R E P O R T

OF AN INDEPENDENT CERTIFIED AUDITOR

on an audit of financial statements, supplementing an opinion relating to

ENERGOMONTAŻ-POŁUDNIE

Spółka Akcyjna

in Katowice

1. The audit covered the financial statements for the period
   from 1 January to 31 December 2010,
   in the period from 25 October 2010 to 16 March 2011 with intervals.

2. The audit of the financial statements was carried out by chief certified auditor:
   Bogusława Zemełka, residing at ul. Orkana 9, Sosnowiec.
   Reg. No. 9368

3. The composition of the Management Board of Energomontaż-Południe S.A. from 1 January 2010 to the date of completing the audit was as follows:

President of the Management Board	**Mr Andrzej Hołda**	- until 27 December 2010
Vice-President of the Management Board	**Ms Alina Sowa**	- until 27 December 2010
President of the Management Board	**Mr Radosław Kamiński**	- from 27 December 2010
Vice-President of the Management Board	**Mr Jacek Fydrych**	- from 17 January 2011

(previously a Member of the Management Board)
Member of the Management Board **Mr Dariusz Kowzan** - from 2 February 2010

4. From 1 September 2007, the Chief Accountant was **Ms Wiesława Poźniak**.

5. The composition of the Supervisory Board in the period for which the financial statements were audited was as follows:

Mr Stanisław Gasinowicz	- Chairman of the Supervisory Board
Mr Andrzej Wilczyński	- Deputy Chairman of the Supervisory Board
Mr Marek Skibiński	- Secretary of the Supervisory Board
Mr Grzegorz Wojtkowiak	- Member of the Supervisory Board
Mr Radosław Kamiński	- Member of the Supervisory Board
Mr Andrzej Kowalski	- Member of the Supervisory Board
Mr Tomasz Woroch	- Member of the Supervisory Board

A. GENERAL PART

I. Legal form of the company

The name of the company is: **Energomontaż-Południe Spółka Akcyjna**
Address: **40-951 Katowice, ul. Mickiewicza 15**
The Company may use the short name: ENERGOMONTAŻ-PŁD S.A.
No organisational changes occurred in the Company.

II. Business activities

78 items are recorded in the National Court Register under the heading "business activities". The Company's core activities include:

1. general construction,
2. construction involving erecting steel structures and buildings and building structures made of prefabricated elements,
3. water engineering construction,

4. construction of electricity, gas, water and sewage, central heating and ventilation systems and other building installations;
5. building completion,
6. specialist construction work,
7. renting of construction and demolition equipment with operator,
8. wholesale of construction materials and sanitary equipment,
9. technical tests and analyses,
10. production of metal structures and parts thereof,
11. buying and selling of own real estate.

The activities actually conducted by the Company do not extend outside the scope of activities specified in the register and correspond to its industry identification number (*REGON*) and Statute.

III. Legal basis for the company's business

1. The Commercial Companies Code of 15 September 2000 (Journal of Laws of 2000, No. 94, item 1037, as amended);
2. The Act on Public Offerings, Conditions for Introducing Financial Instruments into an Organised Trading System and Public Companies of 29 July 2005 (Journal of Laws of 2005 No. 184, item 1539, as amended);
3. The Act on Trading in Financial Instruments of 29 July 2005 (Journal of Laws of 2005, No. 183, item 1538, as amended);
4. The Regulation of the Minister of Finance of 19 February 2009 on current and periodic information disclosed by issuers of securities (Journal of Laws of 2009 No. 33, item 259); RESOLUTION NO. 33/259
5. Statute of a Joint Stock Company (*spółka akcyjna*), drawn up in the form of notarial deed Rep. A No. 1661/92 of 7 March 1992; the last amendment was adopted on 20 December 2010 – Rep. A No. 24089/2010. .

IV. Registration authority and date of registration

Ruling of the District Court in Katowice, Commercial Division of the National Court Register of 24 January 2002 on making an entry in the commercial register under No. KRS 0000080906.
An earlier registration was carried out in the District Court in Katowice, 8th Commercial and Register Division, under No. RHB 7927.
The last entry in the National Court Register was carried out on 17 January 2011.
The Company was established in perpetuity.

Tax and statistical registration

Energomontaż-Południe S.A. holds industry identification number

REGON 270649263

assigned by the Statistical Office in Katowice – certificate of 20 September 2005,
and tax identification number

NIP 634-013-54-81

assigned by the Tax Authority in Katowice on 8 June 1993.

The Head of the First Silesian Tax Authority in Sosnowiec confirmed, on 24 April 2004, the registration of the Company as an EU VAT tax payer with the following number:

PL 6340135481

V. Amount of equity

The Company's equity is as follows:

1) **Equity** amounts to	PLN 164 303 000
of which:	
a) stated capital	PLN 92 307 000
b) capital reserves	PLN 32 492 000
c) other capital reserves	PLN 80 776 000
d) retained loss	PLN 40 671 000
e) loss for the current year	PLN 601 000

2) The share capital of Energomontaż-Południe S.A. amounts to PLN 70 972 001, divided into 70 972 001 ordinary bearer shares with a par value of PLN 1.00 per share.
The Company's shares have been the subject of stock exchange trading on the parallel market since 13 November 1997.

The ownership structure of the share capital as at 31 December 2010 was as follows:

Shareholders	Number of shares/ votes	Share in stated capital
PBG S.A.	17 743 002	25.00
Renata Gasinowicz	14 504 179	20.44
Stanisław Gasinowicz	5 913 186	8.33
Others	32 811 634	46.23
Total:	70 972 001	100.00

3) On 22 March 2010, an increase in the share capital was registered in the National Court Register in connection with an issue of 22 582 001 series E shares.

The stated capital was covered in strict compliance with the law and actually exists.

VI. Average annual employment

Average employment for 2010 according to Z-06 amounted to 995 people.

VII. Information on the Management Board and the Supervisory Board

The composition of the Management Board, the functions of the members and changes in the audited year and up to the completion of the audit of the financial statements was as follows:

President of the Management Board	–	Mr Andrzej Hołda	from 29 April 2009 to 27 December 2010
Vice-President of the Management Board	–	Ms Alina Sowa	from 15 July 2009 to 27 December 2010
President of the Management Board	–	Mr Radosław Kamiński	from 27 December 2010 to date

Vice-President of the Management Board	–	Mr Jacek Fydrych	from 17 January 2011 to date
Member of the Management Board	–	Mr Jacek Fydrych	from 4 September 2009 to 17 January 2011
Member of the Management Board	–	Mr Dariusz Kowzan	from 2 February 2010 to date

The composition of the Supervisory Board from 1 January 2010, taking account of changes, to the date when the audit of the financial statements was completed was as follows:

In the period from 22 September 2009 to 14 June 2010 the Supervisory Board was as follows:

1) Mr Sławomir Masiuk - Chairman of the Supervisory Board
2) Mr Andrzej Wilczyński - Deputy Chairman of the Supervisory Board
3) Mr Marek Wesołowski - Member of the Supervisory Board
4) Mr Andrzej Kowalski - Member of the Supervisory Board
5) Mr Tomasz Woroch - Member of the Supervisory Board

The composition of the Supervisory Board from 14 June 2010 to 13 January 2011 was as follows:

1) Mr Grzegorz Wojtkowiak - Chairman of the Supervisory Board
2) Mr Andrzej Wilczyński - Deputy Chairman of the Supervisory Board
3) Mr Radosław Kamiński - Secretary of the Supervisory Board
4) Mr Andrzej Kowalski - Member of the Supervisory Board
5) Mr Tomasz Woroch - Member of the Supervisory Board

The composition of the Supervisory Board from 13 January 2011 to the date when the audit of the financial statements was completed was as follows:

1) Mr Stanisław Gasinowicz - Chairman of the Supervisory Board
2) Mr Andrzej Wilczyński Deputy Chairman of the Supervisory Board
3) Mr Marek Skibiński - Secretary of the Supervisory Board
4) Mr Grzegorz Wojtkowiak - Member of the Supervisory Board

5) Mr Radosław Kamiński - Member of the Supervisory Board
6) Mr Andrzej Kowalski - Member of the Supervisory Board
7) Mr Tomasz Woroch - Member of the Supervisory Board

VIII. The audited financial statements, drawn up

for the period 1 January 2010 to 31 December 2010, consist of:

- a statement of financial condition drawn up as at 31 December 2010, which on both the assets and liabilities side discloses a total of **PLN 413 416 000**
- statement of comprehensive income for the financial year 2010, disclosing a net loss of **PLN 601 000**
- statement of changes in equity, disclosing a decrease in equity of **PLN 10 839 000**
- cash flow statement, disclosing a decrease in the net balance of cash in the course of the financial year of **PLN 5 541 000**
- additional information

IX. Basis for auditing the financial statements

The basis is Agreement No. 14/10/11 of 14 May 2010, together with Annex 1 of 24 January 2011 concluded with ***MW RAFIN Spółka z ograniczoną odpowiedzialnością Spółka Komandytowa,*** 41-200 Sosnowiec, ul. Kilińskiego 54/III/3 **-** authorised entity No. 3076.

That Agreement was concluded in performance of resolution of the Supervisory Board of Energomontaż-Południe S.A. No. 12/2010 of 29 April 2010, on the basis of Article 17 par. 2 pt. 5 of the Company's Statute.

The authorised entity and the certified auditor are independent of the company being audited.

