FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

WITH THE INDEPENDENT AUDITORS' OPINION

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

(in PLN thousands)

INCOME STATEMENT
for the year ended 31 December 2012

	Note	*Year ended 31 December 2012*	*Year ended 31 December 2011 (restated)*
Continuing operations			
Sale of goods		421 876	500 825
Rendering of services		2 701 920	3 108 251
Rental income		15 194	13 316
Revenue	13& 14.1	**3 138 990**	**3 622 392**
Cost of sales	14.7	(3 786 841)	(3 703 636)
Gross profit / (loss)		**(647 851)**	**(81 244)**
Other operating income	14.3	16 612	21 366
Selling costs		(26 702)	(29 114)
Administrative expenses		(94 104)	(88 860)
Other operating expenses	14.4	(82 021)	(10 839)
Profit/(Loss) on operating activities		**(834 066)**	**(188 691)**
Finance income	14.5	16 672	40 713
Finance costs	14.6	(392 395)	(63 428)
Gross profit/(loss)		**(1 209 789)**	**(211 406)**
Income tax	15	(87 542)	(39 955)
Net profit / (loss) for the year from continuing operations		**(1 122 247)**	**(171 451)**
Net profit/(loss) for the year		**(1 122 247)**	**(171 451)**
Earnings per share (in PLN)*:	17		
– number of shares registered at the statement of financial position date		521 154 076	521 154 076
– basic, for net profit / (loss) for the period		(2.15)	(0.33)
– basic, for net profit (loss) from continuing operations for the year		(2.15)	(0.33)
– number of shares registered after the statement of financial position date		1 333 974 588	521 154 076
– basic, for net profit /(loss) for the year		(0.84)	(0.33)
– basic, for net profit from continuing operations for the year		(0.84)	(0.33)
Diluted earnings per share (in PLN)			
– number of shares		521 154 076	521 154 076
– diluting potential ordinary shares		1 177 747 103	12 142 323
– diluted, for net profit / (loss) for the year		(0.66)	(0.32)
– diluted, for net profit (loss) from continuing operations for the year		(0.66)	(0.32)
– number of shares registered after the statement of financial position date		1 333 974 588	521 154 076
– diluting potential ordinary shares		364 926 591	12 142 323
– diluted, for net profit / (loss) for the year		(0.66)	(0.32)
– diluted, for net profit (loss) from continuing operations for the year		(0.66)	(0.32)

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

(in PLN thousands)

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

		Year ended 31 December 2012	*Year ended 31 December 2011 (restated)*
Net profit/(loss)		**(1 122 247)**	**(171 451)**
Net gains/(losses) on valuation of cash flow hedges	14.10	1 474	(6 201)
Deferred tax	15.1,15.3	(280)	1 183
Other comprehensive income, net of tax		**1 194**	**(5 018)**
Total comprehensive income		**(1 121 053)**	**(176 469)**

(in PLN thousands)

STATEMENT OF FINANCIAL POSITION
as at 31 December 2012

	Note	*31 December 2012*	*31 December 2011 (restated)*	*1 January 2011*
ASSETS				
Non-current assets				
Property, plant and equipment	19	475 885	632 564	658 324
Investment properties	21	14 833	52 380	36 632
Intangible assets	22	13 175	23 457	23 533
Financial assets	23.1	457 467	454 387	409 312
Non-current receivables		25 124	22 741	28 010
Non-current prepaid expenses		-	-	605
Deferred tax assets	15.3	173 277	85 101	44 018
		1 159 761	**1 270 630**	**1 200 434**
Current assets				
Inventories	25	161 169	195 948	222 698
Trade and other receivables	26	854 448	1 431 391	1 141 709
Income tax receivables		-	10 101	-
Prepaid expenses	27	7 643	10 894	6 536
Cash and cash equivalents	28	162 235	176 594	280 934
Financial assets	23.2	157 253	60 835	42 585
		1 342 748	**1 885 763**	**1 694 462**
Available for sale long-term assets	29	154 467	-	-
TOTAL ASSETS		**2 656 976**	**3 156 393**	**2 894 896**
EQUITY AND LIABILITIES				
Equity				
Issued capital	30.1	20 846	20 846	20 837
Share premium		738 237	738 237	737 454
Unregistered share issue		412 500	-	-
Supplementary capital	30.2	618 552	555 994	471 415
Other capital	30.4	(444 924)	(444 924)	(444 924)
Reserve capital	30.5	32 086	32 086	33 221
Revaluation reserve	30.3	27	(1 167)	3 851
Retained earnings / Accumulated losses		(1 363 385)	(178 580)	98 176
Total equity	**30**	**13 939**	**722 492**	**920 030**
Non-current liabilities				
Interest bearing bank loans and borrowings	31	466 912	82 317	123 762
Long-term debentures	33	143 874	73 000	367 435
Provisions	35	170 569	45 826	83 489
Non-current liabilities	34	315 509	48 761	51 663
Accruals		1 756	-	106
		1 098 620	**249 904**	**626 455**
Current liabilities				
Trade and other payables	36	1 251 764	1 536 934	1 079 928
Short-term debentures	33	-	334 742	39 331
Current portion of interest-bearing bank loans and borrowings	31	30 981	211 217	156 928
Income tax payable		-	-	84
Accruals	36	40 048	38 953	36 330
Provisions	35	221 624	62 151	35 810
		1 544 417	**2 183 997**	**1 348 411**
Total liabilities		**2 643 037**	**2 433 901**	**1 974 866**
TOTAL EQUITY AND LIABILITIES		**2 656 976**	**3 156 393**	**2 894 896**

(in PLN thousands)

STATEMENT OF CASH FLOWS
for the year ended 31 December 2012

	Note	*Year ended 31 December 2012*	*Year ended 31 December 2011 (restated)*
Cash flows from operating activities			
Gross profit/(loss)		**(1 209 789)**	**(211 406)**
Adjustments for:		**843 574**	**259 298**
Depreciation / Amortisation	14.7	64 078	59 860
Interests and dividends, net		65 039	47 851
Loss from investing activities		10 029	(1 072)
Change in receivables	28	197 983	(288 603)
Change in inventories	28	34 779	20 259
Change in payables except for loans and borrowings	28	(87 075)	445 258
Change in accruals and prepaid expenses		6 102	(1 236)
Change in provisions		284 216	(11 322)
Income tax paid		9 186	(10 129)
Impairment of non-current financial assets		206 527	2 274
Other	28	52 710	(3 842)
Net cash flows from operating activities		**(366 215)**	**47 892**
Cash flows from investing activities			
Sale of property, plant and equipment and intangibles		26 129	1 472
Purchase of property, plant and equipment and intangibles		(24 201)	(52 531)
Acquisition of financial assets in related companies		(5 877)	(18 136)
Disposal of financial assets in related companies		87 076	-
Dividends received		2 184	2 446
Interest received		164	652
Repayment of loans granted		2 678	4 728
Loans granted		(2 477)	(27 695)
Other		-	199
Net cash flows from investing activities		**85 676**	**(88 865)**
Cash flows from financing activities			
Proceeds from issue of shares		150 000	554
Proceeds from issue of debentures		193 821	355 550
Expenses for redemption of debentures		(199 800)	(357 500)
Payment of finance lease liabilities		(5 817)	(2 340)
Proceeds from loans and borrowings		238 247	170 716
Repayment of loans and borrowings		(33 888)	(157 872)
Dividends paid to equity holders of the parent		-	(20 846)
Interest paid		(77 698)	(52 452)
Other		1 315	823
Net cash flows from financing activities		**266 180**	**(63 367)**
Net increase/decrease in cash and cash equivalents		(14 359)	(104 340)
Net foreign exchange difference		(1 815)	2 963
Cash and cash equivalents at the beginning of the period	28	**176 594**	**280 934**
Cash and cash equivalents at the end of the period	28	**162 235**	**176 594**

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

	Year ended 31 December 2012	*Year ended 31 December 2011*
Cash at bank and in hand and deposits	162 235	176 594

(in PLN thousands)

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

	Note	Issued capital	Share premium	Unregistered share issue	Other capital	Reserve capital	Supplementary capital	Revaluation reserve	Retained earnings / Accumulated losses	Total equity
As at 1 January 2012	**30**	**20 846**	**738 237**	**-**	**(444 924)**	**32 086**	**555 994**	**(1 167)**	**55 429**	**956 501**
Adjustment of error		-	-	-	-	-	-	-	(234 009)	(234 009)
As at 1 January 2012		**20 846**	**738 237**	**-**	**(444 924)**	**32 086**	**555 994**	**(1 167)**	**(178 580)**	**722 492**
Profit for the period		-	-	-	-	-	-	-	(1 122 247)	(1 122 247)
Other comprehensive income for the period	14.10,15.1	-	-	-	-	-	-	1 194	-	1 194
Comprehensive income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**1 194**	**(1 122 247)**	**(1 121 053)**
Profit distribution		-	-	-	-	-	62 558	-	(62 558)	-
Unregistered share issue		-	-	412 500	-	-	-	-	-	412 500
31 December 2012		**20 846**	**738 237**	**412 500**	**(444 924)**	**32 086**	**618 552**	**27**	**(1 363 385)**	**13 939**

(in PLN thousands)

STATEMENT OF CHANGES IN EQUITY
year ended 31 December 2011 *(restated)*

	Note	Issued capital	Share premium	Other capital	Reserve capital	Supplementary capital	Revaluation reserve	Retained earnings / Accumulated losses	Total equity
As at 1 January 2011	**30**	**20 837**	**737 454**	**(444 924)**	**33 221**	**471 415**	**3 851**	**98 176**	**920 030**
Profit for the period		-	-	-	-	-	-	(171 451)	(171 451)
Other comprehensive income for the period	14.10,15.1	-	-	-	-	-	(5 018)	-	(5 018)
Comprehensive income for the period		-	-	-	-	-	**(5 018)**	**(171 451)**	**(176 469)**
Share issue – exercise of executive options		9	545	-	-	-	-	-	554
Other adjustments		-	238	-	(238)	-	-	120	120
Revaluation of executive options		-	-	-	(897)	-	-	-	(897)
Profit distribution		-	-	-	-	84 579	-	(84 579)	-
Dividends	18	-	-	-	-	-	-	(20 846)	(20 846)
As at 31 December 2011 *(restated)*		**20 846**	**738 237**	**(444 924)**	**32 086**	**555 994**	**(1 167)**	**(178 580)**	**722 492**

(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 2012 and contain comparative date for the year ended 31 December 2011. Due to the correction of an error introduced retrospectively in the statement of financial position (see Note 10) the opening balance for the earliest period presented i.e. as at 1 January 2011 is also included.

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, 00-950 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 2012, which were authorised for issue on 18 March 2013.

3. Composition of the Board of Directors and of the Supervisory Board

As at 31 December 2012, the Board of Directors of the Company consisted of:

Robert Oppenheim	Acting President of the Board
Aleksander Jonek	Vice President of the Board
Robert Bednarski	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 Board of Directors of the Company did change.

On 26 June 2012 the Supervisory Board of Polimex-Mostostal S.A. appointed for the Board of Directors Mr. Robert Bednarski for the position of Vice President of the Board for Finance effective from 2 July 2012 and Mr. Robert Oppenheim for the position of Vice President for Operations effective from 6 July 2012.

(in PLN thousands)

On 10 August 2012 the Supervisory Board of Polimex-Mostostal S.A. recalled Mr. Konrad Jaskóła from the position of the President of the Board of Directors. Before the new President is appointed, the duties of the President of the Board are performed by Mr. Robert Oppenheim.

On 31 August 2012 the Supervisory Board dismissed Mr Grzegorz Szkopek from the position of the Member of the Board.

On 30 November 2012 Mr. Zygmunt Artwik handed in his resignation from the position of the Member of the Board of the Company.

As at 31 December 2012, the Supervisory Board of the company consisted of:

Jan Woźniak	Chairman of the Supervisory Board,
Artur Jędrzejewski	Vice Chairman of the Supervisory Board,
Marek Wierzbowski	Member of the Supervisory Board
Andrzej Bartos	Member of the Supervisory Board
Dariusz Formela	Member of the Supervisory Board
Dariusz Krawczyk	Member of the Supervisory Board
Sebastian Bogusławski	Secretary of the Supervisory Board,

On 29 February 2012 the Extraordinary Meeting of Shareholders of Polimex-Mostostal S.A. adopted resolutions No.4 to No.10 making the following amendments to the composition of the Supervisory Board:

- persons dismissed: Kazimierz Klęk, Mieczysław Puławski, Andrzej Szumański
- persons appointed: Andrzej Bartos, Paweł Dłużniewski, Dariusz Formela, Dariusz Krawczyk.

On 10 October 2012 the Extraordinary Meeting of Shareholders of Polimex-Mostostal S.A. made the following amendments to the composition of the Supervisory Board:

- persons dismissed: Paweł Dłużniewski, Jacek Kseń
- persons appointed: Marek Wierzbowski, Sebastian Bogusławski

On 15 February 2013 the Extraordinary Meeting of Shareholders of Polimex-Mostostal S.A. adopted resolutions No.3 to No.10 making the following amendments to the composition of the Supervisory Board:

- persons dismissed: Jan Woźniak, Sebastian Bogusławski, Andrzej Bartos, Dariusz Formela
- persons appointed: Jerzy Góra, Tadeusz Kuczborski, Ryszard Engel, Andrzej Kasperek.

The Supervisory Board established as follows:

Jerzy Góra	Chairman of the Supervisory Board,
Ryszard Engel	Vice Chairman of the Supervisory Board,
Dariusz Krawczyk	Vice Chairman of the Supervisory Board,
Artur Jędrzejewski	Secretary of the Supervisory Board,
Tadeusz Kuczborski	Member of the Supervisory Board
Andrzej Kasperek	Member of the Supervisory Board
Marek Wierzbowski	Member of the Supervisory Board

4. Approval of financial statements

These financial statements were authorized for issue by the Board of Directors on 18 March 2013.

5. Company investments

The Company has investments in the following subsidiaries and associates:

(in PLN thousands)

Item no.	Entity name	Registered office	Business activities	% held by the Company in share capital	
				31 December 2012 (%)	**31 December 2011 (%)**
	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	Trade activity, consulting and advisory services	100.00	100.00
3	Fabryka Kotłów "Sefako" S.A. (Capital Group) (*)	Sędziszów	Designing, production and sale of boilers	95.97	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	MSP Tchervonograd - Ukraine (*)	Tchervonograd- Ukraine	Metal structure manufacturing	99.61	99.61
13	Polimex-Hotele Sp. z o.o. (*)	Warsaw	Housing development	100.00	100.00
14	Polimex-Mostostal Development Sp. z o.o. (*)	Warsaw	Housing development	100.00	100.00
15	Torpol Sp. z o.o. (Capital Group) (*)	Poznań	Comprehensive execution of transport facilities	100.00	100.00
16	Energomontaż-Nieruchomości Sp. z o.o.(*)	Warsaw	Real estate trade, maintenance and management	100.00	100.00
17	Energomontaż-Magyarorszag Sp. z o.o.(*)	Budapest	Construction and erection works, services, trade	100.00	100.00
18	Energomontaż – Północ Gdynia Sp. z o.o. (*)	Gdynia	Construction and erection works, steel structure production, trade	99.99	99.99

(in PLN thousands)

19	Energop Sp. z o.o.(*)	Sochaczew	Production of pipelines and steel structures, construction and erection services	99.99	99.99
20	Energomontaż-Północ-Technika Spawalnicza i Laboratorium Sp. z o.o.(*)	Warsaw	Research & Development	99.96	99.96
21	Centrum Projektowe Polimex-Mostostal Sp. z o.o. (*)	Gliwice	Construction, urban and engineering design and planning	99.57	99.57
22	Zakład Budowlano – Instalacyjny Turbud Sp. z o.o.(***) w likwidacji	Płock	Housing development, industrial buildings and rehabilitation	100.00	100.00
23	Zarząd Majątkiem Górczewska Sp. z o.o.(*) (Real Estate Administration)	Warsaw	Real estate lease, tenancy and administration	100.00	100.00
24	Przedsiębiorstwo Produkcyjno-Usługowe Elektra Sp. z o.o.(*)	Zielona Góra	Construction and design of overhead lines and transformer stations	100.00	100.00
25	PxM -Projekt - Południe Sp. z o.o. (*)	Cracow	Design services in construction sector	100.00	100.00
26	S.C. Coifer Impex SRL (*)	Romania	Steel structure manufacturing	100.00	100.00
27	WBP Zabrze Sp. z o.o.(*)	Zabrze	Design services	99.97	99.97
28	PRInż – 1 Sp. z o.o.(*)	Katowice	Road construction	91.06	89.62
29	Pracownia Wodno-Chemiczna Ekonomia Sp. z o.o.(*)	Bielsko Biała	Sewage and water treatment, technical and economic analyses in the scope of modernisation and construction of new systems.	100.00	75.00
30	Polimex-Mostostal Wschód Sp. z o.o. (*)	Moscow, Russia	Special and general construction	100.00	100.00
31	Centralne Biuro Konstrukcji Kotłów S.A.(*)	Tarnowskie Góry	Specialist construction, services	98.50	98.50
32	Grande Meccanica SpA(*)	Narni, Italy	Production, construction	100.00	100.00
	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	Energomontaż – Północ Bełchatów Sp. z o.o. (**) (Capital Group)	Bełchatów	Specialist construction and erection services	32.82	32.82
*	entity consolidated using the full method				
**	entity recognized using the equity method				
***	entity eliminated from consolidation				

As at 31 December 2012 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 99.28% (share in capital 99.57%).

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.

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 128,294 thousand and the related costs would have been increased by PLN 125,603 thousand in 2012.

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 receivables and inessential raw materials

At each statement of financial position date the Company writes down receivables taking into consideration the past due time of receivables and inessential raw 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.

7.1. Disclosure on financial position of the Company

Restructuring of debt

In 2012, and in the second half of the year in particular, the financial position of the Company was very difficult. The second half of 2012 was the period of maturity of a significant number of loans drowned by the Issuer and of the debenture redemption. Due to financial tensions arising mostly from the need to maintain the high level of working funds to guarantee the performance of road works, the main current task of the Issuer’s Board was to secure external financing at the level enabling the Company to operate normally. That is why in July 2012 the Board made the decision to commence talks with all financial creditors of the Company, including in particular the banks and debenture holders holding debentures issued by the Company, to conclude an understanding as to simultaneously extend the maturity of its financial liabilities for the period of four months.

On 24 July 2012 the agreement to refrain from enforcement of Company's liabilities ("the Standstill Agreement") was signed with the banks financing Company's operations and debenture holders for a period of four months. Under the Standstill Agreement the maturity of liabilities to creditors – parties to the Agreement, which were due before signing the agreement or would be due during its life, has been shifted until the end of the period for which the Agreement was concluded. In the term of the agreement the Company continued paying to creditors interests, commissions and charges on existing financial liabilities and furthermore, it paid to the banks a charge for concluding the Standstill Agreement in the amount corresponding to 0.75% of the total exposure of the banks arising from granted loans and bank guarantees on annual basis as at 24 July 2012. In the term of the Standstill Agreement the Company conducted its activity taking into consideration the limitation provided for in the agreement and did not perform specified actions without the consent of creditors having at least 66% of the total financial exposure of creditors to the Company.

The objective of the Standstill Agreement was a short-term stabilization of financial liabilities of the Company for the period of talks with the banks financing Company's operations and with debenture holders.

On 15 October 2012 the Extraordinary Meeting of Shareholders of the Company adopted resolutions on giving consent to: (i) disposal of an organised part of an enterprises of the Company, Zakład ZREW Transformatory; (ii) disposal of an organized part of an enterprise of the Company under the name of Corrosion Protection Division Dębica Branch with the registered office in Dębica and; (iii) disposal of an organized part of an enterprise of the Company under the name of Polimex Mostostal S.A. Corrosion Protection Division Częstochowa Branch with the registered office in Częstochowa for the benefit of the third party on market conditions.

