

POLIMEX MOSTOSTAL CAPITAL GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD OF 6 MONTHS ENDED ON 30 JUNE 2020



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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 30 JUNE 2020**

**Interim consolidated profit and loss account**

	Note	For the period of 6 months from 01.01.2020 to 30.06.2020 (unaudited)	For the period of 6 months from 01.01.2019 to 30.06.2019 (unaudited)	For the period of 3 months from 01.04.2020 to 30.06.2020 (unaudited)	For the period of 3 months from 01.04.2019 to 30.06.2019 (unaudited)
Sales revenues	9	724 446	750 292	373 094	397 395
Cost of goods sold		(656 941)	(716 048)	(331 401)	(374 871)
<b>Gross profit / (loss) on sales</b>		<b>67 505</b>	<b>34 244</b>	<b>41 693</b>	<b>22 524</b>
Cost of sales		(11 140)	(10 506)	(4 635)	(5 010)
General administration expenses		(34 504)	(33 752)	(15 932)	(15 113)
Profit / (loss) on impairment of financial assets		(1 312)	737	(1 330)	2 994
Other operating revenues		13 496	8 335	6 072	3 785
Other operating costs		(3 162)	(2 994)	(2 003)	(1 605)
<b>Profit / (loss) on operating activities</b>		<b>30 883</b>	<b>(3 936)</b>	<b>23 865</b>	<b>7 575</b>
Financial income	10	10 129	3 352	2 953	2 202
Financial costs	11	(13 199)	(16 069)	(8 034)	(8 593)
Share in the profit of an associated entity		187	(859)	123	(658)
<b>Gross profit / (loss)</b>		<b>28 000</b>	<b>(17 512)</b>	<b>18 907</b>	<b>526</b>
Income tax		(3 653)	5 381	(3 880)	5 284
<b>Net profit / (loss)</b>		<b>24 347</b>	<b>(12 131)</b>	<b>15 027</b>	<b>5 810</b>
<b>Net profit / (loss) attributable to:</b>					
– shareholders of the parent company		24 797	(12 131)	15 017	5 810
– non-controlling interests		(450)	–	10	–
<b>Profit / (loss) per share attributable to the shareholders of the parent company (in PLN per share)</b>					
– basic and diluted profit per share		0.105	(0.051)	0.063	0.025

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.

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**Interim consolidated comprehensive income statement**

	For the period of 6 months from 01.01.2020 to 30.06.2020 (unaudited)	For the period of 6 months from 01.01.2019 to 30.06.2019 (unaudited)	For the period of 3 months from 01.04.2020 to 30.06.2020 (unaudited)	For the period of 3 months from 01.04.2019 to 30.06.2019 (unaudited)
<b>Net profit / (loss)</b>	<u>24 347</u>	<u>(12 131)</u>	<u>15 027</u>	<u>5 810</u>
<b>Items that will not be allocated in the later periods to the profit and loss account:</b>				
Actuarial profit / (loss)	(559)	(373)	(559)	(373)
<b>Items that can be allocated in the later periods to the profit and loss account:</b>				
Foreign exchange differences on translation of foreign entity	(2 217)	741	(356)	233
<b>Other net comprehensive income</b>	<u>(2 776)</u>	<u>368</u>	<u>(915)</u>	<u>(140)</u>
<b>Total comprehensive income</b>	<u><u>21 571</u></u>	<u><u>(11 763)</u></u>	<u><u>14 112</u></u>	<u><u>5 670</u></u>
<b>Attributable to:</b>				
– shareholders of the parent company	22 021	(11 763)	14 102	5 670
– non-controlling interests	(450)	–	10	–

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

**Interim consolidated balance sheet**

	Note	As at 30 June 2020 (unaudited)	As at 31 December 2019
<b>Assets</b>			
<b>Fixed assets</b>			
Tangible fixed assets	16	409 920	407 862
Investment property		14 576	14 576
Goodwill from consolidation		91 220	91 220
Intangible assets		1 971	1 985
Investments in associated entities measured in accordance with the equity method		2 606	2 419
Financial assets		2 671	2 643
Long-term receivables		1 315	1 146
Deposits due to the construction contracts		40 330	117 838
Deferred tax assets		181 677	179 829
Other long term assets		2 534	3 161
<b>Total fixed assets</b>		<b>748 820</b>	<b>822 679</b>
<b>Current assets</b>			
Inventories		101 762	104 921
Trade receivables		299 878	288 401
Deposits due to the construction contracts		135 827	40 458
Construction contracts assets		136 020	145 349
Other receivables		26 463	22 184
Financial assets		8 754	661
Other assets		5 840	4 452
Cash		329 651	285 013
<b>Total current assets</b>		<b>1 044 195</b>	<b>891 439</b>
<b>Assets held for sale</b>		<b>39 886</b>	<b>42 192</b>
<b>Total assets</b>		<b>1 832 901</b>	<b>1 756 310</b>

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.

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**Interim consolidated balance sheet (continued)**

	Note	As at 30 June 2020 (unaudited)	As at 31 December 2019*
<b>Liabilities and equity</b>			
Share capital		473 238	473 238
Reserve capital		157 746	157 746
Other capitals		322 041	227 466
Reserve capital from surplus of bonds convertible into shares		31 552	31 552
Accumulated other comprehensive income		93 710	97 745
Retained earnings / Uncovered losses		(324 170)	(255 651)
Non-controlling interests		354	354
<b>Total equity</b>		<b>754 471</b>	<b>732 450</b>
<b>Long-term liabilities</b>			
Bank loans, borrowings and other sources of financing		103 162	88 000
Long-term bonds		90 423	86 857
Provisions	15	25 250	31 977
Employee benefit liabilities		20 811	20 233
Other liabilities		9 026	9 503
Deposits due to the construction contracts		38 191	25 983
Deferred tax liabilities		1 578	1 587
<b>Total long-term liabilities</b>		<b>288 441</b>	<b>264 140</b>
<b>Short-term liabilities</b>			
Bank loans, borrowings and other sources of financing		159 952	85 144
Short-term bonds		87 112	86 721
Trade liabilities		273 261	350 360
Deposits due to the construction contracts		44 516	33 811
Construction contracts liabilities		64 934	54 092
Other liabilities		32 173	25 343
Income tax liabilities		907	812
Provisions	15	45 251	60 185
Employee benefit liabilities		80 093	61 570
Deferred income		1 790	1 682
<b>Total short-term liabilities</b>		<b>789 989</b>	<b>759 720</b>
<b>Total liabilities</b>		<b>1 078 430</b>	<b>1 023 860</b>
<b>Total liabilities and equity</b>		<b>1 832 901</b>	<b>1 756 310</b>

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.

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**Interim consolidated cash flow statement**

	<b>For the period of 6 months from 01.01.2020 to 30.06.2020 (unaudited)</b>	<b>For the period of 6 months from 01.01.2019 to 30.06.2019 (unaudited)</b>
<b>Cash flows from operating activities</b>		
Gross profit / (loss)	<b>28 000</b>	<b>(17 512)</b>
Adjustment items:	<b>(38 032)</b>	<b>(75 292)</b>
Share in the results of associates measured with the equity method	(187)	859
Depreciation	18 968	16 984
Net interests and dividends	10 554	12 662
Profit / (loss) on investing activities	(13)	-2 050
Change in receivables	(24 417)	28 623
Change in inventories	3 159	5 979
Change in liabilities, excluding bank loans and borrowings	(18 242)	-91 781
Change in other assets and deferred income	(653)	-1 987
Change in provisions	(21 661)	-43 183
Income tax paid	(4 870)	-1 855
Other	(670)	457
<b>Net cash from operating activities</b>	<b>(10 032)</b>	<b>(92 804)</b>
<b>Cash flows from investing activities</b>		
Disposal of tangible and intangible fixed assets	2 232	963
Purchase of tangible and intangible fixed assets	(5 140)	(7 075)
<b>Net cash from investing activities</b>	<b>(2 908)</b>	<b>(6 112)</b>
<b>Cash flows from financing activities</b>		
Lease payments	(5 005)	(5 064)
Proceeds from bank loans	72 363	-
Repayment of borrowings / bank loans	(4 208)	(13 304)
Interests paid	(5 572)	(5 122)
<b>Net cash from financing activities</b>	<b>57 578</b>	<b>(23 490)</b>
Increase / (decrease) in net cash and cash equivalents	44 638	(122 406)
<b>Cash at the beginning of the period</b>	<b>285 013</b>	<b>417 808</b>
<b>Cash at the end of the period</b>	<b>329 651</b>	<b>295 402</b>
<b>Cash recognized in the consolidated cash flow statement</b>	<b>329 651</b>	<b>295 402</b>
- including restricted cash	62 302	124 680

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.

Polimex Mostostal Capital Group

Interim condensed consolidated financial statements prepared in accordance with IAS 34 for the period from 1 January 2020 until 30 June 2020  
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**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				
<b>As at 1 January 2020</b>	<b>473 238</b>	<b>157 746</b>	<b>227 466</b>	<b>31 552</b>	<b>119 271</b>	<b>(4 048)</b>	<b>(17 478)</b>	<b>(255 651)</b>	<b>732 096</b>	<b>354</b>	<b>732 450</b>
Profit / (loss) for the period	-	-	-	-	-	-	-	24 797	24 797	(450)	24 347
Other net comprehensive income	-	-	-	-	-	(559)	(2 217)	-	(2 776)	-	(2 776)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(559)</b>	<b>(2 217)</b>	<b>24 797</b>	<b>22 021</b>	<b>(450)</b>	<b>21 571</b>
Distribution of net profit / (loss)	-	-	94 575	-	-	-	-	(94 575)	-	-	-
Transfer of surplus from revaluation of fixed assets due to their sale	-	-	-	-	(1 259)	-	-	1 259	-	-	-
Recognition of the valuation held by minority shareholders of put options in Energomontaż Północ Bełchatów Sp. z o.o.	-	-	-	-	-	-	-	-	-	450	450
<b>As at 30 June 2020</b>	<b>473 238</b>	<b>157 746</b>	<b>322 041</b>	<b>31 552</b>	<b>118 012</b>	<b>(4 607)</b>	<b>(19 695)</b>	<b>(324 170)</b>	<b>754 117</b>	<b>354</b>	<b>754 471</b>

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.



