POLIMEX MOSTOSTAL CAPITAL GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD OF 6 MONTHS ENDED ON 30 JUNE 2019

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(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF POLIMEX MOSTOSTAL CAPITAL GROUP FOR THE PERIOD OF 6 MONTHS ENDED ON 30 JUNE 2019

Interim consolidated profit and loss account

	Note	For the period of 6 months from 1.01.2019 to 30.06.2019 (unaudited)	For the period of 6 months from 1.01.2018 to 30.06.2018 (unaudited) *
Sales revenues	10	750 292	810 351
Cost of goods sold		(716 048)	(780 892)
Gross profit / (loss) on sales		**34 244**	**29 459**
Cost of sales		(10 506)	(13 342)
General administration expenses		(33 752)	(32 165)
Profit / (loss) on impairment of financial assets		737	2 362
Other operating revenues		8 335	9 633
Other operating costs		(2 994)	(4 485)
Profit / (loss) on operating activities		**(3 936)**	**(8 538)**
Financial income		3 352	11 742
Financial costs	11	(16 069)	(20 810)
Share in the profit of an associated entity		(859)	178
Gross profit / (loss)		**(17 512)**	**(17 428)**
Income tax		5 381	(3 375)
Net profit / (loss)		**(12 131)**	**(20 803)**
Net profit / (loss) attributable to:			
– shareholders of the parent company		(12 131)	(20 931)
– non-controlling interests		–	128
Profit / (loss) per share (in PLN per share)			
– basic and diluted profit per share		(0.051)	(0.088)

** Restated data, see note 4.2*

Interim consolidated comprehensive income statement

	For the period of 6 months from 1.01.2019 to 30.06.2019 (unaudited)	For the period of 6 months from 1.01.2018 to 30.06.2018 (unaudited)
Net profit / (loss)	**(12 131)**	**(20 803)**
Items that will not be allocated in the later periods to the profit and loss account:		
Actuarial profit / (loss)	(373)	(5)
Items that can be allocated in the later periods to the profit and loss account:		
Foreign exchange differences on translation of foreign entity	741	2 834
Other net comprehensive income	**368**	**2 829**
Total comprehensive income	**(11 763)**	**(17 974)**
Attributable to:		
– shareholders of the parent company	(11 763)	(18 102)
– non-controlling interests	–	128

Accounting policies and other explanatory information presented in the notes from 1 to 28 constitute an integral part of these interim condensed consolidated financial statements.

(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

Interim consolidated balance sheet

	Note	As at 30 June 2019 (unaudited)	As at 31 December 2018
Assets			
Fixed assets			
Tangible fixed assets	16	388 360	384 196
Investment property		14 576	14 576
Goodwill from consolidation		91 220	91 220
Intangible asset		1 869	2 017
Investments in associated entities measured in accordance with the equity method		5 095	5 954
Financial assets		2 419	2 423
Long-term receivables		1 694	1 714
Deposits due to the construction contracts		110 236	111 094
Deferred tax assets		182 549	175 973
Total fixed assets		**798 018**	**789 167**
Current assets			
Inventories		92 517	98 496
Trade and other receivables		328 337	400 637
Deposits due to the construction contracts		55 264	64 853
Construction contracts assets		113 723	60 058
Income tax receivables		767	63
Financial assets		752	750
Cash	18	295 402	417 808
Other assets		5 091	2 869
Assets held for sale	17	48 746	36 225
Total current assets		**940 599**	**1 081 696**
Total assets		**1 738 617**	**1 870 863**

Accounting policies and other explanatory information presented in the notes from 1 to 28 constitute an integral part of these interim condensed consolidated financial statements.

(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

Interim consolidated balance sheet (continued)

	Note	As at 30 June 2019 (unaudited)	As at 31 December 2018
Liabilities and equity			
Equity			
Share capital		473 238	473 238
Reserve capital		157 746	157 746
Other capitals		227 466	209 938
Reserve capital from surplus of bonds convertible into shares		31 552	31 552
Accumulated other comprehensive income		94 993	94 625
Retained earnings / Uncovered losses		(319 439)	(289 780)
Non-controlling interests		354	354
Total equity		**665 910**	**677 673**
Long-term liabilities			
Bank loans and borrowings		127 445	139 582
Long-term bonds		169 763	163 630
Provisions	15	31 678	59 199
Employee benefit liabilities		18 093	17 487
Other liabilities		27 171	15 988
Deposits due to the construction contracts		28 993	29 354
Deferred tax liabilities		1 366	1 367
Total long-term liabilities		**404 509**	**426 607**
Short-term liabilities			
Bank loans and borrowings		93 665	93 852
Short-term bonds		12 839	12 839
Trade and other liabilities		358 208	399 394
Deposits due to the construction contracts		26 093	29 661
Construction contracts liabilities		17 469	63 939
Income tax liabilities		111	170
Provisions	15	92 184	107 846
Employee benefit liabilities		64 463	55 951
Deferred income		3 166	2 931
Total short-term liabilities		**668 198**	**766 583**
Total liabilities		**1 072 707**	**1 193 190**
Total liabilities and equity		**1 738 617**	**1 870 863**

(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

Interim consolidated cash flow statement

	For the period of 6 months from 1.01.2019 to 30.06.2019 (unaudited)	For the period of 6 months from 1.01.2018 to 30.06.2018 (unaudited)
Cash flows from operating activities		
Gross profit / (loss)	**(17 512)**	**(17 428)**
Adjustment items:	**(75 292)**	**13 051**
Share in the results of associates measured with the equity method	859	(178)
Depreciation	16 984	13 328
Net interests and dividends	12 662	10 232
Profit / (loss) on investing activities	(2 050)	(1 774)
Change in receivables	28 623	176 168
Change in inventories	5 979	(20 546)
Change in liabilities, excluding bank loans and borrowings	(91 781)	(208 802)
Change in other assets and deferred income	(1 987)	(304)
Change in provisions	(43 183)	42 990
Income tax paid	(1 855)	(1 081)
Other	457	3 018
Net cash from operating activities	**(92 804)**	**(4 377)**
Cash flows from investing activities		
Disposal of tangible and intangible fixed assets	963	9 734
Purchase of tangible and intangible fixed assets	(7 075)	(16 593)
Interests received	–	1 281
Net cash from investing activities	**(6 112)**	**(5 578)**
Cash flows from financing activities		
Lease payments	(5 064)	(335)
Proceeds from borrowings / bank loans	–	1 708
Repayment of borrowings / bank loans	(13 304)	(11 168)
Interests paid	(5 122)	(5 971)
Net cash from financing activities	**(23 490)**	**(15 766)**
Increase / (decrease) in net cash and cash equivalents	(122 406)	(25 721)
Cash at the beginning of the period	**417 808**	**579 140**
Cash at the end of the period	**295 402**	**553 419**
Cash recognized in the consolidated cash flow statement	**295 402**	**553 419**
– including restricted cash	*124 680*	*291 672*

(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

Interim consolidated statement of changes in equity

	Share capital	Reserve capital	Other capitals	Reserve capital from surplus of bonds convertible into shares	Accumulated other comprehensive income			Retained earnings / Uncovered losses	Total	Non-controlling interests	Total equity
					Revaluation reserve	Actuarial profit / (loss)	Foreign exchange differences on translation of foreign entity				
As at 1 January 2019	**473 238**	**157 746**	**209 938**	**31 552**	**117 235**	**(2 148)**	**(20 462)**	**(289 780)**	**677 319**	**354**	**677 673**
Profit / (loss) for the period	–	–	–	–	–	–	–	(12 131)	(12 130)	–	(12 130)
Actuarial profit / (loss)	–	–	–	–	–	(373)	–	–	(373)	–	(373)
Other net comprehensive income	–	–	–	–	–	–	741	–	740	–	740
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(373)**	**741**	**(12 131)**	**(11 763)**	**–**	**(11 763)**
Distribution of net profit / (loss)	–	–	17 528	–	–	–	–	(17 528)	–	–	–
As at 30 June 2019	**473 238**	**157 746**	**227 466**	**31 552**	**117 235**	**(2 521)**	**(19 721)**	**(319 439)**	**665 556**	**354**	**665 910**

(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

Interim consolidated statement of changes in equity (continued)