On 15 October 2012 an Extraordinary Meeting of Shareholders adopted the following resolutions on amendments to the share capital of the Company:

- to increase the share capital of the Company by amount not less than PLN 0.04 and not more than PLN 16,666,666.64 by issuing not less than 1 and not more than 416,666,666 ordinary series M bearer shares of the nominal value of PLN 0.04 each. Series M shares were taken up by a private subscription by Debenture Holders of the Company at the issue price of PLN 0.60 per one Series M share. The increase of share capital by means of issuing Series M shares was registered in the register of entrepreneurs of the National Court Register on 22 January 2013;

- to increase the share capital of the Company by amount not less than PLN 12,000,000 and not more than PLN 15,846,153.84 by issuing not less than 300,000,000 but not more than 396,153,846 ordinary series N1 bearer shares of the nominal value of PLN 0.04 each. 300,000,000 Series N1 shares were subscribed by the Agency for Development of Industry ("the ADI") at the issue price of PLN 0.50 per one Series N1 share while performing the Investment Agreement (see Section "Activity of the Group - Significant Agreements - Significant agreements concluded beyond ordinary scope of activity of the Group – Financial Agreements"), whereas 96,153,846 Series N1 shares were subscribed by ING Open Pension Fund at the issue price of PLN 0.52 per one Series N1 share. Increase in share capital by means of issuing Series N1 shares was registered in the register of entrepreneurs of the National Court Register on 22 January 2013;

- to increase the share capital of the Company by amount not less than PLN 0.04 and not more than PLN 7,692,307.68 by issuing not less than 1 and not more than 192,307,692 ordinary series N2 shares of the nominal value of PLN 0.04 each. The issue of Series N2 shares will take place in the form of closed subscription conducted by means of an Offer made based on the Prospectus at the issue price equal PLN 0.52 per one Series N2 share. In line with the provisions of the issue resolution the number of Series N2 shares will be reduced by the number of Series N2 shares taken up by ING Open Pension Fund. As a result, the share capital of the Company may be increased by not more than 96,153,846 Series N2 shares.

On 22 November 2012 the Company signed with the financing banks, guaranteeing banks and debenture holders a preliminary understanding on terms and conditions of financing the Company, which was aimed at specifying basic terms and conditions of the agreement relating to financing by the Company's creditors which was to be concluded between the Company and its creditors, the parties to the Standstill Agreement. The understanding included proposals in the scope of financial and operating restructuring. The provisions of the understanding were specified in the Agreement on Regulations of Debt Servicing.

On 21 December 2012 the Company and „Polimex-Development" Kraków, Polimex-Mostostal Development BR Development, its subsidiaries concluded with the Financing Banks and Debenture Holders the Agreement on Regulations of Debt Servicing specifying the terms and conditions of financing the Company by Creditors by:

- financial restructuring of Company's debt by: (i) postponing by the Financing Banks by 31 December 2016 the final repayment of limits of working capital facilities granted to the Company and converting granted investment loans into working capital facilities, whereas as at the date of signing the Agreement on Regulations of Debt Servicing the total commitment of the Financing Banks amounted to approx. PLN 670 million; (ii) spreading out into 12 equal monthly installments of each recourse arising from granted guarantees by the Financing Banks which occurred in the term of the Agreement on Regulations of Debt Servicing yet not later than by 31 December 2016; (iii) assuming an obligation by the Debenture Holders to convert receivables arising from debentures issued by the Company in the amount of approx. PLN 250 million into Series M shares of the Company and to postpone the final repayment of the remaining portion of receivables of the Debenture Holders in the amount of approx. PLN 144 million by 31 December 2016.; (iv) Financing Banks which granted guarantees to the Company assumed an obligation to maintain Company's existing guarantee commitment by its expiry date and they assumed an obligation to make available new guarantee facilities to the Company in the total amount of PLN 201.8 million; and (v) the Company assumed an obligation to make early payments of the debt (i.e. the limits of working capital facilities and liabilities arising from debentures) in line with the schedule below:

a. PLN 25 million by 30 June 2015;

b. PLN 25 million by 30 September 2015;

c. PLN 50 million by 31 December 2015;

d. PLN 30 million by 30 June 2016;

e. PLN 30 million by 30 September 2016;

f. PLN 60 million by 15 December 2016;

g. the remaining amount by 31 December 2016.

- operating restructuring of the Company under which the Company: (i) assumed an obligation to devise and implement a plan of operating restructuring of the Group by reducing operating costs of the Group's activity by the total of PLN 300 million by the end of 2015; and (ii) assumed an obligation to dispose of specified assets and to generate proceeds on this account in the amount of at least PLN 600 million by 31 December 2015. Assets being disposed of will include shares and interest in Subsidiaries, inessential property, plant and equipment, organized part of an enterprise and developer's and investment property as well as selected operating real property.

On the same date the Company concluded with the Financing Banks the Agreement for New Guarantee Facility of the Company up to PLN 201,794,000.00 and an attached revolving credit facility.

Measures taken by the Shareholders of the Company

At the same time on 21 December 2012 the Company concluded an investment agreement with Agencja Rozwoju Przemysłu S.A. (the Agency for Development of Industry; ADI) specifying the rule of investment of the ADI in the Company ("**Investment Agreement**"). The Investment Agreement was concluded under the following terms and conditions:

- with the reservation that the condition precedent in the form of the Agreement on Regulation of Debt Servicing becoming effective, the Company assumed an obligation to offer for the benefit of the ADI 300,000,000 series N1ordinary bearer shares of the company issued under resolution No.4 of the extraordinary meeting of shareholders of 15 October 2012 ("Offered Shares") at the issue price of PLN 0.50 per one share i.e. for the total issue price of PLN 150 million ("Total Issue Price") and the ADI assumed an obligation to take up Offered Shares and to pay the Total Issue Price.

- additionally, the Company assumed an obligation to offer without remuneration for the benefit of the ADI subscription warrants issued under the resolution No. 6 of the extraordinary meeting of shareholders of 15 October 2012 ("Warrants") in the number which (if the warrants are exercised) together with the Offered Shares will entitle the ADI to exercise not more than 32.99% votes at the general meeting of shareholders (including the final number of shares taken up as a result of issue of Series M shares, Series N1 shares and Series N2 shares) yet not more than 256,630,422 Warrants.

Detailed entitlements arising from the Warrants are described in the resolution of the general meeting of shareholders (see current report No.96/2012 of 15 October 2012).

As a result of the Investment Agreement being signed and becoming effective , on 21 December 2012 the Company concluded with the ADI the agreement to take up Offered Shares for the Total Issue Price (i.e. PLN 150 million).

On 28 December and 31 December 2012 agreements were signed to Take up Soares netween the Company and the ING Open Pension Fund (hereinafter referred to as "ING OPF") represented by ING Powszechne Towarzystwo Emerytalne S.A. The Company made and ING OPF accepted an offer to take up 75,543,585 Series N1 shares for the total issue price of PLN 39,282,664.20 and an offer to take up 20,610,261 Series N1 shares for the total issue price of PLN 10,717,335.72.

Concluding the Agreement on Regulations of Debt Servicing is of key importance to allow the Company the continuation of its business activity. The agreements described above lead to the reduction of financial liabilities of the Company by approx. PLN 250 million by conversion of liabilities arising from debentures to shares of the Company, postponing the remaining financial liabilities, acquiring funds in the total amount of approx. 200 million as a result of an increase in capital with the participation of the ADI and ING Open Pension Fund (the funds from the ING OPF were received by the Company after the statement of financial date) and to ensure the Company an access to bank guarantees necessary to conduct further operations.

Financial position as at the statement of financial position date

In the financial year ended 31 December 2012 the Company reported a loss on sales in the amount of PLN 648 million, a net loss amounted to PLN 1,122 million. Moreover, as at 31 December 2012 cash flows from operating activity were negative and the total aggregate loss from previous years exceeded the amount of the supplementary and reserve capital and one third of the share capital. As a result the Board of Directors of the Company believes that there is uncertainty regarding the continuation of the Company's activity in the scope significantly not reduced in the period of at least 12 months of the date of preparation of these statements. Under the Agreement on Regulations of Debt Servicing the Company agreed with certain financial creditors of the Company a plan and schedule of restructuring of financial liabilities of the Company covered with this agreement. The Agreement on Regulations of Debt Servicing provides for repayment of the entire existing financial liabilities of the Company by the end of 2016, which includes repayment of loans in the amount of approx. PLN 650 million and of Debentures in the amount of approx. PLN 144 million. The capability of the Company to repay its debt in dates provided for in the Agreement on Regulations of Debt Servicing depends on a number of factors, of which many are beyond the control of the Company. It may not be ruled out that measures taken by the Company in order to generate operating results allowing servicing of debt covered by the Agreement on Regulations of Debt Servicing will not bring expected results. In particular, it may not be ruled out that there will be delays in operating restructuring of the Company or that the restructuring will not bring intended results, as well as that the Company will not be able to generate projected revenue from contracts being performed and from divestment process. The above mentioned factors may hinder timely repayment of Company's debt covered by the Agreement on Regulations of Debt Servicing or even make it impossible.

Moreover, the schedule of repayment of debt covered by the Agreement on Regulations of Debt Servicing provides that it will be repaid in instalments in 2015 and 2016, additionally a significant portion of this debt will be subject to repayment in one-off payment on 31 December 2016. If the Company does not make an early payment of a portion of this debt from generated from operating activity surplus or divestment programme, it is highly probable that the debt of the Company remaining to be repaid as at 31 December 2016 will require further refinancing. Accordingly, it may not be ruled out that if it is necessary to refinance the debt of the Company covered by the Agreement on Regulations of Debt Servicing, the Company will not be able to acquire such financing in financial institutions at a due time and on satisfying terms and conditions or to acquire it at all.

(in PLN thousands)

Working capital defined as a difference between current assets taking into consideration available for sale long-term assets and current liabilities (including current loans) as at 31 December 2012 was negative and amounted to PLN 47,202 thousand. At the same time as, compared to the end of 2011 (after taking into consideration the adjustments of the statement of financial position described in Note 10) the balance of working capital improved considerably.

	2012	2011 (restated)
Total available for sale long-term assets	1.497.215	1.885.763
Current liabilities	1.544.417	2.183.997
Working capital	(47.202)	(298.234)

The main reasons for the negative working capital, understood as a difference between current assets and current liabilities are as follows:

- high level of involvement of own funds of the Company in projects being executed in particular in road contracts as well as the level of losses already incurred by the Company and expected to be incurred in the future arising from the application of IAS 11 (Note 41);
- postponed payment dates for works performed by the Company (as at 31 December 2012 past due trade receivables amounted to PLN 338,000 thousand);
- write-offs on developer's real property included in inventories in the amount of PLN 20,310 thousand;
- write-offs on long-term investment (shares) in the amount of PLN 206,528 thousand,
- write-offs on invoiced trade receivables in the amount of PLN 63,463 thousand,
- write-offs on guarantees granted to related companies in the amount of PLN 42,583 thousand.

At the same time the Board of Directors of the Company introduced a series of initiatives which to a large extent reduce the risk connected with the low level of working capital:

- restructuring of the operating activity of the Company in order to reduce operating costs by, among other things, reduction of administrative expenses, centralization of purchases, optimization of organizational structures, optimization of contract backlog. The Company assumed an obligation to make economies of PLN 300 million by 2015 on account of the above mentioned measures, which will be reflected in the profitability of current operations and improvement of the result on contracts being performed;
- execution of the divestment programme i.e. the programme to sell by the Company assets not related to its core activity (under the Agreement on Regulations of Debt Servicing the Company assumed an obligation to make a due effort so as to generate proceeds of at least PLN 600 million by 31 December

2015). In 2013 the Company is planning to acquire proceeds from divestment of non-current assets (mainly real property), inventories (mostly developer's inventories) and non-current financial assets (shares and interest in companies) at the level of PLN 378 million, excluding the proceeds on account of the disposal of ZREW Transformatory (current report No.128/2012 of 21 December 2012) and the completion of the disposal of Sefako Boiler Factory (current report No.13/2013 of 31 January 2013) and of Energomontaż Północ Gdynia (current report No.30/2013 of 8 March 2013) and port real property (current report No.31/2013 of 8 March 2013). From 1 January 2013 till the date of publication of these financial statements the Company received PLN 44 million on account of settlement of the transactions mentioned above. In the next months the Company expects and additional proceed on this account in the amount of PLN 47 million.

- advance payments raised in escrow accounts of the Company for the key Kozienice project in the amount of PLN 268 million. the Company implemented the structure for financing the Kozienice project, the largest of project being executed at the present, which should allow to finance it based on the received advance payment and current payments from the Ordering Party in the planned amount of PLN 149 million;
- prospects of the completion of the rights issue mentioned above. On 6 February the Company submitted the prospectus at the Polish Financial Supervision Authority. The issue is expected to take place by mid May 2013, and under the issue the Company is planning to acquire approx. PLN 50 million;
- prospects of exercise of warrants by the Agency for Development of Industry; As it was mentioned before the ADI holds 209,040,764 subscription warrants of the Company for series O shares, which may be exercised by the end of 2014. The number of subscription warrants issued for the benefit of the ADI may be increased depending on the results of the issue of Series N2 shares. Detailed information on warrants may be found in Resolution of the EGMS No.6 of 15 October last year and in the current report of 22 December 2012. Current share of the ADI in the capital of the Company is 22.48%. A publicly expressed intention of the ADI is to increase the share in the Company up to 33% less one share;
- provisions of understandings with the banks, which limit the risk of the Company arising from the execution of bank guarantees by beneficiaries. If the guarantee is exercised the banks assumed an obligation, in line with the provisions of the Agreement on Regulations of Debt Servicing and individual statements made by the banks which granted the guarantee to the Company but are not parties to the Agreement on Regulations of Debt Servicing, to split the repayment of Company's liability into 12 equal monthly instalments;
- postponing the repayment of financial liabilities of the Company by the end of 2015 and the obligation of creditors to release securities in order to enable the execution of the disposal plan i.e. the divestment plan mentioned above. Funds acquired from disposals of assets not relating to the core activity will be allotted in the first place to financing current operations;
- the Company has in its backlog two large and profitable power engineering contracts, one of which is being already performed and the other one (Opole) will commence in 2013, and it also intends to focus on the execution and acquisition of contracts with positive margin in the area of the Company's core competence.

In the opinion of the Board of Directors the above mentioned measures give grounds to state that the position of the Company will gradually improve despite the fact that there are circumstances indicating a threat for the Company to continue as a going concern, in particular in the next 12 months of preparation of these financial statements. Thus these financial statements have been prepared on the assumption that the Company will continue as going concern in the foreseeable future.

7.2. 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").

7.3. 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 2011 except for the application of the following amendments to standards and new interpretations effective for reporting periods beginning on 1 January 2012:

• Amendments to IFRS 7 *Financial instruments: Disclosures*: *Transfer of Financial Assets* – effective for financial years beginning on or after 1 July 2011. Adopting these amendments had no impact on the financial position or performance of the Company or on the scope of information presented in the Company's financial statements.

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:

- Phase 1 of IFRS 9 *Financial Instruments: Classification and Measurement* - effective for financial years beginning on or after 1 January 2015 - it has not been endorsed by the EU till the day of approval of these financial statements. In the next phases the International Accounting Standards Board will deal with hedge accounting and impairment. The application of the phase 1 IFRS 9 will have an impact on the classification and valuation of Company's financial assets. The Company will assess the effect in relation with other phases, when they will be published, so as to present a consistent picture,
- Amendments to IAS 19 *Employee Benefits* – effective for financial years beginning on or after 1 January 2013,
- Amendments to IAS 1 *Presentation of Financial Statements*: *Presentation of other comprehensive income* effective for financial years beginning on or after 1 July 2012,
- Amendments to IAS 12 *Income Taxes: Recovery of Underlying Assets* - effective for financial years beginning on or after 1 January 2012 - it has not been endorsed by the 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,
- IFRS 10 *Consolidated Financial Statements* - effective for financial years beginning on or after 1 January 2013 - it has not been endorsed by the EU till the date of approval of these financial statements,
- IFRS 11 *Joint Arrangements* - effective for financial years beginning on or after 1 January 2013 - it has not been endorsed by the EU till the day of approval of these financial statements,
- IFRS 12 *Disclosure of Interest in Other Entities* - effective for financial years beginning on or after 1 January 2013 - it has not been endorsed by the EU till the date of approval of these financial statements,

- Amendments to IFRS 10, IFRS 11 and IFRS 12: *Interim provisions* - effective for financial years beginning on or after 1 January 2013 - they have not been endorsed by the EU till the date of approval of these financial statements,
- IFRS 13 *Fair Value Measurement* - effective for financial years beginning on or after 1 January 2013 - it has not been endorsed by the EU till the date of approval of these financial statements,
- IAS 27 *Separate Financial Statements* - effective for financial years beginning on or after 1 January 2013 - it has not been endorsed by the EU till the day of approval of these financial statements,
- IAS 28 *Investments in Associated and Joint Ventures* - effective for financial years beginning on or after 1 January 2013 - it has not been endorsed by the EU till the day of approval of these financial statements,
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* - effective for financial years beginning on or after 1 January 2013 - it has not been endorsed by the EU till the day of approval of these financial statements,
- Amendments to IFRS 7 *Financial Instruments – Disclosures - Offsetting Financial Assets and Financial Liabilities* – effective for financial years beginning on or after 1 January 2013 – not endorsed by EU till the date of approval of these financial statements,
- Amendments to IAS 32 *Financial Instruments – Presentation - Offsetting Financial Assets and Financial Liabilities* – effective for financial years beginning on or after 1 January 2014 – 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: Government Loans*- effective for financial years beginning on or after 1 January 2013 – they have not been endorsed by the EU till the day of approval of these financial statements,
- Amendments arising from the IFRS review (published in May 2012) amendments are effective for financial years beginning on or after 1 January 2013 – they have not been endorsed by the EU till the day of approval of these financial statements,
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities* (published on 31 October 2012) – effective for financial years beginning on or after 1 January 2014 – they have not been endorsed by the EU till the date of approval of these financial statements.

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

The Company is in the course of the analysis of the effects of new standards on the expected financial position and financial results of the Company.

10. Adjustment of error

While settling construction contracts the Company applies the rules presented in International Accounting Standard 11 (IAS 11) which requires estimating the stage of completion of individual contracts at each statement of financial position date and determining a cost and revenue budget. Based on estimates by the Board of Directors, the Company in 2011 included in the revenue from one of the road contracts the amount of additional revenue arising from the claim against the investor and recognized on this account the net result of PLN 21 million. Recognition of the amount of this claim in the revenue budget for the contract and in the sales revenue for 2011 in the opinion of the auditor did not meet all the requirements of the standard, which became the subject of the reservation in the auditors' opinion to the Company's financial statements for 2011. In 2012 the Board of Directors of the Company made another analysis of the above mentioned road contract which resulted in the exclusion from the contract budget of the claim against the investor for the purpose of the measurement in line with IAS 11 and the adjustment of comparative data for 2011 was made.

As it was described in the interim report for the 6 months ended 30 June 2012 in Note 8.2 to the standalone financial statements and respectively in Note 9.2 of the interim consolidated financial statements in the second half of 2012 the Company stated that:

"While making the verification of the budgets for long-term contracts and analyzing the causes of significant changes of budgeted profitability of executed long-term contracts, the contracts and orders for commissioning works to subcontractors as described above were identified, which should probably be included in the cost budgets in previous reporting periods. Currently the Company is in the course of making further detailed verification of contract budgets, especially of the material completion of executed works with the participation of technical consultants. Moreover, the Company intends to commission conducting of control procedure with the participation of independent experts. The aim of conducted works is to determine precisely the correct measurements of contracts, explain the causes of potential irregularities in measurements in previous reporting periods and estimate the potential effect of these adjustments on the opening balance and comparative data for 2011. The Company plans to complete the process in the second half of 2012 and adjustments to the opening balance arising on this account, if any, will be included in the annual financial statements of the company for the year ending 31 December 2012."