X. **The director of the Company submitted all the declarations, clarifications and information requested by the certified auditor**. Neither the scope nor the methods of the audit were restricted during the audit.

XI. **The Company's financial statements for the previous period:**

1. The statements were audited by MW RAFIN Marian Wcisło Spółka Komandytowa in Sosnowiec, which issued a certified auditor's opinion without reservations.
2. The statements were approved by Resolution No. 4 of the Ordinary General Meeting of Shareholders of Energomontaż-Południe S.A. of 14 June 2010.
3. The closing balance was entered in the books of account for the period being audited as the opening balance.
4. The net profit for the previous year was distributed as follows:
   - PLN 17 338 456.25 for supplementary capital,
   - PLN 4 968 040.07 for reserve capital designated for the payment of a dividend in a future period.
5. The financial statements were published in *Monitor Polski – B* No. 2 050 item 11030 of 20 October 2010.
6. The financial statements were submitted to the registry court on 25 June 2010.
7. The financial statements were submitted to the tax authority on 17 May 2010.

XII. **Conclusions and recommendations of the certified auditor relating to the audit of the financial statements** for the previous financial year – none.

XIII. **The Company was not inspected by inspection authorities during the year.**

XIV. **List of affiliates**

Energomontaż-Południe S.A. is a parent company which draws up consolidated financial statements.

Its affiliates are:

Affiliate	Percentage share in voting rights	Type of affiliation
EP Hotele i Nieruchomości Spółka z o.o. in Katowice	100.00 %	subsidiary
Modus II Spółka z o.o. in Katowice	100.00 %	subsidiary
AMONTEX Sp. z o.o. in Piotrków Trybunalski	100.00 %	subsidiary
Energomontaż-Zachód Sp. z o.o. in bankruptcy (*w upadłości*) in Warsaw	90.3 %	subsidiary
Open Wrocław Sp. z o.o. in bankruptcy (*w upadłości*) in Wrocław	70.00 %	subsidiary

A significant investor with regard to Energomontaż – Południe S.A. is PBG S.A. in Wysogotowo near Poznan.

B. DETAILED PART OF THE REPORT

I. The correctness of the accounting system used in the Company

1. Energomontaż-Południe S.A. possesses current documentation describing its accounting policy, as referred to in Article 10 of the amended Accountancy Act of 29 September 1994, in particular a Corporate Chart of Accounts, introduced from 1 January 2005 by Order No. 8/2005 of the President of the Management Board of Energomontaż-Południe S.A.
In 2009, the Corporate Chart of Accounts was updated and the Accounting Policy of Energomontaż-Południe S.A. Capital Group was drafted.

2. The books of account are kept using computer technology with the application of the "Impuls" IT Management System of Biuro Projektowania Systemów Cyfrowych S.A. with its registered office in Chorzów.

   The data processing system meets the requirements of Articles 13 and 14 of the Accountancy Act.

3. The accepted accounting principles were applied consistently. The books of account were opened on the basis of audited and approved financial statements drawn up as at 31 December 2009.

4. The Company's business operations were documented completely, adequately and clearly. The records of business operations were consistent with the basic principles of accountancy, including the principle of an accrual basis and of prudent valuation.

5. Since 1 January 2005 the Company has conducted its accounting policy according to the rules set out in the International Financial Reporting Standards.

   The books of account were kept on an ongoing basis and correctly in the computer system, in accordance with the Corporate Chart of Accounts, and the entries in them were consistent with the accounting evidence and the financial statements.
   Data are stored and processed securely, in accordance with the requirements of Section 8 of the Accountancy Act.

6. The results of a test-basis audit of the books of account and the accounting documents being the basis for entries in them and relationships between data in the books of account and the audited financial statements, carried out for the purpose of assessing the financial statements, indicated that they generally meet the requirement of accuracy, correctness and verifiability.

II. The operation in the Company of the system of internal control linked to the accounting system

In the Company, the internal control system is based on functional control exercised by management personnel, on the basis of their scope of actions. Institutional control does not exist.

The internal control system has also been regulated by applicable internal instructions such as Instructions for the Circulation of Accounting Documents and Inventorisation Instructions.

The internal control system was audited to the extent that it relates to the financial statements. The audit concerned the following processes:

– purchasing and accepting materials into the warehouse; paying suppliers' invoices;
– selling and delivering products; payment of receivables;
– the accuracy of the system of calculating cost and valuing products;
– the determination and documentation of wages/salaries and social benefits;
– formal/accounting and substantive control of income generated and expenses incurred.

The audit did not reveal any significant shortcomings in the operation of the internal control system.

III. Inventorisation

1. The annual inventorisation of assets and liabilities was carried out on the basis of:
   – Order No. 10 of 3 November 2010 of the President of the Management Board on conducting an inventory of tangible assets,
   – Order No. 12 of 22 November 2010 of the President of the Management Board on conducting an inventory of materials and goods,
   – Order No. 13 of 15 December 2010 of the President of the Management Board on carrying out a physical inventory of the cash in the Main Safe,
   – Order No. 14 of 15 December 2010 of the President of the Management Board on drawing up a list of unfinished construction and assembly works and industrial production in progress,
   – Order No. 16 of 23 December 2010 of the President of the Management Board on drawing up a list of external products.

2. The organisation and procedure of inventorisation was correct.

3. The following were subject to inventorisation:

a) by a physical inventory:

- tangible assets	as at 15 November 2010
- cash in hand	as at 31 December 2010
- inventories of materials and goods	as at 29 November 2010
- inventories of production and construction and	

assembly works in progress as at 31 December 2010
- inventories of external products as at 31 December 2010

b) by confirmation:
- balance of cash in bank accounts and balance of contracted bank loans and credit facilities as at 31 December 2010
- balance of receivables from contracting parties as at 31 December 2010

c) by verifying documents:
- other assets and liabilities as at 31 December 2010

4. The certified auditor participated in the inventorisation of tangible assets, inventories of materials and goods, industrial production in progress, cash in hand and external products in safe keeping. The auditor had no reservations regarding the inventorisation procedure.

5. The timeframe and frequency of inventorisation comply with Article 26 of the Accountancy Act of 29 September 1994.

The inventorisation of assets and liabilities, carried out according to the procedure, scope, timeframe and frequency provided in the Accountancy Act, was found to be correct. The results of the inventorisation were recorded in the books of account for 2010.

IV. Assessment of the drafting of documentation of transactions with affiliates in the Company and its application

The audited Company possesses tax documentation of transactions with affiliates, prepared pursuant to Article 9a and within the meaning of Article 11 pt. 1 and 4 of the Corporate Income Tax Act of 15 February 1992 (uniform text Journal of Laws of 2000 No. 54, item 654 as amended).

V. Assessment of whether the books of account, accounting documentation and financial statements are properly stored

Accounting documentation, approved financial statements and documentation describing the accounting principles applied in the Company are properly stored in the Accounting Department and the company archives.

C. ASSESSMENT OF ASSETS AND LIABILITIES AND THE COMPANY'S FINANCIAL CONDITION

1. The change in the balance of assets as at 31 December 2010 in relation to the balance as at 31 December 2009 and its structure are as follows:

[PLN '000]

Assets	Current year		Previous year		Growth rate in % 2:4
	Amount	Structure %	Amount	Structure %	
1	2	3	4	5	6
A. Non-current assets	171 212	41.42	195 823	45.66	87.43
1. Property, plant and equipment	60 741	14.69	53 669	12.51	113.18
2. Intangible assets	1 676	0.41	1 397	0.33	119.97
3. Investment properties	92 377	22.34	93 998	21.92	98.28
4. Financial assets	3 991	0.97	30 698	7.16	13.00
5. Non-current receivables	-	-	-	-	-
6. Long-term prepayments and deferred costs	12 427	3.01	16 061	3.74	77.37
B. Current assets	242 204	58.58	233 046	54.34	103.93
1. Inventories	90 054	21.78	14 062	3.28	640.41
2. Current receivables	115 157	27.86	169 720	39.57	67.85
3. Short-term prepayments and deferred costs	19 152	4.63	30 427	7.10	62.94
4. Current financial assets	4 599	1.11	293	0.07	1569.62
5. Cash and cash equivalents	13 242	3.20	18 544	4.32	71.41
Total assets	413 416	100.00	428 869	100.00	96.40

2. The change in the balance of the sources of origin of assets as at 31 December 2010 in relation to the balance as at 31 December 2009 and its structure are as follows:

[PLN '000]

Liabilities	Current year		Previous year		Growth rate in % 2:4
	Amount	Structure %	Amount	Structure %	
1	2	3	4	5	6

A. Equity	164 303	39.74	175 142	40.84	93.81
B. Non-current liabilities	76 144	18.42	82 093	19.14	92.75
1. Provisions	12 124	2.93	11 355	2.65	106.77
2. Financial liabilities	64 020	15.49	70 7 3 8	16.49	90.50
C. Current liabilities	172 969	41.84	171 634	40.02	100.78
1. Provisions	1 844	0.45	2 909	0.68	63.39
2. Financial liabilities	65 860	15.93	35 3 4 5	8.24	186.33
3. Current liabilities	105 265	25.46	133 380	31.10	78.92
Total liabilities	413 416	100.00	428 869	100.00	96.40

An assessment of balance-sheet assets and liabilities for the year being audited and the previous year showed a significant:

- decrease in non-current financial assets PLN 26 707 000
- increase in inventories PLN 75 992 000
- decrease in current receivables PLN 54 563 000
- decrease in equity PLN 10 839 000
- increase in current financial liabilities PLN 30 515 000
- decrease in current liabilities PLN 28 115 000

As a result, total assets decreased by PLN 15 453 000.

