of the Company for a period of 6 months ended on 30 June 2017

In the period of 6 months ended on 30 June 2017, the Company realised sales revenue of PLN 611 026 thousand. For this period, the Company realised an operating loss of PLN 2 210 thousand (as compared to the operating loss in the first half of 2016 in the amount of PLN 104 750 thousand). Net profit in the first half of 2017 amounted to PLN 27 240 thousand (against net loss for the first half of 2016 in the amount of PLN 38 041 thousand).
As at 30 June 2017, the total assets of the Company amounted to PLN 1 643 874 thousand (an increase of 11% in relation to the comparable data as at 31 December 2016). Tangible fixed assets as at 30 June 2017 amounted to PLN 817 016 thousand (increase of 14% in relation to the comparable data as at 31 December 2016) and current assets with assets held for sale of PLN 826 858 thousand (increase of 7% in comparison to the comparable data as at 31 December 2016).
Equity as at 30 June 2017 amounted to PLN 491 384 thousand (an increase of 199% in relation to the comparable data as at 31 December 2016) and liabilities: PLN 1 152 490 thousand (decrease of 13% compared to the comparable data as at 31 December 2016). In the period of 6 months ended on 30 June 2017, in accordance with the prepared Company's cash flow statement, there was net increase in cash and cash equivalents. Cash and cash equivalents as at 30 June 2017 amounted to PLN 211 004 thousand. Net cash flows from operating activities amounted to PLN 162 610 thousand. Net cash flows from investment activities amounted to PLN 60 884 thousand and net cash flows from financial activities amounted to PLN 293 915 thousand. In cash with reduced capabilities of disposal the amount of the advance payment obtained by the Company in respect of Kozienice contract of PLN 7 704 thousand and advance payment in respect of Opole contract in the amount of PLN 5 919 thousand were disclosed as constituting the deposit collateral of the performance guarantee.

Current portfolio

The current portfolio of the Company’s orders decreased by the sales to the members of the consortium, amounts to PLN 1.8 billion and entirely refers to the concluded contracts. The current portfolio of orders in particular years is as follows: 2017 PLN 0.8 billion, 2018 PLN 0.7 billion, 2019 PLN 0.25 billion and PLN 0.05 billion in the following years.

Current liquidity and quick ratios of the Company as at 30 June 2017 were at a higher level than at the comparable date of 31 December 2016 and amounted to 1.45 (these ratios were at the level of 1.07 as at 31 December 2016).

Significant factors influencing the situation of the Company and the Group include: difficult relationships, often of a dispute nature, or claims with the main recipients of contracts executed by the Company in the Infrastructure Construction segment, including primarily the General Directorate for National Roads and Motorways. In executing the road construction contracts, the Company has performed a significant range of additional works for which the Company failed to obtain a satisfactory and adequate additional remuneration until the balance sheet date.

17. The most important events during the reporting period and significant events after 30 June 2017

Significant events over the reporting period

- On 18 January 2017, the Company and ENEA Spółka Akcyjna (joint stock company) with its registered office in Poznań, ENERGA Spółka Akcyjna with its registered office in Gdańsk, PGE Polska Grupa Energetyczna Spółka Akcyjna with its registered office in Warsaw and PGNiG Technologie Spółka Akcyjna with its registered seat in Krosno, concluded the Investment Agreement setting out detailed parameters of the capital involvement of the Investors and reciprocal rights and obligations of the parties. The investors undertook to make an investment in the Company by taking up the Company's T series shares at the issue price of PLN 2 each in the number of 37 500 000 shares per Investor. On 18 January 2017, the Supervisory Board of the Company adopted resolutions in which: (i) it approved the issue price of the Company's shares of the T-series, determined by the Management Board, and (ii) agreed to offer the T-Series shares to subscribers indicated by the Management Board, including the number of T series shares of the Company offered to each of them. On 20 January 2017, in connection with the fulfilment of the conditions precedent contained in the Investment Agreement and consequently the acceptance by all Investors of the subscription of the Company's T-series shares, submitted by the Company to each Investor, a subscription agreement was concluded between the Company and the Investors, pursuant to which the Investors took over all the shares they were offered, i.e. a total number of 150 000 000 shares with a total value of PLN 300 000 000. The shares were fully paid up by the Investors on 25 January 2017 and the Company was cashed in the amount of PLN 300 000 000.