	Share capital	Reserve capital	Other capitals	Reserve capital from surplus of bonds convertible into shares	Accumulated other comprehensive income			Retained earnings / Uncovered losses	Total	Non-controlling interests	Total equity
					Revaluation reserve	Actuarial profit / (loss)	Foreign exchange differences on translation of foreign entity				
As at 1 January 2018	**473 238**	**157 746**	**127 368**	**31 552**	**117 333**	**(1 397)**	**(21 471)**	**(220 166)**	**664 203**	**382**	**664 585**
Implementation of new accounting standards	–	–	–	–	–	–	–	(3 433)	(3 433)	–	(3 433)
As at 1 January 2018 after change	**473 238**	**157 746**	**127 368**	**31 552**	**117 333**	**(1 397)**	**(21 471)**	**(223 599)**	**660 770**	**382**	**661 152**
Profit / (loss) for the period	–	–	–	–	–	–	–	(20 931)	(20 931)	128	(20 803)
Actuarial profit / (loss)	–	–	–	–	–	(5)	–	–	(5)	–	(5)
Other net comprehensive income	–	–	–	–	–	–	2 834		2 834	–	2 834
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(5)**	**2 834**	**(20 931)**	**(18 102)**	**128**	**(17 974)**
Distribution of net profit / (loss)	–	–	82 558	–	–	–	–	(82 558)	–	–	–
Transfer to other capitals	–	–	11	–	–	–	–	(11)	–	–	–
Deconsolidation of associates	–	–	–	–	–	–	311	–	311	–	311
Transfer of surplus from fixed assets revaluation due to their liquidation	–	–	–	–	(98)	–	–	98	–	–	–
Other	–	–	–	–	–	–	–	–	–	(29)	(29)
As at 30 June 2018	**473 238**	**157 746**	**209 937**	**31 552**	**117 235**	**(1 402)**	**(18 326)**	**(327 001)**	**642 979**	**481**	**643 460**

EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

1. General information

Polimex Mostostal Capital Group (the "Group", the "Capital Group") consists of the parent company Polimex Mostostal S.A. (the "Parent Entity", the "Company", the "Parent Company") and its subsidiaries and associates. The interim condensed consolidated financial statements of the Group comprise the amounts for the period of 6 months ended on 30 June 2019 and as at 30 June 2019 and they contain comparative amounts for the period of 6 months ended on 30 June 2018 and as at 31 December 2018.

Polimex Mostostal S.A. operates under the statute established by the notarial deed of 18 May 1993 (Rep. A No 4056/93), as amended. The registered office of the Company is located in Warsaw on Jana Pawła II 12, 00-124 Warsaw. The Company is registered by the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register under the KRS No 0000022460. The Company is assigned the statistical identification number (REGON) 710252031.

The Parent Company and the entities within the Capital Group have been established for an indefinite period. The financial statements of all consolidated subsidiaries have been prepared for the same reporting period as the financial statements of the Parent Company and with the application of consistent accounting policies. In case an associate or a subsidiary applies other accounting policies, for the purpose of consolidation the financial data have been transformed to comply with the accounting policies implemented by the Capital Group.

The financial year of the Parent Company and the entities within the Group is the same as the calendar year.

The primary business activity of the Parent Company involves a wide range of construction and assembly services provided in the formula of a general contractor, both in Poland and abroad, as well as administrative support for the companies within the Group. The Group's activity focuses on construction and assembly works, assembly and installation of industrial equipment, production and property management. The Group operates in the following areas: Production, Industrial Construction, Power Sector, Oil, Gas and Chemicals.

The shares of the Parent Company Polimex Mostostal S.A. are listed on the Warsaw Stock Exchange.

These financial statements have been reviewed by an audit company in conformity with applicable laws and professional standards.

1.1. Composition of the Capital Group and an overview of changes in its structure

As at 30 June 2019 and 31 December 2018, the following subsidiaries and associates were subject to consolidation:

(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

No	**Entity**	**Registered office**	**Scope of activity**	**The percentage share of the Group in the capital / share of profit in case of a limited partnership**	
				As at	As at
				30.06.2019	31.12.2018
Subsidiaries				(%)	(%)
1	Polimex Energetyka Sp. z o.o.	Warsaw	Execution of construction works	100	100
2	Naftoremont-Naftobudowa Sp. z o.o.	Płock	Execution of construction works	100	100
3	Polimex Opole Sp. z o.o. Sp. k.	Warsaw	Execution of construction works	100	100
4	Mostostal Siedlce Sp. z o.o. Sp. k.	Siedlce	Production of metal structures	100	100
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	Residential construction	100	100
8	Czerwonogradzki Zakład Konstrukcji Stalowych Spółka z dodatkową odpowiedzialnością	Chervonograd – Ukraine	Production of metal structures	100	100
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. in liquidation	Warsaw	Consultancy services in the fields of business, management, taxes, accounting, bookkeeping and administration	100	100
11	Polimex Budownictwo Sp. z o.o.	Siedlce	Industrial construction	100	100
12	Polimex Budownictwo Sp. z o.o. Sp. k.	Siedlce	Industrial construction	100	100
13	Polimex Operator Sp. z o.o. Sp. k.	Warsaw	Rental and leasing services of construction machinery and equipment	100	100
14	Polimex Infrastruktura Sp. z o.o.	Warsaw	Construction works related to the construction of roads and highways	100	100
15	BR Development Sp. z o.o. in liquidation	Warsaw	Acquisition and sale of real estate, business and management consultancy	100	100
16	Polimex-Development Inwestycje Sp. z o.o. in liquidation	Warsaw	Construction works	100	100
17	Polimex-Development Inwestycje Sp. z o.o. Apartamenty Tatarska S.K.A. in liquidation	Cracow	Construction works	100	100
Associates					
18	Energomontaż-Północ Bełchatów Sp. z o.o. (Capital Group)	Rogowiec	Specialized construction and assembly services	32.82	32.82

As at 30 June 2019, the share in the total number of votes held by the Parent Company in its subsidiaries was equal to the Company's share in the capital of these entities.

The Parent Company has control over the subsidiaries under full consolidation; this results from the fact that the Parent Company is in possession of over 95% of the shares in the subsidiaries and it is in a position to manage the operations of these entities. The subsidiaries excluded from the consolidation are entities in liquidation or restructuring, over which the Parent Entity does not have control, or entities that are considered insignificant from the point of view of consolidation within the Group. The materiality threshold for excluding a subsidiary from the consolidation is determined by the ratio of the assets of a given entity to the total balance sheet of the Group and by the share of the revenues from the sale of an entity in the Group's sales revenues.

The Company has significant control over its associate Energomontaż-Północ Bełchatów Sp. z o.o. as a result of holding over 30% of its shares and due to the ability of the Company to appoint one Supervisory Board member.

1.2. Members of the Management Board and the Supervisory Board of the Parent Company

As at 30 June 2019 and as at the date of the publication of these condensed financial statements the Management Board was composed of the following members:

Krzysztof Figat	President of the Management Board
Maciej Korniluk	Vice President of the Management Board
Przemysław Janiszewski	Vice President of the Management Board

During the reporting period and as at the date of the publication of these interim condensed financial statements there were no changes in the composition of the Management Board.

As at 30 June 2019 and as at the date of the publication of these interim condensed financial statements the Supervisory Board was composed of the following members:

Wojciech Kowalczyk	Chairman of the Supervisory Board
Bartłomiej Kurkus	Vice Chairman of the Supervisory Board
Andrzej Kania	Member of the Supervisory Board
Andrzej Komarowski	Member of the Supervisory Board
Katarzyna Dąbrowska	Member of the Supervisory Board
Paweł Mazurkiewicz	Member of the Supervisory Board
Konrad Milczarski	Member of the Supervisory Board

During the reporting period and as at the date of the publication of these interim condensed consolidated financial statements there were no changes in the composition of the Supervisory Board.

2. Functional and reporting currency

The items included in the financial statements of individual entities of the Group are measured in the currency of the primary economic environment in which a given entity operates. The interim condensed consolidated financial statements are presented in the Polish zloty, which is the presentation currency of the Group. The amounts in the condensed interim consolidated financial statements are presented in thousands of PLN, except for specific situations where the data is provided with greater accuracy.

3. Approval of the financial statements

The interim condensed consolidated financial statements are not subject to approval by the validating authority, in compliance with Article 53 of the Accounting Act of 29 September 1994. The interim condensed consolidated financial statements are signed by the head of the entity, that is the Management Board of Polimex Mostostal S.A., and the person in charge of the preparation of the interim condensed consolidated financial statements. These interim condensed consolidated financial statements were approved for publication on 23 August 2019.

4. Platform of the applied International Financial Reporting Standards

4.1. Accounting policies and the basis for the preparation of the interim condensed financial statements

The interim condensed consolidated financial statements of the Group have been prepared in compliance with the International Accounting Standard ("IAS") 34 – Interim Financial Reporting ("IAS 34") and in compliance with the relevant accounting standards applicable to interim financial reporting adopted by the European Union, which were published and in force at the time of the preparation of the interim financial statements, while applying the same rules for the current and comparable reporting period. The accounting policies adopted by the Company have been presented in detail in the financial statements of the Company for the financial year ended on 31 December 2018 and published on 12 April 2019.

