POLIMEX-MOSTOSTAL CAPITAL GROUP
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
WITH THE INDEPENDENT AUDITORS' OPINION

Polimex Mostostal
GRUPA KAPITAŁOWA

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

(in PLN thousands)

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2012

	Note	*Year ended 31 December 2012*	*Year ended 31 December 2011*
Continuing operations			
Sale of goods		744 715	886 849
Rendering of services		3 348 814	3 667 604
Rental income		16 888	23 285
Revenue	13,14.1	**4 110 417**	**4 577 738**
Cost of sales	14.6	(4 745 731)	(4 524 371)
Gross profit / (loss)		**(635 314)**	**53 367**
Other operating income	14.2	25 493	31 452
Selling costs		(34 263)	(35 519)
Administrative expenses		(182 755)	(183 611)
Other operating expenses	14.3	(358 264)	(18 257)
Profit/(Loss) on operating activities		**(1 185 103)**	**(152 568)**
Finance income	14.4	14 995	36 952
Finance costs	14.5	(153 456)	(84 178)
Share of associate's profit (loss)	24	1 973	3 203
Gross profit/(loss)		**(1 321 591)**	**(196 591)**
Income tax	15	(77 547)	(65 468)
Net profit/(loss) for the year		**(1 244 044)**	**(131 123)**
Attributable to:			
Equity holders of the parent		(1 242 551)	(133 620)
Non-controlling interests		(1 493)	2 497
		(1 244 044)	**(131 123)**

(in PLN thousands)

Earnings per share (in PLN):			
– number of shares registered at the statement of financial position date		521 154 076	521 154 076
– basic, for profit/ (loss) for the year attributable to equity holders of the parent	18	(2.38)	(0.26)
– number of shares registered after the statement of financial position date		1 333 974 588	521 154 076
– basic, for profit/ (loss) for the year attributable to equity holders of the parent	18	(0.93)	(0.26)
Diluted earnings per share: (in PLN):			
– number of shares registered at the statement of financial position date		521 154 076	521 154 076
– diluting potential ordinary shares		1 177 747 103	12 142 323
– diluted, for profit/ (loss) for the year attributable to equity holders of the parent		(0.73)	(0.25)
– 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 profit/ (loss) for the year attributable to equity holders of the parent		(0.73)	(0.25)
Earnings per share (in PLN):			
– number of shares registered at the statement of financial position date		521 154 076	521 154 076
– basic, for profit/ (loss) for the year attributable to equity holders of the parent	18	(2.38)	(0.26)
– number of shares registered after the statement of financial position date		1 333 974 588	521 154 076
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Diluted earnings per share: (in PLN):			
– number of shares registered at the statement of financial position date		521 154 076	521 154 076
– diluting potential ordinary shares		1 177 747 103	12 142 323
– diluted, for profit/ (loss) for the year attributable to equity holders of the parent		(0.73)	(0.25)

(in PLN thousands)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

	Note	*Year ended 31 December 2012*	*Year ended 31 December 2011 (restated)*
Net profit/(loss)		**(1 244 044)**	**(131 123)**
Currency translation differences on consolidation		(9 167)	10 874
Net gains/(losses) on valuation of cash flow hedges	14.9	3 804	(6 207)
Deferred tax	15.1	(723)	1 179
Other comprehensive income, net of tax		**(6 086)**	**5 846**
Total comprehensive income		**(1 250 130)**	**(125 277)**
Comprehensive income attributable to:			
Equity holders of the parent		(1 248 637)	(127 774)
Non-controlling interests		(1 493)	2 497
		(1 250 130)	**(125 277)**

(in PLN thousands)

CONSOLIDATED 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	20	708 242	1 044 862	1 027 948
Investment properties	21	21 280	58 824	42 316
Goodwill on consolidation	22	282 694	491 674	487 001
Intangible assets	23	16 891	25 788	25 234
Investments in associates accounted for using the equity method	24	16 737	16 419	14 659
Financial assets	25	274 214	4 755	4 196
Non-current receivables		31 195	32 230	46 184
Non-current prepaid expenses		3 190	4 006	949
Deferred tax assets	15.3	189 181	132 291	63 710
		1 543 624	**1 810 849**	**1 712 197**
Current assets				
Inventories	26	308 355	445 111	432 930
Trade and other receivables	27	1 163 154	1 921 932	1 376 087
Income tax receivables		950	10 525	6 808
Prepaid expenses	28	14 307	17 655	10 077
Cash and cash equivalents	29	260 920	272 820	373 814
Financial assets	25	96 086	1 426	11 605
		1 843 772	**2 669 469**	**2 211 321**
Aktywa przeznaczone do sprzedaży	**30**	**463 007**	**359**	**-**
TOTAL ASSETS		**3 850 403**	**4 480 677**	**3 923 518**
EQUITY AND LIABILITIES				
Equity (attributable to equity holders of the parent)		**477 288**	**1 299 811**	**1 449 011**
Issued capital	31.1	20 846	20 846	20 837
Share premium		738 237	738 237	737 454
Treasury shares		-	(6 884)	(6 884)
Translation of a foreign operation		(7 839)	1 328	(9 516)
Supplementary capital	31.2	618 552	555 994	471 415
Unregistered share issue		412 500	-	-
Other capital	31.4	(85 254)	(85 254)	(85 254)
Reserve capital	31.5	32 086	32 086	33 221
Revaluation reserve	31.3	1 893	(1 188)	3 810
Retained earnings / Accumulated losses		(1 253 733)	44 646	283 928
Non-controlling interests	**31.6**	**4 114**	**12 149**	**9 687**
Total equity		**481 402**	**1 311 960**	**1 458 698**
Non-current liabilities				
Interest bearing bank loans and borrowings	32	486 330	136 751	184 142
Long-term debentures	33	143 874	73 000	367 435
Provisions	35	170 031	54 992	92 398
Other liabilities	34	357 998	94 261	86 875
Deferred income tax liability	15.3	13 833	20 503	23 608
Accruals		3 504	2 173	2 399
		1 175 570	**381 680**	**756 857**
Current liabilities				
Trade and other payables	36	1 545 764	1 968 700	1 288 799
Short-term debentures	33	-	334 742	39 331
Current portion of interest-bearing bank loans and borrowings	32	179 234	352 289	277 407
Income tax payable		531	1 511	4 376
Provisions	35	201 410	72 602	43 105
Accruals	36	47 808	57 193	54 945
		1 974 747	**2 787 037**	**1 707 963**
Liabilities directly related to assets available for sale	**37**	**218 684**	**-**	**-**
Total liabilities		**3 369 001**	**3 168 717**	**2 464 820**
TOTAL EQUITY AND LIABILITIES		**3 850 403**	**4 480 677**	**3 923 518**

(in PLN thousands)

CONSOLIDATED 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)		**(1 321 591)**	**(196 591)**
Adjustments for:		**967 201**	**258 205**
Share of profit of associates accounted for using the equity method	24	(1 973)	(3 203)
Depreciation / Amortisation	14.7	99 346	93 051
Interests and dividends, net		88 604	67 323
Gain from investing activities		6 473	(1 923)
Change in receivables	29	230 309	(530 239)
Change in inventories	29	123 165	(12 181)
Change in payables except for loans and borrowings	29	(119 410)	676 184
Change in accruals and prepaid expenses	29	3 275	(8 613)
Change in provisions	29	252 887	(7 909)
Income tax paid		1 605	(11 621)
Other	29	282 920	(2 664)
Net cash flows from operating activities		**(354 390)**	**61 614**
Cash flows from investing activities			
Sale of property, plant and equipment and intangibles		27 594	3 248
Purchase of property, plant and equipment and intangibles		(86 358)	(104 311)
Sale of investment property		28	12
Sale of financial assets		97 059	35
Purchase of financial assets		(337)	(1)
Dividends received		1 655	1 445
Interest received		882	1 303
Repayment of loans granted		20	-
Loans granted		(1 000)	-
Other		(1 051)	(1 713)
Net cash flows from investing activities		**38 492**	**(99 982)**
Cash flows from financing activities			
Proceeds from issue of debentures		193 821	355 550
Expenses for redemption of debentures		(199 800)	(357 500)
Proceeds from issue of shares		150 000	554
Payment of finance lease liabilities		(10 823)	(10 771)
Proceeds from loans and borrowings		473 518	198 719
Repayment of loans and borrowings		(208 090)	(171 228)
Dividends paid to equity holders of the parent		-	(20 320)
Interest paid		(95 087)	(65 464)
Other		459	7 834
Net cash flows from financing activities		**303 998**	**(62 626)**
Net increase/(decrease) in cash and cash equivalents		(11 900)	(100 994)
Net foreign exchange difference		(1 815)	2 963
Cash and cash equivalents at the beginning of the period	29	**272 820**	**373 814**
Cash and cash equivalents at the end of the period	29	**260 920**	**272 820**

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

	31 December 2012	*31 December 2011*
Cash at bank and in hand and deposits	260 920	272 820
Cash and cash equivalents recognised in the consolidated statement of cash flows	**260 920**	**272 820**

(in PLN thousands)

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

	Note	*Issued capital*	*Share premium*	*Unregistered share issue*	*Treasury shares*	*Translation of a foreign operation*	*Reserve capital*	*Revaluation reserve*	*Supplementary capital*	*Other capital*	*Retained earnings / Accumulated losses*	*Total*	*Non-controlling interests*	*Total equity*
As at 1 January 2012	**31**	**20 846**	**738 237**	**-**	**(6 884)**	**1 328**	**32 086**	**(1 188)**	**555 994**	**(85 254)**	**278 655**	**1 533 820**	**12 149**	**1 545 969**
Adjustment of error		-	-	-	-	-	-	-	-	-	(234 009)	(234 009)	-	(234 009)
At 1 January 2012 after the adjustment of error		**20 846**	**738 237**	**-**	**(6 884)**	**1 328**	**32 086**	**(1 188)**	**555 994**	**(85 254)**	**44 646**	**1 299 811**	**12 149**	**1 311 960**
Other comprehensive income, net of tax	14.9,15.1	-	-	-	-	(9 167)	-	3 081	-	-	-	(6 086)	-	(6 086)
Profit for the period		-	-	-	-	-	-	-	-	-	(1 242 551)	(1 242 551)	(1 493)	(1 244 044)
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**(9 167)**	**-**	**3 081**	**-**	**-**	**(1 242 551)**	**(1 248 637)**	**(1 493)**	**(1 250 130)**
				-										
Sale of treasury shares		-	-	-	6 884	-	-	-	-	-	-	6 884	-	6 884
Share issue for the parent company in a subsidiary		-	-	-	-	-	-	-	-	-	6 470	6 470	(6 470)	-
Unregistered share issue of the Issuer		-	-	412 500	-	-	-	-	-	-	-	412 500	-	412 500
Share issue for minority in a subsidiary		-	-	-	-	-	-	-	-	-	-	-	116	116
Consolidation adjustments due to the change of share in control over a subsidiary		-	-	-	-	-	-	-	-	-	7	7	(229)	(222)
Profit distribution		-	-	-	-	-	-	-	62 558	-	(62 558)	-	-	-
Other adjustments in equity in subsidiaries		-	-	-	-	-	-	-	-	-	253	253	41	294
As at 31 December 2012		**20 846**	**738 237**	**412 500**	**-**	**(7 839)**	**32 086**	**1 893**	**618 552**	**(85 254)**	**(1 253 733)**	**477 288**	**4 114**	**481 402**

(in PLN thousands)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

	Note	*Issued capital*	*Share premium*	*Treasury shares*	*Translation of a foreign operation*	*Reserve capital*	*Revaluation reserve*	*Supplementary capital*	*Other capital*	*Retained earnings / Accumulated losses*	*Total*	*Non-controlling interests*	*Total equity*
As at 1 January 2011	**31**	**20 837**	**737 454**	**(6 884)**	**(9 516)**	**33 221**	**3 810**	**471 415**	**(85 254)**	**283 928**	**1 449 011**	**9 687**	**1 458 698**
Other comprehensive income, net of tax	14.9,15.1	-	-	-	10 844	-	(4 998)	-	-	-	5 846	-	5 846
Profit for the period		-	-	-	-	-	-	-	-	(133 620)	(133 620)	2 497	(131 123)
Total comprehensive income for the period		**-**	**-**	**-**	**10 844**	**-**	**(4 998)**	**-**	**-**	**(133 620)**	**(127 774)**	**2 497**	**9125 277)**
Share issue – exercise of executive options		9	545	-	-		-	-	-	-	554	-	554
Other adjustments		-	238	-	-	(238)	-	-	-	-	-	-	-
Revaluation of executive options		-	-	-	-	(897)	-	-	-	-	(897)	-	(897)
Profit distribution		-	-	-	-	-	-	84 579	-	(84 579)	-	-	-
Dividend	19	-	-	-	-	-	-	-	-	(20 846)	(20 846)	-	(20 846)
Other adjustments in equity in subsidiaries		-	-	-	-	-	-	-	-	(237)	(237)	(35)	(272)
As at 31 December 2011		**20 846**	**738 237**	**(6 884)**	**1 328**	**32 086**	**(1 188)**	**555 994**	**(85 254)**	**44 646**	**1 299 811**	**12 149**	**1 311 960**

(in PLN thousands)

ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES

1. Corporate information

The Polimex-Mostostal Capital Group ("the Group") is composed of Polimex-Mostostal S.A. (the "parent company", "Company") and its subsidiaries. The Group's consolidated financial statements cover the year ended 31 December 2012 and contain comparative data for the year ended 31 December 2011. Due to the correction of an error introduced retrospectively in the statement of financial position (see Note 11) the opening balance for the earliest period presented i.e. as at 1 January 2011 is also included.

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

Registered office: country: Poland, the MAZOVIA province, poviat of the Capital City of Warsaw, WARSAW - CENTRUM commune, city of WARSAW.

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

The parent company was granted statistical REGON number 710252031.

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

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

Production,
Construction,
Power engineering,
Chemistry,
Roads and railroads,
Other activities.

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

2. Composition of the Group

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

Item no.	Entity name	Registered office	Business activities	% held by the Group in share capital	
				31 December 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	Trading activities, 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

(in PLN thousands)

8	Stalfa Sp. z o.o.(*)	Sokołów Podlaski	Metal products manufacturing	100.00	100.00
9	Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o. (*)	Siedlce	Transport services	100.00	100.00
10	Polimex-Mostostal ZUT Sp. z o.o. (*)	Siedlce	Engineering services	100.00	100.00
11	Polimex-Mostostal Ukraina SAZ (*)	Kiev	Housing development	100.00	100.00
12	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
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.(***) in liquidation	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

(in PLN thousands)

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%).

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

As at 31 December 2012, the Board of Directors of the Issuer 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 Management Board of the Issuer changed.

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. made the amendments to the composition of the Supervisory Board:

– persons dismissed: Jan Woźniak, Sebastian Bogusławski, Dariusz Formela, Andrzej Bartos,
– persons appointed to the composition of the Supervisory Board till the term of office: Ryszard Engel, Andrzej Kasperek, Jerzy Góra, Tadeusz Kuczborski.

In the meeting on 21 February 2013 the Supervisory Board of the Issuer 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

On 18 March 2012 the consolidated financial statements of the Company for the year ended 31 December 2012 were authorised for issue.

5. Significant values based on accounting judgements and estimates

5.1. Accounting judgements

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

Classification of lease commitments

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

Identification of embedded derivatives

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

Classification of financial assets

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

5.2. Estimates and assumptions

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

Impairment of Assets

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

Valuation of provisions for employee benefits

Provisions for employee benefits are determined using actuarial valuations. The assumptions made for this purpose are presented in note 34.3

Deferred tax assets

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

Fair value of financial instruments

The fair value of financial instruments for which no active market exists is assessed by means of appropriate valuation methods. The Group applies professional judgement in selecting appropriate methods and assumptions.

Revenue recognition

Long-term contracts are accounted for by the Group using the percentage of completion method. This method requires the Group to estimate the proportion of work already completed in relation to total work to be performed. If the percentage of completion of works specified in this manner was increased by 1%, the amount of revenue would be increased by PLN 137,990 thousand and at the same time costs would be increased by PLN 134,018 thousand.

Depreciation and amortisation rates

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

Provision for losses

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

Write-down of value of inessential raw materials and receivables

At each statement of financial position date the Group writes down the value of raw materials taking into consideration the period of keeping them in a warehouse and potential possibilities to use in the future and receivables taking into consideration the past due time.

6. Basis of preparation of consolidated financial statements

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

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

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

These consolidated financial statements were prepared with the assumption that Group Companies would continue as going concerns in the foreseeable future, except for Porty S.A. in liquidation and Zakład Budowlano-Instalacyjny Turbud Sp. z o.o. in liquidation.

6.1. Disclosure on financial position of the Group

Financial position of the Issuer.