- On 9 March 2017, the Extraordinary General Meeting adopted the resolutions (i) on: approving the amendment of the Rules of Procedure of the Supervisory Board, (ii) approving an in-kind contribution of the Organised Part of the Enterprise under the business name of Polimex-Mostostal S.A. Zakład Konstrukcji Stalowych (Steel Structures Plant) in Rudnik upon the river San to the company of Mostostal Siedlce Spółka z ograniczoną odpowiedzialnością Spółka komandytowa (Limited liability company limited partnership) with its registered office in Siedlce, (iii) on the issue of C series bonds convertible into U series shares and the conditional increase of the share capital by the issue of U series shares, the exclusion of the pre-emptive right to the convertible bonds and U series shares and the amendment of the statute (regulatory announcement no 29/2017).

- On 18 May 2017, the Supervisory Board approved the Development Plan of Polimex-Mostostal Capital Group for the years 2017-2023, i.e. the Comprehensive Development and Business Plan of the Capital Group of the Company (regulatory announcement no. 48/2017).

- On 26 May 2017 the Management Board of the Company announced that the Company signed with the State Treasury, represented by the General Directorate for National Roads and Motorways, a non-disclosure agreement referring to the sensitive data that may be transferred in the course of discussions concerning the conclusion of a possible settlement on the claims asserted by the parties in the legal proceedings or other potential claims which may arise from the contracts, the subject of which was: (i) Design and construction of A1 Stryków – Tuszyn interchange motorway in on the section from km 295 + 850, (ii) The construction of the expressway S-69 Bielsko-Biała – Żywiec – Zwardoń, section of Mikuszowice – Żywiec interchange, and (iii) The construction of A-4 motorway, section Rzeszów (Rzeszów Wschód interchange) - Jarosław (Wierzbna interchange) from km 581 + 250 to km 622 + 450. The total value of the subject matter of the dispute resulting from the pending court cases concerning these contracts amounts to: (i) claimed at court by the Company and the consortium members: PLN 507 527 243, (ii) claimed at court by the State Treasury, General Directorate for National Roads and Motorways: PLN 503 879 704.77 (regulatory announcement no. 50/2017).

- On 20 June 2017, the following were concluded: (i) the agreement between the Company and Towarzystwo Finansowe "Silesia" Sp. z o.o. (limited liability company) and Bankowe Towarzystwo Kapitałowe S.A. (joint stock company) on amendment and unification of the terms of series A convertible bonds issue originally dated 12 September 2014 and the agreement between the Company and Industrial Development Agency JSC (Agencja Rozwoju Przemysłu