In the consolidated financial statements of Polimex Mostostal S.A. Group for the period of 9 months ended 30 September 2012, which were published on 14 November 2012, having verified 13 key and most crucial contracts being performed by the Company as at 31 December 2011 an adjustment of the 2012 opening balance was made in the amount of PLN 225,089 thousand with regard to 9 contracts having significant effect of the financial result. The adjustment of the 2012 opening balance was introduced to the books in connection with identification of a number of existing contracts and mandate contracts concluded with subcontractors in 2011 which should have been included in the budgets of contracts measured as at 31 December 2011. Moreover, budgets of part of the contracts recognised the financial statements of the Company and of the Group for the year ended 31 December 2011 did not include documented events of 2011, which required significant project changes and a complete material scope of works based on the technical documentation of the contracts and as a result necessary reviews of budgets of measured contracts were not made despite having appropriate knowledge.

At the next stage of verification of long-term contracts 28 contracts of the Company, which were crucial from the point of view of its activity and had a significant effect on the financial performance of the Company as at the end of 2011, were analysed. Revenue recognised in 2011 on account of these contracts as compared to the total revenue of the Company recognized on account of contracts executed amounted to approx. 26% (i.e. PLN 0.9 billion as against PLN 3.4 billion). Taking into account the 13 contracts which were analysed earlier and on their verification the adjustment of the 2012 opening balance was recognized in the consolidated financial statements of Polimex-Mostostal S.A. Group for the period of 9 months ended 30 September 2012, in total 41 contracts of the company were analysed which constituted 66% of the total revenue of the Company recognized on account of the contracts executed in the year ended 31 December 2011. These contacts also constituted a set of contracts for the amounts exceeding PLN 15 million of revenue recognized by the Company in 2011. Furthermore, several additional minor contracts, which were selected based on different criteria, were also analysed. Verification of the measurement of 28 contracts revealed the need to adjust the 2012 opening balance for 9 long-term contracts, and the total effect on the net financial result for 2011 amounted to PLN 8,920 thousand. In 2012 the Company completed the process of verification of the remaining contracts measured based on the provisions of IAS 11 as at 31 December 2011.

The effects of the identified adjustments on the financial statements of the Company and of the Group for the year ended 31 December 2011 are presented in the tables below.

Financial statements of Polimex-Mostostal S.A.

(in PLN thousands)	Net profit/(loss)	Equity
Financial data as at 31 December 2011 according to the approved financial statements for the period	62 558	956 501
Effect of change:		
Adjustments: a) adjustment for wrongly recognised claim towards Investor relating to a road contract	(21 145)	(21 145)
b) measurement of long-term contracts	(212 864)	(212 864)
Financial data as at 31 December 2011 resulting from the changed accounting policies and adjustment of error	(171 451)	722 492

	31 December 2011	Adjustments of error	Presentation adjustments*	31 December 2011 after the adjustment
Assets				
Trade and other receivables	1 517 070	(248 179)	162 500	1 431 391
Deferred tax assets	30 210	54 891	-	85 101
Liabilities and Equity				
Retained earnings/ Accumulated losses	55 429	(234 009)	-	(178 580)
Trade and other payables	1 373 556	878	162 500	1 536 934
Current provisions	22 308	39 843	-	62 151

*the Company executes a number of long-term contracts based on financial consortium contracts, which indicate that consortium members share revenue, costs and the result of the contract in a defined proportion, independent of the fact what portion of the contract is executed by the subcontractors indicated by individual consortium members. Originally, in the financial statements for 2011 the upward adjustments of revenue and costs under a contract were recognized in the statement of financial position separately for assets and liabilities, as a decrease of receivables and liabilities, respectively. In the current period the Company changed the presentation in the statement of financial position in such a way that the adjustment is recognized as per account balance as a receivable or liability with reference to each contract executed within a financial consortium. The adjustment has no effect on the financial result of the Company.

11. Changes in estimates

In the reporting period the Board of Directors assessed and reviewed the budgets in the scope of settlement of contracts executed by the Company based on IAS 11. Details of reviews of budgets for contracts performed by the Company are presented in Note 14.2.

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 2012	31 December 2011	1 January 2011
USD	3.0996	3.4174	2.9641
EUR	4.0882	4.4168	3.9603
CHF	3.3868	3.6333	3.1639
LTL	1.1840	1.2792	-
CNY	0.4975	0.5428	-
CZK	0.1630	0.1711	0.1580
GBP	5.0119	5.2691	4.5938
LYD	2.4392	2.7433	2.4104
SEK	0.4757	0.4950	0.4415
DKK	0.5480	0.5941	0.5313
NOK	0.5552	0.5676	0.5071
RUB	0.1017	0.1061	0.0970
UAH	0.3825	0.4255	-
XPF	3.4054	3.6773	-
JPY	3.6005/100	4.4082/100	3.6440/100
LVL	5.8595	6.3120	-
HUF	1.3977/100	1.4196/100	1.4206/100
RON	0.9197	1.0226	-
BGN	2.0903	2.2583	-
RSD	0.0359	0.0426	-
BYR	0.0359	0.0402/100	
XDR	4.7662	5.2444	-
CAD	3.1172	-	-
KZT	2.0458/100	-	-

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	Period
Buildings and structures	20-40 years
Plant and machinery	5-20 years
Office equipment	3-5 years
Motor vehicles	3-10 years
Computers	3-8 years

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 balance sheet (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 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 specified or indefinite. Intangible assets with specified 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 specified 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 balance sheet 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 balance sheet 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 all the 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*

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

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

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

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.

The acquisition price or cost of manufacturing each item of inventories includes all purchasing costs, processing costs and other 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 2012, no financial liabilities were designated as at fair value through profit and loss (as at 31 December 2011: nil and as at 1 January 2011: 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 balance sheet 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 liabilities resulting from these benefits is calculated at each statement of financial position date by an independent actuary. The balance of these liabilities equals discounted payments which will be made in the future and accounts for staff turnover, and relates to the period to the balance sheet date. Demographic information and information on staff turnover are based on historical information. Any actuarial gains and losses are recognised in the income statement.

Additionally, according to Social Fund regulations employees of the 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 Board of Directors) 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. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the benefits ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the 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 statement of financial position date to a significant extent (each time assessed by the Management for each contract individually) is recognised at the statement of financial position date on pro rata basis to the stage of completion of the service if the revenue can be reliably measured. The stage of completion is measured as a percentage of costs incurred from the date of concluding the contract to the date of recognition of revenue in estimated total costs of providing the service or as percentage of labour costs incurred to date to total labour costs.

Where at the statement of financial position date the stage of completion of the service cannot be measured reliably, revenue is recognised at the amount of costs incurred in a given reporting period, however not 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.
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

(in PLN thousands)

	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 main 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 Board 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 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 2012 and 31 December 2011 (*restated*) or respectively as at 31 December 2012 and 31 December 2011 (*restated*).

	Continuing operations							
Year ended 31 December 2012 or as at 31 December 2012	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Eliminations*	*Total Operations*
Revenue								
Sales to external customers	545 711	1 051 031	786 204	292 654	456 926	6 464	-	3 138 990
Inter-segment sales	239 980	18 257	20 213	3 457	-	9 406	(291 313)	-
Total segment revenue	785 691	1 069 288	806 417	296 111	456 926	15 870	(291 313)	3 138 990
Results								
Amortisation and depreciation, of which:	24 622	5 344	13 251	8 275	5 141	7 445	-	64 078
-depreciation of property, plant and equipment	23 713	4 861	12 437	7 870	4 874	6 356	-	60 111
-amortisation of intangible assets	909	483	814	405	267	1 089	-	3 967
Profit/ (loss) of the segment	(32 444)	(199 608)	(182 791)	(14 629)	(386 001)	(18 593)	(375 723)	(1 209 789)
Assets and liabilities								
Segment assets*	421 462	370 107	722 243	184 021	356 512	91 923	-	2 146 268
Segment liabilities**	87 934	376 007	543 051	71 447	479 805	72 538	-	1 630 782

(in PLN thousands)

*Segment assets do not include assets managed on a Company basis, of which:

-property, plant and equipment	15 147
-intangible assets	5 395
- financial assets	302 548
-deferred tax assets	173 277
-cash and cash equivalents	7 648
- other	6 693
Total segment assets	2 656 976

**Segment liabilities do not include assets managed on a Company basis:

-loans and borrowings	497 893
- debentures	143 874
- provision for employee and similar benefits	50 320
- provision for sureties of companies granted to subsidiaries	42 583
- taxation, customs duty and social security payables	160 547
- advance payments to acquisition of shares in subsidiaries, investment real property	86 960
- other	30 078
-equity	13 939
Total equity and liabilities	2 656 976

Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 16,672 thousand and finance costs in the amount of PLN 392,395 thousand. Investment expenditure corresponds to the increase of plant, property and equipment, intangible assets and investment property.

	Continuing operations						
Year ended 31 December 2012 or as at 31 December 2012	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Total Operations*
Other segment information							
Capital expenditure:	6 210	774	1 156	(439)	269	4 541	12 511
- property, plant and equipment	6 170	642	1 081	(486)	219	1 889	9 515
- intangible assets	40	132	75	47	50	2 652	2 996

	Continuing operations							
Year ended 31 December 2011 or as at 31 December 2011 (restated)	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Eliminations*	*Total Operations*
Revenue								
Sales to external customers	566 823	1 055 734	771 848	413 484	808 060	6 443	-	3 622 392
Inter-segment sales	330 592	20 460	26 232	7 850	-	9 533	(394 667)	-
Total segment revenue	897 415	1 076 194	798 080	421 334	808 060	15 976	(394 667)	3 622 392
Results								

Amortisation and depreciation, of which:	23 094	6 080	10 163	8 808	4 405	7 310	-	59 860
-depreciation of property, plant and equipment	22 356	5 571	9 317	8 336	4 170	6 458	-	56 208
-amortisation of intangible assets	738	509	846	472	235	852	-	3 652
Profit/ (loss) of the segment	34 503	(29 750)	(26 690)	972	(175 980)	8 254	(22 715)	(211 406)
Assets and liabilities								
Segment assets*	566 626	587 436	508 109	198 337	512 771	61 816	-	2 435 095
Segment liabilities**	120 301	418 312	246 746	101 664	596 209	62 633	-	1 545 865

*Segment assets do not include assets managed on a Company basis, of which:	
-property, plant and equipment	87 050
-intangible assets	12 744
- financial assets	512 894
-deferred tax assets	85 102
- other receivables	10 495
-cash and cash equivalents	7 184
- other	5 829
Total segment assets	3 156 393

**Segment liabilities do not include assets managed on a Company basis:	
-loans and borrowings	290 407
- debentures	407 742
- provision for employee and similar benefits	49 287
- taxation, customs duty and social security payables	112 274
- other	28 326
-equity	722 492
Total equity and liabilities	3 156 393

Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 40,713 thousand and finance costs in the amount of PLN 63,428 thousand. Investment expenditure corresponds to the increase of plant, property and equipment, intangible assets and investment property.

(in PLN thousands)

	Continuing operations						
Year ended 31 December 2011 or as at 31 December 2011	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Total Operations*
Other segment information							
Capital expenditure:	14 532	5 096	8 764	3 327	7 664	18 818	58 201
- property, plant and equipment	13 983	4 837	8 639	3 264	7 551	13 629	51 903
- intangible assets	549	259	125	63	113	2 706	3 815
- investment properties	-	-	-	-	-	2 483	2 483

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 2012 and 31 December 2011 or respectively as at 31 December 2012 and 31 December 2011.

	Domestic	*Foreign*	*Eliminations*	*Total*
Year ended 31 December 2012 or as at 31 December 2012				
Revenue				
External customers	2 294 349	844 641	-	3 138 990
Revenue from continuing operations	2 294 349	844 641	-	3 138 990
Inter-segment sales	-	-	-	-
Total segment revenue	2 294 349	844 641	-	3 138 990
Other segment information				
Segment assets	767 852	215 268	-	983 120
Unallocated assets	1 673 856	-	-	1 673 856
Total assets	2 441 708	215 268	-	2 656 976
Capital expenditure:	12 511	-	-	12 511
- property, plant and equipment	9 515	-	-	9 515
- intangible assets	2 996	-	-	2 996

	Domestic	*Foreign*	*Eliminations*	*Total*
Year ended 31 December 2011 or as at 31 December 2011 *(restated)*				
Revenue				
External customers	2 645 849	976 543	-	3 622 392
Revenue from continuing operations	2 645 849	976 543	-	3 622 392
Inter-segment sales	-	-	-	-
Total segment revenue	2 645 849	976 543	-	3 622 392
Other segment information				
Segment assets	1 150 321	424 804	-	1 575 125
Unallocated assets	1 581 268	-	-	1 581 268
Total assets	2 731 589	424 804	-	3 156 393
Capital expenditure:	58 200	1	-	58 201
- property, plant and equipment	51 902	1	-	51 903
- intangible assets	3 815	-	-	3 815
- investment properties	2 483	-	-	2 483

(in PLN thousands)

14. Revenues and expenses

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

	Year ended 31 December 2012	Year ended 31 December 2011 (restated)
Sale of goods	421 876	500 825
Rendering of services	2 701 920	3 108 251
Rental income	15 194	13 316
Revenue	**3 138 990**	**3 622 392**

14.2. Revenue and costs of long-term contracts

In the reporting period the Board of Directors assessed and reviewed the budgets in the scope of settlement of contracts executed by the Company based on IAS 11. The review of budgets refers in particular to the contracts for the construction of express roads and motorways as well as to the contracts in the segment of general construction and power engineering. The above mentioned action is caused in particular by:

- difficult relationships, often of a dispute nature, or claims with the main customers for the contracts executed by the Company in the Road and Railroad segment, first of all with the General Directorate for National Roads and Motorways. while executing the road contracts, the Company performed a significant scope of additional works, for which as at the statement of financial position date the Company failed to obtain a satisfactory and appropriate for the scope of works remuneration,
- a significant rise in the prices of basic materials and raw materials such as fuel, tarmac, aggregate, concrete, reinforced steel and the rise in the prices of transport services and exploitation of equipment. The rise in the prices in the period of execution of long-term contracts ranges from several to several dozen of per cent,
- decided deterioration of the general position and conditions for activities of entities operating in the so-called construction industry,
- significant deterioration in the last year of position in the scope of cash flows relating to the performance of road contracts,
- economic slowdown and expected possible macroeconomic weakening in Poland in the nearest future.

Making significant amendments to cost budgets relating to concluded contracts had a negative effect on Company's performance. Adjustments in contract measurement refer both to prior reversion of profits recognized on these contracts in previous periods and they reflect a considerable decrease of estimated profitability of the executed contracts, which in the case of projecting a loss on the execution of a portion of the contracts, in accordance with regulations of IAS 11, must be immediately reflected in the recognition of the entire future estimated loss on a given contract by means of making appropriate provisions for the loss on contracts at the moment of ascertaining estimated negative profitability of a given contract. In particular significant changes were made on contracts performed in the following segments: Roads and Railroads, Power Engineering and General Construction.

In 2012 the Company verified the material completion of contracts being performed and with the participation of technical consultants and together with experts it estimated costs remaining to be incurred on a dozen of main contracts being performed, among other things it estimated and assessed occurrence of penalties resulting from possible delays in contracts being performed. Moreover, the Company commissioned conducting of control procedure explaining the reasons for irregularities which had arisen with the participation of independent experts. The aim of conducted works was to determine precisely the correct measurements of contracts, explain the causes of potential irregularities in measurements in previous reporting periods and estimate the potential effect of these adjustments on the opening balance and comparative data for 2011. Based on the findings resulting from the above mentioned procedures an adjustment was made to the opening balance of Company's annual financial statements for the year ended 31 December 2012.

(in PLN thousands)

As far as identified system irregularities are concerned, one should pay attention in particular to the fact that the internal control system applied so far by the Company to settlements of contracts and controlling analyses did not include to a sufficient extent the assessment and verification of both form and contents of budgets of performed contracts. Budgets, settlements and material progress of performed contracts were not verified independently. Control systems implemented so far and no prepared adequate control tools relating to budgeting and settling contacts did not allow detailed enough both internal and external analysis. Lack of complete lists and schedule including contracts and orders made it impossible to co-ordinate settlement of works and assessment of their effect on the budget. Moreover, units responsible for performance of contracts and their day-to-day analysis, based on budgets for example, often did not take into consideration such factors as availability of labour, fluctuations of raw material prices, changes of subcontractors, availability of a specified type of materials, necessary extended period of leasing machines, cranes, scaffoldings etc, which had a significant effect on the value of projected margin.

To improve the quality of the reporting and budgeting process itself and to make uniform contract planning procedures within the Polimex-Mostostal S.A. Company a controlling unit was established dedicated to analyses and verification of budgets for long-term contracts reporting directly to the board of Directors. Its tasks include:

- coordination and implementation within the Company of a uniform project management process;
- verification on day-to-day basis and improvement of the planning model as well as making uniform reporting procedures relating to contracts being performed;
- conducting regular reviews of the status of key long-term contracts;
- verification of material stage of completion of key projects as compared to cost completion;
- independent verification of submitted offers.

The Company is in the course of making changes at the system level and in the scope of defining reports in available IT tools so as to enable day-to-day co-ordination and verification of the implementation of the plan. Additionally, the internal control function was strengthened with a team controlling execution of project budgets and application of required procedures.