3. **Financial results in the period being audited in relation to the previous year** are as follows:

[PLN '000]

		Current year	**Previous year**	**Rate**

Item	Subject	+ profit - loss	+ profit - loss	+ improvement - deterioration	% (5 : 4)
1	2	3	4	5	6
1.	Result from sales	+ 15 966	+ 41 569	- 25 603	- 61.59
2.	Result from other revenues and costs	- 26 676	- 15 165	- 11 511	- 75.91
3.	Result from financial revenues and costs	+ 11 788	- 34 090	+ 45 878	+ 134.58
4.	Gross profit/loss	1 078	- 7 686	+ 8 764	+ 114.03
5.	Income tax	1 679	3 031	+ 1 352	x
6.	Other obligatory decreases in profit	-	-	-	-
7.	Net profit/loss	- 601	- 10 717	+ 10 116	+ 94.39

A comparison of the financial results of the reporting year with those of the previous year indicates a worsening of the financial result from sales and from other operating revenue and costs, and an improvement in the result from financial activity. A revaluation of assets influenced the aforementioned changes to a considerable degree.

4. **Key profitability, financial liquidity, debt and capital market ratios** are as follows:

Item	Ratio	Current year	Previous year	Improvement + - deterioration
1	2	3	4	5
1.	Sales profitability ratio	- 0.18 %	- 3.76 %	+ 3.58 %
2.	Current liabilities coverage ratio	1.40	1.36	+ 0.04
3.	Ratio of payment of liabilities	0.77	1.10	- 0.33
4.	Receivables turnover ratio	70 days	67 days	- 3 days
5.	Liabilities turnover ratio	59 days	73 days	14 days
6.	Debt ratio	0.60	0.59	- 0.01
7.	Ratio of non-current assets to equity and non-current liabilities	1.40	1.31	+ 0.09

8.	Earnings per share	- 0.01	- 0.22	+ 0.21
9.	Book value per share	2.38	3.67	- 1.29

The profitability ratios are negative. The financial liquidity ratios are at a permissible level. The debt indicators show an improvement relative to the previous year and are at a good level.

The liabilities repayment cycle is 14 days shorter compared with the previous year and exceeds the receivables collection cycle by 11 days.

Ratios from the cash flow statement are negative.

5. Final conclusions

When auditing the financial statements, we did not note anything to suggest that the Company's continued activity would be jeopardised, at least in the following financial year.

D. AUDIT OF ASSETS AND LIABILITIES AND ITEMS AFFECTING THE COMPANY'S OPERATING RESULT

I. NON-CURRENT ASSETS

1. **Property, plant and equipment** amounts to:

Tangible assets – initial value	PLN 103 154 000
Depreciation to date	PLN 46 671 000
Net value as at 31 December 2010	PLN 56 483 000
Tangible assets under construction	PLN 4 258 000
Total property, plant and equipment as at 31 December 2010	PLN 60 741 000
Share as % in the balance-sheet total	14.69 %
Annual amortisation/depreciation	PLN 8 533 000

1.1. In the course of the year, the total value of tangible assets *increased* on account of:

– purchases	PLN 4 378 000
– modernisation	PLN 1 470 000
– leasing	PLN 10 911 000
– takeover of a subsidiary	PLN 115 000
total	**PLN 16 874 000**

and ***decreased*** on account of:

– liquidation	PLN 1 586 000
– sales	PLN 1 323 000
– theft	PLN 85 000
total	**PLN 2 994 000**

– lower depreciation of issued fixed assets used	PLN 2 327 000
– net value of issued fixed assets	PLN 667 000

1.2. In 2010, ou tlays on p urchases and the construction of tangible an d intangible assets in relation to possible sources of finance amount to:

1)	Outlays on the construction of tang ible and intangible assets jointly with finance leases	PLN 21 271 000
2)	Sources of finance	
	a) amortisation/depreciation	PLN 8 026 000
	b) income from the sale of tangible assets	PLN 93 000
	c) finance leases	PLN 10 911 000
	Total sources of finance	PLN 19 030 000
3)	Shortage of sources of finance	PLN 2 241 000

Financing of outlays on the construction of tangible and intangible assets is as follows:

a)	liabilities as at 1 January 2010	PLN 76 766 000

b)	outlays on the construction of tangible and intangible assets	PLN 21 271 000
c)	**Total required funds to finance the construction of tangible and intangible assets**	**PLN 98 037 000**
d)	liabilities as at 31 December 2010	PLN 71 686 000
e)	outlays financed	PLN 26 351 000

Of the total amount of liabilities for the construction of tangible assets, overdue liabilities amount to PLN 264 000

Tangible assets are fully disclosed in the books of account and their total is correctly disclosed in the financial statements.

Tangible assets are correctly classified into individual groups and have appropriate amortisation/depreciation rates which correspond to their expected period of economic usefulness.

Inflows and outflows of tangible assets and the construction of tangible assets are correctly documented.

Land and buildings are disclosed at fair value, on the basis of a periodic valuation by a property valuer. Differences resulting from the valuation are charged to the revaluation reserve. The last revaluation took place in 2007.
Other tangible assets are valued at the amount of total costs incurred in connection with their purchase or manufacture, less any impairment write-downs.

No events occurred after the end of the reporting period that affect the Company's financial condition.

Plant, property and equipment are disclosed in the financial statements in the correct amount, which corresponds to the control and analytic record and the statement of turnover and balances.

2. **Intangible assets** amount to:

Intangible assets – initial value PLN 3 725 000

Depreciation to date	PLN 1 592 000
Goodwill write-off	PLN 2 015 000
Net value as at 31 December 2010	PLN 118 000
Outlays on intangible assets	PLN 1 558 000
Total net value as at 31 December 2010	PLN 1 676 000
Percentage share in the balance-sheet total	0.41 %
Annual amortisation/depreciation	PLN 384 000

Intangible assets consisting of licences and software are amortised for the estimated period of their use, which is verified at the end of each financial year.

Intangible assets are fully disclosed in the books of account and the financial statements.

Changes in intangible assets are correctly documented.
Increases and decreases in the balance of intangible assets were as follows:

Item	Initial value [PLN '000]	Depreciation [PLN '000]
Balance as at 1 January 2010	PLN 3 451	PLN 3 208
of which: goodwill	PLN 2 010	PLN 2 010
Inflows for 2010	PLN 274	PLN 10
Depreciation for 2010		PLN 384
Goodwill write-down		PLN 5
Balance as at 31 December 2010	PLN 3 725	PLN 3 607
of which: goodwill	PLN 2 015	PLN 2 015
Net value	PLN 118	
Outlays on intangible assets	PLN 1 558	
Total intangible assets	**PLN 1 676**	

The intangible assets disclosed in the financial statements in the amount of PLN 1 676 000 are correct and correspond to the statement of transactions and balances.

3. **Investments in real property** amount to:

Value of real property as at 31 December 2010	PLN 92 377 000
Percentage share in the balance-sheet total	22.34 %

Investment real properties consisting of land and buildings were valued at fair value by a property valuer.

For the building structures comprising investments in real property, the net book value was taken to be the fair value.

Investment property is not subject to depreciation. The result from the revaluation was charged to the result for the period in which it arose.

Changes in the course of the year in the balance of investments in real property are as follows:

Item	**Initial value [PLN '000]**
Net value as at 1 January 2010	PLN 92 946
Outlays on real property construction as at 1 January 2010	PLN 1 052
Increases in 2010, of which:	PLN 5 567
- purchases	PLN 591
- modernisation	PLN 3 104
- valuation at fair value	PLN 1 872
Decreases in 2010, of which:	PLN 7 188
- valuation at fair value	PLN 7 188
Net value as at 31 December 2010	PLN 92 377

Investments in real property were correctly valued and disclosed in the financial statements.

4. Financial assets

Item	Book Value [PLN '000]	Revaluation write-downs [PLN '000]	Carrying Value [PLN '000]
Non-current financial assets	PLN 41 189	PLN 37 198	PLN 3 991
a) in associated companies	PLN 40 203	PLN 36 521	PLN 3 682
- shares	PLN 36 621	PLN 36 521	PLN 100
- loans granted	PLN 3 582	-	PLN 3 582
b) in other companies	PLN 986	PLN 677	PLN 309
- other shares	PLN 770	PLN 675	PLN 95
- shares held for sale	PLN 216	PLN 2	PLN 214
Total as at 31 December 2010	**PLN 41 189**	**PLN 37 198**	**PLN 3 991**
Share as % in the balance-sheet total		0.97 %	

Financial assets are fully disclosed in the books of account and the financial statements.

Because it was not possible to reliably determine their fair value, shares held in external companies were valued at purchase price, after taking revaluation write-downs into account.
Shares in other companies were classified as financial assets held for sale and valued at the end of the reporting period on the basis of their market value.

Financial assets were disclosed in the financial statements in amounts corresponding to the statement of transactions and balances.

5. Long-term prepayments and deferred costs

Deferred income tax assets PLN 3 452 000

Other accruals	PLN 8 975 000
Total	PLN 12 427 000
Share as % in the balance-sheet total	3.01 %

The negative difference in income tax was calculated correctly.