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S.A.) referring to amendment and unification of B series ordinary bonds issue originally dated 12 September 2014, (ii) Annex No 10 to the Agreement on the principles of debt repayment dated 21 December 2012 between the Company and Bank Polska Kasa Opieki S.A., Bank Ochrony Środowiska S.A., Powszechna Kasą Oszczędności Bank Polski S.A., PKO Parasolowy Fundusz Inwestycyjny Otwarty, Unifundusze Specjalistyczny Fundusz Inwestycyjny Otwarty oraz Unifundusze Fundusz Inwestycyjny Otwarty, (iii) Annex No 3 to the Agreement between the Creditors dated 11 September 2014 between Polimex-Mostostal S.A., Polimex Energetyka Sp. z o.o., Naftoremont - Naftobudowa Sp. z o.o., Mostostal Siedlce Sp. z o.o. Sp. k., Polimex Budownictwo Sp. z o.o. Sp. k. and the Financing Banks (Bank Polska Kasa Opieki S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Bank Ochrony Środowiska S.A., Bank Zachodni WBK S.A., Bank Millennium S.A.), 2007 Bondholders (PKO Parasolowy FIO represented by PKO Towarzystwo Funduszy Inwestycyjnych S.A.; UniFundusze SFIO represented by Union Investment TFI S.A., UniFundusze FIO represented by Union Investment TFI S.A.), 2014 Bondholders (Towarzystwo Finansowe "Silesia" sp. z o.o., Agencja Rozwoju Przemysłu S.A.. Bankowe Towarzystwo Kapitałowe S.A.), 2017 Bondholders (Towarzystwo Finansowe "Silesia" sp. z o.o., Bankowe Towarzystwo Kapitałowe S.A.), Bank Millennium S.A., Bank Gospodarstwa Krajowego and Powszechna Kasa Oszczędności Bank Polski S.A. and Towarzystwo Finansowe "Silesia" Sp. z o.o., (iv) Annex No 3 to the credit facility agreement on the new guarantee line and the revolving credit facility related to that line dated 21 December 2012 between the Company, Polimex Energetyka Sp. z o.o., Naftoremont - Naftobudowa Sp. z o.o. and Powszechna Kasa Oszczędności Bank Polski S.A. and Bank Polska Kasa Opieki S.A., Bank Ochrony Środowiska S.A., Bank Millennium S.A. and Bank Zachodni WBK S.A., (v) the Agreement between the Company and Bank Millennium S.A. (regulatory announcement no 55/2017).

- On 29 June 2017 the Management Board of the Company reported that PGNiG TERMIKA S.A. and Mitsubishi Hitachi Power Systems Europe GmbH as the leader of a consortium, Mitsubishi Hitachi Power Systems Ltd., Hitachi Mitsubishi Power Systems Europe Ltd. and the Company as the members of the consortium, concluded the agreement with the subject of the delivery and installation of gas and steam block in Żerań CHP Plant (Elektrociepłownia Żerań) in Warsaw (regulatory announcement no 61/2017).

- On 30 June 2017, an agreement was signed for the contribution of the organised part of the enterprise under the business name of the Zakład Konstrukcji Stalowych (Steel Structures Plant) in Rudnik upon San river to Mostostal Siedlce spółka z ograniczoną odpowiedzialnością spółka komandytowa (limited liability company limited partnership), in exchange for an increase of the Company's share in that company by PLN 24 989 676.54. The scope of activity of Zakład Konstrukcji Stalowych w Rudniku (Steel Structures Plant in Rudnik) is the production of steel structures, mainly for the needs of the industry and the power sector. The transaction was connected with the continuation of optimising the structure of the Capital Group and aimed to allocate the production activity in the organisational structures of Mostostal Siedlce.

  The value of assets and liabilities of ZCP Rudnik contributed in-kind is as follows:

Tangible fixed assets	13 429
Intangible assets	62
Inventories	5 794
Receivables	13 126
Cash	14
Other assets	209
Total assets	**32 634**
Liabilities	7 644
Total liabilities	**7 644**
Net value of contributed assets	**24 990**

Significant events which occurred after the balance sheet date on 30 June 2016 until the date of approval of the financial statements.

After the balance sheet date the following transformations occurred (Regulatory Announcement No 66/2017):

i) agreement of 25 July 2017 concerning the in-kind contribution as at 1 August 2017 of an organised part of enterprise under the business name of ZCP Budownictwo Ogólne to a subsidiary of the Company under the business name of Polimex Budownictwo spółka z ograniczoną odpowiedzialnością spółka komandytowa (limited liability company limited partnership) with its registered office in Siedlce in exchange for the increase of the value of the Company's share in this company by the amount of PLN 9 122 300. The transaction is related to the continued optimisation of the Group's structure. The scope of activity of ZCP Budownictwo is a comprehensive service in the industrial construction sector.

ii) agreement of 25 July 2017 concerning the in-kind contribution as at 1 August 2017 of an organised part of an enterprise under the business name ZCP Operator to a subsidiary of the Company under the business name of Polimex Operator spółka z ograniczoną odpowiedzialnością spółka komandytowa (limited liability company limited partnership) with its registered office in Warsaw in exchange for the increase of the value the Company's share in the company by PLN 17 013 300. The transaction is related to the continued optimisation of the Group's structure. The scope of activity of ZCP Operator is the rental and leasing of the construction machinery and equipment and heavy construction equipment.