14.3. Other operating income

	Year ended 31 December 2012	*Year ended 31 December 2011*
Release of provision for guarantee repairs and other costs	5 305	2 313
Gain on re-measurement of investment properties to fair value	-	1 147
Gain on disposal of property, plant and equipment	-	1 242
Received damages payments and fines	8 226	4 855
Grants	47	-
Liabilities written off	2 453	6 825
Release of provision for disputable claims	-	3 094
Sale of scrap metal	-	202
Other	581	1 688
Total	**16 612**	**21 366**

14.4. Other operating expenses

	Year ended 31 December 2012	*Year ended 31 December 2011*
Allowances for receivables	2 338	6 439
Impairment of goodwill	6 938	-
Donations	220	446
Liquidated assets non- written off	-	249
Profit/(loss) on disposal of organized part of enterprise	4 242	-
Court expenses	1 936	1 387
Damages and fines	5 536	-
Revaluation of investment property to fair value	9 881	-
Provisions for court expenses	25 965	269

(in PLN thousands)

Restructuring provision	16 753	-
Remeasurement of non-financial non-current assets	5 567	-
Other	2 645	2 049
Total	**82 021**	**10 839**

14.5. Finance income

	Year ended 31 December 2012	*Year ended 31 December 2011*
Revenue from measurement and exercise of derivative instruments	1 186	-
Income from interest on deposits, loans, for delay in payment	5 292	6 883
Dividend income	2 184	2 853
Gain on sale of non-current financial assets	-	-
Excess of foreign exchange gains over foreign exchange losses	-	24 734
Measurement of granted guarantees	1 929	2 494
Write-off of financial liabilities	308	1 175
Reimbursement of additional payments to equity	4 880	850
Other	893	1 724
Total finance income	**16 672**	**40 713**

14.6. Finance costs

	Year ended 31 December 2012	*Year ended 31 December 2011*
Expenses arising from measurement and exercise of derivative instruments	-	1 070
Interest on bank loans and borrowings	41 714	27 140
Debenture commissions and interest	29 784	26 948
Excess of foreign exchange losses over foreign exchange gains	23 572	-
Bank loan and guarantee commissions and charges	9 911	3 343
Revaluation of financial assets	223 144	2 275
Interest on liabilities	8 146	1 249
Provisions for sureties and guarantees granted to subsidiaries	42 583	-
Loss on clearing conversion of debentures into shares	12 500	-
Other	1 041	1 403
Total finance costs	**392 395**	**63 428**

14.7. Costs by type

	Note	*Year ended 31 December 2012*	*Year ended 31 December 2011 (restated)*
Depreciation / Amortisation	14.8	64 078	59 860
Materials and energy		1 006 416	1 279 098
External services, including construction		2 013 417	1 544 096
Taxes and charges		23 971	26 649
Employee benefits expenses	14.9	769 871	825 042
Other costs by type		70 691	67 140
Total costs by type		**3 948 444**	**3 801 885**
Items included in selling and distribution expenses		(26 702)	(29 114)
Items included in administrative expenses		(94 104)	(88 860)
Cost of goods and materials sold		24 174	58 412
Change in the stock of finished goods		(62 696)	(34 033)
Cost of goods produced for the entity's own use		(2 275)	(4 654)
Cost of sales		**3 786 841**	**3 703 636**

(in PLN thousands)

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

	Year ended 31 December 2012	Year ended 31 December 2011
Items included in cost of sales	**57 240**	**52 178**
Depreciation	54 236	49 514
Amortisation of intangible assets	3 004	2 664
Items included in selling and distribution expenses	**1 114**	**1 683**
Depreciation	1 028	1 600
Amortisation of intangible assets	86	83
Items included in administrative expenses	**5 724**	**5 999**
Depreciation	4 847	5 094
Amortisation of intangible assets	877	905
Total depreciation	60 111	56 208
Total amortisation of intangible assets	3 967	3 652
Total amortisation and depreciation	**64 078**	**59 860**

14.9. Employee benefits expenses

	Year ended 31 December 2012	Year ended 31 December 2011
Wages and salaries	608 803	649 939
Social security costs	107 515	105 645
Retirement benefits	6 636	3 842
Jubilee bonuses	10 490	8 269
Share-based payments	-	(850)
Transfers to Social Fund	10 534	11 980
Other employee benefits expenses	25 893	46 217
Total employee benefits expenses	**769 871**	**825 042**

14.10. Components of other comprehensive income

The following are components of other comprehensive income:

	Year ended 31 December 2012	Year ended 31 December 2011
Cash flow hedges		
Gains (losses) for the period	1 474	(6 201)
	1 474	(6 201)

(in PLN thousands)

15. Income tax

15.1. Tax expense

Major components of income tax expense for the year ended 31 December 2012 and 31 December 2011 are as follows:

	Year ended 31 December 2012	*Year ended 31 December 2011 (restated)*
Recognised in profit or loss		
Current income tax	914	-
Current income tax expense	-	-
Adjustments in respect of current income tax of previous years	914	-
Deferred income tax	(88 456)	(39 955)
Relating to origination and reversal of temporary differences	(88 456)	(39 955)
Tax burden recognised in profit or loss	**(87 542)**	**(39 955)**
Comprehensive income statement		
Deferred income tax	(280)	1 183
Relating to origination and reversal of temporary differences	(280)	1 183
Tax burden/ tax credit recognised in other comprehensive income	**(280)**	**1 183**

Current income tax recognized in the income statement refers to the tax paid abroad in previous years.

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 2012 and 31 December 2011 is as follows:

	Year ended 31 December 2012	*Year ended 31 December 2011 (restated)*
Accounting profit from continuing operations before income tax	(1 209 789)	(211 406)
Profit before tax from discontinued operations	-	-
Profit before income tax	(1 209 789)	(211 406)
Tax at statutory income tax rate binding in Poland of 19% in 2012 (2011: 19%)	(229 859)	(40 167)
Recognised deferred tax on investment credit	-	(3 400)
Expenditure not allowable for income tax purposes*	72 342	5 837
Not taxable incomes	(909)	(2 312)
Other, of which:	70 884	87
- write-off of a TSEZ deferred tax asset	*38 296*	-
- written-off deferred tax asset relating to the loss of consortium members	*41 648*	-
- other	*(9 060)*	
Income tax at effective income tax rate which is 7.24% for the year ended 31 December 2012 and 18.90% for the year ended 31 December 2011:	(87 542)	(39 955)
Income tax (burden) reported in the income statement	(87 542)	(39 955)
Income tax reported in other comprehensive income		
Amount before taxation	1 474	(6 201)
Income tax	(280)	1 183
Amount after taxation	1 194	(5 018)

*of which in 2012: write-down of receivables in the amount of PLN 5,269 thousand, fines paid and provisions for fines in the amount of PLN 13,593 thousand, PFRON PLN 1,680 thousand, impairment of stocks and interests in Subsidiaries in the amount of PLN 39,391 thousand, write-downs on sureties granted to Subsidiaries in the amount of PLN 8,097 thousand and other permanent differences of PLN 4,312 thousand

(in PLN thousands)

15.3. Deferred income tax

Deferred income tax relates to the following:

	Statement of financial position			*Income statement*	
	31 December 2012	*31 December 2011 restated*	*1 January 2011*	*Year ended 31 December 2012*	*Year ended 31 December 2011*
Deferred tax liability					
Accelerated depreciation/amortisation for tax purposes	9 182	11 595	9 068	(2 413)	2 527
Revaluation of fixed assets to fair value	1 053	1 353	4 101	(300)	(2 748)
Revaluation of investment property to fair value	1 171	2 605	-	(1 434)	2 605
Measurement of long-term contracts	-	-	7 985	-	(7 985)
Perpetual usefruct right to land	507	746	2 302	(239)	(1 556)
Foreign exchange translation differences	481	2 702	449	(2 221)	2 253
Revaluation of foreign currency contracts		-	370	-	(370)
Leases	530	597	978	(67)	(381)
Revaluation of foreign currency contracts (cash flow hedges) taken to capital	-	-	903	-	(903)
Other	17 423*	10 674	6 588	6 749	4 086
Deferred tax liability	**30 347**	**30 272**	**32 744**	**75**	**(2 472)**
Of which, recognised in comprehensive income		-	903	-	(903)
Deferred tax assets					
Provision for jubilee bonuses and retirement benefits	7 585	7 378	13 586	(207)	6 208
Foreign exchange translation differences	189	-	485	(189)	485
Other employee benefits	7 483	9 092	6 938	1 609	(2 154)
Inventory write-downs	6 021	1 420	504	(4 601)	(916)
Measurement of long-term contracts	118 105	33 153	-	(84 952)	(33 153)
Salaries/wages and ZUS (Social Insurance Institution) benefits paid out in future periods	4 941	3 672	3 333	(1 269)	(339)
Receivables write-downs	12 815	4 384	5 155	(8 431)	771
Provisions for expenses	1 898	200	1 538	(1 698)	1 338
Guarantee repair provision		-	-	-	-
Difference in the amount for tax purposes and carrying amount	1 351	1351	1351	-	-
Measurement of foreign currency contracts to fair value (cash flow hedges)	-	290	-	290	(290)
Measurement of foreign currency options - presentation in comprehensive income	-	280	-	280	(280)
Investment measurement to fair value	1 621	1 621	-	-	(1 621)
Losses available for offset against future taxable income	37 028	9 937	-	(27 091)	(9 937)
Provision for restructuring	3 183	-	-	(3 183)	-
Other	1 404	2 337	3 703	933	1 366
Deferred tax arising from the investment in Tarnobrzeg Special Economic Zone	-	40 258	40 169	40 258	(89)
Deferred tax assets	**203 624**	**115 373**	**76 762**	**(88 251)**	**(38 611)**
Deferred income tax charge		-	-	**(88 456)**	**(39 955)**
Deferred income tax net assets	**(173 277)**	**(85 101)**	**(44 018)**	-	-
of which, recognised in other comprehensive income		(280)	903	280	(280)

* including provisions for tax liabilities settled abroad in the amount of PLN 9,798 thousand, accrued interest of PLN 3,760 thousand, discount of PLN 1,679 thousand, tax liabilities in the amount of PLN 1,387 thousand and other in the amount of PLN 799 thousand

In the financial statements the Company made write-downs on assets in the amount of PLN 252,075 thousand on account of which a deferred tax asset was recognised. Because in line with the adopted projections of tax settlements the Company will not be able utilise the above mentioned asset in the future, a write-down was recognized for the above mentioned asset in the amount of PLN 252,075 thousand.
In the year ended 31 December 2011 the company recognised an asset referring to the tax loss of PLN 9,937 thousand. The asset shall be set off against tax profit made in the coming financial years.

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. On 26 February 2010 the Company received decision No 45/IW/10, issued by the Minister of Economy, on change of conditions of the obtained permit. Full use of public aid which the company will be entitled to in the future in the period from 1 April 2011 to 15 November 2017 is conditional upon fulfilment of terms and conditions of the permit mentioned above and upon achieving appropriate profitability of operations conducted in the zone.

On 27 June 2011 the Company received the report of the audit of the Issuer conducted from 24 to 25 May 2011 by the Administrator of the EURO-PARK WISŁOSAN Tarnobrzeg Special Economic Zone, which was approved at 22 June 2011, stating that Polimex-Mostostal S.A. fulfils correctly the terms and conditions included in Permit No. 171/ARP S.A./2008 of 23 June 2008 as further amended to conduct economic activity in EURO-PARK WISŁOSAN Tarnobrzeg Special Economic Zone.

The discounted value of tax relief Polimex-Mostostal S.A. is entitled to upon the fulfilled investment condition as at 31 March 2011 amounted to PLN 72 million, whereas the maximum (nominal) realisable relief was estimated at PLN 103 million.

Based on prepared financial projections the Company recognised by 31 December 2012 an asset for future benefits from the permit obtained on 23 July 2008 in the amount of PLN 38.3 million. Owing to the fact that the terms and conditions of the Permit were formally fulfilled, the Company, starting from the 2nd quarter 2011, commenced to utilise the granted relief. By 31 December 2012 the amount of utilised tax relief had amounted to PLN 5.3 million. Consequently, total benefits recognized by the Company resulting from the Zone Permit amounted to PLN 43.6 million by 31.12.2012.

Due to the weak market posing a real risk of unfulfilling previously assumed financial projections for years 2013-2017, implemented process of operating and financial reorganization of the Company resulting in, for example, reduction of employment, which is one of key conditions of the obtained Permit, the Company, applying the prudence principle, made a decision to write off the asset in its full amount i.e. PLN 38.3 million as at the statement of financial position date. PLN 38.3 million.
The Company does not recognise a deferred tax asset on impairment of investments in subsidiaries.

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 2012 is PLN 1,750 thousand (as at 31 December 2011 PLN (848) 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 2012	*31 December 2011*
Loans granted to employees	5 778	4 141
Cash	179	5 540
Social Fund liabilities	7 707	8 833
Net balance	**(1 750)**	**848**

	31 December 2012	*31 December 2011*
Transfers made to the Social Fund during the period	10 534	11 980

17. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for a given period attributable to ordinary equity holders of the parent by the weighted average number of issued ordinary shares in the reporting period.

Diluted earnings per share amounts are calculated by dividing net profit for a given period attributable to ordinary equity holders (after deducting convertible redeemable preference shares) by the sum of the weighted average number of issued ordinary shares in the reporting period (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 2012	*Year ended 31 December 2011 (restated)*
Net profit/(loss)	**(1 122 247)**	**(171 451)**
Earnings per share (in PLN):		
-number of shares	521 154 076	521 154 076
- basic, for net profit / (loss) for the year	(2.15)	(0.33)
- number of shares registered after the statement of financial position date	1 333 974 588	521 154 076
- basic, for net profit / (loss) for the year	(0.84)	(0.33)
- basic, for net profit/(loss) on continuing operations for the year	(0.84)	(0.33)
Diluted net earnings per share (in PLN)		
-number of shares	521 154 076	521 154 076
- diluting potential ordinary shares	1 177 747 103	12 142 323
- diluted, for net profit / (loss) for the year	(0.66)	(0.32)
- number of shares registered after the statement of financial position date	1 333 974 588	521 154 076
- diluting potential ordinary shares	364 926 591	12 142 323
- diluted, for net profit / (loss) for the year	(0.66)	(0.32)
- diluted, for net profit/(loss) on continuing operations for the year	(0.66)	(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

In 2012 the Company did not pay dividend from profit for the year ended 31 December 2011.

The Company does not anticipate the dividend for the year ended 31 December 2012 to be paid in 2013, among other things, due to the obligation of the Company not to pay it arising from the Agreement on Regulations of Debt Servicing.

Equity dividends on ordinary shares from 2010 profit paid on 30 September 2011 amounted to PLN 20,846 thousand (dividend from 2009 profit paid on 16 September 2010 amounted to PLN 18,574 thousand).

The value of dividend per share paid for the year 2010 was PLN 0.04 (for the year 2009 it was PLN 0.04).

(in PLN thousands)

19. Property, plant and equipment

Year ended 31 December 2012

	Land and buildings	*Plant and equipment*	*Motor vehicles*	*Other fixed assets*	*Fixed assets under construction*	*Advanced payments to fixed assets under construction*	*Total*
Net carrying amount at 1 January 2012	**354 978**	**210 161**	**37 507**	**15 821**	**14 097**	**-**	**632 564**
Additions	2 263	7 305	611	1 059	9 571	-	20 809
Disposals	(13 039)	(4 220)	(1 029)	(712)	(11 294)	-	(30 294)
Revaluation	(5 567)	-	-	-	-	-	(5 567)
Reclassification	(58 987)	(10 124)	(952)	(239)	(11 214)	-	(81 516)
Amortisation charge for the year	(18 886)	(30 662)	(6 494)	(4 069)	-	-	(60 111)
Net carrying amount at 31 December 2012	**260 762**	**172 460**	**29 643**	**11 860**	**1 160**	**-**	**475 885**
As at 1 January 2012							
Cost	426 972	385 594	79 105	44 261	14 645	-	950 577
Write-off and impairment loss	(71 994)	(175 433)	(41 598)	(28 440)	(548)	-	(318 013)
Net carrying amount	**354 978**	**210 161**	**37 507**	**15 821**	**14 097**	**-**	**632 564**
As at 31 December 2012							
Cost	336 688	349 460	69 689	40 758	1 710	-	798 305
Write-off and impairment loss	(75 926)	(177 000)	(40 046)	(28 898)	(550)	-	(322 420)
Net carrying amount	**260 762**	**172 460**	**29 643**	**11 860**	**1 160**	**-**	**475 885**

Year ended 31 December 2011

	Land and buildings	*Plant and equipment*	*Motor vehicles*	*Other fixed assets*	*Fixed assets under construction*	*Advanced payments to fixed assets under construction*	*Total*
Net carrying amount at 1 January 2011	**337 392**	**186 604**	**40 569**	**18 831**	**74 928**	**-**	**658 324**
Additions	44 763	55 671	5 382	3 247	35 227	-	144 290
Disposals	(1 392)	(2 505)	(2 857)	(1 846)	(92 387)	-	(100 987)
Reclassification	(10 952)	(170)	1 918	20	(3 671)	-	(12 855)
Amortisation charge for the year	(14 833)	(29 439)	(7 505)	(4 431)	-	-	(56 208)
Net carrying amount at 31 December 2011	**354 978**	**210 161**	**37 507**	**15 821**	**14 097**	**-**	**632 564**
As at 1 January 2011							
Cost	398 192	338 945	77 260	44 817	75 478	100	934 792
Write-off 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**
As at 31 December 2011							
Cost	426 972	385 594	79 105	44 261	14 645	-	950 577
Write-off and impairment loss	(71 994)	(175 433)	(41 598)	(28 440)	(548)	-	(318 013)
Net carrying amount	**354 978**	**210 161**	**37 507**	**15 821**	**14 097**	**-**	**632 564**

(in PLN thousands)

The carrying amount of plant and equipment held under finance lease agreements or hire purchase contracts at 31 December 2012 is PLN 12,216 thousand (as at 31 December 2011: PLN 14,999 thousand).

Net book value of plant, property and equipment on which securities were establishes amounted to PLN 337,018 thousand as at 31 December 2012 (as at 31 December 2011: PLN 465,958 thousand).

20. Leases

20.1. Finance lease and hire purchase commitments

As at 31 December 2012 and as at 31 December 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 2012		*31 December 2011*		*1 January 2011*	
	Minimum payments	***Payment current value***	***Minimum payments***	***Payment current value***	***Minimum payments***	***Payment current value***
Within 1 year	3 440	3 276	6 666	6 317	6 649	5 956
Within 1 to 5 years	2 625	2 557	5 831	5 574	8 920	8 275
Over 5 years	-	-	-	-	-	-
Minimum lease payments, total	**6 065**	**5 833**	**12 497**	**11 891**	**15 569**	**14 231**
Less amounts representing finance charges	(232)	-	(606)	-	(1 338)	-
Present value of minimum lease payments, of which:	**5 833**	**5 833**	**11 891**	**11 891**	**14 231**	**14 231**
- current	3 276	-	6 317	-	5 956	-
- non-current	2 557	-	5 574	-	8 275	-

21. Investment properties

	31 December 2012	*31 December 2011*
Opening balance as at 1 January	52 380	36 632
Purchase of investment property	-	2 483
Modernisation of investment property	-	-
Gain/(loss) on investment property measurement	(9 881)	1 147
Reclassification from property, plant and equipment	3 939	12 855
Reclassification to available for sale non-current assets	(31 605)	-
Other	-	(737)
Closing balance	**14 833**	**52 380**

The book value of developer’s investment property covered with mortgages in line with the provisions of the Agreement of 21 December 2012 on Regulations of Debt Servicing specifying the terms and conditions of financing the Company by the Creditors amounts to PLN 12,287 thousand as at 31 December 2012. In 2012 based on valuations prepared by independent valuers the Company made revaluation of investment real property in the amount of PLN 9,881 thousand.

(in PLN thousands)

22. Intangible assets

Year ended 31 December 2012	***Patents and licences***	***Software***	***Goodwill***	***Other***	***Total***
Net carrying amount at 1 January 2012	**-**	**16 516**	**6 938**	**3**	**23 457**
Additions	-	2 657	-	339	2 996
Disposals	-	(2 369)		-	(2 369)
Write-off of goodwill*	-	-	(6 938)	-	(6 938)
Reclassification	-	(4)	-	-	(4)
Amortisation charge for the year	-	(3 898)	-	(69)	(3 967)
Net carrying amount at 31 December 2012	**-**	**12 902**	**-**	**273**	**13 175**
As at 1 January 2012					
Cost	-	34 637	6 938	160	41 735
Write-off and impairment loss	-	(18 121)	-	(157)	(18 278)
Net carrying amount	**-**	**16 516**	**6 938**	**3**	**23 457**
As at 31 December 2012					
Cost	-	34 113	2 923	498	37 534
Impairment	-	(21 211)	(2 923)	(225)	(24 359)
Net carrying amount	**-**	**12 902**	**-**	**273**	**13 175**

*In connection with conducted restructuring of Company’s activity goodwill attributable to the liquidated organizational unit was written-off.

