POLIMEX-MOSTOSTAL CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

WITH THE INDEPENDENT AUDITORS' OPINION

This is a translation of a document originally issued in the Polish language

(in PLN thousands)

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2010

	Note	*Year ended 31 December 2010*	*Year ended 31 December 2009*
Continuing operations			
Sale of goods		778 393	574 753
Rendering of services		3 356 558	3 807 453
Rental income		25 950	14 572
Revenue	14,15.1	**4 160 901**	**4 396 778**
Cost of sales		(3 723 351)	(3 886 953)
Gross profit		**437 550**	**509 825**
Other operating income	15.2	26 251	18 405
Selling costs		(30 316)	(26 797)
Administrative expenses		(210 438)	(213 153)
Other operating expenses	0	(10 333)	(23 345)
Revenue from operating activities		**212 714**	**264 935**
Finance income	15.4	21 252	20 917
Finance costs	15.5	(78 088)	(76 466)
Share of associate's profit (loss)	25	(675)	6 241
Profit before tax		**155 203**	**215 627**
Income tax	16	(35 902)	(40 340)
Profit for the year		**119 301**	**175 287**
Attributable to:			
Equity holders of the parent		109 658	156 402
Non-controlling interests		9 643	18 885
		119 301	**175 287**
Earnings per share (in PLN)			
− number of shares		520 918 203	464 355 625
− basic, for profit for the period attributable to equity holders of the parent	19	0.21	0.34
Diluted earnings per share (in PLN):			
− number of shares		520 918 203	464 355 625
− diluting potential ordinary shares		12 378 196	12 378 196
− diluted, for profit for the period attributable to equity holders of the parent		0.21	0.33

(in PLN thousands)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2010

	Note	*Year ended 31 December 2010*	*Year ended 31 December 2009*
Net profit		**119 301**	**175 287**
Currency translation differences on consolidation		(6 685)	(9 060)
Net gains/(losses) on valuation of cash flow hedges	15.9	(1 679)	70 920
Deferred tax	16.1	316	(13 474)
Other comprehensive income, net of tax		**(8 048)**	**48 386**
Total comprehensive income		**111 253**	**223 673**
Comprehensive income attributable to:			
Equity holders of the parent		101 053	199 052
Non-controlling interests		10 200	24 621
		111 253	**223 673**

(in PLN thousands)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2010

	Note	*31 December 2010*	*31 December 2009 (restated)*	*1 January 2009 (restated)*
ASSETS				
Non-current assets				
Property, plant and equipment	21	1 027 948	947 934	710 849
Investment properties	22	42 316	42 352	43 257
Goodwill on consolidation	23	487 001	486 919	486 139
Intangible assets	24	25 234	30 773	23 211
Investments in associates accounted for using the equity method	25	14 659	25 946	20 566
Financial assets	26	4 196	4 101	4 578
Non-current receivables		46 184	61 313	27 462
Non-current prepaid expenses		949	23	1 250
Deferred tax assets	16.3	63 710	85 932	67 398
		1 712 197	**1 685 293**	**1 384 710**
Current assets				
Inventories	27	432 930	350 916	395 139
Trade and other receivables	28	1 376 087	1 297 078	1 296 412
Income tax receivables		6 808	10 568	5 320
Prepaid expenses	29	10 077	9 937	11 134
Cash and cash equivalents	30	373 814	437 377	295 241
Financial assets	26	11 605	16 173	7 836
		2 211 321	**2 122 049**	**2 011 082**
Available for sale non-current assets		-	-	35
TOTAL ASSETS		**3 923 518**	**3 807 342**	**3 395 827**
EQUITY AND LIABILITIES				
Equity (attributable to equity holders of the parent)		**1 449 011**	**1 222 296**	**1 012 946**
Issued capital	31.1	20 837	18 574	18 574
Share premium		737 454	513 466	513 466
Treasury shares		(6 884)	(6 884)	(6 884)
Translation of a foreign operation		(9 516)	(2 798)	5 087
Supplementary capital	31.2	471 415	381 566	295 905
Other capital		(85 254)	-	-
Reserve capital	31.4	33 221	30 494	18 016
Revaluation reserve	31.3	3 810	5 697	(44 838)
Retained earnings / Accumulated losses		283 928	282 181	213 620
Non-controlling interests	**31.5**	**9 687**	**140 783**	**114 886**
Total equity		**1 458 698**	**1 363 079**	**1 127 832**
Non-current liabilities				
Interest bearing bank loans and borrowings	32	184 142	235 998	118 734
Long-term debentures	33	367 435	367 396	317 168
Provisions	35	92 398	81 836	78 667
Other liabilities	34	86 875	110 284	93 247
Deferred income tax liability	16.3	23 608	19 417	20 616
Accruals		2 399	2 806	210
		756 857	**817 737**	**628 642**
Arrangement liabilities to be written off		**-**	**-**	**4 049**
Current liabilities				
Trade and other payables	36	1 288 799	1 337 743	1 178 472
Short-term debentures	33	39 331	39 797	40 629
Current portion of interest-bearing bank loans and borrowings	32	277 407	114 826	276 905
Income tax payable		4 376	19 931	11 634
Provisions	35	43 105	56 405	50 273
Accruals	36	54 945	57 824	77 391
		1 707 963	**1 626 526**	**1 635 304**
Total liabilities		**2 464 820**	**2 444 263**	**2 267 995**
TOTAL EQUITY AND LIABILITIES		**3 923 518**	**3 807 342**	**3 395 827**

(in PLN thousands)

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2010

	Note	*Year ended 31 December 2010*	*Year ended 31 December 2009*
Cash flows from operating activities			
Profit before tax		**155 203**	**215 627**
Adjustments for:		**(117 965)**	**328 769**
Share of profit of associates accounted for using the equity method	25	675	(6 241)
Depreciation / Amortisation		87 705	78 588
Interests and dividends, net		49 543	33 681
Gain from investing activities		(8 259)	(25)
Change in receivables	30	(91 452)	(3 228)
Change in inventories	30	(81 612)	44 362
Increase/ (decrease) in payables except for loans and borrowings	30	(49 066)	238 820
Change in accruals and prepaid expenses	30	(4 040)	(14 514)
Change in provisions	30	(3 578)	9 286
Income tax paid		(20 845)	(57 024)
Other		2 964	5 064
Net cash flows from operating activities		**37 238**	**544 396**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangibles		4 195	3 547
Purchase of property, plant and equipment and intangibles		(135 407)	(347 546)
Proceeds from sale of investment property		-	170
Purchase of investment property		-	-
Proceeds from sale of financial assets		12 838	-
Purchase of financial assets		(10 830)	(7 831)
Acquisition of a subsidiary, net of cash acquired	30	(5 274)	(330)
Dividends received		100	26
Interest received		4 735	4 661
Repayment of loans granted		630	-
Loans granted		-	-
Other		765	(1 774)
Net cash flows from investing activities		**(128 248)**	**(349 077)**
Cash flows from financing activities			
Proceeds from issue of debentures		355 663	582 869
Expenses for redemption of debentures		(357 495)	(534 480)
Payment of finance lease liabilities		(12 683)	(11 260)
Proceeds from loans and borrowings		238 770	216 933
Repayment of loans and borrowings		(128 694)	(261 839)
Dividends paid to equity holders of the parent		(18 148)	(4 643)
Interest paid		(50 992)	(40 798)
Other		1 026	35
Net cash flows from financing activities		**27 447**	**(53 183)**
Net increase/(decrease) in cash and cash equivalents		(63 563)	142 136
Net foreign exchange difference		2 086	(3 750)
Cash and cash equivalents at the beginning of the period		**437 377**	**295 241**
Cash and cash equivalents at the end of the period		**373 814**	**437 377**

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

	31 December 2010	*31 December 2009*
Cash at bank and in hand	373 814	437 377
Cash and cash equivalents recognised in the consolidated statement of cash flows	**373 814**	**437 377**

(in PLN thousands)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2010

	Issued capital	*Share premium*	*Treasury shares*	*Translation of a foreign operation*	*Reserve capital*	*Revaluation reserve*	*Supplementary capital*	*Other capital*	*Retained earnings / Accumulated losses*	*Total*	*Non-controlling interests*	*Total equity*
As at 1 January 2010	**18 574**	**513 466**	**(6 884)**	**(2 798)**	**30 494**	**5 697**	**381 566**	**-**	**282 181**	**1 222 296**	**140 783**	**1 363 079**
Other comprehensive income, net of tax	**-**	**-**	**-**	**(6 718)**	**-**	**(1 887)**	**-**	**-**	**-**	**(8 605)**	**557**	**(8 048)**
Profit for the period	-	-	-	-	-	-	-	-	109 658	109 658	9 643	119 301
Total comprehensive income for the period	**-**	**-**	**-**	**(6 718)**	**-**	**(1 887)**	**-**	**-**	**109 658**	**101 053**	**10 200**	**111 253**
Share issue – combination with subsidiaries	2 263	223 988	-	-	-	-	-	-	-	226 251	-	226 251
Other adjustments – combination with subsidiaries (repurchase of non-controlling interest)	-	-	-	-	-	-	-	(85 254)	-	(85 254)	(140 997)	(226 251)
Revaluation of executive options	-	-	-	-	2 727	-	-	-	-	2 727	-	2 727
Consolidation adjustments due to the change of share in control over a subsidiary	-	-	-	-	-	-	-	-	-	-	(368)	(368)
Non-controlling interest arising on obtaining control over a subsidiary	-	-	-	-	-	-	-	-	-	-	92	92
Profit distribution	-	-	-	-	-	-	89 849	-	(89 849)	-	-	-
Dividends	-	-	-	-	-	-	-	-	(18 574)	(18 574)	-	(18 574)
Other adjustments in equity in subsidiaries	-	-	-	-	-	-	-	-	512	512	(23)	489
As at 31 December 2010	**20 837**	**737 454**	**(6 884)**	**(9 516)**	**33 221**	**3 810**	**471 415**	**(85 254)**	**283 928**	**1 449 011**	**9 687**	**1 458 698**

(in PLN thousands)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2010 (continued)

	Issued capital	*Share premium*	*Treasury shares*	*Translation of a foreign operation*	*Reserve capital*	*Revaluation reserve*	*Supplementary capital*	*Other capital*	*Retained earnings / Accumulated losses*	*Total*	*Non-controlling interests*	*Total equity*
As at 1 January 2009	**18 574**	**513 466**	**(6 884)**	**5 087**	**18 016**	**(44 838)**	**295 905**	**-**	**233 995**	**1 033 321**	**114 886**	**1 148 207**
Adjustment of a fundamental error	-	-	-	-	-	-	-	-	(20 375)	(20 375)	-	(20 375)
As at 1 January 2009 after the adjustment	**18 574**	**513 466**	**(6 884)**	**5 087**	**18 016**	**(44 838)**	**295 905**	**-**	**213 620**	**1 012 946**	**114 886**	**1 127 832**
Other comprehensive income, net of tax	**-**	**-**	**-**	**(7 885)**	**-**	**50 535**	**-**	**-**	**-**	**42 650**	**5 736**	**48 386**
Profit for the period	-	-	-	-	-	-	-	-	156 402	156 402	18 885	175 287
Total 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
Consolidation adjustments due to the change of share in control over a subsidiary	-	-	-	-	-	-	-	-	(525)	(525)	933	408
Non-controlling interest arising on obtaining control over a subsidiary	-	-	-	-	-	-	-	-	-	-	153	153
Profit distribution	-	-	-	-	-	-	85 661	-	(85 661)	-	-	-
Dividends	-	-	-	-	-	-	-	-	(4 643)	(4 643)	-	(4 643)
Other adjustments in equity in subsidiaries	-	-	-	-	-	-	-	-	2 988	2 988	190	3 178
As at 31 December 2009 *(restated)*	**18 574**	**513 466**	**(6 884)**	**(2 798)**	**30 494**	**5 697**	**381 566**	**-**	**282 181**	**1 222 296**	**140 783**	**1 363 079**

(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 2010 and contain comparative data for the year ended 31 December 2009. 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 2009 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:

Production,

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 2010 (%)	**31 December 2009 (%)**
	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	Naf Industriemontage GmbH(*)	Berlin	Construction and erection services	100.00	100.00
5	Polimex-Development – Kraków Sp. z o.o. (*) (Capital Group)	Cracow	Execution of construction works	100.00	100.00
6	Sinopol Trade Center Sp. z o.o.(*)	Płock	Wholesale	50.00	50.00
7	Moduł System Serwis Sp. z o.o. (*)	Płock	Metal structure manufacturing	100.00	100.00

(in PLN thousands)

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	Specialist and general construction	75.54	75.54
13	MSP Tchervonograd - Ukraine (*)	Tchervonograd-Ukraine	Metal structure manufacturing	99.63	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-Nieruchomości Sp. z o.o.(*)	Warsaw	Real estate trade, maintenance and management	100.00	100.00
18	Energomontaż-Magyarorszag Sp. z o.o.(*)	Budapest	Construction and erection works, services, trade	100.00	100.00
19	Energomontaż – Północ Gdynia Sp. z o.o. (*)	Gdynia	Construction and erection works, steel structure production, trade	99.99	99.99
20	Energop Sp. z o.o.(*)	Sochaczew	Production of pipelines and steel structures, construction and erection services	99.99	99.99
21	Energomontaż-Północ-Technika Spawalnicza i Laboratorium Sp. z o.o.(*)	Warsaw	R&D	99.30	99.30
22	Centrum Projektowe Polimex-Mostostal Sp. z o.o. (*)	Gliwice	Construction, urban and engineering design and planning	99.51	99.32
23	Zakład Budowlano – Instalacyjny Turbud Sp. z o.o.(*)	Płock	Housing development, industrial buildings and rehabilitation	100.00	100.00
24	Zarząd Majątkiem Górczewska Sp. z o.o.(*) (Real Estate Administration)	Warsaw	Real estate lease, tenancy and administration	100.00	100.00
25	Przedsiębiorstwo Produkcyjno-Usługowe Elektra Sp. z o.o.(*)	Zielona Góra	Construction and design of overhead lines and transformer stations	100.00	-
26	PxM Projekt - Południe Sp. z o.o. (*)	Cracow	Design services in construction sector	100.00	100.00
27	Coifer Capital Group (*)	Romania	Steel structure manufacturing	100.00	100.00
28	WBP Zabrze Sp. z o.o.(*)	Zabrze	Design services	99.97	99.90
29	PRInż – 1 Sp. z o.o.(*)	Katowice	Road construction	88.62	86.78

(in PLN thousands)

30	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	75.00
31	Polimex-Mostostal Wschód Sp. z o.o. (*)	Moscow, Russia	Specialist and general construction	100.00	100.00
32	Centralne Biuro Konstrukcji Kotłów S.A.(*)	Tarnowskie Góry	Specialist construction, services	98.50	-
	Associates				
33	PORTY S.A. in liquidation (***)	Gdańsk	Construction, trade, transport and machine rental	40.00	40.00
34	Polimex-Sices Sp. z o.o. (**)	Warsaw	Execution of erection works	50.00	50.00
35	Valmont Polska Sp. z o.o. (***)	Siedlce	Production	-	30.00
36	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				
***	entity eliminated from consolidation				

As at 31 December 2010 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 99.16% (share in capital 99.51%).

On 31 December 2010 the District Court for the capital city of Warsaw, 12th Economic Department of National Court Register (Krajowy Rejestr Sądowy) issued the decisions:

- on entering the combination of Polimex-Mostostal S.A (the acquiring company) with the following companies: Energomontaż-Północ S.A. with the registered office in Warsaw, Naftoremont Sp. z o. o. with the registered office in Płock, Zakłady Remontowe Energetyki Kraków Sp. z o.o. with the registered office in Kraków, Zakłady Remontowe Energetyki Lublin S.A. with the registered office in Lublin, EPE-Rybnik Sp. z o. o. with the registered office in Rybnik, ECeRemont Sp. z o.o. with the registered office in Zielona Góra (the acquired companies) conducted under Article 492.1.1 of the Code of Commercial Companies by transferring all the assets of these companied to Polimex-Mostostal S.A., registration of an increase of share capital due to the combination with the above mentioned companies and of amendments to the Articles of Association of Polimex - Mostostal S.A – in accordance with Resolution No 1 of the General Shareholder Meeting of Polimex - Mostostal S.A. of 12.07.2010.
- on entering the combination of Polimex-Mostostal S.A (the acquiring company) with Naftobudowa S.A. with the registered office in Kraków conducted under Article 492.1.1 of the Code of Commercial Companies by transferring all the assets of Naftobudowa S.A. to Polimex - Mostostal S.A., registration of an increase of share capital due to the combination with Naftobudowa S.A. and of amendments to the Articles of Association of Polimex - Mostostal S.A – in accordance with Resolution No 2 of the General Shareholder Meeting of Polimex - Mostostal S.A. of 12.07.2010.

As a result of conducted combinations the share capital of Polimex- Mostostal S.A. increased to PLN 20,836,728.12 (twenty million eight hundred thirty-six thousand seven hundred twenty-eight and 12/100) and it divides into 520,918,203 (five hundred twenty million nine hundred eighteen thousand two hundred and three) ordinary shares that entitle to 520,918,203 (five hundred twenty million nine hundred eighteen thousand two hundred and three) votes in the General Shareholder Meeting.

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

(in PLN thousands)

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

As at 31 December 2010, the Management Board of the company consisted of:

Konrad Jaskóła	President of the Management 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.

As at 31 December 2010, the Supervisory Board of the company consisted of:

Chairman of the Supervisory Board,	Kazimierz Klęk
Vice Chairman of the Supervisory Board,	Jacek Kseń
Member of the Supervisory Board	Mieczysław Puławski
Member of the Supervisory Board	Andrzej Szumański
Member of the Supervisory Board	Jan Woźniak
Secretary of the Supervisory Board,	Artur P. Jędrzejewski

Until 30 June 2010 i.e. by the date of the Ordinary General Meeting of Shareholders of Polimex-Mostostal S.A. the composition of the Supervisory Board was as follows:

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

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

4. Approval of financial statements

On 28 April 2011 the consolidated financial statements of the Company for the year ended 31 December 2010 were authorised for issue.

5. Significant values based on accounting judgements and estimates

5.1. Accounting judgements

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 the 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.

5.2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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 35.3.

Deferred tax assets

The Group recognises 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 judgement 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 108,926 thousand and the related costs would have increased by PLN 100,790 thousand.

Depreciation and amortisation rates

Depreciation and amortisation 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 recognised hedged assets and liabilities are adjusted by the changes in fair value related to the hedged risk.

These 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 authorisation of these condensed consolidated financial statements the Group's Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of Group's significant companies except for the following companies: Nafto-tour Sp. z o.o. in liquidation, Porty S.A. in liquidation, Energomontaż-Północ –Sochaczew" in bankruptcy.

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 authorisation 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 account 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 companies included in these consolidated financial statements and the presentation currency is also Polish zloty except for the following companies: Tchervonograd MSP –Ukraine, Polimex-Mostostal Ukraine, Depolma GmbH, Germany, Polimex-Mostostal Wschód Sp. z o.o., Russia, Naf Industriemontage GmbH, Germany, Energomontaż Magyarorszag Sp. z o.o., Hungary 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 2009 except for the application of the following amendments to standards and new interpretations in force for reporting periods beginning on 1 January 2010.

