

POLIMEX MOSTOSTAL S.A.

INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE PERIOD OF 6 MONTHS ENDED ON 30 JUNE 2020



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INTERIM CONDENSED FINANCIAL STATEMENTS OF POLIMEX MOSTOSTAL S.A. FOR THE PERIOD OF 6 MONTHS ENDED ON 30 JUNE 2020
Interim 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	7	122 078	244 634	76 662	130 887
Cost of goods sold		(104 842)	(216 175)	(63 402)	(112 607)
Gross profit / (loss) on sales		17 236	28 459	13 260	18 280
General administration expenses		(16 964)	(16 801)	(7 936)	(7 325)
Profit / (loss) on impairment of financial assets		108	3 266	22	2 698
Other operating revenues		12 432	4 870	5 195	3 404
Other operating costs		(1 760)	(1 335)	(1 109)	(1 040)
Profit / (loss) on operating activities		11 052	18 459	9 432	16 017
Financial income	8	25 582	42 956	4 057	39 112
Financial costs	9	(11 835)	(35 745)	(5 655)	(15 875)
Gross profit / (loss)		24 799	25 670	7 834	39 254
Income tax		(2 829)	1 958	(2 654)	(21)
Net profit / (loss)		21 970	27 628	5 180	39 233
Profit / loss per share (in PLN per share)					
– basic and diluted profit / (loss) per share		0.093	0.117	0.022	0.166

Accounting policies and other explanatory information presented in the notes from 1 to 26 constitute an integral part of these interim condensed financial statements.

Interim 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)
Net profit / (loss)	<u>21 970</u>	<u>27 628</u>	<u>5 180</u>	<u>39 233</u>
Items that will not be allocated in the later periods to the profit and loss account:				
Actuarial profit / (loss)	<u>(102)</u>	<u>(102)</u>	<u>(102)</u>	<u>(102)</u>
Other net comprehensive income	<u>(102)</u>	<u>(102)</u>	<u>(102)</u>	<u>(102)</u>
Total comprehensive income	<u><u>21 868</u></u>	<u><u>27 526</u></u>	<u><u>5 078</u></u>	<u><u>39 131</u></u>

Accounting policies and other explanatory information presented in the notes from 1 to 26 constitute an integral part of these interim condensed financial statements.

Polimex Mostostal S.A.
Interim condensed financial statements prepared in accordance with IAS 34
for the period from 01 January 2020 until 30 June 2020
(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

Interim balance sheet

	Note	As at 30 June 2020 (unaudited)	As at 31 December 2019
Assets			
Fixed assets			
Tangible fixed assets	14	33 779	20 332
Investment property		37 994	37 994
Intangible assets		369	345
Financial assets		492 558	495 537
Long-term receivables		226	9
Deposits due to the construction contracts		18 184	99 849
Deferred tax assets		137 655	140 406
Other long term assets		2 042	2 420
Total fixed assets		722 807	796 892
Current assets			
Inventories		319	168
Trade receivables		64 005	52 115
Deposits due to the construction contracts		91 824	10 831
Construction contracts assets		51 703	11 553
Other receivables		65 303	71 680
Financial assets		38 594	30 642
Other assets		2 342	1 620
Cash	16	220 572	133 397
Total current assets		534 662	312 006
Assets held for sale	15	39 681	42 185
Total assets		1 297 150	1 151 083

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Interim balance sheet (continued)

	Note	As at 30 June 2020 (unaudited)	As at 31 December 2019*
Liabilities and equity			
Equity			
Share capital		473 238	473 238
Reserve capital		157 746	157 746
Other capitals		(37 629)	(132 204)
Reserve capital from surplus of bonds convertible into shares		31 552	31 552
Accumulated other comprehensive income		34 608	35 970
Retained earnings / Uncovered losses		23 230	94 575
Total equity		682 745	660 877
Long-term liabilities			
Bank loans, borrowings and other sources of financing		57 812	30 429
Long-term bonds		90 423	86 857
Provisions	13	12 814	16 986
Employee benefit liabilities		788	766
Other liabilities		88	131
Deposits due to the construction contracts		21 414	14 337
Total long-term liabilities		183 339	149 506
Short-term liabilities			
Bank loans, borrowings and other sources of financing		155 516	88 722
Short-term bonds		87 112	86 721
Trade liabilities		92 286	84 542
Deposits due to the construction contracts		17 189	14 422
Construction contracts liabilities		27 564	4 715
Other liabilities		2 958	1 494
Provisions	13	34 849	51 134
Employee benefit liabilities		12 100	7 458
Deferred income		1 492	1 492
Total short-term liabilities		431 066	340 700
Total liabilities		614 405	490 206
Total liabilities and equity		1 297 150	1 151 083