Assets on account of deferred income tax were settled with the result for the current year in the amount of PLN 624 000.

Other accruals and deferred income are costs to be paid after 31 December 2011.

– interest under leasing agreements	PLN 8 895 000
– - telecommunications services	PLN 80 000
Total:	PLN 8 975 000

The disclosed deferred income tax assets and other prepayments and deferred costs correspond to the statement of transactions and balances.

II. CURRENT ASSETS

1. Inventories **PLN 90 054 000**

Share as % in the balance-sheet total	21.78 %
of which:	
1) Materials	PLN 4 546 000
2) Semi-finished products and products in progress	PLN 6 056 000
3) Finished products	PLN 61 729 000
4) Goods	PLN 17 723 000

Inventories of materials and goods were inventorised by way of a physical inventory as at 29 November 2010.
Inventory differences were settled in the 2010 books of account.
The physical inventory for work in progress was carried out as at 31 December 2010.

According to the a ccounting r ecords, the ba lance o f material inventories amounted to:

– materials in storage	PLN 4 620 000
– materials in transit	PLN 117 000
– settlement of gift purchases	PLN 9 000
gross value of materials	PLN 4 746 000
revaluation write-down	PLN - 200 000
net value of materials	PLN 4 546 000

On the basis of the accounting records, the balance of production in progress amounted to:

– basic production	PLN 856 000
– industrial production	PLN 4 196 000
– work in progress - development	PLN 1 004 000
Total value of production in progress	PLN 6 056 000

According to the accounting r ecords, the balance of goods inventories amounted to:

– goods held for sale	PLN 1 283 000
– land designated for housing construction	PLN 17 812 000
– revaluation write-down	- PLN 1 372 000
Value of goods	PLN 17 723 000

The balance of inventories of finished articles was:

– finished articles - development	PLN 66 371 000
– Revaluation write-downs	- PLN 4 642 000
Value of finished articles	PLN 61 729 000

The ba lance of inv entories with turnover not exceeding 360 days is as follows:

Balance at beginning of period	PLN 323 000

Balance at end of period	PLN 493 000
Increase	PLN 170 000

Non-rotating inventories were subject to a revaluation write-down in the amount of PLN 200 000. Other non-rotating inventories will be used for production.

Inventories are fully disclosed in the financial statements.

The valuation of inventories as at the balance-sheet date was carried out in accordance with the prudent valuation principle.

The balances of inventories disclosed in the financial statements are correct, correspond with the statement of turnover and balances and the analytical record and were confirmed by inventorisation.

2. Current receivables

Gross current receivables	PLN 143 075 000
less:	
- revaluation write-downs	PLN 4 623 000
- equivalent of amounts increasing revaluation write-downs	PLN 23 295 000
Net current receivables as at 31 December 2010	PLN 115 157 000
Share as % in the balance-sheet total	27.86 %
of which:	
- receivables from affiliated companies	PLN 4 970 000
- receivables from other companies	PLN 110 187 000
Gross trade receivables	PLN 93 886 000
less:	
- revaluation write-downs	PLN 4 207 000
- equivalent of amounts increasing revaluation write-downs	PLN 1 332 000

Net trade receivables	PLN 88 347 000

The amount of gross trade receivables consists of receivables which are:

– not overdue	PLN 62 203 000
– overdue	PLN 31 683 000
of which, payable:	
a) up to three months	PLN 28 972 000
b) from 3 to 6 months	PLN 503 000
c) from 6 to 12 months	PLN 47 000
d) over 12 months	PLN 2 161 000
Total	PLN 93 886 000

Receivables overdue by more than 12 months are receivables in arrangement proceedings and bankruptcy, after judgements and interest notes.

Other receivables in the total gross amount of	PLN 49 152 000
consist of:	
- receivables on account of taxes, donations, duties, social and health insurance and others	PLN 22 169 000
- settlements on account of property, plant and equipment and investments	PLN 4 000
- other	PLN 26 979 000
less:	
- revaluation write-downs	PLN 379 000
- equivalent of amounts increasing revaluation write-downs	PLN 21 963 000
Other net receivables	PLN 26 810 000

2.1. <u>Receivables referred to courts</u> are as follows:

Item	Current year [PLN '000]	Previous year [PLN '000]

– receivables referred to court	PLN 37	PLN 3 042
– revaluation write-downs	PLN 37	PLN 3 042
– balance o f r eceivables af ter t he deduction of revaluation write-downs	PLN -	PLN -

The item re ceivables pursued through the courts is not disclosed in t he financial statements because the e ntire value wa s subject to a revaluation write-off.

2.2. Settlement of p ayments of in terest due on r eceivables on ac count of sales of products and services is as follows:

– balance as at 1 January 2010	PLN 200 000
– accrued up to 31 December 2010	PLN 61 000
– paid up to 31 December 2010	PLN 47 000
– written off in 2010	PLN 7 000
– balance as at 31 December 2010	PLN 207 000

Mortgage interest was not charged.

Receivables were fully disclosed.

The a ccounting r ecords of receivables are mai ntained b y contracting parties, payment deadlines and individual invoices.

The documenting of receivables with sales invoices, notes, and court judgements is complete and correct.

Requests for confirmation of balances were confirmed by customers as having a conformity of 55 per cent. Receivables settled up to 28 February 2011 amount to PLN 45 401 000.

Receivables from companies subject to arrangement, bankruptcy and liquidation proceedings amount to PLN 985 000.

The quantity of revaluation write-downs relating to receivables at risk of being uncollectible is sufficient. Receivables disclosed in the financial statements are amounts that can be collected.

The aforementioned titles were correctly disclosed in the financial statements in amounts corresponding to the statement of transactions and balances.

3. Short-term prepayments and deferred costs

amount to	PLN 19 152 000
Percentage share in the balance-sheet total	4.63 %

The prepayments and deferred costs consist of:

– prepaid operating expenses	PLN 1 269 000
– costs of the next period	PLN 164 000
– uninvoiced sales relating to long-term contracts	PLN 14 470 000
– financial expenses relating to leasing agreements	PLN 3 030 000
– loan valuation	PLN 70 000
– costs of a bank guarantee	PLN 80 000
– costs of credit	PLN 69 000

The above items disclosed in prepaid expenses are qualified for settlement over time.

The valuation of prepayments and deferred costs is based on the record of costs incurred, settled over time, and recorded revenues.

The prepayments and deferred costs disclosed in the financial statements are correct and correspond to the statement of transactions and balances.

4. Current financial assets

Item	Gross value [PLN '000]	Revaluation write-downs [PLN '000]	Carrying value [PLN '000]

Current financial assets	PLN 4 599	-	PLN 4 599
Share as % in the balance-sheet total			1.11 %
a) in associated companies	PLN 1 576	-	PLN 1 576
- loans granted	PLN 1 576	-	PLN 1 576
b) in other companies	PLN 3 023	-	PLN 3 023
- FX forward transactions	PLN 3 023	-	PLN 3 023

The financial assets disclosed in the financial statements are correct and result from the books of account and the statement of transactions and balances.

5. Cash and cash equivalents

amount to	PLN 13 242 000
Percentage share in the balance-sheet total	3.20 %
including:	
- cash in hand and in bank accounts	PLN 2 508 000
- term deposits	PLN 10 734 000
Total as at 31 December 2010	PLN 13 242 000

Cash in hand in the amount of PLN 18 000
corresponds to the cash reports of 31 December 2010 and was confirmed by inventorisation.

Cash in bank accounts amounting to PLN 2 490 000
corresponds to bank statements of 31 December 2010 and was confirmed by the banks.

Cash in foreign currencies was valued according to the average exchange rate of the National Bank of Poland prevailing on 31 December 2010.

Cash and cash equivalents were disclosed in the financial statements in the correct amount, in accordance with the statement of transactions and balances.

III. EQUITY

Equity amounts to	PLN 164 303 000
Percentage share in the balance-sheet total	39.74 %
and consists of:	
1) Stated capital	PLN 92 307 000
– share capital	PLN 70 972 000
– overvaluation of capital due to hyperinflation	PLN 21 335 000
2) Supplementary capital	PLN 32 492 000
3) Revaluation reserve	PLN 10 808 000
4) Other capital reserves	PLN 69 968 000
5) Retained loss	- PLN 40 671 000
6) Net loss	- PLN 601 000

Share capital disclosed in the amount of PLN 70 972 000 corresponds to the Company's Statute and the entry in the commercial register of the National Court Register under KRS 80906.

The share capital, amounting to PLN 70 972 001, is divided into 70 972 001 shares with a par value of PLN 1.00 per share.
In the audited period there was an increase in the share capital by a par value of PLN 22 582 000 through subscription warrants being exchanged for series E shares issued.

