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

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(in PLN thousands)

INCOME STATEMENT
for the year ended 31 December 2010

	Note	*Year ended 31 December 2010*	*Year ended 31 December 2009 (restated)*
Continuing operations			
Sale of goods		478 436	385 636
Rendering of services		3 003 092	3 159 901
Rental income		17 723	11 819
Revenue	13& 14.1	**3 499 251**	**3 557 356**
Cost of sales	14.6	(3 165 222)	(3 197 185)
Gross profit		**334 029**	**360 171**
Other operating income	14.2	20 347	21 758
Selling costs		(25 208)	(23 253)
Administrative expenses		(119 707)	(124 720)
Other operating expenses	14.3	(4 312)	(13 655)
Revenue from operating activities		**205 149**	**220 301**
Finance income	14.4	27 682	18 074
Finance costs	14.5	(94 377)	(44 397)
Profit before tax		**138 454**	**193 978**
Income tax	15	(33 029)	(24 577)
Net profit from continuing operations		**105 425**	**169 401**
Profit for the year		**105 425**	**169 401**
Earnings per share (in PLN)*:	17		
– number of shares		520 918 203	520 918 203
– basic, for net profit for the year		0.20	0.33
– basic, for net profit from continuing operations for the year		0.20	0.33
Diluted earnings per share (in PLN):			
– number of shares		520 918 203	520 918 203
– diluting potential ordinary shares		12 378 196	12 378 196
– diluted, for net profit for the year		0.20	0.32
– diluted, for net profit from continuing operations for the year		0.20	0.32

*additional information for computation of earnings per share is presented in note No 17

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2010

		Year ended 31 December 2010	*Year ended 31 December 2009 (restated)*
Net profit		**105 425**	**169 401**
Net gains/(losses) on valuation of cash flow hedges	14.9	(999)	39 208
Deferred tax	15.3	188	(7 449)
Other comprehensive income, net of tax		**(811)**	**31 759**
Total comprehensive income		**104 614**	**201 160**

(in PLN thousands)

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	19	658 324	623 466	433 040
Investment properties	21	36 632	38 250	4 126
Intangible assets	22	23 533	23 030	12 735
Financial assets	23	409 312	305 051	270 223
Non-current receivables		28 010	14 223	16 552
Non-current prepaid expenses		605	-	221
Deferred tax assets	15.3	44 018	66 108	47 156
		1 200 434	**1 070 128**	**784 053**
Current assets				
Inventories	25	222 698	141 750	175 563
Trade and other receivables	26	1 141 709	1 069 681	1 075 730
Income tax receivables		-	8 141	4 688
Prepaid expenses	27	6 536	7 174	6 845
Cash and cash equivalents	28	280 934	288 921	194 883
Financial assets	23.2	42 585	120 887	126 495
		1 694 462	**1 636 554**	**1 584 204**
TOTAL ASSETS		**2 894 896**	**2 706 682**	**2 368 257**
EQUITY AND LIABILITIES				
Equity				
Issued capital	29.1	20 837	18 574	18 574
Share premium		737 454	513 466	513 466
Supplementary capital	29.2	471 415	381 566	295 905
Other capital		(444 924)	(281 090)	(341 489)
Reserve capital	29.4	33 221	30 494	18 016
Revaluation reserve	29.3	3 851	4 413	(27 346)
Retained earnings / Accumulated losses		98 176	162 152	129 879
Total equity	**29**	**920 030**	**829 575**	**607 005**
Non-current liabilities				
Interest bearing bank loans and borrowings	30	123 762	150 736	33 673
Long-term debentures	32	367 435	367 396	317 168
Provisions	34	83 489	69 993	68 317
Non-current liabilities	33	51 663	60 383	52 911
Accruals		106	135	52
Arrangement liabilities to be written off		-	-	17 058
		626 455	**648 643**	**489 179**
Current liabilities				
Trade and other payables	35	1 079 928	1 060 006	946 715
Short-term debentures	32	39 331	39 797	40 629
Current portion of interest-bearing bank loans and borrowings	30	156 928	21 148	169 936
Income tax payable		84	16 906	7 346
Accruals	35	36 330	42 802	61 301
Provisions	34	35 810	47 805	46 146
		1 348 411	**1 228 464**	**1 272 073**
Total liabilities		**1 974 866**	**1 877 107**	**1 761 252**
TOTAL EQUITY AND LIABILITIES		**2 894 896**	**2 706 682**	**2 368 257**

(in PLN thousands)

STATEMENT OF CASH FLOWS
for the year ended 31 December 2010

	Note	*Year ended 31 December 2010*	*Year ended 31 December 2009 (restated)*
Cash flows from operating activities			
Gross profit/(loss)		**138 454**	**193 978**
Adjustments for:		**(57 055)**	**221 925**
Depreciation / Amortisation	14.7	55 676	49 619
Interests and dividends, net		29 761	22 778
Loss from investing activities		(10 741)	99
Decrease in receivables	28	(83 859)	14 367
Decrease in inventories		(80 948)	33 896
Increase in payables except for loans and borrowings	28	18 313	142 781
Change in accruals and prepaid expenses	28	(6 468)	(18 506)
Change in provisions		1 501	3 127
Income tax paid		(19 432)	(34 735)
Write-down to the value of non-current financial assets		35 000	-
Other		4 142	8 499
Net cash flows from operating activities		**81 399**	**415 903**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangibles		3 593	907
Purchase of property, plant and equipment and intangibles		(93 651)	(273 952)
Acquisition of financial assets in related companies		(21 423)	(24 900)
Disposal of financial assets in related companies		12 838	17
Dividends received		1 998	1 733
Interest received		1 361	3 413
Repayment of loans granted		1 215	11 275
Loans granted		(40 469)	(15 360)
Other		190	758
Net cash flows from investing activities		**(134 348)**	**(296 109)**
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		(3 915)	(4 849)
Proceeds from loans and borrowings		215 495	132 070
Repayment of loans and borrowings		(106 689)	(163 795)
Dividends paid to equity holders of the parent		(18 574)	(4 643)
Interest paid		(40 622)	(32 793)
Other		1 099	(135)
Net cash flows from financing activities		**44 962**	**(25 756)**
Net increase/(decrease) in cash and cash equivalents		(7 987)	94 038
Net foreign exchange difference		2 109	(785)
Cash and cash equivalents at the beginning of the period	28	**288 921**	**194 883**
Cash and cash equivalents at the end of the period	28	**280 934**	**288 921**

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

	Year ended 31 December 2010	*Year ended 31 December 2009 (restated)*
Cash at bank and in hand	280 934	288 921

(in PLN thousands)

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

	Issued capital	Share premium	Other capital	Reserve capital	Supplementary capital	Revaluation reserve	Retained earnings / Accumulated losses	Total equity
	-							
As at 1 January 2010	**18 574**	**513 466**	**(281 090)**	**30 494**	**381 566**	**4 413**	**162 152**	**829 575**
Profit for the period	-	-	-	-	-	-	105 425	**105 425**
Other comprehensive income for the period	-	-		-	-	**(811)**	-	**(811)**
Comprehensive income for the period	-	-		-	-	**(811)**	**105 425**	**104 614**
Share issue – combination with subsidiaries	2 263	223 988	-	-	-	-		**226 251**
Other adjustments relating to combination	-	-	(163 834)	-	-	249	(60 978)	**(224 563)**
Revaluation of executive options	-	-	-	2 727	-	-	-	**2 727**
Profit distribution	-	-		-	89 849	-	(89 849)	**-**
Dividends	-	-		-	-	-	(18 574)	**(18 574)**
At 31 December 2010	**20 837**	**737 454**	**(444 924)**	**33 221**	**471 415**	**3 851**	**98 176**	**920 030**

(in PLN thousands)

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

	Issued capital	Share premium	Other capital	Reserve capital	Supplementary capital	Revaluation reserve	Retained earnings / Accumulated losses	Total equity
As at 1 January 2009	**18 574**	**513 466**	**(341 489)**	**18 016**	**295 905**	**(27 346)**	**129 879**	**607 005**
Profit for the period	-	-	60 978	-	-	-	**108 423**	**169 401**
Other comprehensive income for the period	-	-		-	-	**31 759**	-	**31 759**
Total comprehensive income for the period	-	-	**60 978**	-	-	**31 759**	**108 423**	**201 160**
Revaluation of executive options	-	-		12 478	-	-	-	**12 478**
Acquisition of a subsidiary	-	-	(414)	-	-	-	-	**(414)**
Other adjustments relating to combination	-	-	(165)	-	-	-	14 154	**13 989**
Profit distribution	-	-		-	**85 661**	-	**(85 661)**	-
Dividends	-	-		-	-	-	**(4 643)**	**(4 643)**
As at 31 December 2009 *(restated)*	**18 574**	**513 466**	**(281 090)**	**30 494**	**381 566**	**4 413**	**162 152**	**829 575**

(in PLN thousands)

ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES

1. Corporate information

The financial statements of Polimex-Mostostal S.A. cover the year ended 31 December 2010 and contain comparable date for the year ended 31 December 2009. Due to the registration of a combination on 31 December 2010, which is referred to in Note 5, comparable data for 2009 is presented as if the combination occurred on 1 January 2009.

Polimex - Mostostal S.A. operates based on articles of association established with a notarial deed on 18 May 1993 (Rep. No 4056/93) with further amendments.

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 -950 – 950 WARSAW.

The Company has been registered by the District Court for the Capital City of Warsaw, 12th Economic Department of the National Court Register, Entry No KRS 0000022460.

Polimex-Mostostal S.A. has been granted REGON statistical number 710252031.

The Company has an unlimited period of operation.

The main area of company business is execution of construction and erection works, fitting equipment and industrial installations, manufacturing.

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

Production,

Construction,

Power engineering,

Chemistry,

Roads and railroads,

Other activities.

The Company is a parent company in Polimex-Mostostal Group.

2. Identification of consolidated financial statements

The Company prepared consolidated financial statements for the year ended 31 December 2010, which was authorised for issue on 28 April 2011.

3. Composition of the Management Board and Supervisory Board

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.

(in PLN thousands)

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

Until 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

These financial statements were authorized for issue by the Management Board on 28th April 2011.

5. Company investments

The Company has investments in the following subsidiaries and associates:

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

(in PLN thousands)

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
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	Tchervonograd MSP - 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

(in PLN thousands)

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.	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
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 Polska Sp. z o.o.	Warsaw	Execution of erection works	50.00	50.00
35	Valmont Polska Sp. z o.o. *(disposal of shares in 1st half 2010)*	Siedlce	Production	-	30.00
36	Energomontaż Północ Bełchatów Sp. z o.o.	Bełchatów	Specialist construction and erection services	32.82	32.82

As at 31 December 2010 the percentage of voting rights held by the Company 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.

The combinations mentioned above were accounted for using the uniting of interest method. The applied method of combination consists in adding up individual items of separate financial statements of Polimex-Mostostal S.A. and of companies under combination. Additionally, inter-company balances and settlements that occurred between combining entities in the years 2010 and 2009 were eliminated.

Comparative data for 2009 are presented in such a manner as if the combination took place as at

1 January 2009.

Polimex Mostostal S.A. exercises joint control over Polimex-Sices Polska Sp. z o.o., which is recognised in the financial statements of Polimex Mostostal Group using the equity method.

6. Significant values based on accounting judgements and estimates

6.1. 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 Company classifies its lease agreements as finance leases or operating leases based on the assessment of the extent to which substantially all the risks and benefits incidental to ownership have been transferred from the lessor to the lessee. The assessment is based on economic substance of each agreement.

Identification of embedded derivatives

As at the date of concluding a contract the Company 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 each statement of financial position date the Company makes an assessment if the financial assets it owns are investments held to maturity.

Risk related to recognition of contingent liabilities

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

6.2. Estimates and assumptions

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

Impairment of Assets

The Company 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 24.

Deferred tax assets

The Company 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 Company 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 39.1.

Revenue recognition

Long-term contracts are accounted for by the Company using the percentage of completion method. This method requires the Company 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 Company, the amount of revenue would have been increased by PLN 94,029 thousand and the related costs would have been increased by PLN 87,291 thousand in 2010.

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 Company based on current estimates.

Provision for losses

At each statement of financial position date the Company carries out a revaluation of estimates of total costs and revenues by virtue of projects in progress. 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 Company writes down unnecessary materials taking into consideration the period of keeping them in a warehouse and potential possibilities to use in the future.

7. Basis of preparation of financial statements

These 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 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 financial statements have been prepared on the assumption that the Company will continue as going concern in the foreseeable future. As at the date of authorisation of these financial statements, the Company's Management Board is not aware of any facts or circumstances that would indicate a threat to the continued activity of the Company.

