POLIMEX-MOSTOSTAL CAPITAL GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 6 MONTHS ENDED ON 30 JUNE 2017

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF POLIMEX-MOSTOSTAL CAPITAL GROUP FOR THE PERIOD OF 6 MONTHS ENDED ON 30 June 2017

Interim consolidated profit and loss account

	For a period of 6 months from 01.01.2017 until 30.06.2017 (not audited)	**For the period of 6 months from 01.01.2016 until 30.06.2016 (not audited)**
Sales revenues	1 133 970	1 271 926
Cost of sales	(1 030 418)	(1 284 592)
Gross sales profit	**103 552**	**(12 666)**
Cost of sales	(12 396)	(10 891)
General management costs	(32 191)	(36 168)
Other operating revenues	5 777	20 834
Other operating expenses	(2 199)	(4 525)
Profit from operating activity	**62 543**	**(43 416)**
Financial revenues	7 984	1 186
Financial expenses	(20 599)	(12 999)
Affiliate Profit Sharing	(1 391)	(754)
Gross profit	**48 537**	**(55 983)**
Income tax	(13 661)	4 127
Net profit	**34 876**	**(51 856)**
Net profit/loss per:		
- shareholders of the parent entity	34 702	(52 663)
- non-controlling interests	174	807
Earnings per share (expressed in PLN per share)		
- basic	0.16	(0.61)
- diluted	0.16	(0,37)

Accounting policies and other explanatory information presented in the notes from 1 to 25 shall form an integral part of these interim condensed consolidated financial statements.

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

Interim consolidated comprehensive income statement

	For the period of 6 months from 01.01.2017 until 30.06.2017 (not audited)	For the period of 6 months from 01.01.2016 until 30.06.2017 (not audited)
Net profit	**34 876**	**(51 856)**
The components which shall not be transferred to profit and loss account in further periods:		
Actuarial profits / losses	(576)	484
The components which may be transferred in further periods to profit and loss account:		
Differences in exchange rates from foreign unit translation	(449)	(531)
Other comprehensive net income	**(1 025)**	**(47)**
Total comprehensive income	**33 851**	**(51 903)**
Per:		
- parent company shareholders	33 677	(52 710)
- non-controlling interests	174	807

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

Interim consolidated balance sheet

	Note	As at: 30.06.2017 (not audited)	As at: 31.12.2016 (audited)
Assets			
Fixed assets			
Tangible fixed assets	13	327 892	321 814
Investment property		3 867	3 867
Goodwill on consolidation		282 694	282 694
Intangible assets		1 422	1 672
Investments in associates accounted for using the equity method		14 314	15 705
Financial assets		697	795
Long-term receivables		8 906	3 300
Deposits for construction contracts		50 422	55 724
Assets from deferred tax		187 767	198 608
Other tangible fixed assets		888	1 479
Total fixed assets		**878 869**	**885 658**
Current assets			
Inventory		69 905	65 291
Trade and other receivables		555 697	419 319
Deposits for construction contracts		42 866	42 992
Payables under long-term contracts valuation		63 654	27 522
Financial assets		219 053	218 699
Cash	15	646 461	710 813
Other assets		5 188	3 555
Assets held for sale	14	97 939	123 788
Total current assets		**1 700 763**	**1 611 979**
Total assets		**2 579 632**	**2 497 637**

Accounting policies and other explanatory information presented in the notes from 1 to 25 shall form an integral part of these interim condensed consolidated financial statements.

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

Interim consolidated balance sheet (continued)

	Note	As at: 30.06.2017 (not audited)	As at: 31.12.2016 (audited)
Liabilities and shareholder's equity			
Equity			
Share capital		473 238	173 238
Reserve capital		157 746	309 710
Other equity		127 368	(85 254)
Equity element of issued bonds converted into shares		29 734	29 734
Other accumulated comprehensive income		75 992	77 288
Retained earnings/Uncovered loss		(48 225)	(22 540)
Total equity attributable to shareholders of the parent company		**815 853**	**482 176**
Non-controlling interests		**194**	**20**
Total equity		**816 047**	**482 196**
Long-term liabilities			
Credits and loans		239 937	140 272
Long-term bonds		164 745	160 336
Provisions	12	191 725	194 783
Liabilities arising from employee benefits		13 362	12 706
Other liabilities		49 221	60 784
Deposits for construction contracts		31 818	37 432
Total long-term liabilities		**690 808**	**606 313**
Short-term liabilities			
Credits and loans		20 541	129 577
Trade payables and other payables		522 049	624 081
Deposits for construction contracts		49 187	47 731
Long-term contracts valuation liabilities		278 885	400 061
Provisions	12	105 750	115 068
Liabilities arising from employee benefits		64 027	52 707
Deferred income		3 789	1 527
Liabilities directly associated with assets classified as held for sale	14	28 549	38 376
Total current liabilities		**1 072 777**	**1 409 128**
Total liabilities		**1 763 585**	**2 015 441**
Total liabilities and equity		**2 579 632**	**2 497 637**

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

Interim consolidated statement of cash flows

	Note	For the period of 6 months from 01.01.2017 until 30.06.2017 (not audited)	For the period of 6 months from 01.01.2016 until 30.06.2016 (not audited)
Cash flow from operating activities			
Gross profit (loss)		**48 537**	**(55 983)**
Adjustment items:		**(391 426)**	**95 249**
Share of profit or loss of associates accounted for using the equity method Properties		1 391	755
Amortisation and depreciation		12 726	16 687
Net interest and dividends		8 214	9 883
Profit (loss) from investing activities		-	(1 124)
Changes in receivables		(160 615)	12 438
Changes in inventories		1 144	4 438
Change in liabilities, excluding loans and borrowings		(237 311)	34 270
Change in assets and deferred income		808	932
Changes in provisions		(12 376)	27 277
Income tax		(2 683)	(24)
Other		(2 724)	(10 283)
Total net cash flow from operating activities		**(342 889)**	**39 266**
Net cash flows from investing activities			
Sale of tangible fixed assets and intangible assets		481	2 549
Purchase of intangible fixed assets and intangible		(5 875)	(2 083)
Acquisition of financial assets		-	(6)
Interest received		5 176	2
Repayment of long-term loans		-	4
Total net cash flow from investing activities		**(218)**	**466**
Total cash flows from financing activities			
Repayment of financial lease liabilities		(105)	(221)
Income from issuance of shares		300 000	-
Proceeds from contracting loans/credits		-	94
Repayment of loans/credits		(9 643)	(10 019)
Interest paid		(9 065)	(3 079)
Other			679
Total net cash flows from financial activities		**281 187**	**(12 546)**
Net increase/(decrease) in cash and cash equivalents		**(61 920)**	**27 186**
Change in cash and cash equivalents due to exchange rate differences		-	30
Cash as at the period beginning		**713 841**	**630 833**
- *including cash presented as assets held for sale*	***14***	*3 028*	*4 688*
Cash as at the period end		**651 921**	**658 049**
- *including cash presented as assets held for sale*	***14***	*5 460*	*11 350*
Cash and cash equivalents reported in the consolidated cash flow statement		**651 921**	**658 049**
- *including cash of limited possibility to dispose of*		*407 257*	*527 072*