* Restated data, see note 4.3

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Interim cash flow statement

	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)
Cash flows from operating activities			
Gross profit / (loss)		24 799	25 670
Adjustment items:		(29 211)	(73 994)
Depreciation		4 017	3 938
Net interest and dividends		475	8 996
Profit / (loss) on investing activities		222	(37 100)
Change in receivables		(58 426)	67 107
Change in inventories		(151)	–
Change in liabilities, excluding bank loans and borrowings		46 501	(83 665)
Change in other assets and deferred income		(344)	(1 105)
Change in provisions		(20 457)	(32 187)
Other		(1 048)	22
Net cash from operating activities		(4 412)	(48 324)
Cash flows from investing activities			
Disposal of tangible and intangible fixed assets		2 210	940
Purchase of tangible and intangible fixed assets		(1 217)	(199)
Purchase of financial assets		(42)	(2 000)
Interest, dividends and payments received from profit		21 621	792
Repayment of borrowings		4 000	27 853
Granting borrowings		(803)	(38 500)
Net cash from investing activities		25 769	(11 114)
Cash flows from financing activities			
Proceeds from borrowings / bank loans		72 365	–
Repayments of borrowings / bank loans		(2)	–
Interests paid		(3 643)	(3 105)
Lease payments		(2 902)	(3 422)
Net cash from financing activities		65 818	(6 527)
Increase / (decrease) in net cash and cash equivalents		87 175	(65 965)
Net foreign exchange rate differences		–	11
Cash at the beginning of the period	16	133 397	183 623
Cash at the end of the period	16	220 572	117 658
<i>Restricted cash</i>		<i>34 192</i>	<i>2 413</i>

Accounting policies and other explanatory information presented in the notes from 1 to 26 constitute an integral part of these interim condensed financial statements.

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Interim financial statement on 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 equity
					Revaluation reserve	Actuarial profit / (loss)		
As at 1 January 2020	473 238	157 746	(132 204)	31 552	35 100	870	94 575	660 877
Net profit	-	-	-	-	-	-	21 970	21 970
Other net comprehensive income	-	-	-	-	-	(102)	-	(102)
Total comprehensive income	-	-	-	-	-	(102)	21 970	21 868
Distribution of net profit / (loss)	-	-	94 575	-	-	-	(94 575)	-
Transfer of surplus from revaluation of fixed assets due to their sale	-	-	-	-	(1 260)	-	1 260	-
As at 30 June 2020	473 238	157 746	(37 629)	31 552	33 840	768	23 230	682 745
As at 1 January 2019	473 238	157 746	(149 732)	31 552	35 933	947	17 527	567 211
Net profit	-	-	-	-	-	-	27 628	27 628
Other net comprehensive income	-	-	-	-	-	(102)	-	(102)
Total comprehensive income	-	-	-	-	-	(102)	27 628	27 526
Distribution of net profit / (loss)	-	-	17 527	-	-	-	(17 527)	-
As at 30 June 2019	473 238	157 746	(132 205)	31 552	35 933	845	27 628	594 737

Accounting policies and other explanatory information presented in the notes from 1 to 26 constitute an integral part of these interim condensed financial statements.

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

1. General information

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

The Company has been established for an indefinite period. The financial year of the Company is the same as the calendar year.

The primary business activity of the Company involves a wide range of construction and assembly services provided in the formula of a general contractor, both in Poland and abroad. The Company operates in the following areas: The Power Sector, Oil, Gas and Chemicals.

The shares of the Company are listed on the Warsaw Stock Exchange. The Company is a parent company in Polimex Mostostal Capital Group (the "Capital Group", the "Group").

The interim condensed financial statements of the Company comprise the amounts for the period of 6 months ended on 30 June 2019 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.