iii) Agreement of 25 July 2017 concerning the in-kind contribution as at 1 August 2017 of an organised part of an enterprise under the business name of ZCP Infrastruktura to a subsidiary of the Company under the business name of Infrastruktura Drogowa spółka z ograniczoną odpowiedzialnością (limited liability company) with its registered seat in Warsaw, in exchange for increasing the value of the Company's share capital in this company by PLN 1 503 078. The transaction is related to the continued optimisation of the Group's structure. The scope of activities of ZCP Infrastruktura includes works connected with the construction of roads and motorways.

18. Explanatory notes referring to the seasonal and cyclic nature of the Company’s operations in the presented period

The Company’s operations indicate the characteristics of seasonality in the scope of conducting the construction and assembly, refurbishment and road construction works. During the winter season the volume of works conducted in open construction sites decreases. Additionally, in some sectors the refurbishment works are conducted in the specific seasons of the year (e.g. in the power and CHP plants they are focused during summer months). In turn, the modernisation works are undertaken in several years’ cycles (e.g. in the power plants, refineries or chemical plants). The investment tasks performance schedules take into account the weather conditions and the preparation of budgets also the consequences of the applied procedures of the assignment and financial settlements of the contracts.

19. Indication of the factors which in the Company’s assessment will have an impact on its results in perspective of at least the subsequent quarter

The most important factors that can have an impact on the results achieved by the Company in the next quarter include above all: the completion of Kozienice project and the implementation of the projects in Opole and Żerań consistently with the timetable, the macroeconomic situation in the country and abroad affecting the demand for the construction services, as well as the situation on the financial markets, the financial situation of the consortium members and sub-contractors, the level of prices of raw materials, materials and construction services, as well as the outcome of pending court cases (cf. note 25).

20. Information on the issue, buy-out and repayment of debt and equity securities

On 20 January 2017, the Company and ENEA Spółka Akcyjna (joint stock company) with its registered office in Poznań, ENERGA Spółka Akcyjna with its registered office in Gdańsk, PGE Polska Grupa Energetyczna Spółka Akcyjna with its registered office in Warsaw and PGNiG Technologie Spółka Akcyjna with its registered office in Krosno, signed the subscription agreement under which the Investors took over the shares offered by the Company in the amount of 150 000 000 of the total value of PLN 300 000 000, at a par value of PLN 2 per share. Each investor acquired the number of 37 500 000 shares. Proceeds from the issue were paid to the Company's share capital. Details are described in the note 17. On 2 August 2017, the Company submitted to the Polish Financial Supervision Authority a request to apply for admission and introduction of 150 000 000 ordinary bearer shares of series T to trading on the main market of the Warsaw Stock Exchange.

Debt and equity securities were not subject to buy-out or repayment during the reporting period.

21. Information on debt-for-equity swap.

During the period of 6 months ended on 30 June 2017 there was not any debt-for-equity swap.

22. Information on financial instruments valued at fair value

The Company is a party to the Option Agreement for the Acquisition of the Investment Certificates concluded with PKO BP S.A. on 7 November 2013 as amended that depending on the formation of the price scenario for real estate included in that agreement it shall determine the amount of the acquisition/clearance between the contracting parties in the future. If the investor fails to meet the minimum return on investment, the Company shall compensate for the corresponding part of the loss. In the case of the increase in the value of the portfolio of property, the Company is guaranteed a portion of the profit over the gain rate guaranteed to the investor.
During the reporting period there were not any changes in way of valuation of this instrument, in the form of discounting the predicted growth in the property portfolio's value in the horizon for the duration of the transaction. The value of the instrument as at 30 June 2017 amounted to PLN 0 (31 December 2016: PLN 0) The instrument fair value measurement was classified to the level 3 of the fair value hierarchy.
In the opinion of the Management Board, the balance sheet amounts of financial assets and liabilities recognised in the interim condensed financial statements are an approximation of their fair values.