Polimex Mostostal Capital Group

Interim condensed consolidated financial statements prepared in accordance with IAS 34 for the period from 1 January 2020 until 30 June 2020

(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				
<b>As at 1 January 2019</b>	<b>473 238</b>	<b>157 746</b>	<b>209 938</b>	<b>31 552</b>	<b>117 235</b>	<b>(2 148)</b>	<b>(20 462)</b>	<b>(289 780)</b>	<b>677 319</b>	<b>354</b>	<b>677 673</b>
Profit / (loss) for the period	-	-	-	-	-	-	-	(12 131)	(12 130)	-	(12 130)
Actuarial profit / (loss)	-	-	-	-	-	(373)	-	-	(373)	-	(373)
Other net comprehensive income	-	-	-	-	-	-	741	-	740	-	740
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(373)</b>	<b>741</b>	<b>(12 131)</b>	<b>(11 763)</b>	<b>-</b>	<b>(11 763)</b>
Distribution of net profit / (loss)	-	-	17 528	-	-	-	-	(17 528)	-	-	-
<b>As at 30 June 2019</b>	<b>473 238</b>	<b>157 746</b>	<b>227 466</b>	<b>31 552</b>	<b>117 235</b>	<b>(2 521)</b>	<b>(19 721)</b>	<b>(319 439)</b>	<b>665 556</b>	<b>354</b>	<b>665 910</b>

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.

## **EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2020**

### **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 2020 and as at 30 June 2020 and they contain comparative amounts for the period of 6 months ended on 30 June 2019 and as at 31 December 2019.

The profit and loss account and the comprehensive income statement covering the data for the 3-month period ended on 30 June 2020 and the comparative data for the 3-month period ended on 30 June 2019 were not reviewed or audited by a statutory auditor.

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 company registration number (KRS) 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, Infrastructure Construction, the 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 2020 and 31 December 2019 the following subsidiaries and associates were subject to consolidation:

Polimex Mostostal Capital Group  
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for the period from 1 January 2020 until 30 June 2020  
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No	Entity	Registered office	Scope of business activity	Percentage share	
				As at 30 June 2020	As at 31 December 2019
				(%)	(%)
<b>Subsidiaries</b>					
1	Polimex Energetyka Sp. z o.o.	Warsaw	Construction works	100	100
2	Naftoremont-Naftobudowa Sp. z o.o.	Płock	Construction works	100	100
3	Polimex Opole Sp. z o.o. Sp.k.	Warsaw	Construction works	100	100
4	Mostostal Siedlce Sp. z o.o. Sp.k.	Siedlce	Manufacturing of metal products	100	100
5	Stalfa Sp. z o.o.	Sokołów Podlaski	Manufacturing of metal products	100	100
6	Polimex Mostostal ZUT Sp. z o.o.	Siedlce	Technical services	100	100
7	Polimex Mostostal Ukraina	Zhytomyr – Ukraine	Production of metal structures	100	100
8	Czerwonogradzki Zakład Konstrukcji Stalowych	Chervonograd – Ukraine	Production of metal structures	100	100
9	Polimex Mostostal Wschód	Moscow, Russia	Distribution of metal products	100	100
10	Polimex Centrum Usług Wspólnych Sp. z o.o. in liquidation	Warsaw	Does not conduct any business activity	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	Does not conduct any business activity	100	100
16	Polimex-Development Inwestycje Sp. z o.o. in liquidation	Warsaw	Does not conduct any business activity	100	100
17	Polimex-Development Inwestycje Sp. z o.o. Apartamenty Tatarska S.K.A. in liquidation	Cracow	Does not conduct any business activity	100	100
18	Energomontaż-Północ Bełchatów Sp. z o.o.	Rogowiec	Specialized construction and assembly services	54.95	54.95
<b>Associates</b>					
19	Finow Polska Sp. z o.o.	Ostrowiec Świętokrzyski	Specialized construction and assembly services	26.4	26.4

As at 30 June 2020 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 has the majority ownership of 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 Company 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 sales revenues of an entity in the Group's sales revenues.

The Company has significant control over its associate Finow Polska Sp. z o.o. as a result of holding over 25% 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 2020 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 preparation of these interim condensed financial statements there were no changes in the composition of the Management Board.

As at 30 June 2020 the Supervisory Board was composed of the following members:

Jakub Rybicki	Chairman of the Supervisory Board
Bartłomiej Kurkus	Vice Chairman of the Supervisory Board
Katarzyna Dąbrowska	Secretary of the Supervisory Board
Eliza Kaczorowska	Member of the Supervisory Board
Marcin Mauer	Member of the Supervisory Board
Tomasz Myśliński	Member of the Supervisory Board

During the reporting period and as at the date of the publication of these interim condensed consolidated financial statements the following changes took place in the composition of the Supervisory Board.

28/02/2020	On 29 February 2020 the Member of the Supervisory Board Mr Paweł Mazurkiewicz resigned from his functions in the Supervisory Board (Current report No 12/2020).
03/03/2020	The Extraordinary General Meeting of Shareholders of Polimex Mostostal S.A. dismissed Mr Andrzej Komarowski from the Supervisory Board and appointed a new Member of the Supervisory Board, Mr Jakub Rybicki (Current report No 17/2020).
10/03/2020	On 15 March 2020 the Secretary of the Supervisory Board Mr Andrzej Kania resigned from his functions in the Supervisory Board (Current report No 20/2020).
17/04/2020	On 31 May 2020 the Member of the Supervisory Board Mr Konrad Milczarski resigned from his functions in the Supervisory Board (Current report No 23/2020).
05/05/2020	On 31 May 2020 the Member of the Supervisory Board Mr Wojciech Kowalczyk resigned from his functions in the Supervisory Board (Current report No 25/2020).
03/06/2020	On 3 June 2020 the Ordinary General Meeting of Stakeholders of Polimex Mostostal S.A. appointed new members of the Supervisory Board, Mrs Eliza Kaczorowska, Mr Marcin Mauer and Mr Tomasz Myśliński (Current report No 34/2020).
03/08/2020	On 3 August 2020 the Extraordinary General Meeting of Stakeholders of Polimex Mostostal S.A. appointed a new member of the Supervisory Board, Mrs Karolina Mazurkiewicz-Grzybowska (Current report No 46/2020).

As at the date of the publication of these interim condensed financial statements the Supervisory Board was composed of the following members:

Jakub Rybicki	Chairman of the Supervisory Board
Bartłomiej Kurkus	Vice Chairman of the Supervisory Board
Katarzyna Dąbrowska	Secretary of the Supervisory Board
Eliza Kaczorowska	Member of the Supervisory Board
Marcin Mauer	Member of the Supervisory Board
Tomasz Myśliński	Member of the Supervisory Board
Karolina Mazurkiewicz - Grzybowska	Member of the Supervisory Board

### 1.3. 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.

### 2. 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 parent company, 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 21 August 2020.

### 3. Platform of the applied International Financial Reporting Standards

#### 3.1. Going concern

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 going concern.

#### *SARS-CoV-2 pandemic*

The Management Board of the Parent Company Polimex Mostostal S.A. conducted an analysis of the impact of the SARS-CoV-2 epidemic on the financial situation and financial results of the Group in the upcoming quarters.

- As a result of various restrictions and legal acts introduced by the authorities of Poland and other countries, the implementation of the Żerań contract within the contractual deadline of 20 November 2020 is no longer feasible. The initiated contingency plans, particularly in the field of electrical works, have proven to be impossible to implement. The Contractor (the Consortium comprising Polimex Mostostal S.A.) informed the Ordering Party that based on the in-depth analysis of the situation related to the pandemic and its consequences the completion date has been moved to 25 April 2021. The Ordering Party is currently reviewing the reports explaining and justifying the updated project schedules. As the Puławy Project is in its early stages of implementation it is currently impossible to precisely indicate the full impact of Force Majeure that constitutes the spread of SARS CoV-2 virus, either on the implementation of the Main Contract or on the already concluded subcontracting agreements. As a result of the epidemic: (i) the communication with the contractors has been limited, (ii) some potential contractors refuse to commit to fixed deadlines and a fixed remuneration in the contract, (iii) some subcontractors reported cases of COVID-19, as well as issues in their supply chain operations, which in the long run may lead to delays in the completion of subcontracting agreements. This will likely have a knock-on effect on the schedules in the Puławy Project. The Group has taken all possible measures to eliminate the negative impact of Force Majeure. Regarding the Dolna Odra project, as per the adopted schedule the design works are currently in progress. The takeover of the construction site and the launch of initial construction works are planned at the turn of the third and fourth quarters of 2020. In March 2020 the Group received an advance payment from the Ordering Party for the implementation of the contract in the amount of PLN 47.4 million. The project is in a preparatory phase and at this stage, apart from the design office and the company in charge of geotechnical research, it does not require the involvement of subcontractors. Both the design and research works have proceeded without major disruptions. On the Opole project there are ongoing works related to the servicing of the warranty period. With regards to other key projects currently implemented by the Group, there have been no major delays reported. In several cases the Group has been notified about the suspension of the planned works by the Ordering Party, but these instances have only been limited to the lower priority projects. Despite the fact that in the opinion of the Group at present there is no

risk of delays related to the pandemic, the Ordering Parties have nevertheless been informed about the occurrence of force majeure.