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

2. Composition of the Management Board and the Supervisory Board

As at 30 June 2020 and as at the date of the publication of these interim condensed financial statements the Management Board was composed of the following members:

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

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

The composition of the Supervisory Board as at 30 June 2020 was as follows:

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 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

3. Approval of the interim condensed financial statements

The interim condensed 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 financial statements are signed by the head of the entity, that is the Management Board of Polimex Mostostal S.A., and the person in charge of the preparation of the interim condensed financial statements. These interim condensed financial statements and the interim condensed consolidated financial statements of Polimex Mostostal Capital Group were approved for publication on 21 August 2020.

4. Platform of the applied International Financial Reporting Standards

4.1. Going concern

These financial statements have been prepared with the assumption that the Company will continue as a going concern in the foreseeable future. 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 Company conducted an analysis of the impact of the SARS-CoV-2 epidemic on the financial situation and financial results of the Company 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 Company 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 Company 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. With regards to other key projects currently implemented by the Company, there have been no major delays reported. In several cases the Company 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 Company 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.

- The Company's liquidity is fully secured. It has been additionally strengthened after the Capital Group of the Company obtained a new loan from the Bank of China (note 18) and after the Group postponed the maturity of its bonds (note 18). The epidemic has not contributed to any significant delays in payments to the Company's contractors. At the moment there are no premises to adjust the expected cash flows. The Company 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 Company operates on various markets and it is active on diverse segments of these markets. This reduces the risk of over-concentration in areas that may be particularly affected by the epidemic. The Company has a secure order portfolio that is diversified in terms of geographies and industries.
- The Company benefited from the protective measures adopted by the parliament in order to combat the economic effects of the pandemic. In particular, the Company 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 741 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 Company in the six-month period ended on 30 June 2020 year and the business prospects of the Company for the upcoming 12 months are positive.

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

The interim condensed financial statements of the Company have been prepared in compliance with the International Accounting Standards ("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.

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

While preparing these interim condensed financial statements the Company 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 01 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 Company'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 Company as at the balance sheet date.

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

In these interim condensed financial statements the Company has changed the presentation of liabilities due to recourse under guarantees. So far the Company 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 opinion of the Company 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

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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)	Change in the presentation of the financial statements	As at 31 December 2019 (after change)
Long-term liabilities			
Bank loans, borrowings and other sources of financing	25 885	4 544	30 429
Other liabilities	4 675	(4 544)	131
Short-term liabilities			
Bank loans, borrowings and other sources of financing	79 901	8 821	88 722
Other liabilities	10 315	(8 821)	1 494

5. Shareholders of the 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%
The overall number of shares issued	236 618 802	100.00%

* 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.

6. Uncertainty of 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 Company performs the impairment testing of fixed assets and shares in the related entities 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 and shares 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 Company 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 Company had unsettled tax losses in the amount of PLN 366 803 thousand. The value of deferred tax assets due to unsettled tax losses amounted to PLN 69 693 thousand. As at 30 June 2020 there are no unrecognised assets due to tax loss. The Company 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 Company will use tax loss assets in the following periods: the second half of 2020 (in the amount of PLN 50 474 thousand), in 2021 (in the amount of PLN 134 332 thousand), in 2022 (in the amount of PLN 165 986 thousand) and in 2024 (in the amount of PLN 16 115 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 thousand in the years 2020/2021), (ii) the sale of shares in a subsidiary (PLN 54 707 thousand in 2021), (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). The Management Board of the Company estimates that the occurrence of the above one-off events is highly probable.

As at 30 June 2020 the 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 Company 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 Company 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 project review process 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 Company applies the percentage progress method for the settlement of long-term contracts. The application of this method requires of the Company 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 Company 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 Company performs an annual verification of the presumed economic life of assets based on the current estimates.

Valuation of employee benefits liabilities – retirement and pension payments

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

Provision for warranty repairs

Provisions for liabilities under warranty repairs are established during the project implementation in proportion to sales revenues. The amount of provisions depends on the type of construction services provided and it constitutes a specified percentage of the value of sales revenues from a given contract, also considering potential regression to subcontractors. However, the value of provisions for warranty repairs may be subject to individual analysis (including the opinion of the manager in charge of a given construction site) and it may be increased or decreased in duly justified cases. The provisions can be used within the first 3-5 years after the completion of the investment in proportions corresponding to the actually incurred costs of repairs. Information on establishing, extending, using and dissolving provisions has been presented in note 13.