Changes in supplementary capital are as follows:

- balance of capital as at 1 January 2010	PLN 99 953 000
- increase:	PLN 22 710 000
• - release of reserve for sale of own shares	PLN 5 372 000
• distribution of profit for 2009	PLN 17 338 000
- - decrease	PLN 90 171 000
• creation of reserve capital	PLN 65 000 000
• exchange of warrants for shares	PLN 22 582 000
• cost of exchanging warrants for shares	PLN 2 589 000
- balance of capital as at 31 December 2010	PLN 32 492 000

The revaluation reserve changed in the audited period:

- balance of capital as at 1 January 2010 PLN 10 809 000
- decrease on account of: PLN 1 000
  - revaluation of financial assets PLN 1 000
- balance of capital as at 31 December 2010 PLN 10 808 000

Changes in reserve capital are as follows:

- balance as at 1 January 2010 PLN 7 269 000
- increase: PLN 69 968 000
  - creation of reserve capital for divi dend pa yment from 2009 profit PLN 4 968 000
  - creation of r eserve capital for purc hase of ow n shares PLN 65 000 000
- - decrease PLN 7 269 000
  - - release of reserve capital for sale of own shares PLN 7 269 000
- balance of capital as at 31 December 2010 PLN 69 968 000

Changes in retained earnings from previous years are as follows:

- retained loss as at 1 January 2010 - PLN 1 897 000
- error of previous period - PLN 33 023 000
- covering loss with released re serve c apital for sale of own shares PLN 1 897 000
- loss on merger with CK Modus - PLN 7 648 000
- retained loss as at 31 December 2010 - PLN 40 671 000

The c hanges in capital funds are in accordance with the provisions of the Commercial Companies Code.

The a mount of state d capital is sufficient with re gard to the scale of the Company's activities.

The indi vidual it ems of capital and the financial re sult were disclosed correctly in the financial statements in a mounts that correspond with the accounting records and the statement of transactions and balances.

IV. LIABILITIES AND PROVISIONS FOR NON-CURRENT LIABILITIES

1. **<u>Provisions for liabilities</u>** amount to PLN 12 124 000

   Share as % in the balance-sheet total 2.93 %

   and consist of:

a) provision for employee benefits PLN 5 996 000
b) provision for deferred income tax PLN 6 128 000

The provision for employee benefits relating to length-of-service awards, severance payments for employees retiring and leaving employment on invalidity benefit was established as at 31 December 2010 by an actuary.
In the audited period, the long-term provision for employee benefits increased by PLN 288 000.

The change in the balance of provisions for deferred income tax of PLN 481 000 was settled with the result for the current period.

The amount of long-term provisions disclosed in the financial statements corresponds to the statement of transactions and balances and the analytical record.

2. **Financial liabilities** amount to PLN 64 020 000

   Share as % in the balance-sheet total 15.49 %
   and consist of:

a) credit facilities and loans PLN 4 775 000
b) leasing liabilities PLN 59 245 000

Non-current liabilities from credit facilities and leasing agreements were disclosed in full.

The non-current liabilities disclosed in the financial statements are correct and correspond to the statement of transactions and balances.

V. LIABILITIES AND PROVISIONS FOR CURRENT LIABILITIES

1. **Provisions for liabilities** amount to PLN 1 844 000

   Share as % in the balance-sheet total 0.45 %

   and consist of:

a)	provision for employee benefits	PLN 844 000
b)	other provisions	PLN 1 000 000

The provision for employee benefits relates to length-of-service awards and severance payments for employees retiring and leaving employment on invalidity benefit, valued as at 31 December 2010 by an actuary.
Other provisions, in the amount of PLN 1 000 000, consist of provisions for future liabilities of the Company.

The balance of write-downs from the revaluation of assets and provisions for liabilities is as follows:

1)	Balance of write-downs and provisions for liabilities at beginning of the period	PLN 66 802 000
2)	Revaluation write-downs	PLN 34 139 000
3)	Creation of provisions	PLN 1 066 000
4)	Total (2+3)	PLN 35 205 000
5)	Utilisation of write-downs and provisions	PLN 742 000
6)	Release of write-downs due to repayment of receivables	PLN 2 811 000
7)	Other causes of release of write-downs and provisions	PLN 17 269 000
8)	Total decreases in write-downs and provisions (5+6+7)	PLN 20 822 000

9) Balance of write-downs and provisions at end of period including:

9) Balance of write-downs and provisions at end of period including:	PLN 81 185 000
– decrease in tangible assets	PLN 39 213 000
– decrease in current assets	PLN 34 132 000
– balance of balance-sheet provisions	PLN 7 840 000

The amount of provisions disclosed in the financial statements corresponds to the statement of transactions and balances and the analytical record.

2. Financial liabilities amount to	PLN 65 860 000
Share as % in the balance-sheet total	15.93 %
and consist of:	
a) credit facilities and loans	PLN 54 241 000
b) leasing liabilities	PLN 11 334 000
c) FX forward contracts	PLN 285 000

Credit facilities and loans consist of:

Short-term loans	PLN 33 027 000
Credit facilities in a current account	PLN 20 914 000
Loan of the Provincial Environmental Protection and Water Management Fund	PLN 300 000
total	PLN 54 241 000

Liabilities from credit, loans and financial leasing are repaid on time.

The audited company secures its revenues from foreign sales against fluctuations in exchange rates using foreign exchange forward contracts. The negative value of foreign exchange forward transactions valued by banks unrealised as at 31 December 2010 amounts to PLN 285 000.

Financial liabilities were disclosed in the correct amount, in accordance with the accounting records and the statement of transactions and balances.

3. **Current liabilities** amount to PLN 105 265 000

Share as % in the balance-sheet total 25.46 %

and consist of liabilities:

a) towards associated companies PLN 5 665 000
- trade liabilities PLN 4 949 000
- other liabilities PLN 716 000
  including:
  - settlements on account of property, plant and equipment and investments PLN 716 000

b) towards other companies PLN 79 938 000
on account of:
- trade liabilities PLN 45 807 000
- advance payments received for deliveries PLN 21 507 000
- taxes, duties, insurance and others PLN 5 276 000
- wages and salaries PLN 4 479 000
- others PLN 2 869 000
  including:
  - settlements on account of property, plant and equipment and investments PLN 678 000

c) accruals and deferred income PLN 19 662 000

3.1. The time structure of trade liabilities
is as follows:

a) not overdue	PLN 34 118 000
b) overdue	PLN 16 638 000
payable:	
- up to three months	PLN 5 933 000
- from 3 to 6 months	PLN 8 478 000
- from 6 to 12 months	PLN 822 000
- over 12 months	PLN 1 405 000
Total (a + b)	PLN 50 756 000

3.2. Accrued due interest on account of late payment of trade liabilities amounts to:

- balance at the beginning of the year	PLN 578 000
- accrued in 2010	PLN 156 000
- paid in 2010	PLN 269 000
- written off and time-barred in 2010	PLN 95 000
- balance as at 31 December 2010	PLN 370 000

The liabilities disclosed in the financial statements are correct and related to accounting analysis.

Trade liabilities were agreed with contracting parties, and any differences were cleared up. Until 28 February 2011, trade liabilities amounting to PLN 21 316 000 were paid.

Civil-law liabilities result from tax returns and fees. Civil-law liabilities were settled by the day on which the audit ended.

Liabilities from remuneration were paid in January 2011.

Balances of current liabilities are realistic, and the Company's financial situation enables them to be repaid on time.

The liabilities disclosed in the financial statements are correct and related to accounting analysis.

Accruals and deferred income amount to	PLN 19 662 000
and consist of:	
– accrued expenses	PLN 6 925 000
– settlement of long-term contracts	PLN 12 737 000
– revenues of future periods	PLN -

The accruals and deferred income disclosed are current. The amount of accruals and deferred income has been recorded correctly in the financial result.

The accruals and deferred income disclosed in the financial statements correspond to the statement of transactions and balances and the analytical record.

4. Special funds comprise the Social Benefits Fund PLN -

The Social Benefits Fund discloses the following transactions:

Balance of the fund at the beginning of the year	PLN 691 000
Increases	
– basic write-down	PLN 1 196 000
– interest on funds in an account, term deposits and loans, and other revenue	PLN 33 000
total increases	PLN 1 228 000
Decreases	
– providing material and financial assistance	PLN 778 000
– additional recreational financing	PLN 292 000
– special events	PLN 196 000
– other expenses provided in the rules	PLN 4 000
total decreases	PLN 1 270 000
Balance of the fund as at 31 December 2010	PLN 649 000
Balance of housing loans	PLN 101 000
Balance of funds in an account and term deposit	PLN 628 000
The surplus of funds in the account and receivables over the liability on account of the fund amounts to	PLN 80 000

The surplus of funds in the account and receivables on account of loans over the liability on account of the fund in the amount of PLN 80 000 is recognised in other receivables.

The write-down for the Social Benefits Fund for 2010 was established in the correct amount.

Expenses from the Social Benefits Fund correspond to the assumptions of the fund and the work rules and depend on the employees' standard of living.

Funds were transferred to the fund's separate account in the amount of the actual write-down according to the statutory timeframe.

VI. FINANCIAL RESULT AND TAXES

1. **Revenues and costs and the financial result as stated in the statement of comprehensive income** are as follows:

[PLN '000]

Subject		Sales revenues and other revenues	Correspondin g costs	Result + profit - loss
1		2	3	4
A.	Revenues from the sale of products, goods and materials and costs incurred	333 362	317 396	
I.	Products	316 601	301 037	
II.	Goods and materials	16 761	16 359	
B.	Gross profit from sales (I-II)			+ 15 966
C.	Other revenue	15 165		
D.	Sales costs		493	
E.	General management costs		17 009	
F.	Other costs		24 339	
	1. Other activities result (B+C-D-E)			- 26 676
G.	Loss from operating activities (B-F.1)			- 10 710
H.	Financial revenue	24 301		
I.	Finance costs		12 513	
	1. Financial activities result (H-I)			+ 11 788
J.	Gross pre-tax profit (G+I.1)			+ 1 078

K.	Income tax, of which:			1 679
	I. Current part			571
	II. Deferred part			1 108
L.	Net loss from continuing operations (J-K)			- 601
N.	Net profit/loss from discontinued operations			-
O.	Net loss from continuing and discontinued operations			- 601
P.	Other total income			- 1
R.	Total overall income			- 602

Revenues from the sale of products are correct and complete and result from control and analytical accounts and the statement of transactions and balances.