- IFRS 2 *Share-based payment: Group Cash-settled Share-based Payment Arrangements* – effective for financial years beginning on or after 1 January 2010. The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the presented financial position or performance of the Group.

- IFRS 3 *Business Combinations* (revised) and IAS 27 *Consolidated and Separate Financial Statements* (amended) – applicable to annual reporting periods beginning on or after 1 July 2009. The revised IFRS 3 introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration, and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

  IAS 27 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes to IFRS 3 and IAS 27 will affect future acquisitions or loss of control in subsidiaries and transactions with non-controlling interests. The change in accounting policies was applied prospectively and did not have any significant impact on the presented financial position or performance of the Group.

- IAS 39 *Financial Instruments: Recognition and Measurement: Eligible Hedged Items* – applicable to annual reporting periods beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The adoption of this amendment did not have an impact on the presented financial position or performance of the Group.

- IFRIC 17 *Distribution of Non-cash Assets to Owners* – applicable to annual reporting periods beginning on or after 1 July 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves/ undistributed financial results or as dividends. The interpretation did not have any effect on the presented financial position or performance of the Group.

- Improvements to IFRSs (issued May 2008) – in May 2008 the Board issued its first omnibus of amendments to its standards. The Group has implemented the following amendments since 1 January 2010:

  ◦ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* the amendment clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and did not have any impact on the presented financial position or performance of the Group.

- *Improvements to IFRSs* (issued April 2009) – in April 2009 the Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the presented financial position or performance of the Group.

◦ IFRS 8 *Operating Segments*: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 6.

◦ IAS 7 *Statement of cash flows* States clearly that only expenditure that leads to the recognition of an asset may be classified as cash flows from investing activities. The amendment affects the manner of presentation of contingent payment relating to the business combination, which was settled in cash in 2010. The transaction is recognised in the statement of cash flows and in Note 17.

◦ IAS 36 *Impairment of Assets:* The amendment clarified that the largest unit permitted for allocation of goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment did not have any impact on the Group's financial statements as the annual impairment test is performed before aggregation.

- ◦ IAS 39 *Financial Instruments:* Recognition and Measurement: The amendment clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
- ◦ IAS 39 *Financial Instruments: Recognition and Measurement:* Clarifies that only forward future PUT and CALL contracts conducted between the acquiring entity and the selling shareholder which result in the combination as at the acquisition date in the future, and not derivatives, where action must be taken by any of the parties, are scoped out of IAS 39. The change did not have any effect on the presented financial position or performance of the Group.
- ◦ The remaining changes in the following standards arising from an annual review did not have any impact on the accounting policies, the presented financial position or performance of the Group:
  - IFRS 2 *Share-based payment*
  - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
  - IAS 1 *Presentation of Financial Statements*
  - IAS 17 *Leases*
  - IAS 38 *Intangible Assets*
  - IAS 39 *Financial Instruments: Recognition and Measurement*
  - IFRIC 9 *Reassessment of embedded derivatives*
  - IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*

The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

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:

- Amendments to IAS 32 *Financial instruments: presentation: Classification of Rights Issues* – 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,
- The first phase of IFRS 9 *Financial Instruments: Classification and Measurement* – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements. In subsequent phases, the IASB will address hedge accounting and impairment. The completion of this project is expected in the first half of 2011. The application of the first phase of IFRS 9 will have impact on classification and measurement of the financial assets of the Group. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.
- Amendments to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirments and their Interaction: Prepayments of a Minimum Funding Requirements* – effective for financial years beginning on or after 1 January 2011,
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – effective for financial years beginning on or after 1 July 2010,
- Amendment to IFRS 1 *First–time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First–time Adopters* – effective for financial years beginning on or after 1 July 2010,
- *Improvements to IFRSs* (issued in May 2010) – some improvements are effective for annual periods beginning on or after 1 July 2010, the rest is effective for annual periods beginning on or after 1 January 2011,
- Amendment to IFRS 7 *Financial Instruments – Disclosures: Transfer of Financial Assets* – effective for financial years beginning on or after 1 July 2011 – not endorsed by EU till the date of approval of these financial statements,

- Amendments to IAS 12 *Income Taxes: Deferred Tax: Recovery of Underlying Assets* – effective for financial years beginning on or after 1 January 2012 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IFRS 1 *First–time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First–time Adopters* – effective for financial years beginning on or after 1 July 2011 – not endorsed by EU till the date of approval of these financial statements.

The 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. Adjustment of error

In the reporting period there was an adjustment of the fundamental error relating to valuation of long-term contracts. While settling construction contracts the Coifer Group (Romania) applies the rules presented in 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. The new Management of the Coifer Group (since 2010) analysed settlements and accounting records of long term contracts executed in the prior years, whose completion fell in 2010. As a result of the analysis a number of errors were found that consisted in, among other things:
• including in revenue budgets the amounts of consideration not agreed with an investor,
•budgets showed underestimated value of costs,
• valuations were based on incorrectly kept records of project costs.
The Coifer Group, and as a result the Company gathered documentation that justifies making adjustments to the opening balance of 2008. The above mentioned errors became also the basis for suing former owners of the Coifer Company. The Company lodged claims to adjust the share acquisition price. The proceedings are pending before the arbitration court in Vienna.

The adjustments are presented below:

(in PLN thousands)	Net profit/(loss)	Equity
Financial data for the year ended 31 December 2008 or as at 31 December 2008 according to the approved financial statements for that period	140 439	1 148 207
Adjustment effect:	-	-
Adjustments:		
a) measurement of long-term contracts	-	(20 375)
Financial data for the year ended 31 December 2008 or as at 31 December 2008 resulting from the changed accounting policies and adjustment of error	140 439	1 127 832

(in PLN thousands)	Net profit/(loss)	Equity
Financial data as at 31 December 2009 according to the approved financial statements for the period	175 287	1 383 454
Adjustment effect:	-	-
Adjustments:		
a) measurement of long-term contracts	-	(20 375)
Financial data as at 31 December 2009 resulting from the changed accounting policies and adjustment of error	175 287	1 363 079

Financial data as at 31 December 2009

(in PLN thousands)	31 December 2009	Adjustment of error	31 December 2009 after the adjustment
Assets			
Trade and other receivables	1 317 453	(20 375)	1 297 078
Liabilities and Equity			
Retained earnings/ Accumulated losses	302 556	(20 375)	282 181
Total adjustments		**(20 375)**	

Financial data as at 1 January 2009
(in PLN thousands)

	1 January 2009	Adjustment of error	1 January 2009 after the adjustment
Assets			
Trade and other receivables	1 316 787	(20 375)	1 296 412
Liabilities and Equity			
Retained earnings/ Accumulated losses	233 995	(20 375)	213 620
Total adjustments		**(20 375)**	

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 2010. 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.
Changes in ownership share of the parent, which do not result in the loss of control over a subsidiary, are recognised as equity transactions. In such cases, to reflect changes in relative shares in a subsidiary the Group makes an adjustment of the carrying amount of controlling and non-controlling interests. Any difference between the amount of the adjustment of non-controlling interests and fair value of the amount paid or received are accounted for in equity and are attributed to the owners of the parent.

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. Certain associates apply accounting policies as defined in the Accounting 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.
Investments in associates are carried in the balance sheet 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. The share of the Group in these changes is recognised in other comprehensive income of the Group.

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 a 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

(in PLN thousands)

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 (the 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 remeasurement to fair value.
The following exchange rates were used for statement of financial position valuation purposes:

	31 December 2010	31 December 2009
EUR	3. 9603	4.1082
UAH	0.3722	0.3558
RON	0.9238	0.9698

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 2010	Year ended 31 December 2009
EUR	4.0044	4.3406
UAH	0.3830	0.3897
RON	0.9502	1.0255

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	**.**
Buildings and structures	20-40 years
Plant and machinery	5-20 years
Office equipment	3-5 years
Means of transportation	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	2 to 10 yrs
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 sum of:
  (i) the payment made,
  (ii) the amount of all non-controlling interests in the company being acquired and
  (iii) in case of a business combination executed in phases, goodwill as at the date of acquisition of *share in equity* of the company being acquired that previously was held by the acquiring company
- over the net amount determined as at the date of acquisition of identifiable acquired assets and 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. A cash-generating unit is not larger than one operating segment before aggregation.

13.8. Leases

The Group as a lessee
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 unless requirements for capitalization are met.
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 operating costs in the profit or loss on a straight-line basis over the lease term.

Contingent rents are recognised as cost in the period in which they are due.

The Group as a lessor
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, or 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 calculated 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 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.

Held-to-maturity financial assets are quoted instruments.

Financial assets held to maturity are measured at amortised 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 granted 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 of assets. 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 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 asset, then the amount of the difference between the acquisition cost (net of any principal payment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss, is removed from equity and recognised in the income statement. Reversals of impairment losses on equity instruments classified as available for sale cannot be recognised in profit or loss. 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 profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

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 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*

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, which is attributable to a particular risk and could affect profit or loss. Where fair value is hedged, 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.

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 amortisation expenses are recognized in profit or loss. 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 the forecast transaction associated with the non-financial asset or 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 reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.
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, which 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.

13.17. 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 loans and borrowings and debt securities are initially recognized at the fair value net of transaction costs associated with the 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. Prepaid expenses and deferred income

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 income 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 income gradually raise operating income.

13.20. Arrangement liabilities to be written 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 2010, no financial liabilities have been designated as at fair value through profit and loss (as at 31 December 2009: nil and as at 31 December 2008: nil).

Financial liabilities measured at fair value through profit or loss are measured at fair value, reflecting their market value at the balance sheet 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 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 recognised 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 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 balance sheet 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 the 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 Parent 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 exercised. 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 conditions relating to performance/ results and to performance of work 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). The 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 balance sheet date on pro rata basis to the stage of completion of the service if the revenue can be reliably measured. The 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 covered 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 are presented in the assets as trade receivables against 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 against 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 recognised, 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 recognised 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 recognised 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 utilised:

- 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 recognised 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 utilised.

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 Company has reportable operating segments as follows:

Production	- 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’s activity). Execution of large industrial and general construction facilities. Erection of steel structures, specialist equipment, halls and special structures.
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.

(in PLN thousands)

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 operations	- hardware and transport services, rental services, laboratory tests, machinery servicing, and other services not included in other segments.

The 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, profit and certain assets and liabilities of Group's individual operating segments for the year ended 31 December 2010 and year ended 31 December 2009 are presented in the table below.

Year ended 31 December 2010 or as at 31 December 2010	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Eliminations*	*Total operations*
Revenue								
Sales to external customers	591 474	1 149 968	847 399	718 189	768 664	85 207	-	4 160 901
Inter-segment sales	155 151	23 043	63 756	7 865	-	29 490	(279 305)	-
Total segment revenue	746 625	1 173 011	911 155	726 054	768 664	114 697	(279 305)	4 160 901
Results								
Amortisation and depreciation, of which:	21 648	11 940	24 247	9 548	11 211	9 111	-	87 705
-depreciation of property, plant and equipment	20 964	11 172	23 259	8 870	10 985	7 892	-	83 142
-amortisation of intangible assets	684	768	988	678	226	1 219	-	4 563
Share in associates' profits (losses)	165	(3 874)	3 034	-	-	-	-	(675)
Profit/ (loss) of the segment	15 852	37 037	40 533	30 586	85 396	3 310	(57 511)	155 203
Assets and liabilities								
Segment assets	671 880	813 214	1 042 636	423 830	547 437	234 597	-	3 733 594
Investment in an associate	-	216	14 443	-	-	-	-	14 659
Segment liabilities	76 961	351 668	327 271	165 707	394 520	91 193	-	1 407 320

Reconciliation to data presented in the statement of financial position	
Segment assets do not include assets managed on Group Companies basis:	
- property, plant and equipment	51 214
- intangible assets	11 260
-deferred tax assets	63 710
-cash and cash equivalents	49 081
Total assets	3 923 518
Segment liabilities do not include assets managed on Group Companies basis	
- loans and borrowings	461 549
- debentures	406 766
- provision for employee and similar benefits	72 758
-deferred income tax liability	23 608
-income tax payable	4 376
- taxation, customs duty, social security payables and remuneration	87 098
- other	1 345
Equity	1 458 698
Total equity and liabilities	3 923 518

(in PLN thousands)

Year ended 31 December 2009 or as at 31 December 2009 (restated)	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Eliminations*	*Total Operations*
Revenue								
Sales to external customers	528 080	1 249 047	1 039 487	743 811	728 280	108 073	-	4 396 778
Inter-segment sales	240 397	39 400	68 589	20 974	288	38 780	(408 428)	-
Total segment revenue	768 477	1 288 447	1 108 076	764 785	728 568	146 853	(408 428)	4 396 778
Results								
Amortisation and depreciation, of which:	19 646	14 353	18 342	7 984	10 687	7 576	-	78 588
-depreciation of property, plant and equipment	18 843	13 366	17 339	7 584	10 522	6 318	-	73 972
-amortisation of intangible assets	803	987	1 003	400	165	1 258	-	4 616
Share in associates' profits (losses)	250	2 781	3 210	-	-	-	-	6 241
Profit (loss) of the segment	49 556	35 778	70 769	47 138	44 786	16 908	(49 308)	215 627
Assets and liabilities								
Segment assets	650 053	751 146	907 209	415 629	507 200	249 287	-	3 480 524
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

Reconciliation to data presented in the statement of financial position	
Segment assets do not include assets managed on Group Companies basis	
- financial assets	122 034
-deferred tax assets	85 932
-cash and cash equivalents	84 350
- other	8 556
Total assets	3 807 342
Segment liabilities do not include assets managed on Group Companies basis	
-loans and borrowings	245 948
- debentures	407 193
- provision for employee and similar benefits	87 050
-deferred income tax liability	18 587
-income tax payable	19 914
- taxation, customs duty and social security payables	118 767
-accruals	18 099
- other	44 293
Equity	1 363 079
Total equity and liabilities	3 807 342

Year ended 31 December 2010 or as at 31 December 2010	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Eliminations*	Total Operations
Other segment information								
Capital expenditure:	50 114	16 825	14 984	18 023	14 977	56 559	-	171 482
- property, plant and equipment	49 186	16 485	14 449	17 880	14 749	53 779	-	166 528
- intangible assets	928	340	535	108	216	2 780	-	4 907
- investment properties	-	-	-	35	12	-	-	47

(in PLN thousands)

Year ended 31 December 2009 or as at 31 December 2009	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Eliminations*	Total Operations
(restated)								
Other segment information								
Capital expenditure:	173 446	21 824	44 977	14 386	33 143	44 710	-	332 486
- property, plant and equipment	173 187	20 575	44 156	11 337	32 938	36 719	-	318 912
- intangible assets	259	1 249	821	2 948	205	7 680	-	13 162
- investment properties	-	-	-	101	-	311	-	412

Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 21,252 thousand, finance costs in the amount of PLN 78,088 thousand and a share in the associate's profit (loss) of (PLN 675 thousand) in 2010. Operating profit does not include finance income in the amount of PLN 20,917 thousand, finance costs in the amount of PLN 76,466 thousand and a share in the associate's profit (loss) of PLN 6,241 thousand in 2009. Investment expenditure corresponds to the increase of plant, property and equipment, intangible assets and investment property.

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 2010 and 31 December 2009 or respectively as at 31 December 2010 and 31 December 2009.

Year ended 31 December 2010 or as at 31 December 2010	*Domestic*	*Foreign*	*Eliminations*	*Total*
Revenue				
Sales to external customers	2 919 304	1 241 597	-	4 160 901
Revenue from continuing operations	2 919 304	1 241 597	-	4 160 901
Total area revenue	2 919 304	1 241 597	-	4 160 901
Other area information				
Area assets	1 410 742	417 866	-	1 828 608
Unallocated assets	2 080 251	-	-	2 080 251
Investment in an associate	14 659	-	-	14 659
Total assets	3 505 652	417 866		3 923 518

Year ended 31 December 2009 or as at 31 December 2009	*Domestic*	*Foreign*	*Eliminations*	*Total*
Revenue				
Sales to external customers	3 366 376	1 030 402	-	4 396 778
Revenue from continuing operations	3 366 376	1 030 402	-	4 396 778
Total area revenue	3 366 376	1 030 402	-	4 396 778
Other area information				
Area assets	1 508 266	312 230	-	1 820 496
Unallocated assets	1 960 900	-	-	1 960 900
Investment in an associate	25 946	-	-	25 946
Total assets	3 495 112	312 230		3 807 342

(in PLN thousands)

15. Revenues and expenses

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

	Year ended 31 December 2010	*Year ended 31 December 2009*
Sale of goods	778 393	574 753
Rendering of services	3 356 558	3 807 453
Rental income	25 950	14 572
	4 160 901	**4 396 778**

Due to the fact that starting from 2010, if the Group is the Consortium Leader, it recognises in its income statement only revenue arising from the Group's share in the Consortium, data concerning revenue from sales and cost of sales for 2009 presented in the financial statements approved by the General Shareholder Meeting on 30 July 2010 were subject to change in these financial statements. Revenue from sales and cost of sales were decreased by PLN 439,898 thousand.