7.1. Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and 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 Company's activities, in terms of accounting policies applied by the Company there is no difference between the IFRSs applied by the Company 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").

7.2. Functional currency and presentation currency

Polish zloty (PLN) is the functional currency as well as the presentation currency of these financial statements.

8. Changes in accounting policies

The accounting policies used to prepare these financial statements are consistent with ones used while preparing the Company's financial statements for the year ended 31 December 2009 except for the application of the following amendments to standards and new interpretations effective 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 Company.
- 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.

  The change in accounting policies was applied prospectively.
- 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 Company.
- 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 Company.

- Improvements to IFRSs (issued May 2008) – in May 2008 the Board issued its first omnibus of amendments to its standards. The Company has implemented the following amendments from 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 change relates solely to the consolidated financial statements and did not have any impact on the financial situation or the performance of the Company presented in the standalone financial statements).
- *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 Company.
  - 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 Company's chief operating decision maker does review segment assets and liabilities, the Company has continued to disclose this information in Note 13.
  - 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 Company'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. The change did not have any effect on the presented financial position or performance of the Company.
  - 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 Company:
  - IFRS 2 *Share-based payment*
  - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
  - IAS 1 *Presentation of Financial Statements*
  - IAS 7 *Statement of cash flows*
  - 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 Company has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

9. 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 Company. The Company 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 Company.

10. Adjustment of error

There was no adjustment of a fundamental error in the reporting period.

11. Changes in estimates

There was no change of estimates in the reporting period.

12. Significant accounting policies

12.1. 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.

(in PLN thousands)

The following exchange rates were used for statement of financial position valuation purposes:

	31 December 2010	31 December 2009
USD	2.9641	2.8503
EUR	3.9603	4.1082
CHF	3.1639	2.7661
LTL	-	1.1898
CNY	-	0.4179
CZK	0.1580	0.1554
GBP	4.5938	4.5986
LYD	2.4104	2.3329
SEK	0.4415	0.4000
DKK	0.5313	0.5520
NOK	0.5071	0.4946
RUB	0.0970	0.0950
UAH	-	0.3558
EEK	0.2531	0.2626
XPF	-	3.4562/100
JPY	3.6440/100	-
LVL	-	5.7919
THB	-	0.0857
AUD	-	2.5642
HKD	-	0.3679
CAD	-	2.7163
NZD	-	2.0733
SGD	-	2.0363
HUF	1.4206/100	1.5168/100
ISK	-	2.2839/100
HRK	-	0.5632
RON	-	0.9698
BGN	-	2.1005
TRY	-	1.9121
PHP	-	0.0617
MXN	-	0.2182
ZAR	-	0.3867
BRL	-	1.6396
MYR	-	0.8332

(in PLN thousands)

IDR	-	3.0375/10000
KRW	-	0.2447/100
XDR	-	4.4755

12.2. 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

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.

12.3. 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. Gains or losses on derecognition of investment property are recognized in the income statement for the year in which such derecognition took place.

If investment property is transferred to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is the fair value of investment property at the date of change in use.

12.4. 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 Company 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 Company'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.

12.4.1 *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 are 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.

12.5. Leases

The Company as the lessee.

Finance leases, which transfer to the Company 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 Company as the lessor.

Leases where the Company 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.

12.6. 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 Company makes an estimate of the recoverable amount of that asset or cash-generating unit to which the asset is allocated.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount of the asset. 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.

12.7. Borrowing costs

Borrowing costs are capitalized as part of the cost of property, plant and equipment and intangibles. 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.

12.8. Interests and shares in subsidiaries, associates and joint ventures

Shares and interest in subsidiaries, affiliates and joint ventures are recognised at historical cost less any impairment losses.

12.9. 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,
– Available-for-sale financial assets

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

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

Financial assets held to maturity are measured at 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 their recognition or measurement (accounting mismatch); 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. Available-for-sale financial assets are measured at fair value taking into account transaction costs that may be directly attributed to the acquisition or issue of a financial asset component. 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 Company 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.

12.10. Impairment of financial assets

At each statement of financial position date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

12.10.1 *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 profit or loss.

The Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, and whether there is evidence of impairment for financial assets that are not individually significant. If, on the basis of an analysis carried out by the Company, it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in 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 profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

12.10.2 *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.

12.10.3 *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.

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

12.12. Derivative financial instruments and hedges

The Company uses derivative financial instruments mostly 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 Company 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.

12.12.1 *Fair value hedge*

Company’s fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm future commitment, or an identified portion of such an asset, liability or firm future commitment, 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 the income statement.

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 Company 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 Company 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 the income statement. Amortisation may begin as soon as an adjustment is made, however no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

12.12.2 *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 directly 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 directly in 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 that has been recognised initially in other comprehensive income and accumulated in equity remains recognised in equity until the forecast transaction occurs. If the forecast transaction is no longer expected by the Company to occur, the net cumulative gain or loss recognised in equity is taken to net profit or loss for the current period.

12.12.3 *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 other 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 cumulative amount of gains or losses recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment.

12.13. 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.

12.14. 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.

12.15. 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 statement of cash flows is composed of the above defined cash and cash equivalents.

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

All loans and borrowings 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.

12.17. 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).

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

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

A financial liability is derecognised from the Company's statement of financial position when the obligation under the liability has expired i.e. the obligation specified 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 Company 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 Company 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.

12.18. Provisions

Provisions are recognised when the Company 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 Company 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.

12.19. Retirement benefits and jubilee bonuses

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

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

12.20. Share-based payment transactions

Employees (including members of the Management Board) receive share-based awards.

12.20.1 *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. While measuring equity settled transactions, market conditions for vesting (relating to the Company share price) and conditions other than vesting ones are taken into consideration.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance/results conditions and/or conditions of performance of work/rendering of services 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 Management of the Company 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 conditions or conditions other than vesting ones, which are treated as vested irrespective of whether or not the market conditions or conditions other than vesting ones are satisfied, provided that all other conditions relating to performance/ results and/or to performance of work or rendering of services 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. It also refers to awards for which conditions other than vesting ones that are controlled by the Company or an employee are not satisfied. 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 17).

12.21. 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.

12.22. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits relating to the transaction will flow to the Company 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.

12.22.1 *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.

12.22.2 *Rendering of services*

Revenue from provision of an uncompleted service under the contract, provided at the balance sheet 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 balance sheet 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 more 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 production costs 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.

12.22.3 *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.

12.22.4 *Dividends*

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

12.22.5 *Rental (operating lease) income*

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

12.22.6 *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.

12.23. Taxes

12.23.1 *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.

12.23.2 *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.

12.23.3 *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.

12.24. 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.

13. Segment information

For management purposes, the Company 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.

(in PLN thousands)

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, continuous and full-scale servicing of power plants, heat and power plants, as well as industrial plants.
Chemistry	- general contracting of facilities in chemical industry. Assembly of equipment for processing systems in chemical and petrochemical industry, prefabrication and assembly of steel structures, processing pipelines, storage containers and pipelines, prefabrication and assembly of furnaces for refineries. Execution of environmentally-friendly projects. The recipients of the services are chemical plants, refineries, petrochemical and gas industry.
Roads and railroads	- general contracting of facilities in road construction industry. The recipient of these services is the General Directorate for National Roads and Motorways.
Other operations	- hardware and transport services, rental services, leases 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. The basis for performance measurement is profit or loss on operating activity, which to a certain extent, as the table below explains, is measured differently from profit or loss on operating activity in the financial statements. Company financing (including finance costs and finance income) and income tax are monitored on a company 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.

13.1.1 *Operating segments*

The following tables present revenue and profit information and certain asset and liability information regarding the Company's operating segments for the year ended 31 December 2010 and 31 December 2009 or respectively as at 31 December 2010 and 31 December 2009.

	Continuing operations							
Year ended 31 December 2010 or as at 31 December 2010	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Eliminations*	Total activities
Revenue								
Sales to external customers	541 081	1 027 700	718 316	711 161	494 115	6 878	-	3 499 251
Inter-segment sales	124 021	11 332	38 349	6 512	-	159	(180 373)	-
Total segment revenue	665 102	1 039 032	756 665	717 673	494 115	7 037	(180 373)	3 499 251
Results								
Amortisation and depreciation, of which:	18 101	6 733	11 190	9 136	4 559	5 957	-	55 676
- depreciation of property, plant and equipment	17 447	6 184	10 406	8 535	4 417	5 115	-	52 104
- amortisation of intangible assets	654	549	784	601	142	842	-	3 572
Profit/ (loss) of the segment	24 767	54 942	30 708	30 542	61 664	2 526	(66 695)	138 454

(in PLN thousands)

Assets and liabilities								
Segment assets*	538 421	490 299	422 259	356 464	344 936	127 139	-	2 279 518
Segment liabilities**	75 327	326 208	182 709	149 238	298 059	48 868	-	1 080 409

*Segment assets do not include assets managed on a Company basis, of which:	
- property, plant and equipment	51 214
- intangible assets	11 260
- financial assets	451 897
- deferred tax assets	44 018
- cash and cash equivalents	54 298
- other	2 691
Total segment assets	2 894 896

**Segment liabilities do not include assets managed on a Company basis:	
- loans and borrowings	280 690
- debentures	406 766
- provision for employee and similar benefits	70 397
- income tax payable	84
- taxation, customs duty and social security payables	75 554
- accruals and deferred income	12 819
- other	48 147
- equity	920 030
Total equity and liabilities	2 894 896

Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 27,682 thousand and finance costs in the amount of PLN 94,377 thousand. Investment expenditure corresponds to the increase of property, plant and equipment, intangible assets and investment property.

	Continuing operations						
Year ended 31 December 2010 or as at 31 December 2010	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	Total operations
Other segment information							
Capital expenditure:	47 303	3 105	10 968	17 491	1 947	13 874	94 688
- property, plant and equipment	46 385	2 791	10 692	17 381	1 793	11 365	90 407
- intangible assets	918	314	276	94	154	2 509	4 265
- investment properties	-	-	-	16	-	-	16

	Continuing operations							
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	399 998	1 095 210	877 365	723 099	400 278	61 406	-	3 557 356
Inter-segment sales	217 750	17 120	42 088	20 600	-	1 147	(298 705)	-
Total segment revenue	617 748	1 112 330	919 453	743 699	400 278	62 553	(298 705)	3 557 356

(in PLN thousands)

Results								
Amortisation and depreciation, of which:	15 065	7 204	10 992	7 368	4 489	4 501	-	49 619
-depreciation of property, plant and equipment	14 294	6 513	10 261	7 080	4 428	3 902	-	46 478
-amortisation of intangible assets	771	691	731	288	61	599	-	3 141
Profit/ (loss) of the segment	35 741	42 268	55 886	52 913	18 222	15 271	(26 323)	193 978
Segment assets*	506 840	493 168	410 116	318 666	206 449	91 882	-	2 027 121
Segment liabilities**	81 463	307 594	233 119	187 384	206 657	38 355	-	1 054 572

*Segment assets do not include assets managed on a Company basis:	
- property, plant and equipment	38 742
- financial assets	425 938
- deferred tax assets	66 108
- cash and cash equivalents	82 052
- advance payment to investment property	34 043
- other	32 678
Total assets	2 706 682
**Segment liabilities do not include assets managed on a Company basis:	
- loans and borrowings	171 884
- debentures	407 193
- provision for employee and similar benefits	76 852
- taxation, customs duty and social security payables	94 504
- accruals and deferred income	12 073
- other	60 029
- equity	829 575
total	2 706 682

Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 18,074 thousand and finance costs in the amount of PLN 44,397 thousand.
Investment expenditure corresponds to the increase of property, plant and equipment, intangible assets and investment property

	Continuing operations						
Year ended 31 December 2009 or as at 31 December 2009 (restated)	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	Total operations
Other segment information							
Capital expenditure:	166 879	14 579	53 652	12 486	3 809	36 858	288 263
- property, plant and equipment	166 643	14 327	16 306	9 887	3 763	29 732	240 658
- intangible assets	236	252	3 303	2 498	46	7 126	13 461
- investment properties	-	-	34 043	101	-	-	34 144

13.1.2 *Geographic information*

The following tables present revenue, expenditure and certain asset information regarding the Company geographic areas for the year ended 31 December 2010 and 31 December 2009 or respectively as at 31 December 2010 and 31 December 2009.