Operating costs are complete and correctly classified and documented. They correspond to and are properly linked to revenues.

Settlement in the area of costs is correct.

Revenues and operating costs were presented in the statement of comprehensive income in amounts that correspond to the accounting records.

2. OTHER REVENUES AND COSTS

Other revenue	PLN 15 165 000
Sales costs	PLN 493 000
General management costs	PLN 17 009 000
Other costs	PLN 24 339 000
Loss	PLN 26 676 000

<u>Other revenue</u> **PLN 15 165 000**

consists of:

- revenues from investments PLN 8 162 000
- receivables revaluation write-downs released PLN 1 417 000
- provisions released for employee benefits PLN 843 000

– provisions released for future liabilities	PLN 1 000 000
– reimbursement of court costs	PLN 84 000
– valuation of real property	PLN 1 872 000
– - adjustments of invoices from previous years	PLN 1 311 000
– accident and other compensation	PLN 190 000
– consideration for the use of company cars	PLN 114 000
– other revenues	PLN 172 000

Other costs	**PLN 24 339 000**
consist of:	
– loss from the sale of non-financial fixed assets	PLN 45 000
– costs relating to investments in real property	PLN 4 312 000
– revaluation write-downs	PLN 2 126 000
– provisions created for employee benefits	PLN 1 066 000
– compensation allowances	PLN 123 000
– donations	PLN 106 000
– - valuation of investment property	PLN 7 188 000
– accident-related repairs and other damage	PLN 178 000
– - revaluation of goodwill	PLN 1 372 000
– revaluation of inventories of finished articles	PLN 4 642 000
– contractual penalties	PLN 2 127 000
– write-off of construction project	PLN 408 000
– other costs	PLN 646 000

3. FINANCING ACTIVITIES

Financial revenue	PLN 24 301 000
Finance costs	PLN 12 513 000
Profit	PLN 11 788 000

Financial revenue	**PLN 24 301 000**
consists of:	
– interest on loans granted	PLN 25 000

– other interest	PLN 590 000
– time-barred and written off interest	PLN 95 000
– - profit from FX forward transactions	PLN 1 104 000
– valuation of FX forward transactions	PLN 3 023 000
– cancelled valuation of FX forward transactions	PLN 3 907 000
– reversal of write-downs of shares	PLN 15 422 000
– valuation of long-term loans	PLN 90 000
– other	PLN 45 000

Finance costs	**PLN 12 513 000**
consist of:	
– interest from borrowings	PLN 2 114 000
– other interest	PLN 3 441 000
– surplus of negative over positive exchange rate differences	PLN 1 356 000
– due interest revaluation write-downs	PLN 5 000
– valuation of long-term loans	PLN 77 000
– commission on borrowings	PLN 665 000
– loss from completed forward transactions	PLN 1 302 000
– valuation of FX forward transactions	PLN 285 000
– cancelled valuation of FX forward transactions	PLN 293 000
– revaluation of shares	PLN 2 875 000
– others	PLN 100 000

Other revenues and costs and financial revenue and costs were correctly documented and properly presented in the statement of comprehensive income in amounts that correspond to the accounting records.

4. OBLIGATORY DEDUCTIONS FROM PROFITS

Income tax, of which:	PLN 1 679 000
– current part	PLN 571 000
– deferred part	PLN 1 108 000
Other deductions from profits	PLN -

Net loss	PLN 601 000

4.1 Tax base

I.	Gross financial result	PLN 1 078 000
II.	Revenue excluded from taxation (-)	PLN 7 723 000
III.	Accounting revenues and profits which do not constitute tax revenue (-)	PLN 34 492 000
IV.	Tax revenues not recognised in the result for the financial year (+)	PLN 11 211 000
V.	Total revenues differentiating the gross financial result and tax base	- PLN 31 004 000
VI.	Costs concerning revenue excluded from taxation (+)	PLN 3 025 000
VII.	Accounting expenses and losses that do not constitute operating costs (+)	PLN 45 087 000
VIII.	Tax expenses not recognised in the books of account (-)	PLN 5 105 000
IX.	Tax expenses not recognised in the result for the financial year (-)	PLN 20 279 000
X.	Total costs differentiating the gross financial result and tax base (+)	PLN 22 728 000
XI.	Tax loss	- PLN 7 198 000
XII.	Current income tax	PLN -
XIII.	Foreign income tax	PLN 568 000
XIV.	Income tax on dividend	PLN 3 000
XV.	Deferred income tax	PLN 1 108 000
XVI.	Total income tax	PLN 1 679 000

The income tax base was determined correctly. Income tax was correctly disclosed in the statement of comprehensive income.

5. TAX – SETTLEMENTS WITH THE BUDGET

1) Personal income tax PLN 4 209 000
2) Corporate income tax PLN -
3) Contributions to the Social Security Office, the Labour Fund and the Guaranteed Employee Benefits Fund PLN 22 363 000
4) VAT – surplus of input tax PLN 3 204 000
5) Fee for the State Fund for the Rehabilitation of the Disabled PLN 187 000
6) Real estate tax PLN 835 000
7) Perpetual usufruct fee PLN 85 000
8) Tax on vehicles PLN 3 000

1. Personal income tax

a)	opening balance	PLN 656 000
b)	due for 2010	PLN 4 209 000
	total	PLN 4 865 000
c)	paid in 2010	PLN 4 067 000
d)	balance as at 31 December 2010	PLN 798 000

2. Corporate income tax

a)	opening balance (adjustment)	PLN - 586 000 000
b)	due for 2010	PLN -
	total	PLN - 586 000
c)	paid in 2010	PLN 3 254 000
d)	counted over from VAT	PLN 1 760 000
e)	reimbursement from tax office	PLN 586 000
f)	balance as at 31 December 2010 (adjustment)	- PLN 5 014 000

3. Contributions to the Social Security Office, the Labour Fund and the Guaranteed Employee Benefits Fund

a)	opening balance	PLN 2 974 000
b)	due contributions for 2010	PLN 22 363 000
	total	PLN 25 337 000
c)	paid in 2010	PLN 21 317 000
d)	balance as at 31 December 2010	PLN 4 020 000
	including: adjustment re. CK Modus	- PLN 1 000
	liability	PLN 4 021 000

4. VAT

a)	opening balance	PLN 936 000
b)	adjustment from previous period	- PLN 2 706 000
c)	output VAT for 2010	PLN 55 224 000
d)	input VAT for deduction	PLN 58 428 000
	total	- PLN 4 974 000
e)	paid in 2010	PLN 1 954 000
f)	credited overpayment for income tax	PLN 1 760 000
g)	surplus of input VAT CK Modus	- PLN 65 000
h	balance as at 31 December 2010	- PLN 5 233 000

5. Fee for the State Fund for the Rehabilitation of the Disabled

a)	opening balance	PLN 12 000
b)	due for 2010	PLN 187 000
	total	PLN 199 000
c)	paid in 2010	PLN 183 000
d)	balance as at 31 December 2010	PLN 16 000

6. Real estate tax

a)	opening balance	PLN -

b)	adjustment re. 2009	PLN 6 000
c)	due for 2010	PLN 835 000
	total	PLN 841 000
d)	paid in 2010	PLN 841 000
e)	balance as at 31 December 2010	PLN -

7. Perpetual usufruct fee

a)	opening balance	PLN -
b)	due for 2010	PLN 85 000
	total	PLN 85 000
c)	paid in 2010	PLN 85 000
d)	balance as at 31 December 2010	PLN -

8. Tax on vehicles

a)	opening balance	PLN -
b)	due for 2010	PLN 3 000
	total	PLN 3 000
c)	paid in 2010	PLN 3 000
d)	balance as at 31 December 2010	PLN -

Settlements with the budget and funds are fully recognised in the books of account.

The bases for tax and charging social security contributions and fees for the State Fund for the Rehabilitation of the Disabled are correct and properly documented.

The VAT audit was carried out by the sample method in such a way as to ensure that it was correctly determined. For that reason, certain irregularities might be discovered.

Tax liabilities and liabilities towards the funds were calculated in accordance with applicable laws.

Completed tax returns were sent to the relevant offices on time. Taxes were paid on time. Budget interest amounted to PLN 2 000.

Liabilities on account of taxes, duties, social security and others are correctly disclosed in the financial statements.

Although the Company's management is convinced that tax law requirements have been fulfilled, there is a risk of erroneous interpretation connected with the frequent amendment of tax regulations and with lack of clarity in those regulations.