- It is currently difficult to precisely estimate the impact of the pandemic on the production segment and on the financial goals adopted by the Group in this segment. The restrictions on the economic activity related to the pandemic have had a significant but short-term effect on the galvanizing services. A substantial drop in sales in the first weeks of the pandemic has been compensated by the current high volume of orders. The impact of the pandemic has been insignificant in the case of platform gratings. The Group is currently conducting business activities in this area at a level comparable with the pre-pandemic quarters. There has been a noticeable downward trend in the demand for steel structures. The orders in this segment have longer preparation and implementation periods. The Group is currently improving its sales results in this area, also in light of the fact that its trading partners have largely recovered their full production capacity.
- The Group's liquidity is fully secured. It has been additionally strengthened after the Group obtained a new loan from the Bank of China (note 19) and after the Group postponed the maturity of its bonds (note 19). The epidemic has not contributed to any significant delays in payments to the Group's contractors. At the moment there are no premises to adjust the expected cash flows. The Group is continuously working towards best solutions for the debt refinancing on favourable terms and on applying further tools supporting liquidity. These steps have been initiated before the pandemic and they are currently being continued.
- The Capital Group operates on various markets and it is active on diverse segments of these market. This reduces the risk of over-concentration in areas that may be particularly affected by the epidemic. The Group has a secure order portfolio that is diversified in terms of geographies and industries.
- The Group benefited from the protective measures adopted by the parliament in order to combat the economic effects of the pandemic. In particular, the Group's entities applied for and received subsidies to cover the employment costs in connection with the temporary reduction of working hours. The subsidies related to the employment costs were recognized on an accrual basis and they helped to reduce the payroll costs (by PLN 3 043 thousand until 30 June 2020).

In the opinion of the Management Board of Polimex Mostostal S.A. the SARS-CoV-2 epidemic has not had a significant negative impact on the financial results and position of the Group in the six-month period ended on 30 June 2020 and the business prospects of the Company for the upcoming 12 months are positive.

### **3.2. 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 2019 and published on 17 April 2020.

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.

#### **Standards, amendments to standards and interpretations adopted for the first time in 2020**

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

- Amendments to IFRS 9, IAS 39 and IFRS 7: Reform of interest rate benchmarks;
- Amendments to the References to the Conceptual Framework included in the International Financial Reporting Standards;
- Amendments to IFRS 1 and IFRS 8: "Definition of Material" – effective for annual reporting periods beginning on or after 1 January 2020;

- Amendments to IFRS 3: “Business Combinations”.

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 21 August 2020 still awaited implementation:

- IFRS 14 “Regulatory interim accruals” (published on 30 January 2014) – compliant with the decision of the European Commission, the process for approving a draft standard will not be initiated before the final version is published – as at the date of the approval of these financial statements, the standard has not been signed off by the EU – effective for annual reporting periods beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IFRS 28 “Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture” (published on 11 September 2014) – discussions leading to the approval of these amendments have been postponed by the EU for an indefinite period – the date of entry into force has been postponed by the IASB for an indefinite period;
- IFRS 17 “Insurance Contracts” (published on 18 May 2017) – as at the date of the publication of these financial statements the standard has not been signed off by the EU – effective for annual reporting periods beginning on or after 1 January 2021;
- Amendments to IFRS 1 “Presentation of Financial Statements”: “Classification of liabilities as short-term and long-term” (published on 23 January 2020) – effective for annual reporting periods beginning on or after 1 January 2023;
- Amendments to IFRS 3 “Reference to the Conceptual Framework” (published on 14 May 2020) – effective for annual reporting periods beginning on or after 1 January 2022;
- Amendments to IAS 16 “Property, Plant and Equipment”: revenue earned before an asset is ready for its intended use (published on 14 May 2020) – effective for annual reporting periods beginning on or after 1 January 2022;
- Amendments to IAS 37 “Onerous Contracts” – Cost of Fulfilling a Contract (published on 14 May 2020) – effective for annual reporting periods beginning on or after 1 January 2022;
- Amendments resulting from the review of IFRS 2018-2020 (published on 14 May 2020) – effective for annual reporting periods beginning on or after 1 January 2022;
- Amendments to IFRS 16 “Leasing”: COVID-19-Related Rent Concessions (published on 28 May 2020) – as at the date of the approval of these financial statements, the standard has not been signed off by the EU – effective for annual reporting periods beginning on or after 1 June 2020;
- Amendments to IFRS 4 Insurance Contracts – IFRS 9 deferral (published on 25 June 2020) – effective for annual reporting periods beginning on or after 1 January 2021.

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.

### **3.3. Changes in accounting policies and in the process of the preparation of financial statements**

In these interim condensed consolidated financial statements the Group has changed the presentation of liabilities due to recourse under guarantees. So far the Group has presented these liabilities as part of other liabilities (broken down into short-term and long-term liabilities). In the cash flow statement the cash flows related to these liabilities were presented under operating activity. In the profit and loss account the financial costs related to these liabilities were presented under financial activity. Moving forward these liabilities will be presented in the balance sheet under bank loans, borrowings and other sources of financing (broken down into the short-term and long-term parts) and in the cash flow statement under financing activity, while the presentation of the profit and loss account will remain unchanged. Guarantee recourse liabilities are financial liabilities due to financial institutions. These liabilities are captured in the amortized cost. In the Group's opinion the presentation of these liabilities in the manner indicated above will render the data contained in the financial statements more reliable and useful in order to understand the impact of these transactions on the financial situation of the Group. The changes in the presentation of data have had no impact on the position of equities or on the financial results.

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

	As at 31 December 2019 (before change)	Changes in the presentation	As at 31 December 2019 (after change)
<b>Long-term liabilities</b>			
Bank loans, borrowings and other sources of financing	83 456	4 544	88 000
Other liabilities	14 047	(4 544)	9 503
<b>Short-term liabilities</b>			
Bank loans, borrowings and other sources of financing	76 323	8 821	85 144
Other liabilities	34 164	(8 821)	25 343

#### 4. 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 2020:

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%
<b>The overall number of shares issued</b>	<b>236,618,802</b>	<b>100.00%</b>

\* each Investor holds 16.48% of the shares

In the period between 31 December 2019 and the date of the publication of this report, the Company's shares were purchased by Mr Konrad Milczarski who was a member of the Supervisory Board until 31 May 2020. On 12 March 2020 Mr Milczarski purchased 30 000 shares for PLN 36 419.60 in total and on 13 March 2020 he purchased 40 000 shares for PLN 49 100.00 in total. Other members of the Management Board and the Supervisory Board did not hold any shares of the Company as at 30 June 2020 or as at the date of publication of this report.

There have been no changes in the number of shares between 30 June 2020 and the date of the publication of this report.

#### 5. 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. As at 30 June 2020 the Group incurred PLN 487 720 thousand of unsettled tax losses (which mostly pertained to losses in the amount of PLN 366 803 thousand at Polimex Mostostal S.A and PLN 119 767 thousand at Polimex Energetyka Sp.z o.o. The value of deferred tax assets due to unsettled tax losses amounted to PLN 92 667 thousand. 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. The performed analysis is particularly sensitive to changes in the amount of expected tax revenues and costs obtained from operating activities. The main limitation in the possibility of settling tax losses is the 5-year period indicated in the regulations when tax losses can be settled. In accordance with the conducted analysis, the Group will use tax loss assets in the following periods: the second half of 2020 (in the amount of PLN 55 491 thousand), 2021 (in the amount of PLN 155 908 thousand), 2022 (in the amount of PLN 224 756 thousand), 2023 (in the amount of PLN 36 197 thousand), 2024 (in the amount of PLN 27 732 thousand) and 2025 (in the amount of PLN 2 331 thousand). One-off events supporting the recovery of tax losses in particular relate to the achievement of additional tax income due to: (i) the disposal of real estate held for sale (expected tax income of PLN 20 911 in 2020 and 2021), (ii) the sale of shares in a subsidiary (PLN 54 707 thousand in 2020), (iii) transforming a subsidiary into a limited partnership whose tax revenues will be settled by the Company (expected additional tax revenues at the level of PLN 161 811 thousand between 2021-2024), and (iv) acquiring new contracts (in the amount of PLN 78 550 thousand between 2020-2024). The Management Board of the Parent Company estimates that the occurrence of the above one-off events is highly probable.

As at 30 June 2020 the Group recognized the deferred tax assets in the amount of PLN 180 099 thousand. As at 30 June 2020 the Parent Company recognized the deferred tax assets in the amount of PLN 137 655 thousand.

#### *Fair value measurement and the valuation procedures*

Investment property is measured by the Group 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 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.

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. The progress of works is measured according to the input-based method, i.e. as the share of costs incurred so far in the total expected cost budget of the contract. 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 period.

#### *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 to 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.

#### *Provision 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. The provision includes commission costs related to sureties and guarantees. 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 304 thousand. At the same time, the amount of impairment write-offs of inventories was PLN 64 thousand. The Parent Company, on the other hand, in the reporting period reversed the write-offs of inventories in the amount of PLN 22 thousand.

In the reporting period the Capital Group established the write-offs of receivables in the amount of PLN 955 thousand. In the same reporting period the amount of write-offs of receivables decreased by PLN 169 thousand due to the use of write-offs and repayment of receivables. The Parent Company, on the other hand, in the reporting period reversed the write-offs of receivables due to the use of write-offs and repayment of receivables in the amount of PLN 191 thousand

## **6. 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.

## **7. 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 a 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: 4.4413 PLN/EUR; 0.1532 PLN/UAH; 0.0572 PLN/RUB
- turnover, financial results and cash flows for the comparable period – 4.2520 PLN/EUR; 0.1427 PLN/UAH; 0.0592 PLN/RUB.

## **8. 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 2020 and for the period of 3 months from 1 April to 30 June 2020, as well as the comparative data.