(in PLN thousands)

Year ended 31 December 2010 or as at 31 December 2010	*Domestic*	*Foreign*	*Eliminations*	*Total*
Revenue				
External customers	2 531 826	967 425	-	3 499 251
Revenue from continuing operations	2 531 826	967 425	-	3 499 251
Inter-segment sales	-	-	-	-
Total segment revenue	2 531 826	967 425	-	3 499 251
Other segment information				
Segment assets	1 230 829	313 323	-	1 544 152
Unallocated assets	1 350 744	-	-	1 350 744
Total assets	2 581 573	313 323	-	2 894 896
Capital expenditure:	94 666	22	-	94 688
- property, plant and equipment	90 385	22	-	90 407
- intangible assets	4 265	-	-	4 265
- investment properties	16	-	-	16

Year ended 31 December 2009 or as at 31 December 2008 *(restated)*	*Domestic*	*Foreign*	*Eliminations*	*Total*
Revenue				
External customers	2 906 260	651 096	-	3 557 356
Revenue from continuing operations	2 906 260	651 096	-	3 557 356
Inter-segment sales	-	-	-	-
Total segment revenue	2 906 260	651 096	-	3 557 356
Other segment information				
Segment assets	1 141 271	202 884	-	1 344 155
Unallocated assets	1 362 527	-	-	1 362 527
Total assets	2 503 798	202 884	-	2 706 682
Capital expenditure:	287 713	550	-	288 263
- property, plant and equipment	240 108	550	-	240 658
- intangible assets	13 461	-	-	13 461
- investment properties	34 144	-	-	34 144

14. Revenues and expenses

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

	Year ended 31 December 2010	*Year ended 31 December 2009 (restated)*
Sale of goods	478 436	385 636
Rendering of services	3 003 092	3 159 901
Rental income	17 723	11 819
Revenue	**3 499 251**	**3 557 356**

Due to the fact that starting from 2010, if the company is the Consortium Leader, it recognises in its income statement only revenue arising from the Company 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 217,835 thousand.

(in PLN thousands)

14.2. Other operating income

	Year ended 31 December 2010	Year ended 31 December 2009 (restated)
Release of guarantee repairs provision	983	528
Redemption of trade payables	-	17 058
Gain on disposal of property, plant and equipment	6 216	126
Recovered damages payments and fines	7 409	-
Subsidies	907	1 656
Liabilities written off	1 754	150
Reimbursement of court expenses	-	42
Release of provision for disputable claims	601	442
Disposal of scrap metal	212	181
Other	2 265	1 575
Total	**20 347**	**21 758**

14.3. Other operating expenses

	Year ended 31 December 2010	Year ended 31 December 2009 (restated)
Provision for fines	-	5 644
Damages and fines	-	1 311
Donations	1 304	463
Liquidated assets non- written off	418	177
Costs of settlement	-	511
Costs of repairs	1 258	9
Other	1 332	5 540
Total	**4 312**	**13 655**

14.4. Finance income

	Year ended 31 December 2010	Year ended 31 December 2009 (restated)
Revenue from measurement and exercise of derivative instruments	2 581	2 594
Bank interest and loan receivable	7 017	8 686
Dividend income	4 998	1 733
Gain on sale of non-current financial assets	10 430	2 624
Reimbursement of additional payments to shares	303	448
Other	2 353	1 989
Total finance income	**27 682**	**18 074**

14.5. Finance costs

	Year ended 31 December 2010	Year ended 31 December 2009 (restated)
Interest on bank loans and borrowings	15 092	11 452
Debenture commissions and interest	26 341	22 285
Excess of foreign exchange losses over foreign exchange gains	13 183	6 178
Expenses arising from measurement and exercise of derivative instruments	55	978
Bank loan commissions and charges	1 067	1 136
Impairment of financial assets	35 255	560
Other	3 384	1 808
Total finance costs	**94 377**	**44 397**

(in PLN thousands)

14.6. Costs by type

	Note	*Year ended 31 December 2010*	*Year ended 31 December 2009 (restated)*
Depreciation / Amortisation	14.7	55 676	49 619
Materials and energy		813 904	799 467
Outside services incl. construction		1 613 901	1 744 612
Taxes and charges		30 871	22 255
Employee benefits expenses	14.8	766 021	720 120
Other costs by type		47 667	61 505
Total costs by type		**3 328 040**	**3 397 578**
Items included in selling and distribution expenses		(25 208)	(23 253)
Items included in administrative expenses		(119 707)	(124 720)
Cost of goods and materials sold		20 530	21 475
Change in the stock of finished goods		(35 155)	(58 174)
Cost of goods produced for the entity's own use		(3 278)	(15 721)
Cost of sales		**3 165 222**	**3 197 185**

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

	Year ended 31 December 2010	*Year ended 31 December 2009 (restated)*
Included in cost of sales:	**48 536**	**43 812**
Depreciation	46 268	41 575
Amortisation	2 268	2 237
Items included in selling and distribution expenses	**1 513**	**853**
Depreciation	1 340	667
Amortisation	173	186
Included in administrative expenses	**5 627**	**4 954**
Depreciation	4 496	4 236
Amortisation	1 131	718
Total depreciation	52 104	46 478
Total amortisation	3 572	3 141
Total amortisation and depreciation	**55 676**	**49 619**

14.8. Employee benefits expenses

	Year ended 31 December 2010	*Year ended 31 December 2009 (restated)*
Wages and salaries	611 920	558 809
Social security costs	100 276	94 110
Retirement benefits	2 371	1 380
Jubilee bonuses	6 560	5 838
Share-based payments	1 992	12 478
Transfers to Social Fund	10 597	10 895
Other employee benefits expenses	32 305	36 610
Total employee benefits expenses	**766 021**	**720 120**

(in PLN thousands)

14.9. Components of other comprehensive income

The following are components of other comprehensive income:

	Year ended 31 December 2010	Year ended 31 December 2009 (restated)
Cash flow hedges		
Gains (losses) for the period	(999)	39 208
	(999)	39 208

15. Income tax

15.1. Tax expense

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

	Year ended 31 December 2010	Year ended 31 December 2009 (restated)
Recognised in profit or loss		
Current income tax	10 927	55 492
Current income tax expense	11 122	55 747
Adjustments in respect of current income tax of previous years	(195)	(255)
Deferred income tax	22 102	(30 915)
Relating to origination and reversal of temporary differences	22 102	(30 915)
Tax burden recognised in profit or loss	**33 029**	**24 577**
Comprehensive income statement		
Deferred income tax	188	(7 449)
Relating to origination and reversal of temporary differences	188	(7 449)
Tax burden/ tax credit recognised in other comprehensive income	**188**	**(7 449)**

15.2. Reconciliation of the effective income tax rate

The reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company'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 (restated)
Accounting profit from continuing operations before income tax	138 454	193 978
Profit before tax from discontinued operations	-	-
Profit before income tax	138 454	193 978
At statutory income tax rate of 19% (2009: 19%)	26 306	36 855
Recognition of deferred tax relating to investment relief	(10 025)	(15 000)
Expenditure not allowable for income tax purposes	16 366	9 756
Non-taxable incomes	(1 770)	(6 093)
Other	2 152	(941)
Income tax at effective income tax rate which is 23.85% for the year ended 31 December 2010 and 12.67% for the year ended 31 December 2009:	33 029	24 577
Income tax (burden) reported in the income statement	33 029	24 577

(in PLN thousands)

Income tax reported in other comprehensive income		
Amount before taxation	(999)	39 208
Income tax	188	(7 449)
Amount after taxation	(811)	31 759

15.3. Deferred income tax

Deferred income tax relates to the following:

	Statement of financial position		*Income statement*	
	31 December 2010	*31 December 2009 (restated)*	*Year ended 31 December 2010*	*Year ended 31 December 2009 (restated)*
Deferred tax liability				
Accelerated depreciation for tax purposes	9 068	9 296	(228)	(14)
Revaluation of fixed assets to fair value	4 101	3 998	103	(298)
Revaluation of investment property to fair value	-	390	(390)	-
Measurement of long-term contracts	66 936	35 560	31 376	(13 367)
Perpetual usufruct right to land	2 302	2 302	-	-
Foreign exchange translation differences	449	389	60	(21 076)
Revaluation of foreign currency contracts	370	85	285	-
Leases	978	780	198	197
Deferred gains on foreign exchange contracts	-	-	-	85
Revaluation of foreign exchange contracts (cash flow hedges) taken to capital	847	1 035	-	-
Other	6 644	4 630	1 990	614
Deferred tax liability	**91 695**	**58 465**	**33 394**	**(33 859)**
Of which, recognised in comprehensive income	847	1 035	-	-
Deferred tax assets				
Provision for jubilee bonuses and retirement benefits	13 586	12 300	1 286	(2 141)
Foreign exchange translation differences	485	412	73	(22 851)
Other employee benefits	6 938	6 774	164	3 909
Inventory write-downs	504	480	24	315
Measurement of long-term contracts	58 951	54 323	4 628	12 674
Salaries/wages and ZUS (Social Insurance Institution) benefits paid out in future periods	3 333	3 026	307	(7 604)
Receivables write-downs	5 155	6 117	(962)	3 190
Provisions for expenses	1 538	3 104	(1 566)	(1 971)
Guarantee repair provision	-	9	(9)	(1 036)
Difference in the amount for tax purposes and carrying amount	1351	1351	-	1 351
Measurement of foreign currency options - presentation in comprehensive income	-	227	(227)	(14)
Other	3 703	6 306	(2 474)	(3 738)
Deferred tax arising from the investment in Tarnobrzeg Special Economic Zone	40 169	30 144	10 025	15 000
Deferred tax assets	**135 713**	**124 573**	**11 269**	**(2 916)**
Deferred income tax charge	**-**	**-**	**22 102**	**(30 915)**
Deferred income tax net assets	**(44 018)**	**(66 108)**	**-**	**-**
of which, recognised in other comprehensive income	847	1 035	188	(7 449)

Disclosure on investment in Tarnobrzeg Special Economic Zone.

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 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.

16. 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 Company operates such a Fund and makes periodical transfers to it based on the required amounts agreed with the trade unions. The Funds’ purpose is to subsidise the operation of the Company’s social activity, loans to employees and other social expenditures.

The Company has netted the assets of the Fund with the liability to the Fund, as these are not separate assets of the Company. Accordingly, the net balance as at 31 December 2010 is PLN (882) thousand (as at 31 December 2009 PLN (364) thousand).

(in PLN thousands)

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

	31 December 2010	*31 December 2009 (restated)*
Loans granted to employees	3 190	2 553
Cash	4 064	7 283
Social Fund liabilities	8 136	10 200
Net balance	**(882)**	**(364)**

	31 December 2010	*31 December 2009 (restated)*
Transfers made to the Social Fund during the period	10 597	10 895

17. 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 (restated)*
Net profit	105 425	169 401
Earnings per share (in PLN)		
- number of shares	520 918 203	520 918 203
- basic, for net profit for the year	0.20	0.33
Diluted earnings per share (in PLN)		
- number of shares	520 918 203	520 918 203
- diluting potential ordinary shares	12 378 196	12 378 196
- diluted, for net profit for the year	0.20	0.32

There were no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

18. Dividends paid and proposed

Equity dividends on ordinary shares for 2009, paid on 16 September 2010 amounted to PLN 18,574 thousand (for 2008, 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.