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 Company 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 13.

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 13.

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 13.

Provisions for projected losses on construction contracts

As at each balance sheet date, the Company 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 13.

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 13.

Write-off of redundant materials and receivables

As at each balance sheet date, the Company 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 Company 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 Company 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 Company reversed the write-offs of inventories in the amount of PLN 22 thousand. In the reporting period the amount of write-offs of receivables in the Company decreased by PLN 191 thousand due to the use of write-offs and repayment of receivables.

7. Reporting segments and geographical information

The tables below present amounts of the revenues of individual reporting segments and geographical information of the Company for the period of 6 months ended on 30 June 2020 (in thousands of PLN).

Reporting segments

For the period of 6 months from 01.01.2020 to 30.06.2020	Power sector	Oil, gas and chemicals	Other activity	Total activity
Revenues				
Sales to external clients	101 178	253	20 647	122 078
Sales between the segments	–	–	–	–
Total segment revenues	101 178	253	20 647	122 078
Results				
Profit / (loss) from operating activities of the segment	10 589	257	206	11 052
Financial revenues and costs balance	(21)	129	13 639	13 747
Gross profit / (loss) from the segment	10 568	386	13 845	24 799
For the period of 6 months from 01.01.2019 to 30.06.2019				
Revenues				
Sales to external clients	216 610	134	27 890	244 634
Sales between the segments	–	–	–	–
Total segment revenues	216 610	134	27 890	244 634
Results				
Profit / (loss) from operating activities of the segment	13 648	4 553	258	18 459
Financial revenues and costs balance	(22)	–	7 233	7 211
Gross profit / (loss) from the segment	13 626	4 553	7 491	25 670

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For the period of 3 months from 01.04.2020 to 30.06.2020	Power sector	Oil, gas and chemicals	Other activity	Total activity
Revenues				
Sales to external clients	66 563	162	9 937	76 662
Sales between the segments	–	–	–	–
Total segment revenues	66 563	162	9 937	76 662
Results				
Profit / (loss) from operating activities of the segment	9 554	144	(266)	9 432
Financial revenues and costs balance	(16)	129	(1 711)	(1 598)
Gross profit / (loss) from the segment	9 538	273	(1 977)	7 834

For the period of 3 months from 01.04.2019 to 30.06.2019	Power sector	Oil, gas and chemicals	Other activity	Total activity
Revenues				
Sales to external clients	119 409	47	11 431	130 887
Sales between the segments	–	–	–	–
Total segment revenues	119 409	47	11 431	130 887
Results				
Profit / (loss) from operating activities of the segment	12 445	3 265	307	16 017
Financial revenues and costs balance	(18)	–	23 255	23 237
Gross profit / (loss) from the segment	12 427	3 265	23 562	39 254

In the reporting period and in the comparative period there were no transactions between the segments within the Company.

Revenues by categories

Revenue by type of goods or services

For the period of 6 months from 01.01.2020 to 30.06.2020	Power sector	Oil, gas and chemicals	Other activity	Total activity
Revenues from the sales of construction and other services	100 510	232	11 930	112 672
Revenues from the sales of goods and materials	668	21	150	839
Revenues from rental	–	–	8 567	8 567
Total sales revenues	101 178	253	20 647	122 078

For the period of 6 months from 01.01.2019 to 30.06.2019	Power sector	Oil, gas and chemicals	Other activity	Total activity
Revenues from the sales of construction and other services	216 610	111	17 679	234 400
Revenues from the sales of goods and materials	–	23	16	39
Revenues from rental	–	–	10 195	10 195
Total sales revenues	216 610	134	27 890	244 634

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	Power sector	Oil, gas and chemicals	Other activity	Total activity
For the period of 3 months from 01.04.2020 to 30.06.2020				
Revenues from the sales of construction and other services	65 895	150	5 676	71 721
Revenues from the sales of goods and materials	668	12	114	794
Revenues from rental	–	–	4 147	4 147
Total sales revenues	66 563	162	9 937	76 662

	Power sector	Oil, gas and chemicals	Other activity	Total activity
For the period of 3 months from 01.04.2019 to 30.06.2019				
Revenues from the sales of construction and other services	119 409	29	6 425	125 863
Revenues from the sales of goods and materials	–	18	5	23
Revenues from rental	–	–	5 001	5 001
Total sales revenues	119 409	47	11 431	130 887

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

Revenues by geographical area

In the period of 6 months from 1 January 2020 to 30 June 2020 and in the comparative period from 1 January 2019 to 30 June 2019 the Company conducted domestic sales only.