Year ended 31 December 2011	***Patents and licences***	***Software***	***Goodwill***	***Other***	***Total***
Net carrying amount at 1 January 2011	**336**	**16 228**	**6 938**	**31**	**23 533**
Additions	51	3 764	-	-	3 815
Disposals	(126)	(86)	-	(27)	(239)
Reclassification	(183)	183	-	-	-
Amortisation charge for the year	(78)	(3 573)	-	(1)	(3 652)
Net carrying amount at 31 December 2011	**-**	**16 516**	**6 938**	**3**	**23 457**
As at 1 January 2011					
Cost	1 994	29 618	6 938	138	38 688
Write-off and impairment loss	(1 658)	(13 390)	-	(107)	(15 155)
Net carrying amount	**336**	**16 228**	**6 938**	**31**	**23 533**
As at 31 December 2011					
Cost	-	34 637	6 938	160	41 735
Impairment	-	(18 121)	-	(157)	(18 278)
Net carrying amount	**-**	**16 516**	**6 938**	**3**	**23 457**

(in PLN thousands)

23. Financial assets

23.1. Non-current financial assets

	31 December 2012	*31 December 2011*	*1 January 2011*
Shares and interests	183 030	431 278	395 163
Other financial assets	274 437	23 109	14 149
Total	457 467	454 387	409 312

In line with IAS 36 the Board of Directors of Polimex-Mostostal S.A. conducted impairment tests for all investments in the subsidiaries of the Company.
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.
The tests showed that as at the date of preparation of these financial statements there is a need to impair the investment for the shares in the following companies:

	Subsidiaries	**Value of shares at 31-12-2011**	**Increase in value of shares in 2012**	**Impairment in 2012**	**Sales in 2012**	**Reclassification to available for sale long-term assets**	**Value of shares as at 31-12-2012**
1	Polimex-Development Kraków Sp.z o.o.	118 274	-	- 81 381	-	-	36 893
2	S.C.Coifer Impex SRL	50 403	7	- 50 410	-	-	-
3	Torpol Sp. z o.o. Capital Group	37 084	61	-	-	-	37 145
4	Polimex-Mostostal Development Sp. z o.o.	32 191	-	- 27 395	-	-	4 796
5	GRANDE MECCANICA SPA	30 871	80	- 9 773	-	-	21 178
6	"Energomontaż-Północ-Gdynia" Sp. z o.o.	24 401	1 027	-	-	- 25 428	-
7	"Energop" Sp. z o.o.	23 401	1 304	-	-	-	24 705
8	Fabryka Kotłów "Sefako" S.A.	9 316	8 837	-	-	- 18 153	-
9	Przedsiębiorstwo Robót Inżynieryjnych PRInż-1 Sp.z o.o.	17 374	729	- 15 125	-	-	2 978
10	Polimex-Mostostal Ukraina SAZ	17 353	-	- 9 339	-	-	8 014
11	Centrum Projektowe Polimex-Mostostal Sp. zo.o.	9 867	27	- 1 999	-	-	7 895
12	Px-Cp Development Sp. z o.o.	8 052	-	- 3 488	-	-	4 564
13	Tchervonograd MSP - Ukraine	7 533	-	-	-	-	7 533
14	"Energomontaż-Nieruchomości" Sp. z o.o.	5 844	-	-	-	-	5 844
15	PxM Projekt-Południe Sp. z o.o.	4 877	-	- 1 276	-	-	3 601
16	Polimex-Hotele Sp. z o.o.	3 811	-	- 589	-	-	3 222
17	Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.	3 419	-	- 1 719	-	- 1 700	-
18	WBP Zabrze Sp.z o.o.	3 331	7	-	-	-	3 338
19	"Energomontaż-Północ - Technika Spawalnicza i Laboratorium" Sp. z o.o.	2 430	-	-	-	-	2 430
20	Zakład Budowlano-Instalacyjny Turbud Sp. z o.o.(Inn liquidation)	2 423	-	- 2 423	-	-	-
21	NAF Industriemontage GmbH	1 827	-	-	-	-	1 827

(in PLN thousands)

22	Stalfa Sp. z o.o.	1 697	22		-	-			-	1 719
23	Zarząd Majątkiem Górczewska Sp. Z o.o.	1 414	-		-	-			-	1 414
24	"Energomontaż-Magyarország" Sp. z o.o.	1 408	-	-	1 408	-			-	-
25	Przedsiębiorstwo Produkcyjno-Usługowe "ELEKTRA" Sp. z o.o.	338	59	-	203	-			-	194
26	Depolma GmbH	479	-		-	-			-	479
27	Polimex-Mostostal Zakład Usług Technicznych Sp. z o.o.	5	5		-	-			-	10
28	Pracownia Wodno-Chemiczna "EKONOMIA" Sp.z o.o.	700	222		-	-			-	922
29	Polimex-Mostostal Wschód Sp. z o.o.	20	-		-	-			-	20
30	MODUŁ - SYSTEM SERWIS SP. Z O.O.	707	-		-	-			-	707
31	SINOPOL TRADE CENTER SP. Z O.O.	257	-		-	-			-	257
32	Centralne Biuro Konstrukcji Kotłów S.A.	8 829	-		-		-8 829		-	-
33	Other, shares in associates	1 003	-		-	-			-	1 003
34	Other, shares in other entities	339	3		-	-			-	342
		431 278	**12 390**	**-**	**206 528**		**-8 829**	**-**	**45 281**	**183 030**

23.1.1 Non-current financial assets

	31 December 2012	*31 December 2011*	*1 January 2011*
Shares and interests			
Shares and interests – companies not listed on the stock exchange	183 030	431 278	395 163
Available-for-sale financial assets	-	-	-
Total	**183 030**	**431 278**	**395 163**

Securities on stocks and shares:
In line with the provisions of the Agreement of 21 December 2012 on Regulations of Debt Financing specifying the terms and conditions of financing the Company by the Creditors, the Company established for the benefit of Creditors registered and financial pledges on shares in the following subsidiaries: StalFa sp. z o.o., Centrum Projektowe Polimex-Mostostal sp. z o.o., PxM – Projekt – Południe sp. z o.o., WBP Zabrze sp. z o.o., Przedsiębiorstwo Robót Inżynieryjnych „PRINŻ-1" sp. z o.o., Pracownia Wodno-Chemiczna Ekonomia sp. z o.o., Przedsiębiorstwo Produkcyjno-Usługowe „Elektra" sp. z o.o., Energop, Energomontaż-Północ – Technika Spawalnicza i Laboratorium sp. z o.o., Polimex Hotele sp. z o.o., Energomontaż – Nieruchomości sp. z o.o., Polimex-Development Kraków, Polimex-Mostostal Development and BR DEVELOPMENT. The total net book value of encumbered shares amounted to PLN 98.5 million as at 31 December 2012.

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

	31 December 2012	*31 December 2011*
At the beginning of the period	**431 278**	**395 163**
Increase:	12 390	38 546
Acquisition of shares and interests	317	-
Increase of capital in subsidiary	9 778	32 561
Other	2 295	5 985
Decrease:	(260 638)	(2 431)
Impairment losses	(206 528)	(2 303)
Disposal of shares	(8 829)	-
Reclassification to available for sale long-term assets	(45 281)	-
Other	-	(128)
At the end of the period	**183 030**	**431 278**

(in PLN thousands)

23.1.3 Other non-current financial assets

	31 December 2012	31 December 2011	1 January 2011
Other non-current financial assets			
Loans granted	2 075	20 072	11 348
Bank guarantee deposits relating to contracts being performed*	272 362	3 037	2 145
Deposits	-	-	656
Other	-	-	-
Other non-current financial assets	**274 437**	**23 109**	**14 149**

*of which: deposits relating to power engineering contracts - Kozienice and Opole

Non-current loans

Business entity	Amount of loan granted	Currency	Maturity	Amount of debt with interest 31 December 2012	31 December 2011	1 January 2011
Polimex-Mostostal Development Sp. z o.o.*	8 200	PLN	2013.12.31	-	8 035	-
Polimex-Mostostal Development Sp. z o.o.*	2 500	PLN	2013.12.31	-	2 888	-
Polimex-Mostostal Development Sp. z o.o.*	6 000	PLN	2013.12.31	-	6 613	-
Polimex-Mostostal Development Sp. z o.o.*	2 985	PLN	2013.12.31	-	1 253	-
Centrum Projektowe Polimex Mostostal Sp. z o.o.	3 482	PLN	2014.10.31	2 030	1 230	2 149
Polimex Mostostal Ukraine	1 000	USD	2012.04.15	-	-	3 024
Polimex Mostostal Ukraine	300	USD	2012.08.30	-	-	890
Polimex Mostostal Ukraine	1 750	USD	2012.08.30	-	-	5 225
Natural persons		PLN		45	53	60
Total non-current loans				**2 075**	**20 072**	**11 348**

* with the annex of 2012.12.13 the repayment date of the loans was changed to 31.12.2013 (contracts of loans taken by Polimex-Mostostal Development Sp. z o.o. at Nordea Bank Polska S.A. were terminated, subordination of repayment of the loans expired).

At 31 December 2012 weighted average margins for loans granted by Polimex-Mostostal S.A. to Group companies amounted to: for loans in Polish zloty WIBOR 1M + 2.37 p.p., WIBOR 3M + 1.99 p.p., for loans in a foreign currency EURIBOR + 3.00 p.p.

At 31 December 2011 weighted average margins for loans granted by Polimex-Mostostal S.A. to Group companies amounted to: for loans in Polish zloty WIBOR 1M + 2.35 p.p., WIBOR 3M + 2.04 p.p., for loans in a foreign currency EURIBOR + 3.00 p.p.

As at 1 January 2011 weighted average margins for loans granted by Polimex-Mostostal S.A. to Group companies amounted to: WIBOR + 2.00 p.p. for loans in Polish zloty and 4.00% for foreign currency loans.

23.2. Current financial assets

	31 December 2012	31 December 2011	1 January 2011
Loans granted	62 009	53 831	34 858
Bank guarantee deposits relating to contracts being performed*	95 244	513	-
Derivative financial instruments	-	-	7 073
Available-for-sale financial assets	-	-	594
Other	-	6 491	60
Other current financial assets	**157 253**	**60 835**	**42 585**

*of which: deposits relating to power engineering contracts - Kozienice and Opole

(in PLN thousands)

Current loans

Business entity	Amount of loan granted	Currency	Maturity	Amount of debt with interest		
				31 December 2012	*31 December 2011*	*1 January 2011*
Coifer *	2 000	EUR	2013.12.31	-	8 954	-
Coifer *	54	EUR	2012.12.31	-	239	-
Energomontaż Magyarorszag*	707	EUR	2012.12.31	-	839	-
Grande Meccanica Spa*	400	EUR	2013.02.28	25	28	-
Tchervonograd Metal Structure Plant*	900	USD	2012.12.31	-	1 081	-
Polimex Mostostal Ukraine*	1 000	USD	2013.03.31	3 411	3 623	-
Polimex Mostostal Ukraine*	1750	USD	2013.03.31	5 899	6 264	-
Polimex Mostostal Ukraine*	300	USD	2013.03.31	1 005	1 067	-
Polimex-Mostostal Ukraina*	7 050	PLN	2013.03.31	7 941	7 411	-
Elektra Sp. z o.o.	1 000	PLN	2012.03.31	-	1 064	-
PRInż -1 Sp. z o.o.	1 800	PLN	2013.12.31	1 911	1 872	-
Polimex-Development Kraków Sp. z o.o.**,***	4 200	PLN	2013.12.31	318	318	318
Polimex-Development Kraków Sp. z o.o.**,***	2 000	PLN	2013.12.31	93	93	93
Polimex-Development Kraków Sp. z o.o.**,***	3 548	PLN	2013.12.31	593	593	593
Polimex-Development Kraków Sp. z o.o.**,***	7 600	PLN	2013.12.31	933	933	933
Polimex-Development Kraków Sp. z o.o.**,***	8 750	PLN	2013.12.31	1 152	1 152	1 152
Polimex-Development Kraków Sp. z o.o.**,***	16 500	PLN	2013.12.31	2 554	2 554	2 554
Polimex-Development Kraków Sp. z o.o.**,***	1 400	PLN	2013.12.31	107	107	107
Polimex-Development Kraków Sp. z o.o.**,***	18 000	PLN	2013.12.31	2 749	2 749	2 749
Polimex-Development Kraków Sp. z o.o.**,***	3 000	PLN	2013.12.31	178	178	178
Polimex-Development Kraków Sp. z o.o.**. ***	3 500	PLN	2013.12.31	73	73	73
Polimex-Development Kraków Sp. z o.o.**,***	10 000	PLN	2013.12.31	1 362	1 362	1 362
Polimex-Development Kraków Sp. z o.o.**,***	20 000	PLN	2013.12.31	3 324	3 324	3 324
Polimex-Development Kraków Sp. z o.o.***	2 450	PLN	2013.12.31	2 818	2 670	2 036
Polimex-Development Kraków Sp. z o.o.***	1 700	PLN	2013.12.31	1 906	1 799	-
Polimex-Development Kraków Sp. z o.o.***	1 650	PLN	2013.12.31	1 737	801	-
Polimex-Development Kraków Sp. z o.o.***	197	PLN	2013.12.31	206	-	-
Polimex-Development Kraków Sp. z o.o.***	445	PLN	2013.12.31	464	-	-
ZBI Turbud Sp. z o.o.	1 000	PLN	2012.12.31	-	328	1 507
Polimex-Mostostal Development Sp. z o.o.	2 500	PLN	2013.12.31	3 027	-	2 675
Polimex-Mostostal Development Sp. z o.o.	6 000	PLN	2013.12.31	6 942	-	5 885

(in PLN thousands)

Polimex-Mostostal Development Sp. z o.o.	8 200	PLN	2013.12.31	8 207	-	7 435
Polimex-Mostostal Development Sp. z o.o.	2 985	PLN	2013.12.31	1 337	-	-
Centrum Projektowe Polimex-Mostostal Sp. z o.o. (current portion)	3 482	PLN	2013.12.31	618	1 253	840
Moduł System Service Sp. z o.o.	1 000	PLN	2013.12.31	1 038	1 011	1 000
Natural persons		PLN		81	91	44
Total current loans				**62 009**	**53 831**	**34 858**

*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. Repayment date for loans n the total amount of PLN 13,436 thousand, accrued on the amount of converted loans.

*** repayment date was postponed by 31.12.2013 and subordinated to the repayment dates of investor's loans taken out by Polimex-Development Kraków Sp. z o.o. at PKO BP S.A. (as at the date of preparation of these financial statements the loans mature on 31.03.2013).

In 2012 the Company wrote down loans granted to Subsidiaries in the amount of PLN 10,361 thousand.

23.3. Derivative financial instruments

	31 December 2012	*31 December 2011*	*1 January 2011*
Short-term derivative financial instruments	-	-	**7 073**
Forward foreign currency contracts	-	-	5 926
Currency options	-	-	1 147

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, in the first half of 2012 the Company actively used exchange rate derivative instruments available on the market thus applying the exchange rate risk management strategy adopted by the Company. Open transactions of derivative instruments are subject to current valuation with its results included in the enterprise's books of account.

Bearing the above mentioned facts in mind, since 1 October 2008 the Company has been applying hedge accounting for foreign currency derivatives so as to ensure stability and comparability of financial results of the Company for individual reporting periods. Application of the hedge accounting makes it possible to symmetrically present the compensating impact on the financial result of the current period of the hedging instrument fair value and hedged item corresponding to it.

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

Derivative instruments hedging cash flows are 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 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).

Terms and conditions of hedging of derivative instruments are negotiated in a manner corresponding to terms and conditions of hedged item, and providing maximum hedging efficiency. In 2012, the Company consequently applied the rules and procedures of conduct implemented, aimed at mitigating the negative impact of the price risk on the result of the enterprise operations.

Disclosure on concluded hedging transactions

On 19 July 2012, in connection with the negotiations conducted with financial creditors on terms and conditions of the agreement to refraining from enforcement of liabilities, the Company prematurely terminated all open transactions hedging currency risk.

Measurement of derivative instruments as at 31 December 2012.

As at 31 December the Company did not hold any active foreign exchange derivative instruments. The change of an effective portion of fair value of financial instruments in 2012 recognised directly in other comprehensive income was as follows (amounts after including the effect in deferred tax) data in PLN thousands:

As at 31.12.2011	Movement in 2012	As at 31.12.2012
-1 167	1 194	27

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 was only of computational nature and did 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 2013 as follows:

Detailed list	**2013**
Projected foreign currency proceeds – equivalent in EUR thousands	136 256
Projected foreign currency expenditures – equivalent in EUR thousands	50 848
Business exposure to foreign currency risk in EUR thousands	**85 408**

Current influence of this parameter shall relate to the part of foreign currency revenues (net proceeds) as yet not covered by hedging transactions.

24. Retirement and other post-employment benefit plans

On 30 November 2012 the Company and the representatives of 5 trade union organizations operating within the Company signed a new collective labour agreement (CLA). The Agreement became effective as of 1 January 2013, replacing the Collective Labour Agreement of 16 February 2007. The Regional Labour Inspector in Warsaw entered the CLA into the register of collective labour agreements.

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 reconciliation presenting movements over the period:

	2012	*2011*	*2010*
At the beginning of the period at 1 January, of which:	49 287	84 247	76 852
Provision recognized	10 038	434	16 367
Released	(8 281)	(34 693)	(8 359)
Utilised	-	(701)	(742)
Reclassifications	-	-	129
At the end of the period at 31 December	51 044	49 287	84 247

(in PLN thousands)

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

	31 December 2012	*31 December 2011*	*1 January 2011*
Discount rate (%)	4.0	5.5	5.5
Future inflation index (%)	2.5	3.0	2.5
Future salary increases (%)	1.0	1.0	2.5

25. Inventories

	31 December 2012	*31 December 2011*	*1 January 2011*
Raw materials	70 474	75 311	86 200
Work-in-progress (at cost)	67 928	95 622	103 257
Finished goods:	17 493	20 929	22 733
At cost	17 493	20 929	22 733
At net realisable value	-	-	-
Raw materials advance payments	5 241	3 706	10 428
Goods for resale	33	380	80
Total inventories, at the lower of cost and net realisable value	**161 169**	**195 948**	**222 698**

As at 31 December 2012 pledges were establishes on smelting products in the amount of PLN 104 million (as at 31 December 2011: PLN 100 million, as at 1 January 2011 PLN 100 million). The book value of developer's inventories encumbered with mortgages in line with the provisions of the Agreement of 21 December 2012 on Regulations of Debt Servicing specifying the terms and conditions of financing the Company by the Creditors amounts to PLN 53,726 thousand net as at 31 December 2012.

In 2012 based on valuations by independent valuers the value of developer's real property of the Company was written off in the amount of PLN 20,310 thousand. Developer's real property is presented in the financial statements of the Company in work in progress.

26. Trade and other receivables

	31 December 2012	*31 December 2011 (restated)*	*1 January 2011*
Trade receivables	843 608	1 423 007	1 126 787
- of which, receivables from related parties	*25 332*	*19 787*	*23 248*
Receivables from public authorities, of which:	-	3 679	9 171
- value added tax	-	-	*5 926*
- other	-	*3 679*	*3 245*
Other receivables from third parties	7 765	716	4 927
Other receivables from related parties	3 075	3 989	824
Total receivables (net)	**854 448**	**1 431 391**	**1 141 709**
Doubtful debts allowance	97 710	42 041	49 905
Total receivables, gross	**952 158**	**1 473 432**	**1 191 614**

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

Trade receivables are non-interest bearing and are usually receivable within 30 to 60 days.

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

	31 December 2012	*31 December 2011 (restated)*	*1 January 2011*
Up to one month*	447 879	980 656	638 321
Over 1 month to 3 months	101 486	149 771	216 618
Over 3 months to 6 months	18 371	7 951	23 506

(in PLN thousands)

Over 6 months to 1 year	35 582	41 682	7 961
Past due receivables	338 000	284 702	290 053
Total receivables, gross	**941 318**	**1 464 762**	**1 176 459**
Doubtful debts allowance	(97 710)	(41 755)	(49 672)
Net receivables	**843 608**	**1 423 007**	**1 126 787**

*of which: receivables arising from measurement in line with IAS 11in the amount of PLN 222,825 thousand as at 31 December 2012,PLN 556,236 thousand as at 31 December 2011 and in the amount of PLN 362,857 thousand as at 1 January 2011.