VII. CONTINGENT LIABILITIES AND RESTRICTIONS ON OWNERSHIP RIGHTS

1. List of groups of liabilities secured with the Company's assets

[PLN '000]

Secured liability	Balance as at 31 December 2010			Balance as at 31 December 2009		
	Amount of credit facility, loan and others	Amount of security	Amount of security expressed as % of assets	Amount of credit facility, loan and others	Amount of security	Amount of security expressed as % of assets
Ordinary and capped mortgages	48 441	196 962		28 443	58 271	
Pledge on shares		148			148	
Registered pledge on inventories		5 000		700	5 000	
Transfer of receivables	10 000	94 095			122 518	
Total	**58 441**	**296 205**	**71.65**	**29 143**	**185 937**	**40.26**

2. **Contingent liabilities,** including guarantees and suretyships granted by the Company (also promissory notes):

[PLN '000]

Type of liabilities, guarantees and suretyships	Balance as at 31 December 2010	Balance as at 31 December 2009

	Amount	% of assets	Amount	% of assets
Guarantees and suretyships granted	PLN 67 760		PLN 101 845	
Blank promissory notes	PLN 1 436		PLN 18 442	
Letter of credit granted	-		PLN 6 463	
Liability on account of an inspection by the Social Security Office	PLN 6 702		PLN 6 179	
Liability on account of court case	PLN 82 346		-	
Total contingent liabilities	**PLN 158 244**	**38.28**	**PLN 132 929**	**28.78**

VIII. CASH FLOW STATEMENT, ADDITIONAL INFORMATION AND REPORT ON OPERATIONS

The cash flow statement was drawn up correctly and discloses the relationship with the statement of financial condition, the statement of comprehensive income and the books of account.

The additional information correctly and fully reflects the amounts and problems associated with the Company's activities.

The report on operations contains the information specified in Article 49 par. 2 of the Accountancy Act and corresponds to the audited financial statements.

IX. VIOLATIONS OF THE LAW

In the Company subject to the audit, no cases of a material breach of tax law, the Commercial Companies Code, or the Company's Statute were identified.

X. **EVENTS AFTER THE DATE** of the financial statements

No events occurred after the date of the financial statements that could affect the Company's operating results in subsequent periods.

E. ASSESSMENT OF THE FINANCIAL STATEMENTS FOR 2010

We find that the financial statements and the books of account on which they are based comply with the provisions of law and the accounting rules generally applied in the accounting profession.

We find that the financial statements are correct and accurate in that they give a substantively true representation of the results of the Company's overall operations and its assets and financial situation.

This report was discussed with the director of Energomontaż-Południe S.A.

F. FINAL FINDINGS

1. This Report consists of 46 typed pages numbered consecutively.

   Each page contains a page number and the signature of the certified auditor alongside it.

2. Attached to this report are the Company's financial statements and:

   1) Other conclusions and comments – none
   2) Economic and financial results
   3) Profitability, liquidity and debt indicators
   4) Capital market indicators
   5) Indicators from the cash flow statement
   6) Balance of revaluation write-downs relating to assets and provisions for liabilities
   7) Confirmation of receipt (*in the auditor's copy*)

Authorised entity

MW RAFIN
Spółka z ograniczoną odpowiedzialnością
SPÓŁKA KOMANDYTOWA
41-200 Sosnowiec, ul. Kilińskiego 54/III/3
Podmiot uprawniony nr 3076

PREZES
Biegły Rewident
Marian Wcisło
nr ewid. 5424

Chief certified auditor

Bogusława Zemełka
Reg. No. 9368

Sosnowiec, 16 March 2011

Appendix No. 2

Economic and financial results

[PLN '000]

No.	RATIO	Performance in current prices			Ratio %	
		in year of audit	in previous year	in 2008	3/4	3/5
1	2	3	4	5	6	7
1	**Total revenue of which from:**	**372 828**	**307 363**	**242 609**	**121,30%**	**153,67%**
	- sale of products	316 601	267 966	195 253	118,15%	162,15%
	- sale of goods and materials	16 761	16 867	16 847	99,37%	99,49%
	- other revenue	15 165	9 964	22 075	152,20%	68,70%
	- financial revenue	24 301	12 566	8 434	193,39%	288,13%
	- extraordinary profits					
2	**Operating costs of which from:**	**371 750**	**315 049**	**226 840**	**118,00%**	**163,88%**
	- products sold	301 037	225 839	167 508	133,30%	179,71%
	- goods and materials sold	16 359	17 425	15 791	93,88%	103,60%
	- sales costs	493	277	1 187	177,98%	41,53%
	- general management costs	17 009	14 169	12 654	120,04%	134,42%
	- other costs	24 339	10 683	16 817	227,83%	144,73%
	- finance costs	12 513	46 656	12 883	26,82%	97,13%
	- extraordinary losses					
3	**Gross financial result**	**1 078**	**- 7 686**	**15 769**	**-14,03%**	**6,84%**
4	Income tax	1 679	3 031	3 392	55,39%	49,50%
5	Other expenses					
6	**Net financial result**	**- 601**	**- 10 717**	**12 377**	**5,61%**	**-4,86%**

Appendix No. 3

PROFITABILITY, FINANCIAL LIQUIDITY AND DEBT RATIOS (asset financing structures) for 2010

[PLN '000]

Type of ratio and calculation method		Amounts		Ratio		Change in the ratio + improvement - deterioration
		Current year	Previous year	Current year	Previous year	
1		2	3	4	5	6
PROFITABILITY RATIOS 1)						
1.	**Sales profitability ratio** Net profit x 100 / Revenues from sales of products, goods and materials	- 601 x 100 / 333 362	- 10 717 x 100 / 284 833	- 0.18	- 3.76	+ 3.58
2.	**Gross profitability of sales** Gross earnings from sales x 100 / Revenues from sales of products, goods and materials	15.966 x 100 / 333 362	41.569 x 100 / 284 833	4.79	14.59	- 9.80
3.	**Return on assets (ROA)** Net profit x 100 / Average balance of assets	- 601 x 100 / 437 654	- 10 717 x 100 / 358 262			
4.	**Adjusted return on assets (ROA_1)** Net profit + net paid interest (i.e. excluding corporate income tax) x 100 / Average balance of assets	-601+4500 x 100 / 437 654	-10 717+3 684 / 358 262	0.89		
5.	**Tangible asset turnover** Revenues from sales of products, goods and materials / Average balance of tangible assets	333 362 / 200 029	284 833 / 151 182	1.67	1.88	- 0.21
6.	**Return on equity (ROE)** Net profit x 100 / Average balance of equity	- 601 x 100 / 186 234	- 10 717 x 100 / 142 233			
7.	**Scale of leverage** Return on equity (item 6) – adjusted return on assets (item 4)					

1		2	3	4	5	6
FINANCIAL LIQUIDITY RATIOS						
8.	**Coverage of current liabilities** Current assets / Current liabilities	242 204 / 172 969	233 046 / 171 634	1.40	1.36	+ 0.04
9.	**Ratio of payment of liabilities** Current assets – (inventories + short-term accruals and deferred income costs)x) / Current liabilities	132 998 / 172 969	188 557 / 171 634	0.77	1.10	- 0.33
10.	**Quick ratio** Cash and other assets / Current liabilities	13 242 / 172 969	18 837 / 171 634	0.08	0.11	- 0.03
11	**Receivables turnover ratio in times per year** Revenues from sales of products and goods / Average balance of receivables minus VAT 2)	333 362 / 64 332	284 833 / 52 126	5.18	5.46	- 0.28
12.	**Receivables turnover ratio in days** Number of days in the period (365) / Receivables turnover ratio in times per year	365 / 5.18	365 / 5.46	70.46	66.85	- 3.61
13.	**Liabilities turnover ratio in times per year** Own costs of sold goods and materials + cost of manufacturing products / Average balance of trade liabilities minus VAT	317 396 / 51 546	243 264 / 48 976	6.16	4.97	+ 1.19
14.	**Liabilities turnover ratio in days** Number of days in the period (365) / Liabilities turnover ratio in times per year	365 / 6.16	365 / 4.97	59.25	73.44	+ 14.19
15.	**Materials inventory turnover ratio in times per year** Cost of materials used / Average balance of materials inventory	52 227 / 4 955	38 301 / 4 585	10.54	8.35	+ 2.19
16.	**Materials inventory turnover ratio in days** Number of days in the period (365) / Materials inventory turnover ratio in times per year	365 / 10.54	365 / 8.35	34.63	43.71	+ 9.08
17.	**Product inventory turnover ratio in times per year** Revenues from sales of products / Average balance of inventory of finished products					
18.	**Product inventory turnover ratio in days** Number of days in the period (365) / Turnover ratio in times per year					

x) Short-term accruals and deferred income

1		2	3	4	5	6
DEBT RATIOS (asset financing structures)						
19.	**Debt ratio - total** Total liability [3)] Total assets	249 113 413 416	253 727 428 869	0.60	0.59	- 0.01
20.	**Equity to assets ratio** **:** Equity Total assets	164 303 413 416	175 142 428 869	0.40	0.41	- 0.01
21.	**Ratio of tangible assets to equity and long-term provisions** Equity + non-current liabilities + long-term provisions Tangible assets	240 447 171 212	257 235 195 823	1.40	1.31	+ 0.09
22.	**Sustainability of financing ratio** Equity + non-current liabilities + long-term provisions Total assets	240 447 413 416	257 235 428 869	0.58	0.60	- 0.02
23.	**Ratio of net profit plus amortisation and depreciation to total liabilities** Net profit + annual amortisation/depreciation Average balance of total liabilities (non-current + current)	- 601+8 917 237 304	- 10 717+5 719 216 029	0.04		

1) If there is a net balance-sheet loss we only calculate ratios 1 and 2 (we do not calculate ratios 3, 4, 6, 7 or 23 if the net balance-sheet loss exceeds amortisation/depreciation).