23. Information regarding the paid (or declared) dividend

During the period of 6 months ended on 30 June 2017 not any dividends were declared or paid.

24. The position of the Management Board regarding published predictions

The predictions of the Company’s results for the year 2017 have not been published.

25. Information on significant proceedings referring to receivables and liabilities pending before court, body competent for arbitration proceedings or public administration body

In the year 2013, the portfolio of contracts carried out by the Company consisted of the contracts carried out for the General Directorate for National Roads and Motorways ("GDDKiA" – [*in Polish*]) concluded under the Act the public procurement law. Due to significant breach of the concluded contracts by the contracting authority (here: GDDKiA), including the dismissal of justified claims of the contractors’ consortia and the default in the payment of the remuneration due to the contractors for works performed in 2013 and in the preceding years, and mainly due to the failure to present by the GDDKiA, in the required by the law time limit of 45 days, the legal collateral of the payment for the construction works in the total amount of over PLN 2 billion, the Consortia, of which the Company is a member, departed from the concluded agreements. The substantial value of the scope of work for the implementation resulted in the actual risk that the amount of claims would be still growing and the Consortia would not have a collateral of their payment. In addition the financial claims submitted to GDDKiA and the prolonged procedures of acceptance by GDDKiA of additional costs incurred by the Consortia did not guarantee obtaining the payment of the above-mentioned amounts without lengthy litigation. Due to the absence of the effects aiming at establishment of the collateral of the receivables on 14 January 2014 the consortia of the contractors filed to GDDKiA, under the article 649^3 of the civil code, the statements of withdrawal from the contracts for the construction of the A1 motorway in the section Stryków – Tuszyn, A4 motorway in the section Rzeszów – Jarosław and S-69 expressway in the section Bielsko-Biała – Żywiec. The Consortia, bearing in mind, the possibility of an amicable solution to the existing situation, repeatedly applied to GDDKiA for redress of shortcomings in order to allow the implementation of the construction projects. The proposals for amicable solution were the subject of an extensive correspondence between the contractors and the contracting authority. As at 30 June 2017 the value of the statements of claims filed by the Consortium against GGDKiA amounts to PLN 648.1 million.

The Company is in the process of mutual reconciliation of the settlements with GDDKiA and with the members of the consortium, the final settlement with respect to the completed road construction contracts, carried out upon the mandate of GDDKiA. The Management Board indicates that due to ongoing disputes with GDDKiA and in connection with the conducted insolvency process of the members of the consortium, the mutual financial settlements could not be completed. In the result the assumptions adopted for the valuation and thus final result of the completion of the contracts carried out for GDDKiA may be subject to changes.

The most important litigation cases pending as at 30 June 2017 were indicated below, the total value of which constitutes at least 2% of the consolidated sales revenues of the Capital Group for the last four quarters, i.e. PLN 50.6 million and the judicial proceedings conducted against GDDKiA either filed by GDDKiA.

