POLIMEX-MOSTOSTAL CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

WITH THE INDEPENDENT AUDITORS' REPORT

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2009

	Note	*Year ended 31 December 2009*	*Year ended 31 December 2008*
Continuing operations			
Sale of goods		574 753	899 276
Rendering of services		4 247 350	3 391 952
Rental income		14 572	9 908
Revenue	14,15	**4 836 675**	**4 301 136**
Cost of sales		(4 326 850)	(3 871 297)
Gross profit		**509 825**	**429 839**
Other operating income	15.2	18 405	36 179
Selling costs		(26 797)	(32 324)
Administrative expenses		(213 153)	(185 299)
Other operating expenses	15.3	(23 345)	(20 251)
Revenue from operating activities		**264 935**	**228 144**
Finance income	15.4	20 917	64 647
Finance costs	15.5	(76 466)	(136 705)
Share of associate's profit		6 241	2 821
Profit before tax		**215 627**	**158 907**
Income tax	16	(40 340)	(18 468)
Profit for the year		**175 287**	**140 439**
Attributable to:			
Equity holders of the parent		156 402	120 134
Non-controlling interests		18 885	20 305
		175 287	**140 439**
Earnings per share (in PLN)			
– number of shares		464 355 625	464 355 625
– basic, for profit for the year attributable to equity holders of the parent		0.34	0.26
Diluted earnings per share (in PLN):			
– number of shares		464 355 625	464 355 625
– diluting potential ordinary shares		12 378 196	12 378 196
– diluted, for profit for the year attributable to equity holders of the parent		0.33	0.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009

	Year ended 31 December 2009	*Year ended 31 December 2008*
Net profit	**175 287**	**140 439**
Currency translation differences on consolidation	(9 060)	7 857
Net gains/losses on cash flow hedges	70 920	(64 429)
Deferred tax	(13 474)	12 241
Other comprehensive income for the year, net of tax	**48 386**	**(44 331)**
Total comprehensive income	**223 673**	**96 108**
Comprehensive income attributable to:		
Equity holders of the parent	199 052	82 086
Non-controlling interests	24 621	14 022
	223 673	**96 108**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2009

	Note	31 December 2009	31 December 2008 (restated)	1 January 2008 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	21	947 934	710 849	431 549
Investment properties	22	42 352	43 257	39 445
Goodwill on consolidation	23	486 919	486 139	427 529
Intangible assets	24	30 773	23 211	11 047
Investments in associates accounted for using the equity method	25	25 946	20 566	19 989
Financial assets	26	4 101	4 578	8 508
Non-current receivables		61 313	27 462	29 860
Non-current prepayments		23	1 250	36
Deferred tax assets	16.3	85 932	67 398	23 071
		1 685 293	**1 384 710**	**991 034**
Current assets				
Inventories	27	350 916	395 139	348 926
Trade and other receivables	28	1 317 453	1 316 787	1 246 690
Income tax receivables		10 568	5 320	7 547
Prepayments	29	9 937	11 134	9 779
Cash and cash equivalents	30	437 377	295 241	143 071
Financial assets	26	16 173	7 836	31 675
		2 142 424	**2 031 457**	**1 787 688**
Available for sale non-current assets		-	35	-
TOTAL ASSETS		**3 827 717**	**3 416 202**	**2 778 722**
EQUITY AND LIABILITIES				
Equity (attributable to equity holders of the parent)		**1 242 671**	**1 033 321**	**952 392**
Issued capital	31.1	18 574	18 574	18 574
Share premium		513 466	513 466	513 466
Treasury shares		(6 884)	(6 884)	(6 884)
Foreign currency translation		(2 798)	5 087	(1 703)
Supplementary capital	31.2	381 566	295 905	242 548
Reserve capital	31.4	30 494	18 016	12 091
Revaluation reserve	31.3	5 697	(44 838)	-
Retained earnings / Accumulated losses		302 556	233 995	174 300
Non-controlling interests	**31.5**	**140 783**	**114 886**	**102 585**
Total equity		**1 383 454**	**1 148 207**	**1 054 977**
Non-current liabilities				
Interest bearing bank loans and borrowings	32	235 998	118 734	12 363
Long-term debentures	33	367 396	317 168	317 500
Provisions	35	81 836	78 667	73 267
Other liabilities	34	110 284	93 247	37 983
Deferred income tax liability	16.3	19 417	20 616	19 330
Accruals		2 806	210	642
		817 737	**628 642**	**461 085**
Arrangement liabilities to write off		**-**	**4 049**	**4 049**
Current liabilities				
Trade and other payables	36	1 337 743	1 178 472	855 545
Short-term debentures	33	39 797	40 629	37 292
Current portion of interest-bearing loans and borrowings	32	114 826	276 905	192 151
Income tax payable		19 931	11 634	7 491
Provisions	35	56 405	50 273	39 546
Accruals	36	57 824	77 391	126 586
		1 626 526	**1 635 304**	**1 258 611**
Total liabilities		**2 444 263**	**2 267 995**	**1 723 745**
TOTAL EQUITY AND LIABILITIES		**3 827 717**	**3 416 202**	**2 778 722**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2009

	Note	*Year ended 31 December 2009*	*Year ended 31 December 2008*
Cash flows from operating activities			
Profit before tax		**215 627**	**158 907**
Adjustments for:		**328 769**	**196 592**
Share of profit of associate accounted for using the equity method		(6 241)	(2 821)
Depreciation / Amortisation		78 646	70 390
Interests and dividends, net		33 681	40 125
Gain from investing activities		(25)	(12 271)
Increase/ (decrease) in receivables	30	(3 228)	567
Increase/ (decrease) in inventories	30	44 362	(8 089)
Increase/ (decrease) in payables except loans and borrowings	30	238 820	200 639
Change in accruals and prepayments	30	(14 514)	(62 999)
Movements in provisions	30	9 286	8 458
Income tax paid		(57 024)	(44 622)
Other		5 006	7 215
Net cash flows from operating activities		**544 396**	**355 499**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangibles		3 547	13 647
Purchase of property, plant and equipment and intangibles		(347 546)	(240 102)
Proceeds from sale of investment property		170	389
Purchase of investment property		-	-
Proceeds from sale of financial assets		-	16 835
Purchase of financial assets		(24)	(1 107)
Acquisition of a subsidiary, net of cash acquired		(8 137)	(97 848)
Dividends and interest received		4 687	5 683
Repayment of loans granted		-	-
Loans granted		-	(200)
Other		(1 774)	(719)
Net cash flows from investing activities		**(349 077)**	**(303 422)**
Cash flows from financing activities			
Proceeds from issue of debentures		582 869	189 644
Expenses for redemption of debentures		(534 480)	(186 493)
Payment of finance lease liabilities		(11 260)	(9 594)
Proceeds from loans and borrowings		216 933	245 199
Repayment of loans and borrowings		(261 839)	(95 734)
Dividends paid to equity holders of the parent		(4 643)	(4 643)
Interest paid		(40 798)	(40 399)
Other		35	2 113
Net cash flows from financing activities		**(53 183)**	**100 093**
Net increase/(decrease) in cash and cash equivalents		142 136	152 170
Net foreign exchange difference		(3 750)	(5 494)
Cash and cash equivalents at the beginning of the period		**295 241**	**143 071**
Cash and cash equivalents at the end of the period, of which		**437 377**	**295 241**

Balance of cash and cash equivalents recognised in the statement of cash flows comprises of the following:

	31 December 2009	*31 December 2008*
Cash at bank and in hand	437 377	295 241
Cash and cash equivalents recognised in the consolidated statement of cash flows	**437 377**	**295 241**

(in PLN thousands)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009

		Attributable to equity holders of the parent											
	Note	*Issued capital*	*Share premium*	*Treasury shares*	*Foreign currency translation*	*Revaluation reserve*	*Reserve capital*	*Supplementary capital*	*Retained earnings/ Accumulated (losses)*	*Total*	*Non-controlling interest*	*Total equity*
At 1 January 2009		**18 574**	**513 466**	**(6 884)**	**5 087**	**(44 838)**	**18 016**	**295 905**	**233 995**	**1 033 321**	**114 886**	**1 148 207**
Comprehensive income for the period		-	-	-	(7 885)	50 535	-	-	156 402	199 052	24 621	223 673
Revaluation of executive options		-	-	-	-	-	12 478	-	-	12 478	-	12 478
Profit distribution		-	-	-	-	-	-	85 661	(85 661)	-	-	-
Dividends paid	20	-	-	-	-	-	-	-	(4 643)	(4 643)	-	(4 643)
Non-controlling interest arising on obtaining control over a subsidiary		-	-	-	-	-	-	-	-	-	153	153
Consolidation adjustments due to the change of share in control over a subsidiary		-	-	-	-	-	-	-	(525)	(525)	933	408
Other adjustments in equity in subsidiaries		-	-	-	-	-	-	-	2 988	2 988	190	3 178
At 31 December 2009		**18 574**	**513 466**	**(6 884)**	**(2 798)**	**5 697**	**30 494**	**381 566**	**302 556**	**1 242 671**	**140 783**	**1 383 454**

(in PLN thousands)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009 (continued)

	Note	*Attributable to equity holders of the parent*										
		Issued capital	*Share premium*	*Treasury shares*	*Foreign currency translation*	*Reserve capital*	*Revaluation reserve*	*Supplementary capital*	*Retained earnings/ Accumulated (losses)*	*Total*	*Non-controlling interest*	*Total equity*
At 1 January 2008		**18 574**	**513 466**	**(6 884)**	**(1 703)**	**12 091**	**-**	**242 548**	**194 889**	**972 981**	**102 585**	**1 075 566**
Correction of a fundamental error		-	-	-	-	-	-	-	(20 589)	(20 589)	-	(20 589)
At 1 January 2008 after the adjustment		**18 574**	**513 466**	**(6 884)**	**(1 703)**	**12 091**	-	**242 548**	**174 300**	**952 392**	**102 585**	**1 054 977**
Comprehensive income for the period		-	-	-	6 790	-	(44 838)	-	120 134	82 086	14 022	96 108
Revaluation of executive options		-	-	-	-	5 925		-	-	5 925	-	5 925
Profit distribution		-	-	-	-	-		53 357	(53 357)	-	-	-
Dividends paid	20	-	-	-	-	-		-	(4 644)	(4 644)	-	(4 644)
Consolidation adjustments due to obtaining control over a subsidiary		-	-	-	-	-		-	83	83	(3 031)	(2 948)
Issue of shares in a subsidiary		-	-	-	-	-	-	-	(1 078)	(1 078)	1 134	56
Other adjustments in equity in subsidiaries		-	-	-	-	-		-	(1 443)	(1 443)	176	(1 267)
At 31 December 2008 (restated)		**18 574**	**513 466**	**(6 884)**	**5 087**	**18 016**	**(44 838)**	**295 905**	**233 995**	**1 033 321**	**114 886**	**1 148 207**

(in PLN thousands)

ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES

1. Corporate information

The Polimex-Mostostal Capital Group ("the Group") is composed of Polimex-Mostostal S.A. (the "parent company", "Company") and its subsidiaries. The Group's consolidated financial statements cover the year ended 31 December 2009 and contain comparative data for the year ended 31 December 2008. Due to the correction of an error introduced retrospectively in the statement of financial position (see Note 11) the opening balance for the earliest period presented i.e. as at 1 January 2008 is also included.

The parent company is entered in the Register of Entrepreneurs kept by the District Court, 12th Economic Department of the National Court Register, Entry No. KRS 0000022460.

Registered Office: country POLAND, the Mazovia province, poviat of the Capital City of Warsaw, WARSAW – CENTRUM commune, city of Warsaw.

Address: ul. Czackiego 15/17, 00-950 Warsaw.

The parent company was granted statistical REGON number 710252031.

The parent company and other Group entities have an unlimited period of operation.

Polimex-Mostostal S.A. conducts business activities in the following segments:

Manufacturing

Construction

Power engineering

Chemistry

Roads and railroads

Other activities

The ultimate parent company of the entire Polimex Mostostal Group is Polimex-Mostostal S.A.

2. Composition of the Group

The Group is composed of Polimex-Mostostal S.A. and the following subsidiaries:

Item no.	Entity name	Registered office	Business activities	% held by the Group in share capital	
				31 December 2009 (%)	**31 December 2008 (%)**
	2.1. Subsidiaries				
1	Depolma GmbH (*)	Ratingen-Germany	Supplies and engineering services on agency basis	100,00	100,00
2	Polimex-Cekop Development Sp. z o. o.(*)	Warsaw	Trading activities, consulting and advisory services	100,00	100,00
3	Fabryka Kotłów "Sefako" S.A.(*) (Capital Group)	Sędziszów	Design, manufacturing and sale of boilers	89,20	89,20
4	Naftobudowa S.A. (Capital Group)	Cracow	Comprehensive execution of construction and erection works	49,99	49,99
5	B. S. P. i R.I. Biprokwas Sp. z o.o.(*)	Gliwice	Preparing analyses, conceptions, studies and offers	On 30 November 2009 the Company was acquired by Energotechnika Projekt Sp z o. o. (current name – Centrum Projektowe Polimex Mostostal Sp. z o. o.	96,33

(in PLN thousands)

6	Polimex-Development – Kraków Sp. z o.o. (*) (Capital Group)	Cracow	Execution of construction works	100,00	100,00
7	Naftoremont Sp. z o.o. (*) (Capital Group)	Płock	Execution of construction and erection works	67,05	71,40
8	Stalfa Sp. z o.o.(*)	Sokołów Podlaski	Metal products manufacturing	100,00	100,00
9	Zakład Transportu – Grupa Kapitałowa Polimex Sp. z o.o. (*)	Siedlce	Transport services	100,00	100,00
10	Polimex-Mostostal ZUT Sp. z o.o.(*)	Siedlce	Engineering services	100,00	100,00
11	Polimex-Mostostal Ukraina SAZ (*)	Kiev	Housing development	100,00	100,00
12	SPB Przembud Sp. z o.o. (*) in liquidation (***)	Szczecin	Special and general construction	75,54	75,54
13	MSP Tchervonograd - Ukraine (*)	Tchervonograd - Ukraine	Metal structure manufacturing	99,50	99,50
14	Polimex-Hotele Sp. z o.o. (*)	Warsaw	Housing development	100,00	100,00
15	Polimex-Mostostal Development Sp. z o. o.(*)	Warsaw	Housing development	100,00	100,00
16	Torpol Sp. z o. o. (*) (Capital Group)	Poznań	Comprehensive execution of transport facilities	100,00	100,00
17	Energomontaż Północ S.A. (*) (Capital Group)	Warsaw	Execution of construction systems, manufacturing of metal structures, road transport of goods	65,55	65,55
18	Energotechnika – Projekt Sp. z o.o.(*)	Knurów	Construction, urban and engineering design	99,32	100,00
19	Zakład Budowlano Instalacyjny „Turbud” Sp. z o.o.(*)	Płock	Housing development, industrial buildings and rehabilitation	100,00	100,00
20	EPE Rybnik Sp. z o.o. (*)	Rybnik	Overhaul services of power engineering equipment	100,00	100,00
21	Zarząd Majątkiem Górczewska Sp. z o.o.(*) (Real Estate Administration)	Warsaw	Real estate lease, tenancy and administration	100,00	100,00
22	Zakłady Remontowe Energetyki Kraków Sp. z o.o.(*)	Cracow	Engine, turbine and steam generator installation, repair and maintenance services	98,17	97,56
23	Px M - Projekt - Południe Sp. z o.o.(*)	Cracow	Design services in construction sector	100,00	100,00
24	Coifer Capital Group (*)	Romania	Steel structure manufacturing	100,00	100,00
25	WBP Zabrze Sp. z o.o.(*)	Zabrze	Design services	99,90	99,90
26	ZRE Lublin S.A. (*)	Lublin	Steam generator installation, repair and maintenance services	69,76	69,76
27	PRInż- 1 Sp. z o.o.(*)	Katowice	Road construction	86,78	25,77

(in PLN thousands)

28	ECE Remont Sp. z o.o.(*)	Zielona Góra	Overhaul services of electric and power engineering equipment maintenance works, inspections, repairs of production equipment, installations, buildings, structures and heat distribution networks	100,00	-
29	Pracownia Wodno - Chemiczna Ekonomia Sp. z o.o.(*)	Bielsko Biała	Sewage and water treatment, technical and economic analyses in the scope of modernisation and construction of new systems.	75,00	-
	2.2. Associates				
30	PORTY S.A. (**)	Gdańsk	Construction, trade, transport and machine rental	40,00	40,00
31	Polimex-Sices Sp. z o.o. (**)	Warsaw	Execution of erection works	50,00	50,00
32	Valmont Polska Sp. z o.o. (**)	Siedlce	Manufacturing	30,00	30,00
33	Energomontaż – Północ Bełchatów Sp. z o.o. (**)	Bełchatów	Specialist construction and erection services	32,82	32,82
*	entity consolidated using the full method				
**	entity recognized using the equity method				
***	on 11 July 2008 an application for liquidation of SPBP Przembud Sp. z o.o. was filed at the National Court Register (KRS)				

As at 31 December 2009 the percentage of voting rights held by the Group in subsidiaries corresponds to the percentage held in the share capital of those entities, except for Centrum Projektowe Polimex-Mostostal Sp. z o.o., where voting rights are lower and amount to 98.81% (share in capital 99.32%).

In Naftobudowa S.A., which is a company listed on the Warsaw Stock Exchange, the parent company exercises control by holding directly 49.99% of shares and having the Supervisory Board composed mostly of Polimex-Mostostal S.A. employees including members of the Management Board of the parent company, which decides on the composition of the Management Board of this Company, and by having an absolute majority of votes at Company General Meetings in recent years.

Polimex – Sices Sp. z o.o. is recognised in the consolidated financial statements using the equity method due to the fact that the Group does not exercise joint control over entity operations.

3. Composition of the Management Board and Supervisory Board of the parent company

As at 31 December 2009, the Management Board of the company consisted of:

Konrad Jaskóła	President of the Board
Aleksander Jonek	Vice President of the Board
Grzegorz Szkopek	Vice President of the Board
Zygmunt Artwik	Vice President of the Board

In the reporting period and till the day the financial statements have been authorised for issue the composition of the Management Board of the company did not change.

(in PLN thousands)

As at 31 December 2009, the Supervisory Board of the company consisted of:

Chairman of the Supervisory Board,	Kazimierz Klęk
Vice Chairman of the Supervisory Board,	Andrzej Szumański
Supervisory Board Member	Wiesław Rozłucki
Supervisory Board Member	Janusz Lisowski
Secretary of the Supervisory Board,	Elżbieta Niebisz
Supervisory Board Member	Artur P. Jędrzejewski

On 16 June 2009 the Ordinary Meeting of Shareholders of Polimex-Mostostal S.A. appointed Mr Artur P. Jędrzejewski the member of Polimex-Mostostal S.A.'s Supervisory Board.

Till the day the financial statements have been authorized for issue the composition of the Supervisory Board of the company did not change.

4. Approval of financial statements

On 26 April 2010 the consolidated financial statements of the Company for the year ended 31 December 2009 were authorized for issue.

5. Significant values based on accounting judgments and estimates

5.1. Accounting judgments

In the process of applying the accounting policies to the issues described below, the management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

Classification of lease commitments

The Group is a party to lease agreements which have been classified as finance leases or operational leases. While classifying its lease agreements the Group has assessed if under the agreement substantially all the risk and benefits incidental to ownership of the asset have been transferred to the lessee.

Identification of embedded derivatives

As at the date of concluding a contract the Group management makes assessments if under the concluded contracts there are economic characteristics and risks typical of an embedded derivative denominated in a foreign currency, which would not be closely related to economic characteristics and risks typical of the host agreement (main contract).

Classification of financial assets

At every statement of financial position date the Group makes an assessment if the financial assets it owns are investments held to maturity.

Risk related to recognition of contingent liabilities

At each statement of financial position date the Group makes an assessment if it is necessary to recognise contingent liabilities arising from agreements of acquisition of share in companies.

5.2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of Assets

The Group conducts tests for impairment of plant, property and equipment in a situation when there are factors proving the possibility of impairment of assets. This requires an estimation of the value in use of the cash-generating unit to which those assets are allocated. Estimating the value in use amount requires making an estimate of the expected future cash flows from the cash-generating unit and also choosing a suitable discount rate in order to calculate the present value of those cash flows.

Valuation of provisions for employee benefits

Provisions for employee benefits are determined using actuarial valuations. The assumptions made for this purpose are presented in note 35.2.

Deferred tax assets

The Group recognizes deferred tax assets based on the assumption that taxable profits will be available against which the deferred tax asset can be utilized. Deterioration of future taxable profits might render this assumption unreasonable.

Fair value of financial instruments

The fair value of financial instruments for which no active market exists is assessed by means of appropriate valuation methods. The Group applies professional judgment in selecting appropriate methods and assumptions. The methods used for measuring the fair value of individual financial instruments are presented in note 41.1.

Revenue recognition

Long-term contracts are accounted for by the Group using the percentage of completion method. This method requires the Group to estimate the proportion of work already completed in relation to total work to be performed. If this proportion had been 1 % higher than the one estimated by the Group, the amount of revenue would have been increased by PLN 72,973 thousand and the related costs would have increased by PLN 67,129 thousand.

Depreciation and amortization rates

Depreciation and amortization rates are determined based on the anticipated economic useful lives of property, plant and equipment and intangible assets. The economic useful lives are reviewed annually by the Group based on current estimates.

Provision for losses

At each statement of financial position date the Group carries out a revaluation of estimates of total costs and revenues by virtue of projects which are being completed. An estimated total loss on a contract is recorded as costs of the period in which it was recognized, according to IAS 11.

Write-down of unnecessary materials

At each statement of financial position date the Group writes down unnecessary materials taking into consideration the period of keeping them in a warehouse and potential possibilities for use in the future.

6. Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments and available for sale financial assets, which are measured at fair value.

Carrying values of recognized hedged assets and liabilities are adjusted by the changes in fair value related to the hedged risk.

The consolidated financial statements are presented in Polish zloty (“PLN”) and all values are rounded to the nearest thousand (PLN ‘000), if it is not indicated otherwise.

The consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. As at the date of authorization of these financial statements the parent company’s Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Group, except for Nafto-Tur Sp. z o.o. (after the statement of financial position date the Extraordinary Meeting of Shareholders of Nafto-Tur Sp. z o.o. made a decision on opening the liquidation of the Company) and SBP Przembud (on 11 July 2008 an application for liquidation of SPBP Przembud Sp. z o. o. was filed at the National Court Register).

7. Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), in particular in accordance with IFRSs endorsed by the European Union. At the date of authorization of these financial statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group’s activities, in terms of accounting policies applied by the Group there is no difference between the effective IFRSs and the IFRSs endorsed by the European Union.

IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). .

Certain Group entities keep books of accounts in accordance with accounting policies specified in the Accounting Act of 29 September 1994 ("the Accounting Act") with subsequent amendments and the regulations issued based on that Act ("Polish Accounting Standards"). The consolidated financial statements include a number of adjustments not included in the books of accounts of the Group entities, which were made in order to bring the financial statements of those entities to conformity with IFRS.

8. Functional currency and presentation currency

Polish zloty is the functional currency of the parent company and other entities included in these consolidated financial statements as well as the presentation currency of these financial statements, except for MSP Tchervonograd-Ukraine, Polimex-Mostostal Ukraine, Depolma GmbH Germany and Coifer Capital Group, Romania.

9. Changes in accounting policies

The accounting policies used to prepare these consolidated financial statements are consistent with ones used while preparing the Group's consolidated financial statements for the year ended 31 December 2008 except for the application of the following amendments to standards and new interpretations in force for reporting periods beginning on 1 January 2009.

- IFRS 8 *Operating Segments,* which when effective replaced IAS 14 *Segment Reporting*. For the identification and measurement of the performance of operating segments subject to reporting the standard uses the approach coherent with the one applied by the management. Application of this standard did not influence the performance of the Group in 2009.
- IAS 1 *Presentation of Financial Statements* (revised in September 2007) – this standard separates owner and non-owner changes in equity, which arise from transactions with owners and which arise from other transactions. Due to this fact the statement of changes in equity includes only details of transactions with owners, whereas non-owner equity changes are presented in one line. In addition, the standard introduces the statement of comprehensive income, which includes all items of income and expenses recognized in profit or loss and all other recognized items of income and expenses, all these items may be presented either in one single statement or in two linked statements. The Group applies the latter method of presentation i.e. it presents two linked statements. Application of this standard did not influence the performance of the Group in 2009.
- IAS *23Borrowing Costs* (revised in March 2007*)* – the revised standard requires the borrowing costs attributable to the acquisition, construction or production of a qualifying asset to be recognized as an element of the acquisition price or production cost.

  So far the Group policy was to expense borrowing costs to the income statement as they were incurred. In accordance with transitional provisions of the amended IAS 23, the Group has adopted the standard on the prospective basis. Consequently, borrowing costs are capitalized as an element of the acquisition price or production cost of the qualifying asset with a commencement date on or after 1 January 2009.
- Amendments to IFRS 2 *Share-based payment: Vesting Conditions and Cancellations* – the amendment clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. Adopting this amendment had no impact on the financial position or performance of the Group because no events occurred to which it would refer. Application of this standard did not influence the performance of the Group in 2009.
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation (of the Company) – introduce a limited scope exception for puttable instruments which can be classified as equity if they fulfill a number of specified criteria. Adoption of this amendments had no impact on the financial situation or performance of the Group as the Group did not issue such instruments.
- IFRIC 13 *Customer Loyalty Programmes* - the interpretation requires loyalty credit to be accounted for as separate component of the sales transaction in which they are granted. Adoption of this interpretation had no impact on the financial situation or performance of the Group as the Group does not maintain any customer loyalty programmes.

- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS *27 Consolidated and Separate Financial Statements*: *and Accounting for Investment in Subsidiaries, Jointly Controlled Entities and Associates* – in accordance with the amendments to IFRS 1, the entity adopting IFRS for the first time will be able to specify the cost of investment in subsidiaries, jointly controlled entities and associates in accordance with IAS 27 or based on the estimated cost. Amendment to IAS 27 requires all dividends obtained from a subsidiary, jointly controlled entity or associate to be recognized in the separate financial statements of the parent company in the income statement. The amendment to IAS 27 is adopted on the prospective basis. New requirements refer only to separate financial statements of the parent company and will have no impact on the consolidated financial statements. Adoption of this amendment had no impact on the financial situation or performance of the Group as in 2009 the Group did not obtain any dividends paid out of profits made before the acquisition of subsidiaries, jointly controlled entities and associates.
- IFRIC 12 *Service Concession Arrangements* – the interpretation applies to service concession operators and explains how rights and obligations arising from these arrangements should be accounted for. The interpretation has no impact on the financial statements of the Group as no its entity is a service concession operator.
- Amendments to IAS 7 Financial Instruments: Disclosures – the revised standard requires from entities disclosures of additional information on the measurement to fair value and liquidity risk. For each class of financial instruments measured at fair value the information on measurement should be revealed using the fair value hierarchy which takes into account the significance of input data for the measurement. Moreover, for the fair value measurement included in the Level 3 fair value hierarchy reconciliation between the opening balance and the closing balance should be presented. In addition, all significant movements between Level 1 and Level 2 of fair value hierarchy should be presented. Application of this standard did not influence the performance of the Group in 2009.
- IFRIC 15 *Agreements for the Construction of Real Estate* – specifies how and when the revenue from sale of real estate and related expenses should be recognized if the agreement between a developer and a buyer is concluded before the construction of the real estate is complete. The interpretation also includes guidance on how to determine whether the agreement is within the scope of IAS 11 or IAS 18. The Group adopted the policies arising from IFRIC 15 in the previous years. Application of this standard did not influence the performance of the Group in 2009.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* - the interpretation includes guidance on how to recognize the hedges of net investment in foreign operations and in particular it provides guidelines in the scope of : identifying the foreign currency risks that qualifies for hedge accounting within the hedge of a net investment, placing hedging instruments in the structure of a capital group as well as determining the amount of foreign exchange gains or losses relating to both the net investment and the hedging instrument, which should be reclassified from equity to profit or loss at the disposal of a foreign operations. Adoption of IFRIC 16 will have no impact on the consolidated financial statements because the Group does not hedge net investment in a foreign operations.
- IFRIC 18 *Transfers of Assets from Customers* – the interpretation includes guidance on how to recognise assets received from a customer and used for providing him with services. The interpretation applied to transactions which were entered into on or after 1 July 2009. The adoption of IFRIC 18 will have no impact on the consolidated financial statements because the Group did not receive any assets from customers or cash intended for the construction of this type of assets.
- Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement: Embedded Derivatives* – the amendment introduces the requirement to assess whether the embedded derivative must be separated from the host contract at the moment of requalifying a hybrid financial instrument out of the fair value through profit or loss category of financial instruments. The assessment is made based on the circumstances that existed on the later of: the date when the entity first became a party to the contract and the date of change in the terms of contract that significantly modifies the cash flows arising from the contract. At present IAS 39 requires that, if the embedded instrument cannot be reliably measured, the entire hybrid financial instrument must remain classified as at fair value through profit or loss. The adoption of amendments will have no impact on the consolidated financial statements because the Group did not reclassify out of fair value through profit or loss category of financial instruments or does not own any hybrid financial instruments for which the reliable measurement of the embedded derivative would not be possible.