Some of the Group's entities maintain their accounting books in compliance with the policy (rules) outlined in the Accounting Act of 29 September 1994 (the “Act"), as amended, and with the regulations issued on the basis of this Act. The interim condensed consolidated financial statements include adjustments that were excluded from the accounting books of the Group’s entities. These adjustments have been introduced in order to render those financial statements compliant with IFRS.

These interim consolidated financial statements have been prepared with the assumption that the Parent Company and all consolidated subsidiaries and associates that are not in the process of liquidation in the foreseeable future will continue as a going concern. In the reporting period and as at the date of the preparation of these financial statements there were no circumstances which would indicate a threat to the Group’s going concern.

Standards, amendments to standards and interpretations adopted for the first time in 2019

While preparing these interim condensed consolidated financial statements the Group adopted the following standards for the first time:

- IFRS 16 “Leasing”
- Amendments to IFRS 9 “Financial Instruments” – ”Prepayment Features with Negative Compensation”,
- IFRS Amendments – “Annual Improvements to IFRS Standards (2015–2017 Cycle)”,
- Amendments to IAS 19 “Employee Benefits” – Plan Amendment, Curtailment or Settlement,
- Amendments to IAS 28 “Investments in Associates and Joint Venture” – “Long-term Interests in Associates and Joint Ventures”,
- Interpretation of IFRIC 23 “Uncertainty over Income Tax Treatments”

For details regarding the implementation of IFRS 16, see note 4.2. Other standards mentioned above have not had a significant impact on these interim condensed financial statements.

IFRS as approved by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the interpretations and standards listed below, which as at 23 August 2019 still awaited implementation:

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual reporting periods beginning on or after 1 January 2016) – the European Commission voted against initiating the approval process for this temporary standard in the EU until the release of the final version of IFRS 14.
- IFRS 17 “Insurance Contracts” (effective for annual reporting periods beginning on or after 1 January 2021),
- Amendments to IFRS 3 “Business Combinations” (effective for annual reporting periods beginning on or after 1 January 2020),
- 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 the associated entity or joint venture and subsequent changes (the date of entry into force of the amendments has been postponed until the completion of research on the equity method),
- Amendments to IAS 1 "Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (effective for annual reporting periods beginning on or after 1 January 2020),
- “Amendments to References to the Conceptual Framework in IFRS Standards” (effective for annual reporting periods beginning on or after 1 January 2020),

According to the Group's estimates, the above-mentioned new standards and amendments to existing standards would not have had a material impact on the interim condensed financial statements, if applied by the Group as at the balance sheet date.

4.2. Changes in accounting policies and in the process of the preparation of financial statements

In the period covered by the report, the Group applied the following new standards for the first time. The standards in question have had a significant impact on the financial statements:

- IFRS 16 “Leasing”

(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

While implementing the new standard the Group applied the modified retrospective method. The below table presents the impact of the adoption of the standard as at 1 January 2019:

	Carrying amounts as at 1.01.2019
Right-of-use assets	22 827
Lease liabilities	22 827

The main types of contracts on the basis of which the Group identified leasing relate primarily to the contracts for the rental of the fleet of company cars, office property rental, perpetual usufruct right of land, rental of machinery and equipment, rental of office containers and IT devices.

The value of depreciation of right-of-use assets recognized in the period from 1 January 2019 to 30 June 2019 was PLN 4,003 thousand, while the interest on the leasing liabilities was PLN 468 thousand.

The main assumptions of the accounting policy adopted by the Group with the first application of IFRS 16 are as follows:

Exemptions and practical solutions

The Group will apply exemptions in compliance with the standard for the recognition of low-value asset leases (not exceeding PLN 15,000) and short-term leases (not exceeding 12 months). The selection of short-term lease exemptions has been made for all types of right-of-use assets, except for car lease agreements. In cases where it will not be possible to determine the interest rate of the lease, the Group will apply the marginal interest rate of the lessee.

Initial implementation

In relation to the leases previously classified as operating leases as at the date of the first application (except for the contracts with low-value items and contracts with the remaining payment period of less than 12 months), the Group has recognized the liability measured as the current value of the lease payments discounted at the marginal rate of interest on the date of first application. Appropriately measured right-of-use assets in the amount equal to the recognized liabilities.

Identification of the lease

At the onset of the contract the companies within the Group determine whether a given contract contains a lease. A contract constitutes a lease if it conveys the right to control the use of an underlying asset for a given period in exchange for remuneration.

The books of accounts of the lessee

At the onset of the lease the Group recognizes an underlying right-of-use asset and a lease liability. At the onset date the Group measures the lease liability as the present value of the lease payments that have not been paid at that date. The lease payments are discounted using the marginal interest rate of the lessee, which on average amounts to 4.1%.

The cost of the underlying right-of-use asset includes the amount of the initial assessment of the lease liability and:

i. any lease payments made on or before the onset date, less all incentives received from the lease,
ii. any initial direct costs,
iii. an estimate of the costs to be incurred in relation to the dismantling and removal of the underlying asset, restoring the site on which it was located or the renovation of the underlying asset to restore it to the condition required by the terms of the lease.

After the onset date of the lease the Group measures the lease liability through:

i. an increase in the carrying amount to reflect interest on the lease liability,
ii. a decrease in the carrying amount to include the lease payments paid in,
iii. an update to the balance sheet valuation to include any re-assessment or change of lease to account for substantially updated fixed lease payments.

(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

At the onset of the lease the Group recognizes an underlying right-of-use asset and a lease liability:

i. less accumulated amortization (depreciation) write-offs and total impairment losses and
ii. adjusted for any revaluation of the lease liability.

Presentation of the financial statements

The Group has decided to include the right-of-use assets as part of the same balance sheet positions they would be presented in if the Group owned these assets. The right-of-use assets have been presented in the line item "Tangible fixed assets". Lease liabilities are presented in the line item "Other long-term liabilities" or "Trade and other liabilities" – depending on the settlement date.

- Changes in the presentation of financial statements

The Group has made the following changes in the presentation of the profit and loss account:

- in connection with the application of the amended IAS 1, the Group has created a new line item "Profit / (loss) on impairment of financial assets". In this line item the Group presents the write-offs of financial assets, in particular receivables, loans and the change, applicable to the reporting period, due to the inclusion of the write-offs of anticipated credit losses, as well as other transactions regarding the impairment of financial assets,
- the discount for financial assets measured in the amortized cost recognized in the reporting period is presented under financing activity (previously presented under the cost of goods sold),
- write-offs of inventory included in the reporting period have been presented under other operating activity (previously presented as cost of goods sold).

The table below outlines the impact of the changes in the presentation of financial statements on the comparative data:

	For the period of 6 months from 1.01.2018 to 30.06.2018 Before change	Change	**For the period of 6 months from 1.01.2018 to 30.06.2018** After change
Sales revenues	810 351	–	810 351
Cost of goods sold	(777 507)	(3 385)	(780 892)
Gross profit / (loss) on sales	**32 844**	**(3 385)**	**29 459**
Cost of sales	(13 342)	–	(13 342)
General administration expenses	(32 165)	–	(32 165)
Profit / (loss) on impairment of financial assets	–	2 362	2 362
Other operating revenues	9 436	197	9 633
Other operating costs	(4 018)	(467)	(4 485)
Profit / (loss) on operating activities	**(7 245)**	**(1 293)**	**(8 538)**
Financial income	8 971	2 771	11 742
Financial costs	(19 332)	(1 478)	(20 810)
Share in the profit of an associated entity	178	–	178
Gross profit / (loss)	**(17 428)**	**–**	**(17 428)**

(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

5. Shareholders of the Parent Company

The table below presents the list of shareholders with at least 5% of the total number of votes as at 30 June 2019:

Shareholder	Number of shares / votes	% in the share capital / in the total number of votes at the General Meeting of Shareholders
ENEA S.A. with the registered office in Poznań, ENERGA S.A. with the registered office in Gdańsk, PGE Polska Grupa Energetyczna S.A. with the registered office in Warsaw, PGNiG Technologie S.A. with the registered office in Krosno – as Investors acting jointly and in agreement *	156 000 097	65.93%
Bank Polska Kasa Opieki S.A.	13 629 376	5.76%
Others – below 5% of the share capital	66 989 329	28.31%
The overall number of shares issued	**236 618 802**	**100.00%**

* each Investor holds 16.48% of the shares

As at 30 June 2019 the members of the Management Board and the Supervisory Board did not hold any shares of the Company. From 30 June 2019 until the publication date of this report, there were no changes in the number of shares and the ownership of shares at the Parent Company or rights thereto by the persons performing management and supervisory functions.