Cases filed by the Company

- Defendant: State Treasury - General Directorate for National Roads and Motorways. Value of the subject matter of the dispute: PLN 36 961 661. The Company's share in the Consortium is 49%. Subject matter of the dispute: request to increase the remuneration for the construction of A2 motorway Stryków – Konotopa section due to the increase of the prices of liquid fuels and bitumen. On 3 September 2015, the judgment dismissing the entire claim of the Consortium was issued. On 8 October 2015, the consortium filed an appeal. The date of the appeal hearing was determined for 16 March 2017. The second instance court transmitted the case to the repeated consideration.
- Defendant: State Treasury - General Directorate for National Roads and Motorways. Value of the subject matter of the dispute: PLN 219 592 408. The Company's share in the consortium is 51%. Subject matter of the dispute: the payment of contractual penalties for withdrawal from a contract for the construction of Rzeszów-Jaroslaw section of A-4 motorway due to the fault of the contracting authority. On 13 May 2014, the court issued the payment order in the writ proceedings and ordered the Defendant to pay the amount of PLN 111 992 128 to the Company with statutory interest on this amount from 4 February 2014 until the payment date. On 4 June 2014, GDDKiA effectively filed an opposition against this order for payment. The case was referred for consideration in the ordinary proceedings and on 10 June 2015, GDDKiA filed a counterclaim against the Consortium for the amount of PLN 249 476 370 (indicated in the cases brought against the Company). On 1 December 2015, the court dismissed the counterclaim in reference to Doprastav. On 21 December 2015, GDDKiA filed a complaint against the decision on dismissal of the counterclaim against Doprastav. Doprastav filed a response to the complaint filed by GDDKiA. By the order of 23 June 2016, the Court of Appeal in Warsaw suspended the complaint proceedings until the moment of consideration of the appeal filed by GDDKiA against the decisions of the Court of Appeal in Warsaw on 29 September 2015. By the order of 24 March 2017, the Supreme Court in Warsaw repealed the contested judgment of the Court of Appeal in Warsaw and referred the case back for the consideration. By the order of 6 June 2017, the Court of Appeal in Warsaw repealed the contested judgment dismissing the counterclaim to Doprastav and referred the case back to the Regional Court.
- Defendant: State Treasury - General Directorate for National Roads and Motorways. Value of the subject matter of dispute: PLN 176 954 030. The Company's share in the Consortium is 37%. The subject matter of the dispute: the payment of contractual penalties for withdrawal from the contract for the construction of Stryków – Tuszyn A-1 motorway due to the fault of the contracting authority. By the order of 5 may 2015, the Court rejected the counterclaim against Doprastav a.s. On 29 May 2015, GDDKiA filed a complaint against the order of the Court to reject the counterclaim against Doprastav a.s. On 29 May 2015, GDDKiA filed a complaint to the decision of the Court to dismiss the counterclaim against Doprastav a.s. On 5 June 2015, Doprastav a.s. filed a writ containing the position referring to the pleading of the Plaintiffs, MSF Engenharia and MSF Polska, of 2 April 2015

and on 8 June 2015 filed a response to the above mentioned complaint. On 29 September 2015, the Court of Appeal in Warsaw dismissed the complaint of GDDKiA. On 8 April 2016, GDDKiA filed a cassation appeal to the decision of the Court of Appeal. On 17 June 2016, Doprastav filed a response to the appeal in cassation. The date of the cassation hearing has not been determined. On 1 July 2016, the files were forwarded to the Supreme Court. By decision dated 28 December 2016, the Supreme Court accepted the cassation appeal to be considered during the hearing. By order of 24 March 2017, the Supreme Court set aside the contested judgment of the Court of Appeal and referred the case back to the consideration.

- Defendant: State Treasury - General Directorate for National Roads and Motorways. Value of the subject matter of dispute: PLN 78 810 045. The Company's share in the consortium is 50.5%. The subject matter of dispute: the payment of contractual penalties under the withdrawal from the contract for the construction of S-69 expressway, Mikuszowice – Żywiec section, due to the fault of the contracting authority. The Court ordered the court expert opinion in the scope of the construction. The subjective case is still pending. On 26 June 2017, the court expert's opinion was submitted to the files confirming that on 31 December 2013 the contractor was authorised to significant extension of the Time for Completion, GDDKiA did not submit full and complete design documentation to the contractor and it was not possible to carry out the works to be corrected determined in the request dated 16 December 2013 within the restricted time limit of 14 days.
- Defendant: State Treasury - General Directorate for National Roads and Motorways. Value of the subject matter of the dispute: PLN 32 170 164. The Company's share in the consortium is 50.5%. The claim for payment of the receivables arising from the invoices related to the execution of the contract for the construction works on the construction of S-69 Bielsko-Biała – Żywiec – Zwardoń expressway and the contract for the construction works referring to the construction of the section A-1 motorway from "Sośnica" interchange along with A-1 motorway section "Sośnica-Maciejów". The case considered by the first instance court. By the pleading of 23 June 2016, GDDKiA made the extension to the counterclaim to the amount of PLN 62 624 332.15. GDDKiA withdrew part of the statement of claims referring to the amount of PLN 1 151.49 for the reimbursement of the funds paid for the benefit of Peri Polska Sp. z o.o. and extended the counterclaim with the amount of PLN 833 442.96 for the reimbursement of funds paid to entrepreneurs under the Special Act. On 18 August 2016, the legal representatives of the Company submitted a response to the extension of the counterclaim. The referring judge was changed. The new judge is taking note of files and has not taken any action so far.