15.2. Other operating income

	Year ended 31 December 2010	*Year ended 31 December 2009*
Reversed provisions for expenses	2 487	2 964
Gain on disposal of property, plant and equipment	7 040	545
Reimbursement of court expenses	387	-
Recovered damages payments and fines	8 713	1 365
Sale of scrap metal	381	-
Gain/loss on the associate's liquidation	404	-
Subsidies	1 037	4 679
Liabilities written off	2 247	637
Reduction on arrangement	-	4 095
Other	3 555	4 120
	26 251	**18 405**

15.3. Other operating expenses

	Year ended 31 December 2010	*Year ended 31 December 2009*
Provision for disputable claims	249	1 266
Provision for costs of contracts and fines	340	5 141
Provision on other expenses	1 281	3 607
Loss on disposal of property, plant and equipment	478	104
Damages and fines	1 556	2 672
Court expenses	459	261
Donations	1 495	661
Post-accident repairs	373	626
Liquidation of materials and fixed assets	719	-
Settlement	-	511
Other	3 383	8 496
	10 333	**23 345**

(in PLN thousands)

15.4. Finance income

	Year ended 31 December 2010	*Year ended 31 December 2009*
Revenue from measurement and exercise of derivative instruments	7 396	7 899
Bank interest receivable	4 083	6 663
Income from interest for delay in payment	191	83
Gain on sale of financial assets	6 624	1 232
Dividend income	100	26
Foreign exchange gains	635	4 225
Other	2 223	789
Total finance income	**21 252**	**20 917**

15.5. Finance costs

	Year ended 31 December 2010	*Year ended 31 December 2009*
Measurement and execution of derivative instruments	246	5 213
Interest on bank loans and borrowings	25 189	19 990
Debenture interest	26 341	22 285
Interest on other liabilities	295	1 117
Finance charges payable under finance lease agreements	2 246	2 203
Foreign exchange losses	17 844	20 882
Bank charges on guarantees and loans	2 596	2 854
Other	3 331	1 922
Total finance costs	**78 088**	**76 466**

15.6. Costs by type

	Note	*Year ended 31 December 2010*	*Year ended 31 December 2009*
Depreciation / Amortisation	15.7	87 705	78 588
Materials and energy		995 343	1 029 521
Outside services incl. construction		1 805 845	1 970 553
Taxes and charges		40 208	32 468
Employee benefits expenses	15.8	956 249	932 262
Other costs by type		68 123	88 854
Total costs by type		**3 953 473**	**4 132 246**
Items included in selling and distribution expenses		(30 316)	(26 797)
Items included in administrative expenses		(210 438)	(213 153)
Cost of goods and materials sold		56 439	51 900
Change in the stock of finished goods		(40 719)	(42 827)
Cost of goods produced for the entity's own use		(5 088)	(14 416)
Cost of sales		**3 723 351**	**3 886 953**

(in PLN thousands)

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

	Year ended 31 December 2010	*Year ended 31 December 2009*
Items included in cost of sales	**79 666**	**63 073**
Depreciation	75 197	60 150
Amortisation	3 038	2 923
Impairment of plant, property and equipment	1 431	-
Items included in selling and distribution expenses	**2 206**	**549**
Depreciation	2 067	494
Amortisation	139	55
Items included in administrative expenses	**7 264**	**14 966**
Depreciation	5 878	13 328
Amortisation	1 386	1 638
Total amortisation/depreciation and amortisation/depreciation charges	**89 136**	**78 588**

15.8. Employee benefits expenses

	Year ended 31 December 2010	*Year ended 31 December 2009*
Wages and salaries	765 134	725 946
Social security costs	127 955	125 266
Share-based payments expense (provision)	2 727	12 478
Retirement benefits	2 477	2 316
Jubilee bonuses	6 898	6 738
Other post-employment benefits	149	28
Transfers to Social Fund	13 183	14 539
Others (of which: working clothes, cleansing agents)	37 726	44 951
Total employee benefits expenses	**956 249**	**932 262**

15.9. Components of other comprehensive income

The following are components of other comprehensive income:

	Year ended 31 December 2010	*Year ended 31 December 2009*
Cash flow hedges		
Gains (losses) for the period	5 142	59 208
Less Adjustments arising from reclassification of gains/losses recognised in profit or loss.	(6 821)-	11 712
	(1 679)	**70 920**

16. Income tax

16.1. Tax expense

Major components of income tax burdens for the year ended 31 December 2010 and 31 December 2009 are as follows:

	Year ended 31 December 2010	*Year ended 31 December 2009*
Consolidated income statement		
Current income tax	*11 804*	*69 971*
Current income tax expense	11 986	70 181

(in PLN thousands)

Adjustments in respect of tax of previous years	*(182)*	*(210)*
Deferred income tax	*24 098*	*(29 631)*
Relating to origination and reversal of temporary differences	24 098	(29 631)
Income tax expense reported in consolidated income statement	35 902	40 340
Consolidated statement of comprehensive income		
Deferred income tax	316	(13 474)
Relating to origination and reversal of temporary differences	316	(13 474)
Tax burden/ tax credit recognised in other comprehensive income	316	(13 474)

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 2010 and 31 December 2009 is as follows:

	Year ended 31 December 2010	*Year ended 31 December 2009*
Accounting profit from continuing operations before income tax	155 203	215 627
Profit before income tax	**155 203**	**215 627**
At statutory income tax rate of 19% (2009: 19%)	**29 488**	**40 969**
Adjustments in respect of current income tax of previous years	(182)	(210)
Unrecognised tax losses	3 887	552
Utilisation of previously unrecognised tax losses	(63)	-
Tax investment relief	(10 025)	(15 000)
Expenditure not allowable for income tax purposes	23 864	14 704
Expenditure allowable for income tax purposes and not recognised in profit/loss	(1 541)	(870)
Not taxable incomes	(4 786)	(3 065)
Other	(4 740)	3 260
Income tax at effective income tax rate which was 23.13% for the year ended 31 December 2010 and 18.71% for the year ended 31 December 2009.	35 902	40 340
Income tax (burden) reported in the consolidated income statement	35 902	40 340

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 2010	*31 December 2009*	*1 January 2009*	*31 December 2010*	*31 December 2009*
Deferred tax liability					
Accelerated depreciation/amortisation for tax purposes	10 780	4 486	3 485	-	1 001
Revaluation of investment property to fair value	6 720	7 110	7 111	(390)	(1)
Measurement of fixed assets to fair value	5 045	10 012	10 653	(1 779)	(641)
Measurement of long-term contracts	77 377	44 902	58 910	30 994	(14 008)
Deferred gains on foreign exchange contracts	-	85	-	-	85
Perpetual usufruct right to land	2 302	2 411	2 415	-	(4)
Revaluation of available-for-sale financial assets to fair value	175	159	196	-	(37)
Revaluation of foreign exchange contracts (cash flow hedges) to fair value	370	293	-	90	293
Lease adjustments	4 381	1 746	1 578	1 885	168
Foreign exchange gains	642	499	21 842	136	(21 343)
Land measurement to fair value	7 493	7 493	7 493	-	-
Other	11 733	6 302	8 007	4 125	(1 705)
Deferred tax liability	**127 018**	**85 498**	**121 690**	**35 061**	**(36 192)**

(in PLN thousands)

Deferred tax assets					
Jubilee bonuses and retirement benefits	14 704	13 748	15 916	940	(2 168)
Revaluation of an interest rate swap (fair value hedge) to fair value	-	-	-	-	-
Measurement of foreign exchange contracts	-	1 397	6 914	(921)	(5 517)
Foreign exchange losses	616	704	23 808	(88)	(23 104)
Salaries/wages and employee benefits	4 613	11 605	17 860	(104)	(6 255)
Inventory write-downs	503	523	170	(20)	353
Measurement of long-term contracts	62 475	69 603	46 861	(235)	22 742
Receivables write-downs	4 774	5 616	2 196	(947)	3 420
Provisions for uninvoiced expenses	5 581	2 564	6 540	(1 690)	(3 976)
Tax losses	13 539	6 040	3 849	7 152	2 191
Other employee benefits	6 962	1 208	898	104	310
Provisions	1 397	1 761	1 464	(637)	297
Reorganisation costs	-	-	215	-	(215)
Deferred income tax relating to Tarnobrzeg Special Economic Zone	40 169	30 144	15 144	10 025	15 000
Other	12 701	8 570	13 936	(2 616)	(9 639)
Deferred tax assets	**168 034**	**153 483**	**155 771**	**10 963**	**(6 561)**
Deferred income tax assets Lithuania	-	-	460	-	-
Deferred income tax burden less total items recognised in the income statement				**24 098**	**(29 631)**
Measurement of foreign exchange contracts presented in other comprehensive income	(914)	(1 470)	12 241		
Net deferred tax liability/asset, of which:	**(40 102)**	**(66 515)**	**(46 782)**		
Deferred income tax asset presented in the statement of financial position	(63 710)	(85 932)	(67 398)		
Deferred income tax liability - presented in the statement of financial position	23 608	19 417	20 616		

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 Tarnobrzeg Special Economic Zone. According to finance projections prepared by the Company, assuming the planned use of the plant capacity and maintaining profitability of activities, the 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 Tarnobrzeg 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 least 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 Tarnobrzeg 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. Holding the legal title to utilisation of property assigned under Permit for economic activities.
4. Observance of legal regulations related to the zone operations, including Regulations of EURO-PARK WISŁOSAN TSEZ, 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 71 million. Taking into consideration the fact that as at 31.12.2010 the advancement of the venture in the light of investment expenditure made (compared to the one declared in the permit) was 100%, in the opinion of the Company, which is

(in PLN thousands)

based on prepared financial projections, 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 40.2 million as at 31.12.2010.
The Management analysed the possibility to utilise the relief in the period until 2017. Therefore, it prepared detailed forecasts of feasible financial result that can be made on activities covered by the zone. In accordance to best estimates based on prepared forecasts it estimated usable nominal value of the relief at PLN 40 million. The amount is lower than the maximum usable relief as it assumes that the forecasted financial result in the zone will not reach levels allowing to use up the entire relief.
Taking into account the fact that 35.2 million worth asset was recognised in the Company's statements by 30.06.2010, the increase of the asset on account of the analysed issue in the second half of 2010 amounts to PLN 5 million.
As at the date of publication of these financial statements the Company met all requirements specified in granted Permit No. 171/APR S.A./2008 i.e. it incurred costs in excess of PLN 210,300 thousand, increased employment in Siedlce Subzone by more than 350 employees and at the same time it exceeded the total employment in Siedlce Subzone, which was declared as 2,749 employees.
Due to the long term of projections and dynamic changes in the economic environment, the Company plans to verify the financial projection on annual basis to review their contents and possibly revalue the asset recognised for the subject undertaking.

Sefako S.A.

As at 31.12.2010 Sefako, Polimex-Mostostal Group Company, did not recognise an asset for the estimated relief arising from belonging to SEZ 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 contractation for the year 2010 and next years, which may result in the future in the inability to maintain employment at the required level of 1,350 persons and at the same time in the failure to meet the requirements). In 2010 and as at 31.12.2010 Sefako did not meet the requirements of granting the relief (employment lower than the required 1,350 persons). Weaker financial results in 2010 demand that possibilities to use the relief in the future are considered with prudence. This situation is a consequence of the global economic slowdown. Decision No. 151/IW/10 of 18 August 2010 amended Permit No. 118/2008 of 16 September 2008 for Fabryka Kotłów Sefako S.A. to conduct business activity in “Starachowice" Special Economic Zone. As a result, the deadline to meet zone requirements (employment of 150 employees and retaining employment of 1,350 employees until 2014) was postponed from the period of 31 December 2009 – 31 December 2014 to the period of 31 December 2011 – 31 December 2016.

17. Changes in the Capital Group

The following changes took place in the composition of the Group in 2010:

- The Issuer acquired shares in Centralne Biuro Konstrukcji Kotłów S.A. with the registered office in Tarnowskie Góry for the amount of PLN 8,829 thousand thus obtaining 98.50 % interest in the company equity. Fair value of identifiable assets and liabilities of Centralne Biuro Konstrukcji Kotłów S.A. in the initial settlement of the acquisition is as follows: The final settlement is planned on 31 December 2011.

	Carrying amount at acquisition date	*Fair value recognised on acquisition*
Property, plant and equipment	418	4 339
Intangible assets	154	154
Financial assets	18	18
Deferred tax assets	64	64
Cash and cash equivalents	935	935
Inventories	310	310
Trade receivables	1 764	1 764
Prepaid expenses	83	83
Total	**3 746**	**7 667**
Liabilities and accruals	861	1 606
Total	**861**	**1 606**

(in PLN thousands)

Fair value of net assets	6 061
Fair value of acquired net assets acc. to percentage of share in company's equity	5 969
Goodwill	**2 860**
Consideration:	8 829
Cash payment	8 829

- The Issuer acquired shares in Elektra Sp. z o.o. with the registered office in Zielona Góra for the amount of PLN 203 thousand thus obtaining 100 % interest in the company equity. Fair value of identifiable assets and liabilities of Elektra Sp. z o.o. in the initial settlement of the acquisition is as follows: The final settlement is planned on 31 December 2011.

	Carrying amount at acquisition date	*Fair value recognised on acquisition*
Property, plant and equipment	617	851
Deferred tax assets	192	218
Trade receivables	877	877
Prepaid expenses	11	11
Total	**1 697**	**1 957**
Liabilities and accruals	1 573	1 754
Total	**1 573**	**1 754**
Fair value of net assets		203
Fair value of acquired net assets acc. to percentage of share in company's equity		203
Goodwill		-
Consideration:		203
Cash payment		203

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 Ekonomia 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	147	147
Intangible assets	4	4
Investment properties	-	-
Financial assets	-	-
Deferred tax assets	-	-
Cash and cash equivalents	207	207
Inventories	-	-
Trade receivables	748	748
Prepaid expenses	51	51
Total	**1 157**	**1 157**
Liabilities and accruals	546	546
Total	**546**	**546**

(in PLN thousands)

Fair value of net assets	611
Fair value of acquired net assets acc. to percentage of share in company's equity	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 2,547 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
Prepaid expenses	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

- 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 Przedsiębiorstwo Robót Inżynieryjnych PRInż-1 Sp. z o.o. Total acquisition price was PLN 6,173 thousand i.e. PLN 92.70 per share and was settled as mutual set-off of receivables and liabilities of the Issuer and Afta 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.

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 2010 is PLN (806) thousand, as at 31 December 2009 it is PLN (439) thousand (PLN (2,091) thousand as at 1 January 2009).

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

(in PLN thousands)

	31 December 2010	*31 December 2009*	*1 January 2009 (restated)*
Loans granted to employees	3 521	2 868	2 195
Cash	4 603	7 914	4 842
Social Fund liabilities	8 930	11 221	9 128
Net balance	(806)	(439)	(2 091)

	Year ended 31 December 2010	*Year ended 31 December 2009*	*1 January 2009 (restated)*
Transfers made to the Social Fund during the period	13 183	14 539	12 384

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 2010	*Year ended 31 December 2009*
Net profit attributable to shareholders of the parent company	109 658	156 402
Earnings per share (in PLN)		
- number of shares	520 918 203	464 355 625
- basic, from net profit attributable to shareholders of the parent company for the financial year	0.21	0.34
Diluted net profit attributable to shareholders of the parent company per share (in PLN)		
- number of shares	520 918 203	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	0.21	0.33

20. Dividends paid and proposed

Equity dividends on ordinary shares for 2009, which was paid on 16 September 2010, amounted to PLN 18,574 thousand (dividend from 2008 profit, which was paid on 16 September 2009, amounted to PLN 4,643 thousand).

Value of dividend per share paid for the year 2009 was PLN 0.04 (for the year 2008 it was PLN 0.01)

The Company Management intends to request a dividend for the year 2010 to be paid in the amount of PLN 0.04 (say: four Polish grosz) per one share of Polimex-Mostostal S.A. that is PLN 20,837 thousand in total.

21. Property, plant and equipment

Year ended 31 December 2010	*Land and buildings*	*Plant and equipment*	*Means of transportation*	*Other fixed assets*	*Fixed assets under construction*	*Advanced payments for fixed assets under construction*	*Total*
Net carrying amount at 1 January 2010	473 912	244 945	65 064	23 531	140 457	25	947 934
Acquisition of a subsidiary	5 058	45	80	7	-	-	5 190
Reclassification	3 745	1 588	6 942	994	(13 245)	(24)	-
Additions	94 087	81 825	13 799	5 968	93 711	941	290 331

(in PLN thousands)

Disposals	(3 430)	(2 308)	(655)	(738)	(123 803)	-	(130 934)
Revaluation	(1 431)	-	-	-	-	-	(1 431)
Depreciation charge for the period	(22 121)	(40 882)	(14 084)	(5 960)	(95)	-	(83 142)
Net carrying amount at 31 December 2010	549 820	285 213	71 146	23 802	97 025	942	1 027 948
As at 1 January 2010							
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
As at 31 December 2010							
Cost	649 748	524 054	132 068	57 605	110 477	1 042	1 474 994
Write-off and impairment loss	(99 928)	(238 841)	(60 922)	(33 803)	(13 452)	(100)	(447 046)
Net carrying amount	549 820	285 213	71 146	23 802	97 025	942	1 027 948

Year ended 31 December 2009 *(restated)*	*Land and buildings*	*Plant and equipment*	*Means of transportation*	*Other fixed assets*	*Fixed assets under construction*	*Advanced payments for 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 period	(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
As 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
As 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

The carrying amount of plant and equipment held under finance lease agreements or hire purchase contracts at 31 December 2010 is PLN 46,696 thousand (at 31 December 2009: PLN 47,419 thousand).

Land and buildings are covered with mortgages established to secure Group's bank loans amounting jointly to PLN 514,288 thousand (as at 31 December 2009 – PLN 474,188 thousand). Additionally, according to terms and conditions of two bank loan agreements the Group is obliged, on demand of one of the banks, to establish a mortgage on real property in Siedlce and in Warsaw at ul.Elektryczna.

Moreover, as at 31 December 2010 other forms of security were established on fixed assets (other than land and buildings) at the carrying amount of PLN 41,500 thousand (as at 31 December 2009 – PLN – 39,600 thousand).

21.1. Operating lease commitments – Group as the lessee

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2010, as at 31 December 2009 and as at 1 January 2009 are as follows:

	31 December 2010	*31 December 2009 (restated)*	*1 January 2009 (restated)*
Within 1 year	-	133	90
Within 1 to 5 years	-	-	82
	-	133	172

(in PLN thousands)

21.2. Finance lease and hire purchase commitments

As at 31 December 2010, 31 December 2009 and as at 1 January 2009 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 2010		*31 December 2009 (restated)*		*1 January 2009 (restated)*	
	Minimum payments	***Current payment value***	***Minimum payments***	***Current payment value***	***Minimum payments***	***Current payment value***
Within 1 year	17 621	15 715	18 101	16 070	14 489	13 702
Within 1 to 5 years	33 463	30 393	38 298	35 142	35 435	32 896
Over 5 years	8 737	8 214	12 454	11 696	6 232	4 993
Minimum lease payments, total	59 821	54 322	68 853	62 908	56 156	51 591
Less amounts representing finance charges	(5 499)	-	(5 945)	-	(4 565)	-
Present value of minimum lease payments, of which:	54 322	54 322	62 908	62 908	51 591	51 591
Current	15 715	-	16 070	-	13 702	-
Non-current	38 607	-	46 838	-	37 889	-

22. Investment properties

	31 December 2010	*31 December 2009 (restated)*
Opening balance as at 1 January	42 352	43 257
Reclassification of property, plant and equipment	-	311
Reclassification from inventories	12	-
Modernisation	16	97
Net loss arising from adjustment to fair value	(38)	-
Disposals arising from sale	-	(1 206)
Reclassification to inventories	(26)	(107)
Closing balance	**42 316**	**42 352**

Key investment property items as at 31 December 2010 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

	31 December 2010	*31 December 2009 (restated)*	*1 January 2009 (restated)*
Prinż-1 Sp. z o.o.- a subsidiary in Torpol Group Sp. z o.o.	4 956	4 956	4 956
Prinż-9 Sp. z o.o. - a subsidiary in Torpol Group Sp. z o.o.			-
Elmont Sp. z o.o.- a subsidiary in Torpol Group Sp. z o.o.	7 661	8 841	8 508
Torpol Group	13 265	13 265	13 265
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	1 018
Zakład Budowlano Instalacyjny Turbud Sp. z o.o.	426	426	426

Coifer Capital Group	33 128	34 726	37 030
Zakłady Remontowe Energetyki Kraków Sp. z o.o.	4 064	4 064	4 064
Projekt Południe Sp. z o.o.	2 599	2 599	2 599
ECe Remont Sp. z o.o.	2 509	2 509	-
Pracownia Wodno -Chemiczna Ekonomia Sp. z o.o.	242	242	-
Centralne Biuro Konstrukcji Kotłów Sp. z o.o.	2 860	-	-
Total	**487 001**	**486 919**	**486 139**
Goodwill as at 1 January 2010	486 919		-
Increase on consolidation arising from acquisition.	2 860		-
Increase arising from goodwill adjustment in subsidiaries	(2 778)		-
Goodwill as at 31 December 2010	**487 001**		**-**
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**	

According to IAS 36, the Management of Polimex-Mostostal S.A. carried out impairment tests as at 31 December 2010 relating to goodwill on consolidation arising from the acquisition of COIFER Group, Energomontaż-Północ Group, Torpol Group, Sefako Group and Centrum Projektowe Polimex Sp. z o.o., Zakład Budowlano Instalacyjny Turbud Sp. z o.o., PxM Projekt Południe Sp. z o. o., Prinż-1 Sp. z o.o., Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.. The level of an operating segment before aggregation is the lowest level at which the Group monitors goodwill. For companies whose activity is classified into "other" segment the test was carried out on company basis i.e. at the lowest level at which goodwill is monitored within the segment.