(in PLN thousands)

19. 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	**314 615**	**145 687**	**32 904**	**16 660**	**113 600**	**-**	**623 466**
Additions	38 925	73 960	10 601	5 593	63 212	-	192 291
Disposals	(2 110)	(618)	(271)	(446)	(101 884)	-	(105 329)
Reclassification	-	(7 640)	5 943	1 697	-	-	-
Depreciation charge for the year	(14 038)	(24 785)	(8 608)	(4 673)	-	-	(52 104)
Net carrying amount at 31 December 2010	**337 392**	**186 604**	**40 569**	**18 831**	**74 928**	**-**	**658 324**
As at 1 January 2010							
Cost	362 001	283 391	59 266	36 862	114 150	100	855 770
Accumulated depreciation and impairment loss	(47 386)	(137 704)	(26 362)	(20 202)	(550)	(100)	(232 304)
Net carrying amount	**314 615**	**145 687**	**32 904**	**16 660**	**113 600**	**-**	**623 466**
As at 31 December 2010							
Cost	398 192	338 945	77 260	44 817	75 478	100	934 792
Accumulated depreciation and impairment loss	(60 800)	(152 341)	(36 691)	(25 986)	(550)	(100)	(276 468)
Net carrying amount	**337 392**	**186 604**	**40 569**	**18 831**	**74 928**	**-**	**658 324**

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	**223 169**	**118 175**	**27 464**	**13 814**	**50 318**	**100**	**433 040**
Additions	103 144	53 317	12 249	6 595	201 598	-	376 903
Disposals	(1 764)	(1 050)	(297)	(146)	(136 145)	(100)	(139 502)
Depreciation charge for the year	(10 088)	(25 988)	(6 609)	(3 793)	-	-	(46 478)
Reclassification	154	1 233	97	190	(2 171)	-	(497)
Net carrying amount at 31 December 2009 *(restated)*	**314 615**	**145 687**	**32 904**	**16 660**	**113 600**	**-**	**623 466**
As at 1 January 2009							
Cost	263 630	234 290	48 077	31 202	50 868	100	628 167
Accumulated depreciation	(40 461)	(116 115)	(20 613)	(17 388)	(550)	-	(195 127)
Net carrying amount	**223 169**	**118 175**	**27 464**	**13 814**	**50 318**	**100**	**433 040**
At 31 December 2009 *(restated)*							
Cost	362 001	283 391	59 266	36 862	114 150	100	855 770
Accumulated depreciation	(47 386)	(137 704)	(26 362)	(20 202)	(550)	(100)	(232 304)
Net carrying amount	**314 615**	**145 687**	**32 904**	**16 660**	**113 600**	**-**	**623 466**

The carrying amount of plant and equipment held under finance lease agreements or hire purchase contracts at 31 December 2010 is PLN 18,401 thousand (as at 31 December 2009: PLN 16,245 thousand).

(in PLN thousands)

Land and buildings are covered with mortgages established mainly to secure Company's bank loan liabilities amounting jointly to PLN 297 million (as at 31 December 2009 – PLN 276 million). Additionally, according to terms and conditions of two bank loan agreements the Company is obliged, on demand of one of the banks, to establish a mortgage on real property in Siedlce and in Warsaw. Moreover, as at 31 December 2010 pledges and temporary ownership titles were established on other non-current assets in the total amount of PLN 21,433 thousand (as at 31 December 2009 – PLN 9,515 thousand).

20. Leases

20.1. Finance lease and hire purchase commitments

As at 31 December 2010 and 31 December 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)*	
	Minimum payments	***Payment present value***	***Minimum payments***	***Payment present value***
Within 1 year	6 649	5 956	7 602	6 779
Within 1 to 5 years	8 920	8 275	9 440	8 877
Over 5 years	-	-	-	-
Minimum lease payments, total	15 569	14 231	17 042	15 656
Less amounts representing finance charges	(1 338)	-	(1 386)	-
Present value of minimum lease payments, of which:	14 231	14 231	15 656	15 656
- current	5 956	-	6 779	-
- non-current	8 275	-	8 877	-

20.2. Operating lease commitments

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

	31 December 2010	*31 December 2009 (restated)*
Within 1 year	-	133
Within 1 to 5 years	-	-
Over 5 years	-	-

21. Investment properties

	31 December 2010	*31 December 2009 (restated)*
Opening balance as at 1 January	38 250	4 126
Purchase of investment property	-	34 043
Modernisation of investment property	16	101
Loss on valuation of investment property	(1 652)	(20)
Other	18	-
Closing balance	**36 632**	**38 250**

(in PLN thousands)

22. Intangible assets

Year ended 31 December 2010	*Patents and licences*	*Software*	*Goodwill*	*Other*	*Total*
Net carrying amount at 1 January 2010	**388**	**15 672**	**6 938**	**32**	**23 030**
Additions	118	4 147	-	-	4 265
Revaluation	-	(190)	-	-	(190)
Amortisation charge for the year	(170)	(3 401)	-	(1)	(3 572)
As at 31 December 2010	**336**	**16 228**	**6 938**	**31**	**23 533**
As at 1 January 2010					
Cost	1 876	25 976	6 938	138	34 928
Accumulated amortisation and impairment loss	(1 488)	(10 304)	-	(106)	(11 898)
Net carrying amount	**388**	**15 672**	**6 938**	**32**	**23 030**
As at 31 December 2010					
Cost	1 994	29 618	6 938	138	38 688
Impairment	(1 658)	(13 390)	-	(107)	(15 155)
Net carrying amount	**336**	**16 228**	**6 938**	**31**	**23 533**

Year ended 31 December 2009 *(restated)*	*Patents and licences*	*Software*	*Goodwill*	*Other*	*Total*
Net carrying amount at 1 January 2009 (restated)	**315**	**9 850**	**2 515**	**55**	**12 735**
Additions	275	8 754	4 423	9	13 461
Disposals	-	-	-	(25)	(25)
Amortisation charge for the year	(202)	(2 932)	-	(7)	(3 141)
At 31 December 2009 (restated)	**388**	**15 672**	**6 938**	**32**	**23 030**
As at 1 January 2009					
Cost	1 601	17 274	2 515	151	21 541
Accumulated amortisation	(1 286)	(7 424)	-	(96)	(8 806)
Net carrying amount	**315**	**9 850**	**2 515**	**55**	**12 735**
At 31 December 2009 (restated)					
Cost	1 876	25 976	6 938	138	34 928
Accumulated amortisation	(1 488)	(10 304)	-	(106)	(11 898)
Net carrying amount	**388**	**15 672**	**6 938**	**32**	**23 030**

23. Financial assets

23.1. Non-current financial assets

	31 December 2010	*31 December 2009 (restated)*
Shares and interests*	395 163	292 400
Available-for-sale financial assets	-	309
Other financial assets	14 149	12 342
Total	409 312	305 051

(in PLN thousands)

*Of which:
- the value of Coifer's shares based on acquisition price PLN 85.1 million
- the value of Torpol Sp. z o.o.'s shares based on acquisition price PLN 33.9 million
- the value of Prinż-1 Sp. z o.o.'s shares based on acquisition price PLN 16.7 million

In accordance with IAS 36, the Management of Polimex-Mostostal reviewed the investment in COIFER for impairment, the review showed that at the completion of these financial statements the goodwill of the company should be impaired by PLN 35 million. The valuation was done with the following assumptions: average annual growth of revenues of about 5% in 2012-2015, average EBIT margin: 3.0%, weighted average cost of capital (WACC): 9.18%, growth rate after forecasting period: 3.0%. The valuation sets the goodwill of the Company at PLN 49.7 million.

While reviewing for impairment the value of investment in the standalone financial statements was compared to the value of a subsidiary resulting from the measurement using discounted cash flow method. The amount of capital employed resulting from discounting future cash flows was increased by non-operating assets and non-operating cash and decreased by bank loans and borrowings taken out by the company. Goodwill recognised in this manner is lower than the acquisition price. Accordingly, there are indications to recognise an impairment loss.
Key data and assumptions as well as the results of the impairment test for investment in Coifer Group are presented in the table below.

Company	Goodwill (DCF)	Goodwill attributed to Polimex*	Weighted average cost of capital (WACC) adopted at measurement	Weighted average cost of capital (WACC) before tax	Fixed growth rate after the forecasting period	Non-operating assets (including investment property)	Non-operating cash	Loans and borrowings	Acquisition price in the separate financial statements
Coifer	49 732	49 732	9,18%	10,93%	3,0%	-	-	40 460	85 058

* Goodwill in DCF model attributable to Polimex not adjusted for non-operating cash and/or interests in subsidiaries, adjusted for capital employed (value of investments in associates, investment properties, loans granted, non-operating cash, loans and borrowings and non-current liabilities)

COIFER Group was valued at PLN 49.7 million (after the adjustment for non-operating assets and non-operating cash). The valuation was done with the following assumptions: - average annual growth of revenues of about 5% in 2012-2015, average EBIT margin: 3.0%, weighted average cost of capital (WACC): 9.18%, growth rate after the forecasting period: 3.0%. A decrease in the average cost of capital of 0.5% (depending mostly on risk-free rate) compared to base value or increase in EBIT margin 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 about 10 percentage points.

In accordance with IAS 36, the Management of Polimex-Mostostal reviewed the investment in Energomontaż Prinz-1 Sp. z o.o. for impairment, the review showed that at the completion of these financial statements there is no need to impair. While reviewing for impairment the value of investment in the standalone financial statements was compared to the value of a subsidiary resulting from the measurement using discounted cash flow method. The amount of capital employed resulting from discounting future cash flows was increased by non-operating assets and non-operating cash and decreased by bank loans and borrowings taken out by the company. Goodwill recognised in this manner is higher than the acquisition price. Accordingly, there are no indications to recognise impairment losses.
Key data and assumptions as well as the results of the impairment test for investment in Prinż-1 Sp. z o.o. are presented in the table below.

(in PLN thousands)

Company	Goodwill (DCF)	Goodwill attributed to Polimex*	Weighted average cost of capital (WACC) adopted at measurement	Weighted average cost of capital (WACC) before tax	Fixed growth rate after the forecasting period	Non-operating assets (including investment property)	Non-operating cash	Loans and borrowings	Acquisition price in the separate financial statements
PRInż -1 Sp. z o.o.	23 305	20 485	9,14%	11,28%	3,0%	-	-	6 341	16 668

* Goodwill in DCF model attributable to Polimex not adjusted for non-operating cash and/or interests in subsidiaries, adjusted for capital employed (value of investments in associates, investment properties, loans granted, non-operating cash, loans and borrowings and non-current liabilities)

Prinż-1 Sp. z o.o. was valued at PLN 23,305 thousand, of which PLN 20,485 thousand is attributed to Polimex (87.9% interest). The valuation was done with the following assumptions: average annual growth of revenues of about 5% in 2012-2015, average EBIT margin: 3.0%, weighted average cost of capital (WACC): 9.14%, capital expenditure at the identical level as compared to amortisation and depreciation, increase in demand for operating capital in the forecasting period of PLN 1,515 thousand, growth rate after the forecasting period: 3.0%. A decrease in the average cost of capital of 0.5% (depending mostly on risk-free rate) compared to base value or an increase in EBIT of 10% results in the goodwill increase of 10 to 15 percentage points. An increase in the average cost of capital of 0.5% compared to base value or a decrease in EBIT of 10% results in the goodwill decrease of about 10 per cent. The sensitivity analysis showing the impact of key variables (discount rate and growth rate after the forecasting period) on the value of Prinż-1 Sp. z o.o. is presented below:

WACC	interest rate				
	2,0%	2,5%	**3,0%**	3,5%	4,0%
8,14%	21 424	23 553	26 097	29 190	33 031
8,64%	19 174	20 949	23 040	25 537	28 574
9,14%	17 243	18 742	**20 485**	22 538	24 990
9,64%	15 569	16 848	18 320	20 032	22 047
10,14%	14 104	15 206	16 462	17 907	19 588

23.1.1 Non-current financial assets

	31 December 2010	*31 December 2009 (restated)*
Shares and interests		
Shares and interests – companies not listed on the stock exchange	395 163	292 400
Available-for-sale financial assets	-	309
Total	**395 163**	**292 709**

(in PLN thousands)

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

	31 December 2010	31 December 2009 (restated)
At the beginning of the period	**292 400**	**262 312**
Increase:	141 500	33 029
Acquisition of shares and interests	26 590	14 118
Increase of capital in subsidiary	107 058	18 236
Other	7 852	675
Decrease:	(38 737)	(2 941)
Impairment losses	(35 255)	-
Other	(3 482)	(2 941)
At the end of the period	**395 163**	**292 400**

23.1.3 Other non-current financial assets

	31 December 2010	31 December 2009 (restated)
Other non-current financial assets		
Loans granted	11 348	9 696
Bank guarantee deposits	2 145	1 721
Deposits	656	925
Other non-current financial assets	**14 149**	**12 342**

Non-current loans

Business entity	Amount of loan granted	Currency	Maturity	Amount of debt with interest 31 December 2010	Amount of debt with interest 31 December 2009 (restated)
Loan granted to natural persons				60	67
Polimex-Mostostal Development Sp. z o.o.	8 200	PLN	2011.12.31	-	7 108
Polimex-Mostostal Development Sp. z o.o.	2 500	PLN	2011.09.30	-	2 521
Polimex Mostostal Ukraine	1 000	USD	2012.04.15	3 024	-
Centrum Projektowe Polimex Mostostal Sp. z o.o.	3 482	PLN	2012.06.30	2 149	-
Polimex Mostostal Ukraine	300	USD	2012.08.30	890	-
Polimex Mostostal Ukraine	1 750	USD	2012.08.30	5 225	-
Total non-current loans				**11 348**	**9 696**

As at 31 December 2010, weighted average margins for loans granted by Polimex-Mostostal S.A. to other companies of the Capital Group amounted to: WIBOR + 2.00 p.p. for loans in Polish zloty, 4.00% for loans in foreign currencies.