6. Uncertainty of the estimates

The preparation of the financial statements in compliance with IFRS requires of the Management Board to produce estimates and assumptions that affect the amounts in the financial statements, including the additional information and explanations. Although the adopted assumptions and estimates have been prepared based on the Management Board's best knowledge of current activities and events, the actual results may differ from the anticipated results.

Impairment of Assets

The Group performs the impairment testing of fixed assets under circumstances that indicate the possibility of the impairment of assets. The tests require an estimation of the value-in-use of a cash-generating unit to which these fixed assets belong. The value-in-use estimation involves a calculation of future cash flows generated by the cash-generating unit and it requires to determine the discount rate to be used in order to calculate the current value of these cash flows.

Deferred tax asset

The Group recognizes a deferred tax asset based on the assumption that the future tax profit will be achieved to allow its use. The Group carried out an analysis of the recoverability of assets due to tax loss based on the anticipated tax results and additional one-off events fostering the recovery of tax losses incurred in the previous reporting periods. The analysis was prepared using the best estimates and under the most probable scenario. A change in individual assumptions and elimination of one-off events fostering the recovery of tax losses from the analysis could lead to other conclusions regarding the amount of recoverable losses.

As at 30 June 2019 the Group recognized the deferred tax assets in the amount of PLN 182,549 thousand.

As at 30 June 2019 the Parent Company recognized the deferred tax assets in the amount of PLN 137,187 thousand.

Fair value measurement and the valuation procedures

Investment property is measured at fair value for the purpose of financial reporting. The valuation has been carried out by external qualified property appraisers. The valuations are prepared with the application of income or comparative methods.

The Group applies the revaluation model for the following class of assets: land, buildings and structures. In case the revaluation needs to be performed, the Company obtains a fair value measurement for particular locations of real estate and objects. The revaluation is performed for the entire class of assets when the fair value differs significantly from the carrying amount. The valuations are prepared with the application of income or comparative methods.

Recognition of revenues

The Group applies the percentage progress method for the settlement of long-term contracts. The application of this method requires of the Group to provide an estimation of the ratio of the works already performed to all services to be performed. Based on the updated contract budgets and the status of construction contracts, the Group recognizes the effects of the changes in estimates in the financial results of the following period.

The gross margins of the contracts in progress are determined based on the formalized process called the Project Review as the difference between the cost of sales and the estimated total contract costs (the total amount of the costs incurred and the estimated costs until the completion of the contract). Verification of the estimated costs until the completion of the contract is performed during the Project Review on a monthly, quarterly or semi-annual basis, or with other frequency depending on the contract type. The costs until the completion of the contract are determined by competent teams who are substantively accountable for the implementation of a given area based on their best knowledge and experience.

Depreciation rates

Depreciation rates are established on the basis of anticipated economic life of tangible fixed assets and intangible assets. The Group performs an annual verification of the presumed economic life of assets based on the current estimates.

Valuation of employee benefits liabilities – retirement and pension payments

Provision for the current value of liabilities under retirement and pension payments is determined with the application of the actuarial method for the valuation of projected individual entitlements. The provision is updated bi-annually (on 30 June and 31 December).

Provision for warranty repairs

Provisions for liabilities under warranty repairs are established during the project implementation in proportion to sales revenues. The amount of provisions depends on the type of construction services provided and it constitutes a specified percentage of the value of sales revenues from a given contract, also considering potential regression to subcontractors. However, the value of provisions for warranty repairs may be subject to individual analysis (including the opinion of the manager in charge of a given construction site) and it may be increased or decreased in duly justified cases. The provisions can be used within the first 3-5 years after the completion of the investment in proportions corresponding to the actually incurred costs of repairs. Information on establishing, extending, using and dissolving provisions has been presented in note 15.

Provisions for litigations

Provisions related to ongoing judicial proceedings are established when a lawsuit has been filed against a given entity and the probability of a judgement adverse for the entity is greater than the probability of a favourable judgement. The probability of either outcome is assessed in the course of the judicial proceedings and on the basis of legal opinions from attorneys. The established provisions are charged to other operating costs. Information on establishing, extending, using and dissolving provisions has been presented in note 15.

Provisions for penalties

The estimates of contractual penalties are provided by technical services assigned to the implementation of the construction contract, in cooperation with the legal department that interprets the provisions of the contract. Provisions for penalties are established when there is a high risk of the imposition of a penalty by the ordering party due to improper performance of the contract. Information on establishing, extending, using and dissolving provisions has been presented in note 15.

Provision for the settlement price of contracts

Provisions for the settlement price of contracts relate to the final clearing of claims resulting from the implemented road contracts. Information on establishing, extending, using and dissolving provisions has been presented in note 15.

Provisions for projected losses on construction contracts

As at each balance sheet date, the Group updates the estimates of the total revenues and expenses related to projects in progress. The projected total loss on a contract is recognized as an expense in the period in which it has been recognized. The loss is recognized in the value corresponding to the lower of the amounts of the costs of finalizing the contract or penalties resulting from withdrawal from further implementation. Information on establishing, extending, using and dissolving provisions has been presented in note 15.

Provision for sureties

A surety is recognized in the accounting records as a provision when at the balance sheet date there is a high likelihood that the borrower will not be able to repay their debts. Information on establishing, extending, using and dissolving provisions has been presented in note 15.

Write-off of redundant materials and receivables

As at each balance sheet date, the Group analyses individual conditions for the impairment of trade receivables such as disputable receivables, receivables under court proceedings, receivables from companies in bankruptcy or liquidation and others. Based on this, the Group makes individual write-offs of receivables and the remaining receivables are included in the statistical write-off of anticipated credit losses.

At each balance sheet date, the Group updates the write-off of redundant materials, while taking into account the remaining time in the warehouse and the potential for future use.

In the reporting period the Capital Group established the write-offs of inventories in the amount of PLN 661 thousand. At the same time, the amount of impairment write-offs of inventories was PLN 185 thousand. The Parent Company, on the other hand, in the reporting period reversed the write-offs of inventories in the amount of PLN 34 thousand.

In the reporting period the Capital Group established the write-offs of receivables in the amount of PLN 3,148 thousand. In the same reporting period the amount of write-offs of receivables decreased by PLN 5,309 thousand due to the use of write-offs and repayment of receivables. The Parent Company, on the other hand, in the reporting period established the write-offs of receivables in the amount of PLN

7. Measurement currency and the currency of financial statements

The measurement currency of the Parent Company and the companies included in these interim condensed consolidated financial statements, as well as the reporting currency of these interim condensed consolidated financial statements is the Polish zloty, with the exception of: Czerwonograd ZKM, Ukraine; Polimex Mostostal Ukraina SAZ, Ukraine; Polimex Mostostal Wschód Sp. z o.o., Russia.

The financial data from the above companies have been converted into the reporting currency according to the provisions outlined in IAS 21.

8. Conversion of amounts expressed in foreign currencies

Transactions expressed in currencies other than the Polish zloty are converted into PLN using the exchange rate in force on the date of the transaction.

As at the balance sheet date, the monetary assets and liabilities expressed in currencies other than the Polish zloty are converted into PLN using the average exchange rate specified for a given currency by the National Bank of Poland at the end of the reporting period. The differences resulting from the currency conversion are recognized under the financial revenue (expenses) respectively. Non-monetary assets and liabilities measured at historical cost in a foreign currency are recognized using the exchange rate on the date of the transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rate on the date when the fair value was determined.

The functional currencies of the foreign subsidiaries are UAH and RUB. As at the balance sheet date, the assets and liabilities of these foreign subsidiaries are converted into the currency of the presentation of financial statements using the exchange rate on the balance sheet date. Their financial statements of comprehensive income are converted at the weighted average exchange rate for the given financial period. The exchange differences arising from this conversion are recognized under other comprehensive income and they are accumulated in a separate component of the equity. At the time of the disposal of a foreign entity, the deferred exchange differences relating to a given foreign entity and accumulated in the equity are recognized under the profit and loss account.

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

- turnover, financial results and cash flows for the current period: 4.2520 PLN/EUR; 0.1427 PLN/UAH; 0.0592 PLN/RUB
- turnover, financial results and cash flows for the comparable period – 4.2395 PLN/EUR; 0.1324 PLN/UAH; 0.0591 PLN/RUB.

9. Reporting segments and geographical information

The tables below present amounts of the consolidated revenues of individual operating segments and geographical information of the Group for the period of 6 months ended on 30 June 2019 (in thousands of PLN). The Management Board of the Company regularly monitors the results of the segments, however since 1 January 2014, in relation to the changes in the organizational structure of the Company, there has been no ongoing assessment of the assets and liabilities of the segments. Therefore, compliant with IFRS 8.23, the below tables do not include the division of assets and liabilities by segments.