- **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 in 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 instalments 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 shares between 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 Issuer agreed with certain financial creditors of the Issuer a plan and schedule of restructuring of financial liabilities of the Issuer covered with this agreement. The Agreement on Regulations of Debt Servicing provides for repayment of the entire existing financial liabilities of the Issuer 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 Issuer 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 Issuer. It may not be ruled out that measures taken by the Issuer 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 Issuer or that the restructuring will not bring intended results, as well as that the Issuer 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 Issuer's debt covered by the Agreement on Regulations of Debt Servicing or even make it impossible.

(in PLN thousands)

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 Issuer 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 Issuer 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 Issuer covered by the Agreement on Regulations of Debt Servicing, the Issuer 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.

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 exercising 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. Statement of compliance

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

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

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

8. Functional currency and presentation currency

Polish zloty is the functional currency of the parent company and other companies included in these consolidated financial statements and the presentation currency is also Polish zloty except for the following companies: Tchervonograd MSP–Ukraine, Polimex-Mostostal Ukraine, Depolma GmbH, Germany, Polimex-Mostostal Wschód Sp. z o.o., Russia, Naf Industriemontage GmbH, Germany, Energomontaż Magyarorszag Sp. z o.o., Hungary, Coifer Capital Group, Romania, Grande Meccanica Sp.A., Italy.

9. Changes in accounting policies

The accounting policies used to prepare these consolidated financial statements are consistent with ones used while preparing the Group's consolidated financial statements for the year ended 31 December 2011 except for the application of the following amendments to standards and new interpretations in force 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 Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

10. New standards and interpretations published but not yet effective

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

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

The Group is in the course of the analysis of the effect of new standards for the expected financial position and financial results of the Group.

11. Adjustment of error

While settling construction contracts the Group 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 its Board of Directors, the Issuer 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 met all the requirements of the standard, which became the subject of the reservation in the auditors' opinion to the Issuer’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 six months ended 30 June 2012 in Note 9.2 to the interim consolidated financial statements in the second half of 2012 the Issuer 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 Issuer as at 31 December 2011 an adjustment of the 2012 opening balance concerning 9 contracts having a significant on the financial result was made in the amount of PLN 225,089 thousand. 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 28contracts 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer completed the process of verification of the remaining contracts measured based on the provisions of IAS 11.

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

(in PLN thousands)	Net profit/(loss)	Equity
Financial data as at 31 December 2011 according to the approved financial statements for the period	102 886	1 545 969
Effect of change:		
Adjustments: a) adjustment for wrongly recognised claim towards Investor relating to a road contract	(21 145)	(21 145)
b) adjustment –IAS 11	(212 864)	(212 864)
Financial data as at 31 December 2011 resulting from the changed accounting policies and adjustment of error	(131 123)	1 311 960

Financial data as at 31 December 2011

(in PLN thousands)

	31 December 2011	Adjustments of error:	Presentation adjustments*	31 December 2011 after the adjustment
Assets				
Trade and other receivables	2 007 611	(248 179)	162 500	1 921 932
Deferred tax assets	77 400	(54 891)	-	132 291
Liabilities and Equity				
Retained earnings/ Accumulated losses	278 655	(234 009)	-	44 646
Trade and other payables	1 805 322	878	162 500	1 968 700
Current provisions	32 759	39 843	-	72 602

12. Significant accounting policies

12.1. Basis of consolidation

These consolidated financial statements comprise the financial statements of *Polimex-Mostostal S.A.* and financial statements of subsidiaries each time prepared for the year ended 31 December 2012. Financial statements of subsidiaries after including the adjustments to bring them to conformity with IFRS are prepared for the same reporting period as those of the parent company, using consistent accounting policies, and based on the same accounting policies applied to similar business transactions and events. Adjustments are made to bring into line any dissimilar accounting policies that may exist.
All significant intercompany balances and transactions, including unrealised gains arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless they indicate impairment.
Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which such control is transferred out of the Group. An entity is controlled by the parent company when the parent has, directly or indirectly, through its subsidiaries, more than half of the votes at the shareholders' meeting of that entity, unless it is possible to prove that such holding does not represent control. Control is also exercised if the company has the power to govern the financial and operating policy of an entity.
Changes in ownership share of the parent, which do not result in the loss of control over a subsidiary, are recognised as equity transactions. In such cases, to reflect changes in relative shares in a subsidiary the Group makes an adjustment of the carrying amount of controlling and non-controlling interests. Any difference between the amount of the adjustment of non-controlling interests and fair value of the amount paid or received are accounted for in equity and are attributed to the owners of the parent.

12.2. Investments in associates

Investments in associates are accounted for using the equity method. An associate is an entity in which the parent company has, either directly or through subsidiaries, significant influence and which is neither its subsidiary nor a joint venture. Financial statements of the associates are the basis for valuation of investments in associates using the equity method. The financial year of an associate and that of the parent company is identical. Certain associates apply accounting policies as defined in the Accounting Act. Before the share in their net assets is calculated, financial data of associates is adjusted to bring it to conformity with IFRS applied by the Group.
Investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the parent's share of the associates' net assets, less any impairment losses. The share in profit or losses of associates is reflected in the consolidated profit or loss. The adjustment of the carrying amount may be necessary due to the change in proportion of share in the associate resulting from the changes in other comprehensive income of the entity. The share of the Group in these changes is recognised in other comprehensive income of the Group.

Investments in associates are tested for impairment if there is any objective evidence that an investment may be impaired or when an impairment write-off recognised in previous years is no longer required.

12.3. Interest in a joint venture

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

12.4. Foreign currency translation

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

(in PLN thousands)

	31 December 2012	31 December 2011	31 December 2010
EUR	4.0882	4.4168	3.9603
UAH	0.3825	0.4255	0.3722
RON	0.9197	1.0226	0.9238
RUB	0.1017	0.1061	0.0970
HUF	1.3977/100	1.4196/100	1.4206/100

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

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

	Year ended 31 December 2012	Year ended 31 December 2011
EUR	4.1736	4.1401
UAH	0.4001	0.3716
RON	0.9377	0.9773
RUB	0.1043	0.1008
HUF	1.4496/100	1.4760/100

12.5. Property, plant and equipment

Property, plant and equipment are measured at purchase price/ cost of manufacturing less accumulated depreciation and impairment losses. The initial cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost also comprises the cost of replacement of fixed asset components when incurred, if the recognition criteria are met. Subsequent expenditures, such as repair or maintenance costs, are expensed in the reporting period in which they were incurred.
Upon purchase, fixed assets are divided into components, which represent items with a significant value that can be allocated a separate useful life. Overhauls also represent an asset component.
Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives as presented below:

Type	**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
Leasehold improvements	10 years

Residual values, useful lives and depreciation methods of property, plant and equipment are reviewed annually and, if necessary, adjusted retrospectively i.e. with effect from the beginning of the financial year that has just ended.
An item of property, plant and equipment is derecognised from the statement of financial position upon disposal or when no future economic benefits are expected from its further use. Any gains or losses arising on derecognition of an asset from the statement of financial position (calculated as the difference between the net disposal proceeds and

the carrying amount of the asset) are recognised in the income statement for the period in which derecognition took place.
Assets under construction include assets in the course of construction or assembly and are recognized at purchase price or cost of manufacturing less any impairment losses. Assets under construction are not depreciated until completed and brought into use.

12.6. Investment properties

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

12.7. 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 Group to be either finite 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 Group's intangible assets is as follows:

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

Gains or losses arising from derecognition of an intangible asset from the 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.

12.7.1 *Goodwill*

Goodwill on acquisition is initially measured at cost being the excess of

- the sum of:
  (i) the payment made,
  (ii) the amount of all non-controlling interests in the company being acquired and
  (iii) in case of a business combination executed in phases, goodwill as at the date of acquisition of *share in equity* of the company being acquired that previously was held by the acquiring company.
- over the net amount determined as at the date of acquisition of identifiable acquired assets and liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Goodwill is not amortised.
As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units that is expected to benefit from the synergy of the combination. Each unit, or set of units, to which the goodwill has been allocated:

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

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit to which the goodwill has been allocated. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Where goodwill represents part of a cash-generating unit and part of the operations within that unit is disposed of, the goodwill associated with the operations disposed of is included in the carrying amount of the operations when determining gain or loss on disposal of the operation. Goodwill disposed of in such circumstances is measured on the basis of the relative value of the operations disposed of and the value of the portion of the cash-generating unit retained. A cash-generating unit is not larger than one operating segment before aggregation.

12.8. Leases

The Group as a lessee.
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised in profit or loss unless requirements for capitalization are met.

Fixed assets used under finance lease agreements are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease charges and subsequent lease payments are recognised as operating costs in the profit or loss on a straight-line basis over the lease term.

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

The Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

12.9. Impairment of non-financial non-current assets

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

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

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

12.10. Borrowing costs

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

12.11. Financial assets

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

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

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

Held-to-maturity financial assets are quoted instruments.

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

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

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

as held for trading if it is:

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

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

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

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

Where no quoted active market price is available and there is no possibility to determine their fair value using alternative methods, available-for-sale financial assets are measured at their purchase price, adjusted for any impairment losses. Positive and negative differences between the fair value and acquisition price, net of deferred tax, of financial assets available for sale (if quoted market price determined on the regulated market is available or if the fair value can be determined using other reliable method), are taken to other comprehensive income. Decrease in the value of available-for-sale assets arising from impairment is recognised in finance costs.

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

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

12.12. Impairment of financial assets

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

12.12.1 *Assets carried at amortised cost*

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

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

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

12.12.2 *Financial assets carried at cost*

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

12.12.3 *Available-for-sale financial assets*

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

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

12.14. Derivative financial instruments and hedges

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

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

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

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

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

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

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

12.14.1 *Fair value hedge*

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

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

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

12.14.2 *Cash flow hedges*

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

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

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability or the forecast transaction associated with the non-financial asset or non-financial liability becomes a firm future commitment for which a fair value hedge is applied, the associated gains or losses that were recognized in other comprehensive income shall be reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

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

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer qualifies for hedge accounting applied to it. In this case any cumulative gain or loss on the hedging instrument that has been recognised initially in other comprehensive income and accumulated in equity remains recognised in equity until the forecast transaction occurs. If the forecast transaction is no longer expected by the Group to occur, the net cumulative gain or loss recognised in equity is taken to net profit or loss for the period.

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

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

12.15. Inventories

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

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

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

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

12.16. Trade and other receivables

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

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

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

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

12.17. Cash and cash equivalents

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

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

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

All loans and borrowings and debt securities are initially recognized at the fair value net of transaction costs associated with the borrowing. .

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

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

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

12.19. Prepaid expenses

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

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

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

12.20. 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).

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

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

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

12.21. Provisions

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

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

12.22. Retirement benefits and jubilee bonuses

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

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

12.23. Share-based payment transactions

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

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

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

12.23.1 *Equity-settled transactions*

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

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

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

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

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

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

12.24. 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.

12.25. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits relating to the transaction will flow to the Group and the revenue can be reliably measured. Revenues are recognised after deducting Value Added Tax

(VAT), excise duty and discounts. The following specific recognition criteria must also be met before revenue is recognised:

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

12.25.1 *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.

12.25.2 *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 higher than the costs which will probably be covered in the future by the employer.

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

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

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

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

12.25.3 *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.

12.25.4 *Dividends*

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

12.25.5 *Rental income (operating lease)*

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

12.25.6 *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.

12.26. Taxes

12.26.1 *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.

12.26.2 *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.

12.26.3 *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.

12.27. 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. Operating segments

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

Production	- manufacturing and delivery of steel structures, platform gratings, shelving systems, pallets, road barriers. Services in the scope of steel structure corrosion protection with the use of hot dip galvanising, Duplex system, hydraulic painting.
Construction	- construction and erection services, general contracting of facilities in construction industry (including developer's activity). Execution of large industrial and general construction facilities. Erection of steel structures, specialist equipment, halls and special structures.
Power Engineering	- services associated with the power engineering industry. General contracting of facilities in power engineering sector, design, manufacturing and sale of power boilers, continuous and full-scale servicing of power plant, heat and power plant, as well as industrial plants.
Chemistry	- general contracting of facilities in chemical industry. Assembly of equipment for processing systems in chemical and petrochemical industry, prefabrication and assembly of steel structures, processing pipelines, storage containers and pipelines, prefabrication and assembly of furnaces for refineries. Execution of environmentally-friendly projects. The recipients of the services are chemical plants, refineries, petrochemical and gas industry.
Roads and railroads	- general contracting of facilities in road and railroad construction industry. The main recipients of the services are General Directorate for National Roads and Motorways and PKP Polskie Linie Kolejowe (Polish Railroads).
Other operations	- hardware and transport services, rental services, laboratory tests, machinery servicing, and other services not included in other segments.

The 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. Group financing (including finance costs and finance income) and income taxes are monitored on a group 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.

Data on revenue, profit and certain assets and liabilities of Group's individual operating segments for the year ended 31 December 2012 and year ended 31 December 2011 *(restated)* are presented in the table below.

(in PLN thousands)

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	763 706	1 131 496	996 905	294 448	845 488	78 374	-	4 110 417
Inter-segment sales	267 897	18 933	25 228	3 985	120	49 566	(365 729)	-
Total segment revenue	1 031 603	1 150 429	1 022 133	298 433	845 608	127 940	(365 729)	4 110 417
Results								
Amortisation and depreciation, of which:	31 479	11 469	20 110	8 520	16 379	11 389	-	99 346
-depreciation of property, plant and equipment	30 527	10 787	18 549	8 114	15 531	9 917	-	93 425
-amortisation of intangible assets	952	682	1 561	406	848	1 472	-	5 921
Share in associates' profits (losses)	-	(75)	2 048	-	-	-	-	1 973
Profit/ (loss) of the segment	(14 898)	(365 556)	(317 456)	(15 853)	(414 708)	(54 659)	(138 461)	(1 321 591)
Assets and liabilities								
Segment assets	661 088	650 855	1 176 903	188 374	729 791	160 949	-	3 567 960
Investment in an associate	-	422	16 315	-	-	-	-	16 737
Segment liabilities	177 686	470 213	593 656	70 873	713 229	102 246	-	2 127 903

Reconciliation to data presented in the statement of financial position	
Segment assets do not include assets managed on the Group Company basis	
-property, plant and equipment	15 147
- intangible assets	5 395
-investment real property	19 136
-deferred tax assets	212 152
-cash and cash equivalents	7 648
- other	6 228
Total assets	3 850 403
Segment liabilities do not include assets managed on the Group Company basis	
-loans and borrowings	756 526
- debentures	143 874
- provision for employee and similar benefits	50 320
-deferred income tax liability	14 476
- taxation, customs duty, social security payables and remuneration	160 547
- advance payments received on account of disposal of financial assets and investment property	86 960
- other liabilities	28 395
Equity	481 402
Total equity and liabilities	3 850 403

Year ended 31 December 2012 or as at 31 December 2012	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Eliminations*	*Total Operations*
Other segment information								
Capital expenditure:	49 839	7 266	7 645	(248)	18 134	7 776	-	90 412
- property, plant and equipment	49 568	7 020	6 866	(296)	17 365	4 585	-	85 108
- intangible assets	271	246	779	48	769	3 187	-	5 300
- investment properties	-	-	-	-	-	4	-	4

(in PLN thousands)

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	687 857	1 150 183	974 389	419 058	1 271 094	75 157	-	4 577 738
Inter-segment sales	363 506	21 283	32 555	8 946	42	50 421	(476 753)	-
Total segment revenue	1 051 363	1 171 466	1 006 944	428 004	1 271 136	125 578	(476 753)	4 577 738
Results								
Amortisation and depreciation, of which:	28 237	12 587	19 676	9 071	12 276	11 204	-	93 051
-depreciation of property, plant and equipment	27 467	11 845	18 413	8 596	11 936	9 937	-	88 194
-amortisation of intangible assets	770	742	1 263	475	340	1 267	-	4 857
Share in associates' profits (losses)	-	281	2 922	-	-	-	-	3 203
Profit/ (loss) of the segment	42 859	(39 764)	(11 838)	1 177	(150 303)	8 504	(47 226)	(196 591)
Assets and liabilities								
Segment assets	675 292	1 020 833	1 119 745	204 692	966 960	175 911	-	4 163 433
Investment in an associate	-	498	15 922	-	-	-	-	16 420
Segment liabilities	148 580	504 125	299 640	102 493	911 481	99 635	-	2 065 954

Reconciliation to data presented in the statement of financial position	
Segment assets do not include assets managed on the Group Company basis	
-property, plant and equipment	116 150
- intangible assets	12 744
-investment real property	11 004
-deferred tax assets	127 828
-cash and cash equivalents	14 979
- other receivables	14 960
- other	3 159
Total assets	4 480 677
Segment liabilities do not include assets managed on the Group Company basis	
-loans and borrowings	486 935
- debentures	407 745
- provision for employee and similar benefits	49 287
-deferred income tax liability	20 503
-income tax payable	-
- taxation, customs duty, social security payables and remuneration	112 274
- other liabilities	26 019
Equity	1 311 960
Total equity and liabilities	4 480 677

Year ended 31 December 2011 or as at 31 December 2011	*Production*	*Construction*	*Power Engineering*	*Chemistry*	*Roads and railroads*	*Other operations*	*Eliminations*	*Total Operations*
Other segment information								
Capital expenditure:	31 205	34 217	18 822	3 322	35 262	26 029	-	148 857
- property, plant and equipment	30 608	33 763	17 595	3 257	32 817	20 511	-	138 551
- intangible assets	597	454	1 227	65	2 445	3 035	-	7 823
- investment properties	-	-	-	-	-	2 483	-	2 483

Year 2012

Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 16,405 thousand and finance costs in the amount of PLN 153,456 thousand.