23.2. Current financial assets

	31 December 2010	31 December 2009 (restated)
Loans granted	34 858	113 455
Bank guarantee deposits	-	571
Derivatives	7 073	5 607
Available-for-sale financial assets	594	-
Other	60	1 254
Other current financial assets	**42 585**	**120 887**

(in PLN thousands)

Current loans

Business entity	Amount of loan granted	Currency	Maturity	Amount of debt with interest *31 December 2010*	*31 December 2009 (restated)*
Coifer Impex srl*	1 150	EUR	2010.12.31	-	4 817
Polimex-Development Kraków Sp. z o.o.	4 200	PLN	2010.12.31	318	4 403
Porty S.A.	200	PLN	2009.12.31	-	221
Porty S.A.	240	PLN	2009.12.31	-	274
Porty S.A.	120	PLN	2009.12.31	-	124
Polimex-Development Kraków Sp. z o.o.**	2 000	PLN	2010.12.31	93	2 029
Polimex-Development Kraków Sp. z o.o.**	3 548	PLN	2010.12.31	593	4 057
Polimex-Development Kraków Sp. z o.o.**	7 600	PLN	2010.06.30	933	8 287
Polimex-Development Kraków Sp. z o.o.**	8 750	PLN	2010.06.30	1 152	9 653
Polimex-Development Kraków Sp. z o.o.**	16 500	PLN	2010.06.30	2 554	18 615
Polimex-Development Kraków Sp. z o.o.**	1 400	PLN	2010.06.30	107	1 458
Polimex-Development Kraków Sp. z o.o.**	18 000	PLN	2010.06.30	2 749	20 465
Polimex-Development Kraków Sp. z o.o.**	3 000	PLN	2010.09.30	178	3 074
Polimex-Development Kraków Sp. z o.o.**	3 500	PLN	2010.06.30	73	-
Polimex-Development Kraków Sp. z o.o.**	10 000	PLN	2010.12.31	1 362	9 122
Polimex-Development Kraków Sp. z o.o.**	20 000	PLN	2010.12.31	3 324	22 764
Polimex-Development Kraków Sp. z o.o.**	2 450	PLN	2011.06.30	2 036	-
ZBI Turbud	1 500	PLN	2011.03.31	1 507	-
Polimex-Mostostal Development Sp. z o.o.	2 500	PLN	2011.09.30	2 675	-
Polimex-Mostostal Development Sp. z o.o.	6 000	PLN	2011.11.30	5 885	-
Polimex-Mostostal Development Sp. z o.o.	8 200	PLN	2011.12.31	7 435	-
Centrum Projektowe Polimex-Mostostal Sp. z o.o. (current portion)	3 482	PLN	2011.12.31	840	4 092
Moduł System Serwis	1 000	PLN	2011.12.31	1 000	-
Natural persons		PLN		44	
Total current loans				**34 858**	**113 455**

*the amount of debt with interest was translated into PLN

**in 2010 Company's loan receivables were partly converted to an increase in capital in Polimex-Development Kraków. Total amount of conversion equalled to PLN 96.498 thousand.

As at 31 December 2010 weighted average margins for loans granted by Polimex-Mostostal S.A. to other companies of the Capital Group amounted to WIBOR + 2.27 p.p.

23.3. Derivatives

	31 December 2010	*31 December 2009 (restated)*
Short-term derivative financial instruments	**7 073**	**5 607**
Forward currency contracts	5 926	3 070
Currency options	1 147	2 537

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.

(in PLN thousands)

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 is denominated in currencies other than the presentation currency, whereas more than 90% of costs is denominated in this presentation currency.

The basic method of hedging against foreign exchange risk applied by the Company is natural hedging i.e. hedging foreign currency risk by entering into transactions which generate costs in the same currency as the revenue currency. If 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 2011 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 the fair value of open derivative instruments was measured at the amount of PLN 6,112.1 thousand. In accordance with hedge accounting policy adopted by the Company, the effectiveness of hedge relations 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
Projected foreign currency expenditure – equivalent in EUR thousands	100 531
Business exposure to foreign currency risk in EUR thousands	**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.

(in PLN thousands)

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 14.02.2010. The total nominal value of currency option transaction to be exercised in 4 dates 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 rates of PUT option the Company is entitled to are 3.90 PLN/EUR, whereas the exercise rates of CALL options issued by the Company are at the level of 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;
- an option transaction in the form of a currency corridor entered into on 23.02.2011. The total nominal value of currency option transaction to be exercised in 6 dates 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 rates of PUT option the Company is entitled to are 3.90 PLN/EUR, whereas the exercise rates of CALL options issued by the Company are at the level of 4.1000 PLN/EUR.

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

24. Retirement and other post-employment benefit plans

The Company provides retiring employees with the amounts of retirement benefits as specified in Company Collective Agreement as well as jubilee bonuses and post-employment benefits. As a result, based on the valuation made by a professional actuarial company the Company recognises a provision for the current value of retirement benefits liability. The table below summarises the amounts of the provision and movements in the benefit liability over the period:

	2010	*2009 (restated)*
At the beginning of the period at 1 January, of which:	76 852	72 381
Provision recognized	16 367	11 301
Released	(8 359)	(193)
Utilised	(742)	(6 637)
Reclassifications	129	-
At the end of the period at 31 December	84 247	76 852

Main assumptions made by an actuary at the balance sheet date to compute the amount of liability are as follows:

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

25. Inventories

	31 December 2010	*31 December 2009 (restated)*
Raw materials (at cost)	86 200	36 937
Work-in-progress (at cost)	103 257	83 679
Finished goods:	22 733	11 733

(in PLN thousands)

At cost	22 733	11 733
At net realisable value	-	-
Raw materials advance payments	10 428	9 317
Goods for resale	80	84
Total inventories, at the lower of cost and net realisable value	**222 698**	**141 750**

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

26. Trade and other receivables

	31 December 2010	*31 December 2009 (restated)*
Trade receivables	1 126 787	1 059 405
- of which, receivables from related parties	23 248	31 742
Receivables from public authorities, of which:	9 171	4 062
- value added tax	5 926	3 840
- other	3 245	222
Other receivables from third parties	4 927	5 377
Other receivables from related parties	824	837
Total receivables (net)	**1 141 709**	**1 069 681**
Doubtful debts allowance	49 905	60 839
Total receivables, gross	**1 191 614**	**1 130 520**

For terms and conditions of related party transactions refer to Note 37.1.

Trade receivables are non-interest bearing and are usually receivable within 30 to 50 days.

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

26.1. Trade receivables (gross) with remaining maturity from the statement of financial position date

	31 December 2010	*31 December 2009 (restated)*
Up to one month	638 321	485 715
Over 1 month to 3 months	216 618	210 286
Over 3 months to 6 months	23 506	19 836
Over 6 months to 1 year	7 961	66 022
Past due receivables	290 053	337 856
Total receivables, gross	**1 176 459**	**1 119 715**
Doubtful debts allowance	(49 672)	(60 310)
Net receivables	**1 126 787**	**1 059 405**

26.2. Aging analysis of trade receivables

	31 December 2010	*31 December 2009 (restated)*
Up to one month past due	60 557	115 215
Over 1 month to 3 months past due	70 348	61 591
Over 3 months to 6 months past due	26 922	14 318
Over 6 months to 1 year past due	33 960	43 168
Over 1 year past due	98 266	103 564
Total receivables, gross	**290 053**	**337 856**
Receivables allowance*	(49 584)	(60 310)
Net receivables	**240 469**	**277 546**

*the allowance refers to the receivables past due for over 1 year.

(in PLN thousands)

26.3. Allowances for trade receivables

Movements in allowance for receivables were as follows:

	31 December 2010	31 December 2009 (restated)
Allowance at 1 January	60 310	53 364
Increase:	10 587	33 370
- provision for impairment	10 587	33 370
Decrease:	21 225	26 424
- utilisation	9 564	9 541
- receivables pay-off	2 368	12 132
- release	9 293	-
- other	-	4 751
Allowance at 31 December or 1 January	**49 672**	**60 310**

27. Prepaid expenses

	31 December 2010	31 December 2009 (restated)
Insurance costs	3 742	4 384
IT support expenses	182	271
Quality certificate expenses	270	26
Rental	67	650
Auxiliary materials	32	487
Bank commissions	547	220
Subscription	159	52
Charge for perpetual usufruct of land	120	-
Other	1 417	1 084
Total	**6 536**	**7 174**

28. Cash and cash equivalents

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 Company, and earn interest at the respective short-term deposit rates. For the purposes of the cash flow statement the balance of cash and cash equivalents comprise the following:

	31 December 2010	31 December 2009 (restated)
Cash at bank and in hand	254 118	227 226
Short-term deposits	26 816	61 695
	280 934	**288 921**

(in PLN thousands)

Reconciliation of changes in balance sheet items to the changes recognised in the cash flow statement are presented in the tables below:

Change in receivables	*Year ended 31 December 2010*	*Year ended 31 December 2009 (restated)*
Increase/(decrease) in receivables in the statement of financial position	(85 815)	8 378
Adjustment relating to setting off receivables with a loan	(1 158)	5 968
Receivables set off against shares	-	(1 981)
Adjustment for dividend receivable	3 000	
Acquisition of shares in incorporated company	-	1 947
Adjustment of receivables due to loan revaluation	114	182
Other	-	(127)
(Increase)/decrease in receivables in the statement of cash flows	**(83 859)**	**14 367**

Change in inventories	*Year ended 31 December 2010*	*Year ended 31 December 2009 (restated)*
Increase/(decrease) in inventories in the statement of financial position	(80 948)	33 813
Acquisition of shares in incorporated company	-	83
(Increase)/decrease in inventories in the statement of cash flows	**(80 948)**	**33 896**

Increase/(decrease) in liabilities	*Year ended 31 December 2010*	*Year ended 31 December 2009 (restated)*
Increase/(decrease) in liabilities in the statement of financial position	11 202	103 705
Increase/(decrease) in lease liabilities	(2 135)	1 466
Adjustment for contingent liabilities of acquired organised part of an enterprise of Wibud Spółka Jawna	-	(1 500)
Adjustment for liabilities arising from acquisition of non-current assets	6 679	(2 630)
Assignment of interest of Prinż – 1 Sp. z o.o. and Centrum Projektowe Polimex Mostostal Sp. z o.o.	(333)	(1 618)
Adjustment for option measurement	(168)	39 259
Other – sureties granted to subsidiaries	(7 475)	-
Adjustment for realised contingent payments for shares in Coifer Impex, ZRE Kraków Sp. z o.o. and EPE Rybnik	10 543	7 300
Conversion of liabilities into loan	-	(120)
Acquisition of shares in incorporated company	-	(3 111)
Other	-	28
Change in liabilities in the statement of cash flows	**18 313**	**142 781**

(in PLN thousands)

Change in accruals and prepaid expenses	*Year ended 31 December 2010*	*Year ended 31 December 2009 (restated)*
Change in accruals and prepaid expenses in the statement of financial position	(6 468)	(18 524)
Acquisition of shares in incorporated company	-	20
Change in liabilities in the statement of cash flows	**(6 468)**	**(18 506)**

Change in provisions	*Year ended 31 December 2010*	*Year ended 31 December 2009 (restated)*
Change in provisions in the statement of financial position	1 501	3 335
Acquisition of shares in incorporated company	-	(208)
Change in provisions in the statement of cash flows	**1 501**	**3 127**

29. Issued capital and supplementary/ reserve capital

29.1. Issued capital

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

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

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

(in PLN thousands)

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.

The separate income statements for the year ended 31 December 2010and for the year ended 31 December 2009 were prepared in such a manner as if the combining companies had already been combined at 1 January 2009.

The separate statement of financial position as at 31 December 2009 was prepared in such a manner as if combining companies had already been combined at 1 January 2009.

The Company eliminated all purchase and sale transactions for the year ended 31 December 2010 and 31 December 2009, which took place between Polimex Mostostal S.A. and the incorporated companies.