26.2. Aging analysis of trade receivables

	31 December 2012	*31 December 2011 (restated)*	*1 January 2011*
Up to one month past due	129 016	109 284	60 557
Over 1 month to 3 months past due	73 232	45 355	70 348
Over 3 months to 6 months past due	47 633	39 716	26 922
Over 6 months to 1 year past due	21 656	25 004	33 960
Over 1 year past due	66 463	65 343	98 266
Total receivables, gross	**338 000**	**284 702**	**290 053**
Doubtful debts allowance	(95 520)	(41 755)	(49 584)
Net receivables	**242 480**	**242 947**	**240 469**

26.3. Allowances for trade receivables

Movements in allowance for receivables were as follows:

	31 December 2012	*31 December 2011*
Allowance at 1 January	41 755	49 672
Increase:	63 463	2 872
- provision for impairment	63 463	2 872
Decrease:	7 508	10 789
- utilisation	5 187	5 275
- receivables pay-off	2 321	6
- release	-	5 508
Allowance at 31 December/1 January	**97 710**	**41 755**

27. Prepaid expenses

	31 December 2012	*31 December 2011*	*1 January 2011*
Insurance costs	4 085	5 456	3 742
IT support expenses	249	114	182
Quality certificate expenses	-	-	270
Rental	138	453	67
Auxiliary materials	-	-	32
Licence fees	900	1 053	547
Subscription	47	91	159
Perpetual usefruct charge	-	-	120
Acquisition costs	1 700	1 700	-
Other	524	2 027	1 417
Total	**7 643**	**10 894**	**6 536**

(in PLN thousands)

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 2012	*31 December 2011*	*1 January 2011*
Cash at bank and in hand	157 417	172 115	254 118
Short-term deposits	4 818	4 479	26 816
	162 235	**176 594**	**280 934**

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 2012*	*Year ended 31 December 2011 (restated)*
Change in receivables in the statement of financial position	574 560	(284 414)
Adjustment relating to setting off receivables with a loan	91	(3 360)
Receivables set off against shares	-	(403)
Adjustment for dividend receivable	-	407
Adjustment of receivables due to loan revaluation	1 929	(2 486)
Adjustment for receivables from disposal of non-current assets	(1 292)	1 653
Deposits	(364 037)	-
Adjustment of receivables from disposal of Organised Part of Enterprise	(13 268)	-
Change in receivables in the statement of cash flows	**197 983**	**(288 603)**

Change in inventories	*Year ended 31 December 2012*	*Year ended 31 December 2011*
Change in inventories in the statement of financial position	34 779	26 750
Conversion of delivery advance payments to Coifer loan	-	(6 491)
Change in inventories in the statement of cash flows	**34 779**	**20 259**

Change in liabilities	*Year ended 31 December 2012*	*Year ended 31 December 2011 (restated)*
Change in liabilities in the statement of financial position	(18 422)	454 104
Change in lease liabilities	5 817	2 340
Adjustment for liabilities arising from acquisition of non-current assets	10 673	(3 285)
Other – sureties granted to subsidiaries	(1 600)	(3 484)
Prepayments relating to disposal of assets	(86 960)	-
Zobowiązania z tytułu podwyższenia kapitału w spółce zależnej	4 417	(4 417)
Zobowiązanie z tyt. wykupu obligacji	(1 000)	-
Change in liabilities in the statement of cash flows	**(87 075)**	**445 258**

The „Other" items in operating activities of the statement of cash flows for the year ended 31 December 2012 comprise in particular of: A write-off of goodwill in the amount of PLN 6,939 thousand, revaluation of property, plant and equipment in the amount of PLN 16,578 thousand, write-off on financial assets of PLN 16,726 thousand, conversion of debentures PLN 12,500 thousand.

(in PLN thousands)

29. Available for sale long-term assets

	31 December 2012	31 December 2011	1 January 2011
Property, plant and equipment	77 581	-	-
Investment property	31 605	-	-
Financial assets (shares and interests)	45 281	-	-
	154 467	**-**	**-**

In line with the provisions of the Agreement on Regulations of Debt Servicing signed on 21 December 2012 the Company assumed an obligation to dispose of specified assets and generate proceeds on this account in the amount of not less than PLN 600 million by 31 December 2015. Assets being disposed of include shares and interest in Subsidiaries, inessential property, plant and equipment, organized part of an enterprise and developer's and investment property as well as selected operating real property. The above table presents financial data relating to transactions of disposing of assets available for sale (Note 44) completed after the statement of financial position date and these assets whose disposal is planned within a year of the statement of financial position date.

30. Issued capital and supplementary/ reserve/other capital

30.1. Issued capital

Equity capital (in share thousands)	*31 December 2012*	*31 December 2011*	*1 January 2011*
Series A ordinary shares	55 386	55 386	55 386
Series B ordinary shares	36 532	36 532	36 532
Series C ordinary shares	8 580	8 580	8 580
Series D ordinary shares	13 499	13 499	13 499
Series E ordinary shares	43 499	43 499	43 499
Series F ordinary shares	223 716	223 716	223 716
Series G ordinary shares	236	236	-
Series H ordinary shares	25 823	25 823	25 823
Series I ordinary shares	57 321	57 321	57 321
Series K ordinary shares	38 733	38 733	38 733
Series L ordinary shares	17 829	17 829	17 829
Total	**521 154**	**521 154**	**520 918**

All issued shares are at nominal value of PLN 0.04 as at
31 December 2012, 31 December 2011 and as at 1 January 2011. 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 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 of the Company.

On 29 June 2011 the Ordinary General Meeting of Shareholders of the Issuer adopted a resolution on amendment to the Company's Articles of Association so that the share capital of the Company is PLN 20,846,163.04.
On 15 October 2012 an Extraordinary Meeting of Shareholders adopted the following resolutions on amendments to the share capital of the Company:

- to increase the share capital of the Company by amount not less than PLN 0.04 and not more than PLN 16,666,666.64 by issuing not less than 1 and not more than 416,666,666 ordinary series M bearer shares of the nominal value of PLN 0.04 each. Series M shares were taken up by a private subscription by Debenture Holders of the Company at the issue price of PLN 0.60 per one Series M share. The increase of share capital by means of issuing Series M shares was registered in the register of entrepreneurs of the National Court Register on 22 January 2013;

  The issue of Series M shares was presented in these statements in equity as "Unregistered share issue" at the market price i.e. at the price of PLN 0.63 per one Series M share in the total amount of PLN 262,500 thousand. In line with the principles of interpretation of IFRIC 19 the difference arising from the comparison of the issue price and the market price of shares in the amount of PLN 12,500 thousand was charged to the financial result of the Company for 2012.

- to increase the share capital of the Company by amount not less than PLN 12,000,000 and not more than PLN 15,846,153.84 by issuing not less than 300,000,000 but not more than 396,153,846 ordinary series N1 bearer shares of the nominal value of PLN 0.04 each. 300,000,000 Series N1 shares were subscribed by the ADI at the issue price of PLN 0.50 per one Series N1 share while performing the Investment Agreement (see Section "Activity of the Group - Significant Agreements - Significant agreements concluded beyond ordinary scope of activity of the Group – Financial Agreements"), whereas 96,153,846 Series N1 shares were subscribed by ING Open Pension Fund at the issue price of PLN 0.52 per one Series N1 share. Increase of share capital by means of issuing Series N1 shares was registered in the register of entrepreneurs of the National Court Register on 22 January 2013;

  The issue of Series N1 shares was presented in these statements in equity as "Unregistered share issue" in the amount of PLN 150,000 thousand.

- to increase the share capital of the Company by amount not less than PLN 0.04 and not more than PLN 7,692,307.68 by issuing not less than 1 and not more than 192,307,692 ordinary series N2 shares of the nominal value of PLN 0.04 each. The issue of Series N2 shares will be in the form of closed subscription conducted as an Offering made based on the Prospectus. The number of Series N2 shares will be reduced by the number of Series N2 shares subscribed by ING Open Pension Fund. As a result, the share capital of the Company may be increased by not more than 96,153,846 Series N2 shares.

30.1.1 *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)

30.1.2 *Shareholder with significant shareholding as at 31 December 2012*

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)	84 487 729	16.21
2.	Other shareholders	436 666 347	83.79
	Number of shares of all issues	**521 154 076**	**100.00**

	31 December 2012	*31 December 2011*	*1 January 2011*
ING Nationale-Nederlanden Polska Otwarty Fundusz Emerytalny (ING Nationale-Nederlanden Poland Open Pension Fund)			
share in equity	16.21%	12.39%	7.76%
share in votes	16.21%	12.39%	7.76%
Pioneer Pekao Investment Management S.A.			
share in equity	-	9.95%	10.08%
share in votes		9.95%	10.08%
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK (Open Pension Fund)			
share in equity	-	-	10.03%
share in votes	-	-	10.03%
Otwarty Fundusz Emerytalny PZU „Złota Jesień” (PZU „Złota Jesień”Open Pension Fund)			
share in equity	-	-	7.68%
share in votes	-	-	7.68%
Polimex-Cekop Development Sp. z o.o. (Polimex-Mostostal S.A.’s subsidiary)			
share in equity	-	2.52%	2.52%
share in votes	-	2.52%	2.52%
Other Shareholders			
share in equity	83.79%	75.14%	61.93%
share in votes	83.79%	75.14%	61.93%

30.1.3 *Shareholders with significant share as at the date of publication of these financial statements*

In connection with the registration on 22 January 2013 by the District Court in Warsaw for the Capital City of Warsaw 12th Economic Department of the National Court Register of the increase in the share capital of the Issuer, mentioned in Note 31.1. the composition of Shareholders of the Issuer changed. The table below presents the composition of Shareholders as at the date of publication of these financial statements

(in PLN thousands)

Item No	Shareholder	No of shares/votes	% interest in share capital/total votes at GSM
1.	Agency for Development of Industry	300 000 001	22.49
2.	ING Nationale-Nederlanden Polska Otwarty Fundusz Emerytalny (ING Nationale-Nederlanden Poland Open Pension Fund)	185 431 892	13.90
3.	PIONIER PEKAO Investment Management SA	74 829 384	5.61
4.	Other Shareholders	773 713 311	58.00
	Number of shares of all issues	**1 333 974 588**	**100.00**

30.2. 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 manner is not subject to distribution.

30.3. 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.

30.4. Other capital

Other capital of the company relates to the effect of the settlement of combinations with subsidiaries mentioned in Note 30.1 in the amount of PLN (444,924) thousand.

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

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

16,535,013 bearer subscription warrants were vested.
2,525,412 bearer subscription warrants remain to be redeemed.
Warrants may be exercised in the following periods:

(in PLN thousands)

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

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

- warrants granted for 2009: from 1 October 2013 to 31 December 2016,
- warrants granted for 2010: from 1 October 2014 to 31 December 2016,
- warrants granted for 2011: from 1 October 2015 to 31 December 2016,

As at 31 December 2012 the balance of provision recognised in the Company reserve capital by virtue of the above mentioned plans is PLN 32,086 thousand (as at 31 December 2011: PLN 32,086 thousand, as at 1 January 2011: PLN 32,086 thousand).

31. Interest-bearing bank loans and borrowings

Bank loan and borrowing liabilities at 31 December 2011

Bank / financing entity	**Maturity**	*31 December 2012*	*31 December 2011*	*1 January 2011*
		30 981	**211 217**	**156 928**
Current				
BGŻ S.A. – a bank overdraft In PLN *(the loan was settled on 21.09.2012)*	24.07.2012	-	-	14 333
Bank PEKAO S.A. – bank overdraft up to PLN 50,000 thousand	31.07.2011	-	-	13 802
Bank PEKAO S.A. – working capital facility up to PLN 70,000 thousand	31.07.2011	-	-	12 598
Bank PEKAO S.A. – working capital facility up to PLN 50,000 thousand	27.07.2011	-	-	50 000
Bank PEKAO S.A. – bank overdraft of PLN 5,000 thousand	31.12.2011	-	-	241
Bank PEKAO S.A. – credit facility in the form of credit line*)	31.12.2013	-	150 000	-
BPH S.A. – working capital facility up to PLN 47,000 thousand **)	04.03.2013	5 969	-	16 078
BPH S.A. – bank overdraft up to PLN 10,000 thousand	31.08.2011	-	-	3 338
Depolma GmbH – loan in EUR	10.12.2013	-	850	739
Polimex-Hotele Sp. z o.o. – loan in PLN	31.12.2013	-	2 277	2 098
PKO BP S.A. – working capital facility in EUR (current portion)***)	31.12.2013	-	8 503	1 188

(in PLN thousands)

PKO BP S.A. – working capital facility in PLN (current portion)***)	31.12.2013	-	6 345	964
PKO BP S.A. – investment loan in PLN/EUR (current portion)***)	31.12.2013	-	29 861	29 226
PKO BP S.A. – bank overdraft up to PLN 1,000 thousand *(repaid)*	02.09.2011	-	-	1 400
BOŚ S.A. – bank overdraft up to PLN 50,000 thousand (current portion) (*as of 21.12.2012 the Bank entered into the Agreement on Regulations of Debt Servicing, and the bank overdraft was converted to a working capital facility in the amount of PLN 47,932 thousand, which will repaid in line with the payment schedule by 31.12.2016)*	31.12.2013-	-		2 936
DZ Bank S.A. – bank overdraft up to EUR 3,000 thousand *(repaid)*	24.11.2012	-	13 214	7 807
DnB Nord Bank Polska S.A. – investment loan in PLN (current portion) *(repaid in 2012)*	31.03.2013	-	-	147
Getin Bank S.A. – investment loan in PLN (current portion) (repaid)	25.02.2013	-	-	22
Getin Bank S.A. – investment loan in PLN (repaid)	25.04.2011	-	-	11
PKO BP S.A. – non-revolving working capital facility up to PLN 600 thousand***)	31.12.2013	-	167	-
ING Bank Śląski – working capital facility up to PLN 7,718 thousand *(on 24.07.2012 a settlement was concluded under which the principal of the loan shall be repaid in 8 equal monthly instalments with the first instalment made not later than on 31.07.2012)*	28.02.2013	5 012	-	-
Bank Millennium S.A. – a working capital facility up to PLN 20,000 thousand	19.04.2013	20 000	-	-

**) credit facility in the form of a multipurpose multicurrency credit line in the total amount of PLN 420,000 thousand, of which working capital facility up to PLN 200,000 thousand (PLN 50,000 thousand – bank overdraft, PLN 150,000 thousand - revolving loan in tranches to finance contracts being performed); it replaced among other things the above mentioned credit facilities at PEKAO S.A. up to PLN 50,000 thousand, PLN 70,000 thousand, PLN 50,000 thousand and PLN 5,000 thousand. as of 21.12.2012 PEKAO S.A. entered into the Agreement on Regulations of Debt Servicing, and the credit facility was converted to a working capital facility in the amount of PLN 200,000 thousand, which shall be repaid in line with the payment schedule by 31.12.2016*

***) the loan replaced the current loan up to PLNN 42,000 thousand and the loan of Naftobudowa S.A., an incorporated company, up to PLN 10,000 thousand; on 27.07.2012 an understanding was concluded under which the loan in an amount decreased to PLN 23,500 thousand shall be repaid in 8 equal monthly instalments with the payment of the first instalment made not later than on 03.08.2012 and the final repayment and closing of the account on 04.03.2013*

****) as of 21.12.2012 PKO BP S.A. entered into the Agreement on Regulations of Debt Servicing, and the credit facility was converted to a working capital facility in PLN, which shall repaid in line with the payment schedule by 31.12.2016*

Non-current		**466 912**	**82 317**	**123 762**
BOŚ S.A. – working capital facility in PLN (as of 21.12.2012 the Bank entered into the Agreement on Regulations of Debt Servicing, and the bank overdraft was converted to a working capital facility in the amount of PLN 47,932 thousand, which will repaid in line with the payment schedule by 31.12.2016)	31.12.2016	44 418		
Bank PEKAO S.A. – credit facility in the form of credit line*)	31.12.2016	150 000	-	-
Bank PEKAO S.A. – working capital facility in PLN *)	31.12.2016	49 013	-	-
PKO BP S.A. – working capital facility in PLN***)	31.12.2016	69 997	-	-
PKO BP S.A. – investment loan in PLN/EUR***)	31.12.2016	93 522	82 118	109 595
PKO BP S.A. – working capital facility in EUR***)	31.12.2016	7 317	-	7 525
PKO BP S.A. – working capital facility in PLN***)	31.12.2016	5 783	-	6 265
Getin Bank S.A. – investment loan in PLN (repaid)	25.02.2013	-	-	28
DnB Nord Bank Polska S.A. – investment loan in PLN *(repaid in 2012)*	31.03.2013	-	199	199
PKO BP S.A. – non-revolving working capital facility up to PLN 600 thousand***)	31.12.2016	50	-	150
Kredyt Bank S.A. – working capital facility (as of 21.12.2012 the Bank entered into the Agreement on Regulations of Debt Servicing, the facility will be repaid in line with the repayment schedule by 30.12.2016)	31.12.2016	39 338	-	
Depolma GmbH – loan in EUR	10.12.2016	787	-	-
Polimex-Hotele Sp. z o.o. – loan in PLN	31.12.2016	2 187	-	-
Polimex-Cekop Development Sp. z o.o.– pożyczka w zł	31.12.2015	4 500	-	-

(in PLN thousands)

Interest-bearing bank loans and borrowings

Current, of which:	**30 981**	**211 217**	**156 928**
Bank loans	30 981	208 090	154 091
Borrowings	-	3 127	2 837
Non-current, of which:	**466 912**	**82 317**	**123 762**
Bank loans	459 438	82 317	123 762
Borrowings	7 474	-	-

Comparison of interest rates for the periods	*Year ended 31 December 2012*	*Year ended 31 December 2011*
Weighted average for bank loans in PLN	WIBOR 1M+1.3125 p.p. WIBOR 3M+2.2500 p.p. -	WIBOR 1M+1.3858 p.p. WIBOR 3M+ 1.6357 p.p. WIBOR ON+ 1.9500 p.p.
Weighted average for foreign currency loans	EURIBOR 1M + 3.0000 p.p. LIBOR 1M + 2.5000 p.p. EURIBOR 3M +2.8555 p.p.	EURIBOR 1M + 2.0871 p.p. -

32. Assets pledged as security

	31 December 2012	*31 December 2011*
Property, plant and equipment	337 018	465 958
Investment properties	12 287	-
Non-current financial assets	98 537	-
Inventories	157 726	100 000
Available for sale long-term assets	109 182	-
Total	**714 450**	**565 958**

33. Debentures

	31 December 2012	*31 December 2011*	*1 January 2011*
Long-term debentures	143 874	73 000	367 435
Short-term debentures	-	334 742	39 331
Total debentures	**143 874**	**407 742**	**406 766**

On 24 July 2012 the Company signed with 14 banks financing Company's operations and Debenture Holders a standstill agreement to refrain from the enforcement of Company's liabilities in the total amount of PLN 2.5 billion.

Apart from the Company, the banks financing the operations of the Company i.e. the banks which granted loans or guarantees on request of the Company and Debenture Holders holding receivables arising from the debentures issued by the Company in the total nominal amount of PLN 395 million ("Debenture Holders" and together with the Banks "Creditors") entered into the Agreement. The Agreement was concluded for the period of four months when the Company negotiated with its financial Creditors the final understanding amending the terms and conditions of debt financing of the Company. In line with the provisions of the Annex to the Standstill Agreement, signed on 20 September 2012, the life of terms and conditions of the Agreement was extended by 31 March 2013.

On 21 December 2012 the Company and „Polimex-Development" Kraków; Polimex-Mostostal Development and BR Development, its subsidiaries concluded with the Financing Banks and Debenture Holders the Agreement on regulations of servicing debt specifying the terms and conditions of financing the Company by Creditors.

Under the Agreement on Regulations of Servicing Debt, Debenture Holders assumed an obligation to converse debt arising from debentures issued by the Company in the amount of approx. PLN 250 million to Series M shares. The conversion was on 21 December 2012. In the scope of remaining, unpaid portion of receivables of Debenture Holders in the amount of approx. PLN 143,874 thousand the Debenture Holders assumed an obligation to postpone the final repayment of this receivable by 31 December 2016.