The amendments to IFRS resulting from the annual review published in May 2008 had no impact on the financial situation or the performance of the Group.

10. New standards and interpretations published but not yet effective

The following standards and interpretations were issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee but are not yet effective:

- IFRS 3 *Business Combinations* (revised in January 2008) – effective for financial years beginning on or after 1 July 2009,
- IAS 27 *Consolidated and Separate Financial Statements* (amended in January 2008) – effective for financial years beginning on or after 1 July 2009,
- Amendments to IAS 39 *Financial Instruments*: *Recognition and Measurement: Eligible Hedged Items* (amendments published in July 2008) – effective for financial years beginning on or after 1 July 2009,
- The revised IFRS 1 *First-time Adoption of International Financial Reporting Standards* (revised in November 2008) – effective for financial years beginning on or after July 2009.
- IFRIC 17 *Distribution of Non-cash Assets to Owners* - effective for financial years beginning on or after 1 July 2009,
- Amendments resulting from IFRS review (published in April 2009) – part of the amendments is effective for financial years beginning on 1 July 2009, and part of them for financial years beginning on 1 January 2010,
- Amendments to IFRS 2 *Share-based payment: Group Cash-settled Share-based Payment Arrangements* (amended in June 2009) – effective for financial years beginning on or after 1 January 2010,
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Additional Exemptions for First-time Adopters*- effective for financial years beginning on or after 1 January 2010 – it has not been endorsed by the EU till the day of approval of these financial statements,
- Amendments to IAS 32 *Financial Instruments*: *Presentation. Classification of Rights Issue* - effective for financial years beginning on or after 1 February 2010,
- IAS 24 *Related Party Disclosures* (revised in November 2009) - effective for financial years beginning on or after 1 January 2011 - it has not been endorsed by the EU till the day of approval of these financial statements,
- IFRS 9 *Financial Instruments* - effective for financial years beginning on or after 1 January 2013 - it has not been endorsed by the EU till the day of approval of these financial statements,
- Amendments to IFRIC 14 IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirements* - effective for financial years beginning on or after 1 January 2011 – they have not been endorsed by the EU till the day of approval of these financial statements,
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* - effective for financial years beginning on or after 1 July 2010 - it has not been endorsed by the EU till the day of approval of these financial statements,
- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7Disclosures for First-time Adopters* - effective for financial years beginning on or after 1 July 2010 – it has not been endorsed by the EU till the day of approval of these financial statements,

Management does not expect the introduction of the above-mentioned amendments and interpretations to have a significant effect on the accounting policies applied by the Group.

11. Adjustments of errors

In the reporting period an adjustment of a fundamental error was made as to the valuation of long-term contracts valorised in 2007 and 2008. The above mentioned adjustment resulted in the decrease of the Company assets and liabilities of PLN 20,589 thousand.

While settling construction contracts Polimex-Mostostal S.A. applies the guidance presented in International Accounting Standard 11 (IAS 11) which requires estimating the stage of completion of individual contracts at each statement of financial position date and making revenue and cost schedules. In the years 2007-2008 in the revenue schedule for the following contracts, including ones being executed on consortium basis, the Group has partly recognized such revenue („valorisation”) which final realization and amount has not been confirmed yet by contractors. The above mentioned revenue amounted to PLN 43,130 thousand, of which, after eliminating the revenue of consortium members, only PLN 25,418 thousand was related to the Company.

Contract: <u>Construction of No 5 Coke Oven Battery at Koksownia „Przyjaźń"</u>

Summons in the subject matter of the Battery were filed on 19 May 2008 at the Regional Court in Katowice for the amount of PLN 29,259 thousand due to a significant and unforeseeable at the time of concluding the contract increase of the investment realization costs. The expert appointed then by the court proved that in 2007 the situation on the market for construction materials and services was exceptional and unprecedented and it resulted in the significant increase of the investment realization cost and therefore the facts may be recognised by the Court as a justification of the application of Article 375 of the Civil Code and the increase of contractual remuneration payable to Polimex-Mostostal S.A.

Contract: <u>Modernisation of Coal Derivative Production Division (Wydział Produkcji Węglopochodnych) at Koksownia „Przyjaźń</u>"

Summons together with a request to secure the claim were filed at the Regional Court in Katowice on 8 July 2009. The value of subject matter of the dispute was stated at PLN 62,546 thousand. In addition, Polimex-Mostostal S.A. included in the summons the request to secure the claim due to investor's difficult financial situation. In the opinion of Legal Firm advising us in this litigation, the position of the Company is good due to the fact that the Company made two pieces of evidence credible: occurrence of extraordinary circumstances and the loss incurred. The above evidence constitute the legal basis for the court ruling in favour of Polimex-Mostostal S.A.

At the moment, due to a lengthy process of final settlement of the disputable issues and a difficult to predict explicitly result of filed summons in the scope of the above mentioned contracts, the Management decided to recognize the adjustment of these settlements in the financial statement for the year 2009 making an adjustment to the opening balance of the year 2008 in this scope.

The adjustments are presented below:

(in PLN thousands)	Net profit/(loss)	Equity
Financial data for the year ended 31 December 2007 or as at 31 December 2007 according to the approved financial statements for that period	116 684	1 075 566
Adjustment effect:	-	-
Adjustments:		
a) measurement of long-term contracts	(20 589)	(20 589)
Financial data for the year ended 31 December 2007 or as at 31 December 2007 resulting from the changed accounting policies and adjustment of error	96 095	1 054 977

(in PLN thousands)	Net profit/(loss)	Equity
Financial data as at 31 December 2008 according to the approved financial statements for the period	140 439	1 168 796
Adjustment effect:	-	-
Adjustments:		
a) measurement of long-term contracts	-	(20 589)
Financial data as at 31 December 2008 resulting from the changed accounting policies and adjustment of error	140 439	1 148 207

Financial data as at 31 December 2008

(in PLN thousands)	31 December 2008	Adjustments of errors	Presentation adjustments	31 December 2008 after the adjustment
Assets				
Deferred tax assets	64 342	4 829	(1 773)	67 398
Trade and other receivables	1 342 205	(25 418)		1 316 787
Liabilities and Equity				
Retained earnings/ Accumulated (losses)	254 584	(20 589)		233 995
Deferred tax liability	22 389		(1 773)	20 616
Total adjustments		**(20 589)**	**(1 773)**	

Financial data as at 1 December 2008
(in PLN thousands)

	1 January 2008	Adjustments of errors	1 January 2008 after the adjustment
Assets			
Deferred tax assets	18 242	4 829	23 071
Trade and other receivables	1 272 108	(25 418)	1 246 690
Liabilities and Equity			
Retained earnings/ Accumulated (losses)	194 889	(20 589)	174 300
Total adjustments		**(20 589)**	

Presentation adjustments

To keep the data comparable in the reporting period a change was made as to the presentation of data for the year 2008 including the presentation of receivables and inventory write-downs. The details are presented in the table below:

Financial data as at 31 December 2008
(in PLN thousands)

	31 December 2008	Presentation adjustments	31 December 2008 after the adjustment
Revenue	4 301 693	(557)	4 301 136
Sale of goods	1 068 888	(169 612)	899 276
Rendering of services	3 222 897	169 055	3 391 952
Cost of sales	3 870 651	646	3 871 297
Gross profit / (loss)	431 042	(400)	429 839
Other operating expenses	21 454	(400)	20 251
Revenue from operating activities	228 144	-	228 144

12. Changes in estimates

In the reporting period there were made no changes in estimates which would affect the current and future periods.

13. Significant accounting policies

13.1. Basis of consolidation

These consolidated financial statements comprise the financial statements of *Polimex-Mostostal S.A.* and financial statements of subsidiaries each time prepared for the year ended 31 December 2009. Financial statements of subsidiaries after including the adjustments to bring them to conformity with IFRS are prepared for the same reporting period as those of the parent company, using consistent accounting policies, and based on the same accounting policies applied to similar business transactions and events. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All significant intercompany balances and transactions, including unrealised gains arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless they indicate an impairment.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which such control is transferred out of the Group. An entity is controlled by the parent company when the parent has, directly or indirectly, through its subsidiaries, more than half of the votes at the shareholders' meeting of that entity, unless it is possible to prove that such holding does not represent control. Control is also exercised if the company has the power to govern the financial and operating policy of an entity.

13.2. Investments in associates

Investments in associates are accounted for using the equity method. An associate is an entity in which the parent company has, either directly or through subsidiaries, significant influence and which is neither its subsidiary nor a joint venture. Financial statements of the associates are the basis for valuation of investments in associates using the equity method. The financial year of an associate and that of the parent company is identical. Associates apply accounting policies as defined in the Act Before the share in their net assets is calculated, financial data of associates is adjusted to bring it to conformity with IFRS applied by the Group.

(in PLN thousands)

Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the parent's share of the associates' net assets, less any impairment losses. The share in profit or losses of associates is reflected in the consolidated profit or loss. The adjustment of the carrying amount may be necessary due to the change in proportion of share in the associate resulting from the changes in other comprehensive income of the entity.
Investments in associates are tested for impairment if there is any objective evidence that an investment may be impaired or when an impairment write-off recognised in previous years is no longer required.

13.3. Interest in joint venture

The Group recognises its interest in the joint venture using the proportionate consolidation method according to which the proportionate share in assets, liabilities, income and expenses of the joint venture is combined line by line with similar items in the consolidated financial statements. Before the financial data of the joint venture is included in the consolidated financial statements, it is adjusted to bring it to conformity with IFRS applied by the Group.
Investments in joint ventures are assessed for impairment if there is any objective evidence that an investment may be impaired or when an impairment write-off recognised in previous years is no longer required.

13.4. Foreign currency translation

Transactions denominated in currencies other than Polish zloty are translated into Polish zloty at the foreign exchange rate prevailing on the transaction date.
At the statement of financial position date, assets and liabilities expressed in currencies other than Polish zloty are translated into Polish zloty using the average NBP (National Bank of Poland) rate prevailing for the given currency at the year-end. Exchange differences resulting from translation are recorded under finance revenue (or finance costs), or – in cases defined in accounting policies – are capitalised in the cost of the assets. Non-monetary foreign currency assets and liabilities recognised at historical cost are translated at the historical foreign exchange rate prevailing on the transaction date. Non-monetary foreign currency assets and liabilities recognised at fair value are translated into Polish zloty using the rate of exchange binding as at the date of re-measurement to fair value.
The following exchange rates were used for statement of financial position valuation purposes:

	31 December 2009	31 December 2008
EUR	4.1082	4.1724
UAH	0.3558	0.3730
RON	0.9698	1.0409

Functional currencies for foreign subsidiaries are UAH, EURO and RON. At the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group using the rate of exchange prevailing at the statement of financial position date, and their statements of comprehensive income are translated using the weighted average exchange rates for the year. Foreign currency differences resulting from such translation are taken to comprehensive income and accumulated in a separate equity item. On disposal of a foreign operation, the cumulative amount of the deferred exchange differences recognised in equity and relating to that particular foreign operation shall be recognised in the income statement.

Weighted average foreign exchange rates for the reporting periods were as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
EUR	4.3406	3.5321
UAH	0.3897	0.4525
RON	1.0255	0.9542

13.5. Property, plant and equipment

Property, plant and equipment are measured at purchase price/ cost of manufacturing less accumulated depreciation and impairment losses. The initial cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost also comprises the cost of replacement of fixed asset components when incurred, if the recognition criteria are met.

Subsequent expenditures, such as repair or maintenance costs, are expensed in the reporting period in which they were incurred.
Upon purchase, fixed assets are divided into components, which represent items with a significant value that can be allocated a separate useful life. Overhauls also represent an asset component.
Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives as presented below:

Type	**Useful life**
Buildings and structures	20-40 years
Plant and machinery	5-20 years
Office equipment	3-5 years
Motor vehicles	3-10 years
Computers	3-8 years
Leasehold improvements	10 years

Residual values, useful lives and depreciation methods of property, plant and equipment are reviewed annually and, if necessary, adjusted retrospectively i.e. with effect from the beginning of the financial year that has just ended.
An item of property, plant and equipment is derecognised from the statement of financial position upon disposal or when no future economic benefits are expected from its further use. Any gains or losses arising on derecognition of an asset from the statement of financial position (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are recognised in the income statement for the period in which derecognition took place.
Assets under construction include assets in the course of construction or assembly and are recognized at purchase price or cost of manufacturing less any impairment losses. Assets under construction are not depreciated until completed and brought into use.

13.6. Investment properties

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.
Subsequent to initial recognition, investment properties are stated at fair value. Any gains or losses arising from a change in the fair value of investment property are recognized in the income statement for the year in which they arose.
Investment property is derecognized from the statement of financial position when disposed of or permanently withdrawn from use and no future benefits are expected from its disposal. Any gains or losses on derecognition of investment property are recognized in the income statement for the year in which such derecognition took place.
Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner occupation or commencement of an operating lease to another party. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under *Property, Plant and Equipment* up to the date of change in use.

13.7. Intangible assets

Intangible assets acquired separately or constructed (if they meet the recognition criteria for capitalised research and development costs) are measured on initial recognition at purchase price or cost of construction. The purchase price of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at purchase price or cost of construction less any accumulated amortisation and any impairment losses. Expenditures incurred for internally generated intangible assets, excluding capitalised development costs, are not capitalised and are charged against profits in the year in which they are incurred.

The useful lives of intangible assets are assessed by the Group to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives and those that are not in use are tested for impairment annually either individually or at the cash generating unit level.

Useful lives are reviewed on an annual basis and, if necessary, are adjusted with effect from the beginning of the financial year that has just ended.

Research and development costs

Research costs are expensed in the profit and loss account as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Following the initial recognition, the historical cost model is applied, which requires the asset to be carried at purchase price or cost of construction less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indication of impairment is identified during the reporting period, which may suggest that the carrying amount may not be recoverable.

A summary of the policies applied to the Group's intangible assets is as follows:

	Patents and Licenses	**Development Costs**	**Software**
Useful lives	Indefinite. For patents and licenses used on the basis of a defined period contract, that period is adopted, taking into account any possible extended term of their use.	5 years	from 2 to 10 years
Applied method of amortisation	Assets with an indefinite useful life are not amortised or revalued. Other are amortised using the straight-line method	Straight-line method	Straight-line method
Internally generated or acquired	Acquired	Internally generated	Acquired
Impairment testing	For assets with an indefinite useful life - annually and where an indication of impairment exists. For other assets – annual assessment to determine whether there is any indication that an asset may be impaired.	Annual assessment (when items have not been brought into use) and when there is any evidence indicating an impairment loss.	Annual assessment to determine whether there is any indication that an asset may be impaired.

Gains or losses arising from derecognition of an intangible asset from the statement of financial position are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

13.7.1 *Goodwill*

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Goodwill is not amortised.
As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units that is expected to benefit from the synergy of the combination. Each unit, or set of units, to which the goodwill has been allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and
- is not larger than one operating segment defined in accordance with IFRS 8 Operating Segments.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit to which the goodwill has been allocated. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Where goodwill represents part of a cash-generating unit and part of the operations within that unit is disposed of, the goodwill associated with the operations disposed of is included in the carrying amount of the operations when determining gain or loss on disposal of the operation. Goodwill disposed of in such circumstances is measured on the basis of the relative value of the operations disposed of and the value of the portion of the cash-generating unit retained.

13.8. Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised in profit or loss.
Fixed assets used under finance lease agreements are depreciated over the shorter of the estimated useful life of the asset or the lease term.
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease charges and subsequent lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

13.9. Impairment of non-financial non-current assets

An assessment is made at each reporting date to determine whether there is any indication that any non-financial non-current asset may be impaired. If such indication exists, or in case an annual impairment testing is required, the Group makes an estimate of the recoverable amount of that asset or cash-generating unit to which the asset is allocated.

The recoverable amount of an asset or a cash-generating unit is the higher of the asset’s or cash-generating unit’s fair value less costs to sell the asset or cash-generating unit, as appropriate, and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those generated from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of assets used in continuing operations are recognised in the income statement in the expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognised for the asset in prior years. The reversal of an impairment loss is recognised immediately as revenue in the income statement. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset’s carrying amount, less its residual value, on a systematic basis over its remaining useful life.

13.10. Borrowing costs

Borrowing costs are capitalized as part of the cost of property, plant and equipment. Borrowing costs comprise interest computed using the effective interest rate method, financial lease charges and foreign exchange differences arising from borrowing to the extent they are regarded as an adjustment to interest costs.

13.11. Financial assets

Financial assets are classified into one of the following categories:
- Financial assets held to maturity,
- Financial assets at fair value through profit or loss,
- Loans and receivables,
- Financial assets available for sale.

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the positive intention and ability to hold until maturity, other than:

- those that upon initial recognition are designated as at fair value through profit or loss;
- those that are designated as available for sale,
- those that meet the definition of loans and receivables.

Financial assets held to maturity are measured at amortized cost using the effective interest rate method. Financial assets held to maturity are classified as non-current assets if they are falling due within more than 12 months from the statement of financial position date.

A financial asset measured at fair value through profit or loss is a financial asset that meets either of the following conditions:

a) it is classified as held for trading. A financial asset is classified as held for trading if it is:

- acquired principally for the purpose of selling it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking,
- a derivative, except for a derivative that is a designated and effective hedging instrument or financial guarantee contract,

b) upon initial recognition it is designated as at fair value through profit or loss according to IAS 39.

Financial assets measured at fair value through profit or loss are measured at fair value, which takes into account their market value as at the statement of financial position date less attributable transaction costs. Any change in the fair value of these financial instruments is taken to finance costs or finance income in the income statement. When a contract contains one or more embedded derivatives, the entire contract may be designated as a financial asset at fair value through profit or loss. Except where the embedded derivative does not significantly modify the cash flows from the contract or it is clear that separation of the embedded derivative is prohibited. Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a document risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are classified as current assets, provided their maturity does not exceed 12 months after the statement of financial position date. Loans and receivables with maturities exceeding 12 months from the statement of financial position date are classified under non-current assets.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. Available-for-sale financial assets are measured at fair value, without deducting transaction costs, and taking into account their market value at the statement of financial position date. Where no quoted active market price is available and there is no possibility to determine their fair value using alternative methods, available-for-sale financial assets are measured at their purchase price, adjusted for any impairment losses. Positive and negative differences between the fair value and acquisition price, net of deferred tax, of financial assets available for sale (if quoted market price determined on the regulated market is available or if the fair value can be determined using other reliable method), are taken to other comprehensive income. Decrease in the value of available-for-sale assets arising from impairment is recognised in finance costs.

Purchase and sale of financial assets is recognized at the transaction date. Initially, financial assets are recognized at fair value plus, for financial assets other than classified as financial assets as at fair value through profit and loss, transaction costs which can be directly attributed to the acquisition.

Financial assets are derecognized from the statement of financial position if the Group loses its control over contractual rights attached to those assets, which usually takes place upon sale of the asset or where all cash flows attributed to the given asset are transferred to an independent third party.

13.12. Impairment of financial assets

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

13.12.1 *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred yet) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance amount. The amount of the loss shall be recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and evidence of impairment for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included on a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

13.12.2 *Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and has to be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

13.12.3 *Available-for-sale financial assets*

If there is objective evidence that an impairment loss has been incurred on an available-for-sale financial asset, then the amount of the difference between the acquisition price of this asset (net of any principal payment and amortisation, for financial assets measured at amortised cost using the effective interest rate method) and current fair value, less any impairment loss on that financial asset previously recognised in other comprehensive income, is removed from equity and recognised in other comprehensive income. Reversals of impairment losses on equity instruments classified as available for sale cannot be recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in other comprehensive income, the impairment loss is reversed, with the amount of the reversal recognised in other comprehensive income.

13.13. Embedded derivatives

Embedded derivatives are bifurcated from host contracts and treated as derivative financial instruments if the following conditions are met:

– the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract,
– a separate instrument with the same terms as embedded derivative would meet the definition of a derivative,
– the hybrid (compound) instrument is not recorded at fair value and changes in its fair value are not taken to profit or loss.

Embedded derivatives are recognized in a similar manner to that of separate derivative instruments, which have not been designated as hedging instruments.

The extent to which, in accordance with IAS 39, the economic characteristics and risks of foreign currency embedded derivatives are closely related to those of the host (main) contract covers circumstances where the currency of the host contract is also the common currency of purchase or sale of non-financial items on the market of a given transaction.

The Group assesses whether a given embedded derivative is required to be separated from host contracts upon its initial recognition.

13.14. Derivative financial instruments and hedges

The Group uses derivative financial instruments mainly such as forward currency contracts and interest rate swaps to hedge against the risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to the net profit or loss for the period.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for (future) contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values of similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges, when hedging the exposure to changes in the fair value of a recognised asset or liability, or
- cash flow hedges, when hedging exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecast transaction, or
- hedges of a net investment in a foreign operation.

Hedges of foreign currency risk in a firm future commitment are accounted for as cash flow hedges.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship, the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk. Hedges are expected to be highly effective in offsetting the exposure to changes in the fair value or cash flows attributable to the hedged risk. Hedge effectiveness is assessed on a regular basis to check if the hedge is highly effective throughout all financial reporting periods for which it was designated.

13.14.1 *Fair value hedge*

Group’s fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm future commitment, or an identified portion of such an asset, liability or firm future commitment, that is attributable to a particular risk and could affect profit or loss. In the case of a fair value hedge, any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item, the hedging instrument is re-measured to fair value and the gains and losses on the hedging instrument and hedged item are recognised in profit or loss.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying amount is amortised through the income statement over the remaining term to the maturity of the instrument.

When an unrecognised firm future commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm future commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues hedge accounting prospectively if the hedging instrument expires, or is sold, terminated or exercised, or the hedge no longer qualifies for hedge accounting, or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest rate method is used is amortised and the amortization expenses are recognized in the income statement. Amortisation may begin as soon as an adjustment is made, however no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

13.14.2 *Cash flow hedges*

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and that could affect profit or loss. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses that were recognized in other comprehensive income and accumulated in equity shall be reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability or a forecast transaction associated with a non-financial asset or a non-financial liability becomes a firm

future commitment for which a fair value hedge is applied, the associated gains or losses that were recognized in other comprehensive income shall be derecognised from equity and recognised in the purchase price or in other carrying amount of an asset or liability.
For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.
Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer qualifies for hedge accounting applied to it. In this case any cumulative gain or loss on the hedging instrument that has been recognised initially in other comprehensive income and accumulated in equity remains recognised in equity until the forecast transaction occurs. If the forecast transaction is no longer expected by the Group to occur, the net cumulative gain or loss recognised in equity is taken to net profit or loss for the period.

13.14.3 *Hedges of a net investment in a foreign operation*

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for similarly to cash flow hedges. The portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in comprehensive income while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of the foreign operation the amount of gains or losses recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment.

13.15. Inventories

Inventories are valued at the lower of purchase price/cost of manufacturing and net realizable value.

Costs incurred in bringing each inventory item to its present location and condition are accounted for, both for the current and previous year, as follows:

Raw materials	purchase price determined on a first-in, first-out basis.
Finished goods and work-in-progress	cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, excluding borrowing costs;
Goods for resale	purchase price determined on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less costs of finishing and the estimated costs necessary to make the sale.

13.16. Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when collection of the full amount is no longer probable.

If the effect of the time value of money is material, the value of receivables is determined by discounting the estimated future cash flows to present value using a discount rate that reflects current market assessments of the time value of money. Where discounting is used, any increase in the balance of receivables due to the passage of time is recognized as finance income.

Other receivables include in particular advance payments for future purchases of property, plant and equipment, intangible assets and inventories. Advance payments are recognized in accordance with the character of underlying assets, i.e. under non-current or current assets. Advance payments as non-monetary assets are not discounted.

Receivables from public authorities are presented within other non-financial assets, except for corporate income tax receivables that constitute a separate item in the statement of financial position.

13.16.1 *Cash Pool receivables*

CASH POOL – a consolidated bank account - balance consolidation – is a solution which optimalises the management of current and supplementary account balances through automated consolidation of these balances at a bank account chosen by the Company. A few subsidiaries in the Group use Cash Pool i.e. at the end of the day the bank account balances of subsidiaries participating in Cash Pool are transferred to a separated bank account. Cash Pool total balance should be positive. A negative balance of certain companies is covered with deposits from other Group companies. A bank calculates interest on positive and negative balances in Cash Pool account daily according to a floating interest rate. The interest rate for Cash Pool operations agent is 0.05% higher than the interest rate for other companies.

13.17. Cash and cash equivalents

Cash and short-term deposits recognised in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Cash and cash equivalents balance recognised in the consolidated statement of cash flows is composed of the above defined cash and cash equivalents.

13.18. Interest-bearing bank loans, borrowings and debt securities

All bank loans, borrowings and debt securities are initially recognised at purchase price which corresponds to the fair value of cash received, net of transaction costs associated with the bank loan or borrowing.

Following the initial recognition, interest-bearing bank loans, borrowings and debt securities are measured at the amortised cost using the effective interest rate method.

Amortised cost is calculated by taking into account any transaction costs, and any discount or premium granted in connection with the liability.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised from the statement of financial position as well as a result of a settlement using the effective interest rate method.

13.19. Prepayments

Prepaid expenses are recognised at the amount of incurred expenses, which relate to financial years following the statement of financial position date. The expenses are recognised at the nominal value after previously making sure that the expenses will bring the entity future profits. Prepaid expenses include mainly the following:

- insurance,
- subscriptions,
- rents paid in advance.

Deferred revenue is recognised taking into account the prudence concept. It includes mostly the equivalents of received and due amounts for performances, which will be executed in future reporting periods. The amounts included in deferred revenue gradually raise operating income.

13.20. Arrangement liabilities to write off

The amount equal to arrangement liabilities to write off in the arrangement with creditors concluded by one of the Group subsidiaries is recognised as a separate liability item. Arrangement payments are settled on time on quarterly basis. The debt was written off in accordance with the schedule after paying the last instalment of the arrangement, which was due on 30 September 2009.

13.21. Trade and other payables

Short-term trade payables are carried at the amount due and payable.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) or the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a document risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded. As at 31 December 2009, no financial liabilities have been designated as at fair value through profit and loss (as at 31 December 2008: nil and as at 31 December 2007: nil).

Financial liabilities measured at fair value through profit or loss are measured at fair value, reflecting their market value at the statement of financial position date less transaction costs. Changes in fair value of these instruments are recognised in the income statement as finance income or cost.

Financial liabilities other than financial instruments at fair value through profit or loss, are measured at amortised cost, using the effective interest rate method.

A financial liability is derecognized when the obligation under the liability has expired i.e. the obligation described in the contract has been fulfilled, cancelled or has expired. When an existing financial liability is replaced by another on substantially different terms between the same entities, the Group treats it as the expiry of the original liability and a recognition of a new financial liability. Similarly, the significant modifications of terms and conditions of an agreement relating to the existing financial liability are treated by the Group as an expiry of the original liability and recognition of a new financial liability. The differences in appropriate carrying amounts arising from these changes are recognized in the income statement.

Other non-financial liabilities include, in particular, liabilities to the tax office in respect of value added tax and advance payment liabilities which will be settled by way of delivery of goods or services, or fixed assets. Other non-financial liabilities are recognised at the amount due.

13.22. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expenses relating to any provision are presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the estimated future cash flows to present value using a discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

13.23. Retirement benefits and jubilee bonuses

In accordance with internal remuneration regulations, employees of Group companies are entitled to jubilee bonuses and retirement benefits. Jubilee bonuses are paid out after completion of a number of years in service. Retirement benefits are paid out as one-off benefit upon retirement. The amount of those benefits depends on the number of years of employment and the employee’s average salary. The Group makes a provision for retirement benefits and jubilee bonuses in order to allocate the costs of those allowances to the periods to which they relate. In accordance with IAS 19, jubilee bonuses represent other long-term employee benefits, while retirement benefits are post-employment defined benefits. The carrying amount of the Company’s liabilities resulting from these benefits is calculated at each statement of financial position date by an independent actuary. The balance of these liabilities equals discounted payments which will be made in the future and accounts for staff turnover, and relates to the period to the statement of financial position date. Demographic information and information on staff turnover are based on historical information. Any actuarial gains and losses are recognised in the income statement.

Additionally, according to Social Fund regulations employees of the parent company after retirement are entitled to supplementary non-compulsory benefits from Social Fund. The parent company makes a provision for these future liabilities in order to allocate the cost of these allowances to the periods to which they relate.

13.24. Share-based payment transactions

The parent company makes a valuation of executive options as at the date of granting the rights i.e. the date when an entity or authorised persons accepts the agreed terms and conditions of the executive option plan.

The parent company recognises remuneration expenses defined on the basis of executive options fair value in the period of acquiring the rights i.e. in the period in which all the terms and conditions of acquiring the rights defined under the executive option plan are met. At the same time the Company recognises a corresponding increase in reserve capital item made for this purpose.

After the rights are acquired and the cost of received services and the corresponding increase in equity is recognised, the Parent Company does not make any further adjustments in total equity. This provision also applies to circumstances where executive options, the rights to which have been vested, are not executed. Nevertheless, the Parent company transfers the amounts recognised in reserve capital to the item of reserve capital upon covering and paying for the shares acquired by entitled persons as a result of execution of the Incentive Plan.