The Company eliminated all unsettled balances as at 31 December 2010 and as at 31 December 2009 which existed between Polimex Mostostal S.A. and the incorporated companies. Financial data for the combined companies as at 31 December 2009 are presented below:

Statement of financial position

	Polimex-Mostostal S.A. before combination	*Incorporated companies, total*	*Adjustments:*	*Polimex-Mostostal S.A. after combination*
ASSETS				
Non-current assets				
Property, plant and equipment	508 856	114 155	455	623 466
Investment properties	2 836	34 809	605	38 250
Intangible assets	17 182	5 848	-	23 030
Financial assets	836 687	53 949	(585 585)	305 051
Non-current receivables	10 400	3 823	-	14 223
Deferred tax assets	58 335	9 845	(2 072)	66 108
	1 434 296	**222 429**	**(586 597)**	**1 070 128**
Current assets				
Inventories	132 487	9 263	-	141 750
Trade and other receivables	924 503	212 995	(67 817)	1 069 681
Income tax receivables	-	8 141	-	8 141
Prepaid expenses	4 327	2 847	-	7 174
Cash and cash equivalents	165 790	123 131	-	288 921
Financial assets	118 726	2 161	-	120 887
	1 345 833	**358 538**	**(67 817)**	**1 636 554**
TOTAL ASSETS	**2 780 129**	**580 967**	**(654 414)**	**2 706 682**
EQUITY AND LIABILITIES				
Equity				
Issued capital	18 574	109 875	(109 875)	18 574
Share premium	513 466	17 129	(17 129)	513 466
Supplementary capital	381 566	149 556	(149 556)	381 566
Reserve capital	30 494	15 726	(15 726)	30 494
Translation of a foreign operation	-	(1 166)	1 166	-
Revaluation reserve	4 413	(692)	692	4 413
Other capitals	-	-	(281 090)	(281 090)
Retained earnings / Accumulated losses	101 174	74 100	(13 122)	162 152
Total equity	**1 049 687**	**364 528**	**(584 640)**	**829 575**

(in PLN thousands)

Non-current liabilities				
Interest bearing bank loans and borrowings	149 863	873	-	150 736
Long-term debentures	367 396	-	-	367 396
Provisions	56 368	13 625	-	69 993
Non-current liabilities	55 025	5 358	-	60 383
Deferred tax liability	-	1 957	(1 957)	-
Accruals	-	135	-	135
	628 652	**21 948**	**(1 957)**	**648 643**
Current liabilities				
Trade and other payables	965 882	161 939	(67 815)	1 060 006
Short-term debentures	39 797	-	-	39 797
Current portion of interest-bearing bank loans and borrowings	13 137	8 011	-	21 148
Income tax payable	14 789	2 117	-	16 906
Accruals	30 694	12 110	(2)	42 802
Provisions	37 491	10 314	-	47 805
	1 101 790	**194 491**	**(67 817)**	**1 228 464**
Total liabilities	**1 730 442**	**216 439**	**(69 774)**	**1 877 107**
TOTAL EQUITY AND LIABILITIES	**2 780 129**	**580 967**	**(654 414)**	**2 706 682**

Income statement

	Polimex-Mostostal S.A. before combination	*Incorporated companies, total*	*Adjustments:*	*Polimex-Mostostal S.A. after combination*
Continuing operations				
Sale of goods	372 485	17 040	(3 889)	385 636
Rendering of services	2 617 440	701 198	(158 737)	3 159 901
Rental income	5 399	6 431	(11)	11 819
Revenue	**2 995 324**	**724 669**	**(162 637)**	**3 557 356**
Cost of sales	2 735 126	624 549	(162 490)	3 197 185
Gross profit	**260 198**	**100 120**	**(147)**	**360 171**
Other operating income	4 123	18 780	(1 145)	21 758
Selling costs	21 332	1 921	-	23 253
Administrative expenses	78 006	46 714	-	124 720
Other operating expenses	12 344	2 575	(1 264)	13 655
Revenue from continuing operations	**152 639**	**67 690**	**(28)**	**220 301**
Finance income	7 447	10 627	-	18 074
Finance costs	38 057	6 368	(28)	44 397
Profit before tax	**122 029**	**71 949**	**-**	**193 978**
Income tax	13 606	10 971	-	24 577
Profit for the year	**108 423**	**60 978**	**-**	**169 401**

29.1.1 *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:

(in PLN thousands)

29.1.2 *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*
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK (Open Pension Fund)		
share in equity	10.03%	5.92%
share in votes	10.03%	5.92%
Otwarty Fundusz Emerytalny PZU „Złota Jesień" (PZU „Złota Jesień"Open Pension Fund)		
share in equity	7.68%	8.61%
share in votes	7.68%	8.61%
Gloria S.a.r.l. Luxembourg		
share in equity	-	6.18%
share in votes	-	6.18%
Sices International B.V. Holland		
share in equity	-	6.16%
share in votes	-	6.16%
ING Nationale-Nederlanden Polska Otwarty Fundusz Emerytalny (ING Nationale-Nederlanden Poland Open Pension Fund)		
share in equity	7.76%	8.70%
share in votes	7.76%	8.70%
Pioneer Pekao Investment Management S.A.		
share in equity	10.08%	5.56%
share in votes	10.08%	5.56%
Polimex-Cekop Development Sp. z o.o. (Polimex-Mostostal S.A.'s subsidiary)		
share in equity	2.52%	2.83%
share in votes	2.52%	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 52.6 million and at 31 December 2009 it is PLN 52.2 million.

29.2. 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.

29.3. 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.

29.4. 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: nil).

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 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).

(in PLN thousands)

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 Company amounts to PLN 33,221 thousand (PLN 30,494 thousand as at 31 December 2009).

30. Interest-bearing bank loans and borrowings

Bank loan and borrowing liabilities at 31 December 2010

Bank / financing entity	**Maturity**	*31 December 2010*	*31 December 2009 (restated)*
Current		**156 928**	**21 148**
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	-
Kredyt Bank S.A. – working capital facility up to PLN 40,000 thousand	30.10.2011	-	634
Depolma GmbH – loan in EUR	10.12.2011	739	766
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
Polimex-Hotele Sp. z o.o. – loan in PLN	31.12.2011	2 098	2 129
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 PLN 10,000 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
Nafto-Tur – loan of PLN 1,100 thousand	31.12.2010	-	1 102
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 1,000 thousand	30.09.2011	1 400	971
Non-current		**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	25.02.2013	28	50
Getin Bank S.A. – investment loan in PLN	25.04.2011	-	11

(in PLN thousands)

DnB Nord Polska S.A. – investment loan in PLN	31.03.2013	199	262
PKO BP S.A. – working capital facility in PLN	04.10.2012	150	550

Interest-bearing bank loans and borrowings		
Current, of which:	**156 928**	**21 148**
Bank loans	154 091	17 151
Borrowings	2 837	3 997
Non-current, of which:	**123 762**	**150 736**
Bank loans	123 762	150 736
Borrowings	-	-

Comparison of interest rates for the periods	*Year ended 31 December 2010*	*Year ended 31 December 2009*
Weighted average for bank loans in PLN	WIBOR +1.5800	WIBOR +1.2123
Weighted average for bank loans in EUR	EURIBOR + 2.2798	EURIBOR + 2.7000

31. Assets pledged as security

	31 December 2010	*31 December 2009 (restated)*
Property, plant and equipment	318 433	285 515
Inventories	100 000	100 000
Total	**418 433**	**385 515**

32. Debentures

	31 December 2010	*31 December 2009 (restated)*
Long-term debentures	367 435	367 396
Short-term debentures	39 331	39 797
Total debentures	**406 766**	**407 193**

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. at 16.10.2007 another block of coupon debentures not admitted for listing, denominated in PLN for the amount of PLN 73 million and with the maturity at 25.01.2013.

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.

(in PLN thousands)

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.

33. Other non-current liabilities

	31 December 2010	*31 December 2009 (restated)*
Finance lease	8 275	8 877
Non-current guarantee payment liabilities	40 754	48 831
Financial asset purchase payables	1 175	1 175
Deposits	3	12
Liabilities arising from acquisition of property, plant and equipment	1 456	1 488
Total	**51 663**	**60 383**

34. Provisions

34.1. Movements in provisions

	Provisions for guarantee repairs and refunds	*Restructuring provision*	*Other long-term employee benefits and post employment benefits*	*Other provisions*	*Total*
As at 1 January 2010	**22 364**	**342**	**76 852**	**18 240**	**117 798**
Recognised during the year	13 397	217	16 367	9 249	39 230
Utilised	-	(217)	(742)	(3 878)	(4 837)
Released	(16 289)	-	(8 359)	(8 133)	(32 781)
Reclassifications	670	(342)	129	(568)	(111)
As at 31 December 2010	**20 142**	**-**	**84 247**	**14 910**	**119 299**
Current as at 31 December 2010	11 223	-	9 809	14 778	35 810
Non-current as at 31 December 2010	8 919	-	74 438	132	83 489
As at 1 January 2009	**14 968**	**1 479**	**72 381**	**25 635**	**114 463**
Recognised during the year	12 320	-	11 301	15 740	39 361
Utilised	(740)	(84)	(6 637)	(47)	(7 508)
Reclassifications	(16)	-	-	16	-
Released	(4 168)	(1 053)	(193)	(23 104)	(28 518)
At 31 December 2009 *(restated)*	**22 364**	**342**	**76 852**	**18 240**	**117 798**
Current at 31 December 2009 *(restated)*	21 076	64	8 507	18 158	47 805
Non-current at 31 December 2009 *(restated)*	1 288	278	68 345	82	69 993

(in PLN thousands)

34.2. Guarantee and refund provision

The Company recognised in the statement of financial position provisions for guarantee repairs at the amount of PLN 20,142 thousand as at 31 December 2010 and at the amount of PLN 22,364 thousand as at 31 December 2009. Assumptions used to calculate the provision for guarantees were based on current sales levels and current information available about the contractual guarantee period for all products sold.

34.3. Other provisions

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.

35. Trade and other payables (current)

	31 December 2010	*31 December 2009 (restated)*
Trade payables		
To related parties	58 740	81 602
To third parties	843 372	804 340
	902 112	**885 942**
Taxation, customs duty, social security and other payables		
VAT	46 675	53 096
Withholding tax	165	25
Personal income tax	8 588	7 806
Social Insurance Institution (ZUS)	33 515	32 718
National Disabled Persons Rehabilitation Fund (PFRON)	610	627
Other	1 139	232
	90 692	**94 504**
Financial liabilities		
Foreign currency option contract	372	2 833
Interest acquisition liabilities	16 247	10 535
Finance lease and hire purchase contracts	5 956	6 912
Other	6 798	-
	29 373	**20 280**
Other liabilities		
Remuneration payable to employees	36 906	33 484
Amounts owed to related parties	-	756
Non-current asset purchase payables	9 602	18 095
Social fund	956	458
Other liabilities	10 287	6 487
	57 751	**59 280**
Accrued expenses related to:		
Unused annual leave	13 359	15 540
Bonuses and rewards	17 145	20 522
Retirement benefits	-	1 418
Bank guarantee costs	996	1 016
Court expenses	458	458
Other	4 372	3 848
	36 330	**42 802**

(in PLN thousands)

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 50 days.

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

Deferred gains on foreign exchange contracts represent the net payable arising from a forward currency contracts and currency options.

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.

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

	31 December 2010	*31 December 2009 (restated)*
Up to one month	558 541	517 314
Over 1 month to 3 months	146 251	117 111
Over 3 months to 6 months	4 352	3 883
Over 6 months to 1 year	10 520	60 958
Past due liabilities	182 448	186 676
Total trade payables	**902 112**	**885 942**

35.2. Past due trade payables

	31 December 2010	*31 December 2009 (restated)*
Up to one month	85 523	108 686
Over 1 month to 3 months	37 813	65 771
Over 3 months to 6 months	32 058	1 503
Over 6 months to 1 year	14 338	4 421
Over 1 year	12 716	6 295
Total past due liabilities*	**182 448**	**186 676**

36. Contingent liabilities, legal claims and other off-statement of financial position items

	31 December 2010	*31 December 2009 (restated)*
Contingent liabilities	**1 944 489**	**1 724 680**
To other parties (arising from)	1 940 192	1 715 792
- guaranties and sureties granted	1 417 398	1 240 385
- promissory notes	61 719	54 351
- legal claims	16 232	14 735
- other	152 110	139 479
- contractual capped / ordinary mortgage	297 030	275 730
Other (arising from)	**114 623**	**114 623**
- transferred to off-statement of financial position records balances relating to*	114 623	114 623
- receivables	48 839	48 839
- cash	15 973	15 973

(in PLN thousands)

- liabilities	25 330	25 330
- deferred income	24 481	24 481
Total off-statement of financial position items	**2 059 112**	**1 839 303**

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

The 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 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.

36.1. Tax settlements

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

Tax authorities may examine the accounting records within up to five years after the end of the year in which the final tax payments were to be made. Consequently, the Company may be subject to additional tax liabilities, which may arise as a result of additional tax audits. The Company believes that adequate provisions have been recorded for known and quantifiable risks in this regard as at 31 December 2010 and as at 31 December 2009.