8. Financial income

	For the period of 6 months		For the period of 3 months	
	from	from	from	from
	01.01.2020	01.01.2019	01.04.2020	01.04.2019
	to 30.06.2020	to 30.06.2019	to 30.06.2020	to 30.06.2019
Revenues from bank interests and borrowings	1 025	2 615	352	1 078
Revenues from dividends	8 445	700	500	700
Foreign exchange profits	–	123	–	52
Valuation of long-term settlements with amortized costs	2 459	352	656	478
Dissolution of provisions for the financial costs	119	143	33	81
Dissolution of write-offs of shares	–	36 837	–	34 587
Share in profits	10 469	2 157	481	2 132
Profit due to the modification of financial instruments	2 215	–	1 574	–
Income due to the interest on late payment of receivables	850	–	461	–
Other	–	29	–	4
Total financial income	25 582	42 956	4 057	39 112

9. Financial costs

	For the period of 6 months		For the period of 3 months	
	from	from	from	from
	01.01.2020	01.01.2019	01.04.2020	01.04.2019
	to 30.06.2020	to 30.06.2019	to 30.06.2020	to 30.06.2019
Interest on bank loans and borrowings	1 861	2 814	1 100	1 412
Interest and commissions on bonds	8 122	7 936	3 914	4 099
Interest on other liabilities	64	77	20	50
Agency and administrative commissions, share listing	544	560	198	240
Foreign exchange losses	266	–	126	–

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Financial costs due to lease agreements	309	206	201	99
Provisions for the financial costs	84	147	33	82
Share in losses of limited partnerships	585	24 005	63	9 893
Total financial costs	11 835	35 745	5 655	15 875

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

	As at 30 June 2020	As at 31 December 2019
Contingent liabilities	582 806	453 133
– granted guarantees and sureties	469 071	339 344
– promissory notes	51 182	51 182
– litigations	62 553	62 607

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).

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11. 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 2019 and for the period of 6 months ended on 30 June 2019 and as at 31 December 2019.

		Sales	Acquisitions	Share in profits	Share in losses	Receivables	Receivables from share in profits	Receivables from borrowings	Liabilities	Liabilities from borrowings
Subsidiaries	2020	31 636	80 689	10 469	585	13 889	58 078	45 097	38 468	30 446
Associates	2020	–	–	–	–	–	–	–	–	–
Other parties related through shareholders	2020	48 492	1 194	–	–	90 933	–	–	64 431	–
Total		80 128	81 883	10 469	585	104 822	58 078	45 097	102 899	30 446
Subsidiaries	2 019	61 385	252 638	2 157	24 005	11 152	60 858	48 240	40 569	31 343
Associates	2 019	–	–	–	–	–	–	–	–	–
Other parties related through shareholders	2 019	216 609	620	–	–	55 357	–	–	146	–
Total		277 994	253 258	2 157	24 005	66 509	60 858	48 240	40 715	31 343

To the best knowledge of the Company, the transactions concluded in the reporting period were concluded under market terms and their nature and conditions resulted from the type of operating activities.

12. Transactions with parties related with the State Treasury

The company is a party to 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 11 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.