(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

Reporting segments

For the period of 6 months from 01.01.2019 to 30.06.2019	**Production**	**Industrial construction**	**Power Sector */**	**Oil, gas and chemicals**	**Infrastructure construction**	**Other activity**	**Exclusions**	**Total activity**
Revenues								
Sales to external clients	307 642	16 802	300 860	120 954	–	4 034	–	750 292
Sales between the segments	17 212	44 587	4	4	1	19 654	(81 462)	–
Total segment revenues	324 854	61 389	300 864	120 958	1	23 688	(81 462)	750 292
Results								
Profit / (loss) from operating activities of the segment	13 861	5 948	(22 512)	6 735	2 375	(11 202)	–	(4 795)
Financial revenues and costs balance	(6 381)	(35)	(395)	132	(11)	(6 027)	–	(12 717)
Gross profit / (loss) from the segment	7 480	5 913	(22 907)	6 867	2 364	(17 229)	–	(17 512)

The income from transactions between the segments has been excluded.

* / The operating loss includes the share in the loss of the associate in the amount of PLN 859 thousand.

For the period of 6 months from 01.01.2018 to 30.06.2018	**Production**	**Industrial construction**	**Power Sector */**	**Oil, gas and chemicals**	**Infrastructure construction**	**Other activity**	**Exclusions**	**Total activity**
Revenues								
Sales to external clients	351 467	27 572	304 628	123 567	14	3 103	–	810 351
Sales between the segments	3 463	10 528	6 811	96	120	23 674	(44 692)	–
Total segment revenues	354 930	38 100	311 439	123 663	134	26 777	(44 692)	810 351
Results								
Profit / (loss) from operating activities of the segment	21 650	5 593	(29 053)	1 599	1 670	(9 819)	–	(8 360)
Financial revenues and costs balance	(1 469)	(1 454)	235	1 037	1 150	(8 567)	–	(9 068)
Gross profit / (loss) from the segment	20 181	4 139	(28 818)	2 636	2 820	(18 386)	–	(17 428)

The income from transactions between the segments has been excluded.

* / The operating profit includes the share in the profit of an associated entity in the amount of PLN 178 thousand.

(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

10. Revenues by categories

Revenue by type of goods or services

For the period of 6 months from 01.01.2019 to 30.06.2019	Production	Industrial construction	Power Sector	Oil, gas and chemicals	Infrastructure construction	Other activity	Exclusions	Consolidated financial data
Revenues from the sale of construction and other services	312 772	61 389	300 704	120 820	–	14 134	(76 265)	**733 554**
Revenues from the sales of goods and materials	10 022	–	160	138	–	3 520	(74)	**13 766**
Revenues from rental	2 060	–	–	–	1	6 035	(5 124)	**2 972**
Total sales revenues	**324 854**	**61 389**	**300 864**	**120 958**	**1**	**23 689**	**(81 463)**	**750 292**

The first two items in the table below include the revenues from the contracts with clients in line with IFRS 15.

For the period of 6 months from 01.01.2018 to 30.06.2018	Production	Industrial construction	Power Sector	Oil, gas and chemicals	Infrastructure construction	Other activity	Exclusions	**Total activity**
Revenues from the sale of construction and other services	51 516	38 100	311 226	123 580	120	15 947	(32 326)	**508 163**
Revenues from the sales of goods, materials and products	302 053	–	195	83	–	2 722	(5 017)	**300 036**
Revenues from rental	1 361	–	18	–	14	8 108	(7 349)	**2 152**
Total sales revenues	**354 930**	**38 100**	**311 439**	**123 663**	**134**	**26 777**	**(44 692)**	**810 351**

The first two items in the table below include the revenues from the contracts with clients in line with IFRS 15.

Revenues by geographical area

For the period of 6 months from 01.01.2019 to 30.06.2019	Production	Industrial construction	Power Sector	Oil, gas and chemicals	Infrastructure construction	Other activity	Exclusions	Consolidated financial data
Country	154 435	61 389	300 850	70 113	1	20 064	(78 554)	**528 298**
Abroad	170 419	–	14	50 845	–	3 625	(2 909)	**221 994**
Total sales revenues	**324 854**	**61 389**	**300 864**	**120 958**	**1**	**23 689**	**(81 463)**	**750 292**

For the period of 6 months from 01.01.2018 to 30.06.2018	Production	Industrial construction	Power Sector	Oil, gas and chemicals	Infrastructure construction	Other activity	Exclusions	**Total activity**
Country	130 046	37 348	311 390	57 932	134	23 555	(42 108)	**518 297**
Abroad	224 884	752	49	65 731	–	3 222	(2 584)	**292 054**
Total sales revenues	**354 930**	**38 100**	**311 439**	**123 663**	**134**	**26 777**	**(44 692)**	**810 351**

(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

11. Financial costs

	For the period of 6 months from 1.01.2019 to 30.06.2019	For the period of 6 months from 1.01.2018 to 30.06.2018 *
Interest on bank loans	5 022	6 750
Interest and commissions on bonds	7 936	7 617
Interest on other liabilities	195	1 772
Financial costs due to lease agreements	468	32
Foreign exchange losses	1 044	646
Bank charges on guarantees and loans	802	1 348
Other	602	2 645
Total financial costs	**16 069**	**20 810**

** Restated data, see note 4.2*

12. Changes in contingent liabilities that occurred since the end of the last financial year

	As at 30.06.2019	As at 31.12.2018
Contingent liabilities	**524 991**	**509 327**
– granted guarantees and sureties	464 073	461 098
– promissory notes	5 340	5 340
– litigations	55 578	42 889

With reference to the contracts for bank loans and guarantees (both bank and insurance), as well as in terms of bond liabilities (including series A and B bonds issued in 2014 in the amount of PLN 140 million and series C bonds issued in 2017 in the amount of PLN 14.5 million), and in particular, with reference to the Agreement of 24 July 2012 on refraining from the execution of liabilities, the Agreement of 21 December 2012 on the Management of Financial Debt, as stipulated by annex No 10 of 20 June 2017, the Agreement on the New Guarantee Line and the related revolving credit of 21 December 2012, as stipulated by annex No 3 of 20 June 2017, the Terms of Issuance of Ordinary and Convertible Bonds of 12 September 2014, as amended, the Credit Agreement on the guarantee lines and related revolving and non-revolving credit of 31 May 2017, as amended, the Terms of Issuance of Series C Convertible Bonds of 27 September 2017, the Company and the selected subsidiaries have established mortgages, pledges, transfers of ownership, assignments, they have also issued promissory notes, accepted sureties of certain subsidiaries and granted sureties to selected subsidiaries to secure receivables under the instruments in question. The total commitment of the Group in terms of these credit instruments as at 30 June 2019 was PLN 925 million (as at 31 December 2018 it was PLN 930 million). The total commitment of the Parent Company in terms of these credit instruments as at 30 June 2019 was approximately PLN 841 million (as at 31 December 2018 it was: PLN 832 million).

13. Information about transactions with related parties

The table below presents the total values of the transactions concluded with related parties for the period of 6 months ended on 30 June 2019 and as at 30 June 2019 and for the period of 6 months ended on 30 June 2018 and as at 31 December 2018.

Group of entities		Sales to related parties	Acquisitions from related parties	Receivables from related parties	Liabilities towards related parties
Other parties related through shareholders	2019	287 859	10 018	165 115	76 732
Unconsolidated subsidiaries	2019	8	1	1 596	3 215
Associates	2019	8	–	10	957
Total		**287 875**	**10 019**	**166 721**	**80 904**
Other parties related through shareholders	2018	303 228	10 408	229 311	97 396
Unconsolidated subsidiaries	2018	7	2 471	2 226	3 321
Associates	2018	–	4 239	1	958
Total		**303 235**	**17 118**	**231 538**	**101 675**

To the best knowledge of the Management Board of the Parent Company, the transactions concluded during the reporting period between the Company or its subsidiaries and the related parties were concluded under market terms and their nature and conditions resulted from their operating activities.

14. Transactions with parties related with the State Treasury

Polimex Mostostal Capital Group is a party in the transactions with parties related with the State Treasury. These transactions, which are also conducted with shareholders and parties related through shareholders, are presented in note 13 as transactions with parties related through shareholders. Transactions conducted with other parties related with the State Treasury are transactions concluded under market terms - these transactions are considered to be insignificant.

