

**Capital Group Apator S.A.**  
**Financial Statement**  
**Opinion and Report of the Statutory Auditor**  
**Fiscal year ending 31 December 2011**

The opinion contains 3 pages  
Report supplementing the opinion contains 14 pages  
Report supplementing the opinion on the audit of  
the consolidated financial statement for the year ending on 31 December 2011

## OPINION OF THE INDEPENDENT STATUTORY AUDITOR

*For the General Meeting of Apator S.A.*

We have audited the consolidated financial statement of the Capital Group, where the parent entity is Apator S.A. with the registered office in Toruń, ul. Żółkiewskiego 21/29 (“Capital Group”),

Composed of the consolidated statement of financial position prepared as at 31 December 2011, consolidated statement of comprehensive income, consolidated statement of changed in equity and the consolidated statement of cash flows for the fiscal year ended on this day and additional notes to the financial statement concerning the applied accounting principles and other explanatory notes.

*Responsibility of the Management and the Supervisory Board*

The Management Board of the Parent Entity is responsible for preparing and reliable presentation of this consolidated financial statement pursuant to the International Financial Reporting Standards, which were accepted by the European Union and other applicable regulations, and for preparation of the business report. The Management Board of the Parent Entity is also responsible for internal control, which is deemed as necessary in order the prepared consolidated financial statements to be free of any irregularities arisen as a result of intended actions or omissions.

Pursuant to the Accounting Act of 29 September (Dz. U. U. 2009 No. 152, item 1223 as amended) (“Accounting Act”) the Management Board of the Parent Entity and the members of the Supervisory Board or other controlling body of the entity are obliged to ensure that the consolidated financial statement and the business report comply with the requirements stipulated in this Accounting Act.

*Responsibility of the Statutory Auditor*

Our task was to express the opinion about this financial statement on the basis of this audit. The audit of the financial statement was conducted pursuant to provisions of the chapter 7 of the Accounting Act, national financial reporting standards issued by the National Board of Statutory Auditors in Poland and International Financial Reporting Standards. These regulations impose the obligation to observe the ethic principles and to plan and to carry out the audit so that to obtain the reasonable certain that the consolidated financial statement is free of any material discrepancies.

The audit consists of conducting the procedures aimed at obtaining the evidences on amounts and information disclosed in the consolidated financial statement. The selection of audit procedures depends on our opinion, including the material discrepancy risk in the consolidated financial statement as a result of willful actions or omissions. Carrying the assessment of such risk, we consider the preparation-related internal control and reliable presentation of the consolidated financial statement in order to plan the proper procedures for the audit circumstances, but not to express the opinion on efficiency of the internal control in the entity. This audit includes also the assessment of the applied accounting principles, the grounds for estimations made by the Management Board of the Parent Entity and the assessment of the general presentation of the consolidated financial statement.

We are convinced that obtained evidences are the sufficient base to issue an opinion.

*Opinion*

In our opinion the consolidated financial statement of the Capital Group Apator S.A. presents reliably and accurately the financial standing of the Company as at 31 December 2011, the financial result and cash flows for the fiscal year ended on this day; it was prepared, in all material aspects, pursuant to the International Financial Reporting Standards, which were approved by the European Union; it is compliant with all regulations and provisions of the Law affecting the contents of the consolidated financial statemet applicable for the Capital Group.

*Other issues*

Moreover, pursuant to the requirements of the Accounting Act we state that the report on the business report of the Capital Group includes information, specified in Art. 49 of the Accounting Act and of the Ordinance of the

Minister of Finances dated 19 February 2009 on the current and periodic information provided by the issuers of securities and conditions of considering as equal the information required by the legal provisions of the non-member country (Dz. U. 2009 No. 33, item 259 as amended) in all material aspects and they are compliant with the information included in the consolidated financial statement. The comparative data were presented on the basis of the consolidated financial statement of the Capital Group for the fiscal year ending 31 December 2010, excluding the identified and specified adjustments in the Note 7.36 of the Financial Statement audited by other entity authorized to audit, which on 28 April 2011 issued an opinion with a reservation about this consolidated financial statement.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością  
sp.k. , Reg. No. 3546, ul. Chłodna 51, 00-867 Warszawa

Statutory auditor No. 11995  
Limited Partner, Proxy  
Rafał Wiza

Statutory auditor No. 90061  
Limited Partner, Proxy  
Marek Gajdziński

Poznań,

May

23,

2012

**Capital Group Apator S.A.**

Report supplementing the opinion on the audit of the consolidated  
financial statement

Year ending on 31 December 2011

Report supplementing the opinion contains 14 pages  
Report supplementing the opinion on the audit of  
the consolidated financial statement for the year ending on 31 December 2011

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## **1. General part**

### **1.1. Data identifying the Capital Group**

#### **1.1.1. Name of the Capital Group**

Capital Group Apator S.A.