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

Interim consolidated statement of changes in equity

	Basic equity	Reserve equity	Other equity	Convertible bonds conversion revaluation reserve	Other accumulated comprehensive income due to			Retained earnings/ Uncovered loss	Total	Non-controlling interests	Total equity
					Capital from revaluation	Actuarial profits / (losses)	Foreign exchange differences on translation of foreign unit				
As at 01.01.2017	**173 238**	**309 710**	**(85 254)**	**29 734**	**94 387**	**1 256**	**(18 355)**	**(22 540)**	**482 176**	**20**	**482 196**
Profit/ (loss) for the period	–	–	–	–	–	–	–	34 702	34 702	174	34 876
Actuarial profit/(loss)	–	–	–	–	–	(576)	–	–	(576)	–	(576)
Other net comprehensive income	–	–	–	–	–	–	(449)	–	(449)	–	(449)
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(576)**	**(449)**	**34 702**	**33 677**	**174**	**33 851**
Share capital increase	300 000	–	–	–	–	–	–	–	300 000	–	300 000
Profit division	–		1 018	–	–	–	–	(1 018)	–	–	–
Transfer to other equities	–	(151 964)	211 604	–	–	–	–	(59 640)	–	–	–
In-kind contribution settlement	–	–	–	–	–	(271)	–	271	–	–	–
As at 30.06.2017	**473 238**	**157 746**	**127 368**	**29 734**	**94 387**	**409**	**(18 804)**	**(48 225)**	**815 853**	**194**	**816 047**

Accounting policies and other explanatory information presented in the notes from 1 to 25 shall form an integral part of this condensed consolidated interim financial statements.

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

Interim consolidated statement of changes in equity (continued)

	Basic equity	Reserve equity	Other equity	Convertible bonds conversion revaluation reserve	Other accumulated comprehensive income due to			Retained earnings/ Uncovered loss	Total	Non-controlling interests	Total equity
					Capital from revaluation	Actuarial profits / (losses)	Foreign exchange differences on translation of foreign unit				
As at 01.01.2016	**173 238**	**306 762**	**(85 254)**	**29 734**	**94 387**	**602**	**(19 752)**	**41 795**	**541 512**	**(661)**	**540 851**
Profit/(loss) for the period	–	–	–	–	–	–	–	(52 663)	(52 663)	807	(51 856)
Actuarial profit/(loss)	–	–	–	–	–	537	–	–	537	–	537
Other net comprehensive income	–	–	–	–	–	–	(531)	–	(531)	–	(531)
Deferred tax	–	–	–	–	–	(53)	–	–	(53)	–	(53)
Comprehensive income	**–**	**–**	**–**	**–**	**–**	**484**	**(531)**	**(52 663)**	**(52 710)**	**807**	**(51 903)**
Profit division	–	2 947	–	–	–	–	–	(2 947)	–	–	–
As at 30.06.2016	**173 238**	**309 709**	**(85 254)**	**29 734**	**94 387**	**1 086**	**(20 283)**	**(13 815)**	**488 802**	**146**	**488 948**

Accounting policies and other explanatory information presented in the notes from 1 to 25 shall form an integral part of this condensed consolidated interim financial statements.

1. General

Polimex-Mostostal Capital Group (the "Group", "Capital Group") comprises the parent company, Polimex-Mostostal S.A. (the "Parent Entity", "Company", "Parent Company") and its subsidiaries and associates. The interim condensed consolidated financial statements of the Group include data for the period of 6 months ended on 30 June 2017 and as at 30 June 2017 and contains comparative data for the period of 6 months ended on 30 June 2016 year and as at 31 December 2016.

Polimex-Mostostal S. A. 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 duration of the Parent and member companies of the Capital Group is unlimited. The financial statements of all consolidated subsidiaries have been prepared for the same reporting period as the financial statements of the Parent company using consistent accounting principles. In case of associates which apply other accounting principles the financial data have been transformed for the purposes of consolidation to comply with the principles applied by the Capital Group.

The financial year of the Parent company and the companies in the Group is the calendar year.

The primary activity of the Parent company includes broadly understood construction and assembly services provided in the system of general contracting at home and abroad and the provision of administrative services to the companies of the Group. The scope of activities of the Group includes performance of construction and assembly works, industrial equipment and system assembly, manufacturing, real estate management. The Group operates in the following areas: Production, Industrial construction, Power sector and Petroleum, gas, chemistry.

Shares of parent entity: Polimex-Mostostal S.A. are listed on the Warsaw Stock Exchange.

1.1. Composition of the Group and description of changes in the structure of the Group

As at 30 June 2017 and 31 December 2016 the following subsidiaries and associates were subject to consolidation:

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

No.	Entity	Registered office	Scope of activities	Group's percentage share in equity / share in profit in case of limited partnership	
				As at:	As at:
				30.06.2017	31.12.2016
Subsidiaries				(%)	(%)
1	Polimex Energetyka Sp. z o.o.	Warsaw	Construction works execution	100	100
2	Naftoremont-Naftobudowa Sp. z o.o.	Płock	Construction works execution	100	100
3	Polimex Opole Sp. z o.o. Sp.k.	Warsaw	Construction works execution	99.8	99.8
4	Mostostal Siedlce Sp. z o.o. Sp. k.	Siedlce	Metal structures manufacture	99	99
5	Stalfa Sp. z o.o.	Sokołów Podlaski	Manufacture of metal products	100	100
6	Polimex-Mostostal ZUT Sp. z o.o.	Siedlce	Technical Services	100	100
7	Polimex-Mostostal Ukraina Spółka z dodatkową odpowiedzialnością	Zhytomyr-Ukraine	Housing construction	100	100
8	Czerwonogradzki Zakład Konstrukcji Stalowych Spółka z dodatkową odpowiedzialnością	Chervonograd-Ukraine	Metal structures manufacture	99.8	99.61
9	Polimex-Mostostal Wschód Sp. z o.o.	Moscow, Russia	Specialised and general construction	100	100
10	Polimex Centrum Usług Wspólnych Sp. z o.o.	Warsaw	Business and management, tax, accounting, accounting services, administrative consultancy	100	100
11	Polimex Budownictwo Sp. z o.o.	Warsaw	Industrial civil engineering	100	100
12	Pracownia Wodno-Chemiczna Ekonomia Sp. z o.o.	Bielsko Biała	Service activities in the field of water and wastewater treatment, techno-economic analysis in the scope of modernisation or construction of new installations.	100	100
13	Polimex GmbH in liquidation	Ratingen-Germany	Agency technical supplies and services	100	100
14	BR Development Sp. z o.o.	Kraków	Buying and selling real estate, advice on running a business	100	100
15	Polimex-Development Inwestycje Sp. z o.o.	Kraków	Construction works	100	100
16	Polimex-Development Investments Sp. z o.o. Apartamenty Tatarska S.K.A.	Kraków	Construction works	100	100
Associates					
17	Energomontaż-Północ Bełchatów Sp. z o .o. (Capital Group)	Rogowiec	Specialist construction and assembly services	32.82	32.82

On 28 March 2017, Polimex Energetyka Sp. z o.o. sold to Polimex-Mostostal S.A. 100% of owned shares in the companies: BR Development Sp. z o.o. with registered office in Kraków, Polimex -Development Inwestycje Sp. z o.o. with registered office in Kraków, and shares owned in the company Polimex-Development Inwestycje sp. z o.o. Apartamenty Tatarska S.K.A. with registered office in Kraków constituting 99% of the share capital of this Company.

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

As at 30 June 2017, share in the general number of votes held by the Parent company in subsidiaries is equal to the Company's share in the capitals of these entities.