(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

15. Change in provisions

	Provisions for warranty repairs	Provision for litigations	Provisions for penalties	Provisions for the costs of contracts	Provision for losses	Provision for sureties	Other provisions	Total
Status as at 1 January 2019	**74 778**	**26 634**	**3 100**	**9 478**	**52 536**	**110**	**409**	**167 045**
Created in the financial year	3 024	–	–	13	1 113	321	323	**4 794**
Used	(1 503)	(283)	(49)	(784)	(15 114)	(139)	(530)	**(18 402)**
Dissolved	(21 638)	(2 412)	(1 327)	(6)	(4 052)	(152)	(6)	**(29 593)**
Foreign exchange rate differences	–	–	–	–	–	–	18	**18**
As at 30 June 2019	**54 661**	**23 939**	**1 724**	**8 701**	**34 483**	**140**	**214**	**123 862**
Short-term as at 30 June 2019	29 642	17 288	1 724	8 701	34 483	140	206	**92 184**
Long-term as at 30 June 2019	25 019	6 651	–	–	–	–	8	**31 678**
Status as at 1 January 2018	**82 249**	**6 669**	**23 600**	**149 889**	**3 813**	**360**	**501**	**267 081**
Created in the financial year	2 844	482	182	26	59 563	729	305	**64 131**
Used	(3 809)	(1 926)	(159)	–	(3 483)	(145)	(456)	**(9 978)**
Dissolved	(3 711)	(32)	(5 225)	(22)	(1 442)	(797)	–	**(11 229)**
Foreign exchange rate differences	–	–	–	–	–	–	66	**66**
As at 30 June 2018	**77 573**	**5 193**	**18 398**	**149 893**	**58 451**	**147**	**416**	**310 071**
Short-term as at 30 June 2018	14 212	4 691	10 933	30 178	58 451	147	410	**119 022**
Long-term as at 30 June 2018	63 361	502	7 465	119 715	–	–	6	**191 049**

(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

16. Acquisition, sale and revaluation write-offs of tangible fixed assets

	Lands, buildings and structures	Machines and equipment	Means of transportation	Other fixed assets	Fixed assets under construction	Advance payments for fixed assets under construction	Total
Net value as at 1 January 2019	**249 398**	**114 536**	**11 633**	**2 618**	**6 011**	**–**	**384 196**
Recognized assets in accordance with IFRS 16 as at 1 January 2019	14 725	434	7 004	664	–	–	**22 827**
Purchase of fixed assets	549	2 708	643	767	3 892	268	**8 827**
Disclosure	–	398	–	–	–	–	**398**
Decrease / increase due to the settlement of a fixed asset under construction	401	635	–	4	(799)	(241)	**–**
Sale and liquidation of fixed assets	(254)	(174)	(66)	(14)	(6)	–	**(514)**
Impairment write-off	–	–	–	–	2 252	–	**2 252**
Reclassification to / from assets held for sale	(12 476)	5	–	1	(664)	–	**(13 134)**
Foreign exchange rate differences	26	156	19	12	83	–	**296**
Depreciation charge for the financial period	(6 555)	(6 870)	(2 386)	(977)	–	–	**(16 788)**
Net value as at 30 June 2019	**245 814**	**111 828**	**16 847**	**3 075**	**10 769**	**27**	**388 360**
As at 1 January 2019							
Gross value	**277 851**	**321 412**	**36 947**	**26 607**	**18 780**	**–**	**681 597**
Depreciation and impairment write-off	**(28 453)**	**(206 876)**	**(25 314)**	**(23 989)**	**(12 769)**	**–**	**(297 401)**
Net value	**249 398**	**114 536**	**11 633**	**2 618**	**6 011**	**–**	**384 196**
As at 30 June 2019							
Gross value	**280 357**	**324 145**	**42 406**	**27 331**	**21 141**	**27**	**695 407**
Depreciation and impairment write-off	**(34 543)**	**(212 317)**	**(25 559)**	**(24 256)**	**(10 372)**	**–**	**(307 047)**
Net value	**245 814**	**111 828**	**16 847**	**3 075**	**10 769**	**27**	**388 360**

(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

Acquisition, sale and revaluation write-offs of tangible fixed assets (continued)

	Lands, buildings and structures	Machines and equipment	Means of transportation	Other fixed assets	Fixed assets under construction	Advance payments for fixed assets under construction	Total
Net value as at 1 January 2018	**264 497**	**84 496**	**12 459**	**2 501**	**11 342**	**8 769**	**384 064**
Purchase of fixed assets	30	5 683	520	655	8 819	296	**16 003**
Decrease / increase due to the settlement of a fixed asset under construction	35	8 941	355	90	(9 421)	–	**–**
Decrease / increase due to advance payments	–	1 159	–	–	111	(1 270)	**–**
Sale and liquidation of fixed assets	(1 050)	(717)	–	(12)	–	–	**(1 779)**
Impairment write-off	–	3 055	–	–	(550)	–	**2 505**
Reclassification to assets held for sale	(2 379)	(806)	(47)	(150)	(12)	–	**(3 394)**
Foreign exchange rate differences	79	203	28	34	–	–	**344**
Depreciation charge for the financial period	(5 151)	(6 607)	(743)	(531)	–	–	**(13 032)**
Net value as at 30 June 2018	**256 061**	**95 407**	**12 572**	**2 587**	**10 289**	**7 795**	**384 711**
As at 1 January 2018							
Gross value	**272 257**	**302 366**	**42 550**	**31 691**	**25 813**	**8 769**	**683 446**
Depreciation and impairment write-off	**(7 760)**	**(217 870)**	**(30 091)**	**(29 190)**	**(14 471)**	**–**	**(299 382)**
Net value	**264 497**	**84 496**	**12 459**	**2 501**	**11 342**	**8 769**	**384 064**
As at 30 June 2018							
Gross value	**279 550**	**299 138**	**42 534**	**28 699**	**26 088**	**7 795**	**683 804**
Depreciation and impairment write-off	**(23 489)**	**(203 731)**	**(29 962)**	**(26 112)**	**(15 799)**	**–**	**(299 093)**
Net value	**256 061**	**95 407**	**12 572**	**2 587**	**10 289**	**7 795**	**384 711**

(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

17. Assets held for sale and liabilities directly related to these assets

In compliance with the Agreement on the Management of Financial Debt of 21 December 2012, the Issuer has undertaken to divest certain assets. The assets held for sale include redundant tangible assets, structured parts of the enterprise and development and investment real estate, as well as selected operational real estate. The table below presents the financial data for the assets to be divested within one year from the balance sheet date.

	As at 30 June 2019	As at 31 December 2018
Tangible fixed assets	14 539	1 465
Investment property	34 207	34 760
Assets held for sale	**48 746**	**36 225**

The increase in the value of tangible fixed assets held for sale results from the classification under this item of the property in Kozienice worth PLN 13,140 thousand.

Due to formal and legal conditions, the property located in Kraków on Powstańców 66 (with the value of PLN 19,500 thousand) will be sold within the period exceeding 12 months.

18. Cash and cash equivalents

	As at 30 June 2019	As at 31 December 2018
Cash at bank and in hand	139 108	201 431
Short-term deposits	156 294	216 377
Total	**295 402**	**417 808**
Restricted cash	124 680	180 219

Restricted cash includes the cash from the accounts of the Opole project. Their value in Polimex Opole Sp. z o.o. Sp.k. amounts to PLN 122,267 thousand and in the Parent Company PLN 2,413 thousand.

19. Factors and events with a significant impact on the situation of Polimex Mostostal Capital Group in the reporting period

During the first 6 months of 2019 Polimex Mostostal Capital Group generated sales revenues in the amount of PLN 750,292 thousand (a drop by 7.4% compared to the data for the corresponding period in 2018).

In the reporting period the Capital Group incurred a loss from operating activities in the amount of PLN 3,936 thousand (compared to a loss of PLN 8,532 thousand in the corresponding period of 2018).

In the reporting period the general administration expenses increased by 4.9% compared to the corresponding period (in the first half of 2019 the general administration expenses amounted to PLN 33,752 thousand, whereas in the corresponding period of 2018 it was PLN 32,165 thousand).

The net loss in the first half of 2019 assigned to the shareholders of the Parent Company amounted to PLN 12,131 thousand (compared to the net loss of PLN 20,931 thousand in the corresponding period of 2018).

As at 30.06.2019 the total assets of Polimex Mostostal Capital Group were PLN 1.738.617 thousand. The fixed assets as at 30.06.2019 amounted to PLN 798,018 thousand (an increase of 1% compared to the data as at 31.12.2018) and the current assets amounted to PLN 940,599 thousand (a decrease of 13% compared to the data as at 31.12.2018).

The equity as at 30.06.2019 amounted to PLN 665,910 thousand (a drop of 2% compared to the data as at 31.12.2018), and the liabilities were PLN 1,072,707 thousand (a decrease of 10% compared to the data as at 31.12.2018).