13. Change in provisions

	Provisions for warranty repairs	Provision for litigations	Provision for penalties	Provision for the settlement price of contracts	Provision for losses	Provision for sureties	Total
As at 1 January 2020	18 568	15 453	773	6 652	26 590	83	68 119
Created in the financial year	967	–	–	–	–	84	1 051
Used	(675)	(104)	(129)	(454)	(5 581)	–	(6 943)
Dissolved	(4 497)	(6 157)	–	(2 936)	(856)	(118)	(14 564)
As at 30 June 2020	14 363	9 192	644	3 262	20 153	49	47 663
Short-term as at 30 June 2020	6 285	4 456	644	3 262	20 153	49	34 849
Long-term as at 30 June 2020	8 078	4 736	–	–	–	–	12 814
As at 1 January 2019	46 596	26 634	3 028	9 478	47 654	80	133 470
Created in the financial year	861	–	–	–	711	146	1 718
Used	(1 410)	(284)	(49)	(784)	(9 639)	–	(12 166)
Dissolved	(15 820)	(2 411)	(1 280)	–	(2 085)	(143)	(21 739)
As at 30 June 2019	30 227	23 939	1 699	8 694	36 641	83	101 283
Short-term as at 30 June 2019	20 037	17 288	1 699	8 694	36 641	83	84 442
Long-term as at 30 June 2019	10 190	6 651	–	–	–	–	16 841

14. 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 1 044 thousand and due to the conclusion and modification of the lease agreements in the amount of PLN 16 239 thousand. In terms of the lease agreements, the increase is mainly due to the extension by the Company 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.

15. 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 Company has undertaken to divest certain assets. The divested assets include redundant tangible assets, organised parts of the company and real estate. The table below presents the financial data for the assets to be divested within one year from the balance sheet date.

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	Status as at 30 June 2020	Status as at 31 December 2019
Tangible fixed assets	14 084	14 389
Investment property	25 597	27 796
Total assets held for sale	39 681	42 185

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

16. Cash and cash equivalents

	Status as at 30 June 2020	Status as at 31 December 2019
Cash at bank and in hand	69 407	32 157
Short-term deposits	151 165	101 240
Total	220 572	133 397
Restricted cash	34 192	-

Restricted cash relates to the funds kept on project-specific accounts dedicated to the Dolna Odra 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.

17. Factors and events with a significant impact on the situation of the Company in the reporting period

In the reporting period of six months ended on 30 June 2020 the Company generated the sales revenues in the amount of PLN 122 078 thousand compared to PLN 244 634 thousand in the corresponding period. The decrease in revenues resulted from the completion of the implementation stage of the Opole contract in the second half of 2019. The operating profit of the Company in the reporting period was PLN 11 052 thousand (compared to the operating profit in the first half of 2019 in the amount of PLN 18 459 thousand). The net profit in the first half of 2020 amounted to PLN 21 970 thousand (compared to the net profit of PLN 27 628 thousand in the first half of 2019).

The total assets of the Company as at 30 June 2020 amounted to PLN 1 297 150 thousand (an increase of 13% compared to the corresponding data as at 31 December 2019). The fixed assets as at 30 June 2020 amounted to PLN 722 807 thousand (a drop of -9% compared to the data as at 31 December 2019) and the current assets including assets held for sale amounted to PLN 574 343 thousand (an increase of 62% compared to the corresponding data as at 31 December 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 81 665 thousand with a simultaneous increase in the value of short-term deposits by PLN 80 993 thousand which is a result of the reclassification of the deposits on the Kozienice project. The value of cash as at 30 June 2020 was PLN 220 572 thousand and it was higher by 87 175 thousand compared to 31 December 2019. In 2020 the Company 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 liabilities due to the loan from the Bank of China are presented under short-term liabilities. The equity as at 30 June 2020 was PLN 682 745 thousand (an increase by 3% compared to the corresponding data as at 31 December 2019), with the liabilities in the amount of PLN 614 405 thousand (a increase of 25% compared to the corresponding data as at 31 December 2019). In the period of 6 months ended on 30 June 2020, in accordance with the Company's cash flow statement, there was a net increase in cash and cash equivalents. The cash and cash equivalents as at 30 June 2020 amounted to PLN 220 572 thousand. The net cash flow from operating activities amounted to minus PLN 4 412 thousand. The net cash flows from investing activities were PLN 25 769 thousand and the net cash flows from financing activities were

PLN 65 818 thousand. Restricted cash includes amounts received in connection with the performance of the Puławy and Dolna Odra contracts in the amount of PLN 34 192 thousand.

The current order portfolio of the Company, less the sales revenues attributable to the consortium members, is PLN 2 888.7 million. The current order portfolio for particular years is as follows: 2020 PLN 317.5 million, 2021 PLN 893.0 million, 2022 PLN 988.6 million, subsequent years PLN 689.6 million.