The Parent Company fully controls the subsidiaries included in the complete consolidation; this control is due to the possession by the Parent Company of more than 95% of shares in subsidiaries and the possibility to manage their activities. The subsidiaries excluded from consolidation are entities in liquidation, restructuring, in which, at the same time, the Parent entity does not have control or non-significant entities from the point of view of consolidation within the Group. The materiality threshold for derecognising a subsidiary from the consolidation is determined according to the proceeds from the sale of analysed entity in the proceeds from the sale of the Group.

The Company has significant influence in the associate, Energomontaż-Północ Bełchatów Sp. z o.o. due to possession of more than 30% of shares and the possibility to appoint one Supervisory Board member.

1.2. The composition of the Management Board and the Supervisory Board of the Parent entity

As at 30 June 2017 and as at the date of this interim condensed consolidated financial statements the Management Board was as follows:

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

During the reporting period the following changes have 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 (WSE 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 (WSE Regulatory Announcement No 26/2017).
30.03.2017	Resignation of Mr Tomasz Rawecki from the role of Vice President (WSE Regulatory Announcement No 32/2017).

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

Wojciech Kowalczyk	Chairman of the Supervisory
Barłomiej 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 these interim condensed consolidated financial statements the following changes have occurred in the composition of the Supervisory Board:

20.01.2017	Extraordinary General Meeting of Polimex-Mostostal S.A. made the following changes in the composition of the Supervisory Board of the Company. Ms Anna Młynarska-Sobaczewska, Mr Bartłomiej Kachniarz, Mr Marcin Milewicz, Mr Przemysław Figarski and Mr Bartosz Ostachowski were recalled from the present composition of the Supervisory Board. Mr Paweł Mazurkiewicz, Ms Marta Zygmunt and Konrad Milczarski were appointed to the composition of the Supervisory Board (WSE Regulatory Announcement No 12/2017)
12.05.2017	Resignation of Ms Iwona Warsewicz from carrying out the role of the Supervisory Board member (WSE Regulatory Announcement No 44/2017)

12.05.2017 Extraordinary Assembly of Shareholders appointed Mr Wojciech Kowalczyk to the composition of the Supervisory Board (WSE Regulatory Announcement No 47/2017).

1.3. The functional and reporting currency

Items included in the financial statements of individual Group entities are valued in the currency of the primary economic environment in which the entity operates. The interim condensed consolidated financial statements have been prepared in Polish zlotys (PLN), which are the currency of the Group's presentation. The figures in the condensed interim consolidated financial statements have been presented in PLN thousands, unless specifically stated in more precise circumstances.

2. Approval of the financial statement

These interim condensed consolidated financial statements are not subject to approval by the approving body pursuant to the provisions of the article 53 of the Accounting Act of 29 September 1994. The interim condensed consolidated financial statements shall be signed by the head of the entity, i.e.: the Management Board of Polimex-Mostostal S.A. and the person liable for preparing the interim condensed consolidated financial statements. These interim condensed consolidated financial statements were signed on 25 August 2017.

3. Platform of the applied International Financial Reporting Standards

3.1. The conformity statement

These interim condensed consolidated financial statements of the Group have been 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 for the current and comparable period. Detailed accounting principles adopted by the Company have been described in the financial statements of the Company for the year ended 31 December 2016 year, published on 27 March 2017.

Some of the Group's entities keep their books of account in accordance with the policy (rules) specified in the Act of 29 September 1994 on Accounting ("the Act"), as amended, and the regulations issued thereunder. The interim condensed consolidated financial statements include adjustments, which are not included in the accounting books of the Group's entities, introduced in order to make their financial statements compliant with IFRS.

3.2. Impact of new and revised 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 Group 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 Group’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 Group 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 Group’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 Group 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 Group’s accounting policy:

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

- 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 Group 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 Group 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.

4. Shareholders of the Parent company

The below table presents the list of shareholders holding at least 5% of the 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 joint-stock company with registered office in Gdańsk, Bank Polska Kasa Opieki 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 of the investors with 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 Parent Company or rights to the Company's shares of the supervisors and managers.

5. Uncertainty of estimates

Drawing up the financial statements in accordance with IFRS requires making estimates and assumptions that affect the figures indicated in the financial statements, including the additional information and explanations. Although, the adopted assumptions and estimates are based on the best knowledge of the Management Board on the current activities and events, actual results may be different than expected.

Impairment of Assets
The Group 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 Group 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.

As at 30 June 2017 the Group recognised deferred income tax assets amounting to PLN 187 767 ths.
As at 30 June 2017 the Company recognised PLN 152 290 ths of deferred income tax assets.

Fair value of financial instruments
The fair value of financial instruments for which there is no active market is measured using appropriate valuation techniques. When selecting the appropriate methods and assumptions, the Group is guided by professional judgment.

Fair value measurement and valuation procedures
Investment properties are measured by the Group at fair value for financial reporting purposes. The valuation is carried out by external qualified valuers. Valuations are made using income methods or comparative methods.

The Group uses a revalued model for asset classes: real estate and buildings. Where a revaluation is taking place, the Company acquires fair value measurements for individual property and buildings locations. Revaluation is performed for the entire asset class when the fair value is significantly different from the balance sheet amount. Valuations are made using income methods or comparative methods.

Revenue recognition
The Group uses the percentage of work completion method for the settlement of long-term contracts. Use of this method requires from the Group 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 Group 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.

Depreciation rates
The amortization rates are determined based on the expected economic useful lives of the tangible fixed assets and intangible assets. The Group annually reviews the adopted economic useful lives based on current estimates.

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
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. Information on establishing, extending, using and dissolving the provision has been presented in the note 12.

Restructuring provision
The Group 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. Information on establishing, extending, using and dissolving the provision has been presented in the note 12.

Provisions for litigation
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. Information on establishing, extending, using and dissolving the provision has been presented in the note 12.

Provisions for penalties
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. Information on establishing, extending, using and dissolving the provision has been presented in the note 12.

Provision for the costs of contracts settlement

Provisions for the costs of the contracts relate to the final settlement of the road construction contracts. Information on establishing, extending, using and dissolving the provision has been presented in the note 12.

Provision for the expected loss on the construction contracts
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. Information on establishing, extending, using and dissolving the provision has been presented in the note 12.

Provisions for surety
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. Information on establishing, extending, using and dissolving the provision has been presented in the note 12.

Revaluation write-downs of materials and receivables
As at each balance sheet date, the Group 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 Group in a statutory write-off according to the age structure.
As at each balance sheet date, the Group 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 Capital Group created revaluation write-downs for inventories of PLN 306 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 Parent company, in turn, created write-downs on receivables amounting to PLN 1 thousand and reversed the amount of PLN 291 thousand.

In the reporting period, the Group recognised revaluation write-downs on receivables of PLN 2 822 thousand. In the same period, the amount of revaluation write-downs on receivables decreased by PLN 6 841 thousand due to use of write-offs and repayment of receivables. While the Parent company during the reporting period generated the write-downs on receivables amounting to PLN 2 810 thousand and reversed the amount of PLN 6 727 thousand with respect to the use of write-offs and payments.

6. The measurement currency and accounts currency

The measurement currency of the Parent company and other companies included in these condensed consolidated financial statements and the presentation currency of these interim condensed consolidated financial statements is the Polish zloty, except the companies: Czerwonograd ZKM, Ukraine; Polimex-Mostostal Ukraina SAZ, Ukraine; Polimex GmbH in liquidation, Germany; Polimex-Mostostal Wschód Sp. z o.o., Russia.