13.24.1 *Equity-settled transactions*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an independent valuer using a binominal model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the parent entity ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the benefits ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group at that date, based on the best available estimate of the number of equity instruments, will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms and conditions of an equity-settled award are modified, to fulfil the minimum requirement an expense is recognised as if the terms and conditions had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The diluting effect of issued options is reflected as additional share dilution in the computation of earnings per share (see note 19).

13.25. Appropriation of profit for employee purposes and special funds

In accordance with a Polish business practice, shareholders may appropriate profits for employee purposes by making a transfer to the social fund and other special funds. In the financial statements, which are in line with IFRS, this portion of profit appropriation is recognised as operating costs of the period to which the profit appropriation relates.

13.26. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits relating to the transaction will flow to the Group and the revenue can be reliably measured. Revenues are recognised after deducting Value Added Tax (VAT), excise duty and discounts. The following specific recognition criteria must also be met before revenue is recognised:

Gross margins on contracts in progress are calculated on the basis of a formalised Project Review process as a difference between the selling price and estimated total costs of the contract (the total of the incurred costs and estimated costs to the completion of the contract). Verification of estimated costs to the completion of the contract takes place during the Project Reviews carried out on monthly, quarterly, half-yearly or other basis depending on the type of the contract. Costs to the completion of the contract are estimated by competent teams having professional knowledge and being responsible for the execution of the given area and based on their knowledge and experience.

13.26.1 *Sale of goods*

Revenues are recognised when the significant risks and benefits of ownership of the goods and products have passed to the buyer and the amount of revenue can be reliably measured.

13.26.2 *Rendering of services*

Revenue from provision of an uncompleted service under the contract, provided at the statement of financial position date to a significant extent (each time assessed by the Management for each contract individually) is recognised at the statement of financial position date on pro rata basis to the stage of completion of the service if the revenue can be reliably measured. Stage of completion is measured as a percentage of costs incurred from the date of concluding the contract to the date of recognition of revenue in estimated total costs of providing the service or as percentage of labour costs incurred to date to total labour costs.

Where at the statement of financial position date the stage of completion of the service cannot be measured reliably, revenue is recognised at the amount of costs incurred in a given reporting period, however not higher than the costs which will probably be covered in the future by the employer.

Where it is probable that accumulated costs of executing the contract will exceed accumulated revenue from the contract, an estimated loss is recognised as the cost of the period in which it has been revealed.

Production costs of the service which is not completed include costs incurred from the date of concluding the contract to the statement of financial position date. Production costs incurred before the date of concluding the contract and relating to the execution of the contract subject matter are recognised as assets if it is probable that these costs will be cover in the future with the revenue from the employer. Then they are recognised as costs of manufacturing of an uncompleted construction service.

If the incurred costs less estimated losses plus gains recognised in the income statement exceed in their stage of completion the stage of completion of invoiced sales, the non-invoiced sales arising from the above mentioned difference is presented in the assets as trade receivables and corresponds to revenue from rendering of services.

If the percentage of invoiced sales exceeds the percentage of incurred costs less estimated losses and plus gains recognised in the income statement, deferred income resulting from the above mentioned difference is recognised as trade payables and corresponds to revenue from these services.

13.26.3 *Interest*

Revenue is recognised as interest accrues (using the effective interest rate method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

13.26.4 *Dividends*

Dividends are recognised when the shareholders' rights to receive the payment are established.

13.26.5 *Rental income (operating lease)*

Rental income arising from investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

13.26.6 *Government grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, its fair value is credited to a deferred income account and is released systematically to the income statement over the estimated useful life of the relevant asset by way of equal annual instalments.

13.27. Taxes

13.27.1 *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authorities (to be recovered from the taxation authorities). The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the statement of financial position date.

13.27.2 *Deferred tax*

For financial reporting purposes deferred income tax is recognized, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liability is recognized for all positive taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of goodwill, an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of positive taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax asset is recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses forwarded to future periods, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized in the statement of financial position to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will be available that will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss: in other comprehensive income as for deferred tax relating to items recognised in other comprehensive income or directly in equity as for deferred tax relating to items recognized directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset, only if legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

13.27.3 *Value Added Tax*

Revenues, expenses, assets and liabilities are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case value added tax is recognised as part of acquisition price of the asset or as part of the expense item as applicable, or
- receivables and payables, which are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

13.28. Earnings per share

Basic earnings per share for each reporting period is calculated as quotient of the net profit attributed to parent entity’s shareholders for a given period and the weighted average of shares in a given reporting period. Diluted earnings per share for each reporting period is calculated as a quotient of the net profit attributed to parent entity's shareholders for a given period and the sum of the weighted average of the number ordinary shares in the reporting period and all potential shares from new issues.

14. Operating segments

For management purposes, the Group is organised in business units based on their products and services. The Group has reportable operating segments as follows:

Manufacturing	- manufacturing and delivery of steel structures, platform gratings, shelving systems, pallets, road barriers. Services in the scope of steel structure corrosion protection with the use of hot dip galvanising, Duplex system, hydraulic painting.
Construction	- construction and erection services General contracting of facilities in construction industry (including: developer activity). Execution of large industrial and general construction facilities. Erection of steel structures, specialist equipment, halls and special structures.

(in PLN thousands)

Power Engineering	- services associated with the power engineering industry. General contracting of facilities in power engineering sector, design, manufacturing and sale of power boilers, continuous and full-scale servicing of power plant, heat and power plant, as well as industrial plants.
Chemistry	- general contracting of facilities in chemical industry. Assembly of equipment for processing systems in chemical and petrochemical industry, prefabrication and assembly of steel structures, processing pipelines, storage containers and pipelines, prefabrication and assembly of furnaces for refineries. Execution of environmentally-friendly projects. The recipients of the services are chemical plants, refineries, petrochemical and gas industry.
Roads and railroads	- general contracting of facilities in road and railroad construction industry. The recipients of the services are General Directorate for National Roads and Motorways and PKP Polskie Linie Kolejowe (Polish Railroads).
Other activities	- hardware and transport services, rental services, laboratory tests, machinery servicing, and other services not included in other segments.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its operating segments for the purpose of making decisions about resource allocation, assessment of the results of this allocation and performance assessment. Group financing (including finance costs and finance income) and income taxes are monitored on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Data on revenue and profit of Group's individual operating segments for the year ended 31 December 2009 and year ended 31 December 2008 are presented in the table below.

Year ended 31 December 2009 or as at 31 December 2009	*Manufacturing*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Eliminations*	*Total Operations*
Revenue								
Sales to external customers	534 424	1 239 583	987 062	874 601	1 078 209	122 796	-	4 836 675
Inter-segment sales	249 918	46 751	22 359	55 686	288	43 200	(418 202)	-
Total segment revenue	784 342	1 286 334	1 009 421	930 287	1 078 497	165 996	(418 202)	4 836 675
Results								
Segment profit	110 941	104 195	96 698	95 574	71 004	31 413	-	509 825
Non-attributed costs include:	-	-	-	-	-	-	-	244 890
Other operating income								*18 405*
Selling costs								*26 797*
Administrative expenses								*213 153*
Other operating expenses								*23 345*
Profit from continuing operations before tax and finance costs	-	-	-	-	-	-	-	264 935
Net finance costs	-	-	-	-	-	-	-	55 549
Share of associate's profit	250	2 781	3 210	-	-	-	-	6 241
Profit before tax	-	-	-	-	-	-	-	215 627
Income tax	-	-	-	-	-	-	-	40 340
Profit for the year	-	-	-	-	-	-	-	175 287
Assets and liabilities								
Segment assets	602 289	734 074	535 399	415 392	480 138	246 688	-	3 013 980
Investment in an associate	5 824	7 486	12 636	-	-	-	-	25 946
Segment liabilities	97 259	379 598	264 962	256 718	411 946	73 929	-	1 484 412

(in PLN thousands)

Reconciliation to data presented in the statement of financial position	
Segment assets do not include assets managed on a company basis	
- goodwill on consolidation	485 428
- financial assets	122 034
- deferred tax assets	85 932
- cash and cash equivalents	89 567
- other	4 830
Total assets	3 827 717
Segment liabilities do not include assets managed on a Company basis	
-loans and borrowings	245 948
- debentures	407 193
- provision for employee and similar benefits	72 150
- deferred income tax liability	18 587
- income tax payable	19 914
- taxation, customs duty and social security payables	176 334
-accruals and deferred income	18 099
- other	1 626
Equity	1 383 454
Total equity and liabilities	3 827 717

Year ended 31 December 2009 or as at 31 December 2009	*Manufacturing*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	Eliminations	Total Operations
Other segment information								
Capital expenditure:	179 545	22 726	34 845	16 460	33 143	45 355	-	332 074
- property, plant and equipment	179 208	21 473	34 171	13 410	32 938	37 712	-	318 912
- intangible assets	337	1 253	674	3 050	205	7 643	-	13 162
- investment properties	-	-	-	-	-	-	-	-
Depreciation of property, plant and equipment	20 172	12 396	13 517	10 138	10 522	7 227	-	73 972
Amortisation of intangible assets	921	999	857	488	165	1 186	-	4 616
Impairment losses on property, plant and equipment	-	-	-	-	-	-	-	-
Impairment losses on intangible assets	-	-	-	-	-	-	-	-
Other non-monetary expenditures, of which:	-	-	-	-	-	-	-	-
-guarantee provision	-	-	-	-	-	-	-	-

Year ended 31 December 2008 or as at 31 December 2008	*Manufacturing*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Eliminations*	*Total Operations*
Revenue								
Sales to external customers	836 490	1 062 729	1 109 230	517 513	686 192	88 982	-	4 301 136
Inter-segment sales	170 460	92 788	48 275	42 125	2 386	45 953	(401 987)	-
Total segment revenue	1 006 950	1 155 517	1 157 505	559 638	688 578	134 935	(401 987)	4 301 136
Results								
Segment profit	181 971	63 849	35 661	82 136	47 709	18 513	-	429 839
Non-attributed costs include:	-	-	-	-	-	-	-	201 695
Other operating income								*36 179*
Selling costs								*32 324*
Administrative expenses								*185 299*
Other operating expenses								*20 251*
Profit from continuing operations before tax and finance costs	-	-	-	-	-	-	-	228 144
Net finance costs	-	-	-	-	-	-	-	72 058
Share of associate's profit	(975)	1 297	2 499	-	-	-	-	2 821
Profit before tax	-	-	-	-	-	-	-	158 907
Income tax	-	-	-	-	-	-	-	18 468
Profit for the year	-	-	-	-	-	-	-	140 439
Assets and liabilities								
Segment assets	472 191	730 829	520 571	353 104	318 146	191 723	-	2 586 564
Investment in an associate	5 607	4 705	10 254	-	-	-	-	20 566
Segment liabilities	76 134	445 808	260 101	253 138	201 235	42 341	-	1 278 757

Reconciliation to data presented in the statement of financial position	
Segment assets do not include assets managed on a Company basis	
- goodwill on consolidation	481 051
- financial assets	132 232
-trade receivables	6 701
-deferred tax assets	65 616
-cash and cash equivalents	101 662
- other	21 810
Total assets	3 416 202
Segment liabilities do not include assets managed on a Company basis	
-loans and borrowings	307 175
- debentures	368 304
- provision for employee and similar benefits	66 501
-deferred income tax liability	12 617
-income tax payable	4 373
- taxation, customs duty and social security payables	181 576
-accruals and deferred income	21 567
- other	27 125
Equity	1 148 207
Total equity and liabilities	3 416 202

(in PLN thousands)

Year ended 31 December 2008 or as at 31 December 2008	*Manufacturing*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	Eliminations	Total Operations
Other segment information								
Capital expenditure:	87 232	31 250	76 841	27 753	33 153	32 749	-	288 978
- property, plant and equipment	86 691	29 475	76 319	26 604	30 743	27 279	-	277 111
- intangible assets	541	1 775	522	983	2 410	5 470	-	11 701
- investment properties	-	-	-	166	-	-	-	166
Depreciation of property, plant and equipment	18 878	11 150	12 398	8 236	7 698	7 605	-	65 965
Amortisation of intangible assets	959	638	998	529	133	1 110	-	4 367
Impairment losses on property, plant and equipment	-	-	-	(58)	-	-	-	(58)
Impairment losses on intangible assets	-	-	-	-	-	-	-	-
Other non-monetary expenditures, of which:	-	-	-	-	-	-	-	-
-guarantee provision	-	-	-	-	-	-	-	-

As at 1 January 2008								
Assets and liabilities								
Segment assets	516 109	625 355	335 873	269 475	288 105	145 473	-	2 180 390
Investment in an associate	2 722	4 909	12 358	-	-	-	-	19 989
Segment liabilities	109 608	231 737	282 463	159 160	176 820	22 020	-	981 808

Reconciliation to data presented in the statement of financial position	
Segment assets do not include assets managed on a Company basis	
- goodwill on consolidation	422 601
- financial assets	14 972
-trade receivables	6 123
-deferred tax assets	8 173
-cash and cash equivalents	104 590
- other	21 884
Total assets	2 778 722
Segment liabilities do not include assets managed on a Company basis	
-loans and borrowings	197 186
- debentures	354 551
- provision for employee and similar benefits	49 573
-deferred income tax liability	-
-income tax payable	4 361
- taxation, customs duty and social security payables	94 949
-accruals and deferred income	23 754
- other	17 563
Equity	1 054 977
Total equity and liabilities	2 778 722

14.1.1 *Geographic information*

The following tables present revenue, expenditure and certain asset information regarding the Group's geographic areas for the year ended 31 December 2009 and 31 December 2008 or respectively as at 31 December 2009 and 31 December 2008.

(in PLN thousands)

Year ended 31 December 2009 or as at 31 December 2009	*Domestic*	*Foreign*	*Eliminations*	*Total*
Revenue				
Sales to external customers	3 806 273	1 030 402	-	4 836 675
Revenue from continuing operations	3 806 273	1 030 402	-	4 836 675
Inter-area sales	3 498	7 949	(11 447)	-
Total area revenue	3 809 771	1 038 351	(11 447)	4 836 675
Other area information				
Area assets	1 330 311	332 605	-	1 662 916
Unallocated assets	-	-	-	2 138 855
Investment in an associate	25 946	-	-	25 946
Total assets	1 330 311	332 605		3 801 771

Year ended 31 December 2008 or as at 31 December 2008	*Domestic*	*Foreign*	*Eliminations*	*Total*
Revenue				
Sales to external customers	3 060 657	1 240 479	-	4 301 136
Revenue from continuing operations	3 060 657	1 240 479	-	4 301 136
Inter-area sales	2 598	6 102	(8 700)	-
Total area revenue	3 063 255	1 246 581	(8 700)	4 301 136
Other area information				
Area assets	1 242 580	320 803	-	1 578 383
Unallocated assets	-	-	-	1 817 253
Investment in an associate	20 566	-	-	20 566
Total assets	1 242 580	320 803		3 395 636

As at 1 January 2008				
Area assets	1 181 279	288 952	-	1 470 231
Unallocated assets	-	-	-	1 288 502
Investment in an associate	19 989	-	-	19 989
Total assets	1 181 279	288 952		2 758 733

15. Revenues and expenses

15.1. Sales of goods, rendering of services and rental income

	Year ended 31 December 2009	*Year ended 31 December 2008*
Sale of goods	574 753	899 276
Rendering of services	4 247 350	3 391 952
Rental income	14 752	9 908
	4 836 675	**4 301 136**

The parent company and certain subsidiaries recognise revenue on the basis of contracts concluded with consortium members. If the Parent company and subsidiaries are consortium leaders, the amount of revenue recognised by the Group is determined based on the revenue of the entire consortium. According to estimates by the Management, if the Group recognised only the revenue from the share of the parent company and subsidiaries in the consortium, the revenue recognised in income statements for the year ended 31 December 2009 would be PLN 439,898 thousand less and respectively PLN 239,772 thousand less for the year ended 31 December 2008. Starting in 2010 the presentation of the above mentioned revenue will be changed, and the parent company will recognize only the revenue arising from the parent company's share in consortium.

(in PLN thousands)

15.2. Other operating income

	Year ended 31 December 2009	Year ended 31 December 2008
Reversed provisions for expenses	2 964	7 060
Gain on disposal of property, plant and equipment	545	12 083
Gain on re-measurement of investment properties to fair value	-	3 434
Recovered damages payments and fines	1 365	3 932
Court settlement	-	1 267
Gain/loss on subsidiary liquidation	-	1 719
Grants	4 679	-
Liabilities written off	637	1 007
Reduction on arrangement	4 095	465
Other	4 120	5 212
	18 405	**36 179**

15.3. Other operating expenses

	Year ended 31 December 2009	Year ended 31 December 2008
Provision for disputable claims	1 266	4 994
Provision for costs of contracts and fines	5 141	-
Provision on other expenses	3 607	-
Loss on disposal of property, plant and equipment	104	915
Damages and fines	2 672	1 866
Court expenses	261	1 134
Donations	661	869
Post-accident repairs	626	350
Profit/ (loss) on sale of debt	-	1 021
Settlement	511	-
Other	8 496	9 102
	23 345	**20 251**

15.4. Finance income

	Year ended 31 December 2009	Year ended 31 December 2008
Revenue from measurement and exercise of derivative instruments*	7 899	26 692
Bank interest and loan receivable	6 663	6 692
Income from interest for delay in payment	83	336
Guarantee payment discount	-	2 050
Gain on sale of financial assets	1 232	1 491
Dividend income	26	486
Foreign exchange gains	4 225	26 080
Other	789	820
Total finance income	**20 917**	**64 647**

***** Since 1 October 2009 accounting policies in the parent company have been changed so as to introduce and apply hedge accounting for foreign exchange derivative instruments. To minimise the negative impact of exchange rate risk on the performance, the Company actively uses exchange rate derivative instruments available on the market thus applying the exchange rate risk management strategy adopted by the Company. Active derivative instrument transactions are subject to current revaluation and its results are included in Company's books of accounts.

Application of hedge accounting policies allows for symmetric recognition of a compensating influence of changes in fair value of a hedging instrument and a corresponding hedged item on the profit/loss of the current period. Derivative instruments hedging cash flows are recognised at fair value, taking into account a change in this value:

- in portion recognised as an effective hedge – directly in other comprehensive income,
- in portion recognised as ineffective – in the income statement.

(in PLN thousands)

Due to the fact that in the period of 9 months ended 30 September 2008 the Parent Company applied policies different from the ones mentioned above, the effect of measuring derivative instruments to fair value is presented in the income statement.

15.5. Finance costs

	Year ended 31 December 2009	*Year ended 31 December 2008*
Measurement and execution of derivative instruments*	5 213	66 412
Interest on bank loans and borrowings	19 990	23 314
Debenture interest	22 285	25 441
Interest on other liabilities	1 117	1 648
Finance charges payable under finance lease agreements	2 203	1 771
Foreign exchange losses	20 882	12 327
Bank charges on guarantees and loans	2 854	1 481
Other	1 922	4 311
Total finance costs	**76 466**	**136 705**

15.6. Costs by type

	Note	*Year ended 31 December 2009*	*Year ended 31 December 2008*
Depreciation / Amortization	15.7	78 646	70 390
Materials and energy		1 029 521	1 067 401
External services		2 410 450	1 975 372
Taxes and charges		32 468	25 816
Employee benefits expenses	15.8	932 262	852 241
Other costs by type		88 796	172 533
Total costs by type		**4 572 143**	**4 163 753**
Items included in selling and distribution expenses		(26 797)	(32 324)
Items included in administrative expenses		(213 153)	(185 299)
Cost of goods for resale and raw materials sold		51 900	60 112
Change in the stock of finished goods		(42 827)	(78 374)
Cost of goods produced for the entity's own use		(14 416)	(56 571)
Cost of sales		**4 326 850**	**3 871 297**

(in PLN thousands)

15.7. Depreciation/ amortization and impairment losses included in the income statement

	Year ended 31 December 2009	*Year ended 31 December 2008*
Items included in cost of sales	**63 073**	**56 598**
Depreciation	60 150	53 503
Amortization	2 923	3 095
Items included in selling and distribution expenses	**549**	**390**
Depreciation	494	370
Amortization	55	20
Items included in administrative expenses	**14 966**	**13 387**
Depreciation	13 328	12 135
Amortization	1 638	1 252
Total depreciation/ amortization	**78 588**	**70 375**

15.8. Employee benefits expenses

	Year ended 31 December 2009	*Year ended 31 December 2008*
Wages and salaries	725 946	678 841
Social security costs	125 266	113 158
Share-based payments expense (provision)	12 478	5 925
Retirement benefits	2 316	2 698
Jubilee bonuses	6 738	5 699
Other post-employment benefits	28	276
Transfers to Social Fund	14 539	12 384
Others (of which: working clothes, cleansing agents)	44 951	33 260
Total employee benefits expenses	**932 262**	**852 241**

15.9. Components of other comprehensive income

The following are components of other comprehensive income:

	Year ended 31 December 2009	*Year ended 31 December 2008*
Cash flow hedges		
Gains (losses) for the period	59 208	(64 429)
Less Adjustments arising from reclassification of gains/losses recognised in profit or loss.	11 712	-
	70 920	(64 429)

16. Income tax

16.1. Tax burdens

Major components of income tax burdens for the year ended 31 December 2009 and 31 December 2008 are as follows:

	Year ended 31 December 2009	*Year ended 31 December 2008*
Consolidated income statement		
Current income tax	*69 971*	*54 778*
Current income tax charge	*70 181*	*54 060*
Adjustments in respect of tax of previous years	*(210)*	*718*

(in PLN thousands)

Deferred income tax	*(29 631)*	*(36 310)*
Relating to origination and reversal of temporary differences	(29 631)	(36 310)
An income tax burden reported in consolidated income statement	40 340	18 468
Consolidated statement of comprehensive income		
Deferred income tax	(13 474)	12 241
Relating to origination and reversal of temporary differences	(13 474)	12 241
Tax burden/ tax credit recognized in other comprehensive income	(13 474)	12 241

16.2. Reconciliation of the effective income tax rate

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 December 2009 and 31 December 2008 is as follows:

	Year ended 31 December 2009	*Year ended 31 December 2008*
Accounting profit from continuing operations before income tax	215 627	158 907
Profit before income tax	**215 627**	**158 907**
At statutory income tax rate of 19% (2008: 19%)	**40 969**	**30 192**
Adjustments in respect of current income tax of previous years	(210)	718
Unrecognized tax losses	552	(2 152)
Utilization of previously unrecognized tax losses	-	(2 858)
Tax investment relief	(15 000)	(14 915)
Expenditure not allowable for income tax purposes	14 704	11 845
Expenditure allowable for income tax purposes and not recognized in profit/loss	(870)	(1 681)
Not taxable incomes	(3 065)	(3 447)
Other	3 260	766
Income tax at effective income tax rate which is 18.71% for the year ended 31 December 2009 and 11.62% for the year ended 31 December 2008.	40 340	18 468
Income tax (burden) reported in the consolidated income statement	40 340	18 468

(in PLN thousands)

16.3. Deferred income tax

Deferred income tax relates to the following:

	Consolidated statement of financial position			*Consolidated income statement for the year ended*	
	31 December 2009	*31 December 2008*	*1 January 2008*	*31 December 2009*	*31 December 2008*
Deferred tax liability					
Accelerated depreciation for tax purposes	4 486	3 485	3 333	1 001	152
Revaluation of investment property to fair value	7 110	7 111	6 458	(1)	653
Measurement of fixed assets to fair value	10 012	10 653	5 992	(641)	230
Measurement of long-term contracts	44 902	58 910	51 314	(14 008)	3 905
Deferred gains on foreign exchange contracts	85	-	-	85	-
Perpetual usefruct right to land	2 411	2 415	2 411	(4)	4
Revaluation of available-for-sale financial assets to fair value	159	196	50	(37)	(36)
Revaluation of foreign exchange contracts (cash flow hedges) to fair value	293	-	1 418	293	(1 418)
Lease adjustments	1 746	1 578	758	168	808
Foreign exchange gains	499	21 842	4 369	(21 343)	17 473
Land measurement to fair value	7 493	7 493	7 493	-	-
Other	6 302	8 007	(2 045)	(1 705)	2 963
Deferred tax liability	**85 498**	**121 690**	**81 551**	**(36 192)**	**24 734**
Deferred tax assets					
Jubilee bonuses and retirement benefits	13 748	15 916	15 373	(2 168)	(286)
Revaluation of an interest rate swap (fair value hedge) to fair value	-	-	68	-	(68)
Measurement of foreign exchange contracts	1 397	6 914	-	(5 517)	8 438
Foreign exchange losses	704	23 808	5 512	(23 104)	18 296
Salaries/wages and employee benefits	11 605	17 860	13 857	(6 255)	4 241
Inventory write-downs	523	170	587	353	(417)
Measurement of long-term contracts	69 603	46 861	43 897	22 742	(775)
Receivables write-downs	5 616	2 196	2 564	3 420	(360)
Provisions for uninvoiced expenses	2 564	6 540	4 227	(3 976)	2 666
Tax losses	6 040	3 849	4 927	2 191	(1 382)
Other employee benefits	1 208	898	1 803	310	190
Provisions	1 761	1 464	-	297	(313)
Reorganization costs	-	215	236	(215)	(21)
Deferred income tax relating to Tarnobrzeg Special Economic Zone	30 144	15 144	-	15 000	15 144
Other	8 570	13 936	(7 759)	(9 639)	15 231
Deferred tax assets	**153 483**	**155 771**	**85 292**	**(6 561)**	**60 584**
Deferred income tax assets Lithuania	-	(460)	-	-	(460)
Deferred income tax expenses – items recognised in the income statement - total				**(29 631)**	**(36 310)**
Measurement of foreign exchange contracts presented in other comprehensive income	(1 470)	12 241	-	-	-
Net deferred tax liability/asset, of which:	**(66 515)**	**(46 782)**	**(3 741)**		
Deferred income tax asset presented in the statement of financial position	(85 932)	(67 398)	(23 071)		
Deferred income tax liability - presented in the statement of financial position	19 417	20 616	19 330		

Disclosures on investment in Special Economic Zones
Polimex-Mostostal S.A.
On 23 July 2008 the Company obtained Permit No. 171/ARP S.A./2008 to conduct business activity in EURO-PARK WISŁOSAN Tarnobrzeska Special Economic Zone. According to finance projections prepared by the Company, assuming full use of the plant capacity and maintaining profitability of activities, the full utilisation of state aid the Company is entitled to in the future (after having completed the requirements of the Permit) is viable by 15 November 2017.

Requirements to conduct business activity in Tanobrzeg Special Economic Zone:

1. Increasing employment, which is 2,399 employees in Siedlce Subzone, by employing new staff in EURO-PARK WISŁOSAN Tarnobrzeg Special Economic Zone, as interpreted under § 3 Regulations of the Cabinet of 22.11.2006 on Tarnobrzeg Special Economic Zone (Journal of Laws No 215, item 1581 as further amended), in the number of at least 350 persons by 31 March 2011 and maintaining employment in Siedlce Subzone at the level of at east 2,749 employees by 31 March 2015.
2. Making until 31.03.2011 investment expenditure in area of Zone, as interpreted under § 6 item 1 of Regulation of the Cabinet of 22.11.2006 on Tarnobrzeska Special Economic Zone (Journal of Laws No 215 item 1581 as further amended) in the amount not less than PLN 210,300,000.00.
3. Obtaining legal title to utilization of property assigned under Permit for economic activities.
4. Observance of legal regulations related to the zone operations, including Regulations of TSSE EURO-PARK WISŁOSAN, as well as rules and guidelines published on this basis.
5. Completing the investment by 31 March 2011.

Estimated discounted value of tax relief Polimex-Mostostal S.A. is entitled to amounts to PLN 72 million, whereas maximum (nominal) value of relief which can be utilized is PLN 103 million. Nominal value of the relief calculated with the use of stage of investment expenditure made amounts to about PLN 90 million.

Taking into consideration the fact that as at 31.12.2009 the advancement of the venture in the light of investment expenditure made (compared to the one declared in the permit) was 87%, in the opinion of the Company it is justified to recognize assets relating to future benefits flowing from Permit No.171/ARP S.A./2008 obtained on 23 July 2008 in the amount of PLN 30.1 million as at 31.12.2009. Taking into account the fact that 15.1 million worth asset was recognized in the Company statements for the year 2008, the increase of the asset from the analyzed title in 2009 amounts to PLN 15.0 million.

Sefako S.A.
As at 31.12.2009 the Company met all requirements to obtain a tax permit on activities in Special Economic Zone i.e. it employed 150 persons and realized an investment worth minimum PLN 75 million, which is acknowledged by the inspection from the zone (expenditure incurred in the zone amounted to PLN 77 million as at 31.12.2009, discounted value of this expenditure was PLN 75 million). Maximum value of the relief which can be utilized by 2017 is about PLN 37 million and relates to income covered by the permit and made in the Special Economic Zone.
The Company did not recognize an asset for the estimated relief arising from this title because as at the statement of financial position date the risk of failure to meet the requirements of the relief in the coming periods was significant, thus obtaining the relief in the current situation became decidedly doubtful (low level of contracting for the year 2010 and next years, which may result in the future inability to maintain employment at the required level i.e. 1,350 persons and at the same time in the failure to meet the requirements). This situation is a consequence of the global economic crisis.