#### **1.1.2. Registered office of the Parent Entity**

ul. Żółkiewskiego 21/29 87-100 Toruń

#### **1.1.3. Registration of the parent entity in the National Court Register**

Registering Court: Register Court in Toruń, 7th Commercial Department of the National Court Register

Date: 24 October 2001

Register No.: KRS 0000056456

The share capital as at the date of the financial statement: 3,510,702.80 PLN

#### **1.1.4. Manager of the Parent Entity**

The position of the manager of the Parent Entity is held by the Management Board.

The Management Board of the Company as at 31 December 2011 consisted of:

- Mr Janusz Niedźwiecki- President of the Management Board
- Mr Tomasz Habryka- Member of the Management Board
- Mr Jerzy Kuś - Member of the Management Board

### **1.2. Information on entities belonged to the Capital Group**

#### **1.2.1. The entities covered by the consolidated financial statement**

Pursuant to the state as at 31 December 2010 the following entities belonging to the Capital Group were covered by the consolidation:

Parent entity:

- Apator S.A.

Related entities included to the full method of consolidation:

- Apator Control Sp. z o.o.
- Apator Mining Sp. z o.o.
- FAP Pafal SA
- Apator Metrix S.A.

- Apator GmbH (Germany),
- Apator Rector Sp. z o.o.,
- Apator Powogaz S.A.,
- Apator Telemetry Sp. z o.o.,
- Apator Metra s. r. o. (Czech Republic),
- Apator Metroteks TOV (Ukraine),
- Newind Sp. z o.o.

Affiliates measured by equity method:

- Apator Elektro (Russia),
- ZAO Teplovodomer (Russia).

The following subsidiaries have been covered by the consolidated for the first time in the fiscal year ending on 31 December 2011 and because of taking up the control by the Parent Entity:

- Apator Metra s.r.o., Czech Republic- the entity covered by the consolidated financial statement for the period from 1 January to 31 December 2011.
- Newind Sp. z o.o. - - the entity covered by the consolidated financial statement for the period from 1 June to 31 December 2011.

### **1.2.2. The entities not covered by the consolidated financial statement**

Pursuant to the state as at 31 December 2011 all entities belonging to the Capital Group were covered by the consolidation

## **1.3. Data identifying the statutory auditor and entity authorized to audit financial statements**

### **1.3.1. Data identifying the statutory auditor**

Name:	Marek Gajdziński
Register No.:	90061
First name and surname:	Rafał Wiza
Register No.:	11995

### **1.3.2. Data identifying the authorized entity**

Company:	KPMG Spółka z ograniczoną odpowiedzialnością Sp.k.
Registered office:	Warsaw

Address: ul. Chłodna 51, 00-867 Warszawa  
Register No.: KRS 0000339379  
Registering Court: District Court for the capital city of Warsaw in Warsaw  
12th Commercial Department of the National Court Register, NIP [Tax Identification Number]: 527-26-15-362

KPMG Audyt SPółka z ograniczoną odpowiedzialnością sp.k. is entered into the list of the entities authorized to audit the financial statements with the number 3546.

#### **1.4. Information on the consolidated financial statement for the previous fiscal year**

The consolidated financial statement for the fiscal year ending on 31 December 2010 was audited by Korycka, Budziak & Audytorzy Sp. z o.o. and obtained the opinion of the statutory auditor with the following comment:

"Having no objections to the correctness and accuracy of the audited financial statement we note that the Company presents in the statement of financial position the particular items of equity without considering the effects of translation made under IAS 29 "Financial Reporting in Hyperinflationary Economies". The effects of translation of equity and reasons for not recognizing them in the statement of financial position are presented in the Note to Financial Statement (Note 15). This issue was noted in the opinions from audit of the financial statement for the years 2005-2009."