Financial data of the above companies has been translated into the reporting currency according to the principles determined in IAS 21.

7. Calculation of items denominated in a foreign currency

Transactions denominated in currencies other than PLN are calculated into Polish zloty using the exchange rate applicable on the date of conclusion of the transaction.

As at the balance sheet date, assets and liabilities denominated in currencies other than PLN are calculated into Polish zloty using the average exchange rate determined for a given currency by the National Bank of Poland at the end of the reporting period. Foreign exchange differences arising from translation are recognised under financial income (costs), respectively. Assets and non-monetary liabilities recognised at historical cost in a foreign currency are disclosed at the historical exchange rate of the transaction date. Assets and non-monetary liabilities recognised as per the fair value expressed in a foreign currency are converted at the rate of the date of valuation to the fair value.

The functional currency of foreign affiliates is EUR, UAH and RUB. As at the balance sheet date, assets and liabilities of these foreign subsidiaries are calculated into the Group's presentation currency at the exchange rate applicable at the balance sheet date, and their statements of comprehensive income are calculated at the weighted average exchange rate in a given period. The foreign exchange differences arising from this calculation are recognised in other comprehensive income and accumulated in a separate component of the equity. At the time of disposal of the foreign entity, deferred foreign exchange differences accumulated in equity relating to the specific foreign entity are recognised in the profit and loss account.

For the conversion of financial data into Polish zloty, the following exchange rates were adopted:

- turnover, financial results and cash flows for the current period: 4.2474 PLN/EUR; 0.1459 PLN/UAH; 0.0674 PLN/RUB
- conversion of assets and liabilities as at 30 June 2017: 4.2265 PLN/EUR; 0.1424 PLN/UAH; 0,0624 PLN/RUB
- conversion of turnover, financial results and cash flows for the comparable period - the rate of 4.3805 PLN/EUR; 0.1535 PLN/UAH; 0.0573 PLN/RUB
- conversion of assets and liabilities as at 31 December 2016: 4.4240 PLN/EUR; 0.1542 PLN/UAH; 0.0680 PLN/RUB.

8. Reporting segments and geographical information

The following tables show the data on consolidated revenue of individual operating segments and geographic information the Group for a period of 6 months ended on 30 June 2017 year (in PLN thousand):

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

For the period of 6 months From 01.01.2017 until 30.06.2017	**Production**	**Industrial construction**	**Power sector */**	**Petroleum, gas chemistry**	**Infrastructural construction**	**Other operations**	**Exclusions**	**Total**
Revenues								
Sales to external customers	319 563	6 564	693 956	104 693	–	9 194	–	1 133 970
Sales between segments	26 667	4 420	2 596	(18)	–	19 513	(53 178)	–
Total segment revenue	346 230	10 984	696 552	104 675	–	28 707	(53 178)	1 133 970
Results								
Profit (loss) from operating activities	34 481	1 804	34 276	4 150	(2 995)	(10 564)	–	61 152
Balance of financial revenue and expenses	(7 235)	(599)	9	(1 389)	6 330	(9 731)	–	(12 615)
Gross profit (loss) of the segment	27 246	1 205	34 285	2 761	3 335	(20 295)	–	48 537

Revenues due to transactions between segments are subject to elimination.

*/Operating profit includes a part in the loss of an associate in the amount of PLN 1 391 ths.

For the period of 6 months from 01.01.2016 until 30.06.2016	**Production**	**Industrial construction**	**Power sector */**	**Petroleum, gas, chemistry**	**Infrastructural construction**	**Other operations**	**Exclusions**	**Total**
Revenues								
Sales to external customers	191 254	3 728	890 548	152 787	539	33 070	–	1 271 926
Sales between segments	81 658	14 213	3	2 017	440	30 352	(128 683)	–
Total segment revenue	272 912	17 941	890 551	154 804	979	63 422	(128 683)	1 271 926
Results								
Profit (loss) from operating activities	32 190	(1)	(58 414)	(8 682)	4 113	(13 377)	–	(44 171)
Balance of financial revenue and expenses	(2 847)	(477)	1 195	821	(200)	(10 305)	–	(11 813)
Gross profit (loss)	29 343	(478)	(57 219)	(7 861)	3 913	(23 682)	–	(55 984)

Income from transactions between segments are subject to elimination.

*/ Loss on operating activities includes the subsidiary profit sharing amounting to PLN 754 ths

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

Geographical Information

For the period of 6 months from 01.01. 2017 to 30.06. 2017.	**Country**	**Abroad**	**TOTAL**
Revenues			
Sales to external customers	850 283	283 687	1 133 970

For a period of 6 months from 01.01.2016 to 30.06.2016	**Country**	**Abroad**	**TOTAL**
Revenues			
Sales to external customers	1 149 443	122 483	1 271 926

9. Changes in contingent liabilities or contingent assets since the last annual balance sheet date

	As at 30 June 2017	**As at 31 December 2016**
Contingent liabilities	**1 243 052**	**1 601 526**
Guarantees and sureties granted	794 763	1 116 185
Promissory notes	4 390	5 550
Legal cases	443 899	452
Other	-	26 899

In connection with the contracts of loans and guarantees, as well as in terms of bond obligations and, in particular, in connection with the Agreement of 24 July 2012, prohibiting the execution of the obligations, the Agreement of 21 December 2012 on the Debt Support Policy and the Agreement of 21 December 2012 on the New Guarantee Line and the related revolving credit the Parent company and Group companies established mortgages, pledges, assignments and issued promissory notes to secure claims in respect of these instruments. The total commitment of the Group in respect of these instruments as at 30 June 2017 PLN 1 258 million (as at 31 December 2016: PLN 1 357 million).
The total commitment of the Parent company in respect of the instruments in question as at 30 June 2017 amounted to PLN 1 129 million (as at 31 December 2016: PLN 1 167 million)

10. Information about transactions with related entities

The following table shows the total amount of transactions entered into with related parties for a period of 6 months ended on 30 June 2017 and as at 30 June 2017, and for a period of 6 months Ended on 30 June 2016 and 30 June 2016.

Group entities		Sales to related entities	Purchases from related entities	Receivables from related entities	Liabilities to related entities
Other entities related by shareholders	2017	601 767	8 365	81 693	1 429
Unconsolidated subsidiaries	2017	8	2 637	759	2 683
Associates	2017	-	1 575	-	342
Total		**601 775**	**12 577**	**82 452**	**4 454**
Unconsolidated subsidiaries	2016	338	180	1 901	3 314
Associates	2016	29	4 074	29	136
Total		**367**	**4 254**	**1 930**	**4 450**

According to the information held by the Management Board of the Parent company, the transactions concluded during the reporting period by the Company or its subsidiaries with related entities were concluded at arm's length basis and the nature and conditions resulted from the conducted business operations.

11. Transactions involving entities related to the State Treasury

Polimex-Mostostal Group is a party to the transactions with entities related parties to the State Treasury. These transactions that, at the same time, are the transactions conducted with shareholders and entities related by the shareholders, were presented in the note number 10 as transactions with entities related by the shareholders. Transactions with other entities related to the State Treasury are transactions carried out at arm's length basis and these transactions are not significant.