In the reporting period, in accordance with the cash flow statement of the Capital Group, there was a decrease in net cash and cash equivalents of PLN 122,406 thousand. The cash and cash equivalents as at 30.06.2019 amounted to PLN 295,402 thousand. The net cash flow from operating activities amounted to minus PLN 92,804 thousand. The net cash flows from investing activities amounted to minus PLN 6,112 thousand and the net cash flows from financing activities amounted to minus PLN 23,490 thousand. Restricted cash involves amounts received in relation to the implementation of the Opole project.

The current order portfolio of the Capital Group, reduced by the sales attributable to the consortium partners, is PLN 2,348 million, including the acquired (but not yet signed) contract for ZA Puławy (PLN 1,160 million). The current order portfolio for particular year is as follows: 2019 PLN 750 million, 2020 PLN 796 million, 2021 PLN 415 million, subsequent years PLN 387 million.

The liquidity ratios of the Capital Group, current and quick, were as at 30.06.2019 at a comparable level with the ratios as at 31.12.2018 and they amounted to respectively 1.41 and 1.26 (these values were at the level of 1.41 and 1.28 as at 31.12.2018).

20. Key events in the reporting period and significant events after 30 June 2019

The most important events in the Company and in Polimex Mostostal Capital Group in the reporting period include:

- On 16 January 2019 an agreement was concluded between PERN S.A. with the registered office in Płock (the "Ordering Party") and Naftoremont-Naftobudowa Sp. z o.o. with the registered office in Płock as the leader of the consortium ("NN") and Agat S.A. with the registered office in Koluszki as the consortium partner (jointly referred to as the "Contractor")s. The agreement was signed for the realization of the following project: "Stage 2 of the Implementation of the Oil Terminal in Gdańsk for PERN S.A. with the Registered Office in Płock" (the "Contract").

  The net value of the Contract for the execution of all obligations arising from the Contract has a flat rate of PLN 326,890,000 (the "Contract Value"). The remuneration will be payable upon approval by the Ordering Party of the completion of the stages of the Contract implementation. The Contractor may claim a single advance payment to the maximum amount of 20% of the gross Contract Value. NN will receive 69.3% of the Contract Value.

  The Contractor is obliged to finalize the execution of the Contract within 21 months from the date of the signature of the agreement.

- On 30 January 2019 the Management Board of Polimex Mostostal S.A. informed about the conclusion of an annex to the agreement concerning the delivery and assembly of a combined gas and steam unit for the Żerań Power Plant in Warsaw (the "Contract") between PGNiG TERMIKA S.A. with the registered office in Warsaw (the "Ordering Party") and Mitsubishi Hitachi Power Systems Europe GmbH with the registered office in Germany as the consortium leader, Mitsubishi Hitachi Power Systems Ltd. with the registered office in Japan, Mitsubishi Hitachi Power Systems Europe Ltd. with the registered office in London and the Company as the consortium members (jointly referred to as the "Contractor").

  The annex was concluded in response to the extension of the scope of the Contract, which resulted, inter alia, in an increase to the Contract Price (as per the current report No 61/2017 of 29 June 2017) by PLN 29,715,200.00 and EUR 67,700.00. From this amount, the Company's share is PLN 5,426,300.00. The annex has also extended the deadline for the signature of the protocol for the handover of the unit for operation.

  As per the annex, the Contract Price is currently PLN 1,018,831,648.84 (in words: one billion eighteen million eight hundred and thirty-one thousand six hundred and forty-eight zlotys 84/100) and EUR 112,022,030.89 (in words: one hundred and twelve million twenty-two thousand thirty euros 89/100).

  The Contractor is obliged to finalize the signature of the handover protocol of the unit for operation within 37 months from the date of the signature of the Contract.

- On 8 February 2019 there was an amendment to the agreement concerning the construction, delivery and assembly of a steel supporting structure for the ducts and the reactor and the construction of the ducts and the reactor for an SCR installation for units 9 and 10 for ENEA Wytwarzanie Sp. z o.o. (the "Contract"). The contract was concluded between Polimex Energetyka Sp. z o.o. (the "Contractor") and Rafako S.A. with the registered office in Racibórz (the "Ordering Party") (the "Annex").

The Annex is the legal basis for the adjustment to the unit rates agreed between the Contractor and the Ordering Party. The estimated remuneration of the Contractor for the execution of the subject of the agreement has been currently set at: PLN 61,725,172.06 net.

Pursuant to the conclusions of the Annex, the Contractor will finalize the subject of the Contract: (i) in terms of assembly by 15 March 2019, (ii) in terms of delivery of the quality documentation by 31 March 2019 (iii) and in terms of the implementation of corrosion protection for unit 9 by 15 April 2019.

- On 31 May 2019 the consortium comprising of the Company, Mostostal Warszawa S.A. and Rafako S.A. (jointly referred to as the “General Contractor”) received a certificate of completion for unit 5 at the Opole Power Plant from PGE Górnictwo i Energetyka Konwencjonalna S.A. (the “Ordering Party”). The receipt of the certificate marks a successful completion of the implementation of the mentioned unit and its final acceptance by the Ordering Party.

  The handover of unit 5 for operation took place ahead of schedule initially set to 15 June 2019 and it was included in the annex to the agreement, about which the Company informed in the current report No 48/2018 of 10 October 2018.

  The date of the handover of unit 6 for operation remains unchanged relative to the previous estimates and it is set to 30 September 2019.

  The execution of the investment is part of the contract for the construction of power units 5 and 6 in the Opole Power Plant, implemented by the General Contractor and GE Power who acts as the general designer and the consortium leader in charge of the performance of the contract.

- On 3 June 2019 Polimex Energetyka sp. z o.o. with the registered office in Warsaw (the “Contractor”) concluded an agreement (the “Agreement”) with PGNiG Termika S.A. with the registered office in Warsaw (the “Ordering Party”). The subject of the Agreement is the implementation by the Contractor of the SCR installation – the flue gas catalytic denitrogenation unit, model WP-200 No K16 in the Siekierki CHP Plant in Warsaw (the “Assignment”, the “Installation”). The project will be executed in a turnkey formula and the scope of work includes the preparation of the documentation, delivery and assembly works and the commissioning and handover for operation of the above-mentioned installation.

  The remuneration for the performance of the Assignment is fixed and it amounts to PLN 32,639,593.00 net. The payments will be made on a stage-by-stage basis, as indicated in the Agreement. The Agreement stipulates that the Contractor is obliged to complete the Assignment by 31 March 2021.

- On 7 June 2019 the subsidiary of the Issuer, Polimex Opole Sp. z o.o Sp. k. with the registered office in Warsaw, concluded an Annex to the Guarantee Agreement with PKO BP S.A. for the contract regarding the construction of power units 5 and 6 for PGE Elektrownia Opole S.A. Pursuant to the Annex, the validity period for the guarantee of proper performance has been extended until 30 December 2019 and the amount of the guarantee has been reduced from PLN 199,161,600 to PLN 198,571,200. Other significant provisions of the Guarantee Agreement remain unchanged.

- The Group, through its company Polimex Energetyka Sp. z o.o., is currently implementing a contract worth PLN 368.2 million for the modernization of CFB–670 boilers at the Turów Power Plant for PGE GIEK S.A. (the “Ordering Party"). The contract consists of three separate stages of the modernization of three boilers at the Turów Power Plant. There were delays reported on this project on the already completed scopes of work. There are also anticipated delays on the scopes in progress, which pose a risk of imposition of penalties on the part of the Ordering Party, as regards the deadlines for the handovers of individual stages. Having considered the legal and technical analyses on the root causes of delays in the contract implementation, as well as other relevant circumstances that have occurred in the project and in the cooperation with the Ordering Party, the Management Board of the Company is of the opinion that as at the date of the preparation of the interim condensed consolidated financial statements it is not necessary to include the potential penalties due to delays in the cost budget.

Significant events that occurred after the balance sheet date of 30 June 2019 until the date of the approval of the financial statements

- On 1 July 2019 the Company concluded a letter of intent (the “LOI”) with General Electric Global Services GmbH, branch in Poland with the registered office in Warsaw (“GE”, the “Party”, both companies jointly referred to as the “Parties”). The LOI stipulates that both Parties wish to jointly participate in the proceeding carried out by PGE Górnictwo i Energetyka Konwencjonalna S.A. (the “Ordering Party”), the subject of which is the preparation and submission of the offer for the implementation of two gas and steam units for PGE GiEK S.A. at the Dolna Odra Power Plant Complex (the “Proceeding”). The document also assumes, within the framework of this Proceeding, the conduct of negotiations with the Ordering Party and in an event of a successful acquisition of the project the conclusion of a relevant implementation agreement. The LOI provides for the possibility of signing a consortium agreement by the Parties, as well as the subsidiaries of the Parties, before the submission of the offer in the Proceeding.