Tax settlements, together with other areas of legal compliance (e.g. customs or foreign exchange law) are subject to review and investigation by a number of authorities, which are entitled to impose severe fines and penalties. The lack of reference to well established regulations in Poland results in a lack of clarity and integrity in the regulations. Frequent contradictions in legal interpretations both within government bodies and between companies and government bodies create uncertainties and conflicts. These facts create tax risks in Poland that are substantially more significant than those typically found in countries with more developed tax systems.
Tax authorities may examine the accounting records within up to five years after the end of the year in which the final tax payments were made. Consequently, the Group may be subject to additional tax liabilities, which may arise as a result of additional tax audits. The Group believes that adequate provisions have been recorded for known and quantifiable risks in this regard as at 31 December 2008.

(in PLN thousands)

17. Changes in the Capital Group

The following changes took place in the composition of the Group in 2009:

- The Issuer acquired shares in Pracownia Wodno-Chemiczna Ekonomia Sp. z o.o. with the registered office in Bielsko Biała for the amount of PLN 700 thousand thus obtaining 75% interest in the company equity. Fair value of identifiable assets and liabilities of Pracownia Wodno-Chemiczna Sp. z o.o. in the final settlement of the acquisition is as follows:

	Carrying amount at acquisition date	*Fair value recognized on acquisition*
Property, plant and equipment	147	147
Intangible assets	4	4
Investment properties	-	-
Financial assets	-	-
Deferred tax assets	-	-
Cash and cash equivalents	207	207
Inventories	-	-
Trade receivables	748	748
Prepayments	51	51
Total	**1 157**	**1 157**
Liabilities and accruals	546	546
Total	**546**	**546**
Fair value of net assets		611
Fair value of acquired net assets		458
Goodwill		**242**
Consideration:		700
Cash payment		700

- The Issuer acquired shares in ECE Remont Sp. z o.o. with the registered office in Zielona Góra for the amount of PLN 2,500 thousand thus obtaining 100 % interest in the company equity. Fair value of identifiable assets and liabilities of ECE Remont Sp. z o.o. in the final settlement of the acquisition is as follows:

	Carrying amount at acquisition date	*Fair value recognised on acquisition*
Property, plant and equipment	687	1 142
Intangible assets	2 926	3
Investment properties	-	-
Financial assets	-	-
Deferred tax assets	25	25
Cash and cash equivalents	163	163
Inventories	83	83
Trade receivables	1 947	1 947
Prepayments	8	8
Total	**5 839**	**3 371**
Liabilities and accruals	3 333	3 333
Total	**3 333**	**3 333**
Fair value of net assets		38
Goodwill		**2 509**
Consideration:		2 547
Cash payment		2 547

(in PLN thousands)

- on 22.12.2008 the Issuer concluded a conditional contract for acquisition of 66,591 shares with the total nominal value of PLN 6,659 thousand. Acquired shares constitute 47.35% of share capital and entitle to 47.35% of total number of votes in the Meeting of Shareholders of Przedsiębiorstwa Robót Inżynieryjnych PRInż-1 Sp. z o.o. Total acquisition price was PLN 6,173 thousand i.e. PLN 92.70 per one share and was settled as mutual set-off of receivables and liabilities of the Issuer and Alfa Sp. z o.o. After transferring the ownership of the above shares on 14.01.2009 Polimex-Mostostal S.A. owns 102,831 shares that constitute totally 73.12% of share capital of Przedsiębiorstwo Robót Inżynieryjnych PRInż-1 Sp. z o.o. and entitle to 73.12% of total number of votes in the Meeting of Shareholders. The above mentioned transaction took place in connection with the reorganisation in Polimex-Mostostal S.A. Group. As at 31 December 2009 Polimex-Mostostal S.A. owns 79.28% of share capital of PRInż-1 Sp. z o. o.

The following changes took place in the composition of the Group in 2008:

- In 2008 the Issuer acquired 97.56% interest in Zakłady Remontowe Energetyki Kraków Sp. z o.o. for PLN 22,025 thousand. The acquisition price includes discounted value of contingent payment specified in the agreement amounting to PLN 3,775 thousand. Payment of portion of contingent acquisition price is dependent on meeting by the Subsidiary performance criteria specified in the agreement. The Management included a discounted value of the above mentioned contingent payment in the Group statement of financial position recognising it as probable.

  Fair value of identifiable assets and liabilities of Zakłady Remontowe Energetyki Kraków Sp. z o.o. in the final settlement of the acquisition is as follows:

1st stage - acquisition of 69.35% interest in January 2008	*Carrying amount at acquisition date*	*Fair value recognized on acquisition*
Property, plant and equipment	9 475	20 253
Intangible assets	2	2
Deferred tax assets	358	1 183
Cash and cash equivalents	1 107	1 107
Inventories	1 429	1 429
Trade receivables	5 498	5 498
Prepayments	11	11
Total	**17 880**	**29 483**
Liabilities and accruals	6 393	11 376
Total	**6 393**	**11 376**
Fair value of net assets		18 107
Polimex-Mostostal S.A.’s interest in net acquired assets (69.35%)		12 557
Goodwill		(236)
Consideration:		12 321
Cash payment		8 546

In the next stages the Group made acquisitions which resulted in the increase in interest of 28.21%. All these acquisitions resulted in creating goodwill amounting to PLN 4,064 thousand.

- The Issuer acquired 100% interest in Projekt Południe Sp. z o.o. for PLN 4,670 thousand.
  Fair value of identifiable assets and liabilities of Projekt Południe Sp. z o.o. in the final settlement of the acquisition is as follows:

	Carrying amount at acquisition date	*Fair value recognized on acquisition*
Property, plant and equipment	209	707
Intangible assets	45	45
Investment properties	69	69
Financial assets	35	35

(in PLN thousands)

Deferred tax assets	49	49
Cash and cash equivalents	774	774
Inventories	105	105
Trade receivables	2 217	2 217
Prepayments	58	58
Total	**3 561**	**4 059**
Liabilities and accruals	1 988	1 988
Total	**1 988**	**1 988**
Fair value of net assets		2 071
Goodwill		**2 599**
Consideration:		4 670
Cash payment		4 670

- The Issuer acquired 100 % interest in Coifer Impex, Romania paying in February 2008 the first instalment amounting to PLN 33,555 thousand (equal to EUR 9,375 thousand) and in August 2008 the second instalment amounting to PLN 31,392 thousand (equal to EUR 9,375 thousand). The remaining portion of acquisition price specified in the interest acquisition agreement due in 2011 is divided into the fixed part amounting to EUR 2,500 thousand and contingent part amounting to EUR 3,750 thousand. Discounted value of future fixed payment amounting to PLN 7,082 thousand (EUR 2,500 thousand) has been recognized as a liability and an increase of the acquisition price on acquisition of interest. The Company has analyzed the probability of paying the contingent portion of the acquisition price and, taking into consideration currently available information, found that the probability is low. Due to the above mentioned facts the acquisition price has not been increased by this amount.

  Fair value of identifiable assets and liabilities of Coifer Impex in the initial settlement of the acquisition is as follows:

	Carrying amount at acquisition date	*Fair value recognized on acquisition*
Property, plant and equipment	51 355	51 355
Intangible assets	5 345	5 345
Non-current receivables	2 535	2 535
Financial assets	918	918
Deferred tax assets	-	-
Cash and cash equivalents	1 139	1 139
Inventories	33 198	33 198
Trade receivables	56 170	52 840
Prepayments	111	111
Total	**150 771**	**147 441**
Liabilities and accruals	109 278	108 221
Total	**109 278**	**108 221**
Fair value of net assets		39 220
Goodwill		**34 913**
Consideration:		74 133
Cash payment		64 948

Goodwill created at the date of obtaining control i.e. as at 29 February 2008 has been revalued to the foreign exchange rate at 31 December 2008 and amounts to PLN 37,030 thousand.

The settlement of acquisition of interest in Coifer Company in the initial recognition constitutes a final settlement.

- A Group subsidiary acquired 100% interest in Elmont Sp. z o.o. for PLN 13,567 thousand.

  Fair value of identifiable assets and liabilities of Elmont Sp. z o.o. in the initial settlement of the acquisition is as follows:

(in PLN thousands)

	Carrying amount at acquisition date	*Fair value recognized on acquisition*
Property, plant and equipment	4 309	4 309
Intangible assets	2 170	2 170
Investment properties	-	-
Financial assets	-	-
Deferred tax assets	150	150
Cash and cash equivalents	1 202	1 202
Inventories	3 393	3 393
Trade receivables	5 809	5 809
Prepayments	143	143
Total	**17 176**	**17 176**
Liabilities and accruals	12 117	12 117
Total	**12 117**	**12 117**
Fair value of net assets		5 059
Goodwill		**8 508**
Consideration:		13 567
Cash payment		10 033

As a result of meeting all requirements conditioning the transfer of interest, according to the conditional contract for the sale of interest of 08 November 2007, on 19 March 2008Torpol Sp. z o.o. became the holder of 100 % interest in Elmont Sp. z o.o. The acquisition price is PLN 13,566,548.79, including PLN 3,533,333.00 as a contingent liability.

- The Issuer repurchased from Biprokwas Sp. z o.o. 94.64% of interest in Wojewódzkie Biuro Projektowe Sp. z o.o. based in Zabrze for 890 thousand PLN and additionally 5.22 % of interest for PLN 220 thousand, obtaining 99.86% interest.
- The Issuer acquired additional interest in Tchervonograd Metal Structure Plant (Czerwonogradzki Zakład Konstrukcji Metalowych) with the registered office in Ukraine for PLN 761 thousand increasing the interest by 0.56 %.
- The Issuer acquired interest as an increase in the share capital in Energotechnika Sp. z o.o. for PLN 600 thousand keeping 100% interest,
- the Issuer acquired interest in Prinż 1 company for PLN 1,685 thousand. As at the statement of financial position date the above mentioned interest has not been registered.

18. Social assets and SOCIAL FUND liabilities

The Social Fund Act of 4 March 1994, with further amendments, requires the companies whose full time employees' number exceeds 20 to establish and run a Social Fund. The Group operates such a Fund and makes periodical transfers to it based on the required amounts agreed with trade unions. The Funds' purpose is to subsidize the operation of the Group's social activity, loans to employees and other social expenditures.

The Group has netted the assets of the Fund with the liability to the Fund, as these are not separate assets of the Group. As a result net balance as at 31 December 2009 is PLN 439 thousand (as at 31 December 2008 it is PLN 2,091 thousand and PLN 451 thousand as at 31 December 2007).

The composition and nature of assets, liabilities and costs related to the Social Fund are presented in the following tables:

	31 December 2009	*31 December 2008*	*1 January 2008*
Fixed assets contributed to the fund	-	-	-
Loans granted to employees	2 868	2 195	1 511
Cash	7 914	4 842	5 681
Social Fund liability	11 221	9 128	7 643
Net balance	(439)	(2 091)	(451)

(in PLN thousands)

	Year ended 31 December 2009	*Year ended 31 December 2008*	*Year ended 31 December 2007*
Transfers made to the Social Fund during the period	14 539	12 384	9 193

19. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of issued ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders (after deducting convertible redeemable preference shares) by the weighted average number of issued ordinary shares outstanding during the year (adjusted by the effect of diluting options and diluting convertible redeemable preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Year ended 31 December 2009	*Year ended 31 December 2008*
Net profit attributable to shareholders of the parent company	156 402	120 134
Earnings per share (in PLN)		
- number of shares	464 355 625	464 355 625
- basic, from net profit attributable to shareholders of the parent company for the financial year	0.34	0.26
Diluted net profit attributable to shareholders of the parent company per share (in PLN)		
- number of shares	464 355 625	464 355 625
- diluting potential ordinary shares	12 378 196	12 378 196
- diluted from net profit attributable to shareholders of the parent company for the financial year	0.33	0.25

20. Dividends paid and proposed

Equity dividends on ordinary shares for 2008, paid on 16 September 2009 amounted to PLN 4,643 thousand (for 2007, paid on 30 September 2008 amounted to PLN 4,645 thousand).

Value of dividend per share paid for the year 2008 was PLN 0.01 (for the year 2007 it was PLN 0.01)

The Management of the parent company intends to request a dividend for the year 2009 to be paid in the amount of PLN 0.04 (say: four grosz) per one share of Polimex-Mostostal S.A. that is PLN 18,574 thousand in total.

21. Property, plant and equipment

Year ended 31 December 2009

	Land and buildings	*Plant and equipment*	*Motor vehicles*	*Other fixed assets*	*Fixed assets under construction*	*Advanced payments to fixed assets under construction*	*Total*
Net carrying amount at 1 January 2009	309 280	192 796	50 467	17 872	125 248	15 186	710 849
Acquisition of a subsidiary	935	56	260	38	-	-	1 289
Reclassification	(169)	4 723	7 074	1 827	(4 866)	(9 398)	(809)
Additions	182 747	89 684	22 201	9 968	230 923	25	535 548
Disposals	(4 075)	(2 804)	(1 001)	(455)	(210 848)	(5 788)	(224 971)
Revaluation	-	-	-	-	-	-	-
Depreciation charge for the year	(14 806)	(39 510)	(13 937)	(5 719)	-	-	(73 972)
Net carrying amount at 31 December 2009	473 912	244 945	65 064	23 531	140 457	25	947 934

(in PLN thousands)

At 1 January 2009							
Cost	371 069	370 098	89 043	40 842	131 575	15 186	1 017 813
Write-off and impairment loss	(61 789)	(177 302)	(38 576)	(22 970)	(6 327)	-	(306 964)
Net carrying amount	309 280	192 796	50 467	17 872	125 248	15 186	710 849
At 31 December 2009							
Cost	550 293	452 711	118 101	52 540	152 882	125	1 326 652
Write-off and impairment loss	(76 381)	(207 766)	(53 037)	(29 009)	(12 425)	(100)	(378 718)
Net carrying amount	473 912	244 945	65 064	23 531	140 457	25	947 934

Year ended 31 December 2008	*Land and buildings*	*Plant and equipment*	*Motor vehicles*	*Other fixed assets*	*Fixed assets under construction*	*Advanced payments to fixed assets under construction*	*Total*
Net carrying amount at 1 January 2008	191 310	111 448	40 517	12 392	73 058	2 824	431 549
Acquisition of a subsidiary	50 531	21 488	1 841	1 130	726	1 072	76 788
Reclassification	(87)	10 459	(428)	(1 492)	(9 178)	(41)	(767)
Additions	84 407	88 282	20 701	11 748	178 680	18 300	402 118
Disposals	(3 805)	(2 507)	(1 370)	(127)	(118 038)	(6 969)	(132 816)
Revaluation	353	(411)	-	-	-	-	(58)
Depreciation charge for the year	(13 429)	(35 963)	(10 794)	(5 779)	-	-	(65 965)
Net carrying amount at 31 December 2008	309 280	192 796	50 467	17 872	125 248	15 186	710 849

At 1 January 2008							
Cost	244 826	257 202	74 526	32 064	73 608	2 824	685 050
Write-off and impairment loss	(53 516)	(145 754)	(34 009)	(19 672)	(550)	-	(253 501)
Net carrying amount	191 310	111 448	40 517	12 392	73 058	2 824	431 549
At 31 December 2008							
Cost	371 069	370 098	89 043	40 842	131 575	15 186	1 017 813
Write-off and impairment loss	(61 789)	(177 302)	(38 576)	(22 970)	(6 327)	-	(306 964)
Net carrying amount	309 280	192 796	50 467	17 872	125 248	15 186	710 849

Assets pledged as security – in the parent company

The carrying amount of plant and equipment held under finance lease agreements or hire purchase contracts at 31 December 2009 is PLN 9,534 thousand (as at 31 December 2008: PLN 8,184 thousand).

Land and buildings are covered with mortgages established to secure Company's bank loans amounting jointly to PLN 222.4 million (as at 31 December 2008 – PLN 222.4 million). Additionally, according to terms and conditions of two bank loan agreements the Company is obliged, on demand of one of the banks, to establish a mortgage on real property in Siedlce and in Warsaw at ul. Elektryczna.

Furthermore, at 31 December 2009 as security to debt from guarantee limit agreement pledges were established at the joint amount of PLN 8.7 million (at 31 December 2008 – PLN 8.7 million).

Assets pledged as security – in subsidiaries

Naftobudowa Group

The carrying amount of non-current assets held under finance lease agreements or hire purchase contracts at 31 December 2009 is PLN 4,698 thousand (as at 31 December 2007: PLN 5,523 thousand). Leased assets and assets under hire purchase contracts are not pledged as security for the related finance lease and hire purchase contract liabilities. Blank promissory notes were issued as security.
As at 31 December 2009 a mortgage is established on Naftobudowa Group's real property amounting up to PLN 15,000 thousand (as at 31 December 2008: EUR 250 thousand)

Energomontaż Group

The carrying amount of plant and equipment held under finance lease agreements or hire purchase contracts at 31 December 2009 is PLN 4,163 thousand (as at 31 December 2008: PLN 3,953 thousand).

As at 31 December 2009 the mortgages are established on Energomontaż Group's real property at the amount of PLN 71,319 thousand and EUR 1,463 thousand (as at 31 December 2008: PLN 71,319 thousand and EUR 1,463 thousand) as a security to granted guarantee limits and bank loans. Furthermore, pledges and temporary ownership title transfers are established on property, plant and equipment at the amount of PLN 370 thousand (as at 31 December 2008: PLN 370 thousand) as security to bank guarantees.

Naftoremont Group

The carrying amount of plant and equipment held under finance lease agreements or hire purchase contracts at 31 December 2009 is PLN 71 thousand (as at 31 December 2008: PLN 873 thousand).

As at 31 December 2009 land and buildings at the total carrying amount of PLN 4,714 thousand (31 December 2008 – PLN 5,045 thousand) constitute a security to bank guarantees and loans granted to the Group.

WBP Zabrze

The carrying amount of plant and equipment held under finance lease agreements or hire purchase contracts at 31 December 2009 is PLN 220 thousand (as at 31 December 2008: PLN 273 thousand). Blank promissory notes were issued as security.

Stalfa Sp. z o.o.

The carrying amount of plant and equipment held under finance lease agreements or hire purchase contracts at 31 December 2009 is PLN 2,014 thousand (as at 31 December 2008: PLN 2,341 thousand).

As at 31 December 2009 mortgages and temporary ownership title transfers were established on real property, plant and equipment at the carrying amount of PLN 14,382 thousand (as at 31 December 2008: PLN 11,994 thousand) as security to Company's bank loans.

Sefako Group

The carrying amount of plant and equipment held under finance lease agreements or hire purchase contracts at 31 December 2009 is PLN 193 thousand (as at 31 December 2008: PLN 738 thousand). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Mortgages jointly amounting to PLN 132,112 thousand (in 2008: PLN 77,908 thousand) were established on land and buildings at the carrying amount of PLN 81,594 thousand (as at 31 December 2008: PLN 19,799 thousand) as a security to Group's bank loans.

Centrum Projektowe Polimex Mostostal Sp. z o.o.

As at 31 December 2009 property, plants and equipment at the carrying amount of PLN 12,843 thousand (as at 31 December 2008: PLN 9,717 thousand) were covered with mortgages established to secure company's bank loans.

EPE Rybnik Sp. z o.o.

As at 31 December 2009 property, plant and equipment at the carrying amount of PLN 669 thousand (as at 31 December 2008: PLN 536 thousand) were covered with mortgages and temporary ownership title transfers to secure company liabilities.

Torpol Group Sp. z o.o.

The carrying amount of plant and equipment held under finance lease agreements or hire purchase contracts at 31 December 2009 is PLN 34,612 thousand (as at 31 December 2008: PLN 15,664 thousand).

As at 31 December 2009 property, plant and equipment at the carrying amount of PLN 3,686 thousand constituted security to bank loan and guarantee liabilities (as at 31 December 2008: PLN 3,077 thousand)

Coifer Group

As at 31 December 2009 property, plant and equipment worth PLN 31 million were covered with mortgages and pledges that constituted security to Group's financial liabilities (as at 31 December 2008: PLN 39 million).

ZRE Kraków

As at 31 December 2009 property, plant and equipment at the carrying amount of PLN 17,649 thousand (as at 31 December 2008: PLN 17,688 thousand) were covered with mortgages and temporary ownership title transfers to secure company liabilities.

(in PLN thousands)

Borrowing costs

Parent company

Capitalised finance costs relating to the construction of a steel structure manufacturing plant and galvanising plant amount to PLN 3,455 thousand in 2009, including fixed assets under construction: PLN 1,606 thousand and fixed assets in use: PLN 1,849 thousand.

Sefako S.A.

The borrowing costs capitalized in the year ended 31 December 2009 amounted to PLN 1,674 thousand (in the year ended 31 December 2008: PLN 516 thousand)

21.1. Operating lease commitments – Group as the lessee

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2009 and 31 December 2008 are as follows:

	31 December 2009	*31 December 2008*	*1 January 2008*
Within 1 year	133	90	1 120
Within 1 to 5 years	-	82	1 660
	133	172	2 780

21.2. Finance lease and hire purchase commitments

As at 31 December 2009, 31 December 2008 and as at 31 December 2007 future minimum rentals payable under finance leases and hire purchase contracts and the present value of the net minimum lease payments are as follows:

	31 December 2009		*31 December 2008*		*1 January 2008*	
	Minimum payments	***Payment present value***	***Minimum payments***	***Payment present value***	***Minimum payments***	***Payment present value***
Within 1 year	18 101	16 070	14 489	13 702	7088	6 528
Within 1 to 5 years	38 298	35 142	35 435	32 896	15 075	13 617
Over 5 years	12 454	11 696	6 232	4 993	2 486	2 077
Minimum lease payments, total	68 853	62 908	56 156	51 591	24 649	22 222
Less amounts representing finance charges	(5 945)	-	(4 565)	-	(2 427)	-
Present value of minimum lease payments, of which:	62 908	62 908	51 591	51 591	22 222	22 222
Current	16 070		13 702	-	6 528	-
Non-current	46 838		37 889	-	15 694	-

22. Investment properties

	31 December 2009	*31 December 2008*
Opening balance as at 1 January	43 257	39 445
Reclassification of property, plant and equipment	311	762
Parking lot rental	-	67
Other	97	(58)
Additions (further expenditures)	-	166
Net profit arising from adjustment to fair value	-	3 216
Disposals arising from sale	(1 206)	(382)
Changes in Group structure	-	69
Reclassification to inventories	(107)	(28)
Closing balance	**42 352**	**43 257**

Key investment property items as at 31 December 2009 are as follows: build-up real property situated at ul.Górczewska in Warsaw at the carrying amount of PLN 37,642 thousand, real property in Nowy Dwór Mazowiecki at the carrying amount of PLN 2,813 thousand. The above mentioned real property was assessed by independent surveyors.

23. Goodwill on consolidation

	31December 2009	*31December 2008*	*1 January 2008*
Prinż-1 Sp. z o.o.- a subsidiary in Torpol Group	4 956	4 956	835
Prinż-9 Sp. z o.o. - a subsidiary in Torpol Group		-	1 406
Elmont Sp. z o.o.- a subsidiary in Torpol Group	8 841	8 508	-
Torpol Group	13 265	13 265	10 264
Spec - a subsidiary in Sefako Group	237	237	237
Energotechnika Projekt Company	2 668	2 668	2 668
Energomontaż Północ S.A. Group	409 073	409 073	409 073
A subsidiary in Polimex-Development Kraków Group	2 295	2 295	2 295
EPE Rybnik Sp. z o.o.	1 018	1 018	325
Zakład Budowlano Instalacyjny Turbud Sp. z o.o.	426	426	426
Coifer Capital Group	34 726	37 030	-
Zakłady Remontowe Energetyki Kraków Sp. z o.o.	4 064	4 064	-
Projekt Południe Sp. z o.o.	2 599	2 599	-
ECE REmont Sp. z o.o.	2 509	-	-
Pracownia Wodno -Chemiczna Ekonomia Sp. z o.o.	242		
Total	**486 919**	**486 139**	**427 529**
Goodwill as at 1 January 2009	486 139	-	-
Increase on consolidation arising from acquisition.	2 751	-	-
Increase arising from goodwill adjustment in subsidiaries	(1 971)	-	-
Goodwill as at 31 December 2009	**486 919**	**-**	**-**
Goodwill as at 1 January 2008	-	427 529	-
Increase on consolidation arising from acquisition.		43 693	-
Increase arising from goodwill adjustment in subsidiaries		14 917	-
Goodwill as at 31 December 2008		**486 139**	**-**
Goodwill as at 1 January 2007		-	16 865
Increase on consolidation arising from acquisition.		-	416 806
Decrease arising from goodwill adjustment in subsidiaries		-	(6 142)
Goodwill as at 1 January 2008		**-**	**427 529**

In accordance with the regulations of IAS 36, the Management of Polimex-Mostostal S.A. conducted impairment reviews relating to goodwill on consolidation arising from the acquisition of COIFER Group, Energomontaż Północ Group, Torpol Group as well as from the acquisition of the following companies Energotechnika Projekt, Zakład Budowlano Instalacyjny Turbud Sp. z o.o., Zakłady Remontowe Energetyki Kraków Sp. z o. o., PxM Projekt Południe Sp. z o. o., EPE Rybnik Sp. z o.o., Prinż-1 Sp. z o.o., ECE Remont Sp. z o.o., Grupa Sefako, Pracownia Wodno-Chemiczna Ekonomia, Polimex Mostostal Development and Polimex-Development Kraków Sp. z o.o.
The reviews revealed that as at completion of these financial statements there is no need to write down the goodwill of these companies.
While reviewing the impairment, the fair value of cash flow generating units was compared to goodwill in the consolidated financial statements plus fixed assets and net operating capital. There are no indications to effect impairment loss as fair value on discounting future cash flows is higher than the goodwill plus fixed assets and net operating capital.
Key data and assumptions as well as the results of the impairment test for goodwill relating to Energomontaż-Północ Group, Torpol Group, Coifer Group and Prinż-1 Sp. z o.o. are presented in the table below (in PLN thousands).

(in PLN thousands)

Company	Goodwill (DCF) attributable to Polimex*	Book value**	Weighted average cost of capital (WACC)***	Weighted average cost of capital (WACC)****	Fixed growth rate after the forecasting period	Goodwill in consolidated financial statements	Fixed assets (without investment properties)	Intangible assets	Net operating capital
Energomontaż Group	516 063	555 167	9.54%	11.8%	3.0%	409 073	80 220	284	65 590
Coifer	161 968	112 988	10.53%	13.0%	3.0%	34 726	72 973	6 502	-1 213
PRInż -1 Sp. z o.o.	22 908	15 692	9.62%	11.9%	3.0%	4 956	2 486	8 050	1 608
Torpol Group	223 492	61 592	10.74%	13.2%	3.0%	13 265	49 353	2 506	-3 532

*Goodwill in DCF model attributable to Polimex not adjusted for non-operating cash and/or interest in subsidiaries
**Book value = goodwill+ fixed assets+ non-tangible assets + net operating capital
***after taxation, adopted for measurement
**before taxation

The market value of Energomontaż-Północ S.A.'s shares measured based on Energomontaż - Północ S.A.'s stock exchange price as at 20 April 2010 is PLN 16.19 per share, which means the market value of shares owned amounts to PLN 252.9 million. In the consolidated financial statements of Polimex-Mostostal S.A. the book value of goodwill on consolidation of Energomontaż-Północ Group is PLN 409 million.

The valuation of Energomontaż Północ Group with the use of income method revealed that as at completion of these financial statements there is no need to write down the goodwill on acquisition of this Group. The fair value of Energomontaż-Północ Group was measured at PLN 861.8 million, of which PLN 564.9 million is attributed to Polimex-Mostostal S.A. (65.55% held interest). The valuation was done with the following assumptions: - average annual growth of revenues at the level of about 12.5%, EBIT: 7.6% - 8.2%, weighted average cost of capital (WACC): 9.54%, capital expenses at the average level of PLN 12.2 m per year for the forecasting period, keeping inventory turnover at the level of 4-5 days, accounts payable ratio at the level of 60 days, receivables collection period between 66 and 95 days, growth rate after the forecasting period : 3%. Adopted for valuation 10 year period of cash flow was assumed based on estimated necessary investment in the power engineering sector in Poland and intellectual and technological potential, experience and industry references of Energomontaż Północ Group. In the next 10 years a more intense development of power engineering sector is assumed and consequently the company should grow faster than the economy. Decrease in average cost of capital of 0.5% (depending mostly on risk-free rate) compared to base value or increase in EBIT of 10% results in the goodwill increase of about 10 percentage points. Increase in average cost of capital of 0.5% compared to base value or decrease in EBIT of 10% results in goodwill decrease of about 10 per cent. With the 0.5% increase of weighted average cost of capital or with the 0.5% decrease of a fixed growth rate after the forecasting period impairment loss is incurred. The sensitivity analysis showing the impact of key variables (discount rate and growth rate after the forecasting period) on the value of Energomontaż Północ Group is presented below:

WACC	Interest rate				
	2.0%	2.5%	**3.0%**	3.5%	4.0%
8.54%	603 534	633 849	669 640	712 537	764 889
9.04%	558 845	583 799	612 886	647 227	688 385
9.54%	520 177	540 946	**564 894**	592 807	625 763
10.04%	486 402	503 857	523 793	546 778	573 571
10.54%	456 658	471 453	488 210	507 348	529 415

The valuation of Torpol Group with the use of income method revealed that as at completion of these financial statements there is no need to write down the goodwill on acquisition of this Group. Fair value of Torpol Group is measured at PLN 223.5 million, with Polimex-Mostostal holding 100% interest. The valuation was done with the following assumptions: average annual decrease of sales by 2%, EBIT: 3.3% - 3.8%, weighted average cost of capital (WACC): 10.74%, capital expenses at the average level of PLN 8.2 m per year for the forecasting period, keeping inventory turnover at the level of 10 days, accounts payable ratio at the level of 119 days, receivables collection period: 83 days, growth rate after the forecasting period : 3%. A decrease in the average cost of capital of 0.5% (depending mostly on risk-free rate) compared to base value or an increase in EBIT of 10% results in the goodwill increase of about 10 percentage points. An increase in the average cost of capital of 0.5% compared to base value or decrease in EBIT of 10% results in a goodwill decrease of 5 to 10 percentage points.