The consolidated financial statement has been approved by the General Meeting on 20 June 2011.

The consolidated financial statement has been submitted to the Register Court on 1 July 2011 and published in Monitor Polski B No. 2082 of 4 November 2011.

#### **1.5. Scope of activities and responsibilities**

This report was prepared for the General Meeting of Apator S.A., with the registered office in Toruń, ul. Żółkiewskiego 21/29 and refers to the consolidated financial statement composed of the consolidated statement of financial position prepared as at 21 December 2010, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year ended on this day and additional notes to the financial statement concerning the applied accounting principles and other explanatory notes.

The parent entity prepares the separate financial statement pursuant to the International Financial Reporting Standards, which were approved by the European Union on the basis of the decision of the Extraordinary General Meeting of Shareholders of 20 December 2004.

The audit of the consolidated financial statement was conducted pursuant to the agreement of 11 April 2011 concluded under Resolution of the Supervisory Board of 1 March 2011 referring to the selection of the entity authorized to audit the financial statement.

The audit of the consolidated financial statement was conducted pursuant to provisions of the chapter 7 of the Accounting Act, national financial reporting standards issued by the National Board of Statutory Auditors in Poland and International Financial Reporting Standards.

The audit of the consolidated financial statement was conducted in the period from 28 November to 1 December 2011, from 5 March to 9 March 2012 and from 2 to 13 April 2012.

The Management Board of the Parent Entity is responsible for preparing and reliable presentation of this consolidated financial statement pursuant to the International Financial Reporting Standards, which were accepted by the European Union and other applicable regulations, and for preparation of the business report.

Our task was to express the opinion and to prepare the supplementing report referred to this consolidated financial statement on the basis of the audit.

On the issue date of this report the Management Board of the Parent Entity submitted the statement on reliability and clearness of the financial statement to be audited and on a lack of occurrence of the events not disclosed in



the consolidated financial statement affecting significantly data presented in the consolidated financial statement for the audited year.

During the audit of the consolidated financial statement the Management Board of the Parent Entity submitted the all required statements, explanations and information and provided us with all documents and information necessary to issue the opinion and to prepare the report.

The key statutory auditors and KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. meet the requirement of independency from the audited Capital Group in the meaning of Art. 56 sec. 3 and 4 of the Act of 7 May 2009 on the Statutory Auditors and Their Self-Regulation, entities authorized to audit financial statements and on public supervision (Dz. U. No. 77 item 649).

The scope of planned and executed works was not limited in any manner. The scope and manner of the audit result from the prepared working documents, which are held in the registered office of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

## 1.6. Information on audited entities covered by the consolidation

### 1.6.1. Parent entity

The financial statement of the parent entity for the fiscal year ending on 31 December 2011 was audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., the entity authorized to audit financial statements with the number 3546 and obtained the opinion without reservations.

### 1.6.2. Other entities covered by the consolidation

Entity's name	The entity authorized to audit	Reporting day	Status of the opinion of the statutory auditor
APATOR CONTROL Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2011	no reservations
Apator Mining Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2011	no reservations
FAP Pafal SA	KPMG Audyt Spółka z ograniczoną odpowiedzialnością	31 December 2011	no reservations
Apator Metrix S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2011	no reservations
APATOR GmbH	It does not requires audit.	31 December 2011	Does not apply.
Apator Rector Sp. z o.o.,	KPMG Audyt Spółka z ograniczoną odpowiedzialnością	31 December 2011	no reservations
Apator Powogaz S.A.,	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2011	no reservations
Apalor Telemetria Sp. z o.o.	Gdańska Grupa Audytorów Sp. z o.o.	31 December 2011	No reservations, with comment
Apator Metra s.r.o.	AV - Auditing spol. s. r. o.	31 December 2011	no reservations
Apator Metroteks TOV	It does not require audit.	31 December 2011	Does not apply.
Newind Sp. z o.o.	Grupa Audyt Sp. z o.o.	31 December 2011	no reservations
Apalor Elektro	It does not require audit.	31 December 2011	Not applicable.
ZAO Teplovodamer	"Biznes-Audyt" OOO	31 December 2011	no reservations