(in PLN thousands)

Year 2011
Revenue from intersegment transactions is eliminated on data consolidation. Operating profit does not include finance income in the amount of PLN 36,952 thousand and finance costs in the amount of PLN 84,178 thousand.

Investment expenditure in 2012 and 2011 corresponds to the increase of plant, property and equipment, intangible assets and investment property.

13.1.1 *Geographic information*

The following tables present revenue, expenditure and certain asset information regarding the Group's geographic areas for the year ended 31 December 2012 and 31 December 2011 or respectively as at 31 December 2012 and 31 December 2011.

Year ended 31 December 2012 or as at 31 December 2012	*Domestic*	*Foreign*	*Eliminations*	*Total*
Revenue				
Sales to external customers	2 805 532	1 304 885	-	4 110 417
Revenue from continuing operations	2 805 532	1 304 885	-	4 110 417
Total area revenue	2 805 532	1 304 885	-	4 110 417
Other area information				
Area assets	1 068 674	473 348	-	1 542 022
Unallocated assets	2 291 644	-	-	2 291 644
Investment in an associate	16 737	-	-	16 737
Total assets	3 377 055	473 348		3 850 403

Year ended 31 December 2011 or as at 31 December 2011 *(restated)*	*Domestic*	*Foreign*	*Eliminations*	*Total*
Revenue				
Sales to external customers	3 245 915	1 331 823	-	4 577 738
Revenue from continuing operations	3 245 915	1 331 823	-	4 577 738
Total area revenue	3 245 915	1 331 823	-	4 577 738
Other area information				
Area assets	1 577 713	572 155	-	2 149 868
Unallocated assets	2 314 389	-	-	2 314 389
Investment in an associate	16 420	-	-	16 420
Total assets	3 908 522	572 155		4 480 677

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	744 715	886 849
Rendering of services	3 348 814	3 667 604
Rental income	16 888	23 285
	4 110 417	**4 577 738**

Revenue and costs of long-term contracts of the Issuer

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.

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.

(in PLN thousands)

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.

14.2. Other operating income

	Year ended 31 December 2012	*Year ended 31 December 2011*
Reversed provisions for expenses	5 376	5 728
Gain on disposal of property, plant and equipment	1 150	2 367
Reimbursement of court expenses	374	297
Received damages payments and fines	10 696	6 035
Sale of scrap metal	298	418
Result on elimination of a subsidiary from consolidation	3 184	-
Grants	166	154
Trade liabilities written off	2 453	11 605
Revaluation of investment properties to fair value	-	1 161
Other	1 796	3 687
	25 493	**31 452**

14.3. Other operating expenses

	Year ended 31 December 2012	*Year ended 31 December 2011*
Provision for disputable claims	9 565	1 204
Provision for restructuring	16 753	-
Provision for costs of contracts and fines	26 709	277
Provision for other expenses	2 281	1 151
Loss on disposal of property, plant and equipment	1 215	333
Damages and fines	6 899	445
Court expenses	2 873	1 795
Donations	456	670
Post-accident repairs	77	143
Revaluation of investment property	41 422	124
Liquidation, revaluation of materials and fixed assets	13 950	859
Write-off, impairment of goodwill	208 554	-
Receivables written-off	2 490	6 643
Profit/(loss) on disposal of Organized Part of Enterprise	4 242	-
Other	20 778	4 946
	358 264	**18 257**

(in PLN thousands)

14.4. Finance income

	Year ended 31 December 2012	*Year ended 31 December 2011*
Revenue from measurement and exercise of derivative instruments	2 522	18
Bank interest receivable	2 191	2 471
Proceeds from interest for delay in payment	2 024	2 662
Gain on sale of financial assets	3 058	-
Dividend income	153	415
Foreign exchange gains	3 108	27 997
Write-off of financial liabilities	-	1 275
Other	1 939	2 114
Total finance income	**14 995**	**36 952**

14.5. Finance costs

	Year ended 31 December 2012	*Year ended 31 December 2011*
Measurement and execution of derivative instruments	-	2 222
Interest on bank loans and borrowings	55 894	38 731
Debenture interest	30 125	26 948
Interest on other liabilities	8 916	1 987
Finance charges payable under finance lease agreements	3 261	2 972
Foreign exchange losses	27 034	5 467
Bank charges on guarantees and loans	11 375	5 170
Revaluation of financial assets	3 791	-
Loss on clearing conversion of debentures into shares	12 500	-
Other	560	681
Total finance costs	**153 456**	**84 178**

14.6. Costs by type

	Note	*Year ended 31 December 2012*	*Year ended 31 December 2011*
Depreciation / Amortisation	14.7	99 346	93 051
Materials and energy		1 302 437	1 604 749
External services, including construction		2 288 907	1 820 811
Taxes and charges		36 576	38 056
Employee benefits expenses	14.8	1 049 539	1 087 538
Other costs by type		94 671	111 287
Total costs by type		**4 871 476**	**4 755 492**
Items included in selling and distribution expenses		(34 263)	(35 519)
Items included in administrative expenses		(182 755)	(183 611)
Cost of goods and materials sold		67 695	98 086
Change in the stock of finished goods		26 748	(102 114)
Cost of goods produced for the entity's own use		(3 170)	(7 963)
Cost of sales		**4 745 731**	**4 524 371**

(in PLN thousands)

14.7. 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	**84 061**	**82 867**
Depreciation	79 540	79 208
Amortisation of intangible assets	4 521	3 659
Impairment of plant, property and equipment	-	-
Items included in selling and distribution expenses	**1 131**	**1 833**
Depreciation	1 039	1 741
Amortisation of intangible assets	92	92
Items included in administrative expenses	**14 154**	**8 351**
Depreciation	12 846	7 245
Amortisation of intangible assets	1 308	1 106
Total amortisation/depreciation and amortisation/depreciation charges	**99 346**	**93 051**

14.8. Employee benefits expenses

	Year ended 31 December 2012	*Year ended 31 December 2011*
Wages and salaries	830 990	861 979
Social security costs	151 279	142 634
Share-based payments expense (provision)	227	(850)
Retirement benefits	7 333	4 659
Jubilee bonuses	10 595	8 548
Other post-employment benefits	149	182
Transfers to Social Fund	14 085	15 405
Others (of which: working clothes, cleansing agents)	34 881	54 981
Total employee benefits expenses	**1 049 539**	**1 087 538**

14.9. 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	1 315	(4 998)
Translation of foreign operations	(9 167)	10 874
Less Adjustments arising from reclassification of gains/losses recognised in profit or loss.	2 489	(1 209)
	(5 363)	4 667

(in PLN thousands)

15. Income tax

15.1. Tax expense

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

	Year ended 31 December 2012	*Year ended 31 December 2011*
Consolidated income statement		
Current income tax	*6 880*	*5 095*
Current income tax expense	6 880	5 095
Adjustments in respect of tax of previous years	-	-
Deferred income tax	*(84 427)*	*(70 563)*
Relating to origination and reversal of temporary differences	(84 427)	(70 563)
Income tax expense reported in consolidated income statement	(77 547)	(65 468)
Consolidated statement of comprehensive income		
Deferred income tax	*(723)*	*1 179*
Relating to origination and reversal of temporary differences	(723)	1 179
Tax burden/ tax credit recognised in other comprehensive income	**(723)**	**1 179**

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 Group'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*
Accounting profit from continuing operations before income tax	(1 321 591)	(196 591)
Profit before income tax	**(1 321 591)**	**(196 591)**
Tax at statutory income tax rate binding in Poland of 19% in 2012 (2011: 19%)	**(251 102)**	**(37 352)**
Adjustments in respect of current income tax of previous years	3 418	-
Unrecognised tax losses	8 607	1 234
Utilisation of previously unrecognised tax losses	115	(1 746)
Tax investment relief	36 414	(23 709)
Expenditure not allowable for income tax purposes*	111 662	5 904
Not taxable incomes	(8 837)	(2 891)
Other	22 176	(6 908)
Income tax at effective income tax rate which was 5.87% for the year ended 31 December 2012 and 33.3% for the year ended 31 December 2011.	(77 547)	(65 468)
Income tax (burden) reported in the consolidated income statement	(77 547)	(65 468)

*of which in 2012: write-downs of receivable of PLN 5,601 thousand, paid fines and provisions for fines of PLN 14,163 thousand, PFRON PLN 1,680 thousand, impairment of goodwill of PLN 38,496 thousand, write-downs of investment real property of PLN 4,606 thousand, write-down of developer's inventories of PLN 14,629 thousand and other permanent differences of PLN 32,487 thousand

(in PLN thousands)

15.3. Deferred income tax

Deferred income tax relates to the following:

	Consolidated statement of financial position			*Consolidated income statement for the year ended*	
	31 December 2012	*31 December 2011*	*1 January 2011*	*31 December 2012*	*31 December 2011*
Deferred tax liability		*(restated)*			
Accelerated depreciation/amortisation for tax purposes	10 076	13 111	10 780	(3 035)	2 331
Revaluation of investment property to fair value	7 003	9 895	6 720	(2 892)	3 175
Measurement of fixed assets to fair value	2 877	3 531	5 045	100	(1 514)
Measurement of long-term contracts	12 616	21 376	77 377	9 363	(56 001)
Perpetual usefruct right to land	507	746	2 302	(239)	(1 556)
Revaluation of available-for-sale financial assets to fair value	-	2	175	(2)	(173)
Revaluation of foreign exchange contracts (cash flow hedges) to fair value	-	-	-	-	(370)
Revaluation of foreign exchange contracts (cash flow hedges) to fair value presented in comprehensive income	170	15	914	175	(899)
Lease adjustments	4 135	4 668	4 381	509	287
Foreign exchange gains	566	3 098	642	(2 337)	2 456
Land measurement to fair value	6 764	6 860	7 493	(96)	(633)
Other	18 511	12 394	11 733	5 593	1 575
Deferred tax liability	**63 225**	**75 696**	**127 018**	**7 139**	**(51 322)**
Deferred tax assets					
Jubilee bonuses and retirement benefits	8 346	8 598	14 704	110	(6 106)
Measurement of foreign exchange contracts	-	317	-	(317)	(317)
Measurement of foreign currency contracts presented in comprehensive income	-	280	-	(548)	280
Foreign exchange losses	644	1 014	616	(289)	398
Salaries/wages and employee benefits	5 842	5 302	4 613	961	689
Inventory write-downs	6 062	1 443	503	4 619	940
Measurement of long-term contracts	127 773	40 550	62 475	87 332	(21 925)
Receivables write-downs	13 560	5 257	4 774	8 425	483
Provisions for uninvoiced expenses	3 742	5 858	5 581	4 101	277
Tax losses	40 706	20 724	13 539	20 238	7 185
Other employee benefits	7 569	9 122	6 962	(1 553)	2 160
Provisions	1 432	2 416	1 397	130	1 019
Deferred income tax relating to Special Economic Zone	-	60 567	40 169	(38 559)	20 398
Investment measurement to fair value	1 621	1 621	-	-	1 621
Difference in carrying amount and amount for tax purposes	1 351	1 351	-	-	1 351
Costs of coming years	420	3 241	-	8 569	3 241
Trade mark	11 849	13 167	-	(1 318)	13 167
Provision for restructuring	3 183	36	-	3 147	36
Other	4 473	6 620	12 701	(4 205)	(5 111)
Deferred tax assets	**238 573**	**187 484**	**168 034**	**90 843**	**20 420**
		-	-	-	-
Deferred income tax burden less total items recognised in the income statement				**(84 427)**	**(70 563)**

(in PLN thousands)

Measurement of foreign exchange contracts presented in other comprehensive income	170	(265)	914
Net deferred tax liability/asset, of which:	**(175 348)**	**(111 788)**	**(40 102)**
Deferred income tax asset presented in the statement of financial position	(189 181)	(132 291)	(63 710)
Deferred income tax liability - presented in the statement of financial position	13 833	20 503	23 608

As at 31 December 2012 the Group wrote down the value of assets in the amount of PLN 147,464 thousand which were not recognized as a deferred tax asset. In line with the adopted projections of tax settlements the Group will not be able utilise the above mentioned asset in the future.

Disclosure on deferred tax asset relating to the trade mark.

As at 31 December 2012 and as at 31 December 2011 the Group recognised in the consolidated financial statements the deferred tax asset for temporary difference resulting from a different tax and accounting measurement of assets and liabilities comprising an organized part of enterprise (a trade mark).
The assets were contribution in kind within the Group made by Torpol S.A. to Torpol MS Sp. z o.o. (former MW LEGAL 5 Sp. z o.o.), a subsidiary, on 8 December 2011. The deferred tax asset is PLN 11,849 thousand as the statement of financial position date (31 December 2011: PLN 13,167 thousand) and its original value was determined in line with tax regulations. The Board of Torpol S.A. assumed that in the coming years it will generate enough revenue to utilise the asset.

Disclosures on investment in Special Economic Zones

Polimex-Mostostal S.A.

On 23 July 2008 the Company obtained Permit No. 171/ARP S.A./2008 to conduct business activity in EURO-PARK WISŁOSAN Tarnobrzeg Special Economic Zone. 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.

Sefako S.A.

„Sefako" Company under permit No. 118/2008 of 16.09.2008 was given consent to conduct business activity in the "Starachowice" Special Economic Zone. On 18.08.2010 with decision No. 151/IW/10 the above mentioned permit was amended in the scope of the dates of fulfilling the terms of employment. In line with this decision average annual employment at the level of 1,350 persons is obligatory for the Company from 31.12.2011 to 31.12.2016.

(in PLN thousands)

As at the statement of financial position date of 31 December 2011 the Company met all requirements to obtain a tax relief on activities in the Special Economic Zone i.e. it employed 150 persons (reached the 1,350 persons level of employment) and realised an investment worth minimum PLN 75 million, which is acknowledged by the inspection from the zone (expenditure incurred in the zone amounted to PLN 76,837 thousand as at 31.12.2009, discounted value of this expenditure was PLN 74,636 thousand). Maximum value of the relief which can be used by 2017 is about PLN 38 million and relates to income covered by the permit and made in the SEZ.
As at 31 December 2011 the Company met all requirements of utilizing a tax relief and since 01.01.2012 the Company has commenced to utilise the zone relief in the scope of the Company Income Tax (Resolution of the Board No. 41/VIII/24/2011 on execution of utilization of the tax relief the SEFAKO Company is entitled to on account of income generated from the activity in the Starachowice SEZ).
As a result as at the statement of financial position date of 31 December 2011 (with the Resolution of the Board of Directors No. 48/VIII/07/2012) the Company recognized an asset for the anticipated tax relief on account of the appurtenance to the Special Economic Zone, which may be realized from 2012 to 2017, in the amount of PLN 17.6 million.
Due to the fact that the Company made a tax loss on activity in the Special Economic Zone in 2012, as at the statement of financial position date the Company released an asset in the amount of an expected relief to be utilized in 2012 i.e. PLN 1,168 thousand. At the same time the Company verified the amount of relief realisable from 2013 to 2017 based on the assumptions of the financial plan for 2013 and forecasts for the next years. The effect of revaluation was a decrease of the relief expected for 2013 of PLN 2,048 thousand. In total PLN 3,216 thousand was charge to the income statement in 2012.
The relief was estimated applying prudence principle and the estimated future income of the company was reduced by potential provisions for risk connected with the uncertainty of estimates. The estimated relief amounts to PLN 14.4 million. Its amount in individual years is as follows:

Period	2012	2013	2014	2015	2016	2017	Total
Income tax (anticipated future relief)	-	379	2 755	3 760	3 865	3 625	**14 384**

EPN Gdynia
On 8 February 2011 the Company was granted the permit for production in the area of Pomerania Special Economic Zone in the scope of ready-made metal products except for machinery and equipment. As a result an asset was recognised for deferred tax on paid in 2011 capital expenditure relating to PSEZ in the amount of 40 % in force in the PSEZ. The amount of the asset as at the end of 2011 was PLN 2,709 thousand. In 2012 an asset was additionally calculated in the amount of PLN 1,698 thousand. The asset as at 31.12.2012 is PLN 4,407 thousand.

16. Changes in the Capital Group

The composition of the Group did not change in 2012.