  The LOI assumes exclusivity in the activities of the Parties with regards to the Proceeding. Compliant with the provisions of the letter, the Parties will have no grounds to make claims against each other in an event of a failure to acquire the project. The LOI is subject to the jurisdiction of the Polish law. The LOI will bind the Parties until the following events occur, depending on which of the events takes place first: (i) the offer of the Parties is not included by the Ordering Party in the Proceeding, (ii) the Proceeding is cancelled by the Ordering Party, except when the Proceeding is reopened under the same technical conditions and similar scope, (iii) the Ordering Party selects an entity other than the Parties in the Proceeding, (iv) one of the Parties receives a written notice from another party regarding the withdrawal from the negotiations of the consortium agreement, (v) both Parties jointly agree in writing to terminate the LOI, (vi) the LOI will bind the Parties until 15 November 2019, unless the Parties determine otherwise, (vii) the LOI will stop binding the Parties in an event of an expiry of the deadline for alleviating damage caused by the violation of the LOI by the Party in breach of the LOI.

  The LOI will further enhance the cooperation between Polimex Mostostal and GE after the joint implementation of the construction of power units 5 and 6 for PGE GiEK S.A at the Opole Power Plant. The letter also constitutes an important milestone in the realization of the Company’s long-term strategic goals.

- On 16 July 2019 the Management Board of the Parent Company informed about the conclusion of an agreement for the construction works in the formula of the general contractor (the “Agreement”) between PERN S.A. with the registered office in Płock (the “Ordering Party”) and the consortium comprising of the following companies: Naftoremont-Naftobudowa sp. z o.o. with the registered office in Płock (“NN”), the subsidiary of the Issuer, and “AGAT” S.A. with the registered office in Koluszki (“AGAT”) (NN and AGAT jointly referred to as the “Consortium”). The subject of the Agreement is the construction of a storage tank for petroleum products class 3 with the capacity of 32,000 m^3 and the accompanying infrastructure including an area for the tanks awaiting loading at the fuel depot 1 in Koluszki” (the “Assignment”).

  The remuneration of the Consortium for the performance of the Assignment is flat-rate and amounts to the total of PLN 50,975,000.00 net, of which PLN 25,727,684.00 net is the share of NN. The remuneration is payable in instalments on a stage-by-stage basis. Pursuant to the Agreement, the Consortium is obliged to finalize the Assignment by 31 May 2020. As per the Agreement, the Contractor will provide the Ordering Party with a guarantee for the period of 12 to 72 months, depending on the object of the guarantee. Notwithstanding the guarantees granted, the Ordering Party is entitled to a warranty for physical defects of the subject of the Agreement for a period of five years from the date of the finalization of the handover protocol.

- On 17 July 2019 the Management Board of the Parent Company informed about the conclusion of Annex No 2 (the “Annex”) to the agreement concerning the delivery and assembly of a combined gas and steam unit for the Żerań Power Plant in Warsaw (the “Contract”) between PGNiG TERMIKA S.A. with the registered office in Warsaw (the “Ordering Party”) and Mitsubishi Hitachi Power Systems Europe GmbH with the registered office in Germany as the consortium leader, Mitsubishi Hitachi Power Systems Ltd. with the registered office in Japan, Mitsubishi

Hitachi Power Systems Europe Ltd. with the registered office in London and the Company as the consortium members (jointly referred to as the “Contractor”).

As per the Annex, the deadline for the signature of the handover protocol of the unit for operation that the Contractor has committed to has been extended to 40 months and 21 days from the date of the conclusion of the Contract.

The amendment in question is due to the damage caused by Typhoon Jebi on 4 September 2018 in Japan. As a result of severe weather conditions, the storage site for the components of the gas turbine equipment was affected, making it impossible for the Contractor to fulfil the contractual obligations in terms of the guarantee of quality and warranty for physical defects. The Ordering Party and the Contractor agreed that the event constituted force majeure and that an extension to the deadline for the Contract finalization to allow for the removal of damage was duly justified.

Other material provisions of the Contract remain unchanged.

21. Explanation of seasonality or cyclicity of the Group's activity in the reporting period

The activities of the Parent Company and the entities within the Capital Group indicate the characteristics of seasonality in terms of the execution of construction and assembly works, as well as renovation and road works. In winter we observe a decrease in the works performed in the open spaces of construction sites. Additionally, in some sectors the renovation works are performed only in certain seasons (for instance, for power and CHP plants such works take place in the summer months). On the other hand, modernisation works are undertaken every few years (for instance in CHP plants, refineries or chemical plants). The schedules for the implementation of investment assignments of the Capital Group take into account the weather conditions and the consequences of the procedures for granting and settling orders are considered in the process of drafting the budget.

22. Indication of factors that according to the Management Board of the Parent Company will affect the financial results of the Group at least in the subsequent quarter

The most important factors that may have an impact on the financial results of the Group in the next quarter are: finalization of settlement of the Kozienice project and the implementation of Opole and Żerań projects, the macroeconomic situation in Poland and abroad affecting the demand for construction services, as well as the conditions on the financial markets, the financial situation of the consortium members and subcontractors, the prices of materials, raw materials and construction services.

23. Information on the issue, redemption and repayment of debt and equity securities

In the reporting period no issue, redemption or repayment of debt and equity securities was made.

24. Conversion of liabilities into shares

In the reporting period no conversion of liabilities into shares was made.

25. Financial instruments measured at fair value

The Parent Company is a party in the Option Agreement for the Acquisition of the Investment Certificates concluded with PKO BP S.A. on 7 November 2013, as amended. The Agreement, depending on the property price scenario, will determine the amount of acquisition / settlement between the parties in the future. In case the Company fails to generate the minimum return on investment expected by the investor, it will be required to cover a relevant part of the loss. In case of an increase in the value of the property portfolio, the Group has a guaranteed participation in the profit share over the rate of the profit guaranteed to the investor.

In the reporting period there were no changes in the manner of valuation of this instrument by discounting the predicted growth in the value of the property portfolio in the course of the transaction. The value of the instrument as at 30 June 2019 amounted to PLN 0 (as at 31 December 2018: PLN 0). The measurement of the fair value of the instrument was classified as Level 3 in the fair value hierarchy.

In the opinion of the Management Board, the balance sheet values of the assets and financial liabilities presented in the interim condensed consolidated financial statements are an approximation of their fair values.

26. Information on the dividends paid (or declared) in total and per share, categorised by ordinary and preference shares

In the reporting period there were no dividends paid or declared.

27. Position of the Management Board of the Parent Company on the financial forecasting

The financial forecasting for the year 2019 for Polimex Mostostal S.A. and Polimex Mostostal Capital Group were not published.

28. Receivables and liabilities under court proceedings, arbitration or public administration authority

As at 30 June 2019 there was an ongoing counterclaim proceeding initiated by Mostostal S.A. with the registered office in Warsaw (the "Defendant"). The counterclaim was filed against the Parent Company and Mostostal Siedlce Sp. z o.o. Sp.k. The counterclaim presents the position of the Defendant in the case filed by the Issuer and by Mostostal Siedlce Sp. z o.o. Sp.k. in June 2017 for the cancellation of the sales agreement pertaining to two Mostostal trademarks: the figurative trademark “Mostostal” registered under number R 87887 and the verbal trademark “Mostostal” registered under number R 97850. The sales agreement for the trademarks was concluded in 2007 by the administrative receiver of one of the entities using the trademarks. The Defendant was the purchaser in this transaction. The value of the subject matter under dispute is PLN 96,908,719. The amount indicated by the Defendant constitutes the compensation for the violation of the protective rights with regards to the specified trademarks. The Defendant is claiming compensation of PLN 83,717,995 from the Issuer and PLN 13,190,724 from Mostostal Siedlce Sp. z o.o. Sp.k. The position of the Management Board of the Parent Company is that the counterclaim and the value of the compensation have no legal merit and the counterclaim was filed merely in a reaction to the lawsuit initiated by the Parent Company in June 2017. As indicated by the analysis undertaken by the Company, the Company has subjective rights to Mostostal, as well as the prior user right to the trade name “Mostostal”, which take precedence over the above-mentioned Mostostal trademarks under dispute.

Apart from this case, as at 30 June 2019 there were no ongoing court proceedings with the values relevant from the standpoint of financial statements.

Warsaw, 23 August 2019

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS		
Name and surname	Position / Function	Signature
Krzysztof Figat	President of the Management Board	
Przemysław Janiszewski	Vice President of the Management Board	
Maciej Korniluk	Vice President of the Management Board	

SIGNATURE OF THE PERSON RESPONSIBLE FOR THE PREPARATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY 2019 TO 30 JUNE 2019		
Name and surname	Position / Function	Signature
Sławomir Czech	Chief Financial Officer Chief Accountant	