Impairment tests showed that as at the date of preparation of these financial statements there is no need to impair goodwill as the fair value arising from discounting future cash flows for individual segments is higher than goodwill increased by fixed assets and net working capital. Key data and assumptions as well as the results of the impairment test for goodwill relating to the segments of power engineering, construction, roads, production and chemistry are presented in the table below (in PLN thousands):

Segment	. (DCF)*	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 with intangibles (excl. investment properties)	Net operating capital
Power Engineering	1 058 828	821 290	9,30%	10,70%	3,0%	371 838	230 480	218 972
Construction	956 639	626 294	9,30%	10,74%	3,0%	36 264	302 568	287 461
Roads	583 158	238 592	9,30%	10,76%	3,0%	4 956	119 809	113 827
Production	564 346	277 440	9,30%	10,77%	3,0%	47 764	117 778	111 898
Chemistry	366 533	172 499	9,30%	10,74%	3,0%	242	88 334	83 923

*DCF not adjusted for non-operating cash
**Book value = goodwill+ fixed assets and intangible assets+ net operating capital
***after taxation, adopted for measurement
****before taxation

The value of discounted cash flows of power engineering segment was estimated at PLN 1,058,828 thousand. The valuation was done with the following assumptions: average annual growth of revenues of about 6% in 2012-2015, average EBIT margin: 6%, weighted average cost of capital (WACC): 9.3%, growth rate after the forecasting period: 3.0%.

The value of discounted cash flows of the construction segment was estimated at PLN 956,639 thousand. The valuation was done with the following assumptions: average annual growth of revenues of about 5% in 2012-2015, average EBIT margin: 4.8%, weighted average cost of capital (WACC): 9.3%, growth rate after forecasting period: 3.0%.

The value of discounted cash flows of the road segment was estimated at PLN 583,158 thousand. The valuation was done with the following assumptions: average annual growth of revenues of about 5% in 2012-2015, average EBIT margin: 7.8%, weighted average cost of capital (WACC): 9.3%, growth rate after forecasting period: 3.0%.

The value of discounted cash flows of the production segment was estimated at PLN 564,346 thousand. The valuation was done with the following assumptions: average annual growth of revenues of about 5% in 2012-2015, average EBIT margin: 7.8%, weighted average cost of capital (WACC): 9.3%, growth rate after forecasting period: 3.0%.

The value of discounted cash flows of the chemistry segment was estimated at PLN 366,533 thousand. The valuation was done with the following assumptions: average annual growth of revenues of about 7% in 2012-2015, average EBIT margin: 6.2%, weighted average cost of capital (WACC): 9.3%, growth rate after forecasting period: 3.0%.

Key data and assumptions as well as the results of the impairment test for goodwill relating to Torpol Group are presented in the table below (in PLN thousands).

Company	Goodwill (DCF)*	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
Torpol Group	267 193	124 807	9,87%	12,19%	3,0%	22 124	56 200	2 482	44 000

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

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 was measured at PLN 267.2 million, with Polimex-Mostostal holding 100% interest. The valuation was done with the following assumptions: average annual growth of sales of 4.7%, EBIT margin: 3.0% - 4.2%, weighted average cost of capital (WACC): 9.87%, capital expenditure at the level of amortisation/depreciation in the entire forecasting period, inventory turnover ratio of 4 days, accounts payable ratio of 64 days, receivable turnover ratio of 50 days, the 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 a decrease in EBIT of 10% results in the goodwill decrease of 5 to 10 percentage points.

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. 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%
8,87%	275 553	293 102	313 643	338 012	367 390
9,37%	255 989	270 880	288 110	308 278	332 204
9,87%	238 925	251 688	**266 309**	283 228	303 031
10,37%	223 913	234 948	247 481	261 839	278 453
10,87%	210 606	220 220	231 057	243 365	257 466

(in PLN thousands)

The sensitivity analysis for individual segments: power engineering, construction, roads, production and chemistry in the scope of EBIT margin, weighted average cost of capital and growth rate after the forecasting period shows that a change of any parameter in the nearest range does not result in impairment.

24. Intangible assets

Year ended 31 December 2010	*Development Costs*	*Patents and Licenses*	*Software*	*Goodwill*	*Other*	*Total*
Net carrying amount at 1 January 2010	-	1 644	17 033	4 015	8 081	30 773
Acquisition of a subsidiary	-	-	152	-	-	152
Additions	-	487	4 407	-	13	4 907
Disposals	-	-	(222)	-	(5 813)	(6 035)
Amortisation charge for the year	-	(593)	(3 966)	-	(4)	(4 563)
As at 31 December 2010	-	1 538	17 404	4 015	2 277	25 234
As at 1 January 2010						
Cost	-	4 985	30 654	7 194	8 316	51 149
Accumulated amortisation 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
As at 31 December 2010						
Cost	-	5 473	35 050	7 194	2 393	50 110
Accumulated amortisation and impairment loss	-	(3 935)	(17 646)	(3 179)	(116)	(24 876)
Net carrying amount	-	1 538	17 404	4 015	2 277	25 234

Year ended 31 December 2009 *(restated)*	*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)
As at 31 December 2009	-	1 644	17 033	4 015	8 081	30 773
As at 1 January 2009						
Cost	145	6 430	20 565	5 694	7 006	39 840
Accumulated amortisation 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
As at 31 December 2009						
Cost	-	4 985	30 654	7 194	8 316	51 149
Accumulated amortisation 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

(in PLN thousands)

25. Investments in associates accounted for using the equity method

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 erection of facilities. The following table presents summarised information on the investment in Polimex-Sices Polska Sp. z o.o.

	31 December 2010	*31 December 2009*	*1 January 2009*
Current assets	26 791	54 538	21 522
Non-current assets	303	828	348
Current liabilities	26 662	44 976	17 537
Non-current liabilities and provisions	-	672	732
Net assets	432	9 718	3 601
Share of associate's profit/loss	(1 686)	3 059	(358)

The 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 2010	*31 December 2009*	*1 January 2009*
Current assets	69 162	73 085	51 055
Non-current assets	22 176	19 751	19 964
Current liabilities	24 723	42 633	27 264
Non-current liabilities and provisions	21 292	10 369	10 400
Non-controlling interest	976	992	670
Negative goodwill of subordinate entities	340	340	431
Net assets	44 007	38 502	32 254
Share of associate's profit	3 034	3 210	2 745

In the first half of 2010 the Group disposed of 30% interest in Valmont Polska Sp. z o.o. with the registered office in Siedlce whose main activity is in the construction sector. The table below presents condensed information on investment in Valmont Polska Sp. z o.o. The share of Valmont Polska Sp. z o.o. in the financial result of Polimex Mostostal Group in the first half of 2010 amounted to PLN 165 thousand. The Group made a profit of PLN 6,511 thousand on the disposal of the shares in Valmont Polska Sp. z o.o.

	31 December 2010	*31 December 2009*	*1 January 2009*
Current assets	20 311	17 139	23 448
Non-current assets	10 884	11 186	12 521
Current liabilities and provisions	11 231	8 734	16 532
Non-current liabilities and provisions	-	177	858
Net assets	19 964	19 414	18 579
Share of associate's profit	165	250	(976)

The liquidation procedure of Porty S.A. with the registered office in Gdańsk commenced in 2010. The Group holds a 40 % interest in Porty S.A., whose main activity is in construction, trade and transport sectors. The table below presents condensed information on the investment in Porty S.A. In 2010 the Group recognised profit on liquidation of Porty S.A. in the amount of PLN 404 thousand.

(in PLN thousands)

	31 December 2010	*31 December 2009*	*1 January 2009*
Current assets	1 458	17 807	19 365
Non-current assets	-	-	-
Current liabilities	2 469	11 335	7 873
Non-current liabilities and provisions	-	-	4 456
Net assets	(1 011)	6 472	7 036
Share of associate's loss	(2 188)	(226)	1 655

Current assets, non-current assets, current liabilities, non-current liabilities and net assets presented in the above tables refer to the values recognised 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.

26. Financial assets

26.1. Financial assets

	31 December 2010	*31 December 2009 (restated)*	*1 January 2009 (restated)*
Non-current financial assets			
Shares and interests	1 176	1 388	3 015
Financial assets held to maturity,	158	-	567
Other financial assets	2 862	2 713	996
Total	**4 196**	**4 101**	**4 578**

	31 December 2010	*31 December 2009 (restated)*	*1 January 2009 (restated)*
Current financial assets			
Available-for-sale financial assets	594	138	-
Financial assets at fair value	-	-	-
Derivatives	10 054	10 839	159
Other financial assets	957	5 196	7 677
Total	**11 605**	**16 173**	**7 836**

26.1.1 Non-current financial assets – shares and interests

	31 December 2010	*31 December 2009 (restated)*	*1 January 2009 (restated)*
Shares and interests			
Shares - companies listed on the stock exchange	124	149	37
Shares and interests – companies not listed on the stock exchange	1 052	1 239	2 978
Total	**1 176**	**1 388**	**3 015**

26.1.2 Other non-current financial assets

	31 December 2010	*31 December 2009 (restated)*	*1 January 2009 (restated)*
Other non-current assets			
Deposits	814	925	886
Commercial debentures	-	-	567
Bank guarantee deposits	2 146	1 721	31
Other	60	67	79
Total	**3 020**	**2 713**	**1 563**

(in PLN thousands)

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

	31 December 2010	31 December 2009 (restated)
At the beginning of the period	**1 388**	**3 015**
Increase	**20**	**389**
Acquisition of shares, interests	-	162
Other	20	227
Decrease	**(232)**	**(2 016)**
Interest write-downs	(135)	(138)
Disposal of shares	(88)	(1 297)
Other	9	(581)
At the end of the period	**1 176**	**1 388**

26.1.4 Change in non-current financial assets held to maturity

	31 December 2010	31 December 2009 (restated)
At the beginning of the period	-	567
Opening a deposit	158	-
Settling a deposit	-	(567)
At the end of the period	**158**	**-**

26.1.5 Available-for-sale current financial assets

	31 December 2010	31 December 2009 (restated)	1 January 2009 (restated)
Shares and interests not quoted on the stock exchange	594	138	-
Commercial debentures	-	-	-
Total	**594**	**138**	**-**

26.1.6 Movements in available-for-sale current financial assets

	31 December 2010	31 December 2009 (restated)
At the beginning of the period	138	-
Purchasing shares and interests not quoted on the stock exchange	456	138
At the end of the period	**594**	**138**

26.1.7 Derivatives

	31 December 2010	31 December 2009 (restated)	1 January 2009 (restated)
Forward currency contracts	8 907	8 302	-
Currency options	1 147	2 537	159
Total	**10 054**	**10 839**	**159**

26.1.8 Other current financial assets

	31 December 2010	31 December 2009 (restated)	1 January 2009 (restated)
Other current assets			
Loans granted	44	836	1 018
Bank guarantee deposits	906	3 653	6 659
Other	7	707	-
Total	**957**	**5 196**	**7 677**

(in PLN thousands)

27. Inventories

	31 December 2010	*31 December 2009 (restated)*	*1 January 2009 (restated)*
Raw materials (at cost)	109 506	64 325	93 418
Goods for resale	1 273	998	3 706
Raw materials advance payments	10 450	9 786	38
Work-in-progress (at cost)	287 099	260 422	281 237
Finished goods:	24 602	15 385	16 740
At cost	24 602	15 385	16 740
At net realisable value	24 602	15 385	16 740
Total inventories, at the lower of cost and net realisable value	432 930	350 916	395 139

At the parent company as at 31 December 2010 and as at 31 December 2009 there were pledges established on smelting products at the total amount of PLN 100,000 thousand as security to bank loan contracts.

At the Stalfa company as at 31 December 2010 there were pledges establishes on inventories at the carrying amount of PLN 8,000 thousand (as at 31 December 2009: PLN 10,000 thousand and as at 1 January 2009 PLN 10,000 thousand) as security to company's liabilities.
As at 31 December 2010 there were mortgages established on Polimex – Development Kraków's inventories up to the total amount of PLN 51,012 thousand (at 31 December 2009: PLN 51,012 thousand) as security to the Company's loan liabilities.
In Sefako Group as at the statement of financial position date of 31 December 2010 there were securities established on inventories amounting jointly to PLN 2,000 thousand (as at 31 December 2009: PLN 2,000 thousand and as at 1 January 2009: PLN 2,600 thousand).

28. Trade and other receivables

	31 December 2010	*31 December 2009 (restated)*	*1 January 2009 (restated)*
Trade receivables	1 339 692	1 248 702	1 235 664
of which: trade receivables from related parties	8 554	26 558	9 391
Receivables from public authorities	20 202	16 103	34 180
Other receivables from third parties	14 038	32 273	26 568
Other receivables from related parties	2 155	-	-
Total receivables (net)	1 376 087	1 297 078	1 296 412
Receivables allowance	62 997	72 808	67 299
Total receivables, gross	1 439 084	1 369 886	1 363 711

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 maturity from the statement of financial position date

	31 December 2010	*31 December 2009 (restated)*	*1 January 2009 (restated)*
Up to one month	765 938	570 773	772 488
Over 1 month to 3 months	243 284	289 814	149 849
Over 3 months to 6 months	25 956	20 229	29 140

(in PLN thousands)

Over 6 months to 1 year	35 296	73 951	47 108
Past due receivables	330 230	364 557	292 047
Gross trade receivables	1 400 704	1 319 324	1 290 632
Allowance for trade receivables	61 012	70 622	54 968
Net trade receivables	**1 339 692**	**1 248 702**	**1 235 664**

28.2. Aging analysis of trade receivables

	31 December 2010	*31 December 2009 (restated)*	*1 January 2009 (restated)*
Up to one month past due	79 108	124 070	84 706
Over 1 month to 3 months past due	76 887	74 829	82 748
Over 3 months to 6 months past due	35 124	16 340	36 021
Over 6 months to 1 year past due	37 089	43 127	17 513
Over 1 year past due	102 022	106 191	71 059
Gross past due trade receivables	330 230	364 557	292 047
Allowance for trade receivables*	60 700	66 808	42 625
Total	**269 530**	**297 749**	**249 422**

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

Movements in allowance for receivables were as follows:

	31 December 2010	*31 December 2009*
Allowance for receivables at the beginning of the period	70 622	54 968
Increase, of which:	**15 805**	**45 820**
- allowance for receivables	15 731	45 820
- changes in Group structure	74	-
Decrease, of which:	**25 415**	**30 166**
- utilisation	9 440	19 259
- receivables pay-off	6 471	10 907
- release	9 504	-
Allowance for receivables at the end of the period	**61 012**	**70 622**

29. Prepaid expenses

	31 December 2010	*31 December 2009 (restated)*	*1 January 2009 (restated)*
Insurance costs	5 281	5 694	4 869
Subscription	242	147	160
Costs of starting production	-	-	138
Costs of uncompleted works	278	295	1 240
Settlement of patent fee	-	43	60
Deposit to real property lease	15	7	432
Perpetual usufruct charge	120	-	-
Obtaining a quality certificate	491	-	72
IT support, electric power	182	207	587
Other	3 468	3 544	3 576
Total	**10 077**	**9 937**	**11 134**

(in PLN thousands)

30. Cash and cash equivalents

	31 December 2010	*31 December 2009 (restated)*	*1 January 2009 (restated)*
Cash at bank and in hand	345 982	375 672	205 714
Other	-	3	3 407
Deposits	27 832	61 702	86 120
Total cash	**373 814**	**437 377**	**295 241**

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. Fair value of cash and cash equivalents as at 31 December 2010 is PLN 373,814 thousand, as at 31 December 2009 it is PLN 437,377 thousand, as at 1 January 2009 PLN 295,241 thousand.

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

	Year ended 31 December 2010
Increase/(decrease) in inventories in the statement of financial position	(82 014)
Inventories of acquired Centralne Biuro Konstrukcji Kotłów S.A.	310
Other	92
(Increase)/decrease in inventories in the statement of cash flows	(81 612)

	Year ended 31 December 2010
Increase/(decrease) in receivables in the statement of financial position	(63 880)
Adjustment for advance payments relating to the acquisition of property, plant and equipment	(34 043)
Receivables of acquired Centralne Biuro Konstrukcji Kotłów S.A.	1 851
Other	629
Receivables of acquired Elektra Sp. z o.o.	877
Dividend receivable	3 000
Other	114
(Increase)/decrease in receivables in the statement of cash flows	(91 452)

	Year ended 31 December 2010
Increase/(decrease) in liabilities in the statement of financial position	(72 353)
Liabilities of acquired Centralne Biuro Konstrukcji Kotłów S.A.	(652)
Liabilities of acquired Elektra Sp. z o.o.	(923)
Other	(3 065)
Adjustment for lease liabilities	12 683
Adjustment for currency option valuation liabilities	(1 696)
Adjustment for liabilities relating to investment acquisitions	6 708
Contingent payments to the interest in subsidiaries	10 232
Change in liabilities in the statement of cash flows	(49 066)

(in PLN thousands)

	Year ended 31 December 2010
Change in provisions in the statement of financial position Change in provisions in the statement of financial position	(2 738)
Provisions of acquired Centralne Biuro Konstrukcji Kotłów S.A.	(840)
Change in provisions in the statement of cash flows	(3 578)

	Year ended 31 December 2010
Change in accruals and prepaid expenses in the statement of financial position	(4 352)
Accruals and prepaid expenses of acquired Centralne Biuro Konstrukcji Kotłów S.A.	109
Accruals and prepaid expenses of acquired Elektra Sp. z o.o.	202
Other	1
Change in accruals and prepaid expenses in the statement of cash flows	(4 040)

Acquisition of a subsidiary, net of cash acquired

	Year ended 31 December 2010
Acquisition of Centralne Biuro Konstrukcji Kotłów Sp. z o.o. by Polimex-Mostostal S.A.	(8 829)
Cash of Centralne Biuro Konstrukcji Kotłów S.A. on acquisition	935
Acquisition of Centralne Biuro Konstrukcji Kotłów Sp. z o.o. net of cash acquired	(7 894)
Other	2 620
Total acquisition of subsidiaries, net of cash acquired	(5 274)

	Year ended 31 December 2009
Increase/(decrease) in inventories in the statement of financial position	44 223
Inventories of acquired Ece Remont Sp. z o.o.	139
(Increase)/decrease in 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 advance payments relating to the acquisition of property, plant and equipment	28 656
Receivables of acquired ECe Remont Sp. z o.o.	1 885
Receivables of acquired Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.	748
(Increase)/decrease in receivables in the statement of cash flows	(3 228)

(in PLN thousands)

	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 Sp. z o.o.	(428)
Adjustment for lease liabilities	7 877
Adjustment for liabilities relating to investment acquisitions	10 510
Adjustment for currency option valuation liabilities	50 535
Contingent payments to the interest in subsidiaries (ZRE Kraków Sp. z o.o. and Torpol)	7 300
Adjustment for current assets	(4 700)
Contingent payments relating to the acquisition of an organised part of WIBUD enterprise	(1 500)
Change in liabilities in the statement of cash flows	238 820

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

	Year ended 31 December 2009
Change in accruals and prepaid expenses in the statement of financial position	(14 547)
Accruals and prepaid expenses of acquired Ece Remont Sp. z o.o.	8
Accruals and prepaid expenses of acquired Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.	25
Change in accruals and prepaid expenses in the statement of cash flows	(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.	-
Cash of EC Remont Sp. z o. o. on acquisition	163
Acquisition of ECe Remont Sp. z o.o., net of cash acquired	163
Acquisition of Pracownia Wodno Chemiczna Ekonomia Sp. z o.o. by Polimex-Mostostal S.A.	(700)
Cash of Pracownia Wodno Chemiczna Ekonomia Sp. z o.o. on acquisition	207
Acquisition of Pracownia Wodno Chemiczna Ekonomia Sp. z o.o., net of cash acquired	(493)
Total acquisition of subsidiaries, net of cash acquired	(330)

The „Other" items in operating activities of consolidated statement of cash flows for the year ended 31 December 2010 comprise in particular of: valuation of foreign currency options amounting to PLN (326) thousand, valuation of executive options amounting to PLN 328 thousand, revaluation of assets amounting to PLN 1,431 thousand.