The following changes took place in the composition of the Group in 2011:

On 7 December 2011 Torpol Sp. z o.o. , a subsidiary of Polimex-Mostostal Group, acquired shares in MW LEGAL 5 Sp. z o.o. with the registered office in Warsaw for PLN 5 thousand reaching 100% share in the capital of the company. The final settlement of the acquisition is planned on 31 December 2012. On 08.12.2011 Torpol made contribution in kind to MW LEGAL 5 Sp. zo.o. in the form of an organized part of enterprise. On 8 December 2011 the share capital of MW LEGAL 5 Sp. zo.o. was increased by PLN 76,500 thousand.

17. Social assets and SOCIAL FUND liabilities

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

The Group has netted the assets of the Fund with the liability to the Fund, as these are not separate assets of the Group. Accordingly, the net balance as at 31 December 2012 is PLN (2,276) thousand (as at 31 December 2011 PLN 471 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*	*31 January 2011*
Loans granted to employees	5 816	4 422	3 521
Cash	220	5 853	4 603
Social Fund liabilities	8 312	9 804	8 930
Net balance	(2 276)	471	(806)

	Year ended 31 December 2012	*Year ended 31 December 2011*
Transfers made to the Social Fund during the period	14 085	15 405

18. 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 outstanding in the reporting period.

Diluted earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders (after deducting convertible redeemable preference shares) by the weighted average number of issued ordinary shares outstanding 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) attributable to shareholders of the parent company	(1 242 551)	(133 620)
Earnings per share (in PLN):		
- number of shares registered at the statement of financial position date	521 154 076	521 154 076
- basic, from net profit attributable to shareholders of the parent company for the financial year	(2.38)	(0.26)
- number of shares registered after the statement of financial position date	1 333 974 588	521 154 076
- basic, from net profit attributable to shareholders of the parent company for the financial year	(0.93)	(0.25)
Diluted net profit/(loss) attributable to shareholders of the parent company per share (in PLN):		
- number of shares registered at the statement of financial position date	521 154 076	521 154 076
- diluting potential ordinary shares	1 177 747 103	12 142 323
- diluted from net profit/(loss) attributable to shareholders of the parent company for the financial year	(0.73)	(0.26)
- 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 from net profit/(loss) attributable to shareholders of the parent company for the financial year	(0.73)	(0.25)

19. 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.

(in PLN thousands)

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).

20. 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	553 829	320 723	79 091	20 875	65 765	4 579	1 044 862
Revaluation	(16 706)	(1 368)	(303)	2	(238)	-	(18 613)
Additions	4 990	29 558	5 858	4 457	46 503	9 955	101 321
Disposals	(16 647)	(9 018)	(2 417)	(918)	(15 770)	(443)	(45 213)
Reclassification	(170 545)	(37 154)	(6 190)	(2 474)	(47 791)	(14 091)	(278 245)
Elimination on subsidiary consolidation	(1 912)	(179)	(350)	(4)	-	-	(2 445)
Depreciation charge for the period	(23 137)	(50 690)	(14 045)	(5 553)	-	-	(93 425)
Net carrying amount at 31 December 2012	329 872	251 872	61 644	16 385	48 469	-	708 242
As at 1 January 2012							
Cost	660 154	593 082	147 111	57 442	66 315	4 579	1 528 683
Write-off and impairment loss	(106 325)	(272 359)	(68 020)	(36 567)	(550)	-	(483 821)
Net carrying amount	553 829	320 723	79 091	20 875	65 765	4 579	1 044 862
As at 31 December 2012							
Cost	430 232	491 210	122 524	51 375	49 258	-	1 144 599
Write-off and impairment loss	(100 360)	(239 338)	(60 880)	(34 990)	(789)	-	(436 357)
Net carrying amount	329 872	251 872	61 644	16 385	48 469	-	708 242

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	549 820	285 213	71 146	23 802	97 025	942	1 027 948
Reclassification	(22 297)	10 729	9 980	(161)	(7 323)	(3 838)	(12 910)
Revaluation	-	(13)	(13)	-	-	-	(26)
Additions	56 151	75 443	18 151	5 268	71 694	7 514	234 221
Disposals	(7 785)	(4 284)	(6 371)	(2 067)	(95 631)	(39)	(116 177)
Depreciation charge for the period	(22 060)	(46 365)	(13 802)	(5 967)	-	-	(88 194)
Net carrying amount at 31 December 2011	553 829	320 723	79 091	20 875	65 765	4 579	1 044 862
As at 1 January 2011							
Cost	649 748	524 054	132 068	57 605	110 477	1 042	1 474 994
Write-off and impairment loss	(99 928)	(238 841)	(60 922)	(33 803)	(13 452)	(100)	(447 046)
Net carrying amount	549 820	285 213	71 146	23 802	97 025	942	1 027 948
As at 31 December 2011							
Cost	660 154	593 082	147 111	57 442	66 315	4 579	1 528 683
Write-off and impairment loss	(106 325)	(272 359)	(68 020)	(36 567)	(550)	-	(483 821)
Net carrying amount	553 829	320 723	79 091	20 875	65 765	4 579	1 044 862

(in PLN thousands)

The carrying amount of plant and machinery used as at 31 December 2012 under finance lease and hire purchase agreements amounts to PLN 58,043 thousand (as at 31 grudnia 2011: PLN 58,184 thousand).
The carrying amount of plant, property and equipment encumbered with securities as at 31 December 2012 amounts to PLN 439 484 thousand (as at 31 December 2011: PLN 734 515 thousand).

20.1. Finance lease and hire purchase commitments

As at 31 December 2012 and as at 31 December 2011 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	14 999	13 067	20 723	18 322	17 621	15 715
Within 1 to 5 years	30 339	26 390	36 753	31 005	33 463	30 393
Over 5 years	12 058	11 090	13 048	12 043	8 737	8 214
Minimum lease payments, total	57 396	50 547	70 524	61 370	59 821	54 322
Less amounts representing finance charges	(6 849)	-	(9 154)	-	(5 499)	-
Present value of minimum lease payments of which:	50 547	50 547	61 370	61 370	54 322	54 322
Current	13 067	-	18 322	-	15 715	-
Non-current	37 480	-	43 048	-	38 607	-

21. Investment properties

	31 December 2012	*31 December 2011*
Opening balance as at 1 January	58 824	42 316
Acquisition	4	2 483
Measurement to fair value	(41 421)	1 147
Reclassification from property, plant and equipment	3 939	12 910
Reclassification from inventories	(52)	54
Disposal of investment real property	(14)	-
Other	-	(86)
Closing balance	**21 280**	**58 824**

Key investment property items as at 31 December 2012 are as follows: build-up real property situated at ul.Górczewska in Warsaw at the carrying amount of PLN 6,000 thousand, real property in Nowy Dwór Mazowiecki at the carrying amount of PLN 2,813 thousand, real property at ul.Elektoralna in Warsaw with the carrying amount of PLN 8,092 thousand and the real property in Płock with the carrying amount of PLN 1,381 thousand. The above mentioned real property was assessed by independent surveyors.

22. Goodwill on consolidation

	31 December 2012	*31 December 2011*	*1 January 2011*
Prinż 1Sp. z o.o., a subsidiary	-	4 956	4 956
Elmont Sp. z o.o. - a subsidiary in Torpol Group	-	9 008	7 661
Torpol Group	-	13 265	13 265
Spec - a subsidiary in Sefako Group	-	237	237
Centralne Biuro Konstrukcji Kotłów Sp. z o.o., a subsidiary in Sefako Group	-		
Energotechnika Projekt Company	-	2 668	2 668
Energomontaż Północ S.A. Group (the company incorporated in 2010)	282 694	409 073	409 073
A subsidiary in Polimex-Development Kraków Group	-	2 295	2 295

EPE Rybnik Sp. z o.o.(the company incorporated in 2010)	-	1 018	1 018
Zakład Budowlano Instalacyjny Turbud Sp. z o.o, a subsidiary	-	426	426
Grande Meccanica, a subsidiary	-	1 456	-
Coifer, a subsidiary	-	34 998	33 128
Zakłady Remontowe Energetyki Kraków Sp. z o.o.(the company incorporated in 2010)	-	4 064	4 064
Projekt Południe Sp. z o.o., a subsidiary	-	2 599	2 599
ECe Remont Sp. z o.o.(the company incorporated in 2010)	-	2 509	2 509
Pracownia Wodno Chemiczna Ekonomia Sp. z o.o., a subsidiary	-	242	242
Centralne Biuro Konstrukcji Kotłów Sp. z o.o., a subsidiary	-	2 860	2 860
Total	**282 694**	**491 674**	**487 001**
Goodwill as at 1 January 2012	**491 674**	487 001	486 919
Increase on consolidation arising from acquisition.			2 860
Decrease on elimination of a subsidiary from consolidation	(426)		
Increase/decrease not arising from goodwill adjustment in subsidiaries	(208 554)	4 673	(2 778)
Goodwill as at 31 December 2012	**282 694**	**491 674**	**487 001**

In line with the provisions of IAS 36, the Board of Polimex-Mostostal S.A. carried out impairment tests as at 31 December 2012 relating to goodwill on consolidation arising from the acquisition of COIFER Group, Sefako as well as Torpol, Centrum Projektowe Polimex Sp. z o.o., Zakład Budowlano Instalacyjny Turbud Sp. z o.o., PxM Projekt Południe Sp. z o. o., Prinż-1 Sp. z o.o., Pracownia Wodno Chemiczna Ekonomia Sp. z o.o. and as a result of the takeover of Energomontaż-Północ Group. The level of an operating segment before aggregation is the lowest level at which the Group monitors goodwill.

Impairment tests showed that as at the date of preparation of these consolidated financial statements there is need to impair goodwill allotted to individual operating segments as the fair value arising from discounting future cash flows for individual segments is lower than goodwill increased by fixed assets and net working capital. Key data and assumptions as well as the results of the impairment test for goodwill relating to the segments of power engineering, construction, roads and railroads, production and chemistry are presented in the table below (in PLN thousands):

Segment	Value (DCF)*	Book value**	Weighted average cost of capital (WACC)***	Weighted average cost of capital (WACC)****	Fixed growth rate after the forecasting period	Goodwill in consolidated financial statements*****	Fixed assets with intangibles (excl. investment properties)	Net working capital
Power Engineering	473 203	559 998	10.66%	13.16%	2,0%	282 694	88 810	101 700
Construction	356 080	392 091	10.66%	13.16%	3,0%	0	123 768	232 748
Roads and railroads	10 627	38 001	10.66%	13.16%	2,0%	0	98 636	-87 863
Production	457 323	505 130	10.66%	13.16%	3,0%	0	288 123	169 244
Chemistry	126 588	126 832	10.66%	13.16%	3,0%	0	80 935	45 655
Other	52 874	58 269	10.66%	13.16%	3,0%	0	105 839	-52 836

*DCF not adjusted for non-operating cash

**Book value = goodwill+ fixed assets+ non-tangible assets+ net operating capital

***after taxation, adopted for measurement

****before taxation

*****after revaluation

Discounted cash flow for power engineering segment was measured at PLN 473,203 thousand. The valuation was done with the following assumptions: average annual growth of revenues of over 25% in 2013-2017, average EBIT margin: 2.0%, weighted average cost of capital (WACC): 10.66%, growth rate after the forecasting period: 2.0%. Due to the fact that the value of discounted cash flows of the power engineering segment based on the assumptions made is lower than the book value of the segment, goodwill was impaired by PLN 89,144 thousand in the statements.

Discounted cash flow for construction segment was measured at PLN 356,080 thousand. The valuation was done with the following assumptions: average annual growth of revenues in 2013-2017 by 1.7%, average EBIT margin: 0.7%, weighted average cost of capital (WACC): 10.66%, growth rate after the forecasting period: 3.0%. Due to the fact that the value of discounted cash flows of the construction segment based on the assumptions made is lower than the book value of the segment, goodwill was impaired by PLN 35,312 thousand in the statements.
Discounted cash flow for road and railroad segment was measured at PLN 10,627 thousand. The valuation was done with the following assumptions: average annual growth of revenues of about 8.2% in 2013-2017, average EBIT margin: 1.9%, weighted average cost of capital (WACC): 10.66%, growth rate after the forecasting period: 2.0%. Due to the fact that the value of discounted cash flows of the road and railroad segment based on the assumptions made is lower than the book value of the segment, goodwill was impaired by PLN 27,229 thousand in the statements.
Discounted cash flow for production segment was measured at PLN 457,323 thousand. The valuation was done with the following assumptions: average annual growth of revenues of about 5.6% in 2013-2017, average EBIT margin: 8.0%, weighted average cost of capital (WACC): 10.66%, growth rate after the forecasting period: 3.0%. Due to the fact that the value of discounted cash flows of the production segment based on the assumptions made is lower than the book value of the segment, goodwill was impaired by PLN 47,764 thousand in the statements.

Discounted cash flow for chemistry segment was measured at PLN 124,388 thousand. The valuation was done with the following assumptions: average annual growth of revenues of about 4.4% in 2013-2017, average EBIT margin: 2.7%, weighted average cost of capital (WACC): 10.66%, growth rate after the forecasting period: 3.0%. Due to the fact that the value of discounted cash flows of the chemistry segment based on the assumptions made is lower than the book value of the segment, goodwill was impaired by PLN 242 thousand in the statements.

The value of discounted cash flows for other activity was estimated at PLN 52,874 thousand. The valuation was done with the following assumptions: growth of revenues of 3.4% in 2013-2017, average EBIT margin: 7.2%, weighted average cost of capital (WACC): 10.66%, growth rate after the forecasting period: 3.0%. Due to the fact that the value of discounted cash flows of other activity based on the assumptions made is lower than the book value, goodwill was impaired by PLN 5,267 thousand in the statements.

Goodwill for 2012 was allocated to the following operating segments (PLN thousands):

Production	Construction	Power Engineering	Chemistry	Roads and railroads	Other
-	-	282 694	-	-	-

Goodwill for 2011 was allocated to the following operating segments (PLN thousands):

Production	Construction	Power Engineering	Chemistry	Roads and railroads	Other
47 764	39 590	371 838	242	27 229	5 011

23. Intangible assets

Year ended 31 December 2012	*Development Costs*	*Patents and Licenses*	*Software*	*Goodwill*	*Other*	*Total*
Net carrying amount at 1 January 2012	360	1 340	17 827	4 015	2 246	25 788
Additions	188	253	4 022	-	837	5 300
Disposals	-	(4)	(2 684)	(4 015)	-	(6 695)
Reclassification	(368)	(692)	(521)	-	-	(1 581)
Amortisation charge for the year	(180)	(517)	(4 646)	-	(578)	(5 921)
As at 31 December 2012	-	388	13 998	-	2 505	16 891

(in PLN thousands)

As at 1 January 2012						
Cost	709	4 077	40 517	7 194	2 412	54 909
Write-off and impairment loss	(349)	(2 737)	(22 690)	(3 179)	(166)	(29 121)
Net carrying amount	360	1 340	17 827	4 015	2 246	25 788
As at 31 December 2012						
Cost	-	2 394	39 062	6 102	3 181	50 739
Write-off and impairment loss	-	(2 006)	(25 064)	(6 102)	(676)	(33 848)
Net carrying amount	-	388	13 998	-	2 505	16 891

Year ended 31 December 2011	*Development Costs*	*Patents and Licenses*	*Software*	*Goodwill*	*Other*	*Total*
Net carrying amount at 1 January 2011	-	1 538	17 404	4 015	2 277	25 234
Acquisition of a subsidiary	-	-	83	-	-	83
Additions	360	728	4 525	-	2 210	7 823
Disposals	-	(128)	(130)	-	(2 237)	(2 495)
Reclassification	-	(183)	183	-	-	-
Amortisation charge for the year	-	(615)	(4 238)	-	(4)	(4 857)
As at 31 December 2011	360	1 340	17 827	4 015	2 246	25 788
As at 1 January 2011						
Cost	-	5 473	35 050	7 194	2 393	50 110
Write-off and impairment loss	-	(3 935)	(17 646)	(3 179)	(116)	(24 876)
Net carrying amount	-	1 538	17 404	4 015	2 277	25 234
As at 31 December 2011						
Cost	709	4 077	40 517	7 194	2 412	54 909
Write-off and impairment loss	(349)	(2 737)	(22 690)	(3 179)	(166)	(29 121)
Net carrying amount	360	1 340	17 827	4 015	2 246	25 788

24. Investments in associates accounted for using the equity method

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

	31 December 2012	*31 December 2011*	*1 January 2011*
Current assets	13 610	13 723	26 791
Non-current assets	146	144	303
Current liabilities	12 235	12 873	26 662
Non-current liabilities and provisions	-	-	-
Net assets	664	994	432
Share of associate's profit /loss	(75)	282	(1 686)

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

	31 December 2012	*31 December 2011*	*1 January 2011*
Current assets	59 928	63 731	69 162
Non-current assets	19 107	21 792	22 176
Current liabilities	17 164	17 085	24 723
Non-current liabilities and provisions	16 976	18 489	21 292
Non-controlling interest	1 435	1 278	976

(in PLN thousands)

Negative goodwill of subordinate entities	68	159	340
Net assets	48 512	48 512	44 007
Share of associate's profit	2 048	2 921	3 034

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

	1 January 2011
Current assets	20 311
Non-current assets	10 884
Current liabilities and provisions	11 231
Non-current liabilities and provisions	-
Net assets	19 964
Share of associate's profit	165

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

	1 January 2011
Current assets	1 458
Non-current assets	-
Current liabilities	2 469
Non-current liabilities and provisions	-
Net assets	(1 011)
Share of associate's loss	(2 188)

Current assets, non-current assets, current liabilities, non-current liabilities and net assets presented in the above tables refer to the values recognised in the financial statements of these entities i.e. they do not refer to the Group interest in net assets of these entities.
In the reporting period of these financial statements the Group did not participate in any joint ventures as a partner.