(in PLN thousands)

With an increase of the weighted average cost of capital or with a decrease of a fixed growth rate after the forecasting period in the nearest range no impairment loss is incurred. With a decrease in a growth rate after the forecasting period to 0.0% or with a decrease in EBIT by 30% no impairment loss is incurred. An impairment loss could be incurred if WACC (weighted average cost of capital) rose to 23.8%. The sensitivity analysis showing the impact of key variables (discount rate and growth rate after the forecasting period) on the value of Torpol Group is presented below:

WACC	interest rate				
	2.0%	2.5%	**3.0%**	3.5%	4.0%
9.74%	229 219	238 592	249 356	261 845	276 511
10.24%	218 237	226 324	235 528	246 098	258 362
10.74%	208 517	215 550	**223 492**	232 531	242 912
11.24%	199 854	206 014	212 921	220 721	229 599
11.74%	192 085	197 514	203 564	210 349	218 010

COIFER Group was valued at PLN 162 million. The valuation was done with the following assumptions: - average annual growth of revenues at the level of about 13.5%, average EBIT: 5.9%, weighted average cost of capital (WACC): 10.53%, capital expenses at the average level of PLN 3 m per year for the period of 2010-2014, demand for operating capital for the forecasting period will decrease by about PLN 4 m, the growth rate after the forecasting period: 3,0%. A decrease in the average cost of capital of 0.5% (depending mostly on risk-free rate) compared to base value or increase in EBIT of 10% results in the goodwill increase of about 10 percentage points. Increase in average cost of capital of 0.5% compared to base value or decrease in EBIT of 10% results in goodwill decrease of about 10 per cent. The sensitivity analysis showing the impact of key variables (discount rate and growth rate after the forecasting period) on the value of Coifer Group is presented below:

WACC	interest rate				
	2.0%	2.5%	**3.0%**	3.5%	4.0%
9.53%	167 995	178 306	190 194	204 053	220 417
10.03%	156 085	164 949	175 073	186 747	200 355
10.53%	145 579	153 263	**161 968**	171 910	183 374
11.03%	136 244	142 956	150 503	159 052	168 816
11.53%	127 896	133 797	140 389	147 802	156 198

Prinż-1 Sp. z o.o. was valued at PLN 26,062 thousand, of which PLN 22,908 thousand is attributed to Polimex (87.9% interest). The valuation was done with the following assumptions: - average annual growth of revenues of about 5-10%, average EBIT: 2.3%, weighted average cost of capital (WACC): 9.62%, capital expenses at the average level of PLN 1 million per year for the period of 2010-2014, demand for operating capital for the forecasting period will be PLN 193 thousand, growth rate after the forecasting period: 3,0%. A decrease in the average cost of capital of 0.5% (depending mostly on risk-free rate) compared to base value or an increase in EBIT of 10% results in the goodwill increase of 5 to 10 percentage points. An increase in the average cost of capital of 0.5% compared to base value or a decrease in EBIT of 10% results in the goodwill decrease of about 10 per cent.

In 2010 Prinż-1 Sp. z o.o. intends to reduce administrative expenses to an absolute minimum, in the next years increase in these expenses is planned to be at a much lower level compared to the increase in revenue. In the coming years the share of revenue from entities from outside the group is intended to grow. Prinż-1 Sp. z o.o. is planning to subcontract less profitable works to small/medium sized contractors. It also plans to reduce significantly the profitability of subcontracts.
A decrease in the average cost of capital of 0.5% (depending mostly on risk-free rate) compared to base value or an increase in EBIT of 10% results in the increase of Prinż-1 Sp. z o.o.'s goodwill from 5 to 10 percentage points. An increase in the average cost of capital of 0.5% compared to base value or a decrease in EBIT of 10% results in the goodwill decrease of 5 to 10 percentage points. The sensitivity analysis showing the impact of key variables (discount rate and growth rate after the forecasting period) on the value of Prinż-1 Sp. z o.o. is presented below:

(in PLN thousands)

WACC	interest rate				
	2.0%	2.5%	**3.0%**	3.5%	4.0%
8.62%	23 811	25 720	27 969	30 657	33 928
9.12%	21 743	23 354	25 229	27 437	30 076
9.62%	19 952	21 326	**22 908**	24 749	26 917
10.12%	18 386	19 569	20 918	22 472	24 279
10.62%	17 005	18 032	19 194	20 520	22 045

24. Intangible assets

Year ended 31 December 2009	*Development Costs*	*Patents and Licenses*	*Software*	*Goodwill*	*Other*	*Total*
Net carrying amount at 1 January 2009	-	2 260	11 775	2 515	6 661	23 211
Acquisition of a subsidiary	-	-	8	-	-	8
Additions	-	1 104	9 993	1 500	565	13 162
Disposals	-	(943)	(18)	-	(529)	(1 490)
Reclassification	-	(39)	(987)	-	1 524	498
Amortisation charge for the year	-	(738)	(3 738)	-	(140)	(4 616)
At 31 December 2009	-	1 644	17 033	4 015	8 081	30 773
At 1 January 2009						
Cost	145	6 430	20 565	5 694	7 006	39 840
Write-off and impairment loss	(145)	(4 170)	(8 790)	(3 179)	(345)	(16 629)
Net carrying amount	-	2 260	11 775	2 515	6 661	23 211
At 31 December 2009						
Cost	-	4 985	30 654	7 194	8 316	51 149
Write-off and impairment loss	-	(3 341)	(13 621)	(3 179)	(235)	(20 376)
Net carrying amount	-	1 644	17 033	4 015	8 081	30 773

Year ended 31 December 2008	*Development Costs*	*Patents and Licenses*	*Software*	*Goodwill*	*Other*	*Total*
Net carrying amount at 1 January 2008	175	2 237	6 114	2 385	136	11 047
Acquisition of a subsidiary	-	5 458	53	-	-	5 511
Additions	-	1 871	6 772	130	2 928	11 701
Disposals	(175)	(168)	(115)	-	(228)	(686)
Reclassification	-	(5 519)	1 623	-	3 901	5
Amortisation charge for the year	-	(1 619)	(2 672)	-	(76)	(4 367)
At 31 December 2008	-	2 260	11 775	2 515	6 661	23 211
At 1 January 2008						
Cost	345	5 080	13 174	2 385	520	21 504
Write-off and impairment loss	(170)	(2 843)	(7 060)	-	(384)	(10 457)
Net carrying amount	175	2 237	6 114	2 385	136	11 047
At 31 December 2008						
Cost	145	6 430	20 565	5 694	7 006	39 840
Write-off and impairment loss	(145)	(4 170)	(8 790)	(3 179)	(345)	(16 629)
Net carrying amount	-	2 260	11 775	2 515	6 661	23 211

(in PLN thousands)

25. Investments in associates accounted for using the equity method

The Group holds a 40 % interest in Porty S.A. with the registered office in Gdańsk, whose main activity is in construction, trade and transport sectors. The following table presents summarized information on the investment in Porty S.A.

	31 December 2009	*31 December 2008*	*1 January 2008*
Current assets	17 807	19 365	18 578
Non-current assets	-	-	6
Current liabilities	11 335	7 873	9 314
Non-current liabilities and provisions	-	4 456	6 371
Net assets	6 472	7 036	2 899
Share of associate's loss	(226)	1 655	(1 403)

The Group holds 50 % interest in Polimex-Sices Polska Sp. z o.o. with the registered office in Warsaw whose main activity is execution of civil works related to erecting facilities. The following table presents summarized information on the investment in Polimex-Sices Polska Sp. z o.o.

	31 December 2009	*31 December 2008*	*1 January 2008*
Current assets	54 538	21 522	15 680
Non-current assets	828	348	66
Current liabilities	44 976	17 537	7 836
Non-current liabilities and provisions	672	732	592
Net assets	9 718	3 601	7 318
Share of associate's loss	3 059	(358)	2 931

The Group holds 30% interest in Valmont Polska Sp. z o.o. with the registered office in Siedlce whose main activity is in the construction sector. The following table presents summarised information on the investment in Valmont Polska Sp. z o.o.

	31 December 2009	*31 December 2008*	*1 January 2008*
Current assets	17 139	23 448	20 651
Non-current assets	11 186	12 521	7 672
Current liabilities and provisions	8 734	16 532	6 494
Non-current liabilities and provisions	177	858	-
Net assets	19 414	18 579	21 829
Share of associate's profit	250	(976)	952

The Energomontaż Capital Group holds 32.82% interest in Energomontaż-Północ-Bełchatów Sp. z o.o. with the registered office in Bełchatów whose main activity is specialist construction and erection services.

	31 December 2009	*31 December 2008*	*1 January 2008*
Current assets	73 085	51 055	48 592
Non-current assets	19 751	19 964	11 892
Current liabilities	42 633	27 264	34 592
Non-current liabilities and provisions	10 369	10 400	-
Non-controlling interest	992	670	-
Negative goodwill of subordinate entities	340	431	-
Net assets	38 501	32 154	25 892
Share of associate's profit	3 210	2 745	2 229

Current assets, non-current assets, current liabilities, non-current liabilities and net assets presented in the above tables refer to the values recognized in the financial statements of these entities i.e. they do not refer to the Group interest in net assets of these entities.

In the reporting period of these financial statements the Group did not participate in any joint ventures as a partner.

(in PLN thousands)

26. Financial assets

26.1. Financial assets

	31 December 2009	31 December 2008 (restated)	1 January 2008 (restated)
Non-current financial assets			
Shares and interests	1 388	3 015	1 663
Financial assets held to maturity,	-	567	-
Other financial assets	2 713	996	6 845
Total	**4 101**	**4 578**	**8 508**

	31 December 2009	31 December 2008 (restated)	1 January 2008 (restated)
Current financial assets			
Available-for-sale financial assets	138	-	14 972
Financial assets at fair value	-	-	1 134
Derivatives	10 839	159	12 334
Other financial assets	5 196	7 677	3 235
Total	**16 173**	**7 836**	**31 675**

26.1.1 Non-current financial assets – shares and interests

	31 December 2009	31 December 2008 (restated)	1 January 2008 (restated)
Shares and interests			
Shares - companies listed on the stock exchange	149	37	302
Shares and interests – companies not listed on the stock exchange	1 239	2 978	1 361
Total	**1 388**	**3 015**	**1 663**

26.1.2 Other financial assets (non-current)

	31 December 2009	31 December 2008 (restated)	1 January 2008 (restated)
Other non-current assets			
Deposits	925	886	1 974
Commercial debentures	-	567	-
Bank guarantee deposits	1 721	31	4 871
Other	67	79	-
Total	**2 713**	**1 563**	**6 845**

26.1.3 Change in non-current financial assets – shares and interests

	31 December 2009	31 December 2008 (restated)
At the beginning of the period	**3 015**	**1 663**
Increase	**389**	**1 824**
Acquisition of shares, interests	162	1 810
Other	**227**	**14**
Decrease	**(2 016)**	**(472)**
Interest write-downs	(138)	(399)
Change in the composition of the Group	(1 297)	(45)
Other	(581)	(28)
At the end of the period	**1 388**	**3 015**

(in PLN thousands)

26.1.4 Change in non-current financial assets held to maturity

	31 December 2009	*31 December 2008 (restated)*
At the beginning of the period	567	-
Opening a deposit	-	1 449
Settling a deposit	(567)	(882)
At the end of the period	**-**	**567**

26.1.5 Available-for-sale current financial assets

	31 December 2009	*31 December 2008 (restated)*	*1 January 2008 (restated)*
Shares and interests not quoted on the stock exchange	138	-	-
Commercial debentures	-	-	14 972
Total	**138**	**-**	**14 972**

26.1.6 Movements in available-for-sale current financial assets

	31 December 2009	*31 December 2008 (restated)*
At the beginning of the period	-	14 972
Purchasing commercial debentures	-	-
Purchasing shares and interests not quoted on the stock exchange	138	
Disposal of commercial debentures	-	(14 972)
At the end of the period	**138**	**-**

26.1.7 Derivatives

	31 December 2009	*31 December 2008 (restated)*	*1 January 2008 (restated)*
Forward currency contracts	8 302	-	1 311
Foreign currency options	2 537	159	9 982
Interest rate swaps (IRS)	-	-	1 041
Total	**10 839**	**159**	**12 334**

26.1.8 Other current financial assets

	31 December 2009	*31 December 2008 (restated)*	*1 January 2008 (restated)*
Other non-current assets			
Loans granted	836	1 018	245
Bank guarantee deposits	3 653	6 659	2 990
Other	707	-	-
Total	**5 196**	**7 677**	**3 235**

27. Inventories

	31 December 2009	*31 December 2008 (restated)*	*1 January 2008 (restated)*
Raw materials (at cost)	64 325	93 418	85 924
Goods for resale	998	3 706	9 095
Raw materials advance payments	9 786	38	15
Work-in-progress (at cost)	260 422	281 237	235 645
Finished goods:	15 385	16 740	18 247
At cost	15 385	16 740	18 247
At net realizable value	15 385	16 740	18 247
Total inventories, at the lower of cost and net realizable value	350 916	395 139	348 926

(in PLN thousands)

At 31 December 2009 and as at 31 December 2008 there were pledges established on smelting products at the total amount of PLN 100 million as security to bank loan agreements.
In Stalfa company at 31 December 2009 there were pledges establishes on inventories at the carrying amount of PLN 9,268 thousand (as at 31 December 2008: PLN 10,000 thousand) as security to company's liabilities.
At 31 December 2009 there were mortgages established on Polimex – Development Kraków's inventories up to the total amount of PLN 51,012 thousand (at 31 December 2008: PLN 51,012 thousand) as security to Company's bank loan liabilities.

In Sefako Group at the statement of financial position date 31.12.2008 there were securities established on inventories amounting jointly to PLN 2,000 thousand (as at 31.12.2008:. PLN 2.600 thousand).
The Group has about PLN 219 m worth developer's inventories namely flats and lands owned mainly by Polimex-Development Kraków Sp. z o. o., Polimex-Mostostal Development Sp. z o. o. and Polimex-Mostostal. The Group commissioned the valuation of the above developer's inventories to independent valuers. Impairment of developer's inventories never occurred.

28. Trade and other receivables

	31 December 2009	*31 December 2008 (restated)*	*1 January 2008 (restated)*
Trade receivables	1 269 077	1 256 039	1 174 789
of which: trade receivables from related parties	26 558	9 391	10 461
Receivables from public authorities	16 103	34 180	26 066
Other receivables from third parties	32 273	26 568	35 215
Other receivables from related parties	-	-	10 620
Total receivables, net	1 317 453	1 316 787	1 246 690
Doubtful debts allowance	72 808	67 299	69 090
Total receivables, gross	1 390 261	1 384 086	1 315 780

Trade receivables are non-interest bearing and are usually receivable within 30 to 180 days.

For terms and conditions of related party transactions refer to note 38.1.

The Group has a policy to sell only to customers who have undergone an appropriate credit verification procedure. Thanks to that, as Management believes, there is no additional credit risk that would exceed the doubtful debts allowance recognised for trade receivables of the Group.

28.1. Trade receivables (gross) with remaining payment period from the statement of financial position date

	31 December 2009	*31 December 2008 (restated)*	*1 January 2008 (restated)*
Up to one month	570 773	792 863	797 550
Over 1 month to 3 months	299 486	149 849	181 161
Over 3 months to 6 months	30 932	29 140	7 849
Over 6 months to 1 year	73 951	47 108	18 563
Past due receivables	364 557	292 047	227 865
Gross trade receivables	1 339 699	1 311 007	1 232 988
Impairment of trade receivables	70 622	54 968	58 199
Net trade receivables	**1 269 077**	**1 256 039**	**1 174 789**

28.2. Aging analysis of trade receivables

	31 December 2009	*31 December 2008 (restated)*	*1 January 2008 (restated)*
Up to one month past due	124 070	84 706	90 886
Over 1 month to 3 months past due	74 829	82 748	30 995
Over 3 months to 6 months past due	16 340	36 021	25 363
Over 6 months to 1 year past due	43 127	17 513	16 337

(in PLN thousands)

Over 1 year past due	106 191	71 059	64 284
Gross past due trade receivables	364 557	292 047	227 865
Impairment of trade receivables*	66 808	42 625	57 479
Total	**297 749**	**249 422**	**170 386**

*impairment is mostly made for over 1 year past due receivables.

Movements in provision for impairment of receivables were as follows:

	31 December 2009	*31 December 2008*
Provisions for impairment at the beginning of the period	54 968	58 199
Increase, of which:	**45 820**	**22 234**
- provision for impairment of receivables	45 820	18 304
- changes in Group structure	-	3 930
Decrease, of which:	**30 166**	**25 465**
- utilization	19 259	10 706
- receivables pay-off	10 907	8 887
- changes in Group structure	-	3 569
-receivables reclassification	-	2 303
Provisions for impairment at the end of the period	**70 622**	**54 968**

29. Prepayments

	31 December 2009	*31 December 2008*	*1 January 2008*
Insurance costs	5 694	4 869	2 996
Subscription	147	160	-
Costs of starting production	-	138	575
Costs of uncompleted works	438	1 240	1 094
Settlement of patent fee	43	60	52
Commission on debentures		-	6
Deposit to real property lease	7	432	681
Perpetual usefruct charge	-	-	40
Advance payment to real property purchase	-	-	2 006
Obtaining a quality certificate	-	72	-
IT support, electric power	207	587	-
Other	3 401	3 576	2 329
Total	**9 937**	**11 134**	**9 779**

30. Cash and cash equivalents

	31 December 2009	*31 December 2008*	*1 January 2008*
Cash at bank and in hand	375 672	205 714	143 071
Other	3	3 407	-
Deposits	61 702	86 120	-
Total cash	**437 377**	**295 241**	**143 071**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents as at 31 December 2009 is PLN 437,377 thousand (31 December 2008: PLN 295,241 thousand and PLN 143,071 thousand as at 31 December 2009).

Reconciliation of changes in statement of financial position items for the reporting period to the changes recognized in the statement of cash flows are presented in the tables below:

(in PLN thousands)

	Year ended 31 December 2009
Increase/(decrease) of inventories in the statement of financial position	44 223
Inventories of acquired ECE Remont Sp. z o.o.	139
Movement of inventories in the statement of cash flows	44 362

	Year ended 31 December 2009
Increase/(decrease) in receivables in the statement of financial position	(34 517)
Adjustment for prepayments relating to acquisition of fixed assets	28 656
Receivables of acquired ECE Remont Sp. z o.o.	1 885
Receivables of acquired Pracownia Wodno Chemiczna Ekonomia	748
Increase/(decrease) in receivables in cash flow statement	(3 228)

	Year ended 31 December 2009
Increase/(decrease) in liabilities in the statement of financial position	172 259
Liabilities of acquired ECE Remont Sp. z o.o.	(3 033)
Liabilities of acquired Pracownia Wodno Chemiczna Ekonomia	(428)
Adjustment for lease liabilities	7 877
Adjustment for investment purchases	10 510
Adjustment for revaluation of foreign currency options	50 535
Contingent additional payments to subsidiaries (ZRE Kraków Sp. z o.o. and Torpol)	7 300
Adjustment of current assets	(4 700)
Contingent additional payment for acquisition of organized part of WIBUD enterprise	(1 500)
Change in liabilities in the cash flow statement	238 820

	Year ended 31 December 2009
Movements in provisions in the statement of financial position	9 301
Provisions of acquired ECE Remont Sp. z o.o.	(15)
Movements in provisions in cash flow statement	9 286

	Year ended 31 December 2009
Change in accruals and prepayments in the statement of financial position	(14 547)
Accruals and prepayments of acquired ECE Remont Sp. z o.o.	8
Accruals and prepayments of Pracownia Wodno Chemiczna Ekonomia	25
Change in accruals and prepayments in the statement of cash flow	(14 514)

Acquisition of a subsidiary, net of cash acquired

	Year ended 31 December 2009
Acquisition of ECE Remont Sp. z o.o. by Polimex-Mostostal S.A.	0
Cash of ECE Remont Sp. z o. o. on acquisition	163

(in PLN thousands)

Acquisition of ECE Remont Sp. z o.o. by Polimex-Mostostal S.A., net of cash acquired	163
Acquisition of Pracownia Wodno Chemiczna Ekonomia by Polimex-Mostostal S.A.	(700)
Cash of Pracownia Wodno Chemiczna Ekonomia on acquisition	207
Acquisition of Pracownia Wodno Chemiczna Ekonomia, net of cash acquired	(493)
Total acquisition of subsidiaries, net of cash acquired	(330)

	Year ended 31 December 2008
Increase/(decrease) in receivables in the statement of financial position	(67 699)
Receivables of acquired Coifer Group	56 169
Receivables of acquired Projekt Południe Sp. z o.o.	2 216
Receivables of acquired ZRE Kraków	5 499
Receivables of acquired Elmont Sp. z o.o. (Torpol Group)	5 808
Receivables of liquidated Przembud Sp. z o.o.	(864)
Adjustment for receivables from fixes asset disposal	(562)
Increase/(decrease) in receivables in cash flow statement	567

	Year ended 31 December 2008
Increase/(decrease) of inventories in the statement of financial position	(46 213)
Inventories of acquired Coifer Group	33 198
Inventories of acquired Projekt Południe Sp. z o.o. (*)	105
Inventories of acquired ZRE Kraków Sp. z o.o. (*)	1 428
Inventories of acquired Elmont Sp. z o.o. (Torpol Group)	3 393
Change in inventories in the statement of cash flow	(8 089)

	Year ended 31 December 2008
Increase/(decrease) in liabilities in the statement of financial position	378 191
Liabilities of acquired Coifer Group	(57 161)
Liabilities of acquired Projekt Południe Sp. z o.o.	(1 747)
Liabilities of acquired ZRE Kraków Sp. z o.o.	(4 599)
Liabilities of acquired Elmont Sp. z o.o. (Torpol Group)	(6 440)
Liabilities of liquidated Przembud Sp. z o.o.	827
Adjustment for lease liabilities	(33 703)
Adjustment for investment purchases	(939)
Adjustment for acquisition of interest in subsidiaries	(18 435)
Adjustment for revaluation of foreign currency options	(55 355)
Change in liabilities in the statement of cash flows	200 639

	Year ended 31 December 2008
Change in accruals and prepayments in the statement of financial position	(52 196)
Accruals and prepayments of acquired Coifer Group	(10 500)

(in PLN thousands)

Accruals and prepayments of acquired Projekt Południe Sp. z o.o.	59
Accruals and prepayments of acquired ZRE Kraków Sp. z o.o.	(652)
Accruals and prepayments of acquired Elmont Sp. z o.o. (Torpol Group)	155
Accruals and prepayments of liquidated Przembud Sp. z o.o.	135
Change in accruals and prepayments in the statement of cash flow	(62 999)

	Year ended 31 December 2008
Increase/(decrease) in provisions in the statement of financial position	16 127
Provisions of acquired Coifer Group	(2 801)
Provisions of acquired Projekt Południe Sp. z o.o.	(193)
Provisions of acquired ZRE Kraków Sp. z o.o.	(4 931)
Provisions of acquired Elmont Sp. z o.o. (Torpol Group)	(44)
Provisions of liquidated Przembud Sp. z o.o.	300
Movements in provisions in the statement of cash flows	8 458

Acquisition of a subsidiary, net of cash acquired	*Year ended 31 December 2008*
Acquisition of Coifer Group by Polimex-Mostostal S.A.	(64 948)
Cash of Coifer Group on acquisition	1 138
Acquisition of Coifer Group, net of cash acquired	(63 810)
Acquisition of Projekt Południe Sp. z o.o.by Polimex-Mostostal S.A.	(4 670)
Cash of Projekt Południe Sp. z o.o.on acquisition	774
Acquisition of Projekt Południe Sp. z o.o., net of cash acquired	(3 896)
Acquisition of ZRE Kraków Sp. z o.o. by Polimex-Mostostal S.A.	(18 250)
Cash of ZRE Kraków Sp. z o. o. on aquisition	1 107
Acquisition of ZRE Kraków Sp. z o.o., net of cash acquired	(17 143)
Acquisition of Elmont Sp. z o .o. by Torpol Group	(10 033)
Cash of Elmont Sp. z o. o. on acquisition	1 201
Acquisition of Elmont Sp. z o.o., net of cash acquired	(8 832)
Total acquisition of subsidiaries, net of cash acquired	(93 681)

The „Other" items in operating activities of consolidated statement of cash flows for the year ended 31 December 2008 comprise in particular of: valuation of foreign currency options amounting to PLN (33.0) million, valuation of executive options amounting to PLN 5.9 million, valuation of investment properties amounting to PLN (2.0) million.

31. Issued capital and supplementary/ reserve capital

31.1.1 *Issued capital*

Equity capital (in share thousands)	*31 December 2009*	*31 December 2008*	*1 January 2008*
Series A ordinary shares	55 375	55 375	55 375
Series B ordinary shares	36 550	36 550	36 550
Series C ordinary shares	8 600	8 600	8 600
Series D ordinary shares	13 476	13 476	13 476
Series E ordinary shares	43 476	43 476	43 476
Series F ordinary shares	223 726	223 726	223 726

(in PLN thousands)

Series H ordinary shares	25 826	25 826	25 826
Series I ordinary shares	57 326	57 326	57 326
Total	**464 355**	**464 355**	**464 355**

All issued shares are at nominal value of PLN 0.04 as at 31 December 2009, as at 31 December 2007 and as at 1 January 2008. Shares have been fully paid.

31.1.2 *Shareholders rights*

Each share has a right to 1 vote at a General Meeting of Shareholders. There are no shares with preferences relating to distribution of dividends or repayment of capital. According to the information based on stock exchange releases, the structure of shareholders who have directly or indirectly through subsidiaries at least 5% of total number of votes is as follows:

31.1.3 *Shareholders with significant shareholding*

	31 December 2009	*31 December 2008*	*1 January 2008*
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK			
share in equity	5.92%	5.92%	9.58%
share in votes	5.92%	5.92%	9.58%
Otwarty Fundusz Emerytalny PZU „Złota Jesień” (PZU „Złota Jesień”Open Pension Fund)__			
share in equity	8.61%	8.61%	6.99%
share in votes	8.61%	8.61%	6.99%
Gloria S.a.r.l. Luxemburg __			
share in equity	-	6.18%	6.18%
share in votes	-	6.18%	6.18%
Sices International B.V. Holland			
share in equity	6.16%	6.16%	6.16%
share in votes	6.16%	6.16%	6.16%
ING Nationale-Nederlanden Polska Otwarty Fundusz Emerytalny (ING Nationale-Nederlanden Poland Open Pension Fund) __			
share in equity	8.70%	8.70%	5.14%
share in votes	8.70%	8.70%	5.14%
Pioneer Pekao Towarzystwo Funduszy Inwestycyjnych S.A. (Pioneer Pekao S.A. Investment Fund Company)_			
share in equity	5.56%	5.56%	-
share in votes	5.56%	5.56%	-
Polimex-Cekop Development Sp. z o.o. *) (Polimex-Mostostal S.A.’s subsidiary)			
share in equity	2.83%	2.83%	2.83%
share in votes	2.83%	2.83%	2.83%

Polimex-Cekop Development sp. z o.o. holds 13,152,500 shares of Polimex-Mostostal S.A. whose fair value at 31 December 2009 is PLN 52.2 million and at 31 December 2008 it is PLN 39,2 million and as at 1 January 2008 it is PLN 112.6 million.

31.2. Supplementary capital

According to Article 396 (1) of The Code of Commercial Companies, to cover a loss supplementary capital should be recognized to which at least 8% of the profit for the year is transferred until the supplementary capital reaches at least a third of the share capital. Supplementary capital recognized in this way is not subject to distribution.

31.3. Revaluation reserve

The revaluation reserve was recognized in connection with the application of hedge accounting by the Company Revaluation reserve is a result of net valuation of cash hedges adjusted for deferred tax. The transactions and applied hedge accounting are described in note 23.3 to the financial statements.

31.4. Reserve capital

Reserve capital resulted from the Resolution No 2 of Extraordinary General Meeting of Shareholders of Polimex-Mostostal S.A. of 31 January 2006 establishing the Incentive Plan for Directors and Officers of Polimex-Mostostal S.A.. The basis for the Plan were party amended under Resolution No 39 of Ordinary Meeting of Shareholders of Polimex-Mostostal S.A. of 28 June 2007.

In connection with the implementation of the Plan the share capital was conditionally increased by not more than PLN 762,417 (say seven hundred sixty-two thousand four hundred seventeen) by means of the issue of not more than 19,060,425 (say nineteen million sixty thousand four hundred and twenty-five) series G bearer shares with nominal value of PL 0.04 each. Share capital was increased in order to grant rights to holders of subscription warrants to take up series G shares issued under resolution of General Shareholders Meeting of 31 January 2006.