(in PLN thousands)

34. Other non-current liabilities

	31 December 2012	*31 December 2011*	*1 January 2011*
Finance lease	2 557	5 574	8 275
Non-current guarantee payment liabilities	51 352	42 166	40 754
Financial asset purchase payables	-	-	1 175
Deposits	-	-	3
Liabilities arising from acquisition of property, plant and equipment	-	-	1 456
Advance payments received for performing Opole and Kozienice contracts	261 600	-	-
Other	-	1 021	-
Total	**315 509**	**48 761**	**51 663**

35. Provisions

35.1. 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 2012 *(restated)*	**8 884**	**-**	**49 287**	**49 806**	**107 977**
Recognised during the year	31 041	52 312	10 038	253 399	346 790
Utilised	(7 453)	(35 559)	-	(178)	(43 190)
Released	(2 736)	-	(8 281)	(8 367)	(19 384)
As at 31 December 2012	**29 736**	**16 753**	**51 044**	**294 660**	**392 193**
Current as at 31 December 2012	21 973	16 753	408	182 490	221 624
Non-current as at 31 December 2012	7 763	-	50 636	112 170	170 569
As at 1 January 2011	**20 142**	**-**	**84 247**	**14 910**	**119 299**
Recognised during the year	7 036	-	434	50 704	58 174
Utilised	(8 691)	-	(701)	(498)	(9 890)
Released	(9 603)	-	(34 693)	(15 310)	(59 606)
At 31 December 2011 *(restated)*	**8 884**	**-**	**49 287**	**49 806**	**107 977**
Current at 31 December 2011 *(restated)*	3 894	-	8 451	49 806	62 151
Non-current as at 31 December 2011 *(restated)*	4 990	-	40 836	-	45 826

(in PLN thousands)

35.2. Guarantee and refund provision

The Company recognised in the statement of financial position guarantee repair provisions in the amount of PLN 29,736 thousand as at 31 December 2012, PLN 8,884 thousand as at 31 December 2011, PLN 20,142 thousand as at 1 January 2011. 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.

35.3. Restructuring provision

In July 2012 the Board made a decision to restructure employment using the group redundancy procedure in the following segments of the Company: General Construction, Infrastructure Construction, Production, Power Engineering and Chemistry, Service and Back Office Operations. The decision was caused in particular by the following factors: (i) reduction in the number of contracts performed by the segments and a low profitability of executed orders; (ii) difficult financial and economic position of the Company; and (iii) introduction of a segment-based organizational structure of the Company.
On 1 August 2012, 16 August 2012 and 12 September 2012 the Company commenced the group redundancy procedure informing trade unions and poviat employment agency of the intention to terminate employment contracts due to reasons not attributable to employees. Notices referred in total to 1,774 employees of the Company. In line with the wording of the notices, employment relationship of the employees of the Company covered with the group redundancy procedure shall be terminated successively by 31 March 2013.
In January 2013 the Company informed trade unions and Employment Agencies of the intention to terminate employment relationships with 422 employees in total: (i) on 8 January 2013 the Company informed of planned redundancies of 256 employees under group redundancy procedure in the following segments: Production, Service, Power Engineering and Chemistry and in Back Office Operations; employment contracts of these employees will terminate by 31 July 2013 depending on the period of notice; (ii) on 17 January 2013 the Company informed of planned redundancies of 166 employees under group redundancies procedure in the segments of Production, Service, General Construction, Power Engineering and Chemistry and in Back Office Operations; redundancies will be made from 7 February 2013 to 30 June 2013.
In the period from August 2012 to 20 January 2013 the number of employees in the Company decreased from 9,689 persons to 7,860 of which: (i) 676 employment relationships were terminated with notice or by the mutual agreement of the parties under the Act of 13 March 2003 on specific principles of terminating employment relationships for reasons not attributable to employees; (ii) 516 employment relationships ended due to not extending contracts concluded for a definite period of time; (iii) 141 employees of ZREW Transformers Division were acquired under Article 23^1 of the Labour Code by another entity (disposal of a branch).

35.4. Other provisions

Other provisions as at 31 December 2012 consists of provisions for losses and costs of contracts in the amount of PLN 244,266 thousand, provisions for sureties granted to related parties in the amount of PLN 43,405 thousand and other provisions in the amount of PLN 6,989 thousand, as at 31 December 2011 these are provisions for losses and costs of construction contracts PLN 48,310 thousand and other provisions in the amount of PLN 1,496 thousand; as at 1 January 2011 the balance of provisions comprises provisions for fines in the amount of PLN 5,456 thousand, provisions for losses and costs of construction contracts of PLN 8,163 thousand and other provisions in the amount of PLN 1,291 thousand.

36. Trade and other payables (current)

	31 December 2012	*31 December 2011 (restated)*	*1 January 2011*
Trade payables			
To related parties	33 091	58 065	58 740
To third parties	941 811	1 319 967	843 372
	974 902	**1 378 032**	**902 112**
Taxation, customs duty, social security and other payables			
VAT	77 336	28 422	46 675
Withholding tax	9	65	165

(in PLN thousands)

Personal income tax	13 633	8 349	8 588
Social Insurance Institution (ZUS)	33 329	36 015	33 515
National Disabled Persons Rehabilitation Fund (PFRON)	555	726	610
Other	(1 513)	518	1 139
	123 349	**74 095**	**90 692**
Financial liabilities			
Foreign currency option contract	-	3 000	372
Interest acquisition liabilities	-	-	16 247
Finance lease and hire purchase contracts	3 276	6 317	5 956
Advance payments to disposal of financial assets	86 960	-	-
Other	179	6 492	6 798
	90 415	**15 809**	**29 373**
Other liabilities			
Remuneration payable to employees	35 914	37 101	36 906
Non-current asset purchase payables	3 719	12 239	9 602
Social fund	1 750	(848)	882
Other liabilities	21 715	20 506	10 361
	63 098	**68 998**	**57 751**
Total current liabilities	**1 251 764**	**1 536 934**	**1 079 928**
Unused annual leave	18 290	19 521	13 359
Bonuses and rewards	9 003	16 967	17 145
Bank guarantee costs	-	-	996
Expenses	12 550	458	458
Other	205	2 007	4 372
	40 048	**38 953**	**36 330**

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.

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

	31 December 2012	*31 December 2011 (restated)*	*1 January 2011*
Up to one month	369 478	665 942	558 541
Over 1 month to 3 months	90 423	253 688	146 251
Over 3 months to 6 months	6 354	11 403	4 352
Over 6 months to 1 year	68 615	15 057	10 520
Past due liabilities	440 032	431 942	182 448
Total trade payables	**974 902**	**1 378 032**	**902 112**

(in PLN thousands)

36.2. Past due trade payables

	31 December 2012	31 December 2011 (restated)	1 January 2011
Up to one month	172 157	218 600	85 523
Over 1 month to 3 months	123 149	140 705	37 813
Over 3 months to 6 months	108 071	22 029	32 058
Over 6 months to 1 year	17 044	26 156	14 338
Over 1 year	19 611	24 452	12 716
Total past due liabilities	**440 032**	**431 942**	**182 448**

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

	31 December 2012	31 December 2011	1 January 2011
Contingent liabilities (arising from)	**2 148 275**	**1 645 313**	**1 495 349**
- guaranties and sureties granted	1 778 406	1 517 144	1 417 398
- promissory notes	49 832	85 360	61 719
- legal claims	190 451	42 809	16 232
- other	129 586	-	-
Other off-statement of financial position items (arising from)	**114 623**	**114 623**	**114 623**
- transferred to off-statement of financial position records balances relating to*	114 623	114 623	114 623
- receivables	48 839	48 839	48 839
- cash	15 973	15 973	15 973
- liabilities	25 330	25 330	25 330
- deferred income	24 481	24 481	24 481

* 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 by Polimex-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 PLN thousands)

38. 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*	*Receivables from related parties*	*Amounts owed to related parties*
Subsidiaries	*2012*				
Energomontaż Północ Gdynia Sp. z o.o.		4 766	66	2 538	27
Energop Sp.z o.o.		475	17 737	65	1 258
Energomontaż-Północ-Technika Spawalnicza i Laboratorium Sp. z o.o.		604	3 925	33	1 400
Energomontaż-Nieruchomości Sp.z o.o.		27	-	-	-
Energomontaż-Nieruchomości Sp.z o.o.		-	-	1 325	-
Sefako S.A.		98	296	32	-
NAF Industriemontage GmbH		129	-	5	-
Torpol Sp. z o.o.		9	37	10	1
PRInż -1 Sp. z o.o.		194	20 770	3 375	7 190
Centrum Projektowe PxM Sp. z o.o.		180	7 695	2 654	580
PxM - Projekt - Południe Sp. z o.o.		124	565	2	-
Moduł System Service Sp. z o.o.		858	3 985	1 212	647
Zarząd Majątkiem Górczewska Sp. z o.o.		379	-	7	-
WBP Zabrze Sp. z o.o.		145	4 233	222	1 928
Stalfa Sp. z o.o.		7 183	7 944	670	750
Polimex-Mostostal ZUT Sp. z o.o.		793	8 773	33	3 521
Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.		179	10 073	22	214
MSP Tchervonograd		3 263	2 715	946	-
Polimex Mostostal Ukraine		921	-	18 256	-
Polimex – Development Kraków Capital Group		532	1 799	21 980	365
Polimex-Cekop Development Sp. z o.o.		4 883	70	-	4 500
Polimex-Mostostal Development Sp. z o.o.		3 343	1 210	29 878	1 488
Polimex Hotele Sp. z o.o.		11	33	4	2 187
Mostostal Siedlce Wschód Sp.z o.o.		4 901	-	95	-
Pracownia Wod- Chem. "Ekonomia" Sp. z o.o.		-	363	-	202
S.C. Coifer Impex SRL		2 623	49 186	5 952	2 239
Grande Meccanica SPA		147	-	39	-
Sinopol Trade Centre Sp.z o.o.		8	-	1 044	-
Depolma GmbH		72	-	-	787
Elektra Sp. z o.o.		48	215	8	214
Turbud Sp. z o.o.		253	979	-	-
Centralne Biuro Konstrukcji Kotłów S.A.		60	1 889	-	1 045
Total		**37 208**	**144 558**	**90 407**	**30 543**

(in PLN thousands)

Related party		Sales to related parties	Purchases from related parties	Receivables from related parties	Amounts owed to related parties
Subsidiaries	*2011*				
Energomontaż Północ Gdynia Sp. z o.o.		4 763	178	981	391
Energop Sp.z o.o.		5 351	16 692	95	10 270
Energomontaż-Północ-Technika Spawalnicza i Laboratorium Sp. z o.o.		2 522	4 956	34	1 147
Energomontaż-Nieruchomości Sp.z o.o.		27	-	-	-
Energomontaż-Magyarorszag Sp. z o.o.		48	15	3 355	1
Sefako S.A.		33	193	3	5
NAF Industriemontage GmbH		-	105	-	-
Torpol Sp. z o.o.		2	14	24	14
PRInż -1 Sp. z o.o.		72	14 607	1 907	7 146
Centrum Projektowe PxM Sp. z o.o.		178	8 760	2 616	2 434
PxM-Projekt - Południe Sp. z o.o.		28	3 785	242	1 093
Moduł System Service Sp. z o.o.		1 126	4 724	2 124	2 375
Zarząd Majątkiem Górczewska Sp. z o.o.		383	-	7	-
WBP Zabrze Sp. z o.o.		144	8 652	44	1 707
Stalfa Sp. z o.o.		7 263	10 576	842	172
Polimex-Mostostal ZUT Sp. z o.o.		1 333	13 124	83	3 101
Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.		180	9 539	2	998
MSP Tchervonograd		5 159	3 322	3 676	1 360
Polimex Mostostal Ukraine		1 577	-	18 365	-
Polimex-Development Kraków Sp. z o.o.		478	3 237	20 085	-
Polimex-Cekop Development Sp. z o.o.		39	-	-	-
Polimex-Mostostal Development Sp. z o.o.		7 789	41	26 230	-
Polimex Hotele Sp. z o.o.		59	180	61	2 277
Mostostal Siedlce Wschód Sp.z o.o.		6 128	-	262	-
Pracownia Wod- Chem. "Ekonomia" Sp. z o.o.		-	479	-	250
S.C. Coifer Impex SRL		6 581	65 221	11 032	15 051
Grande Meccanica SPA		151	-	68	-
Depolma GmbH		-	37	-	850
Elektra Sp.z o.o.		67	-	1 064	-
Turbud Sp.z o.o.		1 086	532	1 324	283
Centralne Biuro Konstrukcji Kotłów S.A.		1	1 552	-	852
Total		**52 568**	**170 521**	**94 526**	**51 777**

Related party	1 January 2011	Receivables from related parties	Amounts owed to related parties
Subsidiaries			
Energomontaż Północ Gdynia Sp. z o.o.		1 765	413
Energop Sp. z o.o.		82	2 335
Energomontaż Północ-Technika Spawalnicza i Laboratorium" Sp. z o.o.		-	431
Sefako S.A.		264	989
Zakład Budowlano – Instalacyjny Turbud Sp. z o.o.		1 507	1 177

(in PLN thousands)

Torpol Sp. z o.o.	31	-
PRInż -1 Sp. z o.o.	2	3 037
Centrum Projektowe Polimex Mostostal Sp. z o.o.	2 990	1 948
Polimex Mostostal Projekt Południe Sp. z o.o.	-	22
Moduł System Service Sp. z o.o.	1 085	244
Zarząd Majątkiem Górczewska Sp. z o.o.	27	-
Wojewódzkie Biuro Projektów w Zabrzu Sp. z o.o.	31	-
Stalfa Sp. z o.o.	2 279	694
Polimex-Mostostal ZUT Sp. z o.o.	-	1 075
Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.	-	741
MSP Tchervonograd	1 641	-
Polimex Mostostal Ukraine	9 253	-
Polimex-Development Kraków Sp. z o.o.	16 852	1 275
Polimex-Cekop Development Sp. z o.o.	1	-
Polimex-Mostostal Development Sp. z o.o.	16 518	-
Polimex-Hotele Sp. z o.o.	1	2 098
Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.	-	40
S.C.Coifer Impex SRL	1 321	22 605
Depolma GmbH	-	739
Centralne Biuro Konstrukcji Kotłów Sp. z o.o.	-	70
Polimex-Mostostal Wschód Sp. z o.o.	-	-
Afta Sp. z o.o.	44	-
Energomontaż-Nieruchomości Sp. z o.o.	1	-
Energomontaż Magyaroszag Sp. z o.o.	5 783	-
Nafto-Tur Sp. z o.o.	-	-
Nafta Industriemontage GmbH	753	166
Sinopol Trade Center Sp. z o.o.	1	-
Total	**62 232**	**40 099**

Related party		***Sales to related parties***	***Purchases from related parties***	***Receivables from related parties***	***Amounts owed to related parties***
Associates	*2012*				
Energomontaż Północ Gdynia Sp. z o.o.		1 680	0	2	0
Polimex-Sices Sp. z o.o.		6	0	3 001	10 682
Laboratorium Ochrony ŚP Sp. z o.o.		0	20	0	0
Terminal LNG S.A.		0	0	0	0
Total		**1 686**	**20**	**3 003**	**10 682**

Related party		***Sales to related parties***	***Purchases from related parties***	***Receivables from related parties***	***Amounts owed to related parties***
Associates	*2011*				
Energomontaż Północ Gdynia Sp. z o.o.		104	-	8	-
Polimex-Sices Sp. z o.o.		559	6 050	3 001	10 813
Laboratorium Ochrony ŚP Sp. z o.o.		-	79	-	34
Terminal LNG S.A.		6	-	-	-
Total		**669**	**6 129**	**3 009**	**10 847**

(in PLN thousands)

Related party	*1 January 2011*	***Receivables from related parties***	***Amounts owed to related parties***
Associates			
Porty S.A.		533	3 740
Polimex-Sices Sp. z o.o.		8 291	17 703
Laboratorium Ochrony Środowiska Pracy Sp. z o.o.		-	35
Energomontaż Północ Bełchatów Sp. z o.o.		10	-
Terminal LNG S.A.		3	-
Sices Montaż Sp. z o.o.		168	-
Total		**9 005**	**21 478**

38.1. 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.

38.2. Directors' loan

There were no directors' loans.

38.3. Other directors' interests

There were no other directors' interests.

38.4. Compensation of key management personnel of the Company

Compensation paid to members of the Board of Directors and to members of the Supervisory Board

	Year ended 31 December 2012	*Year ended 31 December 2011*
Board of Directors		
Short-term employee benefits (salaries and surcharges)	4 174	4 722
Supervisory Board		
Short-term employee benefits (salaries and surcharges)	589	509
Total	4 763	5 231

Compensation paid by the Issuer to the Board of Directors for 2012 amounted to PLN 4,172 thousand and respectively PLN 4,722 thousand for 2011, of which:

		Year ended 31 December 2012	*Year ended 31 December 2011*
Acting President of the Board	Robert Oppenheim	286	-
Vice President of the Board	Robert Bednarski	310	-
Vice President of the Board	Aleksander Jonek	795	1 163
President of the Board by 10 August 2012	Konrad Jaskóła	1 355	1 668
Wiceprezes Zarządu do 31 sierpnia 2012	Grzegorz Szkopek	644	948
Vice President of the Board by 30 November	Zygmunt Artwik	784	943
Total		**4 174**	**4 722**

(in PLN thousands)

Compensation paid to the Supervisory Board by the Issuer over 2012 amounted to PLN 587 thousand and over 2011 it amounted to PLN 509 thousand, of which:

		Year ended 31 December 2012	*Year ended 31 December 2011*
Chairman of the Supervisory Board,	Jan Woźniak	102	73
Vice Chairman of the Supervisory Board,	Artur P. Jędrzejewski	96	87
Member of the Supervisory Board	Marek Wierzbowski	10	-
Member of the Supervisory Board	Andrzej Bartos	58	-
Member of the Supervisory Board	Dariusz Formela	58	-
Member of the Supervisory Board	Dariusz Krawczyk	58	-
Secretary of the Supervisory Board,	Sebastian Bogusławski	11	-
Chairman of the Supervisory Board, by 28 February 2012	Kazimierz Klęk	28	108
Vice Chairman of the Supervisory Board, by 10 October 2012	Jacek Kseń	74	95
Member of the Supervisory Board by 29 February 2012	Andrzej Szumański	19	73
Member of the Supervisory Board by 29 February 2012	Mieczysław Puławski	19	73
Secretary of the Supervisory Board, by 10 October 2012	Paweł Dłużniewski	56	-
Total		**589**	**509**

Disclosure on Company shares which are owned by the Board of Directors and Supervisory Board as at 31 December 2012, as at 31 December 2011 and 1 January 2011.

As at 31 December 2012

Position held	Current number of shares held
Member of the Board of Directors	2,376,281
Total	**2,376,281**

As at 31 December 2011

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

At *1 January* 2011

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

(in PLN thousands)

39. 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.
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 40.3.

39.1. 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 has financial assets in bank accounts and has liabilities on account of bank loans and issued debentures based on floating interest rate. The Company monitors situation on the financial market, analyses trends and prognoses in a scope of reference market rates in order to decide, at a proper moment, to conclude contracts preventing the Company from the increase of debt interest costs which may be unbeneficial to the Company. As at 31.12.2012 and as at 31.12.2011 the Company had no open transactions hedging interest rate risk.