(in PLN thousands)

31. Issued capital and supplementary/ reserve capital

31.1. Issued capital

Equity capital (in share thousands)	*31 December 2010*	*31 December 2009*	*1 January 2009*
Series A ordinary shares	55 386	55 375	55 375
Series B ordinary shares	36 532	36 550	36 550
Series C ordinary shares	8 580	8 600	8 600
Series D ordinary shares	13 499	13 476	13 476
Series E ordinary shares	43 499	43 476	43 476
Series F ordinary shares	223 716	223 726	223 726
Series H ordinary shares	25 823	25 826	25 826
Series I ordinary shares	57 321	57 326	57 326
Series K ordinary shares	38 733	-	-
Series L ordinary shares	17 829	-	-
Total	**520 918**	**464 355**	**464 355**

All issued shares are at nominal value of PLN 0.04 as at 31 December 2010, as at 31 December 2009 and as at 1 January 2009. Shares have been fully paid.

31.1.1 *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:

31.1.2 *Shareholders with significant shareholding - 31 December 2010*

Item No	Shareholder	No of shares/votes	% interest in share capital/total votes at GSM
1.	ING Nationale-Nederlanden Polska Otwarty Fundusz Emerytalny (ING Nationale-Nederlanden Poland Open Pension Fund)	40 406 650	7.76
2.	Otwarty Fundusz Emerytalny PZU „Złota Jesień” (PZU „Złota Jesień”Open Pension Fund)	40 000 000	7.68
3.	AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK (Open Pension Fund)	52 224 329	10.03
4.	Pioneer Pekao Investment Management S.A.	52 490 792	10.08
5.	Polimex-Cekop Development Sp. z o.o. *)	13 152 500	2.52
6.	Other shareholders	322 643 932	61.93
	Number of shares of all issues	**520 918 203**	**100.00**

	31 December 2010	*31 December 2009 (restated)*	*1 January 2009 (restated)*
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK (Open Pension Fund)			
share in equity	10.03%	5.92%	5.92%
share in votes	10.03%	5.92%	5.92%
Otwarty Fundusz Emerytalny PZU „Złota Jesień” (PZU „Złota Jesień”Open Pension Fund)			
share in equity	7.68%	8.61%	8.61%
share in votes	7.68%	8.61%	8.61%

(in PLN thousands)

Gloria S.a.r.l. Luxembourg			
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%
share in votes	-	6.16%	6.16%
ING Nationale-Nederlanden Polska Otwarty Fundusz Emerytalny (ING Nationale-Nederlanden Poland Open Pension Fund)			
share in equity	7.76%	8.70%	8.70%
share in votes	7.76%	8.70%	8.70%
Pioneer Pekao Investment Management S.A._			
share in equity	10.08%	5.56%	5.56%
share in votes	10.08%	5.56%	5.56%
Polimex-Cekop Development Sp. z o.o. *) (Polimex-Mostostal S.A.'s subsidiary)			
share in equity	2.52%	2.83%	2.83%
share in votes	2.52%	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 2010 is PLN 52,600 thousand and at 31 December 2009 it is PLN 52,200 thousand.

31.2. Supplementary capital

According to Article 396 (1) of The Code of Commercial Companies, to cover a loss supplementary capital should be recognised 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 recognised in this way is not subject to distribution.

31.3. Revaluation reserve

The revaluation reserve was recognised 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 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. Partial modification to the principles of the Plan was introduced by 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 PLN 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 the resolutions of the 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 vested.
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 PLN thousands)

In 2009 the phase of vesting warrants based on the above criteria was completed. In a three-year period of plan 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 share" and „earnings per share", while the „market condition" was not fulfilled. 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 vested on the above specified conditions and consequently these warrants shall be redeemed.

In accordance with 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 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.

- Criterion 1: meeting required growth rate of consolidated EBIDTA per Company share,
- Criterion 2: meeting required growth rate of consolidated earnings per share,
- Criterion 3: achieving 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 of a given financial year. If the above described vesting criteria are not met, the warrants for which the vesting criterion was not met are subject to redemption. Warrants may be exercised in the following periods:

- warrants granted for 2009: from 1 October 2013 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 30 December 2010 the balance of the provision for this plan recognised in reserve capital of the Group amounts to PLN 33,221 thousand (PLN 30,494 thousand as at 31 December 2009).

31.5. Non-controlling interests

	Year ended 31 December 2010	*Year ended 31 December 2009 (restated)*
At the beginning of the year	140 783	114 886
Currency translation differences on consolidation	33	(1 175)
Net valuation of cash flow hedges	647	8 532
Deferred tax	(123)	(1 621)
Profit for the year	9 643	18 885
Repurchase of non-controlling interest in companies being combined with Polimex-Mostostal S.A.	(140 997)	-
Changes of structure in the Group	92	153
Consolidation adjustments relating to change of control over a subsidiary	(368)	933
Other adjustments on subsidiaries' equity	(23)	190
At the end of the year	**9 687**	**140 783**

32. Interest-bearing bank loans and borrowings

Bank / financing entity	Capital Group Entity	Maturity	*31 December 2010*	*31 December 2009 (restated)*
Current				
	Parent company		**154 091**	**17 151**
BGŻ S.A. – bank overdraft in PLN		31.05.2011	14 333	-
Bank PEKAO S.A. – bank overdraft up to PLN 50,000 thousand		31.07.2011	13 802	-
BPH S.A. – bank overdraft up to PLN 42,000 thousand		31.08.2011	16 078	-

(in PLN thousands)

Kredyt Bank S.A. – working capital facility up to PLN 40,000 thousand		30.10.2011	-	634
PKO BP S.A. – working capital facility in EUR (current portion)		31.12.2011	1 188	1 232
PKO BP S.A. – working capital facility in PLN (current portion)		31.12.2011	964	964
Bank PEKAO S.A. – working capital facility up to PLN 70,000 thousand		31.07.2011	12 598	8
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
PKO BP S.A. – investment loan in PLN/EUR (current portion)		31.12.2011	29 226	-
BOŚ S.A. – bank overdraft up to PLN 30,000 thousand		03.07.2011	2 936	-
Bank PEKAO S.A. – working capital facility in PLN		27.06.2011	50 000	-
DZ Bank S.A. – bank overdraft up to EUR 3,000 thousand		30.08.2011	7 807	2 961
BPH S.A. – bank overdraft up to PLN 10,000 thousand		31.08.2011	3 338	2 849
PEKAO S.A. – bank overdraft PLN 2,000 thousand		31.12.2011	241	-
DnB Nord Bank Polska S.A. – investment loan in PLN (current portion)		31.12.2011	147	79
Getin Bank S.A. – investment loan in PLN (current portion)		31.12.2011	22	20
Getin Bank S.A. – investment loan in PLN		25.04.2011	11	29
PKO BP S.A. – bank overdraft up to PLN 1,200 thousand		02.09.2011	1 200	971
PKO BP S.A. – working capital facility in PLN		31.12.2011	200	-
	Sefako Group		**24 543**	**18 199**
Bank PEKAO S.A. – bank overdraft up to PLN 6,000 thousand		31.10.2011	2 242	1 750
PKO BP S.A. – working capital facility up to PLN 14,000 thousand		06.07.2013	11 728	7 183
PKO BP S.A. – investment loan in PLN (current portion)		30.01.2016	7 539	7 539
BRE Bank S.A. – investment loan in PLN (current portion)		30.09.2011	1 067	1 067
PKO BP S.A. – bank overdraft in PLN		23.02.2011	-	550
Bank Spółdzielczy w Sędziszowie– bank overdraft up to PLN 1,250 thousand		16.08.2011	799	110
Bank Spółdzielczy w Sędziszowie– bank overdraft up to PLN 700 thousand		30.04.2011	710	-
PKO BP – bank overdraft		10.02.2011	200	-
Voivodship Environment Protection Fund – loan		2016	120	-
Voivodship Environment Protection Fund – loan		2016	138	-
	Moduł System Serwis Sp. z o.o.*		**1 253**	**-**
* the debt of the Company was presented in the consolidated financial statements of Polimex Capital Group for the year 2009 in the debt of Naftoremont Group.				
ING Bank Śląski S.A. – bank overdraft in PLN		30.09.2011	917	-
Raiffeisen Bank Polska S.A. – revolving credit facility in PLN (current portion)		31.12.2011	336	-
	Sinopol Trade Center Sp. z o.o.*		**613**	**-**
* the debt of the Company was presented in the consolidated financial statements of Polimex Capital Group for the year 2009 in the debt of Naftoremont Group.				
Polski Bank Spółdzielczy w Ciechanowie – bank overdraft in PLN		07.05.2011	613	-
	PPU Elektra Sp. z o.o.		**639**	**-**
PKO BP S.A. – bank overdraft in PLN - *repaid*		24.02.2011	500	-
PKO BP S.A. – revolving working capital facility in PLN - *repaid*		28.02.2011	100	-
PKO BP S.A. – revolving working capital facility in PLN		31.12.2011	39	-

(in PLN thousands)

	ZUT Sp. z o.o.		**944**	**-**
Pekao S.A. – bank overdraft in PLN – extended until 31.01.2012		31.01.2011	944	-
	Stalfa Sp. z o.o.		**13 582**	**13 353**
Pekao S.A. – bank overdraft up to PLN 10,000 thousand -*repaid*		30.06.2010	-	9 542
Fortis Bank Polska S.A. – bank overdraft up to PLN 4,000 thousand - *repaid*		28.01.2011	3 989	2 528
Bank PEKAO S.A. – bank overdraft in PLN		31.07.2011	993	-
Fortis Bank Polska S.A. – investment loan in PLN (current portion) - *repaid*		31.12.2013	800	800
Fortis Bank Polska S.A. – long-term loan in PLN (current portion) - *repaid*		27.09.2012	849	483
Alior Bank - bank overdraft		30.03.2012	6 931	-
Alior Bank – non-revolving credit facility - *repaid*		28.01.2011	20	-
	Tchervonograd		**1 206**	**338**
Ukrgazprombank – working capital facility in EUR - *repaid*		04.02.2010	-	338
Ukrgazprombank – working capital facility in UAH		05.12.2011	223	-
Ukrgazprombank – working capital facility in EUR		05.12.2011	983	-
	Torpol Group		**1 963**	**4 789**
Alior Bank S.A. – bank overdraft up to PLN 1,500 thousand		27.08.2011	-	789
Alior Bank S.A. – credit facility in credit account up to PLN 4,000 thousand		27.08.2011	-	4 000
Millennium Bank S.A. – bank overdraft in PLN		22.08.2011	165	-
Alior Bank S.A. – bank overdraft up to PLN 1,500 thousand		27.08.2011	284	-
Alior Bank S.A. – revolving credit facility in credit account up to PLN 1,500 thousand		27.08.2011	1 500	-
WBK S.A. – bank overdraft in PLN		05.12.2011	14	-
	PRInż -1 Sp. z o.o.		**5 289**	**1 016**
BOŚ S.A. – revolving loan up to PLN 3,500 thousand		12.07.2011	3 498	596
BOŚ S.A. – investment loan in PLN (current portion)		30.06.2014	420	420
BOŚ S.A. – bank overdraft up to PLN 2,500 thousand		12.07.2011	1 311	-
VOLKSWAGEN Bank Polska S.A. – loan to purchase a car in PLN		12.10.2011	20	-
VOLKSWAGEN Bank Polska S.A. – loan to purchase a car in PLN		12.10.2011	20	
VOLKSWAGEN Bank Polska S.A. – loan to purchase a car in PLN		12.10.2011	20	
	Energop Sp. z o.o.*		**14 624**	**1 264**
* the debt of the Company was presented in the consolidated financial statements of Polimex Capital Group for the year 2009 in the debt of Energomontaż-Północ Group.				
RBS Bank (Polska) S.A. – investment loan in EUR (current portion)		15.12.2013	14 624	1 264
	Energomontaż Północ Gdynia Sp. z o.o.*		**36**	**-**
* the debt of the Company was presented in the consolidated financial statements of Polimex Capital Group for the year 2009 in the debt of Energomontaż-Północ Group.				
Bank Millennium S.A. – bank overdraft in PLN		12.12.2011	36	-
	Centrum Projektowe Polimex Sp. z o.o.		**5 035**	**1 941**
BRE Bank S.A. – bank overdraft up to PLN 450 thousand - *repaid*		30.03.2010	-	332

(in PLN thousands)

Bank PEKAO S.A. – bank overdraft up to PLN 1,300 thousand		31.03.2011	1 048	166
Bank Millennium S.A. – bank overdraft in PLN		27.05.2011	2 939	1 443
Voivodship Environment Protection Fund – loan in PLN (current portion)		31.12.2011	17	-
Orzesko-Knurowski Bank Spółdzielczy – investment loan in PLN		31.12.2011	1 031	-
	Polimex-Development Kraków Sp. z o.o.		**22 524**	**26 231**
PKO BP S.A. – investor's loan in PLN		31.03.2011	5 400	6 676
PKO BP S.A. – investor's loan in PLN		30.06.2011	17 124	19 555
* the debt of Grande Meccanica Spa was presented in the consolidated financial statements of Polimex Capital Group for the year 2009 in the debt of Coifer Group.	**Coifer Group***		**21 520**	**23 266**
Intensa Sanpaolo – investment loan in EUR (current portion)		01.11.2017	2 565	2 984
Fortis Bank – bank overdraft up to EUR 4,500 thousand - *repaid*		01.10.2010	-	18 463
Natural persons (former shareholders) – loans in EUR		31.12.2010	1 159	1 819
Unicredit Tiriac Bank – bank overdraft up to EUR 4,500 thousand		13.12.2011	17 796	-
* the debt of the Company was presented in the consolidated financial statements of Polimex Capital Group for the year 2009 in the debt of Coifer Group.	**Grande Meccanica Spa***		**9 519**	**7 252**
Cassa Di Risparmie di Spleto Spa – loan in EUR		30.06.2010	-	387
Cassa Di Risparmie di Terni e Nami SpA – working capital facility in EUR		Open	680	4 003
Banca Pop. Di Spoleto – working capital facility up to EUR 1,000 thousand		Open	3 430	-
Monte dei Pachi di Sienna – working capital facility in EUR		Open	20	2 848
Banca Nationale Del Lavoro SpA – working capital facility in EUR		Open	3 112	14
Unicredit Banca d'Impressa – working capital facility in EUR		Open	2 277	-
	Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.		**26**	**26**
Volkswagen Bank Polska S.A. – investment loan in PLN		05.11.2011	13	26
Volkswagen Bank Polska S.A. – investment loan in PLN (current portion)		31.12.2011	13	-
Non-current				
	Parent company		**123 762**	**150 736**
PKO BP S.A. – investment loan in PLN/EUR		31.08.2015	109 595	133 597
PKO BP S.A. – working capital facility in EUR		26.12.2012	7 525	9 038
PKO BP S.A. – working capital facility in PLN		26.12.2012	6 265	7 228
Getin Bank S.A. – investment loan in PLN - *repaid*		25.02.2013	28	50
Getin Bank S.A. – investment loan in PLN - *repaid*		25.04.2011	-	11
DnB Nord Polska S.A. – investment loan in PLN		31.03.2013	199	262
PKO BP S.A. – non-revolving working capital facility in PLN		04.10.2012	150	550
	Sefako Group		**32 599**	**41 656**
BRE Bank S.A. – investment loan in PLN		30.09.2011	-	1 067

(in PLN thousands)

PKO BP S.A. – investment loan in PLN		30.06.2016	30 789	38 328
Voivodship Environment Protection Fund – loan in PLN		31.10.2016	431	749
Voivodship Environment Protection Fund – loan in PLN		31.10.2016	379	512
Sędziszów Commune – loan in PLN		20.08.2012	1 000	1 000
	Stalfa Sp. zo.o.		**2 237**	**3 321**
Fortis Bank Polska S.A. – investment loan in PLN - *repaid*		31.12.2013	1 600	2 400
Fortis Bank Polska S.A. – long-term loan in PLN - *repaid*		27.09.2012	637	921
	PRInż -1 Sp. z o.o.		**1 051**	**1 472**
BOŚ S.A. – investment loan in PLN		30.06.2014	1 051	1 472
	Centrum Projektowe Polimex Sp. z o.o.		**12 520**	**9 982**
Orzesko-Knurowski Bank Spółdzielczy – investment loan in PLN		18.12.2023	12 368	9 982
Voivodship Environment Protection Fund – loan in PLN		15.10.2020	152	
* the debt of the Company was presented in the consolidated financial statements of Polimex Capital Group for the year 2009 in the debt of Energomontaż-Północ Group.	**Energop Sp. z o.o.***		**-**	**15 169**
RBS Bank (Polska) S.A. – investment loan in EUR (in 2010 presented in current loans)		15.12.2013	-	15 169
	PPU Elektra Sp. z o.o.		**10**	**-**
PKO BP S.A. – revolving working capital facility in PLN		28.03.2012	10	-
	Coifer Group		**10 583**	**13 612**
BRD – investment loan in EUR		01.04.2011	81	335
BRD – investment loans in EUR		01.09.2011	720	1 654
Intensa Sanpaolo – investment loan in EUR		01.11.2017	9 782	11 623
	Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.		**26**	**50**
Volkswagen Bank Polska S.A. – investment loan in PLN		02.10.2013	26	50
* the debt of the Company was presented in the consolidated financial statements of Polimex Capital Group for the year 2009 in the debt of Naftoremont Group.	**Moduł System Serwis Sp.z o.o.***		**1354**	**-**
Raiffeisen Bank Polska S.A. – revolving credit facility in PLN		31.12.2013	1 354	-

Interest-bearing bank loans and borrowings	**461 549**	**350 824**
Current, of which:	**277 407**	**114 826**
Bank loans	275 973	112 620
Borrowings	1 434	2 206
Non-current, of which:	**184 142**	**235 998**
Bank loans	181 379	231 748
Borrowings	2 763	4 250