25. Financial assets

25.1. Financial assets

	31 December 2012	*31 December 2011*	*1 January 2011*
Non-current financial assets			
Shares and interests	1 114	1 019	1 176
Financial assets held to maturity,	164	177	158
Other financial assets*	272 936	3 559	2 862
Total	**274 214**	**4 755**	**4 196**
*of which: bank securities relating to contracts being performed			

	31 December 2012	*31 December 2011*	*1 January 2011*
Current financial assets			
Available-for-sale financial assets	-	-	594
Derivative financial instruments	-	23	10 054
Other financial assets*	96 086	1 403	957
Total	**96 086**	**1 426**	**11 605**
*of which: bank securities relating to contracts being performed			

(in PLN thousands)

25.1.1 Non-current financial assets – shares and interests

	31 December 2012	*31 December 2011*	*1 January 2011*
Shares and interests			
Shares - companies listed on the stock exchange	-	67	124
Shares and interests – companies not listed on the stock exchange	1 114	952	1 052
Total	**1 114**	**1 019**	**1 176**

25.1.2 Other non-current financial assets

	31 December 2012	*31 December 2011*	*1 January 2011*
Other non-current assets			
Deposits	-	-	814
Borrowings	45	53	-
Bank guarantee deposits*	272 709	3 413	2 146
Other	182	270	60
Total	**272 936**	**3 736**	**3 020**

*of which: bank securities relating to contracts being performed

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

	31 December 2012	*31 December 2011*
At the beginning of the period	**1 019**	**1 176**
Increase	**143**	**17**
Other	143	17
Decrease	**(48)**	**(174)**
Interest write-downs	-	(46)
Disposal of shares	(48)	(128)
Other	-	-
Reclassification	-	-
At the end of the period	**1 114**	**1 019**

25.1.4 Change in non-current financial assets held to maturity

	31 December 2012	*31 December 2011*
At the beginning of the period	177	158
Recognised	-	19
Settled	(13)	-
At the end of the period	**164**	**177**

25.1.5 Available-for-sale current financial assets

	31 December 2012	*31 December 2011*	*1 January 2011*
Shares and interests not quoted on the stock exchange	-	-	594
Commercial debentures	-	-	-
Total	**-**	**-**	**594**

25.1.6 Movements in available-for-sale current financial assets

	31 December 2012	*31 December 2011*
At the beginning of the period	-	594
Purchasing shares and interests not quoted on the stock exchange	-	-
Disposal of shares and interests not quoted on the stock exchange	-	594
At the end of the period	**-**	**-**

(in PLN thousands)

25.1.7 Derivative financial instruments

	31 December 2012	*31 December 2011*	*1 January 2011*
Forward currency contracts	-	23	8 907
Currency options	-	-	1 147
Total	**-**	**23**	**10 054**

25.1.8 Other current financial assets

	31 December 2012	*31 December 2011*	*1 January 2011*
Other current assets			
Loans granted	98	91	44
Bank guarantee deposits*	95 980	1 309	906
Other	8	3	7
Total	**96 086**	**1 403**	**957**

*of which: bank securities relating to contracts being performed

26. Inventories

	31 December 2012	*31 December 2011*	*1 January 2011*
Raw materials (at cost)	107 347	129 608	109 506
Goods for resale	1 055	2 695	1 273
Raw materials advance payments	5 749	4 302	10 450
Work-in-progress (at cost)	174 690	282 750	287 099
Finished goods:	19 514	25 756	24 602
At cost	19 514	25 756	24 602
At net realisable value	19 514	25 756	24 602
Total inventories, at the lower of cost and net realisable value	308 355	445 111	432 930

In the parent company as at 31 December 2012 pledges were established on smelting products in the total amount of PLN 104,000 thousand as securities to loan contracts (as at 31 December 2011: PLN 100,000 thousand, as at 1 January 2011: PLN 100,000 thousand).

In the parent company 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.

At the Stalfa company as at 31 December 2012 there were pledges establishes on inventories at the carrying amount of PLN 6,604 thousand (as at 31 December 2011: PLN 8,000 thousand and as at 1 January 2011: PLN 8,000 thousand) as security to company's liabilities.

As at 31 December 2012 there were mortgages established on Polimex – Development Kraków Capital Group's inventories up to the total amount of PLN 16,417,635 thousand (at 31 December 2011: PLN 51,012 thousand, as at 1 January 2011: PLN 51,012 thousand) as securities to company's loan liabilities.

In Sefako Group as at the statement of financial position date 31.12.2012 there were securities established on inventories amounting jointly to PLN 2,000 thousand (as at 31.12.2011: PLN 2,000 thousand, as at 1 January 2011: PLN 2,000 thousand).

As at 31 December 2012 a mortgage of the total amount of PLN 4,056,497 thousand was established on inventories of Polimex-Mostostal Development Sp. z o.o. as a security to company's loan liabilities (as at 31 December 2011: PLN 15,800 thousand).

In 2012 based on valuations by independent valuers the value of developer's real property of the Group was written off in the amount of PLN 97,307 thousand. Developer's real property is presented in the consolidated financial statements of the Group in work in progress.

(in PLN thousands)

27. Trade and other receivables

	31 December 2012	31 December 2011 (restated)	1 January 2011
Trade receivables	1 109 989	1 860 602	1 339 692
of which: trade receivables from related parties	86	126	8 554
Receivables from public authorities	18 250	37 090	20 202
Other receivables from third parties	31 915	21 106	14 038
Other receivables from related parties	3 000	3 008	2 155
Total receivables (net)	1 163 154	1 921 932	1 376 087
Doubtful debts allowance	113 987	54 004	62 997
Total receivables, gross	1 277 141	1 975 936	1 439 084

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

For terms and conditions of related party transactions refer to Note 39.1

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

27.1. 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*	599 887	1 203 097	765 938
Over 1 month to 3 months	135 586	276 667	243 284
Over 3 months to 6 months	21 329	25 505	25 956
Over 6 months to 1 year	46 756	50 951	35 296
Past due receivables	418 346	358 100	330 230
Gross trade receivables	1 221 904	1 914 320	1 400 704
Allowance for trade receivables	(111 915)	(53 718)	(61 012)
Net trade receivables	**1 109 989**	**1 860 602**	**1 339 692**

*of which: receivables arising from IAS 11 measurement in the amount of PLN 435,341 thousand as at 31 December 2012, PLN 683,282 thousand as at 31 December 2011, PLN 425,928 thousand as at 1 January 2011

27.2. Aging analysis of trade receivables

	31 December 2012	31 December 2011	1 January 2011
Up to one month past due	167 371	144 146	79 108
Over 1 month to 3 months past due	84 025	54 004	76 887
Over 3 months to 6 months past due	53 949	44 949	35 124
Over 6 months to 1 year past due	25 611	28 998	37 089
Over 1 year past due	87 390	86 003	102 022
Gross past due trade receivables	418 346	358 100	330 230
Allowance for trade receivables*	(97 094)	(52 154)	(60 700)
Total	**321 252**	**305 946**	**269 530**

(in PLN thousands)

Movements in allowance for receivables were as follows:

	31 December 2012	31 December 2011
Allowance for receivables at the beginning of the period	53 718	61 012
Increase, of which:	**76 495**	**5 563**
- allowance for receivables	76 327	5 563
- changes in Group structure	137	-
- other	31	-
Decrease, of which:	**18 298**	**12 857**
- utilisation	6 462	6 633
- receivables pay-off	4 492	85
- release	29	6 139
- reklasyfikacja	7 315	-
Allowance for receivables at the end of the period	**111 915**	**53 718**

28. Prepaid expenses

	31 December 2012	31 December 2011	1 January 2011
Insurance costs	7 185	9 080	5 281
Subscription	177	365	242
Costs of uncompleted works	-	3 208	278
Settlement of patent fee	949	1 063	-
Acquisition costs	-	1 700	-
Obtaining a quality certificate	104	-	491
Licence fees	-	1 152	847
IT support, electric power	249	204	182
Other	5 643	883	2 756
Total	**14 307**	**17 655**	**10 077**

29. Cash and cash equivalents

	31 December 2012	31 December 2011	1 January 2011
Cash at bank and in hand	255 186	265 962	345 982
Deposits	5 734	6 858	27 832
Total cash	**260 920**	**272 820**	**373 814**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Fair value of cash and cash equivalents as at 31 December 2012 is PLN 260,920 thousand, as at 31 December 2011 it is PLN 272,820 thousand, as at 1 January 2011 PLN 373,814 thousand.

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

	Year ended 31 December 2012
Change in inventories in the statement of financial position	136 756
Elimination of subsidiary on consolidation	(144)
Adjustment for reclassification of inventories of subsidiaries available for sale	(13 447)
Change in inventories in the statement of cash flows	123 165

(in PLN thousands)

	Year ended 31 December 2012
Change in receivables in the statement of financial position	759 813
Adjustment for receivables of a subsidiary eliminated on consolidation	(5 343)
Adjustment for receivables arising from deposit	541
Adjustment for receivables arising on disposal of plant, property and equipment	(1 543)
Adjustment for advance payments on account of execution of long-term contracts	(364 670)
Adjustment for receivables arising from disposal of Organised Part of Enterprise	(13 268)
Adjustment for reclassification of assets of subsidiaries available for sale	(145 221)
Change in receivables in the statement of cash flows	230 309

	Year ended 31 December 2012
Change in accruals and prepaid expenses in the statement of financial position	**(3 890)**
Adjustment for accruals and prepaid expenses of a subsidiary eliminated on consolidation	268
Adjustment for reclassification of assets of subsidiaries available for sale	6 897
Change in accruals and prepaid expenses in the statement of cash flows	3 275

	Year ended 31 December 2012
Change in liabilities in the statement of financial position	**(159 199)**
Adjustment for lease liabilities	657
Adjustment for acquisition of non-current assets	7 212
Adjustment for elimination of a subsidiary from consolidation	3 611
Adjustment for liabilities from disposal of subsidiaries and investment property	(86 960)
Adjustment for liabilities arising from redemption of debentures	(1 000)
Adjustment for reclassification of liabilities of subsidiaries available for sale	116 269
Change in liabilities in the statement of cash flows	(119 410)

	Year ended 31 December 2012
Change in loan liabilities in the statement of financial position	**176 524**
Adjustment for reclassification of loans of subsidiaries available for sale	88 904
Change in loan liabilities in the statement of cash flows	265 428

	Year ended 31 December 2012
Change in provisions in the statement of financial position	**243 847**
Adjustment for elimination of a subsidiary from consolidation	459
Adjustment for reclassification of provisions of subsidiaries available for sale	8 581
Change in provisions in the statement of cash flows	252 887

(in PLN thousands)

	Year ended 31 December 2011
Change in receivables in the statement of financial position	(531 891)
Adjustment for receivables arising on disposal of plant, property and equipment	1 652
Change in receivables in the statement of cash flows	(530 239)

	Year ended 31 December 2011
Change in liabilities in the statement of financial position	687 286
Adjustment for lease liabilities	(4 148)
Adjustment for liabilities relating to investment acquisitions	(6 954)
Change in liabilities in the statement of cash flows	676 184

The „Other" items in operating activities of consolidated 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 202,608 thousand, revaluation of property, plant and equipment of the Group in the amount of PLN 37,254 thousand, write-off on non-current and current assets of PLN 34,175 thousand, conversion of debentures PLN 12,500 thousand, other PLN (3,617) thousand.

The „Other" items in operating activities of consolidated statement of cash flows for the year ended 31 December 2011 comprise in particular of: valuation of currency options of PLN 3,823 thousand, valuation of managerial options of PLN (897) thousand, change in deposits of PLN (1,670) thousand, valuation of investment property of PLN (1,147) thousand.

30. Available for sale long-term assets

	31 December 2012	*31 December 2011*	*1 January 2011*
Non-current assets	**299 731**	**359**	**-**
Property, plant and equipment	274 249	359	-
Intangible assets	1 568	-	-
Financial assets	578	-	-
Non-current receivables	117	-	-
Deferred tax assets	23 219	-	-
Current assets	**163 276**	**-**	**-**
Inventories	13 447	-	-
Trade and other receivables	141 548	-	-
Income tax receivables	36	-	-
Prepaid expenses	583	-	-
Cash and cash equivalents	5 358	-	-
Financial assets	2 304	-	-
Total available for sale long-term assets	**463 007**	**359**	**-**

In line with the provisions of the Agreement on Regulations of Debt Servicing signed on 21 December 2012 the Issuer 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 48) 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.

(in PLN thousands)

31. Issued capital and supplementary/ reserve capital

31.1. 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 in 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.

(in PLN thousands)

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 Group 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 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.

  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.

31.1.1 *Shareholders rights*

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

31.1.2 *Shareholders with the 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**

(in PLN thousands)

	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%**

31.1.3 *Shareholders with significant share after the statement of financial position date*

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

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**

31.2. Supplementary capital

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

31.3. Revaluation reserve

The revaluation reserve was recognised in connection with the application of hedge accounting by the Group. 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 41.2 to the consolidated financial statements.

31.4. Other capital

Other capital of the Group relate to the effect of the settlement of combinations with subsidiaries mentioned in Note 31.1 in the amount of PLN (85,254) thousand.

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

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

16,535,013 bearer subscription warrants were vested.
2,525,412 bearer subscription warrants remain to be redeemed.
Warrants may be exercised in the following periods:
- warrants granted for 2006: from 1 October 2010 to 31 December 2013,
- warrants granted for 2007: from 1 October 2011 to 31 December 2013,
- warrants granted for 2008: from 1 October 2012 to 31 December 2013,

In 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 Issuer 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 Issuer 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 Issuer share,
- Criterion 2: Meeting the required growth rate of consolidated earnings per Issuer share,
- Criterion 3: Achieving the required difference between the change in the simple average of Issuer 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 Issuer 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,

(in PLN thousands)

- 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 Issuer 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).