In previous periods, the Group carried out important transactions with the General Directorate for National roads and Motorways. In terms of these transactions legal proceedings described in note number 25 are pending.

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

12. Changes in provisions

	Provisions for warranty repairs	Restructuring provisions	Provisions for litigation	Provisions for penalties	Provisions for the cost of contracts	Provision for loss	Provision for liquidation	Other provisions	Total
As at 1 January 2017	**83 371**	**7 723**	**19 855**	**24 450**	**150 749**	**23 611**	**18**	**74**	**309 851**
Established during the financial year	520	-	-	317	-	134	-	15	**6 986**
Used	(3 267)	(3 185)	(184)	(2 443)	-	(5 496)	-	(40)	**(14 615)**
Released	(61)	(4 214)	123	(320)	(26)	(3)	-	-	**(4 747)**
As at 30 June 2017	**85 563**	**324**	**19 548**	**23 004**	**150 723**	**18 246**	**18**	**49**	**297 475**
Short-term as at 30 June 2017	25 567	324	19 548	11 004	31 012	18 246	-	49	**105 750**
Long-term as at 30 June 2017	59 996	-	-	12 000	119 711	-	18	-	**191 725**
As at 1 January 2016	**71 296**	**3 073**	**19 972**	**42 328**	**164 146**	**1 995**	**494**	**34**	**303 338**
Established during the financial year	13 765	1 799	725	-	6	65 798	-	-	**82 093**
Used	(43)	(981)	(496)	(9 723)	-	(2 184)	(334)	1	**(13 760)**
Released	(4 524)	-	(95)	(5 341)	-	(33 102)	-	(21)	**(43 083)**
Reclassification	10	-	-	(320)	-	-	-	21	**(289)**
As at 30 June 2016	**80 504**	**3 891**	**20 106**	**26 944**	**164 152**	**32 507**	**160**	**35**	**328 299**
Short term as at 30 June 2016	23 154	3 519	4 548	17 147	5	31 985	26	35	**80 419**
Long term as at 30 June 2016	57 350	372	15 558	9 797	164 147	522	134	-	**247 880**

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

13. Information about the acquisition, sales and tangible fixed assets revaluation write-offs

Net value as at 30 June 2017

	Land and buildings	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets in progress	Advances on fixed assets in progress	Total
Net value as at 1 January 2017	**217 143**	**84 938**	**12 566**	**4 095**	**2 153**	**919**	**321 814**
Acquisition of fixed assets	56	2 619	225	47	1 517	1 390	**5 854**
Decrease/increase in respect of the settlement of the advance					2 309	(2 309)	**-**
Sale and disposal of fixed assets	(84)	(269)	(40)	(43)	(45)	-	**(481)**
Increase/decrease in respect of changes to the sales plan	3 933	(2 109)	3	79	-	-	**1 906**
Reclassification from assets available for sale	5 929	5 577	45	132	-	-	**11 683**
Reclassification to assets available for sale	(144)	(360)	-	(2)	-	-	**(506)**
Depreciation write-off for the accounting period	(4 406)	(5 483)	(826)	(1 663)	-	-	**(12 378)**
Net value as at 30 June 2017	**222 427**	**84 913**	**11 973**	**2 645**	**5 934**	**-**	**327 892**
As at 01 January 2017							
Gross value	286 675	274 518	46 984	32 247	3 543	919	644 886
Depreciation and permanent impairment write-down	(69 533)	(189 580)	(34 417)	(28 151)	(1 391)	-	(323 072)
Net value	**217 142**	**84 938**	**12 567**	**4 096**	**2 152**	**919**	**321 814**
As at 30 June 2017							
Gross value	294 520	276 866	41 202	31 635	7 324	-	651 547
Depreciation and permanent impairment write-down	(72 093)	(191 953)	(29 229)	(28 990)	(1 390)	-	(323 655)
Net value	**222 427**	**84 913**	**11 973**	**2 645**	**5 934**	**-**	**327 892**

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

Information about the acquisition, sales and tangible fixed assets revaluation write-offs (continued)

	Land and structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets in progress	Advances on fixed assets in progress	Total
Net value as at 01.01.2016	**226 432**	**97 945**	**14 609**	**8 093**	**1 060**	**7**	348 146
Acquisition of fixed assets	8	379	70	166	897	-	1 520
Sale, liquidation of fixed assets	(381)	(451)	(63)	(15)	(3)	(7)	(920)
Reclassification from assets available for sale	130	1 689	140	115	3	-	2 077
Reclassification to assets available for sale	-	(8)	(9)	-	-	-	(17)
Depreciation write-down for the accounting period	(4 381)	(7 545)	(1 286)	(1 976)	(1)	-	(15 189)
Net value as at 30.06.2016	**221 808**	**92 009**	**13 461**	**6 383**	**1 956**	**-**	**335 617**
As at 01.01.2016							
Gross value	319 469	281 582	48 047	38 402	2 450	7	689 957
Amortisation and impairment write-down	(93 037)	(183 637)	(33 438)	(30 309)	(1 390)	-	(341 811)
Net value as at 01.01. 2016	**226 432**	**97 945**	**14 609**	**8 093**	**1 060**	**7**	**348 146**
As at 31.12.2016							
Gross value	316 246	284 915	47 470	39 009	3 346	-	690 986
Depreciation and impairment write-down	(94 438)	(192 906)	(34 009)	(32 626)	(1 390)	-	(355 369)
Net value as at 30.06.2016	**221 808**	**92 009**	**13 461**	**6 383**	**1 956**	**-**	**335 617**

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

14. Assets held for sale and liabilities directly associated with assets classified as held for sale

In accordance with the provisions of the Agreement on Debt Policy signed on 21 December 2012, the Issuer shall divest certain assets. Assets sold include redundant tangible assets, organised parts of the enterprise and developer's and investment real estate as well as the selected operational 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, the assets of the part of the Production segment are presented as assets held for sale in connection with planned sales of the subsidiaries classified in the Production segment, i.e. Stalfa Sp. z o.o., ZKM Ukraina, Polimex-Mostostal Ukraina, Polimex-Mostostal Wschód. The sale of shares in subsidiaries by the Parent Company complies with the provisions of the Issuer's Debt Service Agreement signed on 21 December 2012 and Appendix No. 6 to the Agreement dated 30 July 2014.

	As at: 30.06.2017 (not audited)	**As at: 31.12.2016 (audited)**
Tangible fixed assets	28 472	39 332
Investment property	21 320	21 320
Intangible assets	77	80
Assets from deferred tax	1 440	1 439
Other assets	604	192
Inventory	19 425	25 183
Trade and other receivables	21 141	33 214
Cash	5 460	3 028
Total assets held for sale	**97 939**	**123 788**
Credits and loans	6 936	7 013
Other liabilities	21 613	31 363
Liabilities directly associated with assets held for sale	**28 549**	**38 376**

15. Cash and cash equivalents

	As at: 30.06.2017 (not audited)	**As at: 31.12.2016 (audited)**
Cash at bank and in hand	447 043	702 333
short-term investment	199 418	8 480
Total	**646 461**	**710 813**
Cash of limited disposability	407 257	619 747

16. A description of the factors and events that have significant impact on the situation of Polimex-Mostostal Capital Group during the reporting period

During the period of 6 months of the year 2017, the Capital Group of Polimex-Mostostal realised the revenues in the amount of PLN 1 133 970 thousand (decrease of 13% compared to the comparable data for a period of 6 months of the year 2016).