Polimex Mostostal Capital Group  
Interim condensed consolidated financial statements prepared in accordance with IAS 34  
for the period from 1 January 2020 until 30 June 2020  
(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

**Reporting segments**

**For the period of 6 months  
from 01.01.2020 to 30.06.2020**

	<b>Production</b>	<b>Industrial construction</b>	<b>Power Sector */</b>	<b>Oil, gas and chemicals</b>	<b>Infrastructure construction</b>	<b>Other activity</b>	<b>Exclusions</b>	<b>Total activity</b>
<b>Revenues</b>								
Sales to external clients	268 186	17 851	212 483	180 989	42 222	2 715	–	724 446
Sales between the segments	27 414	26 819	4 909	1 386	295	18 414	(79 237)	–
<b>Total segment revenues</b>	<b>295 600</b>	<b>44 670</b>	<b>217 392</b>	<b>182 375</b>	<b>42 517</b>	<b>21 129</b>	<b>(79 237)</b>	<b>724 446</b>
<b>Results</b>								
Profit / (loss) from operating activities of the segment	9 449	5 810	5 775	15 307	9 642	(14 913)	–	31 070
Financial revenues and costs balance	1 806	(1 115)	(1 299)	1 243	193	(3 898)	–	(3 070)
<b>Gross profit / (loss) from the segment</b>	<b>11 255</b>	<b>4 695</b>	<b>4 476</b>	<b>16 550</b>	<b>9 835</b>	<b>(18 811)</b>	<b>–</b>	<b>28 000</b>

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 187 thousand.

**For the period of 3 months  
from 01.04.2020 to 30.06.2020**

	<b>Production</b>	<b>Industrial construction</b>	<b>Power Sector */</b>	<b>Oil, gas and chemicals</b>	<b>Infrastructure construction</b>	<b>Other activity</b>	<b>Exclusions</b>	<b>Total activity</b>
<b>Revenues</b>								
Sales to external clients	120 381	12 166	119 384	92 656	27 822	685	–	373 094
Sales between the segments	12 273	12 931	964	1 379	–	11 858	(39 405)	–
<b>Total segment revenues</b>	<b>132 654</b>	<b>25 097</b>	<b>120 348</b>	<b>94 035</b>	<b>27 822</b>	<b>12 543</b>	<b>(39 405)</b>	<b>373 094</b>
<b>Results</b>								
Profit / (loss) from operating activities of the segment	3 570	2 999	5 538	13 893	5 810	(7 822)	–	23 988
Financial revenues and costs balance	(2 316)	(1 995)	109	(117)	191	(953)	–	(5 081)
<b>Gross profit / (loss) from the segment</b>	<b>1 254</b>	<b>1 004</b>	<b>5 647</b>	<b>13 776</b>	<b>6 001</b>	<b>(8 775)</b>	<b>–</b>	<b>18 907</b>

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 123 thousand.

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

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
<b>Revenues</b>								
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
<b>Results</b>								
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 3 months from 01.04.2019 to 30.06.2019	Production	Industry	Power Sector */	Petrochemicals	Infrastructure construction	Other activity	Exclusions	Total activity
<b>Revenues</b>								
Sales to external clients	138 202	12 249	160 606	84 693	–	1 645	–	397 395
Sales between the segments	15 261	29 033	4	4	–	8 661	(52 963)	–
Total segment revenues	153 463	41 282	160 610	84 697	–	10 306	(52 963)	397 395
<b>Results</b>								
Profit / (loss) from operating activities of the segment	7 318	1 076	(9 644)	9 629	3 540	(5 002)	–	6 917
Financial revenues and costs balance	(2 466)	(7)	170	64	(12)	(4 140)	–	(6 391)
Gross profit / (loss) from the segment	4 852	1 069	(9 474)	9 693	3 528	(9 142)	–	526

The income from transactions between the segments has been excluded.

\* / The operating loss includes the share in the profit of the associate in the amount of PLN 658 thousand.

Polimex Mostostal Capital Group  
Interim condensed consolidated financial statements prepared in accordance with IAS 34  
for the period from 1 January 2020 until 30 June 2020  
(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

## 9. Revenues by categories

### Revenue by type of goods or services

For the period of 6 months from 01.01.2020 to 30.06.2020	Production	Industrial construction	Power sector	Oil, gas and chemicals	Infrastructure construction	Other activity	Exclusions	Consolidated financial data
Revenues from the sales of construction and other services	284 102	44 670	217 348	182 256	42 517	13 047	(74 489)	<b>709 451</b>
Revenues from the sales of goods and materials	9 839	–	44	119	–	2 784	–	<b>12 786</b>
Revenues from rental	1 659	–	–	–	–	5 298	(4 748)	<b>2 209</b>
<b>Total sales revenues</b>	<b>295 600</b>	<b>44 670</b>	<b>217 392</b>	<b>182 375</b>	<b>42 517</b>	<b>21 129</b>	<b>(79 237)</b>	<b>724 446</b>

For the period of 3 months from 01.04.2019 to 30.06.2020	Production	Industrial construction	Power sector	Oil, gas and chemicals	Infrastructure construction	Other activity	Exclusions	Consolidated financial data
Revenues from the sales of construction and other services	126 956	25 097	120 327	93 943	27 822	7 853	(36 392)	<b>365 606</b>
Revenues from the sales of goods and materials	4 934	–	21	92	–	1 450	–	<b>6 497</b>
Revenues from rental	764	–	–	–	–	3 240	(3 013)	<b>991</b>
<b>Total sales revenues</b>	<b>132 654</b>	<b>25 097</b>	<b>120 348</b>	<b>94 035</b>	<b>27 822</b>	<b>12 543</b>	<b>(39 405)</b>	<b>373 094</b>

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

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 sales of construction and other services	312 772	61 389	300 704	120 820	–	14 134	(76 265)	<b>733 554</b>
Revenues from the sales of goods and materials	10 022	–	160	138	–	3 520	(74)	<b>13 766</b>
Revenues from rental	2 060	–	–	–	1	6 035	(5 124)	<b>2 972</b>
<b>Total sales revenues</b>	<b>324 854</b>	<b>61 389</b>	<b>300 864</b>	<b>120 958</b>	<b>1</b>	<b>23 689</b>	<b>(81 463)</b>	<b>750 292</b>

For the period of 3 months from 01.04.2019 to 30.06.2019	Production	Industrial construction	Power sector	Oil, gas and chemicals	Infrastructure construction	Other activity	Exclusions	Consolidated financial data
Revenues from the sales of construction and other services	149 069	41 293	160 509	84 666	–	4 875	(51 906)	<b>388 506</b>
Revenues from the sales of goods and materials	3 408	(11)	101	31	–	2 806	1 153	<b>7 488</b>
Revenues from rental	986	–	–	–	–	2 626	(2 211)	<b>1 401</b>
<b>Total sales revenues</b>	<b>153 463</b>	<b>41 282</b>	<b>160 610</b>	<b>84 697</b>	<b>–</b>	<b>10 307</b>	<b>(52 964)</b>	<b>397 395</b>

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

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**Revenues by geographical area**

For the period of 6 months from 01.01.2020 to 30.06.2020	Production	Industrial construction	Power sector	Oil, gas and chemicals	Infrastructure construction	Other activity	Exclusions	Consolidated financial data
Poland	106 358	44 670	193 735	121 194	42 517	18 494	(78 108)	<b>448 860</b>
Abroad	189 242	–	23 657	61 181	–	2 635	(1 129)	<b>275 586</b>
<b>Total sales revenues</b>	<b>295 600</b>	<b>44 670</b>	<b>217 392</b>	<b>182 375</b>	<b>42 517</b>	<b>21 129</b>	<b>(79 237)</b>	<b>724 446</b>

For the period of 3 months from 01.04.2020 to 30.06.2020	Production	Industrial construction	Power sector	Oil, gas and chemicals	Infrastructure construction	Other activity	Exclusions	Consolidated financial data
Poland	45 751	25 097	107 931	74 232	27 822	11 207	(38 858)	<b>253 182</b>
Abroad	86 903	–	12 417	19 803	–	1 336	(547)	<b>119 912</b>
<b>Total sales revenues</b>	<b>132 654</b>	<b>25 097</b>	<b>120 348</b>	<b>94 035</b>	<b>27 822</b>	<b>12 543</b>	<b>(39 405)</b>	<b>373 094</b>

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)	<b>528 298</b>
Abroad	170 419	–	14	50 845	–	3 625	(2 909)	<b>221 994</b>
<b>Total sales revenues</b>	<b>324 854</b>	<b>61 389</b>	<b>300 864</b>	<b>120 958</b>	<b>1</b>	<b>23 689</b>	<b>(81 463)</b>	<b>750 292</b>

For the period of 3 months from 01.04.2019 to 30.06.2019	Production	Industrial construction	Power sector	Oil, gas and chemicals	Infrastructure construction	Other activity	Exclusions	Consolidated financial data
Poland	63 887	41 282	160 596	50 009	–	8 899	(50 055)	<b>274 618</b>
Abroad	89 576	–	14	34 688	–	1 408	(2 909)	<b>122 777</b>
<b>Total sales revenues</b>	<b>153 463</b>	<b>41 282</b>	<b>160 610</b>	<b>84 697</b>	<b>–</b>	<b>10 307</b>	<b>(52 964)</b>	<b>397 395</b>

## 10. Financial income

	For the period of 6 months		For the period of 3 months	
	from 01.01.2020 to 30.06.2020	from 01.01.2019 to 30.06.2019	from 01.04.2020 to 30.06.2020	from 01.04.2019 to 30.06.2019
Revenues from bank interests	567	2 019	139	876
Income due to the interest on late payment of receivables	1 317	13	760	6
Profit due to the modification of financial instruments	1 244	–	1 244	–
Foreign exchange profits	4 285	–	–	–
Adjustment for discounting settlements	2 594	1 146	775	1 235
Dissolution of provisions for the financial costs	119	–	34	–
Other	3	174	1	85
<b>Total financial income</b>	<b>10 129</b>	<b>3 352</b>	<b>2 953</b>	<b>2 202</b>