31.6. Non-controlling interests

	Year ended 31 December 2012	*Year ended 31 December 2011*
At the beginning of the year	12 149	9 687
Profit/(loss) for the year	(1 493)	2 497
Share issue for the parent company in a subsidiary	(6 470)	-
Share issue for non-controlling interests in a subsidiary	116	-
Consolidation adjustments relating to change of control over a subsidiary	(229)	-
Other adjustments on subsidiaries' equity	41	(35)
At the end of the year	**4 114**	**12 149**

32. Interest-bearing bank loans and borrowings

Bank / financing entity	Capital Group Entity	Maturity	*31 December 2012*	*31 December 2011*	*31 December 2010*
Current					
	Parent company		**30 981**	**208 090**	**154 091**
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
PKO BP S.A. – working capital facility in EUR (current portion)***)		31.12.2013	-	8 503	1 188
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. – working capital facility 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	-

(in PLN thousands)

ING Bank Śląski – a working capital facility up to PLN 7,718 thousand *(on 24.07.2012 an understanding was concluded under which the loan principal shall be repaid in 8 equal monthly instalments with the first instalment paid 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 PLN 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*

Sefako Group*		**-**	**35 005**	**24 543**
Bank PEKAO S.A. – bank overdraft up to PLN 10,000 thousand	30.04.2013	-	8 377	2 242
PKO BP S.A. – working capital facility up to PLN 20,000 thousand	06.07.2013	-	13 164	11 728
PKO BP S.A. – investment loan in PLN (current portion)	31.12.2013	-	7 540	7 539
PKO BP S.A. – investment loan in PLN	31.12.2013	-	-	-
BRE Bank S.A. – investment loan in PLN (repaid)	30.09.2011	-	-	1 067
Bank Spółdzielczy w Sędziszowie– bank overdraft up to PLN 1,500 thousand	31.07.2013	-	1 126	799
Bank Spółdzielczy w Wolbromie– bank overdraft up to PLN 700 thousand (repaid)	30.04.2011	-	-	710
Bank Spółdzielczy w Wolbromie– bank overdraft up to PLN 500 thousand (repaid)	30.04.2012	-	500	-
Bank Spółdzielczy w Wolbromie – investment loan up to PLN 700 thousand (current portion)	30.04.2013	-	200	-
Bank Spółdzielczy w Wolbromie– bank overdraft up to PLN 800 thousand	30.04.2013	-	-	-
PKO BP – working capital facility in the current account (repaid)	10.02.2011	-	-	200
Nordea Bank Polska S.A. – a working capital facility up to PLN 5,000 thousand (repaid as at the date of preparation of these statements)	31.12.2013	-	3 888	-
Nordea Bank Polska S.A. – a bank overdraft up to PLN 2,000 thousand (as at the date of preparation of these statements extended by 31.07.2013)	01.02.2013	-	-	-
Voivodship Environment Protection Fund – loan (current portion)	31.12.2013	-	30	120
Voivodship Environment Protection Fund – loan (current portion)	31.12.2013	-	80	138
Sędziszów Commune – loan (current portion)	31.12.2013	-	100	-
Moduł System Service Sp. z o.o.		**2 027**	**853**	**1 253**
ING Bank Śląski S.A. – bank overdraft up to PLN 1,000 thousand	28.02.2013	989	513	917
Raiffeisen Bank Polska S.A. – a revolving credit facility in PLN (current portion)	31.12.2013	1 038	340	336

(in PLN thousands)

	Sinopol Trade Center Sp. z o.o.	**-**	**790**	**613**
Polski Bank Spółdzielczy – bank overdraft up to PLN 1,050 thousand	05.05.2012	-	790	613
	PPU Elektra Sp. z o.o.	**1 855**	**826**	**639**
PKO BP S.A. – bank overdraft in PLN (repaid)	24.02.2011	-	-	500
PKO BP S.A. – revolving working capital facility in PLN (repaid)	28.02.2011	-	-	100
PKO BP S.A. – revolving working capital facility in PLN (repaid)	28.03.2012	-	-	39
Bank Millennium S.A. – bank overdraft up to PLN 2,000 thousand	20.04.2013	1 855	418	-
Bank Millennium S.A. – reversed factoring up to PLN 1,000 thousand (cleared)	27.03.2012	-	408	-
	Polimex-Mostostal ZUT Sp. z o.o.	**645**	**453**	**944**
Bank PEKAO S.A. – a bank overdraft up to PLN 1,000 thousand (as at the date of preparation of these statements extended by 31.01.2014)	31.01.2013	645	453	944
	Zakład Transportu Grupa Kapitałowa Polimex Sp. z o.o.	**-**	**224**	**-**
Bank PEKAO S.A. – bank overdraft up to PLN 500 thousand (repaid)	31.12.2012	-	224	-
	Stalfa Sp. z o.o.	**13 724**	**15 342**	**13 582**
Fortis Bank Polska S.A. – bank overdraft up to PLN 4,000 thousand - (repaid)	28.01.2011	-	-	3 989
Fortis Bank Polska S.A. – investment loan in PLN (current portion) (repaid)	30.06.2012	-	-	800
Fortis Bank Polska S.A. – long-term loan in PLN (current portion) (repaid)	27.09.2012	-	-	849
Bank PEKAO S.A. – bank overdraft up to PLN 700 thousand	31.07.2013	697	958	993
Alior Bank – bank overdraft up to PLN 7,000 thousand	29.03.2013	5 965	6 845	6 931
Alior Bank – non-revolving credit facility in PLN (current portion)	31.12.2013	1 025	1 083	20
Kredyt Bank (currently BZ WBK S.A.) – a bank overdraft up to PLN 6,720 thousand (as at the date of preparation of these statements extended by 29.04.2013)	31.01.2013	5 650	5 392	-
Kredyt Bank S.A. (currently BZ WBK S.A.) – investment loan in PLN (current portion)	24.05.2013	387	1 064	-
	Tchervonograd MSP -Ukraine	**866**	**4 916**	**1 206**
Ukrgazprombank – working capital facility up to UAH 3,225 thousand	31.12.2013	-	1 830	223
Ukrgazprombank – working capital facility up to EUR 262 thousand	31.12.2013	-	1 147	983
Ukrgazprombank – working capital facility up to EUR 78 thousand	31.01.2013	157	793	-
Kredobank – working capital facility up to USD 274 thousand	08.12.2013	709	1 146	
	Torpol Group	**45 177**	**1 884**	**1 963**
Bank Millennium S.A. – bank overdraft in PLN	04.05.2013	1 467	-	165
Alior Bank S.A. – bank overdraft in PLN	04.09.2013	5 629	-	284
Alior Bank S.A. – revolving credit facility in a credit account in PLN	19.06.2013	6 811	-	1 500
WBK S.A. - a bank overdraft in PLN (as at the date of preparation of these statements extended by 31.03.2013)	28.02.2013	24 257	-	14

(in PLN thousands)

DnB Nord Polska S.A. – bank overdraft in PLN		30.06.2013	2 343	1 884	-
Bank PEKAO S.A. – bank overdraft in PLN		30.06.2013	4 670	-	-
	PRInż -1 Sp. z o.o.		**12 942**	**10 344**	**5 289**
BOŚ S.A. – a revolving working capital facility with the sublimit up to PLN 10,000		15.05.2015	10 000	8 650	3 498
BOŚ S.A. – investment loan in PLN (current portion)		30.06.2014	635	427	420
BOŚ S.A. – a bank overdraft with sublimit up to PLN 2,500 thousand		15.05.2015	2 173	1 145	1 311
VOLKSWAGEN Bank Polska S.A. – loan to purchase a car in PLN		12.10.2011	-	-	20
VOLKSWAGEN Bank Polska S.A. – loan to purchase a car in PLN		12.10.2011	-	-	20
VOLKSWAGEN Bank Polska S.A. – loan to purchase a car in PLN		12.10.2011	-	-	20
VOLKSWAGEN Bank Polska S.A. – loan to purchase a car in PLN		20.04.2012	-	20	-
VOLKSWAGEN Bank Polska S.A. – loan to purchase a car in PLN		02.05.2012	-	21	-
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN		16.03.2014	41	29	-
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN		16.06.2014	48	28	-
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN		25.10.2014	45	24	-
	Energop Sp. z o.o.		**9 303**	**16 391**	**14 624**
RBS Bank (Polska) S.A. – investment loan in EUR		25.03.2013	9 303	12 231	14 624
RBS Bank (Polska) S.A. – a bank overdraft in EUR (repaid)		31.08.2012	-	4 160	-
	Energomontaż Północ-Gdynia Sp. z o.o.		**-**	**-**	**36**
Bank Millennium S.A. - a bank overdraft in PLN (as at the date of preparation of these statements extended by 05.02.2014)		05.02.2013	-	-	36
	Centrum Projektowe Polimex Mostostal Sp. z o.o.		**9 312**	**6 885**	**5 035**
Bank PEAKO S.A. – a bank overdraft repaid in monthly instalments (the limit as at 2012-12-31 PLN 1,000 thousand)		30.11.2013	972	1 247	1 048
Bank Millennium S.A. – a bank overdraft up to PLN 5,400 thousand (as at the date of preparation of these statements extended by 16.03.2013)		15.02.2013	5 400	3 280	2 939
Voivodship Environment Protection Fund – loan in PLN (current portion)		31.12.2013	17	17	17
Orzesko-Knurowski Polski Bank Spółdzielczy – bank overdraft up to PLN 2,000 thousand		19.10.2013	1 892	1 310	-
Orzesko-Knurowski Bank Spółdzielczy – investment loan in PLN (current portion)		31.12.2013	1 031	1 031	1 031
	Polimex-Development Kraków Sp. z o.o.		**15 703**	**17 383**	**22 524**
PKO BP S.A. – investor loan in PLN		31.03.2013	4 255	4 190	5 400
PKO BP S.A. – investor loan in PLN		31.03.2013	11 448	13 193	17 124
	Coifer Group		**20 186**	**17 390**	**21 520**
Intensa Sanpaolo – investment loan in EUR (current portion)		31.12.2013	1 857	1 967	2 565
Fortis Bank – bank overdraft up to EUR 4,500 thousand (repaid)		15.12.2010	-	-	17 796
Unicredit Tiriac Bank – a bank overdraft up to EUR 4,500 thousand (as at		15.01.2013	18 329	15 423	-

(in PLN thousands)

the date of preparation of these statements extended by 13.09.2013)					
Natural persons (former shareholders) – loans in EUR (cleared)		31.12.2010	-	-	1 159
	Grande Meccanica SpA		**14 193**	**14 539**	**9 519**
Cassa Di Risparmie di Terni e Nami SpA – working capital facility in EUR		Open	-	-	680
Banca Pop. Di Spoleto – revolving working capital facility up to EUR 1,000 thousand		Open	3 155	3 307	3 430
Monte dei Pachi di Sienna – working capital facility up to EUR 892 thousand		Open	3 639	7 857	20
Banca Nationale Del Lavoro SpA – working capital facility up to EUR 950 thousand		Open	3 475	548	3 112
Unicredit Banca d'Impressa – working capital facility up to EUR 1,000 thousand		Open	3 924	2 827	2 277
	WBP Zabrze Sp. z o.o.		**2 275**	**1 771**	**-**
Orzesko-Knurowski Polski Bank Spółdzielczy – bank overdraft up to PLN 3,000 thousand		15.05.2013	2 275	1 771	-
	Pracownia Wodno Chemiczna Ekonomia Sp. z o.o.		**45**	**21**	**26**
Volkswagen Bank Polska S.A. – investment loan in PLN		05.11.2011	-	-	13
Volkswagen Bank Polska S.A. – investment loan in PLN (current portion)		31.12.2011	-	-	13
ING Bank Śląski S.A. – bank overdraft up to PLN 200 thousand		28.02.2013	16	21	-
Volkswagen Bank Polska S.A. – investment loan in PLN		02.10.2013	13	-	-
Volkswagen Bank Polska S.A. – investment loan in PLN (current portion)		11.12.2014	16	-	-
	Zakład Budowlano-Instalacyjny Turbud Sp. z o.o.		**-**	**324**	**-**
PEKAO S.A. – bank overdraft up to PLN 500 thousand (repaid)		31.08.2012	-	324	-
Non-current					
	Parent company		**459 438**	**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 shall be 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

(in PLN thousands)

Kredyt Bank S.A. (currently BZ WBK S.A.) – a working capital facility in PLN *(as of 21.12.2012 the Bank entered into the Agreement on Regulations of Debt Servicing, the facility shall be repaid in line with the payment schedule by 31.12.2016)*	31.12.2016	39 338	-	-
Sefako Group*		**-**	**25 249**	**32 599**
PKO BP S.A. – investment loan in PLN	30.01.2016	-	23 249	30 789
PKO BP S.A. – investment loan in PLN	31.03.2015	-	-	-
Bank Spółdzielczy w Wolbromie – investment loan up to PLN 700 thousand	30.04.2014	-	500	-
Voivodship Environment Protection Fund – loan in PLN	31.10.2016	-	249	431
Voivodship Environment Protection Fund – loan in PLN	31.10.2016	-	451	379
Sędziszów Commune – loan in PLN	20.08.2017	-	800	1 000
Moduł System Service Sp. z o.o.		**-**	**1 010**	**1354**
Raiffeisen Bank Polska S.A. – revolving credit facility in PLN	31.12.2013	-	1 010	1 354
Stalfa Sp. zo.o.		**170**	**554**	**2 237**
Fortis Bank Polska S.A. – investment loan in PLN (repaid)	31.12.2013	-	-	1 600
Fortis Bank Polska S.A. – non-current loan in PLN (repaid)	27.09.2012	-	-	637
Kredyt Bank S.A. (currently BZ WBK S.A.) - investment loan in PLN	24.05.2013	-	387	-
Alior Bank – non-revolving credit facility in PLN	28.02.2014	170	167	-
PRInż -1 Sp. z o.o.		**-**	**765**	**1 051**
BOŚ Bank S.A. – investment loan in PLN	30.06.2014	-	631	1 051
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN	16.03.2014	-	41	-
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN	16.06.2014	-	48	-
Getin Noble Bank Polska S.A. – loan to purchase a car in PLN	25.10.2014	-	45	-
Centrum Projektowe Polimex Mostostal Sp. z o.o.		**10 425**	**11 472**	**12 520**
Orzesko-Knurowski Bank Spółdzielczy – investment loan in PLN	18.12.2023	10 307	11 337	12 368
Voivodship Environment Protection Fund – loan in PLN	15.10.2020	118	135	152
PPU Elektra Sp. z o.o.		**-**	**-**	**10**
PKO BP S.A. – revolving working capital facility in PLN (repaid)	28.03.2012	-	-	10
Coifer Group		**7 365**	**10 001**	**10 583**
BRD – investment loan in EUR (repaid)	01.04.2011	-	-	81
BRD – investment loans in EUR (repaid)	01.09.2011	-	-	720
Intensa Sanpaolo – investment loan in EUR	08.12.2017	7 365	10 001	9 782
Tchervonograd MSP -Ukraine		**2 282**	**-**	**-**
Ukrgazprombank – a working capital facility	18.09.2014	1 226	-	
Ukrgazprombank – a working capital facility	18.09.2014	1 056	-	-
Pracownia Wodno-Chemiczna Ekonomia Sp. z o.o.		**18**	**13**	**26**
Volkswagen Bank Polska S.A. – investment loan in PLN	11.12.2014	18	13	26

(in PLN thousands)

	Energomontaż-Północ Gdynia Sp. z o.o.		**-**	**2 105**	
Bank Millennium S.A. – investment loan in EUR		31.12.2018	-	2 105	-
	Polimex – Development Inwestycje Sp. z o.o. Apartamenty Tatarska		**6 632**	**2 120**	
BRE Bank S.A. – investment loan in PLN		15.08.2014	6 632	2 120	-

Interest-bearing bank loans and borrowings	**665 564**	**489 040**	**461 549**
Current, of which:	**179 234**	**352 289**	**277 407**
Bank loans	179 217	352 062	275 973
Borrowings	17	227	1 434
Non-current, of which:	**486 330**	**136 751**	**184 142**
Bank loans	486 212	135 116	181 379
Borrowings	118	1 635	2 763

* As at the date of preparation of this report conditions precedent of the conditional contract to sell Fabryka Kotłów Sefako S.A. were fulfilled. As of 31.01.2013 Polimex-Mostostal S.A. transferred to the Buyer, i.e. MARS Closed Investment Fund with the registered office in Warsaw the ownership of 1,175,705 registered shares constituting approx. 95.97%, of which Polimex-Mostostal S.A. informed in Current Report No. 13/2013 of 31.01.2013.

Comparison of interest rates for the periods	*31 December 2012*	*31 December 2011*	*1 January 2011*
Weighted average for bank loans in PLN	WIBOR 1M + 1.6012p/p	WIBOR 1M + 1.4601p/p	WIBOR 1M + 1.5815 p/p
	WIBOR 3M + 2.3263 p/p	WIBOR 3M + 2.1958 p/p	WIBOR 3M + 2.8522 p/p
	-	WIBOR ON + 1.9500 p/p	WIBOR ON + 1.9500 p/p
	-	WIBOR 6M + 2.8500 p/p	WIBOR 6M + 2.8500 p/p
Weighted average for bank loans in EUR	EURIBOR 1M +3.0000 p/p	EURIBOR 1M +1.5973 p/p.	EURIBOR 1M +2.1346 p/p
	LIBOR 1M +2.5000 p/p	LIBOR 1M +0.9500 p/p	LIBOR 1M +0,9500 p/p
	EURIBOR 3M +2.8555 p/p	EURIBOR 3M +2.5755 p/p	EURIBOR 3M +2.1270 p/p

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 Issuer signed with 14 banks financing Issuer’s operations and Debenture Holders a standstill agreement to refrain from the enforcement of Issuer’s liabilities in the total amount of PLN 2.5 billion.

Apart from the Issuer, the banks financing the operations of the Issuer i.e. the banks which granted loans or guarantees on request of the Issuer and Debenture Holders holding receivables arising from the debentures issued by the Issuer 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 Issuer negotiated with its financial Creditors the final understanding amending the terms and conditions of debt financing of the Issuer. In line with the provisions of the Annex to Standstill Agreement, signed on 20 September 2012, the life of terms and conditions of the Agreement was extended by 31 March 2013.

(in PLN thousands)

On 21 December 2012 the Issuer 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 Issuer by Creditors.

Under the Agreement on Regulations of Servicing Debt, Debenture Holders assumed an obligation to converse debt arising from debentures issued by the Issuer 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.