During the reporting period, the Capital Group realised net profit on operating activities in the amount of PLN 62 543 thousand (compared to the loss amounting to PLN 43 416 thousand during the period of 6 months of the year 2016).

In the reporting period, the general administrative expenses decreased (in the period of 6 months of the year 2017, the general administrative expenses amounted to PLN 32 191 thousand, compared to PLN 36 168 thousand in the comparative period). This is a consequence of the operations of the Management Board in terms of operational restructuring and within it, the simplification of the structure and significant reduction of the Group's operating costs.

Net profit attributable to the shareholders of the Parent entity, in the period of 6 months 2017 amounted to PLN 34 702 thousand (compared to net loss for the period of 6 months of 2016 in the amount of PLN 52 663 thousand).

The total assets of Polimex-Mostostal Capital Group amounted to PLN 2 579 632 thousand as at 30 June 2017. Fixed assets as at 30 June 2017 amounted to PLN 878 869 thousand (decrease of 0.8% compared to comparative data as at 31.12.2016) and current assets to PLN 1 700 763 thousand (increase of 8.8% compared to comparable data as at 31.12.2016).

Equity as at 30.06.2017 amounted to PLN 816 047 thousand (increase of 69.2% in relation to comparable data as at 31.12.2016) and liabilities to PLN 1 763 585 thousand (decrease of 12.5% compared to comparable data as at 31.12.2016).

In the reporting period, according to the prepared cash flow statement of the Capital Group, there was a net decrease of cash and cash equivalents by PLN 61 920 thousand. Cash and cash equivalents at 30 June 2017 amounted to PLN 651 921 thousand. Net cash from operating activities amounted to PLN 342 889 thousand (including those presented under assets held for sale of PLN 5 460 thousand). Net cash flows from investing activities amounted to minus PLN 218 thousand and net cash flows from financing activities amounted to PLN 281 187 thousand. Cash of the limited disposability includes amounts received in connection with the execution of Opole contract (PLN 393 634 thousand) and Kozienice contract (PLN 7 703 thousand).

The current order portfolio of the Group, decreased by the sale falling to the consortium members amounts approximately to PLN 2.7 billion and refers completely to the concluded contracts. The current portfolio of orders in particular years is as follows: 2017 PLN 1.3 billion, 2018 PLN 0.9 billion, 2019 PLN 0.4 billion, PLN 0.1 billion in the following years.

Liquidity ratios of the Capital Group, current and quick, were as at 30.06.2017 at a higher level than as at 30.06.2016 and amounted to 1.59 and 1.52, respectively (these rates were at the level of 1.14 and 1.10 as at 31.12.2016).

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 appropriate additional remuneration until the balance sheet date.

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

During the reporting period, the significant events of the Company and the Capital group of Polimex-Mostostal S.A. include:

- 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 resolution on the conditional increase of the Company's share capital with the amount not higher than 14 500 000 by the issue of not more than 7 250 000 ordinary bearer U series shares of the nominal value of PLN 2. The increase of the share capital shall take place at the moment series C convertible bonds holder has executed the right to convert bonds into shares and entered the subscribed series U shares in the securities account of the bond holder.

- 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.

- On 26 May 2017 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 (from Stryków interchange without the interchange until km 335+937.65,

  (ii) The construction of the expressway S-69 Bielsko-Biała – Żywiec – Zwardoń, section Mikuszowice interchange (Żywiecka/Bystrzańska) – Żywiec, 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.

- On 31 May 2017, the Company, Naftoremont - Naftobudowa sp. z o.o., Polimex Energetyka Sp. z o.o., Polimex Budownictwo Spółka z ograniczoną odpowiedzialnością sp.k. as the obliged (the "Obligors") and Bank Gospodarstwa Krajowego (the "Bank") as a guarantee issuer and the lender entered into a credit agreement on guarantee lines and related revolving and non-revolving loans (the "Agreement").

  Under the Agreement, the Bank granted the Obligors as the debtors, the guarantee line up to PLN 140 000 000. Making the guarantee available by the Bank is subject to the fulfilment of the conditions described in the Agreement, including, in particular, the provision of documents confirming the absence of unauthorised encumbrances on the assets of the Obligors and the signing of documents concerning the collateral of the Bank's receivables under the Agreement. The Bank is ready to consider making available to the Obligors additional guarantee line, under which additional bank guarantees may be issued up to the total amount, along with guarantees issued under the Agreement, of PLN 240,000,000. The guarantee limit is subject to reduction during the term of the Agreement, with the final expiry date of the guarantees issued under the Agreement being fixed at 31 December 2023.

  Until fully satisfying the Bank's receivables, each Obligor is obliged jointly and severally in such a way that the Bank may demand all or part of benefits from all Obligors jointly, from several of them or from each of them. The guarantee shall be secured by the deposits provided under the Loan Agreement.

  The Agreement provides for cases where a mandatory early repayment is required under the Loan Agreement.

  The interest rate on the paid amount of the loans for each interest period is the annual interest rate, which is the sum of the applicable margin and the base rate (based on WIBOR).

The Obligors are obliged against the Bank to provide information concerning, including but not limited to, provision of the information on the financial statements of the Obligors, concluded contracts, other significant events. The Agreement also provides for, including but not limited to, the restrictions on the scope of activity (e.g. absence of changes to the principal scope of activity), trading in assets and hedges, and cash flows (dividends, loans, equity).

In case of breach of the Agreement, the Bank has the right, including but not limited to, terminate the Agreement, suspend the availability of the warranty line or require additional collateral.

The remaining collaterals of the Agreement are the tangible collaterals established on the assets of the Obligors and the companies of their capital group as well as the collaterals established in respect of the contracts financed under the Agreement, in particular: (i) assignments or pledges on the financed contracts rights; (ii) additional deposits, (iii) liens on bank accounts and (iv) statements of submission to enforcement and powers of attorney to the accounts.

The agreement was concluded on the condition that the Bank entered into an agreement between the creditors of 11 September 2014.

- On 20 June 2017, the following were concluded:

(i) the agreement between the Issuer 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 Issuer and Industrial Development Agency JSC (Agencja Rozwoju Przemysłu S.A.) referring to amendment and unification of B series ordinary bonds issue originally dated 12 September 2014.

In accordance with the amended terms of A-series bonds issue: (i) series A bonds shall be redeemed on 31 July 2022 or on the first business day after such date, in the result of which the time limits for the payment of interest shall be amended accordingly, (ii) the issue price of shares issued in exchange for series A bonds shall be equal to the nominal value of the Company's shares; (iii) the Company shall acquire series A bonds for redemption in the number and dates indicated in the Mandatory Redemption Schedule, i.e. on 31 July 2020 and 31 July 2021 for a price equal to the nominal value of the bond plus interest payable on the bonds, the catalogue of information obligations has been modified; (vi) the scope of the Company's liabilities related to intra-group financing and dividend payment has been modified; (vii) the catalogue of circumstances authorising each of the bondholders to request early redemption of series A bonds has been changed, in this scope early redemption obligation due to non-issue of new convertible bonds by 30 September 2017 under the terms set out in the Agreement, which the Company announced in the regulatory announcement No 3/2017, was added, (viii) the catalogue of collaterals has been amended to ensure consistency of the issue conditions and the Agreement among Creditors referred below.

The terms of the issue of B-series bonds have been amended to the same extent as the terms of A-series bonds issue terms, taking into account the differences related to the fact that A-series bonds are not convertible bonds.