## 11. Financial costs

	For the period of 6 months		For the period of 3 months	
	from 01.01.2020 to 30.06.2020	from 01.01.2019 to 30.06.2019	from 01.04.2020 to 30.06.2020	from 01.04.2019 to 30.06.2019
Interest on bank loans and borrowings	3 118	5 022	1 630	2 319
Interest and commissions on bonds	8 122	7 936	3 913	4 099
Interest on other liabilities	337	195	16	105
Financial costs due to financial lease agreements	558	468	418	351
Foreign exchange losses	–	1 044	1 601	957
Bank charges on guarantees and loans	970	802	365	285
Other	94	602	91	477
<b>Total financial costs</b>	<b>13 199</b>	<b>16 069</b>	<b>8 034</b>	<b>8 593</b>

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

	As at 30 June 2020	As at 31 December 2019
<b>Off-balance sheet items and litigations</b>		
<b>Contingent liabilities</b>	<b>613 105</b>	<b>482 107</b>
– granted guarantees and sureties	485 361	359 584
– promissory notes	58 482	53 362
– litigations	69 262	69 161

The increase in the value of guarantees is mainly due to the issuance of new performance bonds under the following contracts: the Puławy Contract (in the amount of PLN 105 990 thousand) and the Dolna Odra Contract (in the amount of PLN 47 360 thousand).



### 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 2020 and as at 30 June 2020 and for the period of 6 months ended on 30 June 2019 and as at 31 December 2019.

Group of entities		Sales to related parties	Acquisitions from related parties	Receivables from related parties	Liabilities towards related parties
Other parties related through shareholders	2020	111 830	10 679	111 341	69 595
Unconsolidated subsidiaries	2020	6	–	255	445
Associates	2020	–	–	–	–
<b>Total</b>		<b>111 836</b>	<b>10 679</b>	<b>111 596</b>	<b>70 040</b>
Other parties related through shareholders	2019	287 859	10 018	103 916	46 084
Unconsolidated subsidiaries	2019	8	1	302	436
Associates	2019	8	–	–	–
<b>Total</b>		<b>287 875</b>	<b>10 019</b>	<b>104 218</b>	<b>46 520</b>

To the best knowledge of the Management Board of the Parent Company, the transactions concluded in 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 the type of operating activities.

### 14. Transactions with parties related with the State Treasury

Polimex Mostostal Capital Group is a party in the transactions with entities 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.

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**15. Change in provisions**

	Provisions for warranty repairs	Provision for litigations	Provision for penalties	Provisions for the costs of contracts	Provision for losses	Provision for sureties	Other provisions	Total
<b>Status as at 1 January 2020</b>	<b>42 653</b>	<b>20 714</b>	<b>813</b>	<b>7 189</b>	<b>19 534</b>	<b>142</b>	<b>1 117</b>	<b>92 162</b>
Created in the financial year	4 312	–	–	3	1 985	154	906	<b>7 360</b>
Used	(6 220)	(104)	(154)	(453)	(6 187)	(86)	(510)	<b>(13 714)</b>
Dissolved	(5 637)	(6 157)	–	(2 938)	(346)	(120)	(32)	<b>(15 230)</b>
Foreign exchange rate differences	–	–	–	–	–	–	(77)	<b>(77)</b>
<b>As at 30 June 2020</b>	<b>35 108</b>	<b>14 453</b>	<b>659</b>	<b>3 801</b>	<b>14 986</b>	<b>90</b>	<b>1 404</b>	<b>70 501</b>
<b>Short-term as at 30 June 2020</b>	<b>17 705</b>	<b>6 606</b>	<b>659</b>	<b>3 801</b>	<b>14 986</b>	<b>90</b>	<b>1 404</b>	<b>45 251</b>
<b>Long-term as at 30 June 2020</b>	<b>17 403</b>	<b>7 847</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>25 250</b>
<b>Status as at 1 January 2019</b>	<b>74 778</b>	<b>26 634</b>	<b>3 100</b>	<b>9 478</b>	<b>52 536</b>	<b>110</b>	<b>409</b>	<b>167 045</b>
Created in the financial year	3 024	–	–	13	1 113	321	323	<b>4 794</b>
Used	(1 503)	(283)	(49)	(784)	(15 114)	(139)	(530)	<b>(18 402)</b>
Dissolved	(21 638)	(2 412)	(1 327)	(6)	(4 052)	(152)	(6)	<b>(29 593)</b>
Foreign exchange rate differences	–	–	–	–	–	–	18	<b>18</b>
<b>As at 30 June 2019</b>	<b>54 661</b>	<b>23 939</b>	<b>1 724</b>	<b>8 701</b>	<b>34 483</b>	<b>140</b>	<b>214</b>	<b>123 862</b>
<b>Short-term as at 30 June 2019</b>	<b>29 642</b>	<b>17 288</b>	<b>1 724</b>	<b>8 701</b>	<b>34 483</b>	<b>140</b>	<b>206</b>	<b>92 184</b>
<b>Long-term as at 30 June 2019</b>	<b>25 019</b>	<b>6 651</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8</b>	<b>31 678</b>

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

In the course of the year 2020 the value of tangible fixed assets increased due to the acquisition transaction in the amount PLN 4 695 thousand and due to the conclusion and modification of the lease agreements in the amount of PLN 16 851 thousand. In terms of the lease agreements, the increase is mainly due to the extension by the Group of the lease agreement for the office space in the "Kaskada" building in Warsaw at Aleja Jana Pawła II 12. The value of the recognized right-of-use assets amounted to PLN 14 577 thousand.

The value of sales, liquidation and impairment loss on intangible fixed assets in 2020 has been insignificant.

## 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 property, as well as selected operational property. 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 2020	As at 31 December 2019
Tangible fixed assets	14 289	14 396
Investment property	25 597	27 796
<b>Assets held for sale</b>	<b>39 886</b>	<b>42 192</b>

In 2020 the Company sold the property located at Przemysłowa 11 in Stalowa Wola for the amount of PLN 2 199 thousand.

## 18. Cash and cash equivalents

	As at 30 June 2020	As at 31 December 2019
Cash at bank and in hand	173 250	142 193
Short-term deposits	156 401	142 820
<b>Total</b>	<b>329 651</b>	<b>285 013</b>
<i>Restricted cash</i>	<i>62 302</i>	<i>59 634</i>

Restricted cash relates to the funds kept on project-specific accounts dedicated to the Dolna Odra, Opole and Puławy contracts. These accounts are used for the purpose of payment transfers from the Ordering Party for the rendered services and to pay subcontractors for the performed works. Payments to subcontractors from the project-specific accounts are made using the expenses approval procedure by an independent technical advisor appointed for the purpose of a given contract.

## 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 2020 Polimex Mostostal Capital Group generated sales revenues in the amount of PLN 724 446 thousand (a drop by 3.4% compared to the data for the corresponding period in 2019).

In the reporting period the Capital Group achieved a profit from operating activities in the amount of PLN 30 883 thousand (compared to a loss of PLN 3 936 thousand in the corresponding period of the first 6 months of 2019).

In the reporting period the general administration expenses increased by 2.2% compared to the corresponding period (in the first half of 2020 the general administration expenses amounted to PLN 34 504 thousand, whereas in the corresponding period of 2018 it was PLN 33 752 thousand).

The net profit in the first half of 2020 assigned to the shareholders of the Parent Company amounted to PLN 24 797 thousand (compared to the net loss of PLN 12 131 thousand in the corresponding period of 2019).

As at 30.06.2020 the total assets of Polimex Mostostal Capital Group were PLN 1 832 901 thousand. The fixed assets as at 30.06.2020 amounted to PLN 748 820 thousand (a decrease of 9% compared to the data as at 31.12.2019) and the current assets amounted to PLN 1 044 195 thousand (an increase of 17.1% compared to the

data as at 31.12.2019). In terms of the assets the main changes in value concern the deposits for construction contracts and cash. The value of long-term deposits decreased in 2020 by PLN 77 508 thousand with a simultaneous increase in the value of short-term deposits by PLN 95 369 thousand, which is a result of the reclassification of the deposits on the Koziernice project. The value of cash as at 30 June 2020 was PLN 329 651 thousand and it was higher by PLN 44 638 thousand compared to 31.12.2019. In the course of 2020 the Group obtained a new source of financing in the form of a loan from the Bank of China – the inflow of cash due to this loan amounted to PLN 72 365 thousand.

The equity as at 30.06.2020 amounted to PLN 754 471 thousand (an increase of 3% compared to the data as at 31.12.2019) and the liabilities were PLN 1 078 430 thousand (an increase of 5.3% compared to the data as at 31.12.2019).

In the reporting period, in accordance with the cash flow statement of the Capital Group, there was an increase in net cash and cash equivalents by PLN 44 638 thousand. The cash and cash equivalents as at 30.06.2019 amounted to PLN 329 651 thousand. The net cash flow from operating activities amounted to minus PLN 10 032 thousand. The net cash flows from investing activities amounted to minus PLN 2 908 thousand and the net cash flows from financing activities amounted to PLN 57 578 thousand. Restricted cash involves amounts received in relation to the implementation of the Opole and Dolna Odra projects.

The current order portfolio of the Capital Group, less the sales of the consortium members, amounts to PLN 3 840 million. The order portfolio for particular years is currently as follows: 2020 PLN 832 million, 2021 PLN 1.216 million, 2022 PLN 1.060 million, subsequent years PLN 732 million.