34. Other non-current liabilities

	31 December 2012	*31 December 2011*	*1 January 2011*
Leases	37 480	43 048	38 607
Non-current guarantee payment liabilities	58 864	47 631	44 480
Deposits	39	1 603	1 157
Financial asset purchase payables	-	-	1 175
Advance payments received for performace of power engineering contracts	261 600	-	-
Fixed asset purchase payables	-	1 021	996
Other	15	958	460
Total	**357 998**	**94 261**	**86 875**

35. Provisions

35.1. Movements in provisions

	Provisions for guarantee repairs and refunds	*Restructuring provision*	*Post-employment benefits*	*Other provisions*	*Total*
As at 1 January 2012	15 315	-	57 539	54 740	127 594
Elimination on subsidiary consolidation	-	-	(89)	(615)	(704)
Recognised during the year	34 351	52 312	11 970	228 442	327 075
Utilised	(13 478)	(35 559)	(386)	(729)	(50 152)
Released	(2 736)	-	(10 063)	(10 992)	(23 791)
Reclassifications	(3 245)	-	(2 122)	(3 214)	(8 581)
As at 31 December 2012	30 207	16 753	56 849	267 632	371 441
Current at 31 December 2012	22 317	16 753	695	161 645	201 410
Non-current at 31 December 2012	7 890	-	56 154	105 987	170 031

	Provisions for guarantee repairs and refunds	*Restructuring provision*	*Post-employment benefits*	*Other provisions*	*Total*
As at 1 January 2011	21 862	-	91 573	22 068	135 503
Recognised during the year	13 051	-	2 745	53 364	29 317
Utilised	(8 746)	-	(1 555)	(774)	(11 075)
Released	(10 852)	-	(35 224)	(11 870)	(57 946)
Reclassifications	-	-	-	(8 048)	(8 048)
As at 31 December 2011 *(restated)*	15 315	-	57 539	54 740	127 594
Current at 31 December 2011 *(restated)*	10 303	-	8 947	53 352	72 602
Non-current at 31 December 2011 *(restated)*	5 012	-	48 592	1 388	54 992

(in PLN thousands)

35.2. Guarantee and refund provision

The Group recognised in the statement of financial position guarantee repair provisions in the amount of PLN 30,207 thousand as at 31 December 2012, PLN 15,315 thousand as at 31 December 2011 and PLN 21,862 thousand as at 1 January 2011. Assumptions used to compute the provision for guarantees were based on current sales levels and current information available about the contractual guarantee period for all products sold.

35.3. Restructuring provision

In July 2012 the Board of the Issuer made a decision to restructure employment using the group redundancy procedure in the following segments of the Issuer: 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 Issuer 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 Issuer. In line with the wording of the notices, employment relationship of the employees of the Issuer covered with the group redundancy procedure shall be terminated successively by 31 March 2013.

In January 2013 the Issuer informed trade unions and Employment Agencies of the intention to terminate employment relationships with 422 employees in total: (i) on 8 January 2013 the Issuer 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 Issuer 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 Parent 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. Employee benefits and other post-employment benefits

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

On 30 November 2012 the Issuer 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 table below presents the amounts of the provision and reconciliation showing movements in the benefit liability over the reporting period:

	31 December 2012	*31 December 2011*
At the beginning of the year	57 539	91 573
Provision recognized	11 970	2 745
Benefits paid	(386)	(1 555)
Provision released	(10 063)	(35 224)
Elimination on subsidiary consolidation	(89)	-
Reclassifications	(2 122)	-
At the end of the year	**56 849**	**57 539**

(in PLN thousands)

35.4.1 *Main assumptions made by an actuary*

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

35.5. Other provisions

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

Parent company

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	10 694	12 209	17 738
To third parties	1 190 428	1 708 883	1 056 083
	1 201 122	**1 721 092**	**1 073 821**
Taxation, customs duty, social security and other payables			
VAT	92 159	49 697	53 349
Withholding tax	9	508	641
Personal income tax	16 492	11 934	10 929
Social Insurance Institution (ZUS)	44 947	51 069	42 037
National Disabled Persons Rehabilitation Fund (PFRON)	745	989	809
Other	(1 076)	3 321	2 108
	153 276	**117 518**	**109 873**
Financial liabilities			
Foreign currency contracts	-	4 069	565
Liabilities from disposal of financial assets and investment property	86 960	1 000	16 247
Leases	13 067	18 322	15 715
Other	179	78	2 305
	100 206	**23 469**	**34 832**
Other liabilities			
Remuneration payable to employees	42 948	49 331	46 006
Fixed asset purchase payables	5 056	15 774	10 728
Arrangement payment liabilities	-	-	1 837
Social fund	2 276	(471)	806
Other liabilities	40 880	41 987	10 896
	91 160	**106 621**	**70 273**
Total current liabilities	**1 545 764**	**1 968 700**	**1 288 799**
Accruals and deffred income:			
Unused annual leave	21 950	25 393	18 236
Bonuses and rewards	9 854	22 010	23 789
Long-term contracts	1 125	6 509	8 059
Other	14 879	3 281	4 861
	47 808	**57 193**	**54 945**

(in PLN thousands)

Terms and conditions of payment of financial liabilities presented above:

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

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

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

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

Interest payable is normally settled based on accepted interest notes.

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

	31 December 2012	*31 December 2011 (restated)*	*1 January 2011*
Up to one month*	463 524	818 941	660 463
Over 1 month to 3 months	133 656	313 343	169 085
Over 3 months to 6 months	10 501	19 841	7 057
Over 6 months to 1 year	79 294	31 433	31 809
Past due liabilities	514 147	537 534	205 407
Total trade payables	**1 201 122**	**1 721 092**	**1 073 821**

*of which: liabilities arising from IAS 11 measurement

36.2. Past due trade payables

	31 December 2012	*31 December 2011*	*1 January 2011*
Up to one month	216 582	282 556	96 331
Over 1 month to 3 months	138 798	160 572	41 677
Over 3 months to 6 months	111 164	28 340	32 470
Over 6 months to 1 year	18 877	30 052	16 180
Over 1 year	28 726	36 014	18 749
Total past due liabilities	**514 147**	**537 534**	**205 407**

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

37. Liabilities directly related to assets available for sale

	31 December 2012	*31 December 2011*	*1 January 2011*
Non-current liabilities	**49 688**	**-**	**-**
Interest bearing bank loans and borrowings	42 155	-	-
Provisions	2 024	-	-
Other liabilities	2 973	-	-
Deferred income tax liability	643	-	-
Prepaid expenses	1 893	-	-
Current liabilities	**168 996**	**-**	**-**
Trade and other payables	109 740	-	-
Current portion of interest-bearing bank loans and borrowings	46 749	-	-
Income tax payable	362	-	-
Provisions	6 557	-	-
Prepaid expenses	5 588	-	-
Total liabilities directly related to assets available for sale	**218 684**	**-**	**-**

In line with the provisions of the Agreement on Regulations of Debt Servicing signed on 21 December 2012 the Issuer 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 48) 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.

(in PLN thousands)

38. Contingent liabilities

Off-statement of financial position items and court claims	*31 December 2012*	*31 December 2011*	*1 January 2011*
Contingent liabilities	**2 661 285**	**1 954 913**	**1 641 262**
- guaranties and sureties granted	2 104 146	1 766 151	1 545 506
- promissory notes	237 102	144 778	79 524
- legal claims	190 451	43 984	16 232
- other	129 586	-	-
Other (arising from)	**114 623**	**120 472**	**114 623**
- perpetual usufruct right to land	-	5 849	-
- 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 parent company is the party to legal proceedings before administration authorities on applications filed by former owners to return expropriated plots being the property of State Treasury situated at ul.Górczewska in Warsaw. One of the plots is leased by Polimex-Mostostal S.A., and others are part of real property which is perpetually usufructed by Zarząd Majątkiem Górczewska Sp. z o.o. and administered by this company.

Torpol Group

The parent company acquired in 2008 shares in Elmont - Kostrzyn Wlkp. Sp. z o.o. The acquisition price comprised two components: main price and contingent price. Each year the Board of the Group measured the amount and probability of paying the contingent price. The probability was determined based on actual financial results and plans presented by Elmont - Kostrzyn Wlkp. Sp. z o.o. Due to failure of the subsidiary to meet financial conditions for 2010 the board decided that the portion of contingent price shall not be paid, which was reflected as a decrease in goodwill of PLN 1,200 thousand. In 2011 as a result of claims made by former owners of Elmont - Kostrzyn Wlkp. Sp. z o.o. and based on related legal analyses conducted in relation with this matter, however, the contingent price was paid, which finally increased goodwill by PLN 1,347 thousand.

38.1. Tax settlements

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

Tax authorities may examine the accounting records within up to five years after the end of the year in which the final tax payments were to be made. Consequently, the Group may be subject to additional tax liabilities, which may arise as a result of additional tax audits. The Group believes that adequate provisions have been recorded for known and quantifiable risks in this regard as at 31 December 2012 and as at 31 December 2012.

(in PLN thousands)

39. Related party disclosures

The table below presents total amounts of transaction concluded with related parties for the year ended 31 December 2012, 31 December 2011 and 1 January 2011 and as at that date:

Related party		***Sales to related parties***	***Purchases from related parties***	***Amounts owed by related parties***	***Amounts owed to related parties***
Associates	*2012*				
Energomontaż Północ Bełchatów Sp. z o.o.		**1 902**	**10**	**85**	**-**
Polimex-Sices Sp. z o.o.		**6**	**-**	**3 001**	**10 683**
Laboratorium Ochrony Środowiska Pracy Sp. z o.o.		**-**	**20**	**-**	**-**
Sices Montaż Sp. z o.o.		**-**	**-**	**-**	**-**
Terminal LNG S.A.		**-**	**-**	**-**	**-**
Lineal Sp.z o.o.		**5**	**111**	**-**	**11**
		1 912	**141**	**3 086**	**10 694**
Associates	*2011*				
Energomontaż Północ Bełchatów Sp. z o.o.		462	8	133	-
Polimex-Sices Sp. z o.o.		659	6 050	3 001	10 813
Laboratorium Ochrony Środowiska Pracy Sp. z o.o.		-	79	-	34
Sices Montaż Sp. z o.o.		-	-	-	-
Terminal LNG S.A.		6	-	-	-
Lineal Sp.z o.o.		-	3758	-	1362
Total		**1 127**	**9 895**	**3 134**	**12 209**
Associates	*2010*				
Energomontaż Północ Bełchatów Sp. z o.o.		97		92	-
Polimex-Sices Sp. z o.o.		30 300	98 645	8 291	17 703
Laboratorium Ochrony Środowiska Pracy Sp. z o.o.		-	54	-	35
Sices Montaż		2 752	-	168	-
Terminal LNG S.A.		2	-	3	-
Total		**33 151**	**98 699**	**8 554**	**17 738**

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

40. Compensation of the Board of Directors and of the Supervisory Board of the Parent Company

	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

(in PLN thousands)

Compensation paid by the Issuer to the Board of Directors for 2012 amounted to PLN 4,759 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
Vice President of the Board by 31 August	Grzegorz Szkopek	644	948
Vice President of the Board by 30 November	Zygmunt Artwik	784	943
Total		**4 174**	**4 722**

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

(in PLN thousands)

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

Compensation of the Board of Directors in subsidiaries, of which:

		Year ended 31 December 2012	*Year ended 31 December 2011*
Acting President of the Board	Robert Oppenheim	27	-
Vice President of the Board	Aleksander Jonek	6	64
President of the Board by 10 August 2012	Konrad Jaskóła	36	42
Vice President of the Board by 31 August	Grzegorz Szkopek	41	53
Vice President of the Board by 30 November	Zygmunt Artwik	50	48
Total		**160**	**207**

41. Financial risk management objectives and policies

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

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

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

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

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Management reviews and agrees on policies for managing each of these risks - the policies are summarised below. The Group also monitors the market price risk arising from all financial instruments it holds. The magnitude of this risk that has arisen over the year is discussed in Note 41.3. The Group's accounting policies in relation to derivatives are set out in note 12.14.

As at 31 December 2012 the Group held the following financial instruments measured at fair value:

	Level 1	*Level 2*	*Level 3*
Financial assets at fair value through profit or loss – derivative instruments	-	2 305	-
Available-for-sale financial assets	-	-	-
Financial liabilities measured at fair value, of which:	-	(1 325)	-
- hedge accounting		(1 466)	
-derivative instruments		141	

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

	Level 1	*Level 2*	*Level 3*
Financial assets at fair value through profit or loss – derivative instruments	-	23	-
Available-for-sale financial assets	-	-	-
Financial liabilities measured at fair value, of which:	-	2 603	-
- hedge accounting		(1 466)	
-derivative instruments		4 069	

(in PLN thousands)

As at 1 January 2011 the Group held the following financial instruments measured at fair value:

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

In 2012 no items moved between Level 1 and Level 2 of fair value hierarchy or no instruments were moved to the level of fair value.

41.1. Interest rate risk

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

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

Interest rate risk – sensitivity to changes

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

Analysis of sensitivity to changes in interest rates

	Amount exposed to risk	***Increase/decrease by***	
		+0,5%	***-0,5%***
For the year ended 31 December 2012			
Cash in bank accounts	260 920	1 305	(1 305)
Loans granted	143	1	(1)
Bank loans and borrowings received	665 564	(3 328)	3 328
Obligations under finance lease agreements	50 547	(253)	253
Debentures	143 874	(719)	719
Effect on profit before tax	**-**	**(2 995)**	**2 995**
Deferred tax	-	569	(569)
Total	**-**	**(2 426)**	**2 426**

	Amount exposed to risk	***Increase/decrease by***	
		+0.5%	***-0.5%***
For the year ended 31 December 2011			
Cash in bank accounts	272 820	1 364	(1 364)
Loans granted	144	1	(1)
Bank loans and borrowings received	489 040	(2 445)	2 445
Obligations under finance lease agreements	61 370	(307)	307
Debentures	407 742	(2 039)	2 039
Effect on profit before tax	**-**	**(3 426)**	**3 426**
Deferred tax	-	651	(651)
Total	**-**	**(2 775)**	**2 775**

41.2. Foreign currency risk

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

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

I) companies which have document risk management strategy and implemented hedge accounting policies; at the statement of financial position date this group includes Polimex-Mostostal S.A., Torpol Sp. z o.o. and FK Sefako S.A.

II) companies not applying hedge accounting.

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

in portion recognised as an effective hedge -directly in other comprehensive income,

in portion recognised as ineffective - in the income statement.

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

Polimex-Mostostal Capital Group

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

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

It is the Group's policy to negotiate the terms of hedging derivative instruments to match the terms of the hedged item so as to maximise hedge effectiveness. The Group Companies monitor the market situation on regular basis and confront hedging transactions they held with projected exposure to foreign currency risk. In 2012, the Capital Group Companies 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 the volume of concluded hedging transactions

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

At 31 December 2012 total maximum nominal value of open hedging transactions entered into by the Group companies amounted to EUR 1,710 thousand and USD 4,950 thousand.

Maturity of all hedging transactions falls in 2013. The time composition of hedging instruments for the foreign currency risk for EUR PLN and USD PLN pair in individual quarters of 2013 (according to the criterion of planned exercise date) is presented in the table below.

Instrument settlement period	Maximum nominal amount of hedging instruments to be settled in EUR thousands	Maximum nominal amount of hedging instruments to be settled in USD thousands
1st quarter	1 264,0	1 450,0
2nd quarter	446,0	0,0
3rd quarter	0,0	2 100,0
4th quarter	0,0	1 400,0
Total in 2013	**1 710,0**	**4 950,0**

Measurement of derivative instruments as at 31 December 2012.

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

As at 31 December 2012 the total fair value of open instruments hedging foreign exchange risk in the Group was calculated at the amount of PLN 2,302.7 thousand. Movements in the derivative instrument revaluation reserve in the Group Companies (including Polimex-Mostostal S.A.) are presented in the table below (movements after taking into consideration the effect on deferred tax) – in PLN thousands.