(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 ("ZOZF Agreement").

The Annex introduces, among other things: (i) a change in the maturity date which is to fall on 31 December 2019 of 50% of the outstanding amount of debt, 31 December 2020 of 33% of the amount of debt and 31 December 2021 of 17% of the amount of the debt, (ii) modification of the liabilities referring to the changes in the capital group of the Company related to (A) expansion of the catalogue of permitted financial flows between the companies of the Company's capital group and (B) clarification of the catalogue of permitted transformations and permitted regulations; (C) expansion of the catalogue of authorised financial debt, (iii) amendments to the mandatory prepayments of indebtedness and a catalogue of the default cases covering, inter alia, the elimination of the case of obligatory early repayment of debt in connection with the sale of Mostostal Siedlce and the addition of a new event of default of non-issue of new convertible bonds within the time limit of 30 September 2017.

Additionally, the amendments were made to the provisions of the ZOZF Agreement aimed at their adaptation to the currently binding legal regulations and the situation of the Company and the capital group connected with the additional capitalisation of the Company.

(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 (the “Creditors”) and Powszechna Kasa Oszczędności Bank Polski S.A. (as the Payment Agent and the Security Agent) and Towarzystwo Finansowe "Silesia" Sp. z o.o. (as the Corporate Collateral Administrator).

The Annex amends the Agreement between Creditors in connection with the acquisition of new financing by the Company in the form of guaranteed financing from Bank Gospodarstwa Krajowego and planned issue of new convertible bonds. It modifies the scope and rules of exercising the rights under the financial debt collaterals of the Company and its subsidiaries, including, inter alia, the replacement of the Industrial Development Agency S.A. by Towarzystwo Finansowe Silesia Sp. with o.o. as the administrator of the part of collaterals.

The Annex introduces a mandatory early repayment mechanism for receivables owed to creditors which are the parties to the Agreement between Creditors where the Company and its subsidiaries hold a financial surplus and provides for amendments to the Agreement between Creditors required to ensure consistency of its provisions and provisions of the individual funding documents.

(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 Polimex-Mostostal S.A., Polimex Energetyka Sp. z o.o., Naftoremont - Naftobudowa Sp. z o.o. and Powszechna Kasa Oszczędności Bank Polski S.A. (as the Loan Facility Agent, the Security Agent, Guarantee Issuer and the Lender) and Bank Polska Kasa Opieki S.A., Bank Ochrony Środowiska S.A., Bank Millennium S.A. and Bank Zachodni WBK S.A. (the Lenders) (“NLG Agreement”).

The Annex, inter alia: (i) reduces the scope of information obligations, (ii) shortens the time limit for the processing of a guarantee application and a bid bond guarantee, (ii) amends the catalogue of events of default to ensure consistency with the catalogues contained in other funding documents, (iii) extends the availability of the warranty line until 31 December 2021; (iv) extends the expiry date of the guarantees issued under the guarantee line and the final repayment date by 31 December 2023; and (v) introduces an additional condition of using a part of the guarantee line on the acquisition by the Company of additional guarantee funds from Bank Gospodarstwa Krajowego or other banking or insurance institutions.

In addition, procedural amendments were introduced by the annex to simplify the process of requesting and issuing new guarantees and records were reviewed for consistency with other funding documents.

(v) the Agreement between Polimex-Mostostal S.A. and Bank Millennium S.A. under which: (i) the rules of participation of Bank Millennium S.A. in the NLG Agreement were set out, (ii) Bank Millennium S.A. (subject to agreed cases) shall abstain from execution to the date on which the ZOZF Agreement is terminated or expired in any other manner;

or until the date on which all Bank Millennium's receivables are unconditionally and finally satisfied; (iii) the content of the existing agreements between the Issuer and Bank Millennium has been adjusted to the content agreed in the Agreement and entered into other financing agreements of the Polimex-Mostostal Group.

- 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.

- 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.

- Key strategic contracts for the construction of power blocks in Opole and Kozienice is in progress.

- Works are also in progress on implementation of new development strategy of the Group – the Development Plan.
- The disinvestment process is being carried out.

Significant events that occurred after the balance sheet date on 30 June 2017 until the date of approval of the financial statements.

- On 25.07.2017 year, the Company signed 3 agreements on bringing the in-kind contribution from the date 01.08.2017 the organized part of the enterprise under the business names:

(i) 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 necessary corporate approvals for the transaction have been obtained. 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) 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 necessary corporate approvals for the transaction have been obtained.
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.

The object of the ZCP Operator are the rental and leasing of machinery and construction equipment and heavy construction equipment.

(iii) 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 Polimex-Mostostal S.A.'s share in the share capital in this company by PLN 1 503 078. The necessary corporate approvals for this transaction have been obtained

The transaction is related to the continued optimisation of the Capital Group's structure. The scope of activities of ZCP Infrastructure includes works connected with the construction of roads and motorways.

The settlements of the brought in-kind contributions do not have impact on the financial statements.

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

The operations of the Company and companies of the capital Group 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 of the capital Group 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 Management Board’s assessment will have an impact on its results achieved by the Group in perspective of at least the subsequent quarter

The most important factors that can have an impact on the results achieved by the Group 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 Parent 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 (jointly referred to as the “Investors”), 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. 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 reporting period there was not any debt-for-equity swap.

22. Information on financial instruments valued at fair value

The Parent 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 Group 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 instrument value 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 consolidated financial statements are an approximation of their fair values.

23. Information regarding the paid (or declared) dividend jointly and per share with division into ordinary and preference shares

During the reporting period not any dividends were declared or paid.

24. The position of the Management Board of the Parent Company regarding published predictions

The predictions of the Company of Polimex-Mostostal S.A. and Polimex-Mostostal's Group results for the year 2017 have not been published.

25. Information on 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 Polimex-Mostostal 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 against the Parent Company

- Case filed by the State Treasury - General Directorate for National Roads and Motorways. The subject of the proceedings is the request for payment of part of the contractual penalty for the Contracting Authority's withdrawal, due to the fault of the Conracgtor, from the construction contract No. GDDKiA/R-1/S-69/M-Ż/ 2009 dated 20 July 2010 concerning the construction of S-S-69 Bielsko-Biala - Żywiec – Zwardoń expressway, section of "Mikuszowice" ("Żywiecka/ Bystrzańska") – Żywiec interchange and the construction works contract No. GDDKiA/KA/48/ R1/A-1/S-M/2008 concerning the construction of the section of the A-1 motorway from "Sośnica" interchange at the junction of the A-1 and A-4 motorways along with the section of the A-1 motorway "Sośnica-Maciejów" (with the interchangee) from km 510+530.00 to km 518-734.34 and contractual penalty for exceeding the Time for Completion. This is a counterclaim. The value of the dispute is PLN 61.792.041. By writ of 23 June 2016, GDDKiA extended the counterclaim to PLN 62.624.332.