19 060 425 bearer subscription warrants were issued. One bearer subscription warrant entitles to take up 1 (say one) series G ordinary share of the Issuer with nominal value of PLN 0.04 (say oh point zero four) each, excluding rights issue which Issuer’s shareholders are entitled to. Warrants were issued at the issue price equal to PLN 0.00 (say zero).

16,535,013 bearer subscription warrants were allotted.

2 525 412 bearer subscription warrants remain to be redeemed.

Warrants may be exercised in the following periods:

- warrants granted for 2006: from 1 October 2010 to 31 December 2013,

- warrants granted for 2007: from 1 October 2011 to 31 December 2013,

-warrants granted for 2008: from 1 October 2012 to 31 December 2013,

In 2009 the phase of allotting warrants based on the above criteria was completed. In a three-year period of program maintenance, all three criteria were met twice, the highest criteria entitling to obtain the maximum number of warrants. In 2008 only two criteria were met: EBITDA per Company share and net profit per Company share, whereas the market condition was not met. Thus, the total number of issued warrants amounted to 16 535 013 convertible to 16 535 013 shares.

Due to the failure to meet the third criterion in 2008, 2 525 412 warrants were not allotted on the above specified conditions and consequently these warrants shall be redeemed.

In accordance with the Resolution No 26 of 4 July 2008 the share capital of the Company may be conditionally increased by not more than PLN 928,687.32 by means of issuing not more than 23.217.183 series J bearer’s shares with nominal value of PLN 0.04 (say four grosz) each. The purpose of a conditional increase of the equity is granting rights to take up Company shares to the holders of subscription warrants issued under the incentive plan for the directors and officers of the Company and of major subsidiaries. The plan is for three years and issuing of warrants will take place after meeting assumed growth criteria for each of the reporting periods i.e. 2009, 2010 and 2011.

- Criterion 1: meeting required growth rate of consolidated EBIDTA per Company share,
- Criterion 2: meeting required growth rate of consolidated net profit per Company share,
- Criterion 3: reaching the required difference between the change in the simple average of Company shares closing quotation (computed for the last three months of the calendar year) and a change in the simple average of WIG Warsaw Stock Exchange Index (computed for the last three months of the calendar year).

An additional allocation criterion is the employment criterion that is the requirement for being employed by the Company for at least 9 months for a given financial year. If the above described allocation criteria are not met, the warrants for which the allocation criterion was not met are subject to redemption. Warrants may be exercised in the following periods:

- warrants granted for 2009: from 1 October 2010 to 31 December 2016,
- warrants granted for 2010: from 1 October 2014 to 31 December 2016,
- warrants granted for 2011: from 1 October 2015 to 31 December 2016,

As at 31 December 2009 the balance of provision recognized in the Company reserve capital by virtue of the above mentioned plans is PLN 30,494 thousand (as at 31 December 2008: PLN 18,016 thousand and as at 1 January 2008: PLN 12,091 thousand).

(in PLN thousands)

31.5. Non-controlling interests

	Year ended 31 December 2009	*Year ended 31 December 2008*
At the beginning of the year	114 886	102 585
Currency translation differences on consolidation	(1 175)	1 067
Net valuation of cash flow hedges	8 532	(9 074)
Deferred tax	(1 621)	1 724
Profit for the year	18 885	20 305
Issue of shares in a subsidiary	-	1 134
Changes in Group structure	153	-
Consolidation adjustments relating to change of control over a subsidiary	933	(3 031)
Other adjustments on subsidiaries' equity	190	176
At the end of the year	**140 783**	**114 886**

32. Interest-bearing bank loans and borrowings

Bank / financing entity	**Capital Group Entity**	**Maturity**	*31 December 2009*	*31 December 2008*
Current				
	Parent company		**10 242**	**161 562**
Polibuur Engineering – loan in GBP		paid-off	-	868
Bank Handlowy w Warszawie – bank overdraft up to PLN 20,000 thousand *		22.09.2010	-	12 718
*on 23.03.2010 the overdraft limit was reduced to PLN 15,000 thousand				
Bank PEKAO S.A. – bank overdraft up to PLN 50,000 thousand .		31.07.2010	-	23 824
BPH S.A. – bank overdraft up to PLN 37,000 thousand		22.08.2010	-	39 638
Kredyt Bank S.A. – working capital facility up to PLN 40,000 thousand		30.10.2010	634	39 582
PKO BP S.A. – working capital facility in EUR (short-term portion)		26.12.2012	1 232	11 682
PKO BP S.A. – working capital facility in PLN (short-term portion)		26.12.2012	964	9 156
Bank PEKAO S.A. – working capital facility up to PLN 70,000 thousand .		31.07.2010	8	24 094
Toyota Bank Polska S.A. – investment loan in PLN		28.06.2010	23	-
PKO BP S.A. – working capital facility up to PLN 20,000 thousand		30.06.2010	7 381	-
	Sefako Group		**18 199**	**14 569**
Bank PEKAO S.A. – bank overdraft up to PLN 6,000 thousand		31.10.2010	1 750	-
PKO BP S.A. – working capital facility up to PLN 12,000 thousand		29.08.2010	7 183	-
Fortis Bank Polska S.A. – investment loan in PLN (current portion)		04.07.2010	-	1 077
PKO BP S.A. – investment loan in PLN (current portion)		30.01.2016	7 539	-
Fortis Bank Polska S.A. – bank overdraft in up to PLN 3,000 thousand .		paid-off	-	2 636
Fortis Bank Polska S.A. – working capital facility up to PLN 4,000 thousand		paid-off	-	4 000
BRE Bank S.A. – investment loan in PLN (current portion)		30.09.2011	1 067	1 067
Fortis Bank Polska S.A. – investment loan in PLN (current portion)		29.01.2016*	-	3 772
* debt was converted to PKO BP S.A..			-	

PKO BP S.A. – revolving working capital facility up to PLN 2,300 thousand		31.01.2010*	550	1 780
* debt was paid off				
Bank Spółdzielczy w Sędziszowie– bank overdraft up to PLN 800 thousand		16.08.2010	110	237
	Naftobudowa Group		**5 810**	**7 341**
DZ Bank S.A. – bank overdraft up to PLN 10,000 thousand		30.06.2010	2 961	4 247
BRE Bank S.A. – bank overdraft up to PLN 8,000 thousand		paid-off	-	1 108
BPH S.A. – bank overdraft up to PLN 10,000 thousand .		20.08.2010	2 849	-
BRE Bank S.A. – working capital facility up to PLN 1,000 thousand		paid-off	-	1 000
BRE Bank S.A. – working capital facility up to PLN 1,000 thousand .		paid-off	-	986
	ZUT Sp. z o.o.		**-**	**939**
Pekao S.A. – bank overdraft up to PLN 1,000 thousand		31.01.2010*	-	939
*maturity date has been changed to 31.01.2011.				
	Stalfa Sp. z o.o.		**13 353**	**12 560**
Pekao S.A. – bank overdraft up to PLN 10,000 thousand		30.06.2010	9 542	7 500
Fortis Bank Polska S.A. – bank overdraft up to PLN 4,000 thousand		25.10.2010	2 528	3 288
Bank PEKAO S.A. – investment loan in PLN		paid-off	-	972
Fortis Bank Polska S.A. – investment loan in PLN (current portion)		31.12.2013	800	800
Fortis Bank Polska S.A. – long-term credit facility in PLN (current portion)		27.09.2012	483	-
	Tchervonograd		**338**	**101**
Ukrgazprombank – working capital facility in EUR		04.02.2010*	338	-
* debt was paid off				
Prominwestbank – credit line in UAH		16.12.2008	-	101
	Torpol Group*		**4 789**	**7 397**
* debt of Torpol group presented in the consolidated financial statements of Polimex-Mostostal Group included the debt of Prinż-1 Sp. z o.o.				
Alior Bank S.A. – bank overdraft up to PLN 1,500 thousand		27.08.2010	789	-
Alior Bank S.A. – bank overdraft up to PLN 4,000 thousand		27.08.2010	4 000	-
Meritum Bank ICB S.A. – revolving loan up to PLN 6,500 thousand		paid-off	-	6 500
Pekao S.A. – bank overdraft up to PLN 1,000 thousand		paid-off	-	849
Fortis Polska – bank overdraft up to PLN 15,000 thousand		paid-off	-	26
Volkswagen Bank Polska S.A. – investment loan in PLN		paid-off	-	22
	PRInż -1 Sp. z o.o.*		**1 016**	**429**
* the debt of the Company was presented in the consolidated financial statements of Polimex Capital Group for the year 2008 in the debt of Torpol Group.				
BOŚ S.A. – revolving loan up to PLN 3,000 thousand		12.07.2010	596	-
Volkswagen Bank Polska S.A. – investment loan in PLN		paid-off	-	9
BOŚ S.A. – investment loan in PLN (current portion)		30.06.2014	420	420

(in PLN thousands)

	Naftoremont Group		**-**	**994**
Pekao S.A. – bank overdraft up to PLN 1,000 thousand		paid-off	-	994
	Energomontaż Północ Group		**1 264**	**20**
RBS Bank (Polska) S.A. – investment loan in EUR (current portion)		15.12.2013	1 264	-
DnB Nord Polska S.A. – multipurpose credit line up to PLN 2,000 thousand		30.04.2010	-	20
	Centrum Projektowe Polimex Mostostal Sp. z o.o.		**1 941**	**1 548**
BRE Bank S.A. – bank overdraft up to PLN 450 thousand * debt was paid off		30.03.2010*	332	956
Bank PEKAO S.A. – bank overdraft up to PLN 300 thousand		31.03.2010	166	-
Bank PEKAO S.A. – bank overdraft up to PLN 200 thousand		paid-off	-	200
Bank Millenium S.A. – bank overdraft up to PLN 2,400 thousand* * in the consolidated financial statements of the Capital Group for the year 2008 the overdraft was presented as the debt of Biprokwas Sp. z o.o.		29.04.2010	1 443	392
	Polimex-Development Kraków Sp. z o.o.		**26 231**	**32 593**
PKO BP S.A. – investment loan in PLN *maturity date has been changed to 31.06.2010.		31.03.2010*	6 676	8 115
PKO BP S.A. – investment loan in PLN		30.06.2010	19 555	24 478
	Depolma GmbH		**-**	**13**
Commerzbank Dusseldorf - debit in EUR bank account		paid-off	-	13
	EPE Rybnik		**128**	**127**
DnB Nord Bank Polska S.A. – investment loan in PLN (current portion)		31.03.2013	79	-
DnB Nord Bank Polska S.A. – working capital facility up to PLN 200 thousand		paid-off	-	82
Getin Bank S.A. – investment loan in PLN (current portion)		25.02.2013	20	18
Getin Bank S.A. – investment loan in PLN (current portion)		25.04.2011	29	27
	Projekt Południe		**-**	**5**
ING Bank Śląski – credit card debt in PLN		paid-off	-	**5**
	Coifer Group		**30 518**	**36 707**
Cassa Di Risparmie di Spleto Spa – loan in EUR		30.06.2010	387	384
Cassa Di Risparmie di Terni e Nami SpA – working capital facility in EUR		Open	4 003	-
Intensa Sanpaolo – investment loan in EUR (current portion)		01.11.2017	2 984	-

(in PLN thousands)

Banca Pop. Di Spoleto – working capital facility up to EUR 1,000 thousand		Open	-	2 404
Monte dei Pachi di Sienna – working capital facility in EUR		Open	2 848	2 128
Fortis Bank – bank overdraft up to EUR 4,500 thousand		01.10.2010	18 463	16 662
Banca Nationale Del Lavoro SpA		Open	14	-
Natural persons (former shareholders) – loans in EUR		31.12.2010	1 819	15 129
	ECE Remont Sp. z o.o.		**971**	**-**
PKO BP S.A. – bank overdraft up to PLN 1,000 thousand		04.06.2010	971	-
	Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.		**26**	**-**
Volkswagen Bank Polska S.A. – investment loan in PLN		05.11.2011	26	-
Non-current				
	Parent company		**149 863**	**33 563**
PKO BP S.A. – bank overdraft up to PLN 10,500 thousand		12.02.2010*	-	4 100
*maturity date has been changed to 31.02.2011.				
Bank Millenium S.A. – bank overdraft up to PLN 15,000 thousand		20.03.2010*	-	14 852
*maturity date has been changed to 20.03.2011.				
Toyota Bank Polska S.A. – investment loan in PLN		28.06.2010	-	66
PKO BP S.A. – working capital facility up to PLN 20,000 thousand		30.06.2010	-	1 093
PKO BP S.A. – investment loan in PLN/EUR		31.08.2015	133 597	13 452
PKO BP S.A. – working capital facility in EUR		26.12.2012	9 038	-
PKO BP S.A. – working capital facility in PLN		26.12.2012	7 228	-
	Sefako Group		**41 656**	**41 796**
BRE Bank S.A. – investment loan in PLN		30.09.2011	1 067	2 133
PKO BP S.A. – investment loan in PLN		30.01.2016	38 328	-
Fortis Bank Polska S.A. – investment loan in PLN		29.01.2016*	-	37 012
* debt was converted to PKO BP S.A..				
Wojewódzki Fundusz Ochrony Środowiska (Voivodship Environment Protection Fund) – loan w PLN		31.10.2016	749	520
Wojewódzki Fundusz Ochrony Środowiska (Voivodship Environment Protection Fund) – loan w PLN		31.10.2016	512	831
Sędziszów Commune – loan in PLN		20.08.2012	1 000	1 300
	Stalfa Sp. z o.o.		**3 321**	**3 200**
Fortis Bank Polska S.A. – investment loan in PLN		31.12.2013	2 400	3 200
Fortis Bank Polska S.A. – long-term loan in PLN		27.09.2012	921	-
	PRInż -1 Sp. z o.o.		**1 472**	**1 892**
BOŚ Bank S.A. – investment loan in PLN		30.06.2014	1 472	1 892
	Centrum Projektowe Polimex Mostostal Sp. z o.o.		**9 982**	**7 656**
Orzesko-Knurowski Bank Spółdzielczy – investment loan in PLN		18.12.2023	9 982	7 656

(in PLN thousands)

	Energomontaż Północ Group		**15 169**	**10 431**
RBS Bank (Polska) S.A. – investment loan in EUR		15.12.2013	15 169	10 431
	EPE Rybnik		**323**	**110**
Getin Bank S.A. – investment loan in PLN		25.02.2013	50	70
Getin Bank S.A. – investment loan in PLN		25.04.2011	11	40
Getin Bank S.A. – investment loan in PLN		31.03.2013	262	-
	Coifer Group		**13 612**	**20 086**
Cassa Di Risparmie di Spleto Spa – loan in EUR		30.06.2010	-	199
BRD – investment loans in EUR		01.04.2011	335	597
BRD – investment loans in EUR		01.09.2011	1 654	2 601
Intensa Sanpaolo – investment loan in EUR		01.11.2017	11 623	16 689
	ECE Remont Sp. z o.o.		**550**	
PKO BP S.A. – working capital facility in PLN		04.10.2012	550	-
	Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.		**50**	
Volkswagen Bank Polska S.A. – investment loan in PLN		05.10.2013	50	-
Interest-bearing bank loans and borrowings			**353 824**	**395 639**
Current, of which:			**114 826**	**276 905**
Bank loans			112 620	260 524
Borrowings			2 206	16 381
Non-current, of which:			**235 998**	**118 734**
Bank loans			231 748	112 686
Borrowings			4 250	6 048

At *1 January* 2008

Bank / financing entity	Capital Group Entity	Maturity	amount
Current			
	Parent company		**157 614**
Pekao S.A. – working capital facility in PLN		30.04.2008	32 262
PKO BP S.A. – working capital facility in EUR		26.12.2008	11 104
PKO BP S.A. – working capital facility in PLN		26.12.2008	10 120
BOŚ S.A. – bank overdraft in PLN		04.07.2008	9 281
Raiffeisen Bank Polska S.A. – bank overdraft in PLN		31.07.2008	13 243
Bank Handlowy w Warszawie – working capital facility in PLN		27.06.2008	12 743
Kredyt Bank S.A. – working capital facility in PLN		30.10.2008	29 402
Pekao S.A. – bank overdraft in PLN		31.10.2008	11 829
Pekao S.A. – bank overdraft in PLN		31.07.2008	25 646
Bank Spółdzielczy w Nidzicy – working capital facility in PLN		31.03.2008	1 000
Polibuur Engineering – loan in GBP		10.04.2008	984
	Sefako Group		**3 506**
Fortis Bank Polska S.A. – investment loan in PLN (current portion)		05.07.2010	615

(in PLN thousands)

BRE Bank S.A. – bank overdraft in PLN		26.06.2008	724
BRE Bank S.A. – investment loan in PLN (current portion)		30.09.2011	800
BPH S.A. – multipurpose line in PLN		31.10.2008	247
Bank Spółdzielczy in Sędziszew – bank overdraft in PLN		open	480
Obligations under finance leases and hire purchase contracts (current portion)		from 3 to 5 years	640
	Naftobudowa Group		**5 715**
DZ Bank S.A. – bank overdraft in PLN		31.12.2008	2 971
BRE Bank S.A. – bank overdraft in PLN		18.06.2008	827
BRE Bank S.A. – working capital facility in PLN		18.06.2008	1 000
DZ Bank S.A. – bank overdraft in PLN		02.10.2008	917
	Biprokwas Sp. z o.o.		**1 469**
Bank Millennium S.A. – bank overdraft in PLN		27.04.2008	1 469
	ZUT Sp. z o.o.		**997**
Pekao S.A. – bank overdraft in PLN		31.01.2008	997
	Stalfa Sp. z o.o.		**5 762**
Pekao S.A. – bank overdraft in PLN		31.07.2008	2 953
Fortis Bank Polska S.A. – bank overdraft in PLN		17.09.2008	2 809
	Tchervonograd		**57**
Prominwestbank		16.12.2008	57
	Torpol Group		**451**
Toyota Bank Polska S.A. – investment loan in PLN		20.02.2008	10
Santander Bank S.A. – investment loan in PLN		04.09.2008	45
Volkswagen Bank Polska S.A. – investment loan in PLN (current portion)		07.01.2009	72
BOŚ S.A. – investment loan in PLN (current portion)		30.06.2014	324
	Naftoremont Group		**5 787**
ING Bank Śląski S.A. – bank overdraft in PLN		30.04.2008*	3 641
Pekao S.A. – bank overdraft in PLN		31.08.2008	146
PKO BP S.A. loan under a multipurpose borrowing limit		26.06.2009	2 000
	Energomontaż Północ Group		**866**
BZ WBK S.A. – bank overdraft in PLN		30.04.2008	866
	Energotechnika Projekt Sp. z o.o.		**661**
Pekao S.A. – multipurpose line in PLN		28.03.2008	200
BRE Bank S.A. – bank overdraft in PLN		28.08.2008	461
	Polimex-Development Kraków Sp. z o.o.		**9 266**
PKO BP S.A. – investor loan in PLN		31.12.2008	3 733
PKO BP S.A. – investor loan in PLN		31.12.2008	5 533
Non-current			
	Parent company		**781**
PKO BP S.A. – bank overdraft in PLN		12.10.2010	105
Ge Money Bank S.A. – investment loan in PLN		08.11.2012	98
Ge Money Bank S.A. – investment loan in PLN		08.05.2011	43
Ge Money Bank S.A. – investment loan in PLN		25.05.2011	41
Ge Money Bank S.A. – investment loan in PLN		21.09.2012	166
Ge Money Bank S.A. – investment loan in PLN		17.04.2012	224
Toyota Bank Polska S.A. – investment loan in PLN		28.06.2010	104

(in PLN thousands)

	Sefako Group		**3 117**
BRE Bank S.A. – investment loan in PLN		30.09.2011	1 284
Fortis Bank Polska S.A. – investment loan in PLN		05.07.2010	1 077
Obligations under finance leases and hire purchase contracts		from 3 to 5 years	756
	Stalfa Sp. zo.o.		**1 945**
BPH S.A. – investment loan in PLN		30.11.2009	1 945
	Torpol Group		**6 520**
PKO BP S.A. – bank overdraft in PLN		08.10.2010	5 012
Volkswagen Bank Polska S.A. – investment loan in PLN		07.01.2009	9
BOŚ Bank S.A. – investment loan in PLN		30.06.2014	1 499

Interest-bearing bank loans and borrowings	
Current, of which:	**192 151**
Bank loans	190 527
Borrowings	984
Obligations under finance lease agreements	640
Non-current, of which:	**12 363**
Bank loans	11 607
Borrowings	-
Obligations under finance lease agreements	756

Comparison of interest rate for the periods	*31 December 2009*	*31 December 2008*	*1 January 2008*
Weighted average for bank loans in PLN	WIBOR + 1.5932 p.p.;	WIBOR + 0.91011p.p.	WIBOR + 0.96556p.p.
Weighted average for bank loans in EUR	EURIBOR +2.6096 p.p. & LIBOR +1.1348 p.p.	EUROIBOR + 1.7967p.p.	-

33. Debentures

	31 December 2009	*31 December 2008*	*1 January 2008*
Long-term debentures	367 396	317 168	317 500
Short-term debentures	39 797	40 629	37 292
Total debentures	**407 193**	**357 797**	**354 792**

Under Debenture Issue Plan Polimex-Mostostal S.A. issued debentures for the total amount of PLN 400 million, of which:

Long-term debentures

1. at 25 July 2007 a block of coupon debentures not admitted for listing, denominated in PLN for the amount of PLN 100 million and with the maturity at 25 July 2012, and
2. at 16 October 2007 another block of coupon debentures not admitted for listing, denominated in PLN for the amount of PLN 73 m and with the maturity at 25 January 2013.

Both above mentioned blocks of coupon debentures have been consolidated and to 25 June 2012 maturity of half-year interest coupons falls at the same dates.

3. at 16 October 2009 a block of long-term coupon debentures was issued at the total amount of PLN 194,500,000 with maturity on 16 October 2012.

(in PLN thousands)

Short-term debentures

1. at 28 June 2006. - two blocks of short-term discount debentures not admitted for listing for the total amount of PLN 32.5 million, which were combined in one block on 07 January 2009 and its present maturity is at 12 May 2010.

Balance of debentures issued by Polimex-Mostostal S.A. at their nominal value is PLN 400.0 million,

of which:

- current liabilities for short-term discounted debentures are PLN 32.5 million at the nominal value as of the statement preparation date;
- non-current liabilities for long-term coupon debentures are PLN 367.5 million at the nominal value

34. Other non-current liabilities

	31 December 2009	*31 December 2008*	*1 January 2008*
Arrangement payments	-	1 678	5 132
Leases	46 838	37 971	12 716
Non-current guarantee payment liabilities	47 618	29 955	17 017
Measurement of derivative instruments	-	6 360	-
Deposits	4 277	4 051	-
Interest acquisition liabilities	2 375	12 668	3 000
Fixed asset purchase payables	1 488		
Other	7 688	564	118
Total	**110 284**	**93 247**	**37 983**

35. Provisions

35.1. Movements in provisions

	Provisions for guarantee repairs and refunds	*Restructuring provision*	*Post-employment benefits*	*Other provisions*	*Total*
At 1 January 2009	15 215	185	75 503	38 037	128 940
Acquisition of a subsidiary	-	-	123	-	123
Recognized during the year	15 914	-	19 870	24 187	59 971
Utilized	(899)	(79)	(7 975)	(2 557)	(11 510)
Released	(10 064)	(106)	(517)	(28 596)	(39 283)
Reclassifications	(16)	-	46	(30)	-
Elimination on subsidiary consolidation	-	-	-	-	-
At 31 December 2009	20 150	-	87 050	31 041	138 241
Current at 31 December 2009	17 367	-	9 921	29 117	56 405
Non-current at 31 December 2009	2 783	-	77 129	1 924	81 836

	Provisions for guarantee repairs and refunds	*Restructuring provision*	*Post-employment benefits*	*Other provisions*	*Total*
At 1 January 2008	11 725	523	68 181	32 384	112 813
Acquisition of a subsidiary	-	-	1 602	6 155	7 757
Recognised during the year	9 403	1 396	18 095	28 523	57 417
Utilised	(1 889)	(167)	(3 298)	(10 217)	(15 571)
Released	(4 024)	(1 567)	(9 532)	(18 053)	(33 176)
Reclassifications	-	-	455	(455)	-

(in PLN thousands)

Elimination on subsidiary consolidation	-	-	-	(300)	(300)
At 31 December 2008	15 215	185	75 503	38 037	128 940
Current at 31 December 2008	12 563	185	7 721	29 804	50 273
Non-current at 31 December 2008	2 652	-	67 782	8 233	78 667

35.1. Guarantee and refund provision

The Group recognized in the statement of financial position guarantee provisions at the amount of PLN 20,650 thousand as at 31 December 2009 and at the amount of PLN 15,215 thousand as at 31 December 2008 and at the amount of PLN 11,725 thousand as at 31 December 2007. Assumptions used to compute the provision for guarantees were based on current sales levels and current information available about the contractual guarantee period for all products sold.

35.2. Employee benefits and other post-employment benefits

The Group provides retiring employees with the amounts of retirement benefits as specified in Company Collective Agreement. As a result, based on the valuation made by a professional actuarial company a provision for the current value of this retirement benefit liability, jubilee bonus liabilities and other post-employment benefit liabilities is recognized. The table below summarizes the amounts of the provision and movements in the benefit liability over the period:

	31 December 2009	*31 December 2008*
At the beginning of the period	75 503	68 181
Provision recognized	19 870	18 095
Benefits paid	(7 975)	(3 298)
Provision released	(517)	(9 532)
Change in the composition of the Group	123	1 602
Reclassifications	46	455
At the end of the period	**87 050**	**75 503**

35.2.1 *Main assumptions made by an actuary*

	31 December 2009	*31 December 2008*	*1 January 2008*
Discount rate (%)	5.5	5.4	5.1
Future inflation index (%)	2.5	3.5	2.7
Future salary increases (%)	4.5	5.5	2.0

The table below summarizes the amounts of the provision and movements in the benefit liability for the parent company over the period:

	2009	2008
At the beginning of the period at 1 January, of which:	58 902	53 983
- jubilee bonuses	35 096	29 741
- retirement benefits	15 523	12 169
- other	8 283	12 073
Provision recognized	9 293	14 441
- jubilee bonuses	2 024	5 355
- retirement benefits	7 076	3 354
- other	193	5 732
Released	-	(7 599)
- jubilee bonuses	-	-
- retirement benefits	-	-
- other	-	(7 599)

Utilized	(5 657)	(1 923)
At the end of the period at 31 December	62 538	58 902
- jubilee bonuses	36 294	35 096
- retirement benefits	17 768	15 523
- other	8 476	8 283

Movements in future employee benefit liabilities in the audited period for the parent company are as follows:

Period from 1 January 2009 to 31 December 2009
in PLN thousands

	Jubilee bonuses	Retirement benefits	Social Fund - employees	Social Fund – former employees	Total
Net carrying amount at 31 December 2008	35 095	15 523	1 546	1 798	53 962
Cost of interest	1 868	892	92	91	2 943
Cost of current employment	1 991	1 436	183		3 610
Cost of past employment					0,0
Benefits paid	(4 604)	(698)		(191)	(5 493)
Actuarial (Gains)/losses	1 943	613	(10)	262	2 808
Carrying amount of liability as at 31 December 2009	36 293	17 766	1 811	1 960	57 830
Cost of past employment not recognised by 31 December 2009	-	-	4 708	-	4 708
Liabilities recognized in the statement of financial position as at 31 December 2009	**36 293**	**17 766**	**6 519**	**1 960**	**62 538**

Expenses in the income statement for future employee benefits in the parent company are as follows:

Period from 1 January 2009 to 31 December 2009
in PLN thousands

	Jubilee bonuses	Retirement benefits	Social Fund - employees	Social Fund – former employees	Total
Cost of current employment	1 992	1 437	184	0,0	3 613
Cost of interest	1 868	892	93	91	2 944
Actuarial (gains) and losses to be recognized in the period from 1 January 2009 to 31December 2009	1 944	614	(11)	262	2 809
Cost of past employment	0,0	0,0	(235)	0,0	(235)
Costs expensed in the income statement	**5 803**	**2 943**	**31**	**354**	**9 131**

35.3. Other provisions

At the statement of financial position date other provisions item comprises of provisions for employee disputes and other court disputes as well as provisions for future losses on long-term contracts.

(in PLN thousands)

Parent company

At the statement of financial position date other provisions item comprises of provisions for fines at the amount of PLN 9,024 thousand and losses on construction project amounting to PLN 2,813 thousand, provision for consortium costs at the amount of PLN 853 thousand and other provisions amounting to PLN 424 thousand. As at 31 December 2008 other provisions item comprises of provisions for employee disputes at the amount of PLN 3,112 thousand, other court disputes at the amount of PLN 1,201 thousand as well as provisions for expected long-term contract costs amounting to PLN 16, 915 thousand and as at 1 January 2008 provisions for employee disputes at the amount of PLN 5,411 thousand, other court disputes at the amount of PLN 612 thousand as well as provisions for expected long-term contract losses amounting to PLN 9,124 thousand.