(in PLN thousands)

As at 1 January 2009

Bank / financing entity	**Capital Group Entity**	**Maturity**	*1 January 2009 (restated)*
Current			
	Parent company		**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	39 582
PKO BP S.A. – working capital facility in EUR (current portion)		26.12.2012	11 682
PKO BP S.A. – working capital facility in PLN (current portion)		26.12.2012	9 156
Bank PEKAO S.A. – working capital facility up to PLN 70,000 thousand		31.07.2010	24 094
Toyota Bank Polska S.A. – investment loan in PLN		28.06.2010	-
PKO BP S.A. – working capital facility up to PLN 20,000 thousand		30.06.2010	-
	Sefako Group		**14 569**
Bank PEKAO S.A. – bank overdraft up to PLN 6,000 thousand		31.10.2010	-
PKO BP S.A. – working capital facility up to PLN 12,000 thousand		29.08.2010	-
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	-
Fortis Bank Polska S.A. – bank overdraft 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
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*	1 780
* debt was paid off			
Bank Spółdzielczy w Sędziszowie– bank overdraft up to PLN 800 thousand		16.08.2010	237
	Naftobudowa Group		**7 341**
DZ Bank S.A. – bank overdraft up to PLN 10,000 thousand		30.06.2010	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	-
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

(in PLN thousands)

	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.		**12 560**
Pekao S.A. – bank overdraft up to PLN 10,000 thousand		30.06.2010	7 500
Fortis Bank Polska S.A. – bank overdraft up to PLN 4,000 thousand		25.10.2010	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
Fortis Bank Polska S.A. – long-term loan in PLN (current portion)		27.09.2012	-
	Tchervonograd		**101**
Ukrgazprombank – working capital facility in EUR		04.02.2010*	-
* debt was paid off			
Prominwestbank – credit line in UAH		16.12.2008	101
	Torpol Group*		**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	-
Alior Bank S.A. – credit facility in credit account up to PLN 4,000 thousand		27.08.2010	-
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.*		**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	-
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
	Naftoremont Group		**994**
Pekao S.A. – bank overdraft up to PLN 1,000 thousand		paid-off	994
	Energomontaż Północ Group		**20**
RBS Bank (Polska) S.A. – investment loan in EUR (current portion)		15.12.2013	-
DnB Nord Polska S.A. – multipurpose credit line up to PLN 2,000 thousand		30.04.2010	20

(in PLN thousands)

	Centrum Projektowe Polimex Mostostal Sp. z o.o.		**1 548**
BRE Bank S.A. – bank overdraft up to PLN 450 thousand		30.03.2010*	956
* debt was paid off			
Bank PEKAO S.A. – bank overdraft up to PLN 300 thousand		31.03.2010	-
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*		29.04.2010	392
* 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.			
	Polimex-Development Kraków Sp. z o.o.		**32 593**
PKO BP S.A. – investment loan in PLN		31.03.2010*	8 115
*maturity date has been changed to 31.06.2010.			
PKO BP S.A. – investment loan in PLN		30.06.2010	24 478
	Depolma GmbH		**13**
Commerzbank Dusseldorf - overdraft in EUR bank account		paid-off	**13**
	EPE Rybnik		**127**
DnB Nord Bank Polska S.A. – investment loan in PLN (current portion)		31.03.2013	-
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	**18**
Getin Bank S.A. – investment loan in PLN (current portion)		25.04.2011	**27**
	Projekt Południe		**5**
ING Bank Śląski – credit card debt in PLN		paid-off	**5**
	Coifer Group		**36 707**
Cassa Di Risparmie di Spleto Spa – loan in EUR		30.06.2010	**384**
Cassa Di Risparmie di Terni e Nami SpA – working capital facility in EUR		Open	-
Intensa Sanpaolo – investment loan in EUR (current portion)		01.11.2017	-
Banca Pop. Banca Pop. Di Spoleto – revolving working capital facility up to EUR 1,000 thousand		Open	**2 404**
Monte dei Pachi di Sienna – working capital facility in EUR		Open	**2 128**
Fortis Bank – bank overdraft up to EUR 4,500 thousand		01.10.2010	**16 662**
Banca Nationale Del Lavoro SpA		Open	-
Natural persons (former shareholders) – loans in EUR		31.12.2010	**15 129**
	ECE Remont Sp. z o.o.		-
PKO BP S.A. – bank overdraft up to PLN 1,000 thousand		04.06.2010	-
	Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.		-
Volkswagen Bank Polska S.A. – investment loan in PLN		05.11.2011	-

(in PLN thousands)

Non-current

	Parent company		**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	13 452
PKO BP S.A. – working capital facility in EUR		26.12.2012	-
PKO BP S.A. – working capital facility in PLN		26.12.2012	-
	Sefako Group		**41 796**
BRE Bank S.A. – investment loan in PLN		30.09.2011	2 133
PKO BP S.A. – investment loan in PLN		30.01.2016	-
Fortis Bank Polska S.A. – investment loan in PLN		29.01.2016*	37 012
* debt was converted to PKO BP S.A..			
Voivodship Environment Protection Fund – loan in PLN		31.10.2016	520
Voivodship Environment Protection Fund – loan in PLN		31.10.2016	831
Sędziszów Commune – loan in PLN		20.08.2012	1 300
	Stalfa Sp. zo.o.		**3 200**
Fortis Bank Polska S.A. – investment loan in PLN		31.12.2013	3 200
Fortis Bank Polska S.A. – long-term loan in PLN		27.09.2012	-
	PRInż -1 Sp. z o.o.		**1 892**
BOŚ S.A. – investment loan in PLN		30.06.2014	1 892
	Centrum Projektowe Polimex Mostostal Sp. z o.o.		**7 656**
Orzesko-Knurowski Bank Spółdzielczy – investment loan in PLN		18.12.2023	7 656
	Energomontaż Północ Group		**10 431**
RBS Bank (Polska) S.A. – investment loan in EUR		15.12.2013	10 431
	EPE Rybnik		**110**
Getin Bank S.A. – investment loan in PLN		25.02.2013	70
Getin Bank S.A. – investment loan in PLN		25.04.2011	40
Getin Bank S.A. – investment loan in PLN		31.03.2013	-
	Coifer Group		**20 086**
Cassa Di Risparmie di Spleto Spa – loan in EUR		30.06.2010	199
BRD – investment loan in EUR		01.04.2011	597
BRD – investment loans in EUR		01.09.2011	2 601
Intensa Sanpaolo – investment loan in EUR		01.11.2017	16 689
	ECE Remont Sp. z o.o.		
PKO BP S.A. – working capital facility in PLN		04.10.2012	-

(in PLN thousands)

	Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.		
Volkswagen Bank Polska S.A. – investment loan in PLN		05.10.2013	-
Interest-bearing bank loans and borrowings			**395 639**
Current, of which:			**276 905**
Bank loans			260 524
Borrowings			16 381
Non-current, of which:			**118 734**
Bank loans			112 686
Borrowings			6 048

Comparison of interest rates for the periods	*31 December 2010*	*31 December 2009 (restated)*	*1 January 2009 (restated)*
Weighted average for bank loans in PLN	WIBOR + 1.8273	WIBOR + 1.5675	WIBOR + 0.91011
Weighted average for bank loans in EUR	EURIBOR +1.9782 LIBOR + 0.9500	EURIBOR + 1.5504 LIBOR + 0.9500	EURIBOR + +1.7967

33. Debentures

	31 December 2010	*31 December 2009 (restated)*	*1 January 2009 (restated)*
Long-term debentures	367 435	367 396	317 168
Short-term debentures	39 331	39 797	40 629
Total debentures	**406 766**	**407 193**	**357 797**

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

A) long-term debentures:

1. at 25.07.2007 a block of coupon debentures not admitted for listing, denominated in PLN for the amount of PLN 100 million and with the maturity at 25.07.2012, and
2. on 16.10.2007 a block of coupon debentures not admitted for listing, denominated in PLN for the amount of PLN 73 million and with the maturity at 25.07.2013, and

Both blocks of coupon debentures were consolidated and until 25.07.2012 the maturity of half-year interest coupons falls at the same dates.

3. on 16.10.2009 a new block of long-term coupon debentures was issued for the total amount of PLN 194.5 million with maturity at 16.10.2012.

B) short-term debentures – on 28.06.2006 - 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 07.01.2009 and its present maturity is at 27.05.2011.

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

- liabilities for discounted debentures are PLN 32.5 million at the nominal value as of the statement preparation date;

liabilities for coupon debentures are PLN 367.5 million at the nominal value.

(in PLN thousands)

34. Other non-current liabilities

	31 December 2010	31 December 2009 (restated)	1 January 2009 (restated)
Arrangement payments	-	-	1 678
Leases	38 607	46 838	37 971
Non-current guarantee payment liabilities	44 480	47 618	29 955
Measurement of derivative instruments	-	-	6 360
Deposits	1 157	4 277	4 051
Financial asset purchase payables	1 175	2 375	12 668
Fixed asset purchase payables	996	1 488	-
Other	460	7 688	564
Total	**86 875**	**110 284**	**93 247**

35. Provisions

35.1. Movements in provisions

	Provisions for guarantee repairs and refunds	Restructuring provision	Post-employment benefits	Other provisions	Total
As at 1 January 2010	20 150	-	87 050	31 041	138 241
Acquisition of a subsidiary	-	-	85	-	85
Recognised during the year	14 765	217	17 100	16 032	48 114
Utilised	(1 544)	(217)	(1 510)	(5 318)	(8 589)
Released	(17 179)	-	(11 177)	(13 903)	(42 259)
Reclassifications	5 670	-	25	(5 784)	(89)
As at 31 December 2010	21 862	-	91 573	22 068	135 503
Current at 31 December 2010	12 858	-	10 326	19 921	43 105
Non-current at 31 December 2010	9 004	-	81 247	2 147	92 398

	Provisions for guarantee repairs and refunds	Restructuring provision	Post-employment benefits	Other provisions	Total
As at 1 January 2009	15 215	185	75 503	38 037	128 940
Acquisition of a subsidiary	-	-	123	-	123
Recognised during the year	15 914	-	19 870	24 187	59 971
Utilised	(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	-	-	-	-	-
As 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

(in PLN thousands)

35.2. Guarantee and refund provision

The Group recognised provisions for guarantee repairs in the amount of PLN 21,862 thousand as at 31 December 2010 and in the amount of PLN 20,150 thousand as at 31 December 2009. 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.

35.3. 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 recognised. The table below summarises the amounts of the provision and movements in the benefit liability over the period:

	31 December 2010	*31 December 2009 (restated)*
At the beginning of the period	87 050	75 503
Provision recognized	17 100	19 870
Benefits paid	(1 510)	(7 975)
Provision released	(11 177)	(517)
Change in the composition of the Group	85	123
Reclassifications	25	46
At the end of the period	**91 573**	**87 050**

35.3.1 *Main assumptions made by an actuary*

	31 December 2010	*31 December 2009*	*1 January 2009 (restated)*
Discount rate (%)	5.5	5.5	5.4
Future inflation index (%)	2.5	2.5	3.5
Future salary increases (%)	2.5	4.5	5.5

35.4. 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.

Parent company

As at 31 December 2010 other provisions are composed of provisions for fines in the amount of PLN 5,456, provisions for losses and costs on construction projects PLN 8,163 thousand and other provisions in the amount of PLN 1,291 thousand, as at 31 December 2009 the item was composed of provisions for fines in the amount of PLN 9,024 thousand, provisions for costs and losses on construction contracts in the amount of PLN 2,813 thousand, provision for consortium costs in the amount of PLN 853 thousand and other provisions amounting to PLN 5,550 thousand

36. Trade and other payables (current)

	31 December 2010	*31 December 2009(restated)*	*1 January 2009 (restated)*
Trade payables			
To related parties	17 738	47 311	29 265
To third parties	1 056 083	1 030 364	836 773
	1 073 821	**1 077 675**	**866 038**
Taxation, customs duty, social security and other payables			
VAT	53 349	65 421	32 606
Withholding tax	641	25	50
Personal income tax	10 929	10 392	11 625

(in PLN thousands)

Social Insurance Institution (ZUS)	42 037	41 732	39 117
National Disabled Persons Rehabilitation Fund (PFRON)	809	855	800
Other	2 108	342	1 602
	109 873	**118 767**	**85 800**
Financial liabilities			
Foreign currency contracts	565	7 238	105 238
Financial asset purchase payables	16 247	10 535	9 300
Leases	15 715	16 203	13 792
Other	2 305	3 877	146
	34 832	**37 853**	**128 476**
Other liabilities			
Remuneration payable to employees	46 006	42 066	40 757
Fixed asset purchase payables	10 728	19 217	16 452
Arrangement payment liabilities	1 837	1 837	4 691
Advance payments to supplies	-	28 034	20720
Social fund	1 130	628	2 091
Other liabilities	10 572	11 666	13 447
	70 273	**103 448**	**98 158**
Accruals arising from:			
Unused annual leave	18 236	20 888	20 073
Bonuses and rewards	23 789	25 293	23 340
Long-term contracts	8 059	8 624	25 513
Other	4 861	3 019	8 465
	54 945	**57 824**	**77 391**

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.

36.1. Trade payables with remaining maturity from the statement of financial position date

	31 December 2010	*31 December 2009 (restated)*	*1 January 2009 (restated)*
Up to one month	660 463	572 053	623 760
Over 1 month to 3 months	169 085	185 633	81 777
Over 3 months to 6 months	7 057	23 487	37 746
Over 6 months to 1 year	31 809	76 198	28 835
Past due liabilities	205 407	220 304	93 920
Total trade payables	**1 073 821**	**1 077 675**	**866 038**

36.2. Past due trade payables

	31 December 2010	*31 December 2009 (restated)*	*1 January 2009 (restated)*
Up to one month	96 331	127 131	62 958
Over 1 month to 3 months	41 677	77 752	18 599
Over 3 months to 6 months	32 470	3 214	2 389
Over 6 months to 1 year	16 180	4 587	6 165
Over 1 year	18 749	7 620	3 809
Total past due liabilities	**205 407**	**220 304**	**93 920**

(in PLN thousands)

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

37. Contingent liabilities

Off-statement of financial position items and court claims	*31 December 2010*	*31 December 2009 (restated)*	*1 January 2009 (restated)*
Contingent liabilities	**2 358 672**	**2 144 328**	**1 614 668**
To related parties	-	31 501	-
To other parties (arising from)	2 178 352	2 112 827	1 614 668
- guaranties and sureties granted	1 545 506	1 233 096	1 038 303
- promissory notes	79 524	146 893	218 512
- legal claims	16 232	14 133	19 997
- other	152 110	139 479	-
- contractual capped mortgage and ordinary mortgage	565 300	525 200	308 827
- conditional agreements	-	18 768	20 684
- assignment of the debt	-	35 258	8 345
Other (arising from)	**114 623**	**114 623**	**121 522**
- perpetual usufruct right to land	-	-	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	**2 473 295**	**2 258 951**	**1 736 190**

* 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 byPolimex-Mostostal S.A., and others are part of real property which is perpetually usufructed by Zarząd Majątkiem Górczewska Sp. z o.o.and administered by this company.

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.

Torpol Group

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. As at 31 December 2010 the Management concluded that final amount of the contingent payment is not enough probable to be recognised 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.

(in PLN thousands)

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 2010, as at 31 December 2009 and as at 1 January 2009 appropriate provisions were recorded for known and quantifiable tax risk.

38. Related party disclosures

The following table presents the total values of transactions with related parties entered into during the year ended 31 December 2010 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	*2010*				
Energomontaż Północ Bełchatów Sp. z o.o.		97	-	92	-
Polimex-Sices Sp. z o.o.		30 300	98 645	8 291	17 703
Laboratorium Ochrony Środowiska Pracy Sp. z o.o.		-	54	-	35
Sices Montaż		2 752	-	168	-
Terminal LNG S.A.		2	-	3	-
Total		**33 151**	**98 699**	**8 554**	**17 738**

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**

38.1. Terms and conditions of transactions with related parties

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

(in PLN thousands)

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

	Year ended 31 December 2010	*Year ended 31 December 2009*
Management Board		
Short-term employee benefits (salaries and surcharges)	5 863	5 075
Supervisory Board		
Short-term employee benefits (salaries and surcharges)	488	442
Total	6 351	5 517

Compensation paid by the Issuer to the Management Board for 2010 amounted to PLN 5,863 thousand and respectively PLN 5,075 thousand for 2009, of which:

		Year ended 31 December 2010	*Year ended 31 December 2009*
President of the Management Board	Konrad Jaskóła	2 311	1 844
Vice President of the Board	Aleksander Jonek	1 181	1 118
Vice President of the Board	Grzegorz Szkopek	1 259	1 057
Vice President of the Board	Zygmunt Artwik	1 112	1 056
Total		**5 863**	**5 075**

Disclosure on Company shares which are owned by the Management Board and Supervisory Board as at 31 December 2010, 31 December 2009 and 1 January 2009

As at 31 December 2010

Position held	Current number of shares held
Member of the Management Board	3,820,350
Member of the Management Board	1,939,075
Member of the Supervisory Board	96,548
Total	5,855,973

As at 31 December 2009

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

At 1 January 2009

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

(in PLN thousands)

Compensation of the Management Board in subsidiaries, of which:

		Year ended 31 December 2010	*Year ended 31 December 2009*
President of the Management Board	Konrad Jaskóła	156	131
Vice President of the Board	Grzegorz Szkopek	181	157
Vice President of the Board	Zygmunt Artwik	104	100
Vice President of the Board	Aleksander Jonek	61	34
Total		**502**	**422**

Compensation of the Management Board in associates, of which:

President of the Management Board	Konrad Jaskóła	575	78

Compensation paid to the Supervisory Board by the Issuer over 2010 amounted to PLN 488 thousand and over 2009 it amounted to PLN 442 thousand, of which:

		Year ended 31 December 2010	*Year ended 31 December 2009*
Chairman of the Supervisory Board,	Kazimierz Klęk	104	99
Vice Chairman of the Supervisory Board,	Jacek Kseń	38	-
Vice Chairman of the Supervisory Board,	Andrzej Szumański	82	87
Member of the Supervisory Board	Wiesław Rozłucki	41	73
Member of the Supervisory Board	Mieczysław Puławski	29	-
Member of the Supervisory Board	Janusz Lisowski	41	73
Member of the Supervisory Board	Jan Woźniak	30	-
Secretary of the Supervisory Board,	Artur P. Jędrzejewski	75	31
Secretary of the Supervisory Board,	Elżbieta Niebisz	48	79
Total		**488**	**442**

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 Management reviews and agrees on policies for managing each of these risks - the policies are summarised 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 Management reviews and agrees on policies for managing each of these risks - the policies are summarised 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 2010 the Group held the following financial instruments measured at fair value:

(in PLN thousands)

	Level 1	*Level 2*	*Level 3*
Financial assets at fair value through profit or loss – derivative instruments	-	10 054	-
Available-for-sale financial assets	-	-	-
Financial liabilities measured at fair value, of which:	-	565	-
- hedge accounting		-	
-derivative instruments		565	

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 1 January 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	-	-	-
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 2010 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 of 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 2010			
Cash in bank accounts	373 814	1 869	(1 869)
Loans granted	104	1	(1)
Bank loans and borrowings received	461 549	(2 308)	2 308
Obligations under finance lease agreements	54 322	(272)	272
Debentures	406 766	(2 034)	2 034
Effect on profit before tax	**-**	**(2 744)**	**2 744**
Deferred tax	-	521	(521)
Total	**-**	**(2 223)**	**2 223**
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**

(in PLN thousands)

Year ended 1 January 2009			
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**

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: 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 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:

I) companies which have document risk management strategy and implemented hedge accounting policies; this group includes Polimex-Mostostal 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 recognised as an effective hedge - directly in other comprehensive income,

in portion recognised as ineffective - in the income statement.