The liquidity ratios of the Capital Group, current and fast, were as at 30.06.2020 at a comparable level with the ratios as at 31.12.2019 and they respectively amounted to 1.41 and 1.19 (these values were at the level of 1.41 and 1.03 as at 31.12.2019).

## **20. Key events in the reporting period and significant events after 30 June 2020**

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

- On 2 January 2020 the Company withdrew with immediate effect from the agreement concluded on 15 November 2019 with Inwat sp. z o.o. The subject of the Agreement was the development by the contractor of the multidisciplinary project documentation for the purposes of the "Construction of a Coal-Fired Power Unit in Puławy" and the performance of the author supervision during the implementation of the Contract by the Company. The Company withdrew from the Agreement due to the fault of the Contractor on the basis of the relevant provisions of the Agreement granting the Company such a right under specified conditions.
- On 8 January 2020 Mostostal Siedlce Sp. z o.o. Sp. k., a subsidiary of the Company, concluded an agreement for the supply of zinc in 2020 (the "Agreement") with Huta Cynku "Miasteczko Śląskie" S.A. The price of individual zinc deliveries will comprise an amount calculated based on the average quotations of zinc by Cash Seller & Settlement on the London Metal Exchange (the "LME") and a fixed amount determined by the parties to the Agreement for each ton of this raw material. The estimated value of the Agreement should not exceed USD 17.9 million net. The Management Board emphasised that due to the fact that the final price calculation will involve the values from the LME zinc quotations, it is not possible to accurately indicate the value of the Agreement at the time of its conclusion. All payments arising from the Agreement will be made in PLN converted from USD according to the arithmetic mean of the average exchange rates of the National Bank of Poland calculated on the business days during the quoting period.
- On 20 January 2020 the Company concluded an agreement with Engineering, Procurement and Construction Office "Energoprojekt-Katowice" S.A. (the "Contractor"). The subject of the agreement is the development by the Contractor of multidisciplinary project documentation for the purposes of the following contract: "Construction of a Coal-Fired Power Unit in Puławy" (the "Agreement"), as well as performance of the author supervision during the implementation of the contract by the Company. The period of the execution of the subject of the Agreement begins on the day of its signature and ends on 23 January 2023. The Contractor's remuneration for the performance of the subject of the Agreement

is flat-rate and has been set at PLN 43 200 thousand net. The Contractor will be obliged to pay contractual penalties to the Company under the circumstances outlined in the Agreement, however, the total amount of penalties will not exceed 25% of the gross remuneration. In case the aggregate amount of penalties does not cover the damage suffered by either Party, each Party to the Agreement will be entitled to seek supplementary damages under general principles to the maximum amount of 100% of the gross remuneration.

- On 30 January 2020 there was a conclusion of an agreement (the "Agreement") between PGE Górnictwo i Energetyka Konwencjonalna S.A. (the "Ordering Party") and the consortium (the "Contractor") comprising General Electric Global Services GmbH with the registered office in Switzerland ("GEGS") (the consortium leader), General Electric International Inc. ("GEII") with the registered office in Delaware in the US and the Company (the consortium partners). The subject of the Agreement is a turnkey construction of two gas and steam power units 9 and 10 (complete sets of power generating equipment and their auxiliary installations and any other technological, mechanical, electrical and automation installations, along with associated facilities) for PGE Górnictwo i Energetyka Konwencjonalna S.A. at the Dolna Odra Power Plant Complex (the "Assignment"), involving all works, deliveries and services, as well as the preparation of the project documentation. Pursuant to the Agreement, the Contractor is obliged to start the implementation of the Agreement immediately after its conclusion and to finalize the Assignment by 11 December 2023.

The remuneration for the performance of the Assignment is flat-rate and amounts to PLN 3 649 713 thousand net (the "Remuneration"), of which PLN 1 515 097 thousand net is the share of the Company. The Remuneration will be paid in instalments on the basis of the invoices issued as per the schedule outlined in the Agreement. The Agreement stipulates the possibility by the Ordering Party to exercise the option right, namely to ask the Contractor to perform the supplies, services and works specified in the Agreement for an additional remuneration of PLN 51 380 thousand net.

Pursuant to the provisions of the Agreement, the Contractor will provide the Ordering Party with a basic quality guarantee for the subject of the Agreement covering a period of 24 months, as well as an extended warranty for the construction works for the period of 60 months. Under the cases specified in the Agreement, the warranty period may be extended, however, the basic warranty period will not exceed 48 months in total and the extended warranty period will not exceed 84 months in total. The Contractor has separately granted the Ordering Party with the warranty for defects. The warranty period for defects corresponds with the warranty period.

In order to cover any potential claims from the Ordering Party, the Consortium will provide a security for the proper performance of the Agreement in the amount of 10% of the gross remuneration in cash or in kind. 70% of the security value will be returned within 30 days from the date of the signature of the last handover protocol. The remaining part of the security will be returned or released no later than 15 days after the expiry of the basic warranty or guarantee period.

- On 31 January the following conditions precedent were fulfilled:
  - (i) the issuance of a guarantee for the proper performance of contract in the total amount of PLN 59 650 thousand, pursuant to the agreement of 31 December 2019 between the Company and Bank Ochrony Środowiska S.A. with the registered office in Warsaw ("BOŚ") for the purpose of securing the performance of the contract concluded with Grupa Azoty Zakłady Azotowe "Puławy" S.A. for the construction of a complete coal-fired heating and condensing power unit in Puławy (the "Puławy Contract"),
  - (ii) the issuance of a guarantee for the proper performance of contract in the total amount of PLN 46 340 thousand for the purpose of securing the performance of the Puławy Contract, pursuant to the agreement of 31 May 2017, amended by Annex No 3 of 31 December 2019, concluded between the Company, Naftoremont-Naftobudowa Sp. z o.o., Polimex Energetyka Sp. z o.o., Polimex Budownictwo Sp. z o.o. Sp.k. as the liable and Bank Gospodarstwa Krajowego ("BGK").

The main conditions precedent included an obligation to establish collateral for BOŚ, the most important of which is the submission of a declaration on establishing mortgage on the Company's real estate and pledges on the assets of the Company and its subsidiaries, as well as joint collateral of which BGK is also a beneficiary. In the remaining scope, the conditions for the issuance of the guarantees concerned the delivery of standard documentation for this type of transaction.

In relation to the fulfilment of conditions referred to in points i) and ii) above, on 31 January 2020 BOŚ issued, at the request of the Company, a guarantee for the proper performance (due performance) in connection with the implementation of the Puławy Contract in the amount of PLN 59 650 thousand and BGK issued, at the request of the Company, a guarantee for the proper performance (due performance) in the amount of PLN 46 340 thousand.

- On 13 February 2020 there was a conclusion of an agreement (the “Agreement”) between VEOLIA Energia Poznań S.A. with the registered office in Poznań (the “Ordering Party”) and a consortium (the “Contractor”) comprising Polimex Energetyka sp. z o.o. (a wholly owned subsidiary of the Issuer, as the consortium leader), the Issuer (as the consortium partner) and Energomontaż-Północ-Bełchatów sp. z o.o. (a subsidiary of the Issuer, as the consortium partner). The subject of the Agreement is the turnkey construction of a heat accumulation system at the Karolin CHP Plant (the “Assignment”), involving a comprehensive design, deliveries, performance of works, commissioning and handover for operation. The Agreement came into force on the day of its conclusion and the final implementation stage of the Assignment, the handover for operation, will take place by 10 August 2021. The remuneration for the performance of the Assignment is flat-rate and it amounts to PLN 35 978 thousand net (the “Remuneration”). The Remuneration will be paid in instalments after the completion of respective implementation stages of the Assignment.

Pursuant to the provisions of the Agreement, in order to secure the subject of the Agreement the Contractor will grant the Ordering Party with a guarantee of durability and a guarantee for the maintenance of selected parameters for the period of 2 years from the date of the handover for operation. In order to cover any potential claims from the Ordering Party, the Contractor will provide the Ordering Party with a security for the proper performance of the Agreement in the amount of 5% of the gross Remuneration, in one or several forms agreed with the Ordering Party. In order to ensure the Contractor’s performance of all obligations during the warranty period, the Contractor will provide the Ordering Party with a security for the guarantee of quality in the amount of 1.5% of the gross remuneration, no later than by the date of the finalization of the warranty measurements, in one or several forms agreed with the Ordering Party.

- In connection with the notification from GE Power Sp. z o.o. with the registered office in Warsaw (the “Ordering Party”) about the suspension of the agreement of 13 September 2019 (the “Agreement”) concluded between Mostostal Siedlce Sp. z o.o. Sp.k. with the registered office in Siedlce (“MS”) and the Ordering Party for the manufacturing and delivery of steel structures by MS to the Ordering Party for the purpose of the implementation of the Assignment: “Construction of the Ostrołęka C Power Plant with the capacity of approximately 1000 MW”, MS prepared, at the request of the Ordering Party, an assessment of the status of performed works, an estimate of the expenses related to these works, a list of works than need to be finalized for technical reasons and the evaluation of costs of the suspension of the Agreement – as announced in the current report No 11/2020. As per the estimated data, based on the progress of works, the costs incurred by MS under the Agreement as of the date of its suspension have been evaluated at PLN 21 million (taking into account the costs of the reservation of power). Pursuant to the declaration of the Ordering Party and the entitlements of MS arising from the Agreement, all costs resulting from the Suspension will be the subject of settlement between the parties to the Agreement after the verification procedure carried out in accordance with the provisions of the Agreement.
- On 28 February 2020 the Company concluded an agreement (the “Agreement”) with Powszechna Kasa Oszczędności Bank Polski S.A. with the registered office in Warsaw (“PKO BP”), the subject of which is the provision, at the request of the Company, of a bank guarantee for the return of the advance payment in domestic transactions (the “Guarantee”). This is in relation to the implementation by the Company within the consortium also comprising General Electric Global Services GmbH with the registered office in Switzerland and General Electric International Inc. with the registered office in the state of Delaware in the USA, of a contract for the construction of two gas and steam power units for PGE Górnictwo i Energetyka Konwencjonalna S.A. at the Dolna Odra Power Plant Complex (the “Contract”). Pursuant to the terms of the Agreement, PKO BP issued a Guarantee in the amount of PLN 47 360 thousand, which will remain valid until 31 March 2023.