36. Trade and other payables (current)

	31 December 2009	*31 December 2008*	*1 January 2008*
Trade payables			
To related parties	47 311	29 265	17 788
To third parties	1 030 364	836 773	662 440
	1 077 675	**866 038**	**680 228**
Taxation, customs duty, social security and other payables			
VAT	65 421	32 606	16 996
Withholding tax	25	50	44
Personal income tax	10 392	11 625	10 577
Social Insurance Institution (ZUS)	41 732	39 117	36 472
National Disabled Persons Rehabilitation Fund (PFRON)	855	800	964
Other	342	1 602	2 222
	118 767	**85 800**	**67 275**
Financial liabilities			
Foreign currency contracts	6 756	105 238	5 012
Financial asset purchase payables	10 535	9 300	-
Leases	16 203	13 792	5 344
Other	4 359	146	362
	37 853	**128 476**	**10 718**
Other liabilities			
Remuneration payable to employees	42 066	40 757	33 032
Fixed asset purchase payables	19 217	16 452	15 513
Supply advance payments	28 034	20 720	25 930
Arrangement payment liabilities	1 837	4 691	5 195
Social fund	628	2 091	-
Other liabilities	11 666	13 447	11 673
Other liabilities to related parties not included in the consolidation	-	-	5 981
	103 448	**98 158**	**97 324**
Accruals arising from:			
Unused annual leave	20 888	20 073	15 657
Bonuses and rewards	25 293	23 340	19 091
Long-term contracts	8 624	25 513	79 834
Other	3 019	8 465	12 004
	57 824	**77 391**	**126 586**

Terms and conditions of payment of financial liabilities presented above:

Transactions with related parties are concluded on market conditions (typical trade transactions).

Trade payables are non-interest bearing and are normally settled within 30 to 180 days.

Other payables are non-interest bearing and have an average term of 1 month.

The net VAT payable is remitted to the appropriate tax authority in periods specified in tax regulations.

Interest payable is normally settled based on accepted interest notes.

(in PLN thousands)

36.1. Trade receivables with remaining payment period from the statement of financial position date

	31 December 2009	*31 December 2008*	*1 January 2008*
Up to one month	572 053	623 760	465 360
Over 1 month to 3 months	185 633	81 777	61 439
Over 3 months to 6 months	23 487	37 746	15 297
Over 6 months to 1 year	76 198	28 835	60 814
Past due liabilities	220 304	93 920	77 318
Total trade payables	**1 077 675**	**866 038**	**680 228**

36.2. Past due trade payables

	31 December 2009	*31 December 2008*	*1 January 2008*
Up to one month	127 131	62 958	62 554
Over 1 month to 3 months	77 752	18 599	10 390
Over 3 months to 6 months	3 214	2 389	1 346
Over 6 months to 1 year	4 587	6 165	1 327
Over 1 year	7 620	3 809	1 701
Total past due liabilities	**220 304**	**93 920**	**77 318**

Past due liabilities include amounts receivable from subcontractors which are dependent on settling the receivables by the investor.

37. Contingent Liabilities

OFF-STATEMENT OF FINANCIAL POSITION ITEMS AND LEGAL CLAIMS	*31 December 2009 .*	*31 December 2008*	*1 January 2008*
Contingent Liabilities	**1 790 279**	**1 614 668**	**857 122**
To related parties	31 501	-	-
To other entities (arising from)	1758 778	1 614 668	857 122
- guaranties and sureties granted	1 233 096	1 038 303	662 884
- promissory notes	146 893	218 512	83 049
- legal claims	14 133	19 997	18 451
- other	618	-	6 331
- contractual capped mortgage and ordinary mortgage*	310 012	308 827	55 200
- conditional agreements	18 768	20 684	17 062
- assignment of the debt	35 258	8 345	14 145
Other (arising from)	**114 623**	**121 522**	**121 522**
- perpetual usefruct right to land	-	6 899	6 899
- transferred to off-statement of financial position records balances relating to: **	114 623	114 623	114 623
- receivables	48 839	48 839	48 839
- cash	15 973	15 973	15 973
- liabilities	25 330	25 330	25 330
- deferred income	24 481	24 481	24 481
Total off-statement of financial position items	**1 904 902**	**1 736 190**	**978 644**

* mortgage disclosure:
1. An ordinary mortgage on real property in Siedlce Terespolska 12 KW (Land and Mortgage Register) No 49875, creditor Bank PeKaO S.A., secured item : bank guarantee issued under an individual agreement of 26.02.2004,
2. An ordinary and contractual capped mortgage on real property in Siedlce KW No 97087 and 98170, creditor Bank PKO BP, secured item: investment loan, financing in connection with the construction of a new plant in Siedlce in Tarnobrzeg Special Economic Zone subzone Siedlce,
3. A contractual capped mortgage on real property in Siedlce KW No 97087 and 98170, creditor Bank PKO BP, secured item: bank loan to finance VAT, financing in connection with the construction of a new plant in Siedlce in Tarnobrzeg Special Economic Zone subzone Siedlce,
4. Obligation to establish a mortgage on bank request, if any, on real property in Siedlce ul.Terespolska KW No 49875 and/or in Warsaw ul.Elektryczna 2a KW WA 4M/00234465/1.

** these are the balances on contracts executed by Polimex-Mostostal S.A. in Iraq before 1991

The parent company is the party to legal proceedings before administration authorities on applications filed by former owners to return expropriated plots being the property of State Treasury situated at ul.Górczewska in Warsaw. One of the plots is leased by Polimex-Mostostal S.A., and others are part of real property which is perpetually usefructed by Zarząd Majątkiem Górczewska Sp. z o.o.and administered by this company.

In July 2007 the parent Company acquired 100% interest in Turbud Sp. z o.o. for PLN 2,090 thousand, on the stipulation that this amount will be increased by PLN 1,000 thousand if in the period of 2008-2010 the acquired company meets the level of sales and net profitability specified in the contract.

In February 2008 the parent Company acquired 100 % interest in Coifer Company with the registered office in Romania. According to the contract payments for interest are made in instalments, with the first payment being EUR 9,375 thousand – payment made in February 2008, 2nd instalment EUR 9,375 thousand. – payment made in August 2008. The last payment for the acquired interest at the amount of EUR 2,500 thousand was made in February 2010.

In January 2008 the Company acquired 100% interest in Polimex Mostostal Projekt Południe Sp. z o.o. (formerly known as Tebodin SAP Projekt Kraków Sp. z o.o.) for the amount of PLN 4,670 thousand. If in the years 2008-2010 the acquired company meets the level of sales and net profitability specified in the contract, the acquisition price will be increased by PLN 650 thousand.

<u>Torpol Group</u>

In 2008 the parent company of Torpol Group acquired interest in Elmont Company. The acquisition agreement specified a contingent payment for former owners amounting to PLN 2.7 million, which should be settled after Elmont meets performance targets specified in the agreement. At 30 June 2009 the Management concluded that final amount of the contingent payment is not enough probable to be recognized in the financial statements.

37.1. Tax settlements

Tax settlements, together with other areas of legal compliance (e.g. customs or foreign exchange law) are subject to review and investigation by a number of authorities, which are entitled to impose severe fines and penalties. The lack of reference to well established regulations in Poland results in a lack of clarity and integrity in the regulations. Frequent contradictions in legal interpretations both within government bodies and between companies and government bodies create areas of uncertainties and conflicts. These facts create tax risks in Poland that are substantially more significant than those typically found in countries with more developed tax systems.

Tax authorities may examine the accounting records within up to five years after the end of the year in which the final tax payments were to be made. Consequently, the Group may be subject to additional tax liabilities, which may arise as a result of additional tax audits. In the opinion of the Group as at 31 December 2009, as at 31 December 2008 and as at 1 January 2008 appropriate provisions were recorded for known and quantifiable tax risk.

(in PLN thousands)

38. Related party disclosures

The following table presents the total values of transactions with related parties entered into during the year ended 31 December 2009 and as at this date:

Related party		***Sales to related parties***	***Purchases from related parties***	***Amounts owed by related parties***	***Amounts owed to related parties***
Associates	*2009*				
Porty S.A.		-	5 925	8 807	22 364
Polimex-Sices Sp. z o.o.		2 752	76 227	532	24 922
Valmont Sp. z o.o.		3 980	727	1 306	9
Laboratorium Ochrony Środowiska Pracy Sp. z o.o.		-	48	-	16
Terminal LNG S.A.		-	-	2	-
Total		**6 732**	**82 927**	**10 647**	**47 311**
Associates	*2008*				
Porty S.A.		91	-	8 121	23 231
Polimex-Sices Sp. z o.o.		965	5 300	255	5 994
Valmont Sp. z o.o.		4 960	133	980	-
Laboratorium Ochrony Środowiska Pracy Sp. z o.o.		-	58	-	19
Poilen Sp. z o.o.		-	-	33	-
Polibur		-	-	-	868
Polimex-Arabia Co.		-	-	-	21
Terminal LNG S.A.		-	-	2	-
Total		**6 016**	**5 491**	**9 391**	**30 133**
Associates	*2007*				
Porty S.A.		133	3 133	5 566	23 231
Polimex-Sices Sp. z o.o.		2 297	17	277	-
Valmont Sp. z o.o.		5 155	144	660	22
Laboratorium Ochrony Środowiska Pracy Sp. z o.o.		-	49	-	-
Poilen Sp. z o.o.		-	-	31	45
Polimex-Arabia Co.		-	-	-	471
Terminal LNG S.A.		-	-	2	-
Total		**7 585**	**3 343**	**6 536**	**23 769**

38.1. Terms and conditions of transactions with related parties

Transactions with related parties are concluded on market conditions (typical trade transactions).

39. Compensation of the Management Board and Supervisory Board of the Parent Company

	Year ended 31 December 2009	*Year ended 31 December 2008*
Management Board		
Short-term employee benefits (salaries and surcharges)	5 075	4 492
Supervisory Board		
Short-term employee benefits (salaries and surcharges)	442	410
Total	5 517	4 902

(in PLN thousands)

Compensation paid by the Issuer to the Management for 2009 amounted to PLN 5,075 thousand and respectively PLN 4,492 thousand for 2008, of which:

		Year ended 31 December 2009	*Year ended 31 December 2008*
President of the Board	Konrad Jaskóła	1 844	1 631
Vice President of the Board	Aleksander Jonek	1 118	999
Vice President of the Board	Grzegorz Szkopek	1 057	939
Vice President of the Board	Zygmunt Artwik	1 056	923
Total		**5 075**	**4 492**

Disclosure on Company shares which are owned by the Management Board and Supervisory Board as at 31 December 2009, 31 December 2008 and 31 December 2007

As at 31 December 2009

Position held	**Current number of held shares**
Management Board Member	3,820,350 pcs
Management Board Member	1,939,075 pcs
Supervisory Board Member	77,000 pcs
Total	5,836,425 pcs

As at 31 December 2008

Position held	**Current number of held shares**
Management Board Member	3,820,350 pcs
Management Board Member	1,894,575 pcs
Supervisory Board Member	77,000 pcs
Total	5,791,925 pcs

At *1 January* 2008

Position held	**Current number of held shares**
Management Board Member	3,820,350 pcs
Management Board Member	1,894,575 pcs
Total	5,714,925 pcs

Compensation of the Management Board in subsidiaries, of which:

		Year ended 31 December 2009	*Year ended 31 December 2008*
President of the Board	Konrad Jaskóła	131	123
Vice President of the Board	Grzegorz Szkopek	157	147
Vice President of the Board	Zygmunt Artwik	100	93
Vice President of the Board	Aleksander Jonek	34	52
Total		**422**	**415**

Compensation of the Management Board in associates, of which:

President of the Board	Konrad Jaskóła	78	97

(in PLN thousands)

Compensation paid to the Supervisory Board by the Issuer over 2009 amounted to PLN 442 thousand and over 2008 it amounted to PLN 410 thousand, of which:

		Year ended 31 December 2009	*Year ended 31 December 2008*
Chairman of the Supervisory Board,	Kazimierz Klęk	99	93
Vice Chairman of the Supervisory Board,	Andrzej Szumański	87	81
Supervisory Board Member	Wiesław Rozłucki	73	63
Supervisory Board Member	Dariusz Górski*	-	36
Supervisory Board Member	Janusz Lisowski	73	63
Supervisory Board Member	Artur Jędrzejewski	31	-
Secretary of the Supervisory Board,	Elżbieta Niebisz	79	74
Total		**442**	**410**

*On 3 July 2008 Dariusz Górski resigned from holding the position of Member of Polimex-Mostostal S.A.'s Supervisory Board.

40. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks - the policies are summarized below. The Group also monitors the market price risk arising from all financial instruments it holds.

The Group's principal financial instruments, other than derivatives, comprise bank loans, debentures, convertible redeemable preference shares, finance leases and hire purchase contracts, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group also holds various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions mostly forward currency futures contracts and option contracts. The purpose of these transactions is to manage the currency risks arising from the Group's operations and the sources of finance it uses.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks - the policies are summarized below. The Group also monitors the market price risk arising from all financial instruments it holds. The magnitude of this risk that has arisen over the year is discussed in note 40.3. The Group's accounting policies in relation to derivatives are set out in note 13.14.

For the purpose of measuring the fair value of open derivative instruments, in 2009 Companies from Polimex-Mostostal Group used mostly the measurement of the financial instruments carried out by banks – the other parties to the transaction. Torpol Sp. z o.o. determined the fair value of future contracts in relation to forward rates specific for given maturity dates of individual instruments.

As at 31 December 2009 the Group held the following financial instruments measured at fair value:

	Level 1	*Level 2*	*Level 3*
Financial assets at fair value through profit or loss – derivative instruments	-	10 839	-
Available-for-sale financial assets	149	-	-
Financial liabilities measured at fair value, of which:	-	7 238	-
- hedge accounting		2 055	
-derivative instruments		5 183	

As at 31 December 2008 the Group held the following financial instruments measured at fair value:

	Level 1	*Level 2*	*Level 3*
Financial assets at fair value through profit or loss – derivative instruments	-	-	-
Available-for-sale financial assets	37	-	-
Financial liabilities measured at fair value, of which:	-	111 598	-
- hedge accounting		64 427	
-derivative instruments		47 171	

(in PLN thousands)

As at 1 January 2008 the Group held the following financial instruments measured at fair value:

	Level 1	*Level 2*	*Level 3*
Financial assets at fair value through profit or loss – derivative instruments	-	-	-
Available-for-sale financial assets	302	-	-
Financial liabilities measured at fair value, of which:	-	5 012	-
- hedge accounting		-	
-derivative instruments		5 012	

In 2009 no items moved between Level 1 and Level 2 of fair value hierarchy or no instruments were moved to the level of fair value.

40.1. Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations.

The Group relies on financing from bank loans, debenture issues and to some extent from borrowings. Interest rate fluctuations influence the amounts of incurred finance costs. The level of interest rates also influences the amount of interest paid by contractors, who have taken out bank loans to finance investments. The Group monitors the level of interest rates and appropriate forecasts so as to enter into hedging transactions in justified cases.

Interest rate risk – sensitivity to changes

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). The impact on the Group's equity has not been presented.

Analysis of sensitivity to changes in interest rates

	Amount exposed to risk	***Increase/decrease by***	
		+0.5%	***-0.5%***
For the year ended 31 December 2009			
Cash in bank accounts	437 377	2 187	(2 187)
Loans granted	903	5	(5)
Bank loans and borrowings received	350 824	(1 754)	1 754
Obligations under finance lease agreements	63 041	(315)	315
Debentures	407 193	(2 036)	2 036
Effect on profit before tax	**-**	**(1 913)**	**1 913**
Deferred tax	-	363	(363)
Total	**-**	**(1 550)**	**1 550**
For the year ended 31 December 2008			
Cash in bank accounts	295 241	1 476	(1 476)
Loans granted	1 018	5	(5)
Bank loans and borrowings received	395 639	(1 978)	1 978
Obligations under finance lease agreements	51 763	(259)	259
Debentures	357 797	(1 789)	1 789
Effect on profit before tax	**-**	**(2 545)**	**2 545**
Deferred tax	-	484	(484)
Total	**-**	**(2 061)**	**2 061**
Year ended 1 December 2008			
Cash in bank accounts	143 071	715	(715)
Loans granted	245	1	(1)
Bank loans and borrowings received	204 514	(1 023)	1 023
Obligations under finance lease agreements	18 060	(90)	90
Debentures	354 792	(1 774)	1 774
Effect on profit before tax	**–**	**(2 170)**	**2 170**
Deferred tax	–	412	(412)
Total		**(1 758)**	**1 758**

40.2. Foreign currency risk

Cash flows of Polimex-Mostostal Capital Group companies are characterised by relatively significant sensitivity to changes in exchange rates, which arise from the fact that revenues are derived in foreign currencies including mainly the euro. These entities are, apart from Polimex-Mostostal S.A., in particular: Energomontaż-Północ S.A., Naftobudowa S.A., Torpol Sp. z o.o., FK Sefako S.A. and Stalfa Sp. z o.o. To minimise the negative impact of foreign currency risk on the effects of their operations, these companies actively use not only natural hedging methods but also foreign exchange derivative instruments available on the market.

Based on accounting policies applied to the method of recording financial instruments, two groups of companies can be distinguished:

1) companies which have document risk management strategy and implemented hedge accounting policies; this group includes not only Polimex-Mostostal S.A. but also such entities as Energomontaż-Północ S.A., Naftobudowa S.A. and Torpol Sp. z o.o.

II) companies not applying hedge accounting.

Companies applying hedge accounting present hedge derivative instruments they hold at fair value and taking into account the changes in this value:

in portion recognized as an effective hedge - in other comprehensive income,

in portion recognized as ineffective - in the income statement.

Companies not applying hedge accounting recognize changes in fair value of derivative instruments directly in the income statement.

Polimex-Mostostal S.A.

Polimex Mostostal S.A.'s cash flows are characterized by a significant sensitivity to fluctuations of exchange rates, this is due to the a considerable share of foreign currency revenues in total revenues of the company. The euro remains the main foreign currency in Company's transactions. To minimize the negative impact of exchange rate risk on the performance of the enterprise, the Company actively uses exchange rate derivative instruments available on the market thus applying the exchange rate risk management strategy adopted by the Company. Active derivative instrument transactions are subject to current revaluation and its results are included in Company books of accounts.

Bearing the above mentioned facts in mind, since 1 October 2008 the Company has been applying hedge accounting for foreign currency derivatives so as to ensure stability and comparability of financial results of the Company for individual reporting periods. Application of hedge accounting policies allows for symmetric recognition of a compensating influence of changes in fair value of a hedging instrument and a corresponding hedged item on the profit/loss of the current period.

As a result the gains/losses on hedging transactions affect the profit/loss in the same period as the gains/losses on items they hedge. Thanks to this the economic nature of hedging transactions is better reflected in the financial statements of the enterprise.

Derivative instruments hedging cash flows are recognized at fair value, taking into account a change in this value:

in portion recognized as an effective hedge - directly in equity,

in portion recognized as ineffective - in the income statement.

Book records and presentation are according to the accounting policies adopted by the Company and regulations in force which are based on the following legal acts:

IFRS 7 – Financial Instruments: Disclosure,

IAS 39 – Financial instruments: Recognition and Measurement,

IAS 32 – Financial Instruments: Disclosure and Presentation.

The Group has transactional foreign currency exposures. About 20% of transactions executed by the Company is denominated in currencies other than the presentation currency, whereas more than 90% of costs is denominated in this presentation currency.

The basic method of hedging against foreign exchange risk applied by the Company is natural hedging i.e. hedging foreign currency risk by entering into transactions which generate costs in the same currency as the revenue currency. If it is not possible to hedge foreign currency risk with natural hedging, the Company applies foreign exchange hedges based on using derivative instruments related to the foreign currency market, which are specified in foreign exchange risk management strategy adopted by the Company. These include in particular the following instruments:

- ❖ forward currency contracts
- ❖ - PUT currency options (acquired options);

- structures optionally constructed with PUT and CALL options, including the so-called "zero-cost" symmetrical currency corridors built with PUT and CALL options with the same nominal values and the same option expiry dates (see details below).

It is the Company's policy to negotiate the terms of hedging derivative instruments to match the terms of the hedged item so as to maximize hedge effectiveness. In the 4th quarter of 2009 the Company consequently applied implemented operating principles and procedures aimed at limiting the negative impact of foreign currency risk on the performance of the enterprise.

Disclosure on concluded hedging transactions

To limit the volatility of future cash flows related to foreign currency risk, at 31 December 2009 Polimex-Mostostal S.A. was a party to 11 hedging strategies as characterized below (nominal values of transactions as well as price conditions for instruments to be exercised after 31.12.2009):

A. Reducing volatility of cash flows related to the PLN/EUR pair.

I. Foreign currency options

The Company is the party to 3 symmetrical option transactions concluded between 18 June 2009 and 17 December 2009. The total nominal value of currency options to be exercised over the period between 4 January 2010 and 3 June 2011 amounts to EUR 15,349,000 (in each case the nominal value of the acquired PUT option clears the nominal value of the CALL option). The exercise exchange rates of PUT options the Company is entitled to range from 4.10 PLN/EUR – 4.55 PLN/EUR. The exercise exchange rates of CALL options issued by the Company range from 4.37 PLN/EUR to 4.68 PLN/EUR.

II. Forward currency contracts

1. Forward contract of 5 August 2009 to sell the total amount of EUR 3.520.000 EUR for PLN to be exercised at 30 November 2010. Futures exchange rate was specified at the level of 4.2000 PLN/EUR. It is the intention of the Company to gradually „shorten" transactions and materialize the hedged item in connection with which the hedging trans action was opened;

2. The series of forward contracts of 17 August 2009 to sell the total amount of EUR 1,405,000 for PLN to be exercised in 6 maturity dates in the period from 29 March 2010 to 28 September 2010. Futures exchange rate for each of the maturity dates was specified at 4.27 PLN/EUR;

3. The series of forward contracts of 11 September 2009 to sell the joint amount of EUR 281,000 for PLN to be exercised in 3 dates in the period from 27 January 2010 to 24 February 2010. Futures exchange rate for each of the maturity dates was specified at 4.2023 PLN/EUR;

4. Forward contract of 30 September 2009 to sell the total amount of EUR 2,363,000 for PLN to be exercised at 29 December 2010. Futures exchange rate was specified at the level of 4.3445 PLN/EUR. It is the intention of the Company to gradually „shorten" transactions and materialize the hedged item in connection with which the hedging trans action was opened.

5. Forward contract of 2 October 2009 to sell the total amount of EUR 530,000 for PLN to be exercised at 02 March 2010. Futures exchange rate was specified at the level of 4.3300 PLN/EUR.

6. Forward contract of 27 October 2009 to sell the total amount of EUR 3,500,000 for PLN to be exercised at 27 May 2011. Futures exchange rate was specified at the level of 4.3385 PLN/EUR. It is the intention of the Company to gradually „shorten" transactions and materialize the hedged item in connection with which the hedging transaction was opened;

7. The series of forward contracts of 20 November 2009 to sell the total amount of EUR 5,600,000 for PLN to be exercised in 7 dates in the period from 27 January 2010 to 26 August 2010. Futures exchange rate for each of the maturity dates was specified at 4.20 PLN/EUR;

8. The series of forward contracts of 16 December 2009 to sell the total amount of EUR 9,404,000 for PLN to be exercised in 14 dates in the period from 12 February 2010 to 3 June 2011. Futures exchange rate for each of the maturity dates was specified at 4.2650 PLN/EUR.

The parameters of hedging instruments presented above fully guarantee the level of exchange rate required by the Company, which is necessary to achieve the intended financial results on the hedged item. As a result negative cash flows from the settlement of hedging instruments, if any, should not be regarded as a loss but only as unrealized additional benefits (above the amounts expected by the Company).

Summing up, as at 31.12.2009 Polimex-Mostostal S.A. has open hedging transactions for the amount of EUR 41,952 thousand. In each case the hedged item is highly probable future cash flows from export contracts being executed by the Company (supply of steel products in EUR and rendering of construction services).

Maturity dates of hedging transactions for the amount of EUR 38,189 thousand are in 2010. The remaining EUR 3,763 thousand are to be exercised in 1st half of 2011. The table below presents the schedule for the settlement of PLN/EUR hedging instruments in each month of 2010:

Month the hedging instrument is exercised in 2010	Nominal value of a hedging instrument		
	Nominal value of PUT = CALL options in EUR thousands	Nominal value of future contracts in EUR thousands*	**Total in the period in EUR thousands**
January	1 700	917	2 617
February	1 700	1 228	2 928
March	1 700	2 870	4 570
April	2 090	2 256	4 346
May	2 090	6 128	8 218
June	2 090	2 782	4 872
July	390	2 584	2 974
August	390	2 732	3 122
September	390	1 147	1 537
October	390	687	1 077
November	390	530	920
December	390	618	1 008
Total in 2010	**13 710**	**24 479**	**38 189**

**the age composition of forward contracts maturity according to the projections of occurrence of a hedged item.*

Since 1 October 2008 the Company has been applying hedge accounting. It covers all exchange rate derivative instrument transactions entered into according to the adopted currency risk hedging strategy, which meet the criteria of hedge accounting.

<u>Measurement of derivative instruments as at 31 December 2009.</u>

As at 31 December 2009 the fair value of open derivative instruments was measured at the amount of PLN 4,700 thousand. In accordance with hedge accounting policy adopted by the Company, the effectiveness of hedge relations was measured. Cash flow hedges were regarded as highly effective and the change of effective portion of fair value of financial instruments was recognized directly in equity in “Revaluation reserve” item in the following order (amounts after taking into consideration the effect on deferred tax) in PLN thousands:

As at 31.12.2008.	Movement in 2009	As at 31.12.2009
-27 346	31 759	4 413

The temporary value of currency options excluded from the measurement was reflected in the income statement in financing activities (finance costs/revenue).

It should be emphasized that the measurement presented above is only of computational nature and does not effect current liquidity or general financial situation of the Company.

The fluctuations of NBP (National Bank of Poland) average EUR exchange rate have a significant effect on the amount of revenue denominated in PLN which is derived from contracts concluded in a foreign currency. Based on contracts which have been entered into and contracts which are highly probable to be concluded, the Company assessed the foreign currency exposure in 2010 as follows:

Detailed list	**2010**
Future foreign currency cash inflows – equivalent in EUR thousands	220 415
Future foreign currency expenditures – equivalent in EUR thousands	100 818
Business exposure to foreign exchange risk in EUR thousands	**119 597**
Open hedging transactions as at 31.12.2009 to be exercised in 2010; in EUR thousands	**38 189**
Open item in foreign currency (including hedging transaction) in EUR thousands	**81 408**

(in PLN thousands)

The nominal value of open hedging instruments as at 31 December 2009 accounts for 32% of total projected exposure to foreign currency risk in 2010. Foreign currency cash flows for contracts concluded by the Company by the date of the completion of this list account for more than 50% of business exposure computed as above. As a result, business exposure to foreign currency risk for cash flows contracted as at 31.12.2009 was cover in 63% by hedging transactions.

Fluctuations of PLN/EUR exchange rate will have a neutral effect on the Company financial results in the scope of cash flows from foreign currency contracts covered by hedging instruments. Current effect of this market parameter will relate to the portion of foreign currency transactions (net proceeds) of the Company, which will not be covered with hedging transactions. In 2010 the Company consequently applied implemented policies for foreign currency risk management. It resulted in entering into hedging transactions as characterized below:

1. The series of forward contracts of 3 March 2009 to sell the total amount of EUR 1,548,000 for PLN to be exercised in 5 dates in the period from 20 April 2010 to 15 June 2011. Futures exchange rate for each of the maturity dates was specified at 3.9610 PLN/EUR;
2. On 15 April 2010 the Company agreed on conditions of symmetrical foreign currency option transaction aimed at limiting the volatility of projected cash flows in GBP. The total nominal value of currency options to be exercised over the period between 24 August 2011 and 13 April 2012 amounts to GBP 1,685,000 (in each case the nominal value of acquired PUT option clears the nominal value of issued CALL option). The exercise exchange rates of PUT options the Company is entitled to are 4.38 PLN/GBP, whereas the exercise exchange rates of CALL options issued by the Company are 4.85 PLN/GBP.

Polimex-Mostostal Capital Group

A preferred method of hedging against foreign exchange risk applied by Polimex-Mostostal Capital Group companies remains natural hedging i.e. hedging foreign currency risk by entering into transactions which generate costs in the same currency as the revenue currency. If it is not possible to hedge foreign currency risk with natural hedging, the companies apply foreign exchange hedges based on using derivative instruments related to the foreign currency market. These include in particular the following instruments:

- forward currency contracts
- PUT/CALL currency options (acquired options);
- option structures constructed with PUT and CALL options, in particular the so called „zero-cost" symmetric currency corridors built with PUT and CALL options.

It is the Group's policy to negotiate the terms of hedging derivative instruments to match the terms of the hedged item so as to maximize hedge effectiveness. The Group Companies monitor the market situation on regular basis and confront hedging transactions they own with projected exposure to foreign currency risk.

Naftobudowa S.A. and Energomontaż-Północ S.A.

The foreign currency issues in listed companies of Naftobudowa S.A. and Energomontaż-Północ S.A. were presented in detail in annual reports for 2009 published by these entities.

Disclosure on the volume of concluded hedging transaction

The Group companies limit the volatility of future foreign currency cash flows in view of their exposure to foreign currency risk. In each case the hedged position is highly probable future cash flows from export contracts or domestic contracts denominated in a foreign currency.