37. Related party disclosures

The table below presents the total values of transactions with related parties entered into during the financial year and the prior financial year.

Related party		*Sales to related parties*	*Purchases from related parties*	*Amounts owed by related parties*	*Amounts owed to related parties*
Subsidiaries	*2010*				
Energomontaż Północ Gdynia Sp. z o.o.		5 857	6 176	1 765	413
Energop Sp. z o.o.		1 274	10 657	82	2 335
Energomontaż Północ-Technika Spawalnicza i Laboratorium” Sp. z o.o.		354	1 915	-	431
Sefako S.A.		1 281	46	264	989
Zakład Budowlano – Instalacyjny Turbud Sp. z o.o.		-	2 401	1 507	1 177
Torpol Sp. z o.o.		57	1	31	-
PRInż -1 Sp. z o.o.		716	16 321	2	3 037
Centrum Projektowe Polimex Mostostal Sp. z o.o.		2	8 616	2 990	1 948
Polimex Mostostal Projekt Południe Sp. z o.o.		2	337	-	22
Moduł System Service Sp. z o.o.		262	3 594	1 085	244
Zarząd Majątkiem Górczewska Sp. z o.o.		268	-	27	-
Wojewódzkie Biuro Projektów w Zabrzu Sp. z o.o.		3	189	31	-
Stalfa Sp. z o.o.		7 324	13 024	2 279	694

(in PLN thousands)

Polimex-Mostostal ZUT Sp. z o.o.	1 575	13 851	-	1 075
Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.	289	8 790	-	741
MSP Tchervonograd	1 064	735	1 641	-
Polimex Mostostal Ukraine	-	-	9 253	-
Polimex-Development Kraków Sp. z o.o.	148	3 771	16 852	1 275
Polimex-Cekop Development Sp. z o.o.	3	-	1	-
Polimex-Mostostal Development Sp. z o.o.	5 420	-	16 518	-
Polimex-Hotele Sp. z o.o.	119	-	1	2 098
Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.	48	1 129	-	40
S.C.Coifer Impex SRL	2 507	20 878	1 321	22 605
Depolma GmbH	-	-	-	739
Centralne Biuro Konstrukcji Kotłów Sp. z o.o.	-	33	-	70
Polimex-Mostostal Wschód Sp. z o.o.	4 961	-	-	-
Afta Sp. z o.o.	-	-	44	-
Energomontaż-Nieruchomości Sp. z o.o.	36	1	1	-
Energomontaż Magyaroszag Sp. z o.o.	1 331	3 600	5 783	-
Nafto-Tur Sp. z o.o.	4	-	-	-
Nafta Industriemontage GmbH	-	-	753	166
Sinopol Trade Center Sp. z o.o.	8	15	1	-
Total	**34 913**	**116 080**	**62 232**	**40 099**

Related party		*Sales to related parties*	*Purchases from related parties*	*Amounts owed by related parties*	*Amounts owed to related parties*
Subsidiaries	*2009*				
Energomontaż Północ Gdynia Sp. z o.o.		3 058	27	461	27
Energop Sp. z o.o.		953	14 085	89	5 415
Energomontaż Północ-Technika Spawalnicza i Laboratorium" Sp. z o.o.		475	1 857	1	305
Sefako S.A.		16 105	81	99	981
Zakład Budowlano – Instalacyjny Turbud Sp. z o.o.		-	-	-	272
Torpol Sp. z o.o.		94	-	-	16
PRInż -1 Sp. z o.o.		22	18 052	-	3 297
Centrum Projektowe Polimex Mostostal Sp. z o.o.		369	5 951	4 475	2 840
Polimex Mostostal Projekt Południe Sp. z o.o.		4	282	-	220
Zarząd Majątkiem Górczewska Sp. z o.o.		1 174	-	7	-
Moduł System Service Sp. z o.o.		558	7 897	101	677
Wojewódzkie Biuro Projektów w Zabrzu Sp. z o.o.		30	-	31	-
Stalfa Sp. z o.o.		3 281	7 886	942	112
Polimex-Mostostal ZUT Sp. z o.o.		2 680	24 981	-	1 951
Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.		213	8 742	-	1 131
MSP Tchervonograd		1 315	1 688	1 742	-
Polimex Mostostal Ukraine		285	-	-	-
Polimex-Development Kraków Sp. z o.o.		4 655	44	105 088	-
Polimex-Cekop Development Sp. z o.o.		3	-	-	-
Polimex-Mostostal Development Sp. z o.o.		507	-	9 652	-
Polimex-Hotele Sp. z o.o.		25	5	4	2 129
Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.		-	1 103	-	124
S.C.Coifer Impex SRL		1 825	5 580	5 283	7 572

(in PLN thousands)

Depolma GmbH	-	11	403	1 073
Energomontaż-Nieruchomości Sp. z o.o.	130	124	11	-
Energomontaż Magyaroszag Sp. z o.o.	2 907	4 614	5 949	1 894
Montonaft Sp. z o.o.	16	646	-	-
Nafto-Tur Sp. z o.o.	3	-	-	-
NAF Industriemontage GmbH	-	-	766	240
Sinopol Trade Center Sp. z o.o.	12	-	1	-
Total	**40 699**	**103 656**	**135 105**	**30 276**

Related party		*Sales to related parties*	*Purchases from related parties*	*Amounts owed by related parties*	*Amounts owed to related parties*
Associates	*2010*				
Porty S.A.		-	-	533	3 740
Polimex-Sices Sp. z o.o.		30 295	98 645	8 291	17 703
Laboratorium Ochrony Środowiska Pracy Sp. z o.o.		-	54	-	35
Energomontaż Północ Bełchatów Sp. z o.o.		97	-	10	-
Terminal LNG S.A.		2	-	3	-
Sices Montaż Sp. z o.o.		2 752	-	168	-
Total		**33 146**	**98 699**	**9 005**	**21 478**
Associates	*2009*				
Porty S.A.		-	5 925	8 807	22 364
Polimex-Sices Sp. z o.o.		32 580	76 229	15 114	24 922
Sices Montaż		1 102	-	1 069	-
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		**37 662**	**82 929**	**26 298**	**47 311**

37.1. Terms and conditions of transactions with related parties

Transactions between related parties are entered into on the same conditions as transactions entered into on market conditions.

37.2. Directors' loan

There were no directors' loans.

37.3. Other directors' interests

There were no other directors' interests.

37.4. Compensation of key management personnel of the Company

37.4.1 *Compensation paid to members of the Management Board and members of the Supervisory Board*

	Year ended 31 December 2010	*Year ended 31 December 2009 (restated)*
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

(in PLN thousands)

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

		Year ended 31 December 2010	*Year ended 31 December 2009*
President of the 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**

Remuneration paid by the Issuer to the Supervisory Board in 2010 amounted to PLN 488 thousand and in 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	-
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**

Disclosure on Company shares which are held by the Management Board and Supervisory Board as at 31 December 2010 and 31 December 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

38. Financial risk management objectives and policies

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

(in PLN thousands)

The Company 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 Company's operations and from the sources of finance it uses (see note 23.3).

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

The main risks arising from the Company'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 Company 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 39.3.

For the purpose of measuring the fair value of open derivative instruments, in 2009 Polimex-Mostostal S.A. used mostly the measurement of the financial instruments carried out by banks – the other parties to the transactions. Irrespective of the above mentioned measurement, for the purpose of measurement of effectiveness of hedging instruments held the Company made its own estimate in accordance with implemented hedge accounting policies.

Starting 2010 the Company has been using its own measurements for the purpose of the accounting records, where:

- fair value of future contracts is measured in relation to forward rates specific for given maturity dates of individual instruments.
- fair value of options is measured with the use of Garman-Kohlhagen model.

Market data necessary to make measurements is derived from an established information system.

38.1. Interest rate risk

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

The Company uses financing from bank loans, debenture issues and to little 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 Company 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).

Analysis of sensitivity to changes in interest rates

	Amount exposed to risk	***Increase/decrease by***	
		+0.50%	***-0.50%***
Year ended 31 December 2010			
Cash in bank accounts	280 934	1 405	(1 405)
Loans granted	46 206	231	(231)
Bank loans and borrowings	280 690	(1 403)	1 403
Obligations under finance lease agreements	14 231	(71)	71
Debentures	406 766	(2 034)	2 034
Effect on profit before tax	-	**(1 872)**	**1 872**
Deferred tax	-	356	(356)
Total	-	**(1 516)**	**1 516**
Year ended 31 December 2009 *(restated)*			
Cash in bank accounts	288 921	1 445	(1 445)
Loans granted	123 151	616	(616)

(in PLN thousands)

Bank loans and borrowings	171 884	(859)	859
Obligations under lease agreements	15 789	(79)	79
Debentures	407 193	(2 036)	2 036
Effect on profit before tax	-	**(913)**	**913**
Deferred tax	-	173	(173)
Total	-	**(740)**	**740**

38.2. Foreign currency risk

The Company is exposed to foreign currency risk arising form transactions related to the execution of export contracts and domestic transactions denominated in foreign currencies (financed from aid funds mainly in EUR). For service contracts the foreign currency risk is eliminated to a large extent by incurring production costs in the same currency as revenues. In justified cases appropriate re-insurance agreements are concluded.

The table below presents the sensitivity to reasonably possible exchange rate fluctuations, with all other variables held constant, of profit before tax (due to changes in the fair value of monetary assets and liabilities):

Foreign currency risk exposure*

	31 December 2010			*31 December 2009 (restated)*		
	EUR	*USD*	*GBP*	*EUR*	*USD*	*GBP*
Trade receivables	57 888	5 832	856	37 952	7 045	1 046
Hedged bank loans	10 971	-	-	7 152	-	-
Trade payables	24 573	1 073	-	7 772	1 183	1 086
Gross carrying amount	**22 344**	**4 759**	**856**	**23 028**	**5 862**	**(40)**
Estimated sales forecast	222 796	2 821	4 747	254 915	8 928	3 080
Estimated expenses forecast	(100 533)	(18 864)	(189)	(121 518)	(16 619)	(1 927)
Gross exposure	**122 265**	**(16 043)**	**4 558**	**133 397**	**(7 691)**	**1 153**
Forward foreign currency contracts	(34 569)	(1 350)	(1 669)	(24 479)	-	-
Foreign currency option contracts	(7 789)	-	(2 080)	(13 710)	-	-
Net exposure	**102 251**	**(12 634)**	**1 665**	**118 236**	**(1 829)**	**1 113**

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

Analysis of sensitivity of foreign currency risk 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	42 618	3 910	(3 910)	257	(257)	94	(94)
Trade and other receivables	261 343	24 012	(24 012)	1 729	(1 729)	393	(393)
Derivatives	1 589	-	-	(399)	399	-	-
Trade and other payables	112 474	(10 930)	10 930	(318)	318	-	-
Bank loans, borrowings and other sources of finance	43 450	(4 345)	4 345	-	-	-	-
Effect on profit before tax		**12 647**	**(12 647)**	**1 269**	**(1 269)**	**487**	**(487)**
Derivatives	4 447	(14 210)	14 790	-	-	(1 932)	1 928
Effect on total comprehensive income	-	**(14 210)**	**14 790**	-	-	**(1 932)**	**1 928**

(in PLN thousands)

Analysis of sensitivity of foreign currency risk at 31 December 2009 (restated)

	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	52 671	4 889	(4 889)	26	(26)	352	(352)
Trade and other receivables	197 117	16 836	(16 836)	2 392	(2 392)	485	(485)
Derivatives	447	-	-	-	-	-	-
Trade and other payables	52 194	(4 338)	4 338	(353)	353	(524)	524
Bank loans, borrowings and other sources of finance	29 382	(2 938)	2 938	-	-	-	-
Effect on profit before tax		**14 449**	**(14 449)**	**2 065**	**(2 065)**	**313**	**(313)**
Derivatives	4 252	(14 526)	16 143	-	-	-	-
Effect on total comprehensive income	**-**	**(14 526)**	**16 143**	-	-	-	-

38.3. Commodity price risk

Economical effectiveness of production of the Company depends to large extent on fluctuations in prices of raw materials, mainly steel and zinc composite. The main factor which limits the above mentioned risk is the fact that the 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 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).