## 2. Financial analysis of the Capital Group

### 2.1. General analysis of the consolidated financial statement

#### 2.1.1. CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

ASSETS	31.12.2011 '000 PLN	% assets	31.12.2010 '000 PLN	% assets
<b>Non-current assets</b>				
Intangible assets	4 031	0.8	4 465	1.2
Goodwill of subsidiaries	64 155	13.5	59 509	16.3
Property, Plant and Equipment	128 705	27.1	92 991	25.4
Investment property	1 859	0.4	1 341	0.4
Investments in affiliates and subsidiaries measured by equity method	729	0.2	1 052	0.3
Other long-term financial assets	-	-	10 693	2.9
Long-term receivables	1 988	0.4	289	0.1
Long-term accrued and deferred assets	31	0.0	58	0.0
Deferred tax assets	11 149	2.3	9 048	2.6
<b>Total non-current assets</b>	212 737	44.7	179 446	49.1
<b>Current assets</b>				
Inventories	91 587	19.3	63 619	17.4
Trade receivables	123 704	26.0	96 158	26.3
Receivables due to tax, customs and social insurances	-	-	-	-
	8 069	1.7	1 838	0.5
Other short-term receivables	3 186	0.7	1 820	0.5
Other short-term financial assets	354	0.1	2 007	0.5
Cash and cash equivalents	24 090	5.0	17 164	4.7
Short-term accrued and deferred assets	1 256	0.3	1 100	0.3
Non-current assets held for resale	10 427	2.2	2 707	0.7
<b>Total current assets</b>	262 673	55.3	186 413	50.9
<b>TOTAL ASSETS</b>	475 410	100.0	365 859	100.0
<b>LIABILITIES</b>				
	31.12.2011 '000 PLN	% liabilities	31.12.2010 '000 PLN	% liabilities
<b>Equity</b>				
Share capital	3 511	0.7	3 511	1.0
Other capitals	165 106	34.7	142 738	39.0
Capital from measurement of hedging transactions and exchange rates differences from consolidation	(4 991)	1.0	(237)	0.1
Undivided financial result	66	14.1	52 194	14.3
<b>Equity of the shareholders of the parent entity</b>	230 594	48.5	198 206	54.2
<b>NCI</b>	5 873	1.2	3 299	0.9
<b>Total equity</b>	236 467	49.7	201 505	55.1
<b>Liabilities</b>				
Long-term borrowings	21 669	4.6	25 077	6.9
Long-term liabilities	20 917	4.4	15 505	4.2
Provision due to the deferred income tax	8 929	1.9	6 981	1.9
Provisions and liabilities due to employee benefits	11 134	2.3	10 915	3.0
Other long-term provisions	324	0.1	2 236	0.6

<b>Total long-term liabilities</b>	62 973	13.3	60 714	16.6
Short-term borrowings	58 299	12.3	35 897	9.8
Trade liabilities	59 356	12.5	33 276	9.1
Liabilities due taxes, customs and social insurances	11 562	2.4	10 646	2.9
Other short-term liabilities	26 180	5.5	13 912	3.8
Provisions and liabilities due to employee benefits	9 185	1.9	6 153	1.7
Other short-term provisions	4 388	0.9	3 756	1.0
Liabilities related to non-currents assets held for sale	7 000	1.5	-	-
<b>Total short-term liabilities</b>	175 970	37.0	103 640	28.3
<b>Total liabilities</b>	238 943	50.4	164 354	44.9
<b>TOTAL LIABILITIES</b>	475 410	100.0	365 859	100.0

## 2.1.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	01.01.2011 31.12.2011 '000	- % Revenues from sales	1.01.2010- 31.12.2010 '000	% Revenues from sales
Revenues	537 019	100.0	409 222	100.0
Cost of sales	(371 688)	69.2	(271 706)	66.4
<i>Gross profit from sales</i>	165 331	30.8	137 516	33.6
Distribution expenses	(30 445)	5.7	(27 915)	6.8
Administration expenses	(66 008)	12.3	(61 459)	15.0
Other operating revenues (costs)	3 841	0.7	(3 437)	0.8
Share in profits of the subsidiaries measured by equity method	364	0,1	560	0,1
Costs of restructuring	(1 323)	0,2	-	-
<i>Profit from operating activities</i>	71 760	13.4	45 265	11,1
Net financial costs	(7 393)	1,4	(66)	0,1
<i>Profit before tax</i>	64 367	12,0	45 199	11,0
Income tax	(12 851)	2,4	(8 919)	2,1
<i>Net loss for the fiscal year</i>	51 516	9,6	36 280	8,9
<b>OTHER COMPREHENSIVE INCOME</b>				
Exchange differences from translation the foreign units	1 293	0,2	(11)	0,0
Hedge accounting	(7 445)	1,4	-	-
Income tax referring to other comprehensive income	1 415	0,3	-	-
<i>Net other comprehensive income for the fiscal year</i>	(4 737)	0,9	(11)	0,0
<i>Total comprehensive income for the fiscal year</i>	46	77,9	36 269	8,9