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 2012			
Cash in bank accounts	162 235	811	(811)
Loans granted	64 084	320	(320)
Bank loans and borrowings	497 893	(2 489)	2 489
Obligations under finance lease agreements	5 833	(29)	29
Debentures	143 874	(719)	719
Effect on profit before tax	-	**(2 106)**	**2 106**
Deferred tax	–	400	(400)
Total		**(1 706)**	**1 706**

	Amount exposed to risk	*Increase/decrease by*	
		+0,50%	*-0,50%*
Year ended 31 December 2011			
Cash in bank accounts	176 594	883	(883)
Loans granted	73 903	370	(370)
Bank loans and borrowings	293 534	(1 468)	1 468
Obligations under finance lease agreements	11 891	(59)	59
Debentures	407 742	(2 039)	2 039
Effect on profit before tax	-	**(2 313)**	**2 313**
Deferred tax	–	439	(439)
Total		**(1 874)**	**1 874**

(in PLN thousands)

39.2. Foreign currency risk

The Company is exposed to foreign currency risk arising from 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 2012			*31 December 2011*		
	EUR	*USD*	*SEK*	*EUR*	*USD*	*GBP*
Trade receivables	41 077	4 142	11 372	58 711	4 775	486
Hedged bank loans	193	-	-	10 331	-	-
Trade payables	9 881	2 704	13 894	14 962	928	366
Gross carrying amount	**31 003**	**1 438**	**(2 522)**	**33 418**	**3 847**	**120**
Estimated sales forecast	136 256	700	-	217 722	-	4 845
Estimated expenses forecast	50 848	7 140	-	126 853	15 124	902
Gross exposure	**85 408**	**(6 440)**	**-**	**90 869**	**15 124**	**3 943**
Forward foreign currency contracts	-	-	-	(4 018)	-	-
Foreign currency option contracts	-	-	-	(5 235)	-	(1 290)
Net exposure	**116 411**	**(5 002)**	**(2 522)**	**115 034**	**(11 277)**	**2 773**

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

Analysis of sensitivity of foreign currency risk at 31 December 2012

	Carrying amount	*EUR/PLN*		*USD/PLN*		*SEK/PLN*	
		exchange rate (10% change)	*exchange rate ((10)% change)*	*exchange rate (10% change)*	*exchange rate ((10)% change)*	*exchange rate (10 % change)*	*exchange rate ((10)% change)*
Cash and cash equivalents	26 296	2 600	(2 600)	10	(10)	20	(20)
Trade receivables	186 182	16 793	(16 793)	1 284	(1 284)	541	(541)
Trade and other payables	55 385	(4 040)	4 040	(838)	838	(661)	661
Bank loans, borrowings and other sources of finance	787	(79)	79	-	-	-	-
Effect on profit before tax		**15 274**	**(15 274)**	**456**	**(456)**	**(100)**	**100**
Derivative financial instruments		-	-	-	-	-	-
Effect on total comprehensive income		-	-	-	-	-	-

Analysis of sensitivity of foreign currency risk at 31 December 2011

	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	77 029	7 110	(7 110)	222	(222)	371	(371)
Trade receivables	278 197	25 932	(25 932)	1 632	(1 632)	256	(256)
Trade and other payables	71 184	(6 608)	6 608	(317)	317	(193)	193
Bank loans, borrowings and other sources of finance	45 628	(4 563)	4 563	-	-	-	-
Effect on profit before tax		**21 871**	**(21 871)**	**1 537**	**(1 537)**	**434**	**(434)**
Derivative financial instruments	(2 502)	(3 645)	3 433	-	-	(604)	464
Effect on total comprehensive income		**(3 645)**	**3 433**	**-**	**-**	**(604)**	**464**

(in PLN thousands)

39.3. Commodity price risk

Economical effectiveness of production of the Company depends to large extent on fluctuations in prices of raw materials including mainly steel, asphalt, concrete and zinc composite. A rise in prices of raw materials may lead to an increase of costs of production conducted by the Group. There is a significant risk that in the future the prices of strategic raw materials used by the Group may go up and that it will result in increase prices of Group's products and consequently in limitation of their sales. The above mentioned circumstances may have a negative effect on the operations, financial position and performance of the Group.

39.4. Credit risk

Managing credit risk of partners to financial transactions consists in controlling financial credibility of current and prospective partners of these transactions and monitoring credit exposure as compared to granted limits. Transaction partners should have appropriate rating awarded by leading rating agencies 0r have guarantees of institutions fulfilling the requirement of minimum rating. The Group concluded financial transactions with reputable companies with good creditworthiness and diversifies institutions it co-operates with. As at 31 December 2012 concentration of risk at individual partners to financial transactions did not exceed 0.56% of the statement of financial position total. The Group's largest business partner is the General Directorate for National Roads and Motorways, towards which the exposure as at the statement of financial position date amounted to PLN 14,786 thousand. In the scope of managing credit risk of partners to trade transactions the Company verifies financial credibility of all customers, who are applying for granting them credit limits, and depending on this evaluation the limits are granted. The Parent Company specified guidelines in the scope of business partners' credit risk management process in order to maintain appropriate standards in the scope of credit analysis and operating safety of the process of the entire Company. The measurement of credit risk is the amount of maximum risk exposure for individual classes of financial assets. Book values of financial assets represent maximum credit exposure. In the opinion of the Board of Directors the risk of endangered assets is reflected in their impairment. Information on amounts of impairment of financial assets is presented in Notes 23.1 of additional explanatory notes. The analysis of concentration of credit risk concerning trade receivables as at 31 December 2012 and as at 31 December 2012 was presented in Note 26.1 and the aging analysis of past due receivables, where there was no impairment as at 31 December 2012 and as at 31 December 2011, was presented in Note 26.2 of the additional explanatory notes.

39.5. 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. To hedge against this risk, diversification of supplier and customer portfolios, 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 at 31 December 2012, at 31 December 2011 and at 1 January 2011 based on maturity of contractual undiscounted payments.

31 December 2012	*On demand*	*3 months and less*	*3-12 months*	*1-5 years*	*Over 5 years*	*Total*
Interest bearing bank loans and borrowings	-	10 981	20 000	466 912	-	497 893
Debentures	-	-	-	143 874	-	143 874
Other non-current liabilities, of which	-	-	-	315 509	-	315 509
- Leases	-	-	-	2 557	-	2 557
Trade and other payables, of which	440 032	734 306	77 426	-	-	1 251 764
- Leases	-	819	2 457	-	-	3 276
	440 032	**745 287**	**97 426**	**926 295**	**-**	**2 209 040**

(in PLN thousands)

31 December 2011	*On demand*	*3 months and less*	*3-12 months*	*1-5 years*	*Over 5 years*	*Total*
Interest bearing bank loans and borrowings	-	-	211 217	82 317	-	293 534
Debentures	-	32 500	302 242	73 000	-	407 742
Other non-current liabilities, of which	-	-	-	48 761	-	48 761
- Leases	-	-	-	5 574	-	5 574
Trade and other payables, of which	448 794	1 061 680	26 460	-	-	1 536 934
- Leases	-	1 579	4 738	-	-	6 317
- Derivatives	-	1 534	1 466	-	-	3 000
	448 794	**1 094 180**	**539 919**	**204 078**	**-**	**2 286 971**

1 January 2011	*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**	**-**	**1 819 047**

40. Financial instruments

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

	Category in accordance with IAS 39	*Carrying amount*			*Fair value*		
		31 December 2012	*31 December 2011 (restated)*	*1 January 2011*	*31 December 2012*	*31 December 2011 (restated)*	*1 January 2011*
Financial assets							
Shares and interests*		183 030	431 278	395 163	183 030	431 278	395 163
Available-for-sale financial assets		-	-	594	-	-	594
Financial assets held to maturity,	HtM		-	7		-	7
Other financial assets, of which	LaR	431 690	83 944	49 067	431 690	83 944	49 067
- non-current		274 437	23 109	14 149	274 437	23 109	14 149
- current		157 253	60 835	34 918	157 253	60 835	34 918

(in PLN thousands)

Trade receivables	LaR	843 608	1 423 007	1 126 787	843 608	1 423 007	1 126 787
Derivative financial instruments, of which:	FVtPoL	-	-	7 073	-	-	7 073
- Foreign currency forward *option* contracts	FVtPoL	-	-	5 926	-	-	5 926
- Foreign currency *option* contracts *opcje*	FVtPoL	-	-	1 147	-	-	1 147
- Interest rate options		-	-	-	-	-	-
- Interest rate swaps (IRS)		-	-	-	-	-	-
Cash and cash equivalents	FVtPoL	162 235	176 594	280 934	162 235	176 594	280 934
Total financial assets		**1 620 563**	**2 114 823**	**1 859 625**	**1 620 563**	**2 114 823**	**1 859 625**

	Category in accordance with IAS 39	*Carrying amount*			*Fair value*		
		31 December 2012	*31 December 2011 (restated)*	*1 January 2011*	*31 December 2012*	*31 December 2011 (restated)*	*1 January 2011*
Financial liabilities							
Bank overdraft		-	13 214	59 936	-	13 214	59 936
Interest-bearing bank loans and borrowings, of which:	FLaAC	497 893	280 320	220 754	497 893	280 320	220 754
- long-term with floating interest rate	FLaAC	466 912	82 317	123 762	466 912	82 317	123 762
- short-term with floating interest rate	FLaAC	30 981	198 003	96 992	30 981	198 003	96 992
- other - non-current	FLaAC		-	-		-	-
Other liabilities (non-current), of which:	FLaAC	315 509	48 761	51 663	315 509	48 761	51 663
- - guarantee payments and deposits	FLaAC	51 352	42 166	40 757	51 352	42 166	40 757
- - other	FLaAC	-	1 021	2 631	-	1 021	2 631
- received advance payments		261 600	-	-	261 600	-	-
- finance lease and hire purchase contract liabilities		2 557	5 574	8 275	2 557	5 574	8 275
Trade payables	FLaAC	974 902	1 378 032	902 112	974 902	1 378 032	902 112
Short-term lease		3 276	6 317	5 956	3 276	6 317	5 956
Derivative financial instruments, of which:	FVtPoL	-	1 553	5 126	-	1 553	5 126
-recognised in revaluation reserve		-	(1 447)	4 754	-	(1 447)	4 754
- foreign currency *option* contracts		-	(1 447)	4 754	-	(1 447)	4 754
- forward foreign currency contracts	FVtPoL	-	-	-	-	-	-
-recognised in the income statement.		-	3 000	372	-	3 000	372
- foreign currency *option* contracts		-	1 510	372	-	1 510	372
- forward foreign currency contracts	FVtPoL	-	1 490	-	-	1 490	-
Total financial liabilities		**1 791 580**	**1 728 197**	**1 245 547**	**1 791 580**	**1 728 197**	**1 245 547**

As at 31 December 2012 the Company did not hold any financial instruments measured at fair value.

As at 31 December 2011 the Company held the following financial instruments measured at fair value:

	31 December 2011	*Level 1*	*Level 2*	*Level 3*
Financial assets at fair value – hedge accounting		-	-	-
Securities		-	-	-
Derivative financial instruments		-	-	-
Financial liabilities at fair value		-	1 553	-
Hedge accounting		-	(1 447)	-
Derivative financial instruments		-	3 000	-

(in PLN thousands)

As at 1 January 2011 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		-	-	-
Derivative financial instruments		-	7 073	-
Financial liabilities at fair value		-	5 126	-
Hedge accounting		-	4 754	-
Derivative financial instruments		-	372	-

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.

* For unlisted entities the Company is not capable of determining the fair value of stocks/shares.

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

Year ended 31 December 2012

	Category in accordance with IAS 39	*Commissions*	*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		***-***	***5 000***	***(12 185)***	***(63 325)***	***-***	***(216 764)***	***-***	***-***	***(287 274)***
Shares and interests		-	-	-	-	-	(206 528)	-	-	(206 528)
Financial assets held to maturity,	HtM		-	-	-	-	-	-	-	-
Other financial assets	LaR	-	2 400	(1 910)	-	-	(10 236)	-	-	(9 746)
Trade and other receivables	LaR	-	1 285	(6 743)	(63 325)	-	-	-	-	(68 783)
Derivative financial instruments	FVtPoL	-	-	-	-	-	-	-	-	-
Cash and cash equivalents	FVtPoL	-	1 315	(3 532)	-	-	-	-	-	(2 217)
Financial liabilities		***(11 761)***	***(76 889)***	***(3 801)***	***(42 583)***	***-***	***-***	***-***	***(12 500)***	***(147 534)***
Bank overdrafts			-	-	-	-	-	-	-	-
Interest-bearing bank loans and borrowings	FLaAC	(11 761)	(39 864)	(1 584)	-	-	-	-	-	(53 209)
Debentures	FLaAC	-	(28 567)	-	-	-	-	-	(12 500)	(41 067)
Sureties		-	-	-	(42 583)	-	-	-	-	(42 583)
Other non-current liabilities	FLaAC	-	-	-	-	-	-	-	-	-
Trade and other payables, of which:	FLaAC	-	(8 458)	(2 217)	-	-	-	-	-	(10 675)
- leases		-	(670)	-	-	-	-	-	-	(670)
Total										

Year ended 31 December 2011

	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		***6 074***	***15 773***	***5 510***	***-***	***-***	***-***	***-***	***27 357***
Shares and interests		-	-	-	-	-	-	-	-
Financial assets held to maturity,	HtM	-	-	-	-	-	-	-	-
Other financial assets	LaR	2 965	2 105	-	-	-	-	-	5 070
Trade and other receivables	LaR	2 249	7 277	5 510	-	-	-	-	15 036

(in PLN thousands)

Derivative financial instruments	FVtPoL	-	-	-	-	-	-	-	-
Cash and cash equivalents	FVtPoL	860	6 391	-	-	-	-	-	7 251
Financial liabilities		***(53 194)***	***(5 420)***	***-***	***(14)***	***(548)***	***-***	***-***	***(59 176)***
Bank overdrafts		-	-	-	-	-	-	-	-
Interest-bearing bank loans and borrowings	FLaAC	(26 609)	(3 342)	-	-	-	-	-	(29 951)
Debentures	FLaAC	(24 964)	-	-	-	-	-	-	(24 964)
Other non-current liabilities	FLaAC	-	-	-	-	-	-	-	-
Trade and other payables, of which:	FLaAC	(1 621)	(1 556)	-	-	-	-	-	(3 177)
- leases		(1 621)	-	-	-	-	-	-	(1 621)
Derivative financial instruments		-	(522)	-	(14)	(548)	-	-	(1 084)
Total		***(47 120)***	***10 353***	***5 510***	***(14)***	***(548)***	***-***	***-***	***(31 819)***

40.3. 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 2012	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-6 years*	*Total*
Fixed rate						
Finance lease and hire purchase contracts	-	-	-	-	-	-
Bank loan	-	-	-	-	-	-
Total	-	-	-	-	-	-
Floating rate						
Cash assets	162 235	-	-	-	-	162 235
Loans granted	62 009	2 039	9	9	18	64 084
Bank overdraft	-	-	-	-	-	-
Working capital facility and investment loan	30 981	-	81 925	377 513	-	490 419
Other credit facilities	-	-	-	-	-	-
Leases	3 276	2 139	385	33	-	5 833
Debentures	-	-	18 075	125 799	-	143 874
Borrowings	-	-	4 500	2 974	-	7 474
Total	**258 501**	**4 178**	**104 894**	**506 328**	**18**	**873 919**

31 December 2011	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-6 years*	*Total*
Fixed rate						
Finance lease and hire purchase contracts	-	-	-	-	-	-
Bank loan	-	-	-	-	-	-
Total	-	-	-	-	-	-
Floating rate						
Cash assets	176 594	-	-	-	-	176 594
Loans granted	53 831	20 027	8	8	29	73 903
Bank overdraft	13 214	-	-	-	-	13 214
Working capital facility and investment loan	194 875	32 549	29 861	19 907	-	277 192
Other credit facilities	-	-	-	-	-	-
Leases	6 317	1 931	1 642	1 806	195	11 891
Debentures	334 742	73 000	-	-	-	407 742
Borrowings	3 128	-	-	-	-	3 128
Total	**782 701**	**127 507**	**31 511**	**21 721**	**224**	**963 664**

(in PLN thousands)

1 January 2011	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-6 years*	*Total*
Fixed rate						
Finance lease 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**

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.

41. 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.

	31 December 2012	*31 December 2011 (restated)*	*1stycznia 2011*
Interest-bearing bank loans, borrowings and debentures	641 767	701 276	687 456
Trade and other payables	1 567 273	1 585 695	1 131 591
Less cash and cash equivalents	162 235	176 594	280 934
Net debts	2 046 805	2 110 377	1 538 113
Equity	13 939	722 492	920 030
Capital and net debt	**2 060 744**	**2 832 869**	**2 458 143**
Gearing ratio (net debt/capital and net debt)	99,3%	74,5%	62,6%

(in PLN thousands)

42. 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 2012	*31 December 2011 (restated)*
Revenue from rendering of services for the financial period:		
- rendering of services (adjusted upwards)	(309 603)	24 675
- rendering of services, invoiced	3 018 747	3 101 334
Total	**2 709 144**	**3 126 009**
Total amount of incurred expenses and recognised gains (less recognised losses) in the financial period	2 926 638	3 084 719
Advance payments received	312 109	109 093
Retained amounts	79 305	78 852
Gross amount owed by employers for works under the contract (asset)	222 825	556 236
Gross amount owed to employers for works under the contract (liability)	101 625	92 539

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 balance sheet. The maturity structure of total retained amounts is presented in the table below:

To settle within:	*31 December 2012*	*31 December 2011*
- above 12 months	31 072	23 014
- up to 12 months	48 233	55 838
Total	**79 305**	**78 852**

43. Employment structure

The average employment in the Company in the year ended 31 December 2012 and 31 December 2011 was as follows:

	Year ended 31 December 2012	*Year ended 31 December 2011*
The Management Board of the Parent Company	3	4
Back Office	655	411
Production	8 798	9 474
Total	**9 456**	**9 889**

44. Events after the statement of financial position date

- On 31 January 2013 conditions precedent specified in the conditional agreement to sell the shares of Fabryka Kotłów Sefako S.A. with the registered office in Sędziszów ("Sefako") concluded on 24 October 2012 between the Issuer and MARS Closed Investment Fund with the registered office in Warsaw, managed and represented by MS Towarzystwo Funduszy Inwestycyjnych S.A. with the registered office in Warsaw ("Buyer") ("Agreement for selling shares of Sefako") were jointly met. In line with the Agreement for selling Sefako shares the total price for sold shares is PLN 72,321 thousand. The selling price may be decreased depending on operations and financial position of the Sefako Company where any circumstances specified in the Agreement arise. The value of Sefako shares in the books of Polimex-Mostostal S.A. amounted in total to PLN 18,153 thousand.
- On 7 March 2013 conditions precedent specified in the conditional agreement to sell the shares of "Energomontaż-Północ Gdynia" Sp. z o.o with the registered office in Gdynia ("EPG") concluded on 24 October 2012 (CR No. 102/2012 of 25 October 2012) between the Issuer and MARS Closed Investment Fund with the registered office in Warsaw, managed and represented by MS Towarzystwo Funduszy

Inwestycyjnych S.A. with the registered office in Warsaw ("Buyer") (“Agreement for selling EPG shares”) were jointly met. In line with the Agreement for selling EPG shares the total price for sold shares is PLN 43,369 thousand. The value of EPG shares in the Issuer’s books amounted to PLN 21,887 thousand in total.

- As of 7 March 2013 conditions precedent of concluding between the Issuer and MARS Finance 1 spółka z ograniczoną odpowiedzialnością with the registered office in Warsaw („Buyer”) the agreement transferring onto the Buyer in the Sale Contract the ownership title to Real Property and Chattels in the area of Gdynia Sea Port. The total selling price of Real Property and Chattels amounts to PLN 53,230 thousand. The value of Real Property and Chattels in the Issuer’s books amounted to PLN 31,605 thousand in total.

The Board of Directors of Polimex-Mostostal S.A.

Robert Oppenheim Acting President of the Board	Aleksander Jonek Vice President of the Board	Robert Bednarski Vice President of the Board

The person entrusted
with keeping accounting books

Ewa Kaczorek
Chief Accountant

Warsaw, March 18, 2013.