38.4. Credit risk

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

38.5. Liquidity risk

The risk of the Company losing liquidity arises from the fact that the amounts and payment periods for receivables and payables do not match. The Company hedges against this risk by taking out short term bank loans and issuing debt securities which amount and maturity 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 Company's financial liabilities as at 31 December 2010 and as at 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	-	-	156 928	123 762	-	280 690
Debentures	-	39 331	-	367 435	-	406 766
Other non-current liabilities, of which	-	-	-	51 663	-	51 663
- Leases	-	-	-	8 275	-	8 275
Trade and other payables, of which	204 291	854 716	20 235	686	-	1 079 928
- Leases	-	1 350	4 606	-	-	5 956
- Derivatives	-	372	-	-	-	372
	204 291	**894 047**	**177 163**	**543 546**	**-**	**819 047**

(in PLN thousands)

31 December 2009 (restated)	*On demand*	*3 months and less*	*3-12 months*	*1-5 years*	*Over 5 years*	*Total*
Interest bearing bank loans and borrowings	-	1 114	20 034	17 139	133 597	171 884
Debentures	-	-	39 807	367 490	-	407 297
Other non-current liabilities	-	-	-	60 383	-	60 683
- Leases	-	-	-	8 877	-	8 877
Trade and other payables	283 105	706 897	70 004	-	-	1 060 006
- Leases	-	747	6 165	-	-	6 912
- Derivatives	-	-	2 833	-	-	2 833
	283 105	**708 011**	**129 845**	**445 012**	**133 597**	**1 699 570**

39. Financial instruments

39.1. Fair values of individual classes of financial instruments

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments divided into individual classes and 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* *31 December 2010*	*Carrying amount* *31 December 2009 (restated)*	*Fair value* *31 December 2010*	*Fair value* *31 December 2009 (restated)*
Financial assets					
Shares and interests		395 163	292 400	395 163	292 400
Available-for-sale financial assets		594	1 563	594	1 563
Financial assets held to maturity,	HtM	7	-	7	-
Other financial assets, of which	LaR	49 067	126 368	49 067	126 368
- non-current		14 149	12 342	14 149	12 342
- current		34 918	114 026	34 918	114 026
Trade receivables	LaR	1 126 787	1 059 405	1 126 787	1 059 405
Derivative financial instruments, of which:	FVtPoL	7 073	5 607	7 073	5 607
- *Forward* foreign currency contracts	FVtPoL	5 926	3 070	5 926	3 070
- Foreign currency *option* contracts	FVtPoL	1 147	2 537	1 147	2 537
- Interest rate options		-	-	-	-
- Interest rate swaps (IRS)		-	-	-	-
Cash and cash equivalents	FVtPoL	280 934	288 921	280 934	288 921
Total financial assets		1 859 625	1 774 264	1 859 625	1 774 264

	Category in accordance with IAS 39	*Carrying amount* *31 December 2010*	*Carrying amount* *31 December 2009 (restated)*	*Fair value* *31 December 2010*	*Fair value* *31 December 2009 (restated)*
Financial liabilities					
Bank overdraft		59 936	14 804	59 936	14 804
Interest-bearing bank loans and borrowings, of which:	FLaAC	220 754	157 080	220 754	157 080
- long-term with floating interest rate	FLaAC	123 762	150 736	123 762	150 736

(in PLN thousands)

- short-term with floating interest rate	FLaAC	96 992	6 344	96 992	6 344
- other - short-term	FLaAC	-	-	-	-
Other liabilities (non-current), of which:	FLaAC	51 663	60 383	51 663	60 383
- guarantee payments and deposits	FLaAC	40 757	48 843	40 757	48 843
- other	FLaAC	2 631	2 663	2 631	2 663
- finance lease and hire purchase contract liabilities		8 275	8 877	8 275	8 877
Trade payables	FLaAC	902 112	885 942	902 112	885 942
Short-term lease		5 956	6 912	5 956	6 912
Derivative financial instruments, of which:	FVtPoL	372	2 833	372	2 833
- recognised in revaluation reserve		-	-	-	-
- foreign currency *option* contracts		-	-	-	-
- forward foreign currency contracts	FVtPoL	-	-	-	-
-recognised in the income statement.		372	2 833	372	2 833
- foreign currency *option* contracts		372	2 833	372	2 833
- forward foreign currency contracts	FVtPoL	-	-	-	-
Total financial liabilities		1 240 793	1 127 954	1 240 793	1 127 954

As at 31 December 2010 the Company held the following financial instruments measured at fair value:

	31 December 2010 *Level 1*	*Level 2*	*Level 3*
Financial assets at fair value – hedge accounting	-	7 073	-
Securities	-	-	-
Derivatives	-	7 073	-
Financial liabilities at fair value	-	372	-
Securities	-	-	-
Derivatives	-	372	-

As at 31 December 2009 *(restated)* the Company held the following financial instruments measured at fair value:

	31 December 2009 (restated) *Level 1*	*Level 2*	*Level 3*
Financial assets at fair value – hedge accounting	-	5 607	-
Securities	-	-	-
Derivatives	-	5 607	-
Available-for-sale financial assets	-	138	-
Capital instruments	-	138	-
Financial liabilities at fair value	-	2 833	-
Securities	-	-	-
Derivatives	-	2 833	-

In the year ended 31 December 2010 no items moved between Level 1 and Level 2 of fair value hierarchy or no instruments were moved to/ from the level 3 of fair value hierarchy.

39.2. 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)*	*Impairment (write off) / reversal*	*Sales adjustment for hedging transactions*	*Valuation gains / (losses)*	*Gain / (loss) on disposal*	*Other*	*Total*
Financial assets		*7 988*	*(2 234)*	*2 582*	*9 479*	*(634)*	*2 211*	*40*	*19 432*
Shares and interests		-	-	-	-	-	-	-	-
Financial assets held to maturity,	HtM	-	-	-	-	-	-	-	-
Other financial assets	LaR	4 418	114	-	-	(813)	-	2	3 721
Trade and other receivables	LaR	1 489	(862)	2 582	-	215	-	38	3 462
Derivative financial instruments	FVtPoL	-	-	-	9 479	(36)	2 211	-	11 654
Cash and cash equivalents	FVtPoL	2 081	(1 486)	-	-	-	-	-	595

(in PLN thousands)

Financial liabilities		*(42 220)*	*(1 200)*	-	-	*(68)*	*(806)*	*(25)*	*(44 319)*
Bank overdrafts		(179)	-	-	-	-	-	-	(179)
Interest-bearing bank loans and borrowings	FLaAC	(14 693)	-	-	-	-	-	-	(14 693)
Debentures	FLaAC	(26 341)	-	-	-	-	-	-	(26 341)
Other non-current liabilities	FLaAC	(32)	-	-	-	-	-	(29)	(61)
Trade and other payables, of which:	FLaAC	(975)	(1 200)	-	-	(68)	-	4	(2 239)
- leases		(338)	-	-	-	-	-	-	(338)
Derivative financial instruments		-	-	-	-	-	(806)	-	(806)
Total		*(34 232)*	*(3 434)*	*2 582*	*9 479*	*(702)*	*1 405*	*15*	*(24 887)*

Year ended 31 December 2009 *(restated)*

	Category in accordance with IAS 39	*Interest income / (expense)*	*Foreign exchange gains / (losses)*	*Impairment (write off) / reversal*	*Sales adjustment for hedging transactions*	*Valuation gains / (losses)*	*Gain / (loss) on disposal*	*Other*	*Total*
Financial assets		*9 435*	*(1 063)*	*6 199*	*36 659*	*(2 068)*	*1*	*(3 121)*	*46 042*
Shares and interests		-	-	661	-	-	-	-	661
Available-for-sale financial assets		-	-	-	-	-	1	-	1
Financial assets held to maturity,	HtM	-	-	-	-	-	-	-	-
Other financial assets	LaR	4 937	-	-	-	(352)	-	-	4 585
Trade and other receivables	LaR	756	(2 121)	5 538	-	-	-	(3 121)	1 052
Derivative financial instruments	FVtPoL	-	4 008	-	36 659	(1 716)	-	-	38 951
Cash and cash equivalents	FVtPoL	3 742	(2 950)	-	-	-	-	-	792
Financial liabilities		*(35 838)*	*(16 606)*	-	*(299)*	*8 162*	*(17 899)*	*120*	*(62 360)*
Bank overdraft		(14)	-	-	-	-	-	(30)	(44)
Interest-bearing bank loans and borrowings	FLaAC	(11 260)	-	-	-	-	-	-	(11 260)
Debentures	FLaAC	(22 285)	-	-	-	-	-	-	(22 285)
Other non-current liabilities	FLaAC	(45)	-	-	-	-	-	-	(45)
Trade and other payables, of which:	FLaAC	(2 234)	(6 992)	-	-	-	-	150	(9 076)
- leases		(855)	-	-	-	-	-	-	(855)
Derivative financial instruments		-	(9 614)	-	(299)	8 162	(17 899)	-	(19 650)
Total		*(26 403)*	*(17 669)*	*6 199*	*36 360*	*6 094*	*(17 898)*	*(3 001)*	*(16 318)*

(in PLN thousands)

39.3. Interest rate risk

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

31 December 2010	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-6 years*	*Total*
Fixed rate						
Obligations under finance leases and hire purchase contracts	-	-	-	-	-	-
Bank loan	-	-	-	-	-	-
Total	-	-	-	-	-	-
Floating rate						
Cash assets	280 934	-	-	-	-	280 934
Loans granted	34 858	11 348	-	-	-	46 206
Bank overdraft	59 936	-	-	-	-	59 936
Working capital facility and investment loan	94 156	31 709	29 271	29 226	33 556	217 918
Other credit facilities	-	-	-	-	-	-
Leases	5 956	5 119	2 365	639	152	14 231
Debentures	39 331	294 435	73 000	-	-	406 766
Borrowings	2 836	-	-	-	-	2 836
Total	**518 007**	**342 611**	**104 636**	**29 865**	**33 708**	**1 028 827**

31 December 2009 (restated)	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-6 years*	*Total*
Fixed rate						
Obligations under finance leases and hire purchase contracts	-	-	-	-	-	-
Bank loan	-	-	-	-	-	-
Total	-	-	-	-	-	-
Floating rate						
Cash assets	288 921	-	-	-	-	288 921
Loans granted	113 455	9 696	-	-	-	123 151
Bank overdraft	14 804	-	-	-	-	14 804
Working capital facility	2 219	-	16 816	-	133 597	152 632
Other credit facilities	128	144	144	35	-	451
Leases	6 912	1 037	7 840	-	-	15 789
Debentures	39 797	-	294 396	73 000	-	407 193
Borrowings	3 997	-	-	-	-	3 997
Total	**470 233**	**10 877**	**319 196**	**73 035**	**133 597**	**1 006 938**

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Company that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

40. Capital management

The primary objective of the Company'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 Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Within net debt the Company includes interest bearing bank loans and borrowings, trade and other payables, less cash and cash equivalents.

(in PLN thousands)

	31 December 2010	*31 December 2009 (restated)*
Interest-bearing bank loans, borrowings and debentures	687 456	579 077
Trade and other payables	1 131 591	1 120 389
Less cash and cash equivalents	280 934	288 921
Net debts	1 538 113	1 410 545
Equity	920 030	829 575
Capital and net debt	**2 458 143**	**2 240 120**
Gearing ratio (net debt/capital and net debt)	62.6%	63.0%

41. 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:

	31 December 2010	*31 December 2009* (restated)
Revenue from rendering of services for the financial period:		
- rendering of services (adjusted upwards)	186 450	(145 876)
- rendering of services, invoiced	2 950 669	3 112 021
Total	**3 137 119**	**2 966 145**
Total amount of incurred expenses and recognised gains (less recognised losses) in the financial period	2 769 530	2 675 655
Advance payments received	148 257	64 616
Retained amounts	59 128	21 857
Gross amount owed by employers for works under the contract (asset)	353 585	223 560
Gross amount owed to employers for works under the contract (liability)	94 104	150 529

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:

To settle within:	*31 December 2010*	*31 December 2009* (restated)
- above 12 months	26 377	11 590
- up to 12 months	32 751	10 267
Total	**59 128**	**21 857**

42. Employment structure

The average employment in the Company in the year ended 31 December 2010 and 31 December 2009 was as follows:

	Year ended 31 December 2010	*Year ended 31 December 2009 (restated)*
The Management Board of the Parent Company	4	4
Back office	1 162	1 099
Production	9 173	9 005
Total	**10 339**	**10 108**

(in PLN thousands)

43. Events after the statement of financial position date

The following events that may have significant impact upon position of the Company 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 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		

Person entrusted

with keeping accounting books

Ewa Kaczorek
Chief Accountant

Warsaw, 28th April 2011