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

Polimex-Mostostal S.A.

Polimex-Mostostal S.A. financial cash flows are characterised by significant sensitivity to fluctuations of exchange rate relations which results from the fact that foreign currency revenues constitute substantial part of the total enterprise turnover. Basic foreign currency for the Company turnover is still the euro. To minimise 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. Open transactions of derivative instruments are subject to current valuation with its results included in the enterprise's books of account.

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 the hedge accounting makes it possible to symmetrically present the compensating impact on the financial result of the current period of the hedging instrument fair value and hedged item corresponding to it.

As a result gains/losses on hedging transactions affect the profit/loss in the same period as the gains/losses on items they hedge.

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.

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 Company has transactional foreign currency exposures. Over 25% of transactions executed by the Company are denominated in currencies other than the presentation currency, whereas more than 90% of costs are denominated in this presentation currency.

Natural hedging i.e. hedging of currency risk by concluding transactions generating costs in currency of revenues, is the basic method of protection against price risk applied by the Company. If currency risk may not be hedged by natural hedging, the Company applies currency hedges – based on derivative financial instruments related to currency market – defined by the currency risk management strategies of the Company. These are in particular the following instruments:

- forward future contracts,
- currency PUT options (acquired options),
- structures optionally generated from PUT and CALL options – among the other things the so-called "zero-cost" symmetrical currency corridors built with PUT and CALL options of the same nominal value for the given expiry date of options (see details below).

Disclosure on concluded hedging transactions

As at 31 December 2010 the Polimex-Mostostal S.A. Company was a party to 33 hedging transactions as characterised below (both nominal values as well as price conditions for instruments to be exercised after 31.12.2010):

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

I. Foreign currency options

The Company is the party to 4 symmetrical option transactions concluded between 18 June 2009 and 8 December 2010. The total nominal value of currency options to be exercised over the period between 4 January 2010 and 20 June 2011 amounts to EUR 7,039,000 (in each case the nominal value of the acquired PUT option clears the nominal value of the issued CALL option). The exercise rates of PUT options the Company is entitled to range from 3.95 PLN/EUR to 4.55 PLN/EUR depending on a transaction. The exercise rates of CALL options issued by the Company range from 4.20 PLN/EUR to 4.68 PLN/EUR depending on a transaction.

Additionally, as at 31.12.2010 there is an option strategy of 28.08.2008 entered into by former Energomontaż-Północ S.A. that consists of a pair of PUT and CALL options worth EUR 750,000 each. The effective exercise rate for both options is 3.35 PLN/EUR.

II. Forward future contracts

1. A forward future contract of 5 June 2009 to sell EUR 300,000 for PLN to be exercised at 31 March 2011. The forward rate was specified at 4.6010 PLN/EUR;

2. A forward future contract of 27 October 2009 to sell the total of EUR 333,000 for PLN to be exercised at 27 May 2011. The forward rate was specified at 4.3385 PLN/EUR. It is the intention of the Company to gradually „shorten" transactions and materialise the hedged item in connection with which the hedging transaction was opened;

3. A series of forward future contracts of 16 December 2009 on the sale of the total amount of EUR 1,795,000 for PLN to be exercised in 3 dates in the period from 10 January 2011 to 3 June 2011. The forward rate for each maturity date was specified at 4.2650 PLN/EUR;

4. A forward future contract of 3 March 2010 to sell EUR 154,000 for PLN to be exercised on 15 June 2011. The forward rate was specified at 3.9610 PLN/EUR;

5. The series of forward contracts of 29 April 2010 to sell the total amount of EUR 3,000,000 for PLN to be exercised in 3 dates in the period from 7 January 2011 to 7 March 2011. Forward rates range from 3.9650 PLN/EUR to 3.9770 PLN/EUR;

6. A forward future contract of 5 May 2010 to sell EUR 1,200,000 for PLN to be exercised at 25 February 2011. The forward rate was specified at 4.0730 PLN/EUR;

7. A forward future contract of 5 May 2010 to sell EUR 116,000 for PLN to be exercised at 30 March 2011. The forward rate was specified at 4.0743 PLN/EUR;

8. A forward future contract of 6 May 2010 to sell the total of EUR 1,660,000 for PLN to be exercised at 30 June 2011. The forward rate was specified at 4.2300 PLN/EUR. It is the intention of the Company to gradually „shorten" transactions and materialise the hedged item in connection with which the hedging transaction was opened;

9. A series of forward future contracts of 21 May 2010 on the sale of the total amount of EUR 449,000 for PLN to be exercised in 2 dates in the period between 28 January 2011 and 29 March 2011. The forward rate for each maturity date was specified at 4.1810 PLN/EUR;

10. A series of forward future contracts of 7 June 2010 on the sale of the total amount of EUR 2,338,000 for PLN to be exercised in 4 dates in the period between 25 January 2011 and 3 June 2011. The forward rate for each maturity date was specified at 4.2112 PLN/EUR;

11. A forward future contract of 19 July 2010 to sell the total of EUR 3,740,000 for PLN to be exercised at 28 June 2011. The forward rate was specified at 4.2000 PLN/EUR. It is the intention of the Company to gradually „shorten" transactions and materialise the hedged item in connection with which the hedging transaction was opened;

12. A series of forward future contracts of 29 October 2010 on the sale of the total amount of EUR 1,383,000 for PLN to be exercised in 2 dates in the period between 14 January 2011 and 28 January 2011. The forward rate for each maturity date was specified at 4.0001 PLN/EUR;

13. A forward future contract of 26 November 2010 to sell the total of EUR 1,800,000 for PLN to be exercised at 30 September 2011. The forward rate was specified at 4.1100 PLN/EUR. It is the intention of the Company to gradually „shorten" transactions and materialise the hedged item in connection with which the hedging transaction was opened;

14. A series of forward future contracts of 26 November 2010 on the sale of the total amount of EUR 1,983,000 for PLN to be exercised in 3 dates in the period between 20 September 2011 and 10 November 2011. The forward rate for each maturity date was specified at 4.1000 PLN/EUR;

15. A series of forward future contracts of 6 December 2010 on the sale of the total amount of EUR 350,000 for PLN to be exercised in 3 dates in the period between 17 January 2011 and 28 March 2011. The forward rate for each maturity date was specified at 4.0205 PLN/EUR;

16. A series of forward future contracts of 8 December 2010 on the sale of the total amount of EUR 2,810,000 for PLN to be exercised in 8 dates in the period between 24 March 2011 and 26 October 2011. The forward rate for each maturity date was specified at 4.1017 PLN/EUR;

17. A series of forward future contracts of 8 December 2010 on the sale of the total amount of EUR 2,035,000 for PLN to be exercised in 5 dates in the period between 26 May 2011 and 27 September 2011. The forward rate for each maturity date was specified at 4.1087 PLN/EUR;

18. 2 forward future contracts of 10 December 2010 to sell the total amount of EUR 5,500,000 for PLN to be exercised at 29 July 2011 and 30 April 2012. Forward rates for both dates were specified at 4.1117 PLN/EUR. It is the intention of the Company to gradually „shorten" transactions and materialise the hedged item in connection with which the hedging transaction was opened;

19. A forward future contract of 10 December 2010 to sell the total of EUR 3,500,000 for PLN to be exercised at 30 December 2011. The forward rate was specified at 4.1340 PLN/EUR. It is the intention of the Company to gradually „shorten" transactions and materialise the hedged item in connection with which the hedging transaction was opened;

20. A series of forward future contracts of 13 December 2010 on the sale of the total amount of EUR 600,000 for PLN to be exercised in 6 dates in the period between 12 January 2011 and 14 June 2011. The forward rate for each maturity date was specified at 4.0526 PLN/EUR;

21. A forward future contract of 15 December 2010 to sell EUR 122,000 for PLN to be exercised on 29 April 2011. The forward rate was specified at 4.0105 PLN/EUR;

22. A series of forward future contracts of 30 December 2010 on the sale of the total amount of EUR 601,000 for PLN to be exercised in 2 dates in the period between 30 March 2011 and 30 May 2011. The forward rate for each maturity date was specified at 4.0033 PLN/EUR;

B. Reducing volatility of cash flows related to the PLN/GBP pair.

I. Foreign currency options

On 15 April 2010 and 5 May 2010 the Company agreed on conditions of symmetrical foreign currency option transactions 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 3,370,000 (in each case the nominal value of acquired PUT option clears the nominal value of issued CALL option). Exercise rates of PUT options the Company is entitled to amount to 4.38 PLN/GBP for the transaction of 15 April 2010 and 4.65 PLN/GBP for the transaction of 5 May 2010, while exercise rates of CALL options issued by the Company amount to 4.85 PLN/GBP and 5.1490 PLN/GBP respectively.

II. Forward future contracts

1. A series of forward future contracts of 30 November 2010 on the sale of the total amount of GBP 544,000 for PLN to be exercised in 2 dates in the period between 15 July 2011 and 15 November 2011. The forward rate for each maturity date was specified at 4.9340 PLN/GBP;

2. A series of forward future contracts of 1 December 2010 on the sale of the total amount of GBP 544,000 for PLN to be exercised in 2 dates in the period between 25 July 2011 and 25 November 2011. The forward rate for each maturity date was specified at 4.8660 PLN/GBP;

3. A series of forward future contracts of 20 December 2010 on the sale of the total amount of GBP 581,000 for PLN to be exercised in 2 dates in the period between 15 March 2011 and 16 May 2011. The forward rate for each maturity date was specified at 4.7545 PLN/GBP;

C. Reducing volatility of cash flows related to the PLN/USD pair.

On 20 December 2010 the Company entered into a forward future transaction to sell the amount of USD 1,350,000 for PLN to be exercised on 31 January 2011. The exercise rate was specified at 3.0429 PLN/USD.

The parameters of the hedging instruments presented above fully guarantee the level of exchange rate relations required by the Company and necessary for reaching planned financial results on a hedged item. As a result, possible negative cash flows resulting from the settlement of the hedging instruments should not be perceived as a loss, but only as an unrealised additional benefit (above the previous assumption of the Company).

Summing up, as at 31.12.2010 Polimex-Mostostal S.A. had open hedging transactions for the amount of EUR 43,558,000, GBP 5,039,000 and USD 1,350,000. In each case the hedged item is highly probable future cash flows from foreign currency contracts being executed by the Company (supply of steel products and rendering of construction services).

Maturity dates of hedging transactions for the amount of EUR 42,358,000 fall in 2011. The remaining EUR 1,200,000 is to be exercised in 1st half of 2012. Expiry dates of transactions for PLN/GBP pair fall in the period from 15 March 2011 to 13 April 2012. The maturity of the instrument hedging the fluctuations of PLN/USD is in January 2011.

The table below presents the schedule for the settlement of PLN/EUR hedging instruments in each quarter of 2011:

Quarter the hedging instrument is exercised in 2011*	Nominal value of a hedging derivative 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**
1st quarter	4 230	16 155	20 385
2nd quarter	3 559	8 194	11 753
3rd quarter	0	7 115	7 115
4th quarter	0	3 105	3 105
Total in 2011	**7 789**	**34 569**	**42 358**

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

Measurement of derivative instruments as at 31 December 2010.

As at 31 December 2010, fair value of the open derivative instruments was assessed at PLN 6,112.1 thousand. In accordance with the hedge accounting policy approved by the Company, effectiveness of hedging connections was measured. Cash flow hedging was recognized as highly effective and the change of the effective part of fair value of financial instruments was shown in equity in the position “Revaluation capital” according to the following order (amounts after including the effect in the deferred tax) – data in thousands PLN:

As at 30.09.2010	Movement in 4th quarter 2010	As at 31.12.2010
4 003	(152)	3 851

Temporary value of currency options which was excluded from the efficiency measurement was reflected in the profit and loss account in financial activity (finance costs/finance income).

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

Fluctuations of the average exchange rate of EUR have significant influence on the amount of income expressed in PLN resulting 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 2011 as follows:

Detailed list	**2011**
Projected foreign currency proceeds – equivalent in EUR thousands	222 796
Future foreign currency expenditures – equivalent in EUR thousands	100 531
Business exposure to foreign currency risk in EUR thousand	**122 265**
Open hedging transactions as at 31.12.2010 to be exercised in 2011; in EUR thousands	42 358
Open item in foreign currency (after taking into consideration hedging transactions) in EUR thousands	**79 907**

The nominal value of open hedging instruments as at 31 December 2010 accounts for 35% of total projected exposure to foreign currency risk in 2011. Foreign currency cash flows for contracts concluded by the Company by the date of the completion of this list account for more than 60% of business exposure computed as above. As a result, business exposure to foreign currency risk for cash flows contracted as at 31.12.2010 was covered in 57% by hedging transactions.

Fluctuations of the exchange rate of PLN/EUR shall have a neutral impact upon financial performance of the Company in the scope of cash flows from foreign currency contracts under hedging instruments. Current influence of this parameter shall relate to the part of foreign currency revenues (net proceeds) as yet not covered by hedging transactions.

After 31 December 2010 the Company entered into the following hedging transaction:

- ❖ an option transaction in the form of a currency corridor entered into on 14.02.2011. The total nominal value of currency options to be exercised in 4 dates over the period between 21 April 2011 and 12 August 2011 amounts to EUR 2,170,000 (in each case the nominal value of the acquired PUT option clears the nominal value of the issued CALL option). The exercise exchange rates of PUT options the Company is entitled to are 3.90 PLN/EUR, whereas the exercise exchange rates of CALL options issued by the Company are 4.0150 PLN/EUR.
- ❖ a series of forward future contracts of 22.02.2011 to sell the total amount of EUR 1,097,000 for PLN to be exercised in four dates between 29.04.2011 and 31.10.2011. The forward rate for all dates was specified at 4.0100 PLN/EUR;
- ❖ a series of forward future contracts of 22.02.2011 to sell the total amount of EUR 400,000 for PLN to be exercised in four dates between 07.03.2011 and 07.06.2011. The forward rate for all dates was specified at 3.9750 PLN/EUR;
- ❖ option transaction in the form of a currency corridor entered into on 23.02.02.2011. The total nominal value of currency options to be exercised in 6 dates over the period between 3 March 2011 and 4 August 2011 amounts to EUR 3,000,000 (in each case the nominal value of the acquired PUT option clears the nominal value of the issued CALL option). The exercise exchange rates of PUT options the Company is entitled to are 3.90 PLN/EUR, whereas the exercise exchange rates of CALL options issued by the Company are 4.1000 PLN/EUR.

In total in 2011 till the date of preparation of these financial statements the exposure at the nominal value of EUR 24,695 thousand was hedged

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 are in particular the following instruments:

- ❖ forward future 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.

In the 4th quarter 2010 the Group companies consequently applied the implemented policies for foreign currency risk management. Below are transactions entered into by Group companies in the 4th quarter 2010 (excluding Polimex-Mostostal S.A.) binding until 31 December 2010.

Torpol Sp. z o.o.

- on 31 December 2010 the Company postponed the maturity of the part of nominal value of a forward future contract to be exercised on this date. The shift in maturity referred to the amount of EUR 3,632 thousand. The new maturity was specified at 01.03.2011 for the amount of EUR 1,272.6 thousand and 29.04.2011 for the amount of EUR 2,359.4 thousand. The forward rate for both dates was specified at 4.4275 PLN/EUR. The operations adjusted the hedging instrument to the expected exercise date of the business item it covered.

Energomontaż Północ Gdynia Sp. z o.o.

- a forward future contract of 29.10.2010 to sell the total amount of EUR 64,000 for PLN to be exercised on 22.02.2011. The forward rate was specified at 3.9985 PLN/EUR;
- a forward future contract of 29.10.2010 to sell the total amount of EUR 10,600 for PLN to be exercised on 14.03.2011. The forward rate was specified at 4.0025 PLN/EUR;
- a forward future contract of 08.12.2010 to sell the total amount of NOK 382,400 for PLN to be exercised on 23.03.2011. The forward rate was specified at 0.5074 PLN/NOK;
- a forward future contract of 08.12.2010 to sell the total amount of NOK 764,900 for PLN to be exercised on 25.05.2011. The forward rate was specified at 0.5082 PLN/NOK;
- a forward future contract of 08.12.2010 to sell the total amount of NOK 509,900 for PLN to be exercised on 26.01.2011. The forward rate was specified at 0.5070 PLN/NOK;
- a forward future contract of 08.12.2010 to sell the total amount of NOK 382,400 for PLN to be exercised on 16.01.2011. The forward rate was specified at 0.5067 PLN/NOK;
- a forward future contract of 09.12.2010 to sell the total amount of NOK 764,900 for PLN to be exercised on 13.07.2011. The forward rate was specified at 0.5050 PLN/NOK;
- a forward future contract of 09.12.2010 to sell the total amount of NOK 127,400 for PLN to be exercised on 13.07.2011. The forward rate was specified at 0.5053 PLN/NOK;

Disclosure on the volume of concluded hedging transactions

As at 31 December 2010 the total maximum nominal value of open hedging transactions entered into by the Group companies (including Polimex-Mostostal S.A.) amounted to EUR 54,265 thousand, GBP 5,039 thousand, USD 1,350 thousand and NOK 2,932 thousand.

Transactions for the EUR/PLN pair will have been settled in 98% by 31 December 2011. The time composition of hedging instruments for the foreign currency risk for EUR/PLN 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 thousands*
1st quarter	28 732
2nd quarter	14 113
3rd quarter	7 115
4th quarter	3 105
Total in 2011	**53 065**
After 31.12.2011	1 200
TOTAL	**54 265**

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

Measurement of derivative instruments as at 31 December 2010.

Certain Group companies execute effectively implemented hedge accounting policies. In case of these entities (in particular Polimex-Mostostal S.A and Torpol Sp. z o.o.) the fair value of hedging instruments and (and its changes) in part recognised as an effective hedge is transferred to revaluation reserve. The remaining portion (including the portion which is excluded from effectiveness measurement) is recognised directly in the profit and loss. In case of other entities using derivative instruments for foreign currency risk management, the fair value measurement is recognised in the profit and loss.

As at 31 December 2010 the total fair value of open instruments hedging foreign exchange risk in the Group was calculated at the amount of PLN 9,081.0 thousand. Practically, the entire valuation is attributable to companies applying hedge accounting. 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 and a portion attributable to non-controlling interest) – in PLN thousands.