In compliance with the Agreement, the receivables of PKO BP have been secured: (i) with the transfer to PKO BP of cash receivables the Company is entitled to under the Contract, (ii) with a registered pledge on the receivables under a bank account agreement regarding a project-specific account opened for the purpose of servicing the Contract, and (iii) with a financial pledge on cash and cash payment claims, including on deposits deployed in the financial market from the project-specific account opened for the purpose of servicing the Contract. In addition, the Company is obliged to submit within 14 days of the conclusion of the Agreement a statement of submission to enforcement, compliant with Article 777(1), point 5 of the Civil Procedure Code. The maximum amount of each of the above-mentioned collaterals is PLN 71 040 743.00. Pursuant to the terms of the Agreement, following the issuance of the Guarantee, the list of collaterals may be extended conditional upon the fulfilment of the provisions outlined in the Agreement.

- On 3 March 2020 there was a conclusion of an annex (the "Annex") to the agreement for the construction of the shell of a residential complex on the Ordonia street in Warsaw (the "Contract") between the consortium comprising the Company, Polimex Infrastruktura Sp. z o.o. (a subsidiary of the Company) (jointly referred to as the "Contractor") and Projekt Echo – 136 Sp. z o.o. Sp. k. The Annex stipulates: (i) an increase to the Contractor's remuneration by PLN 154 thousand net to the amount of PLN 36 822 thousand due to an extension of the scope of the Contract to include additional works, (ii) an extension to the deadline for the Contract execution until 31 January 2021. Other significant provisions of the Contract remain unchanged.
- On 6 March 2020 the Civil Division of the Court of Appeal in Katowice (the "Court of Appeal") passed a judgement in the second instance in a case brought by the Issuer against the City of Katowice (the "Ordering Party") in connection with the withdrawal from the agreement concluded on 3 October 2011 for the "Construction of the multifunctional International Congress Centre in Katowice" (the "Agreement"). The details of the Agreement were published in the Issuer's current report No 58/2011 of 4 October 2011. The withdrawal from the Agreement was disclosed in the Issuer's current report No 75/2012 of 20 September 2012. In the first instance the 2nd Civil Division of the District Court in Katowice (the "District Court") awarded the Issuer with a compensation in the amount of PLN 17.5 million. The Court of Appeal revised the decision of the District Court in the case at hand as follows: (i) it increased the amount of the awarded compensation from circa PLN 17.5 million to circa PLN 26.1 million and (ii) it confirmed that the interest charged from 31 December 2015 has the status of statutory interest and from 1 January 2016 it constitutes statutory interest for late payment. The Court also dismissed the appeal of the Ordering Party in its entirety and it dismissed the appeal of the Issuer in the remaining scope, as well as ordered the Issuer to cover the costs of the appeal proceeding in the amount of circa PLN 53.6 thousand PLN. The compensation awarded by the Court of Appeal to the Issuer, including the interest, amounts to approximately PLN 40.4 million. The judgement of the Court of Appeal is final. Changes in the estimates of the above judgement were included in the 2019 financial results. The above judgement did not significantly affect the Group's financial result in the first half of 2020.
- On 27 March 2020 there was a conclusion of an agreement (the "Agreement") between PKN ORLEN S.A. (the "Ordering Party") and Naftoremont-Naftobudowa Sp. z o.o. (a subsidiary of the Issuer) (the "Contractor"). The subject of the Agreement is the performance in the EPC formula of the infrastructural works, as well as the works related to inter-facility pipelines within the following assignment: "The Visbreaking Installation in the Production Plant in Płock" (the "Assignment"). The remuneration for the performance of the Assignment is flat-rate and amounts to PLN 106 800 thousand net. The Agreement stipulates additional remuneration in the maximum amount of PLN 13 150 thousand net in case there is a necessity to execute certain specified scopes that are contractually optional. The remuneration will be payable in instalments after the completion of each stage of the Assignment. The Contractor will be eligible to claim an advance payment of up to 10% of the net remuneration. The Contractor is obliged to finalize the performance of the Assignment within 34 months from the date of the conclusion of the Agreement. The Contractor will provide the Ordering Party with a security for the proper performance of the Agreement and a security for the removal of faults and defects in the form of bank or insurance guarantees, or in the form of deductions from the remuneration on the deposit. The Contractor will provide the Ordering Party with a security for the return of the advance payment in the form of a bank or insurance guarantee. The Agreement allows for the possibility to impose contractual penalties on the

Contractor. The total amount of penalties due to delays cannot exceed 20% of the net remuneration. The Agreement stipulates a contractual penalty imposed on the Contractor in the amount of 10% of the remuneration for the withdrawal from the Agreement by the Ordering Party through the fault of the Contractor. In the event of damage inflicted upon the Ordering Party that exceeds the allowed amount of the contractual penalty, the Ordering Party reserves the right to claim compensation under general principles. Pursuant to the Agreement, the Contractor will grant the Ordering Party with a guarantee for the subject of the Agreement for the period of 36 months, as well as a guarantee for the period of 48 months for the scope of the Assignment pertaining to the protective and varnish coating. The Parties provided for a contractual entitlement for the Ordering Party to withdraw from the Agreement in specified cases.

- On 17 April 2020 there was the conclusion of a settlement (the "Settlement") in connection with the implementation of the contract of 29 June 2017 for the delivery and assembly of a gas and steam power unit at the Żerań CHP 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, 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 consortium members (jointly referred to as the "Contractor"). The subject of the Settlement is an adjustment of the Contract Value in light of an increase to the costs of its implementation that was unpredictable at the time of the submission of the offer. As a result of the Settlement, the Contract Value will increase by PLN 29.2 million net. The Company's share in this increase amounts to PLN 19.6 million net. The Contractor and the Ordering Party consented that upon the conclusion of the Settlement the protocol of the mediation procedure and the Settlement should be immediately submitted to the relevant court of law for approval by the mediator who was present during the conclusion.
- On 12 May 2020 there was the conclusion of an annex to the agreement of 3 December 2019 (the "Agreement") between the City of Konin (the "Ordering Party") and the consortium comprising the Company (as the consortium leader) and Polimex Infrastruktura Sp. z o.o. with the registered office in Warsaw (the subsidiary of the Issuer, the consortium partner) (jointly referred to as the "Contractor") for the execution of the following investment: "Construction of the connection between the Paderewski street with the Wyzwolenia street in Konin in relation to the modernization of the E-20 railway line (the "Assignment"). The parties to the Agreement consented that the scope of work within the Assignment has been modified by the occurrence of replacement works, additional works and discontinued works and therefore, as stipulated by the Annex, the Contractor's remuneration for performing the Assignment will amount to the total of PLN 68 896 thousand gross. Other material provisions of the Agreement remain unchanged.
- On 15 May 2020 the Company, acting as the borrower, and the Bank of China (Luxembourg) S.A. represented by the Bank of China (Luxembourg) S.A., branch in Poland (the "Bank"), acting as the creditor, concluded a loan agreement (the "Agreement"). Pursuant to the Agreement the Bank granted the Company with a non-renewable loan in the amount of PLN 80 762 500. The provision of the loan by the Bank is conditional upon the fulfilment of terms outlined in the Agreement including, in particular, the submission by the Company of the documents regarding collateral securing the Bank's receivables arising from the Agreement. The Agreement has been secured through the following: (i) a transfer of Company's receivables to Enea Wytwarzanie Sp. z o.o. (the "Ordering Party") related to the return of a guarantee for the proper performance of contract submitted in cash for the duration of the warranty period on the contract (the "Kozienice Deposit"). The Company informed about the conclusion of the contract in the current report No 80/2012 of 21 September 2012 (the "Kozienice Contract"), (ii) a deposit in the amount of 10% of the loan granted under the Agreement, and (iii) the Company's statement on voluntary submission to enforcement. The final repayment date of the loan under the Agreement has been set at 15 February 2021 and it correlates with the contractual maturity of the Kozienice Deposit, which will be used to repay the loan granted under the provisions of the Agreement. As a result, in financial terms the Agreement enables the Company to obtain access to the funds equivalent to the Kozienice Deposit earlier, which in accordance with the provisions of the Kozienice Contract will be released by the Ordering Party after the finalization of the warranty period. The funds from the loan



granted under the Agreement can be used by the Company to finance its ongoing operations. The loan interest rate for each interest period is the interest rate on an annual basis and it is the sum of the applicable margin and the base rate (according to the Warsaw Interbank Offered Rate). The Agreement is compliant with the international standard applied in these types of transactions. The Company has assumed a standard scope of obligations, in essence equivalent to the requirements on the financing documentation already binding the Company, including the obligation by the Company to inform the Bank about the publication of financial statements and other significant events, in particular regarding the implementation of the Koziencice Contract. The Agreement stipulates, inter alia, the restrictions on changes to the scope of business activity, trading in key assets and collateral, as well as dividend payments, granting loans to entities external to the Company's capital group or the obligation to maintain positive equity. In case of identified violations of the Agreement, the Bank is eligible to execute its standard rights, including the right to terminate the Agreement or to suspend financing of unused funds.