As at 31.12.2011	Movement in 2012	As at 31.12.2012
(1 188)	3 081	1 893

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

Fluctuations of the average exchange rate of EUR have significant influence on the amount of income expressed in PLN resulting from contracts concluded in a foreign currency. Based on contracts which have been entered into and contracts which are highly probable to be concluded, the Capital Group assessed the foreign currency exposure in the period from January to December 2013 as follows:

Detailed list	**2013**
Projected foreign currency proceeds – equivalent in EUR thousands	178 474
Projected foreign currency expenditures – equivalent in EUR thousands	54 259
Business exposure to foreign currency risk in EUR thousands	**124 215**
Open hedging transactions as at 31.12.2012 to be exercised in 2013; in EUR thousands	1 710
Open item in foreign currency (after taking into consideration hedging transactions) in EUR thousands	**122 505**

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

Foreign currency risk exposure*

	31 December 2012			*31 December 2011*			*1 January 2011*		
	EUR	*USD*	*SEK*	*EUR*	*USD*	*GBP*	*EUR*	*USD*	*GBP*
Trade receivables	47 684	4 293	11 372	74 961	4 870	486	75 524	5 844	856
Hedged bank loans	2 468	-	-	16 409	-	-	14 663	-	-
Trade payables	11 362	2 704	13 894	33 205	928	366	32 776	1 073	-
Gross carrying amount	33 854	1 589	(2 522)	25 347	3 942	120	28 085	4 771	856
Estimated sales forecast	143 816	700	-	244 312	-	4 845	325 622	2 821	4 747
Estimated purchase forecast	54 650	7 140	-	146 211	15 124	902	144 102	18 864	189
Gross exposure	89 166	(6 440)	-	98 101	(15 124)	3 943	181 520	(16 043)	4 558
Forward foreign currency contracts	-	-	-	(1 018)	-	-	(46 026)	(1 350)	(1 669)
Foreign currency option contracts	-	-	-	(5 235)	-	(1 290)	(7 039)	-	(2 080)
Net exposure	123 020	(4 851)	(2 522)	117 195	(11 182)	2 773	155 340	(12 622)	1 665

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

(in PLN thousands)

Foreign currency risk sensitivity analysis 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	27 626	2 733	(2 733)	10	(10)	20	(20)
Trade and other receivables	207 484	18 877	(18 877)	1 331	(1 331)	541	(541)
Derivative financial instruments	-	-	-	-	-	-	-
Trade and other payables	57 214	(4 223)	4 223	(838)	838	(661)	661
Bank loans, borrowings and other sources of finance	10 090	(1 009)	1 009	-	-	-	-
Effect on profit before tax	**-**	**16 378**	**(16 378)**	**503**	**(503)**	**(100)**	**100**
Derivative financial instruments	-	-	-	-	-	-	-
Effect on total comprehensive income	-	-	-	-	-	-	-

Foreign currency risk sensitivity analysis 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 (zm. -10%)*	*exchange rate (10% change)*	*Exchange rate (-10 % change)*
Cash and cash equivalents	124 165	11 823	(11 823)	222	(222)	371	(371)
Trade and other receivables	349 929	32 948	(32 948)	1 789	(1 789)	256	(256)
Derivative financial instruments	-	-	-	-	-	-	-
Trade and other payables	151 760	(14 666)	14 666	(317)	317	(193)	193
Bank loans, borrowings and other sources of finance	72 477	(7 248)	7 248	-	-	-	-
Effect on profit before tax	**-**	**22 857**	**(22 857)**	**1 694**	**(1 694)**	**434**	**(434)**
Derivative financial instruments	(2 176)	(3 645)	3 433	-	-	(604)	464
Effect on total comprehensive income	**(2 176)**	**(3 645)**	**3 433**	**-**	**-**	**(604)**	**464**

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

(in PLN thousands)

41.3. Raw material price risk

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

41.4. 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 0.38 % of the statement of Group's 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 Group 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 Group. 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. 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 27.1 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 27.2 of the additional explanatory notes.

41.5. Liquidity risk

The risk of the Group losing liquidity arises from the fact that the amounts and payment periods for receivables and payables do not match. 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 Group'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	-	94 527	84 707	480 096	6 234	665 564
Debentures	-	-	-	143 874	-	143 874
Other non-current liabilities, of which:	-	-	15	346 893	11 090	357 998
- Leases	-	-	-	26 390	11 090	37 480
Trade and other payables, of which:	524 365	921 416	99 983	-	-	1 545 764
- Leases	-	3 407	9 660	-	-	13 067
	524 365	**1 015 943**	**184 705**	**970 863**	**17 324**	**2 713 200**

(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	-	16 731	335 558	127 471	9 280	489 040
Debentures	-	32 500	302 242	73 000	-	407 742
Other non-current liabilities, of which:	-	-	-	82 218	12 043	94 261
- Leases	-	-	-	31 005	12 043	43 048
- Derivatives	-	-	-	-	-	-
Trade and other payables, of which:	555 180	1 353 573	59 947	-	-	1 968 700
- Leases	-	4 582	13 740	-	-	18 322
- Derivatives		1 907	2 162	-	-	4 069
	555 180	**1 402 804**	**697 747**	**282 689**	**21 323**	**2 959 743**

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

(in PLN thousands)

42. Financial instruments

42.1. Fair values of individual categories of financial instruments

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

Abbreviations used 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* 31 December 2012	31 December 2011	1 January 2011	*Fair value* 31 December 2012	31 December 2011	1 January 2011
Financial assets		**1 741 209**	**2 139 603**	**1 729 307**	**1 741 209**	**2 169 603**	**1 729 307**
Long-term shares and interests		1 114	1 019	1 176	1 114	1 019	1 176
Available-for-sale financial assets	AFS	-	-	594	-	-	594
- non-current		-	-	-	-	-	-
- current		-	-	594	-	-	594
Financial assets held to maturity,	HtM	164	177	158	164	177	158
- non-current		164	177	158	164	177	158
- current		-	-	-	-	-	-
(Current) financial assets at fair value		-	-	-	-	-	-
Other financial assets	LaR	369 022	4 962	3 819	369 022	4 962	3 819
- non-current		272 936	3 559	2 862	272 936	3 559	2 862
- current		96 086	1 403	957	96 086	1 403	957
Trade receivables	LaR	1 109 989	1 860 602	1 339 692	1 109 989	1 860 602	1 339 692
Derivative financial instruments, of which:	FVtPoL	-	23	10 054	-	23	10 054
- *Forward* foreign currency contracts	FVtPoL	-	23	8 907	-	23	8 907
- Currency future option contracts	FVtPoL	-	-	1 147	-	-	1 147
- Interest rate options		-	-	-	-	-	-
- Interest rate swaps (IRS)		-	-	-	-	-	-
Cash and cash equivalents	FVtPoL	260 920	272 820	373 814	260 920	272 820	373 814

	Category in accordance with IAS 39	*Carrying amount* 31 December 2012	31 December 2011	1 January 2011	*Fair value* 31 December 2012	31 December 2011	1 January 2011
Financial liabilities		**1 976 277**	**2 326 784**	**1 638 525**	**1 976 277**	**2 326 784**	**1 638 525**
Bank overdraft	FLaAC	86 262	69 375	111 676	86 262	69 375	111 676
Interest-bearing bank loans and borrowings, of which:	FLaAC	579 302	419 665	349 873	579 302	419 665	349 873
- non-current at floating interest rate*	FLaAC	486 330	136 751	183 074	486 330	136 751	183 074
- current at floating interest rate*		92 972	282 914	165 731	92 972	282 914	165 731
- non-current at fixed interest rate	FLaAC	-	-	1 068	-	-	1 068
- other - non-current	FLaAC	-	-	-	-	-	-

Other liabilities (non-current), of which:	FLaAC	96 383	94 261	86 875	96 383	94 261	86 875
- Finance lease and hire purchase contract liabilities	FLaAC	37 480	43 048	38 607	37 480	43 048	38 607
- Guarantee payments and deposits		58 864	49 234	45 637	58 864	49 234	45 637
- Other	FLaAC	39	1 979	2 631	39	1 979	2 631
Trade payables	FLaAC	1 201 122	1 721 092	1 073 821	1 201 122	1 721 092	1 073 821
Short-term lease		13 067	18 322	15 715	13 067	18 322	15 715
Derivative financial instruments, of which:	FVtPoL	141	4 069	565	141	4 069	565
Recognised in revaluation reserve	**FVtPoL**	-	-	-	-	-	-
- foreign currency *option* contracts	FVtPoL	(1 466)	(1 466)	-	(1 466)	(1 466)	-
- forward foreign currency contracts	FVtPoL	-	-	-	-	-	-
Recognised in the profit and loss	FVtPoL	141	4 069	565	141	4 069	565
- currency futures contracts	FVtPoL	141	4 069	-	141	4 069	-
- forward foreign currency contracts	FVtPoL	-	-	565	-	-	565

42.2. 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)*	*Released provisions for impairment*	*Sales adjustment for hedging transactions*	*Valuation gains / (losses)*	*Gain / (loss) on disposal*	*Other*	*Total*
Financial assets		-	***4 518***	***(12 204)***	***(74 249)***	-	***(2 742)***	***(221)***	***1 306***	***(77 666)***
Shares and interests		-	-	-	-	-	-	-	150	150
Available-for-sale financial assets	AFS	-	-	-	-	-	-	-	-	-
Financial assets held to maturity,		-	-	-	-	-	-	-	-	-
Financial assets at fair value		-	-	-	-	-	-	-	-	-
Other financial assets	LaR	-	-	-	-	-	-	-	727	727
Trade and other receivables	LaR	-	1 971	(9 323)	(74 249)	-	(576)	-	429	(81 748)
Derivative financial instruments	FVtPoL	-	-	-		-	2 241	(221)	-	(2 462)
Cash and cash equivalents	FVtPoL	-	2 547	(2 881)	-	-	1 077	-	-	743

	Category in accordance with IAS 39	*Commissions*	*Interest income / (expense)*	*Foreign exchange gains / (losses)*	*Released provisions for impairment*	*Sales adjustment for hedging transactions*	*Valuation gains / (losses)*	*Gain / (loss) on disposal*	*Other*	*Total*
Financial liabilities		***(11 761)***	***(96 892)***	***(3 851)***	***(42 583)***	-	***709***	***(69)***	***((13 610)***	***(168 057)***
Bank overdrafts		-	(6 670)	-	-				(436)	(7 106)
Interest-bearing bank loans and borrowings	FLaAC	(11 761)	(49 558)	(1 585)	-	-	-	-	(224)	(63 128)
Debentures	FLaAC	-	(28 567)	-	-	-	-	-	(12 500)	(41 067)
Sureties					(42 583)					(42 583)
Other non-current liabilities	FLaAC	-	(90)	-	-	-	168	-	-	78
- leases		-	(225)	479	-	-	-	-	-	254
Trade and other payables, of which:	FLaAC	-	(11 817)	(2 266)	-	-	400	-	(450)	(14 133)
- leases		-	(3 023)	(114)	-	-	145	-	-	(2 992)
Derivative financial instruments	FVtPoL	-	(190)	-	-	-	(141)	(69)	-	(118)
Total		***(11 761)***	***(92 374)***	***(16 055)***	***(116 832)***	-	***(3 451)***	***152***	***(12 304)***	***(245 723)***

(in PLN thousands)

Year ended 31 December 2011

	Category in accordance with IAS 39	*Interest income / (expense)*	*Foreign exchange gains / (losses)*	*Released provisions for impairment*	*Sales adjustment for hedging transactions*	*Valuation gains / (losses)*	*Gain / (loss) on disposal*	*Other*	*Total*
Financial assets		***7 559***	***19 258***	***2 802***	***43***	***529***	***(705)***	***632***	***30 118***
Shares and interests		-	-	-	-	-	-	100	100
Available-for-sale financial assets	AFS	-	-	-	-	-	-	-	-
Financial assets held to maturity,		-	-	-	-	-	-	-	-
Financial assets at fair value		-	-	-	-	-	-	-	-
Other financial assets	LaR	2 965	2 105	-	-	-	-	449	5 519
Trade and other receivables	LaR	2 944	4 322	2 802	43	568	(38)	69	10 710
Derivative financial instruments	FVtPoL	-	-		-	134	(678)	14	(530)
Cash and cash equivalents	FVtPoL	1 650	12 831	-	-	(173)	11	-	14 319

	Category in accordance with IAS 39	*Interest income / (expense)*	*Foreign exchange gains / (losses)*	*Released provisions for impairment*	*Sales adjustment for hedging transactions*	*Valuation gains / (losses)*	*Gain / (loss) on disposal*	*Other*	*Total*
Financial liabilities		***(65 475)***	***(11 082)***	***4 511***	***(14)***	***(604)***	***(1 031)***	***(1 704)***	***(75 399)***
Bank overdrafts		(4 152)	-	-				(197)	(4 349)
Interest-bearing bank loans and borrowings	FLaAC	(32 691)	(4 044)	-	-	-	(798)	(305)	(37 838)
Debentures	FLaAC	(24 964)	-	-	-	-	-	-	(24 964)
Other non-current liabilities	FLaAC	(129)	-	4 355	-	-	-	-	4 226
- leases		(271)	(466)	-	-	-	-	-	(737)
Trade and other payables, of which:	FLaAC	(3 410)	(6 144)	156	-	(56)	-	(1 202)	(10 656)
- leases		(3 012)	(43)	-	-	(32)	-	-	(3 087)
Derivative financial instruments	FVtPoL	(129)	(894)	-	(14)	(548)	(233)	-	(1 818)
Total		***(57 916)***	***8 176***	***7 313***	***29***	***(75)***	***(1 736)***	***(1 072)***	***(45 281)***

Abbreviations used:

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

(in PLN thousands)

42.3. Interest rate risk

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

Year ended 31 December 2012

Fixed rate

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

Floating rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	260 920	-	-	-	-	-	260 920
Loans granted	98	9	9	9	9	9	143
Bank overdrafts	86 262	-	-	-	-	-	86 262
Working capital facility and investment loan	92 955	11 973	84 797	380 386	2 872	6 184	579 167
Leases	13 067	9 760	6 835	5 044	4 751	11 090	50 547
Debentures	-	-	18 075	125 799	-	-	143 874
Borrowings	17	17	17	17	17	50	135
Total	453 319	21 759	109 733	511 255	7 649	17 333	1 121 048

Year ended 31 December 2011

Fixed rate

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

Floating rate

	<1 year	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	272 820	-	-	-	-	-	272 820
Loans granted	91	8	8	8	8	21	144
Bank overdrafts	69 375	-	-	-	-	-	69 375
Working capital facility and investment loan	282 687	48 945	42 289	31 008	3 661	9 213	417 803
Leases	18 322	10 485	8 090	7 792	4 638	12 043	61 370
Debentures	334 742	73 000	-	-	-	-	407 742
Borrowings	227	392	392	392	392	67	1 862
Total	978 264	132 830	50 779	39 200	8 699	21 344	1 231 116

(in PLN thousands)

43. Capital management

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

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

	31 December 2012	*31 December 2011*	*1 January 2011*
Interest-bearing bank loans, borrowings and debentures	809 438	896 782	868 315
Trade and other payables	1 903 762	2 062 961	1 375 674
Less cash and cash equivalents	260 920	272 820	373 814
Net debts	2 452 280	2 686 923	1 870 175
Equity	481 402	1 311 960	1 458 698
Capital and net debt	**2 933 682**	**3 998 883**	**3 328 873**
Gearing ratio (net debt/capital and net debt)	83.6%	67.2%	56.2%

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

Under Resolution No 2 of an Extraordinary Shareholder Meeting of 31 January 2006 the share capital of the Parent company may be conditionally increased by amount not higher than PLN 762,417 by issuing not more than 19,060,425 bearer shares at a value of PLN 0.04 each. The aim of increasing the equity is granting rights to take up Company shares to the holders of subscription warrants issued under the incentive plan for the directors and officers of the Company and major subsidiaries.
In accordance with Resolution No 26 of 4 July 2008 the share capital of the Company may be conditionally increased by not more than PLN 928,687.32 by means of issuing not more than 23,217,183 series J bearer shares with nominal value of PLN 0.04 (say oh point zero four) each. The purpose of a conditional increase of the equity is granting rights to take up Company shares to the holders of subscription warrants issued under the incentive plan for the directors and officers of the Company and major subsidiaries. The plan is for three years and the warrants will be issued after meeting assumed growth criteria for each of the reporting periods i.e. 2009, 2010 and 2011.

As at 31 December 2012 and as at 31 December 2011 the balance of provision for the above mentioned plans amounts to 32,086 thousand (as at 1 January 2011 it amounts to PLN 33,221 thousand). Powyższa rezerwa księgowana jest drugostronnie w pozycji kapitał rezerwowy**.** For details of the plan see note 30.4.

45. Long-term construction contracts

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

	Year ended 31 December 2012	*Year ended 31 December 2011 (restated)*
Revenue from rendering services accounted for using the method of contract completion for the given period, of which:		
- revenue from sales (invoiced)	3 737 909	3 766 114
- other revenue (adjusted upwards)	(241 043)	90 921
Total	**3 496 866**	**3 857 035**
Total amount of incurred expenses and recognised gains (less recognised losses)	3 642 440	3 716 873
Advance payments received	356 100	143 287
Retained amounts	87 837	91 769
Gross amount owed by employers for works under the contract (asset)	435 341	683 282
Gross amount owed to employers for works under the contract (liability)	125 142	99 146

(in PLN thousands)

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

	31 December 2012	*31 December 2011*	*1 January 2011*
To settle within:			
- above 12 months	34 897	31 349	39 353
- up to 12 months	52 940	60 420	43 376
Total	**87 837**	**91 769**	**82 729**

46. Employment structure

The average employment in the Group over the period of 2012 and of 2011 was as follows:

	31 December 2012	*31 December 2011*
The Board of Directors of the Parent Company	3	4
Boards of Directors of Group companies	44	44
Back Office	1 782	1 635
Production	11 746	12 607
Total	**13 575**	**14 290**

47. Assets pledged as security

	31 December 2012	*31 December 2011*	*1 January 2011*
Property, plant and equipment	439 484	734 515	622 340
Inventories	270 398	152 016	162 280
Investment properties	12 287	-	-
Assets available for sale	206 613	-	-
Other	12 786	8 877	1 449
Total	**941 568**	**895 408**	**786 069**

(in PLN thousands)

48. 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 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	Aleksander Jonek	Robert Bednarski
Acting President of the Board	Vice President of the Board	Vice President of the Board

The person entrusted
with keeping accounting books

Ewa Kaczorek
Chief Accountant

Warsaw, March 18, 2013.