As at 30.09.2010	Movement in 4th quarter 2010	As at 31.12.2010
5 528	(1 633)	3 895

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

Fluctuations of the average exchange rate of EUR have significant influence on the amount of income expressed in PLN resulting 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 2011 as follows:

Detailed list	**2011**
Projected foreign currency proceeds – in EUR thousands	325 622
Projected foreign currency expenditure – in EUR thousands	144 102
Business exposure to foreign currency risk in EUR thousand	**181 520**
Open hedging transactions as at 31.12.2010 to be exercised in 2011; in EUR thousands	53 065
Open item in foreign currency (after taking into consideration hedging transactions) in EUR thousands	**128 455**

The nominal value of open hedging instruments as at 31 December 2010 accounts for 29% of total projected exposure to foreign currency risk in 2011. Foreign currency cash flows for contracts concluded by the Group companies by the date of the completion of this list account for over 62% of business exposure computed as above. As a result, business exposure to foreign currency risk for cash flows contracted as at 31.12.2010 was covered in 47% 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.

After 31 December 2010 Group Companies (apart from Polimex-Mostostal S.A.) entered into the following hedging transactions in the total amount of EUR 5,274.1 thousand:

Foreign currency risk exposure*

	31 December 2010			*31 December 2009*			*1 January 2009*		
	EUR	*USD*	*GBP*	*EUR*	*USD*	*GBP*	*EUR*	*USD*	*SEK*
Trade receivables	75 524	5 844	856	56 158	7 046	1 046	62 790	7 779	8 495
Hedged bank loans	14 663	-	-	17 242	-	-	14 800	-	-
Trade payables	32 776	1 073	-	23 732	1 183	1 086	21 342	493	1 077
Gross carrying amount	28 085	4 771	856	15 184	5 863	(40)	26 648	7 286	7 418
Estimated sales forecast	325 622	2 821	4 747	431 751	8 928	3 080	427 360	9 814	-
Estimated purchase forecast	144 102	18 864	189	202 300	16 619	1 927	160 823	10 999	-
Gross exposure	181 520	(16 043)	4 558	229 451	(7 691)	1 153	266 537	(1 185)	-
Forward foreign currency contracts	(46 026)	(1 350)	(1 669)	(50 270)	-	-	(23 100)	(1 300)	-
Foreign currency option contracts	(7 039)		(2 080)	(27 358)			(110053)		
Net exposure	155 340	(12 622)	1 665	167 007	(1 828)	1 113	160 032	4 801	7 418

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

(in PLN thousands)

Foreign currency risk sensitivity analysis at 31 December 2010

	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	61 586	5 807	(5 807)	257	(257)	94	(94)
Trade and other receivables	333 226	31 315	(31 315)	1 729	(1 729)	393	(393)
Derivative financial instruments	29 122	2 753	(2 753)	(399)	399	-	-
Trade and other payables	142 930	(13 975)	13 975	(318)	318	-	-
Bank loans, borrowings and other sources of finance	58 074	(5 807)	5 807	-	-	-	-
Effect on profit before tax	-	20 093	(20 093)	1 269	(1 269)	487	(487)
Derivative financial instruments	18 831	(12 772)	13 351	-	-	(1 932)	1 928
Effect on total comprehensive income	**-**	**(12 772)**	**13 351**	-	-	(1 932)	1 928

Foreign currency risk sensitivity analysis at 31 December 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)
Derivative financial instruments	(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)
Derivative financial instruments	5 295	(14 422)	16 039	-	-	-	-
Effect on total comprehensive income	**-**	**(14 422)**	**16 039**	-	-	**-**	**-**

Analysis of sensitivity of foreign currency risk at 1 January 2009

	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)
Derivative financial instruments	(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)
Derivative financial instruments	(64 427)	(27 320)	25 713	(382)	387	-	-
Effect on total comprehensive income	**-**	**(27 320)**	**25 713**	**(382)**	**387**	**-**	**-**

(in PLN thousands)

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 Group 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 minimise 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 summarises the maturity profile of the Group's financial liabilities at 31 December 2010 and 31 December 2009 based on contractual undiscounted payments.

31 December 2010	*On demand*	*3 months and less*	*3-12 months*	*1-5 years*	*Over 5 years*	*Total*
Interest bearing bank loans and borrowings	-	22 936	254 471	172 795	11 347	461 549
Debentures	-	39 331	-	367 435	-	406 766
Other non-current liabilities, of which:	-	-	-	80 198	6 677	86 875
- Leases	-	-	-	31 930	6 677	38 607
- Derivatives	-	-	-	-	-	-
Trade and other payables, of which:	250 936	975 015	62 374	302	172	1 288 799
- Leases	-	4 138	11 577	-	-	15 715
- Derivatives		141	424	-	-	565
	250 936	**1 037 282**	**316 845**	**620 730**	**18 196**	**2 243 989**

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

(in PLN thousands)

- Derivatives	-	-	-	-	-	-
Trade and other payables, of which:	379 869	840 466	124 578	-	-	1 344 913
- Leases	-	2 274	15 827	-	-	18 101
- Derivatives		2 431	4 807	-	-	7 238
	379 869	**853 774**	**269 614**	**556 107**	**176 733**	**2 236 097**

1 January 2009	*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
- Derivatives	-	-	-	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
- Derivatives		23 926	81 312	-	-	105 238
	438 846	**588 409**	**473 725**	**488 854**	**53 880**	**2 043 714**

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.

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.

	Category in accordance with IAS 39	***Carrying amount***			***Fair value***		
		31 December 2010	*31 December 2009*	*1 January 2009*	*31 December 2010*	*31 December 2009*	*1 January 2009*
Financial assets		**1 729 307**	**1 706 352**	**1 543 319**	**1 729 307**	**1 706 352**	**1 543 319**
Long-term shares and interests*		1 176	1 388	3 015	1 176	1 388	3 015
Available-for-sale financial assets	AFS	594	138	-	594	138	-
- non-current		-	-	-	-	-	-
- current		594	138	-	594	138	-
Financial assets held to maturity,	HtM	158	-	567	158	-	567
- non-current		158	-	567	158	-	567
- current		-	-	-	-	-	-
Current financial assets at fair value		-	-	-	-	-	-
Other financial assets	LaR	3 819	7 908	8 673	3 819	7 908	8 673

(in PLN thousands)

- non-current		2 862	2 713	996	2 862	2 713	996
- current		957	5 195	7 677	957	5 195	7 677
Trade receivables	LaR	1 339 692	1 248 702	1 235 664	1 339 692	1 248 702	1 235 664
Derivative financial instruments, of which:	FVtPoL	10 054	10 839	159	10 054	10 839	159
- *Forward* foreign currency contracts .	FVtPoL	8 907	8 302	-	8 907	8 302	-
- Currency futures contracts	FVtPoL	1 147	2 537	159	1 147	2 537	159
- Interest rate options		-	-	-	-	-	-
- Interest rate swaps (IRS)		-	-	-	-	-	-
Cash and cash equivalents	FVtPoL	373 814	437 377	295 241	373 814	437 377	295 241

*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***			***Fair value***		
		31 December 2010	*31 December 2009*	*1 January 2009*	*31 December 2010*	*31 December 2009*	*1 January 2009*
Financial liabilities		**1 638 525**	**1 562 224**	**1 473 954**	**1 638 525**	**1 562 224**	**1 473 954**
Bank overdraft	FLaAC	111 676	39 197	116 691	111 676	39 197	116 691
Interest-bearing bank loans and borrowings, of which:	FLaAC	349 873	311 627	278 948	349 873	311 627	278 948
- long-term with floating interest rate*	FLaAC	183 074	235 998	99 782	183 074	235 998	99 782
- short-term with floating interest rate*		165 731	75 629	178 298	165 731	75 629	178 298
- long-term with fixed interest rate	FLaAC	1 068	-	-	1 068	-	-
- other - non-current	FLaAC	-	-	868	-	-	868
Other liabilities (non-current), of which:	FLaAC	86 875	110 284	86 887	86 875	110 284	86 887
- Finance lease and hire purchase contracts	FLaAC	38 607	46 838	37 971	38 607	46 838	37 971
- Guarantee payments and deposits		45 637	51 895	34 006	45 637	51 895	34 006
- Other	FLaAC	2 631	11 551	14 910	2 631	11 551	14 910
Trade payables	FLaAC	1 073 821	1 077 675	866 038	1 073 821	1 077 675	866 038
Short-term lease		15 715	16 203	13 792	15 715	16 203	13 792
Derivative financial instruments, of which:	FVtPoL	565	7 238	111 598	565	7 238	111 598
Recognised in revaluation reserve	FVtPoL	-	2 055	64 427	-	2 055	64 427
- foreign currency *option* contracts	FVtPoL	-	2 048	53 820	-	2 048	53 820
- forward foreign currency contracts	FVtPoL	-	7	10 607	-	7	10 607
Recognised in the profit and loss	FVtPoL	565	5 183	47 171	565	5 183	47 171
- currency futures contracts	FVtPoL	-	4 914	45 012	-	4 914	45 012
- forward foreign currency contracts	FVtPoL	565	269	2 159	565	269	2 159

(in PLN thousands)

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

Year ended 31 December 2010

	Category in accordance with IAS 39	*Interest income / (expense)*	*Foreign exchange gains / (losses)*	*Released provisions for impairment*	*Sales adjustment for hedging transactions*	*Valuation gains / (losses)*	*Gain / (loss) on disposal*	*Other*	*Total*
Financial assets		***6 372***	***(10 247)***	***5 490***	***15 584***	***4 312***	***3 647***	***386***	***25 544***
Shares and interests		-	-	-	-	-	-	-	-
Available-for-sale financial assets	AFS	-	-	-	-	-	-	-	-
Financial assets held to maturity,		-	-	-	-	-	-	-	-
Financial assets at fair value		1 197	-	-	-	-	-	-	1 197
Other financial assets	LaR	(96)	114		-	(813)	-	2	(793)
Trade and other receivables	LaR	1 865	(12 628)	5 490	6 105	563	-	384	1 779
Derivative financial instruments	FVtPoL	-	-		9 479	4 489	3 647	-	17 615
Cash and cash equivalents	FVtPoL	3 406	2 267	-	-	73	-	-	5 746

	Category in accordance with IAS 39	*Interest income / (expense)*	*Foreign exchange gains / (losses)*	*Released provisions for impairment*	*Sales adjustment for hedging transactions*	*Valuation gains / (losses)*	*Gain / (loss) on disposal*	*Other*	*Total*
Financial liabilities		***(46 791)***	***4 526***	***4***	***-***	***1 182***	***(2 143)***	***(1 476)***	***(44 698)***
Bank overdrafts		(2 774)	-	-				(151)	(2 925)
Interest-bearing bank loans and borrowings	FLaAC	(15 836)	-	-	-	-	-	(337)	(16 173)
Debentures	FLaAC	(26 341)	-	-	-	-	-	-	(26 341)
Other non-current liabilities	FLaAC	(246)	-	-	-	-	-	(29)	(108)
- leases		(240)	(433)	-	-	-	-	-	(714)
Trade and other payables, of which:	FLaAC	(1 594)	5 627	4	-	85	-	(959)	3 163
- leases		(1 069)	506	-	-	130	-	-	(433)
Derivative financial instruments	FVtPoL	-	(662)		-	1 097	(2 143)	-	(1 708)
Total		***(40 419)***	***(5 721)***	***5 494***	***15 584***	***5 494***	***1 504***	***(1 090)***	***(19 154)***

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)
Derivative financial instruments	FVtPoL	-	-	48 563	4 019	5 855	-	58 437
Cash and cash equivalents	FVtPoL	6 445	2 534	-	-	-	-	8 979

(in PLN thousands)

	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)
Derivative financial instruments	FVtPoL	-	-	(299)	34 944	(42 132)	-	(7 487)
Total		***(41 670)***	***(16 657)***	***48 264***	***39 097***	***(35 057)***	***(2 961)***	***(8 984)***

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 2010

Fixed rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Finance lease and hire purchase contracts	-	-	-	-	-	-	-
Obligations under finance leases and hire purchase contracts recognised in the balance sheet item of long-term interest-bearing bank loans and borrowings	-	-	-	-	-	-	-
Bank loan	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

Floating rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	373 814	-	-	-	-	-	373 814
Loans granted	44	60	-	-	-	-	104
Bank overdrafts	111 676	-	-	-	-	-	111 676
Working capital facility and investment loan	164 297	42 236	39 134	37 607	41 937	20 465	345 676
Leases	15 715	14 524	8 256	4 107	3 429	8 291	54 322
Debentures	39 331	294 435	73 000	-	-	-	406 766
Borrowings	1 434	1 453	652	152	152	354	4 197
Total	706 311	352 708	121 042	41 866	45 518	29 110	1 296 555

(in PLN thousands)

Year ended 31 December 2009

Fixed rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Finance lease and hire purchase contracts	-	-	-	-	-	-	-
Obligations under finance leases and hire purchase contracts recognised in the balance sheet item of long-term interest-bearing bank loans and borrowings	-	-	-	-	-	-	-
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

Year ended 1 January 2009

Fixed rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Finance lease and hire purchase contracts	525	259	-	-	-	-	784
Obligations under finance leases and hire purchase contracts recognised in the balance sheet item of long-term interest-bearing bank loans and borrowings	-	-	-	-	-	-	-
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

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 maximise 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 unrealised gains reserve.

(in PLN thousands)

	31 December 2010	*31 December 2009*	*1 January 2009*
Interest-bearing bank loans, borrowings and debentures	868 315	758 017	753 436
Trade and other payables	1 375 674	1 448 027	1 271 719
Less cash and cash equivalents	373 814	437 377	295 241
Net debt	1 870 175	1 768 667	1 729 914
Equity attributable to equity holders of the parent	1 458 698	1 363 079	1 127 832
Capital and net debt	**3 328 873**	**3 131 746**	**2 857 746**
Gearing ratio (net debt/capital and net debt)	56.2%	56.5%	60.5%

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 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 shares with nominal value of PLN 0.04 (say oh point zero four) 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 2010 the balance of provision for these plans recognised as Group's administrative expenses amounts to PLN 33,221 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 recognised receivables and liabilities arising from the valuation of long-term construction services contracts in the parent company was as follows:

	Year ended 31 December 2010	*Year ended 31 December 2009*	*At 1 January 2009 31 December 2008*
Revenue from rendering services accounted for using the method of contract completion for the given period, of which:			
- revenue from sales (invoiced)	3 864 989	3 997 034	3 156 362
- other revenue (adjusted upwards)	208 792	(162 678)	3 000
Total	**4 053 781**	**3 834 356**	**3 159 362**
Total amount of incurred expenses and recognised gains (less recognised losses)	3 543 895	3 456 952	3 000 050
Advance payments received	166 080	91 880	263 213
Retained amounts	82 729	44 492	83 157
Gross amount owed by employers for works under the contract (asset)	416 655	285 848	374 687
Gross amount owed to employers for works under the contract (liability)	102 981	180 966	107 127

(in PLN thousands)

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

	31 December 2010	*31 December 2009*	*1 January 2009*
To settle within:			
- above 12 months	39 353	16 192	44 812
- up to 12 months	43 376	28 300	38 345
Total	**82 729**	**44 492**	**83 157**

45. Employment structure

The average employment in the Group over the period of 2010 and 2009 was as follows:

	31 December 2010	*31 December 2009*
The Management Board of the Parent Company	4	4
Management Boards of Group companies	65	63
Back office	2 132	2 248
Production	12 051	12 280
Total	**14 252**	**14 595**

46. Assets pledged as security

	31 December 2010	*31 December 2009*	*1 January 2009*
Property, plant and equipment	622 340	541 310	528 625
Inventories	162 280	161 012	161 012
Other	1 449	2 677	3 528
Total	**786 069**	**704 999**	**693 165**

47. Events after the statement of financial position date

The following events having significant impact upon position of the parent, and that occurred after 31 December 2010:

- Receiving on 17.01.2011 the Agreement to provide eFinancing services signed by Pekao S.A. The subject matter of the Agreement is purchasing by Pekao S.A. receivables of the Consortium, on whose behalf Polimex-Mostostal S.A. is acting, from the General Directorate for National Roads and Motorways Branch in Katowice arising from Contract No. GDDKiA/R-1/S-69/M-Ż/2009 concluded between the General Directorate for National Roads and Motorways and the Consortium of companies comprising: Polimex-Mostostal S.A. – the Leader, Doprastav a.s., Zakład Robót Mostowych "MOSTMAR" Marcin i Grzegorz Marcinków Sp.j. currently MOSTMAR S.A in the maximum amount of PLN 120 million and in the maximum settlement cycle until 31.12.2012.
- Receiving on 03.03.2010 the Contract of credit facility signed by ING Bank Śląski S.A. Under the credit facility Polimex-Mostostal S.A. will issue bank guarantees up to PLN 200.0 million. The facility is valid until 30.11.2011 and is extended automatically on the same conditions for another 12 month crediting periods until 30.11.2021 unless the parties submit a termination notice before another 12 month period. The period of issued guarantees may not go beyond the maturity date i.e. 30.11.2021.

The events listed below and having significant impact upon position of the Issuer's Capital Group companies occurred after 31 December 2010:

- Torpol Sp. z o.o.:
  - Receiving on 11.02.2011 information on signing by Torpol Sp. z o.o. a contract to perform construction works of modernisation of railroad infrastructure of stations and lines in the area of LCS Ciechanów, Ciechanów - Mława section from km 99.450 to km 131.100. LOT A - stations: Konopki, Mława. LOT B - lines: Ciechanów - Konopki, Konopki – Mława under the Project „Modernisation of E 65/CE 65 railroad in Warszawa - Gdynia section- area of LCS Ciechanów". The parties to the contract are PKP Polskie Linie Kolejowe S.A. with the registered office in Warsaw (Employer) and the Consortium of the following companies: Feroco S.A. (the Leader), Torpol Sp. z o.o., Zakład Robót Komunikacyjnych - DOM w Poznaniu Sp. z o.o. and Przedsiębiorstwo Usług Technicznych Intercor Sp. z o.o. The net value of the contract for the entire consortium was PLN 397.7 million. The estimated value of works to be completed by TORPOL Sp. z o.o. amounted to PLN 124.5 million net.
  - Signing on 02.03.2011 by Torpol Sp. z o.o., as the Consortium leader and partner, with PKP Polskie Linie Kolejowe S.A. of two contracts to perform construction works in the area of LCS Gdańsk: LOT A - stations, LOT B - lines and LCS Gdynia: LOT A - stations, LOT B - lines, under project No. 7.1-1.2 "Modernisation of E 65/C-E 65 railroad in the section Warszawa - Gdynia – area of LCS Gdańsk, LCS Gdynia", of the total amount of PLN 850.6 million net.

    Net remuneration for the execution of construction works in the area of LCS Gdańsk: LOT A - stations, LOT B – lines was specified at PLN 479.1 million, and the estimated portion of works attributable to

TORPOL Sp. z o.o. (the Consortium Leader) amounted to PLN 344.8 million net. Net remuneration for the execution of construction works in the area of LCS Gdynia: LOT A - stations, LOT B – lines was specified at PLN 371.5 million, and the estimated portion of works attributable to TORPOL Sp. z o.o. (the Consortium Partner) amounted to PLN 55.6 million net.

The Management Board of Polimex-Mostostal S.A.

Konrad Jaskóła President of the Management Board	Aleksander Jonek Vice President of the Board	Grzegorz Szkopek Vice President of the Board

Zygmunt Artwik
Vice President of the Board

The person entrusted
with keeping accounting books

Ewa Kaczorek
Chief Accountant

Warsaw, 28th April 2011