- On 29 May 2020 took place the fulfilment of conditions precedent and the deployment of funds under a loan agreement of 15 May 2020 concluded between the Company, acting as the borrower, and the Bank of China (Luxembourg) S.A. represented by the Bank of China (Luxembourg) S.A., branch in Poland (the "Bank"), acting as the creditor. Pursuant to the Agreement, the Bank has granted the Company with a non-renewable loan in the amount of PLN 80 762 500. In relation to the fulfilment of the above-mentioned conditions, on 29 May 2020 the Bank deployed the loan, as requested by the Company.
- On 2 June 2020 the Company concluded an agreement with Engineering, Procurement and Construction Office "Energoprojekt-Katowice" S.A. with the registered office in Katowice (the "Contractor"). The subject of the agreement is the development by the Contractor of the multidisciplinary project documentation and provision of engineering services for the purposes of the following contract: "Construction of two gas and steam power units for PGE GiEK S.A. at the Dolna Odra Power Plant Complex" (the "Contract"), together with the infrastructure and necessary connections and demolition, as well as performance of the role of a general designer and provision of author supervision during the implementation of the Contract by the Company. The period of the execution of the subject of the Agreement begins on the day of its signature and ends on 11 December 2023. The remuneration for the performance of the subject of Contract by the Contractor consists of a flat-rate part, the amount of which has been set at PLN 40 843 375.00 net and the measurement price which was estimated at PLN 62 000.00 on the date of conclusion of the contract. The Contractor will be obliged to pay contractual penalties to the Company under the circumstances outlined in the Agreement, however, the total amount of the penalties will not exceed 20% of the flat-rate net remuneration. The total liability of the parties to the Agreement will not exceed 100% of the flat-rate net remuneration. The parties have excluded liability for lost profits. The Agreement stipulates the possibility of withdrawal from it by both parties in specified cases.
- On 3 June 2020 there was a conclusion of an annex (the "Annex") to the agreement between the Issuer, Polimex Energetyka Sp. z o.o. (a subsidiary of the Issuer, jointly the "Ordering Parties") and Powszechny Zakład Ubezpieczeń S.A. with the registered office in Warsaw ("PZU"), the subject of which is the determination of the rules for the provision by PZU of contractual insurance guarantees under agreed exposure limits (the "Agreement"). As a result of the conclusion of the Annex, the duration of the Agreement has been extended until 31 May 2021. The total exposure limit for both Ordering Parties has not changed and remains at the level of PLN 98 970 thousand, with a reservation that for Polimex Energetyka Sp.z o.o. the sublimit cannot be higher than PLN 6 000 thousand. Other material provisions of the Agreement remain unchanged.
- On 19 June 2020 the Company concluded an agreement (the "Agreement") with Mitsubishi Hitachi Power Systems Ltd. with the registered office in Yokohama in Japan (the "Contractor"). The subject of the Agreement is the implementation and delivery of a complete exhaust outlet system for the purposes of the "Construction of a Coal-Fired Power Unit in Puławy" along with the accompanying services, namely the supervision over the assembly and commissioning of the system, preparation of as-built documentation and provision of training. The subject of the Agreement does not cover the assembly of the system. Pursuant to the Agreement, the signature of the protocol of acceptance of the exhaust

outlet system for operation is scheduled to take place on 31 October 2022. The Contractor's remuneration for the performance of the subject of the Agreement is flat-rate and has been set at PLN 22 600 thousand net. The remuneration will be payable to the Contractor in instalments, conditional upon the completion of the subsequent stages of the subject of the Agreement. The Agreement stipulates the provision to the Contractor of an advance payment in the amount of 5% of the remuneration. The Contractor will be obliged to pay contractual penalties to the Company under the circumstances outlined in the Agreement. The total amount of penalties will not exceed 30% of the net remuneration. The total liability for damages of each party arising from the Agreement and related to its performance is limited to the amount of 100% of the gross remuneration. In order to cover any potential claims from the Company for the non-performance or improper performance of the Agreement by the Contractor, the Agreement stipulates the provision of a security for the due performance of the Agreement in the amount of 10% of the net remuneration. The Contractor will grant the Company with a basic guarantee for the subject of the Agreement for the period of 25 months and an extended guarantee for the period of 61 months in the scope of the specified elements of the subject of the Agreement. In certain defined cases, the Agreement provides for the possibility of withdrawal from the Agreement by the Company or by the Contractor.

#### **Significant events that occurred after the balance sheet date of 30 June 2020 until the date of the approval of the financial statements**

- On 10 July 2020 there was a conclusion of an agreement (the "Agreement") between E&W Sp. z o.o. Sp. k. with the registered office in Dąbrowa near Poznań (the "Ordering Party") and Polimex Budownictwo Sp. z o.o. Sp. k. with the registered office in Siedlce (a subsidiary of the Issuer) (the "Contractor"). The subject of the Agreement is the comprehensive turnkey implementation of the wind farm "Janikowo Wind Park" comprising 30 turbines with a total capacity of 60 MW. The remuneration for the execution of the subject of the Agreement is flat-rate and amounts to PLN 43 050 thousand gross. The remuneration will be paid in instalments in conjunction with the billable implementation stages finalized in a given month. The project has been divided into two stages in terms of the scope of works ("Stage 1" and "Stage 2"). The deadline for the finalization of Stage 1 has been set at 30 September 2020 and the deadline for Stage 2 at 15 December 2021. The implementation of Stage 2 of the Agreement is conditional upon the fulfilment of specified conditions included in the Agreement, especially related to obtaining funds from the Ordering Party to finance the subject of the Agreement. The Issuer will inform about the go-ahead from the Ordering Party to implement Stage 2 in a separate current report. The Contractor will provide the Ordering Party with a security for the due implementation and the proper performance of the Agreement in the form of bank or insurance guarantees in the amount of 10% of the net remuneration due to be paid during Stage 1 and in the amount of 5% of the net remuneration due to be paid during Stage 1 in the guarantee and warranty period. The above amounts will respectively increase to 10% and 5% of the total net remuneration after receiving the go-ahead by the Contractor to implement Stage 2. In case of a failure by the Contractor to submit the above guarantees, the Ordering Party will be entitled to retain 10% of the invoices under Stage 2 until the corresponding amount of the security for the implementation of Stage 2 is obtained. The Agreement allows for the possibility to impose contractual penalties on the Contractor, including a contractual penalty in the amount of 10% of the gross remuneration related to the withdrawal of the Ordering Party from the Agreement through the fault of the Contractor. The total amount of contractual penalties imposed on the Contractor will not exceed 20% of the gross remuneration. In the event of damage inflicted upon the Ordering Party that exceeds the allowed amount of the contractual penalty, the Ordering Party reserves the right to claim compensation under general principles. Pursuant to the Agreement, the Contractor will provide the Ordering Party with a guarantee and a warranty for the subject of the Agreement for the period of 36 months. The Parties provided for a contractual entitlement for the Ordering Party to withdraw from the Agreement in specified cases.
- On 24 July 2020 there was a conclusion of agreements amending and unifying the terms of issuance of Series A Bonds (the "Terms of Issuance of Series A Bonds") and the terms of issuance of Series B Bonds (the "Terms of Issuance of Series B Bonds") with the bondholders of series A convertible bearer bonds issued by the Company with the par value of PLN 500 thousand per share ("Series A Bonds") and a bondholder of series B ordinary bearer bonds issued by the Company with the par value of PLN 100

thousand per share ("Series B Bonds"). Pursuant to the agreement amending and unifying the Terms of Issuance of Series A Bonds with Towarzystwo Finansowe Silesia Sp. z o.o. and Bankowe Towarzystwo Kapitałowe S.A. the schedule for the obligatory redemption of Series A Bonds was amended, postponing the date of the early redemption of 80 Series A Bonds from 31 July 2020 to 31 October 2020. Pursuant to the agreement amending and unifying the Terms of Issuance of Series B with Agencja Rozwoju Przemysłu S.A. the schedule for the obligatory redemption of Series B Bonds was amended, postponing the date of the early redemption of 292 Series B Bonds from 31 July 2020 to 31 October 2020. Other provisions of the Terms of Issuance of Series A Bonds and the Terms of Issuance of Series B Bonds remain unchanged. The changes in the Terms of Issuance of Series A and Series B Bonds indicated above are part of a broader strategy of the Issuer to optimize the conditions and structure of the debt financing of the activities of the Issuer's Capital Group. The effects of the change in the schedule of the redemption of bonds have been included in the financial results for the period ended on 30 June 2020.

- On 31 July 2020 the Management Board of the Company was informed about the selection by ENGIE EC Słupsk Sp. z o.o. with the registered office in Słupsk (the "Ordering Party") of the offer of the consortium comprising the Issuer and Polimex Energetyka Sp. z o.o. with the registered office in Warsaw (a subsidiary of the Issuer, jointly the "Consortium") as the most advantageous in the tender procedure conducted by the Ordering Party for the implementation of the following project in the capacity of the main contractor: "Expansion of the heating system in Słupsk through the construction of a highly efficient gas source using the cogeneration technology with the capacity of up to 20 MW as part of the 'Słupsk Bioenergy Cluster'" (the "Assignment"). The remuneration of the Consortium for the execution of the Assignment amounts to PLN 99.8 million net.

#### **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 are characterized by 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: timely implementation of the Puławy 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. In connection with the outbreak of the SARS-CoV-2 pandemic the Group continuously monitors the macroeconomic situation in the construction industry. The Group does not anticipate any significant negative impact of the pandemic on the financial position and financial results of the Group in the upcoming quarters. The impact of the SARS-CoV-2 pandemic on the financial situation of the Group has been presented in more detail in note 3.1.

#### **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 an event that 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 2020 amounted to PLN 0 (as at 31 December 2019: 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 2020 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 2020 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 Issuer 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 2020 there were no ongoing court proceedings with the values relevant from the standpoint of financial statements.

Warsaw, 21 August 2020

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 2020		
Name and surname	Position / Function	Signature
Sławomir Czech	Chief Financial Officer Chief Accountant	