- Case filed by the State Treasury - General Directorate for National Roads and Motorways. The subject of the proceedings is the payment of part of the contractual penalty due to the waive due fault from the Contractor for the construction works No. 2811/45/2010 of 23.09.2010 referring to the construction of A-4 motorway, section Rzeszów (Rzeszów Wschód interchange) - Jarosław (Wierzbna interchange) from km 581+250 to km 622+450. This is counterclaim. The value of the dispute is PLN 249 476 370.
- Case filed by the State Treasury - General Directorate for National Roads and Motorways. The subject of the proceedings is the request for payment of part of the contractual penalty due to the waiver due to the fault of the Contractor from the contract for the construction works No. 4/12/R/2010 of 22 December 2010 concerning the design and construction of the A-1 Stryków – Tuszyn interchange in the section from km 295 + 850 (from "Stryków I" interchange without interchange) to km 335 + 937.65. This is a counterclaim. The value of the dispute is PLN 192 611 294.

Cases filed by the Issuer

- Defendant: State Treasury - General Directorate for National Roads and Motorways. Value of dispute: PLN 36 961 661. Share of Polimex-Mostostal S.A. in the consortium is 49%. Subject of the dispute: demand for the increase of the remuneration for the construction of the section of the A2 Stryków - Konotopa motorway due to rising prices of liquid fuels and bitumen. The next hearing was scheduled for 20.08.2015. On 03.09.2015, a verdict was issued dismissing the claim of the consortium in its entirety. The appeal of the consortium was filed on 08.10.2015. The time limit of the appeal hearing was set for 16.03.2017. The second instance court referred the case for re-examination.
- Defendant: State Treasury - General Directorate for National Roads and Motorways. Value of dispute: PLN 219 592 408. The Company's share in the consortium is 51%. Subject of the dispute: payment of contractual penalties for the withdrawal of the contract for the construction of the A-4 Rzeszów-Jarosław motorway section, due to the fault of the Contracting Authority. On 13 May 2014, the Court issued an order for payment in the writ proceedings and ordered the defendant to pay the Company the amount of PLN 111 992 128 plus statutory interest on that amount from 4 February 2014 to the date of payment; reimburse to Doprastav the costs in the amount of PLN 32 217. On 4 June 2014, the State Treasury, GDDKiA, successfully lodged a counterclaim against the above order of payment. The case was referred for examination in ordinary proceedings and on 10 June 2015 the State Treasury, GDDKiA, filed a counter-claim against the Consortium for the amount of PLN 249 476 370 (indicated in cases conducted against the Company). On 1 December 2015, the Court rejected a counterclaim against Doprastav. On 21 December 2015, GDDKiA appealed against the decision to reject the counterclaim against Doprastav. Doprastav responded to the GDDKiA complaint. By a decision dated 23 June 2016, the Court of Appeal in Warsaw suspended the complaint proceedings until the cassation appeal of the State Treasury, GDDKiA, lodged against the decision of the Court of Appeal in Warsaw of 29 September 2015, has been considered. By a decision of 24 March 2017, the Supreme Court annulled the contested decision of the Court of Appeal in Warsaw and referred the case for reconsideration. By the decision of 6 June 2017, the Court of Appeal in Warsaw resumed the suspended proceedings. By decision of 5.07.2017, the Court of Appeal set aside the contested decision to reject the counterclaim to Doprastav and referred the case back to the Regional Court.
- Defendant: State Treasury - General Directorate for National Roads and Motorways. The value of the dispute: PLN 176 954 030. Share of Polimex-Mostostal S.A. in the consortium is 37%. Subject of the dispute: payment of contractual penalties for the withdrawal from the contract for the construction of the A-1 motorway section of Stryków - Tuszyn due to the fault of the

Contracting Authority. By a decision dated 05.05.2015, the Court rejected a counterclaim against Doprastav a.s On 29.05.2015, GDDKiA appealed against the decision of the Court to reject the counterclaim against Doprastav a.s. On 05.06.2015 Doprastav a.s. filed the pleading responding to the letter of reasons of the plaintiffs, MSF Engenharia and MSF Polska, dated 02.04.2015, and on 08.06.2015 submitted a reply to the above mentioned complaint of GDDKiA. On 29.09.2015, the Court of Appeal in Warsaw dismissed the appeal of GDDKiA. On 08.04.2016, the State Treasury, GDDKiA, filed a cassation complaint against the decision of the Court of Appeal. On 17.06.2016, Doprastav submitted a response to the cassation complaint. At the hearing on 24 March 2017, the Supreme Court annulled the challenged judgment and referred the case back to the Court of Appeal.

- Defendant: State Treasury - General Directorate for National Roads and Motorways. The value of the dispute: PLN 78 810 045. The Company's share in the consortium is 50.5%. Subject of the dispute: payment of contractual penalties for the withdrawal from the contract for the construction of S-69 express road, section Mikuszowice – Żywiec, due to the fault of the Contracting Authority. The court ordered the court expert in the field of construction. On 26.06.2017 the court received the opinion of a court expert who confirmed that on 31 December 2013 the contractor was entitled to a significant extension of the Time for Completion, GDDKiA did not submit full and complete project documentation to the contractor and the works specified in the tender to correct of 16.12.2013 were not possible to exercise in the reserved period of 14 days.
- Defendant: State Treasury - General Directorate for National Roads and Motorways. Value of the dispute: PLN 32 170 164. The Company's share in the consortium is 50.5%. The claim for the payment of receivables resulting from invoices connected with the execution of the construction contract for the construction of S-69 Bielsko-Biała – Żywiec - Zwardoń expressway, and the construction works contract for the construction of the A-1 motorway section from "Sośnica" section with the section of the A-1 motorway "Sośnica - Maciejów". The case considered before the Court of First Instance. By the writ of 23.06.2016 GDDKiA extended the counterclaim to PLN 62 624 332.15. The State Treasury, GDDKiA, withdrew the claim in part - in the amount of PLN 1 151.49 as a refund of funds paid to Peri Polska Sp. z o.o. and expanded the counterclaim by PLN 833 442.96 as a return on funds paid to entrepreneurs on the basis of the Special Act. On 18.08.2016 the legal representatives of Polimex-Mostostal S.A. responded to the extension of the counterclaim. There was a change of the referring Judge. The new Judge is getting acquainted with the files and has not taken any action yet.
- Defendant: State Treasury - General Directorate of National Roads and Motorways. Value of the dispute: PLN 103 644 247. The Company's share in the consortium is 21%. Subject of the dispute: the claim relates to the damage suffered by the Contractor as a result of an incorrect description of the Contracting Authority's requirements concerning the execution of the contract for the construction of the section of A-2 Stryków - Konotopa motorway. The case is currently being examined by a court expert. In May 2017 an expert opinion was sent to the Court. As at 18 September 2017, an expert hearing was scheduled.
- Defendant: Europa Centralna Sp. z o.o. (previously Helical Sosnica Sp. z o.o.) The value of the subject matter of the dispute: PLN 79 325 935. The case for finding the lack of right of Helical Sośnica to demand the payment of contractual penalties and awarding the amount of PLN 52 109 916 as the remuneration for the performance of the contract, additional works, and for the costs incurred by the Company after 15 October 2012. On 29 December 2015 - the lawsuit was extended again, instead of establishing the lack of right of Helical Sośnica to demand the payment of contractual penalties, and in addition to the claim for payment of PLN 52 109 916 (extension of the claim dated 21 August 2014), the Company requests the award that Europa Centralna Sp. z o.o. paid the amount of PLN 25 938 604 representing the equivalent of the bank guarantee paid to the defendant and, in addition, PLN 1 277 414 representing remuneration for remaining at the construction site of the shopping centre after 18 October 2012. The proceedings are held in the 1st instance. The next hearing has been scheduled for 17 October 2017.

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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 THE FIRST HALF OF THE YEAR 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