At 31 December 2009 total maximum nominal value of open hedging transactions entered into by the Group companies (including Polimex-Mostostal S.A.) amounted to EUR 84,691 thousand. Transactions at 92% of the above amount will have been settled by 31 December 2010. The time composition of hedging instruments for the foreign currency risk for PLN/EUR pair (according to the criterion of planned exercise date) is presented in the table below.

Instrument settlement period	Maximum nominal amount of hedging instruments to be settled in EUR*
1st Quarter 2010	20 114
2nd Quarter 2010	36 273
3rd Quarter 2010	14 419
4th Quarter 2010	6 821
Total in 2010	**77 627**
2011	7 064
TOTAL	**84 691**

**the age composition of forward contracts maturity according to the projections of occurrence of a hedged item.*

As at 31 December 2009 exercise dates for the hedging transactions owned by the Companies of Polimex-Mostostal Capital Group did not fall beyond 2011.

Measurement of derivative instruments as at 31 December 2009.

Some of Group companies execute effectively implemented hedge accounting In case of these entities (Polimex-Mostostal S.A., Energomontaż-Północ S.A.; Naftobudowa S.A. and Torpol Sp. z o.o.) the fair value of hedging instruments and (its changes) in part recognized as effective hedge is transferred to revaluation reserve. The remaining portion (including the portion which is excluded from effectiveness measurement) is recognized directly in the profit and loss.

In case of other entities using derivative instruments for foreign currency risk management, the fair value measurement is recognized in the profit and loss.

As at 31 December 2009 the total fair value of open instruments hedging the foreign currency risk in the Capital Group was calculated at the amount of PLN 3,601 thousand, of which PLN 7,255 thousand is attributed to the Group companies applying hedging accounting policies (Polimex-Mostostal S.A., Energomontaż-Północ S.A., Naftobudowa S.A. and Torpol Sp. z o.o.). The remaining portion of the measurement of open transactions relates to companies not applying hedging accounting policies and therefore recording all changes in fair value directly in the profit or loss.

Movements in the derivative instrument revaluation reserve in the Group Companies (including Polimex-Mostostal S.A.) are presented in the table below (movements after taking into consideration the effect on deferred tax) – in PLN thousands.

As at 31.12.2008	Movement in 2009	As at 31.12.2009
-52 187	57 446	5 259

It should be emphasized that the measurement presented above is only of computational nature and does not effect current liquidity or general financial situation of the Group.

The fluctuations of NBP (National Bank of Poland) average EUR exchange rate have a significant effect on the amount of revenue denominated in PLN which is derived from contracts concluded in a foreign currency. Based on contracts which have been entered into and contracts which are highly probable to be concluded, the Capital Group assessed the foreign currency exposure in 2010 as follows:

Detailed list	2010
Expected proceeds in foreign currency – equivalent in EUR thousands	431 750
Expected expenses in foreign currency – equivalent in EUR thousands	202 300
Business exposure to foreign currency risk in EUR thousands	**229 450**
Open hedging transactions as at 31.12.2009 to be exercised in 2010; in EUR thousands	**77 627**
Open item in foreign currency (after taking into consideration hedging transactions) in EUR thousands	**151 823**

The nominal value of open hedging instruments as at 31 December 2009 accounts for 34% of total projected exposure to foreign currency risk in 2010. Foreign currency cash flows for contracts concluded by the Company by the date of the completion of this list account for nearly 60% of business exposure computed as above. As a result, business exposure to foreign currency risk for cash flows contracted as at 31.12.2009 was cover in 58% by hedging transactions.

Fluctuations of PLN/EUR exchange rate will have a neutral effect on the Capital Group financial results in the scope of cash flows from foreign currency contracts covered by hedging instruments. Current effect of this market parameter will only relate to the portion of foreign currency transactions (net proceeds), which will not be covered with hedging transactions. In 2010 the Company is consequently applying the implemented policies for foreign currency risk management. It resulted in entering into additional hedging transactions as characterized below:

Torpol Sp. z o.o.

- Forward contract of 7 January 2009 to sell the total amount of EUR 3,000,000 for PLN to be exercised at 31 March 2011. Futures exchange rate was specified at the level of 4.1980 PLN/EUR.
- Forward contract of 7 January 2009 to sell the total amount of EUR 4,000,000 for PLN to be exercised at 31 March 2011. Futures exchange rate was specified at the level of 4.1800 PLN/EUR.

(in PLN thousands)

Foreign currency risk exposure*

	31 December 2009			*31 December 2008*			*1 January 2008*		
	EUR.	*USD*	*GBP*	*EUR.*	*USD*	*SEK*	*EUR.*	*USD*	*SEK*
Trade receivables	56 158	7 046	1 046	62 790	7 779	8 495	92 437	10 807	12 499
Hedged bank loans	17 242	-	-	14 800	-	-	3 322		
Trade payables	23 732	1 183	1 086	21 342	493	1 077	33 787	1 628	6 389
Gross carrying amount	15 184	5 863	(40)	26 648	7 286	7 418	55 328	9 179	6 110
Estimated sales forecast	431 751	8 928	3 080	427 360	9 814	-	208 634	7 052	-
Estimated purchase forecast	202 300	16 619	1 927	160 823	10 999	-	64 600	24 876	-
Gross exposure	229 451	(7 691)	1 153	266 537	(1 185)	-	144 034	(17 824)	-
Forward foreign currency contracts	(50 270)	-	-	(23 100)	(1 300)	-	(19 950)	-	-
Foreign currency option contracts	(27 358)			(110053)			(71 800)		
Net exposure	167 007	(1 828)	1 113	160 032	4 801	7 418	107 612	(8 645)	6 110

* data in the above table are presented in the amounts of respective currencies

Foreign currency risk sensitivity analysis at 31.12.2009

	Carrying amount	*EUR/PLN*		*USD/PLN*		*GBP/PLN*	
		exchange rate (10% change)	*exchange rate (-10 % change)*	*exchange rate (10% change)*	*exchange rate (-10% change)*	*exchange rate (10% change)*	*Exchange rate (-10 % change)*
Cash and cash equivalents	122 351	11 857	(11 857)	26	(26)	352	(352)
Trade and other receivables	268 003	23 924	(23 924)	2 392	(2 392)	485	(485)
Derivatives	(1 694)	(496)	496	-	-	-	-
Trade and other payables	120 094	(11 132)	11 132	(353)	353	(524)	524
Bank loans, borrowings and other sources of finance	27 469	(2 747)	2 747	-	-	-	-
Effect on profit before tax	-	21 406	(21 406)	2 065	(2 065)	313	(313)
Derivatives	5 295	(14 422)	16 039	-	-	-	-
Effect on total comprehensive income	**-**	**(14 422)**	**16 039**	-	-	-	-

Foreign currency risk sensitivity analysis at 31.12.2008

	Carrying amount	*EUR/PLN*		*USD/PLN*		*SEK/PLN*	
		exchange rate (10% change)	*exchange rate (-10 % change)*	*exchange rate (10% change)*	*exchange rate (-10% change)*	*exchange rate (10% change)*	*Exchange rate (-10 % change)*
Cash and cash equivalents	43 577	3 930	(3 930)	12	(12)	4	(4)
Trade and other receivables	266 868	26 687	(26 687)	2 896	(2 896)	325	(325)
Derivatives	(47 171)	(4 440)	4 440	-	-	-	-
Trade and other payables	120 270	(8 726)	8 726	(157)	157	(47)	47
Bank loans, borrowings and other sources of finance	61 751	(6 252)	6 252	-	-	-	-
Effect on profit before tax	-	11 199	(11 199)	2 751	(2 751)	282	(282)
Derivatives	(64 427)	(27 320)	25 713	(382)	387	-	-
Effect on total comprehensive income	**-**	**(27 320)**	**25 713**	**(382)**	**387**	**-**	**-**

(in PLN thousands)

Analysis of sensitivity of foreign currency risk at 1 January 2008

	Carrying amount	*EUR/PLN*		*USD/PLN*		*SEK/PLN*	
		exchange rate (5% change)	*exchange rate (5% change)*	*exchange rate (5% change)*	*exchange rate (5% change)*	*exchange rate (5% change)*	*Exchange rate (5% change)*
Cash and cash equivalents	43 817	2 041	(2 041)	39	(39)	110	(110)
Trade and other receivables	321 514	14 522	(14 522)	1 316	(1 316)	238	(238)
Derivatives	35 471	(12 162)	14 549	-	-	-	-
Trade and other payables	102 852	(4 823)	4 823	(198)	198	(122)	122
Bank loans, borrowings and other sources of finance	11 901	(595)	595				
Effect on profit before tax	-	(1 017)	3 404	1 157	(1 157)	226	(226)

40.3. Raw material price risk

Economic effectiveness of production carried out by the Parent company depends to a large extent on fluctuations of raw material prices, mainly steel and zinc composite prices. The main factor which limits the above mentioned risk is the fact that the Parent company has a team of first class specialists analysing the market and making centralised material purchases (economies of scale, opportunity to negotiate lower purchase prices). For zinc alloys purchases the Parent company, depending on current market situation, analyses the need for using actively futures instruments available on the financial market. Hedging transactions, if any, will be entered into in a form of zero-cost operations based on collar structure/ price tunnel (structured strategies).

40.4. Credit risk

Credit risk for the Group arises from applying deferred payment periods for its customers, investments made in securities and deposits opened at banks. Due to relatively high creditworthiness of contracting parties, for whom portion of Group sales is made, and opening deposits with reputable banks the risk is minor. Furthermore, the Company insures part of credit risk (block policy), aims at hedging its payments with documentary letters of credit or bank and insurance guarantees and other hedges which minimize credit risk such as (ordinary or registered) pledge, mortgage or bills of exchange.

40.5. Liquidity risk

The risk of the Group losing liquidity arises from the fact that the amounts and payment periods for receivables and payables do not match. The Group hedges against this risk by taking short term bank loans and issuing debt securities which amount and maturity date matches the hedged cash flows. To hedge against this risk, diversification of supplier and customer portfolios, diversification of bank loan portfolio, financing subcontracting projects with funds received from employers are of key importance;

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2009 and 31 December 2008 based on contractual undiscounted payments.

31 December 2009	*On demand*	*3 months and less*	*3-12 months*	*1-5 years*	*Over 5 years*	*Total*
Interest bearing bank loans and borrowings	-	13 308	105 229	79 249	164 279	362 065
Debentures	-	-	39 807	367 490	-	407 297
Other non-current liabilities, of which:	-	-	-	109 368	12 454	121 822
- Leases	-	-	-	38 298	12 454	50 752
- Derivative financial instruments	-	-	-	-	-	-
Trade and other payables, of which	379 869	840 466	124 578	-	-	1 344 913
- Leases	-	2 274	15 827	-	-	18 101
- Derivative financial instruments		2 431	4 807	-	-	7 238
	379 869	**853 774**	**269 614**	**556 107**	**176 733**	**2 236 097**

(in PLN thousands)

31 December 2008	*On demand*	*3 months and less*	*3-12 months*	*1-5 years*	*Over 5 years*	*Total*
Interest bearing bank loans and borrowings	1 986	3 114	274 175	78 824	47 647	405 746
Debentures	-	-	40 641	317 260	-	357 901
Other non-current liabilities, of which:	-	-	-	92 770	6 233	99 003
- Leases	-	-	-	35 516	6 233	41 749
- Derivative financial instruments	-	-	-	6 360	-	6 360
Trade and other payables, of which:	436 860	585 295	158 909	-	-	1 181 064
- Leases	-	839	13 740	-	-	14 579
- Derivative financial instruments		23 926	81 312	-	-	105 238
	438 846	**588 409**	**473 725**	**488 854**	**53 880**	**2 043 714**

1 January 2008	*On demand*	*3 months and less*	*3-12 months*	*1-5 years*	*Over 5 years*	*Total*
Interest bearing bank loans and borrowings	2	1 000	191 149	10 540	1 823	204 514
Other non-current liabilities, of which:	-	-	-	36 697	1 286	37 983
- Leases	-	-	-	10 639	2 077	12 716
Trade and other payables, of which:	349 305	491 004	15 236	-	-	855 545
- Leases	135	1 039	4 170	-	-	5 344
- Derivative financial instruments	-	-	4 869	-	-	4 869
Debentures	-	-	37 303	317 593	-	354 896
Arrangement liabilities to write off	-	-	4 049	-	-	4 049
	349 307	**492 004**	**247 737**	**364 830**	**3 109**	**1 456 987**

41. Financial instruments

41.1. Fair values of individual categories of financial instruments

The table below presents comparison by category of carrying amounts and fair values of all of the Group's financial instruments divided by asset and liability categories.

	Category in accordance with IAS 39	***Carrying amount***			***Fair value***		
		31 December 2009	*31 December 2008*	*1 January 2008*	*31 December 2009*	*31 December 2008*	*1 January 2008*
Financial assets		**1 726 727**	**1 563 694**	**1 358 043**	**1 726 727**	**1 563 694**	**1 358 043**
Long-term shares and interests*		1 388	3 015	1 663	1 388	3 015	1 663
Available-for-sale financial assets	AFS	138	-	14 972	138	-	14 972
- non-current		-	-	-	-	-	-
- current		138	-	14 972	138	-	14 972

(in PLN thousands)

Financial assets held to maturity,	HtM	-	567	-	-	567	-
- non-current		-	567	-	-	567	-
- current		-	-	-	-	-	-
Current financial assets at fair value		-	-	1 134	-	-	1 134
Other financial assets	LaR	7 908	8 673	10 080	7 908	8 673	10 080
- non-current		2 713	996	6 845	2 713	996	6 845
- current		5 195	7 677	3 235	5 195	7 677	3 235
Trade receivables	LaR	1 269 077	1 256 039	1 174 789	1 269 077	1 256 039	1 174 789
Derivative financial instruments, of which:	FVtPoL	10 839	159	12 334	10 839	159	12 334
- *Forward* foreign currency contracts .	FVtPoL	8 302	-	1 311	8 302	-	1 311
- Currency futures contracts	FVtPoL	2 537	159	9 982	2 537	159	9 982
- Interest rate options		-	-	-	-	-	-
- Interest rate swaps (IRS)		-	-	1 041	-	-	1 041
Cash and cash equivalents	FVtPoL	437 377	295 241	143 071	437 377	295 241	143 071

*the value of shares of listed companies was converted in accordance with stock exchange quotations at the statement of financial position date.

	Category in accordance with IAS 39	***Carrying amount*** 31 December 2009	31 December 2008	1 January 2008	***Fair value*** 31 December 2009	31 December 2008	1 January 2008
Financial liabilities		**1 562 224**	**1 473 954**	**933 081**	**1 562 224**	**1 473 954**	**933 081**
Bank overdraft	FLaAC	39 197	116 691	84 276	39 197	116 691	84 276
Interest-bearing bank loans and borrowings, of which:	FLaAC	311 627	278 948	120 238	311 627	278 948	120 238
- long-term with floating interest rate*	FLaAC	235 998	99 782	6 595	235 998	99 782	6 595
- Short-term with floating interest rate*		75 629	178 298	111 212	75 629	178 298	111 212
- long-term with fixed interest rate	FLaAC	-	-	756	-	-	756
- short-term with floating interest rate*		-	-	58	-	-	58
- other - short-term	FLaAC	-	868	1 617	-	868	1 617
Other liabilities (non-current), of which:	FLaAC	110 284	86 887	37 983	110 284	86 887	37 983
- Finance lease and hire purchase contracts liabilities .	FLaAC	46 838	37 971	12 716	46 838	37 971	12 716
- guarantee payments and deposits		51 895	34 006	17 017	51 895	34 006	17 017
- Other	FLaAC	11 551	14 910	8 250	11 551	14 910	8 250
Trade payables	FLaAC	1 077 675	866 038	680 228	1 077 675	866 038	680 228
Short-term lease		16 203	13 792	5 344	16 203	13 792	5 344
Derivative financial instruments, of which:	FVtPoL	7 238	111 598	5 012	7 238	111 598	5 012
Recognised in revaluation reserve	FVtPoL	2 055	64 427		2 055	64 427	
- currency *futures* contracts	FVtPoL	2 048	53 820		2 048	53 820	
- forward currency contracts	FVtPoL	7	10 607		7	10 607	
Recognized in the profit and loss	FVtPoL	5 183	47 171	5 012	5 183	47 171	5 012
- currency futures contracts	FVtPoL	4 914	45 012	5 012	4 914	45 012	5 012
- forward currency contracts	FVtPoL	269	2 159		269	2 159	

(in PLN thousands)

Abbreviations used:

HtM	– Financial assets held to maturity,
FVtPoL	– Financial assets/ financial liabilities at fair value through profit or loss,
LaR	– Loans granted and receivables,
AFS	– Available-for-sale assets,
FLaAC	– Other financial liabilities at amortised cost.

41.2. Items of income, expense, gains and losses recognized in the income statement divided by financial instrument categories

Year ended 31 December 2009

	Category in accordance with IAS 39	*Interest income / (expense)*	*Foreign exchange gains / (losses)*	*Sales adjustment for hedging transactions*	*Valuation gains / (losses)*	*Gain / (loss) on disposal*	*Other*	*Total*
Financial assets		***6 778***	***(14 272)***	***48 563***	***4 153***	***7 075***	***(3 121)***	***49 176***
Shares and interests		-	-	-	134	-	-	134
Available-for-sale financial assets	AFS	-	-	-	-	-	-	-
Financial assets held to maturity,		-	-	-	-	1 220	-	1 220
Other financial assets	LaR	87	564	-	-	-	-	651
Trade and other receivables	LaR	246	(17 370)	-	-	-	(3 121)	(20 245)
Derivatives	FVtPoL	-	-	48 563	4 019	5 855	-	58 437
Cash and cash equivalents	FVtPoL	6 445	2 534	-	-	-	-	8 979

	Category in accordance with IAS 39	*Interest income / (expense)*	*Foreign exchange gains / (losses)*	*Sales adjustment for hedging transactions*	*Valuation gains / (losses)*	*Gain / (loss) on disposal*	*Other*	*Total*
Financial liabilities		***(48 448)***	***(2 385)***	***(299)***	***34 944***	***(42 132)***	***160***	***(58 160)***
Bank overdrafts		(1 715)	-				-	(1 715)
Interest-bearing bank loans and borrowings	FLaAC	(19 974)	-	-	-	-	-	(19 974)
Debentures	FLaAC	(22 285)	-	-	-	-	-	(22 285)
Other non-current liabilities	FLaAC	(71)	-	-	-	-	-	(71)
- leases		(71)	-	-	-	-	-	(71)
Trade and other payables, of which:	FLaAC	(4 403)	(2 385)	-	-	-	160	(6 628)
- leases		(2 657)	7	-	-	-	-	(2 650)
Derivatives	FVtPoL	-	-	(299)	34 944	(42 132)	-	(7 487)
Total		***(41 670)***	***(16 657)***	***48 264***	***39 097***	***(35 057)***	***(2 961)***	***(8 984)***

Year ended 31 December 2008

	Category in accordance with IAS 39	*Interest income / (expense)*	*Foreign exchange gains / (losses)*	*Impairment (write off) / reversal*	*Valuation gains / (losses)*	*Gain / (loss) on disposal*	*Other*	*Total*
Financial assets		***7 003***	***15 855***	-	***23 573***	***2 887***	***311***	***49 629***
Shares and interests		-	-	-	(134)	(9)	-	(143)
Available-for-sale financial assets	AFS	-	-	-	-	748	-	748
Financial assets held to maturity,		181	-	-	34	32	-	247
Other financial assets	LaR	215	1 014	-	-	711	-	1 940

(in PLN thousands)

Trade and other receivables	LaR	852	4 063	-	-	(1 614)	315	3 616
Derivatives	FVtPoL	-	-	-	23 673	3 019	-	26 692
Cash and cash equivalents	FVtPoL	5 755	10 778	-	-	-	(4)	16 529

	Category in accordance with IAS 39	*Interest income / (expense)*	*Foreign exchange gains / (losses)*	*Impairment (write off) / reversal*	*Valuation gains / (losses)*	*Gain / (loss) on disposal*	*Other*	*Total*
Financial liabilities		***(52 149)***	***(2 102)***	***-***	***(51 940)***	***(14 472)***	***885***	***(119 778)***
Bank overdrafts		(1 708)	-				(262)	(1 970)
Interest-bearing bank loans and borrowings	FLaAC	(20 851)	8 991	-	-	-	(912)	(12 772)
Debentures	FLaAC	(25 441)	-	-	-	-	-	(25 441)
Other non-current liabilities	FLaAC	(262)	821	-	-	-	-	559
- leases		(262)	(371)	-	-	-	-	(633)
Trade and other payables, of which:	FLaAC	(3 887)	(11 801)	-	-	-	2 059	(13 629)
- leases		(1 616)	(1 863)	-	-	-	-	(3 479)
Derivatives	FVtPoL	-	(113)	-	(51 940)	(14 472)	-	(66 525)
Total		***(45 146)***	***13 753***	***-***	***(28 367)***	***(11 585)***	***1 196***	***(70 149)***

Abbreviations used:

HtM	– Financial assets held to maturity,
FVtPoL	– Financial assets/ financial liabilities at fair value through profit or loss,
LaR	– Loans granted and receivables,
AFS	– Available-for-sale assets,
FLaAC	– Other financial liabilities at amortised cost.

41.3. Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

Year ended 31 December 2009

Fixed rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Obligations under finance leases and hire purchase contracts	-	-	-	-	-	-	-
Obligations under finance leases and hire purchase contracts recognized in the statement of financial position in the interest-bearing loans and borrowings and long-term loans	-	-	-	-	-	-	-
Bank loan	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

Floating rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	437 377	-	-	-	-	-	437 377
Loans granted	836	67					903
Bank overdrafts	39 197	-	-	-	-	-	39 197
Working capital facility and investment loan	73 423	9 943	40 719	8 701	9 011	151 751	293 548
Leases	16 203	11 625	16 335	3 910	3 272	11 696	63 041
Debentures	39 797	-	294 396	73 000	-	-	407 193
Borrowings	2 206	1 036	2 499	560	155	11 623	18 079
Total	609 039	22 671	353 949	86 171	12 438	175 070	1 259 338

(in PLN thousands)

Year ended 31 December 2008

Fixed rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Obligations under finance leases and hire purchase contracts	525	259	-	-	-	-	784
Obligations under finance leases and hire purchase contracts recognized in the statement of financial position in the interest-bearing loans and borrowings and long-term loans	-	-	-	-	-	-	-
Bank loan	-	-	-	-	-	-	-
Total	525	259	-	-	-	-	784

Floating rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	295 241	-	-	-	-	-	295 241
Loans granted	1 018	-	-	-	-		1 018
Bank overdrafts	97 739	18 952	-	-	-	-	116 691
Working capital facility and investment loan	162 786	1 960	6 169	800	11 301	76 702	259 718
Leases	13 267	6 047	21 802	2 971	1 868	5 024	50 979
Debentures	40 629	144 168	-	-	173 000	-	357 797
Borrowings	16 380	2 850	-	-	-	-	19 230
Total	627 060	173 977	27 971	3 771	186 169	81 726	1 100 674

Year ended 1 January 2008

Fixed rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Obligations under finance leases and hire purchase contracts	640	449	295	13	-	-	1 397
Obligations under finance leases and hire purchase contracts recognized in the statement of financial position in the interest-bearing loans and borrowings and long-term loans	-	-	-	-	-	-	-
Bank loan	-	-	-	-	-	-	-
Total	640	449	295	13	-	-	1 397

Floating rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	142 582	489	-	-	-	-	143 071
Loans granted	245	-	-	-	-		245
Bank overdrafts	79 264	-	5 011	-	-	-	84 275
Working capital facility and investment loan	97 632	104	105	308	264	-	98 413
Bank loans and borrowings	13 631	1 691	679	-	-	1 499	17 500
Leases	5 344	4 203	5 126	734	576	2 077	18 060
Debentures	37 292	-	144 500	-	173 000	-	354 792
Secured bank loan	-	1 945	-	-	-	-	1 945
Borrowings	984	-	-	-	-	-	984
Total	376 974	8 432	155 421	1 042	173 840	3 576	719 285

42. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Within net debt the Group includes interest bearing bank loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes convertible preference shares, equity attributable to the equity holders of the parent less the net unrealized gains reserve.

(in PLN thousands)

	31December 2009	*31 December 2008*	*1 January 2008*
Interest-bearing bank loans, borrowings and debentures	758 017	753 436	559 306
Trade and other payables	1 448 027	1 271 719	893 528
Less cash and cash equivalents	437 377	295 241	143 071
Net debts	1 768 667	1 729 914	1 309 763
Equity (attributable to equity holders of the parent)	1 383 454	1 148 207	1 054 977
Capital and net debt	**3 152 121**	**2 878 121**	**2 364 740**
Gearing ratio (net debts/capital and net debts)	56,1%	60,1%	55,4%

43. Incentive plan for the directors and officers of the Parent company and major subsidiaries

Under Resolution No 2 of an Extraordinary Shareholder Meeting of 31 January 2006 the share capital of the Parent company may be conditionally increased by amount not higher than PLN 762,417 by issuing not more than 19,060,425 bearer shares at a value of PLN 0.04 each. The aim of increasing the equity is granting rights to take up Company shares to the holders of subscription warrants issued under the incentive plan for the directors and officers of the Company and major subsidiaries.

In accordance with the Resolution No 26 of 4 July 2008 the share capital of the Company may be conditionally increased by not more than PLN 928,687.32 by means of issuing not more than 23,217,183 series J bearer's shares with nominal value of PLN 0.04 (say four grosz) each. The purpose of a conditional increase of the equity is granting rights to take up Company shares to the holders of subscription warrants issued under the incentive plan for the directors and officers of the Company and major subsidiaries. The plan is for three years and the warrants will be issued after meeting assumed growth criteria for each of the reporting periods i.e. 2009, 2010 and 2011.

As at 31 December 2009 the balance of provision for these plans recognized as Group's administrative expenses amounts to PLN 30,587 thousand. The above mentioned provision is recorded correspondingly as reserve capital. For details of the plan see note 31.4.

44. Long-term construction contracts

The amount of recognized receivables and liabilities arising from the valuation of long-term construction services contracts in the parent company was as follows:

	Year ended 31 December 2009	*Year ended 31 December 2008*	*At 1 January 2008 31 December 2007*
Revenue from rendering services accounted for using the method of contract completion for the given period, of which:			
- revenue from sales (invoiced)	3 997 034	3 156 362	2 584 245
- other revenue (adjusted upwards)	(159 468)	5 289	99 819
Total	**3 837 566**	**3 161 651**	**2 684 064**
Total amount of incurred expenses and recognized gains (less recognized losses)	3 456 952	3 000 050	2 656 878
Advance payments received	91 880	263 213	86 784
Retained amounts	44 492	83 157	74 287
Gross amount owed by employers for works under the contract (asset)	307 546	394 496	320 900
Gross amount owed to employers for works under the contract (liability)	179 644	107 127	70 850

Retained amounts presented above refer to rehabilitation contracts as well as construction and erection contracts and represent a portion of total balance of settlements recognized in the statement of financial position. The maturity structure of total retained amounts is presented in the table below:

To settle within:	*31 December 2009*	*31 December 2008*	*1 January 2008*
- over 12 months	16 192	44 812	46 898

(in PLN thousands)

- up to 12 months	28 300	38 345	27 389
Total	**44 492**	**83 157**	**74 287**

(in PLN thousands)

45. Employment structure

The average employment in the Group over the period of 2009, 2008 and over the period of 2007 was as follows:

	31 December 2009	*31 December 2008*	*1 January 2008*
The Management Board of the Parent Company	4	4	4
The Boards of Directors of Group companies	67	58	51
Administration department	1 103	985	1 111
Sales department	264	295	414
Production department	11 260	10 576	8 573
Other	1 564	1 905	1 434
Total	**14 262**	**13 823**	**11 587**

46. Assets pledged as security

	31 December 2009	*31 December 2008*	*1 January 2008*
Property, plant and equipment	447 878	528 625	89 422
Inventories	162 280	161 012	151 012
Other	38 146	3 528	112
Total	**648 304**	**693 165**	**240 546**

47. Events after the statement of financial position date

On 12 March 2010 the Extraordinary Meeting of Shareholders of Polimex-Mostostal S.A. withdrew from voting on the combination resolution drafts as a result of not obtaining the necessary majority of 2/3 of votes to adopt the parity for exchange of shares specified for Naftobudowa S.A. As a result, the Management of Polimex-Mostostal S.A. intends to continue combination works based on separate combination documentation for Naftobudowa S.A. and six other companies i.e. Energomontaż-Północ S.A., Naftoremont Sp. z o.o., ZRE Kraków Sp. z o.o., ZRE Lublin S.A., EPE-Rybnik Sp. z o.o., ECE Remont Sp. z o.o.

The Management of Polimex-Mostostal S.A. assumes that the above mentioned modified plan for business combination will be approved by the decisions of General Meetings of Shareholders, which will be held in June 2010.

The Management Board of Polimex-Mostostal S.A.

Konrad Jaskóła
President of the Board

Aleksander Jonek
V-ce President of the Board

Grzegorz Szkopek
V-ce President of the Board

Zygmunt Artwik
V-ce President of the Board

The person who was entrusted with keeping accounting books:

Ewa Kaczorek
Chief Accountant

Warsaw, 26 April 2010