2) We “net” the average balance of trade receivables (B.II.1a + B.II.2a) by dividing it by the average rate of output VAT, e.g. by dividing by 122 % if all sales are taxed at the basic rate.

3) Excluding long-term revenues of future periods + bonuses granted from profits of the current year (dividends in joint stock and limited liability companies).

4) **<u>Specify the improvement or deterioration (+|-) of a particular ratio with the financial details, not an arithmetic symbol.</u>**

Appendix No. 4

CAPITAL MARKET RATIOS

Ratio and calculation method		Amounts [PLN]		Ratio		Change ratio
		for the audited year	for the previous year	for the audited year	for the previous year	+ improvement - deterioration
1		2	3	4	5	6
Internal ratios (data from the company) – counted on the basis of the number of shares						
1.	**Sales per share**					
	Sales revenues	333 362 479.79	284 832 783.55	4.83	5.96	- 1.13
	Weighted average number of shares	68 965 694	47 762 256			
2.	**Earnings per share**					
	Net profit	- 601 321.31	- 10 716 563.63	- 0.01	- 0.22	+ 0.21
	Weighted average number of shares	68 965 694	47 762 256			
3.	**Dividend per share**					
	Net profit designated for distribution among shareholders	-	-			
	Number of shares in circulation	70 972 001	48 390 000			
4.	**Cash flow per share**					
	Net profit + amortisation/depreciation	8 316 102.05	- 4 997 372	0.12	- 0.10	+ 0.22
	Weighted average number of shares	68 965 694	47 762 256			
5.	**Book value per share**					
	Equity	164 302 849.69	175 141 746.08	2.38	3.67	- 1.29
	Weighted average number of shares	68 965 694	47 762 256			
6.	**Dividend cover ratio (CR)**					
	Net profit per share	- 0.01	- 0.22			
	Net profit designated for distribution among shareholders (dividend/share)	-	-			
7.	**Payout rate**					
	Dividend per share	-	-			
	Net profit per share	- 0.01	- 0.22			

	1	2	3	4	5	6
External ratios (data from the capital market) – counted on the basis of the market value of shares						
8.	**Earnings per share to market price**					
	Net profit per share x 100	- 0.01 x 100	- 0.22 x 100			
	Market price per share	3.74	4.30			
9.	**Dividend yield**					
	Dividend per share x 100	-	-			
	Market price per share	3.74	4.30			
10.	**Price to dividend ratio**					
	Market price per share	3.74	4.30			
	Dividend per share	-	-			
11	**Price to earnings ratio**					
	Market price per share	3.74	4.30			
	Net profit per share	- 0.01	- 0.22			
12.	**Cash flow per share to price**					
	Net profit + amortisation/depreciation per share x 100	0.12 x 100	- 0.10 x 100	0.03		
	Market price per share	3.74	4.30			
13.	**Price to cash flow per share**					
	Market price per share	3.74	4.30	31.17		
	Net profit + amortisation/depreciation per share	0.12	- 0.10			
14.	**Stock exchange share price ratio**					
	Market price per share	3.74	4.30	3.74	4.30	- 0.56
	Par value per share	1.00	1.00			
15.	**Price to book value per share**					
	Market price per share	3.74	4.30	1.57	1.17	+ 0.40
	Book value per share	2.38	3.67			

[1] In the event of a net loss, we do not calculate the ratios, except for 4,12 and 13, if the net loss does not exceed the level of amortisation/depreciation write-downs, and those ratios in which the financial result does not figure directly

[2] When a ratio has changed we give the improvement or deterioration (+|-) of a particular ratio according to its financial content, not the arithmetical symbol.

Appendix No. 5

Ratios from cash flow statement

Item	Ratio	Manner of calculating ratio	Period		Improvement + Deterioration – (4-5)
			audited	year	
1	2	3	4	5	6
1.	Ratio of share of net profit in balance of cash generated from operating activities	$\frac{\text{Net profit}}{\text{cash generated from operating activities}}$	- 0.01	- 0.36	
2.	Ratio of share of amortisation/depreciation in balance of cash generated from operating activities	$\frac{\text{amortisation/depreciation}}{\text{cash generated from operating activities}}$		0.19	
3.	Ratio of capability of generating cash from operating activities	$\frac{\text{net cash from operating activities}}{\text{net cash from operating activities + proceeds from financing activities}}$		0.32	
4.	Ratio of financing investments in property, plant and equipment and intangible assets	$\frac{\text{outlays for fixed and intangible assets}}{\text{cash generated from operating activities}}$		0.29	
5.	Ratio of general sufficient amount of cash	$\frac{\text{cash generated from operating activities}}{\text{expenditure for investment and financing activities}}$		0.19	
6.	Ratio of coverage of interest	$\frac{\text{cash generated from operating activities}}{\text{interest from financing activities}}$		7.03	
7.	Ratio of performance of capital invested from operating activities	$\frac{\text{cash generated from operating activities}}{\text{capital invested}}$		0.10	
8.	Ratio of performance of assets	$\frac{\text{cash generated from operating activities}}{\text{total assets}}$		0.07	
9.	Ratio of performance of sales	$\frac{\text{cash generated from operating activities}}{\text{revenue from sales of products, goods and materials}}$		0.10	

ECONOMIC CONTENT OF RATIOS

from cash flow statement

1. The higher the value of such a ratio, the better the net profit reflects the actual surplus achieved by an entity.

2. A high and increasing value of this ratio is interpreted negatively. It denotes the entity's poor ability to generate its own sources. Funds from amortisation and depreciation should be used for new investments in fixed assets of an entity, and not serve to finance current activities or to meet liabilities from credit and dividends.

3. An increase in the value of this ratio should convey a positive impression about the company's possibilities with respect to self-financing. At the same time, the analysis of other data must be borne in mind (e.g. contracting new credit to finance construction-in-progress reduces the value of the ratio, which should not immediately be interpreted as a negative signal regarding the company's situation).

4. A smaller value of the ratio shows that the company has bigger surpluses to cover other expenses.

5. A ratio which is at a level higher than 1 suggests that the entity is generating a sufficient amount of cash to cover expenses connected with investment and financing activities.

6. If the ratio is below 1, this shows that the entity is unable to gain cash from its basic operating activities to pay off assets or contract new credit. This can definitely not be assessed in positive terms. It should be pointed out that cash from operating activities should cover not only interest, but also amortisation and depreciation, which serves to regenerate tangible and intangible assets.

7.

$$\text{capital invested} = \text{equity and outside capital} - \text{non-current and current investments (without cash)}$$

   This ratio measures how much cash has been obtained from basic operating activities from capital invested in this capital area.

8. If the ratio increases, it means that the performance of assets is increasing.

9. This ratio shows what part of the revenue from sales (on an accrual basis) is covered in cash revenue. The higher this ratio is, the better. The difference between 1 and the ratio denotes the lack of cash coverage in cash in revenue.

<u>Note:</u>

One cannot approach the cash flow statement uncritically. A positive cash surplus does not yet mean solvency, just as a negative surplus cannot be interpreted as a lack of cash to settle liabilities. A negative value often arises in the case of a considerable share of credit sale in the entire turnover, which is connected with an increase in receivables. A positive surplus arises when use is made of accumulated materials without the simultaneous regeneration of inventories. The situation will be similar in the case of purchasing materials for trade credit. The cash flow statement must therefore be analysed in association with an assessment of the balance of receivables, liabilities, the level of inventories, etc.

As can be seen from the aforementioned description, one cannot unambiguously interpret the values of individual ratios and draw clear conclusions on their basis. However, a comprehensive analysis makes it possible to generally determine the condition of an entity and at the same time the risk of arriving at an inappropriate decision.

Appendix No. 6

Write-downs from revaluations of assets and provisions for liabilities as at 31 December 2010

[PLN '000]

Item	Subject	Goodwill	Tangible assets	Long-term investments	Inventories of current assets	Amount due		Provision for employee benefits	Other provisions	Total
						principal	interest			
1	2	3	4	5	6	7		9	11	12
1	**Balance at beginning of period**	**2 010**	**-**	**49 745**	**200**	**6 030**	**200**	**6 617**	**2 000**	**66 802**
2	Revaluation write-downs charged to expenses	5	-	2 875	6 014	25 232	13	-	-	**34 139**
3	Creation of a provision charged to expenses	-	-	-	-			1 066	-	**1 066**
4	Other	-	-	-	-	-		-	-	**-**
Total (2+3+4)		**5**	**-**	**2 875**	**6 014**	**25 232**	**13**	**1 066**	**-**	**35 205**
5	Utilisation	-	-	-	-	736	6	-	-	**742**
6	Cessation of the reasons for:	-	-	-	-	-		-	-	**-**
a)	the write-downs	-	-		-			-	-	**-**
b)	creating the provision	-	-	-	-			-		**-**
7	Release of write-downs as a result of repayment	-	-	-	-	2 811	-	-	-	**2 811**
8	Other	-	-	15 422	-	4		843	1 000	**17 269**
Total (5+6+7+8)		**-**	**-**	**15 422**	**-**	**3 551**	**6**	**843**	**1 000**	**20 822**
9	**Balance at end of period**	**2 015**	**-**	**37 198**	**6 214**	**27 711**	**207**	**6 840**	**1 000**	**81 185**