The liquidity ratios of the Company, current and quick, were as at 30 June 2020 at a higher level than as at the comparative date of 31 December 2019 and they amounted to 1.2 each (these values were at the level of 0.9 as at 31 December 2019).

18. Key events in the reporting period and significant events after 30 June 2020

The most important events in the Company 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 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, as the consortium leader), the Company (as the consortium partner) and Energomontaż-Północ-Belchatów sp. z o.o. (a subsidiary, 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.

- 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 Company 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 Company's current report No 58/2011 of 4 October 2011. The withdrawal from the Agreement was disclosed in the Company'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 Company 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 Company in the remaining scope, as well as ordered the Company 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 Company, 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 Company's financial result in the first half of 2020.

- 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, 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 Kozienice 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 net and the measurement price which was estimated at PLN 62 thousand 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 Company, Polimex Energetyka Sp. z o.o. (a subsidiary, 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 8 July 2020 there was a conclusion of an agreement (the "Agreement") between the Company and Mostostal Siedlce Sp. z o.o. Sp. k. with the registered office in Siedlce (a subsidiary of the Company). The subject of the Agreement is the preparation of the workshop documentation and the comprehensive execution and delivery of steel structures for the boiler room and the steam turbine building, supporting structures for the boiler grate, coal bunkers, overpasses and railings, lattice girders, roof and wall bracing, crane support structures, staircase structures, platforms, ladders, balustrades and platform gratings with framing and drilling for the purposes of the "Construction of a Coal-Fired Power Unit in Puławy". The value of the agreement amounts to PLN 36 996 557.50 net and the finalization of the subject of the agreement has been scheduled on 23 October 2022.
- 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 Company to optimize the conditions and structure of the debt financing of the activities of the 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 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 Company 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.

19. Explanation of seasonality or cyclicity of the Company's activity in the reporting period

The activities of the Company 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 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.

20. Indication of factors that according to the Company will affect its financial results at least in the subsequent quarter

The most important factors that may have an impact on the financial results of the Company 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 Company continuously monitors the macroeconomic situation in the construction industry. The Company does not anticipate any significant negative impact of the pandemic on the financial position and financial results of the Company in the upcoming quarters. The impact of the SARS-CoV-2 pandemic on the financial situation of the Company has been presented in more detail in note 4.1.

21. 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.

22. Conversion of liabilities into shares

In the period of 6 months ended on 30 June 2020 there was no conversion of liabilities into shares.

23. Financial instruments measured at fair value

The Company is a party in the Option Agreement for the Acquisition of the Investment Certificates concluded with PKO BP S.A. on 7 November 2013, as amended. The Agreement, depending on the property price scenario, will determine the amount of acquisition / settlement between the parties in the future. In case the Company fails to generate the minimum return on investment expected by the investor, it will be required to cover a relevant part of the loss. In case of an increase in the value of the property portfolio, the Company 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 financial statements are an approximation of their fair values.

24. Information on the dividends paid (or declared)

In the period of 6 months ended on 30 June 2020 there were no dividends paid or declared.

25. Position of the Management Board on the financial forecasting

The financial forecasting for the Company for the year 2020 was not published.

26. 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 has been filed against the Company and Mostostal Siedlce Sp. z o.o. Sp.k. The counterclaim presents the position of the Defendant in the case filed by the Company and by Mostostal Siedlce Sp. z o.o. Sp.k. in June 2017 for Company 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 Company and PLN 13 190 724 from Mostostal Siedlce Sp. z o.o. Sp.k. The position of the Management Board is that the counterclaim and the value of the compensation have no legal merit and the counterclaim has been filed merely in a reaction to the lawsuit from 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.

Polimex Mostostal S.A.
Interim condensed financial statements prepared in accordance with IAS 34
for the period from 01 January 2020 until 30 June 2020
(amounts in the tables are expressed in thousands of PLN, unless otherwise stated)

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

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 CONDENSED FINANCIAL STATEMENTS FOR THE PERIOD OF 6 MONTHS FROM 01 January 2020 TO 30 June 2020		
Name and surname	Position / Function	Signature
Sławomir Czech	Chief Financial Officer Chief Accountant	