- Defendant: State Treasury - General Directorate for National Roads and Motorways. Value of the subject matter of dispute: PLN 103 644 247. The Company's share in the consortium is 21%. The subject matter of dispute: the claim refers to redress of the damage incurred by the Contractor due to inadequate description of the Contracting Authority's requirements referring to the implementation of the contract for the construction of the A-2 motorway Stryków – Konotopa section. The case is currently being studied by the court expert. On May 2017, the expert's opinion was sent to the Court. The supplementary hearing of the expert has been planned for 18 September 2017 .
- Defendant: Europa Centralna Sp. z o.o. (previously Helical Sośnica Sp. z o.o.). Value of the subject matter of the dispute: PLN 79 325 935. The case for the establishment of the absence of Helical Sośnica's right to request the payment of contractual penalties and awarding the amount of PLN 52 109 916 for the remuneration for the performance of the contract for additional works as well as in respect of the costs incurred by the Company for the implementation of the agreement after 15 October 2012. On 29 December 2015, the repeated extension of the statement of claims, instead of establishing the absence of Helical Sośnica's right to demand payment of contractual penalties and apart from the claim for the payment of the amount of PLN 52 109 916 (extension of action of 21 August 2014), the Company calls for the award of the amount of PLN 25 938 604 constituting the equivalent to the funds from the bank guarantee paid to the defendant and additionally the amount of PLN 1 277 414 constituting the remuneration for the stand-by on the construction site of the shopping centre after 18 October 2012. The proceedings have been pending in the first instance. The next court hearing has been assigned for the day of 17 October 2017.

Cases against the Company

- The case filed by the State Treasury – General Directorate for National Roads and Motorways. The subject matter of the proceedings is to demand the payment of the part of the contractual penalty for the Contracting Party's withdrawal, due to the fault of the Contractor, from the contract for the construction works referring to the construction of S-69 Bielsko-Biała – Żywiec – Zwardoń expressway and the contract for the construction works referring to A-1 motorway section from "Sośnica" interchange at the intersection of A-1 and A-4 motorways, along with A-1 motorway "Sośnica-Maciejów" section and contractual penalty for exceeding the time for completion. It is a counterclaim. The value of the subject matter of the dispute amounts to: PLN 61 792 041. In the writ dated 23 June 2016, GDDKiA extended the counterclaim up to the amount of PLN 62 624 332.

- The case filed by the State Treasury – General Directorate for National Roads and Motorways. The subject matter of the proceedings refers to the claim for the payment of the part of contractual penalty for the withdrawal, due to the fault of the Contractor, from the contract for the construction works referring to the construction of Rzeszów – Jarosław section of A-4 motorway. This is a counterclaim. The value of the subject matter of the dispute amounts to PLN 249 476 370.

- The case filed by the State Treasury – General Directorate for National Roads and Motorways. The subject matter of the proceedings is the claim for the payment of part of the contractual penalty for the withdrawal, due to the fault of the Contractor, from the contract for the construction works referring to design and construction of A-1 motorway Stryków – "Tuszyn" interchange. This is a counterclaim. The value of the subject matter of the dispute amounts to PLN 192 611 294.

SIGNATURES OF ALL BOARD MEMBERS		
Name and surname	Position/Function	Signature
Antoni Józwowicz	President of the Management Board	
Andrzej Juszczyński	Vice-President of the Management Board	

SIGNATURE OF THE PERSON RESPONSIBLE FOR PREPARING THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD OF 6 MONTHS ENDED ON 30 JUNE 2017		
Name and surname	Position / Function	Signature
Sławomir Czech	Chief Financial Officer Chief Accountant Polimex Centrum Usług Wspólnych Sp. z o.o.	

Warsaw, 25 August 2017