## 2.2. Selected financial ratios

	2011	2010	2009
<b>1. Net sales profitability</b>			
net profit x 100%	9.6%	8.9%	8.4%
Net revenues			
<b>2. Return on equity</b>			
net profit x 100%	27.9%	22.0%	20.9%
Equity- net profit			
<b>3. Receivables turnover rate</b>			
Average state of gross trade receivables x 365 days	77 days	75 days	71 days
Net revenues			
<b>4. Debt rate</b>			
Liabilities x 100%	50.3%	44.9%	43.6%
total liabilities			
<b>5. Liquidity ratio</b>			
Current assets	1.5	1.8	2.0
Short-term liabilities			

- Net revenues include the net revenues from sale of products, goods and materials.
- Average gross trade receivables are the arithmetic average of trade receivables from the beginning to the end of the reporting period, excluding the revaluation allowances.

## 3. Detailed part

### 3.1. Accounting principles

The Parent Entity holds the up-to-date documents describing the accounting principles applied in the Capital Group and accepted by the Management Board of the Parent Entity.

The accepted accounting principles were presented in the additional notes to the consolidated financial statement to the extent required by the International Financial Reporting Standards approved by the European Union.

The entities belonging to the Capital Group apply the same accounting principles pursuant to the principles applied by the Parent Entity.

The financial statements of the entities covered by the consolidated financial statement at the end of the same reporting period as the financial statement of the Parent Entity.

### 3.2. The basis of preparation of the consolidated financial statement

The Capital Group Apator S.A. prepared the consolidated financial statements pursuant to the International Standards of Financial Reporting, which were recommended by the European Union, and other applicable regulations.

The consolidation documents prepared under the requirements of the Minister of Finances of 25 September 2009 on the special requirements for preparation of the consolidated financial statement by the entities other than banks and insurance companies (Dz. U. 2009 No. 169, item 1327) were the basis of the consolidated financial statement.

### **3.3. Method of consolidation**

The applied consolidation method was presented in the Note 5.2. of the additional notes to the consolidated financial statement.

### **3.4. Goodwill from consolidation**

The method of establishment of the goodwill from consolidation was presented in the Note 5.2. of the additional notes to the consolidated financial statement.

### **3.5. Consolidation of capitals and determining of NCI**

The share capital of the Capital Group is the share capital of the Parent Entity.

The calculation of the other items of the equity of the Capital Group was made by adding the relevant items of the equity of the subsidiaries covered by this financial statement to the relevant items of the equity of the Parent Entity, corresponding to the percent share of the Parent Entity in the equity of the subsidiaries as at the end of the reporting period.

The equity of the Capital Group includes only these items of the relevant components of the equity of the subsidiaries, which arisen from the control take up date.

The calculation of the non-controlling interest in the subsidiaries covered by the consolidated financial statement was made under the percent share of NCI in the equity of the subsidiaries as at the end of the reporting period.

### **3.6. Consolidation exclusions**

The consolidation exclusions referred to the intra-group settlements were made.

During the consolidation the exclusions of the sale between the entities of the Group, other intra-group revenues and operating expenses and the financial costs and revenues were made.

The data, the basis for these exclusions, were derived from the accounting books of Apator S.A. and agreed with the information received from the subsidiaries.

### **3.7. Additional notes to the consolidated financial statement**

The data included in the explanatory notes to the separate financial statement including the description of the material accounting principles and other explanatory notes were presented, in all material aspects, as complete and accurate. These data constitute the integral part of the consolidated financial statement.

### **3.8. Business Report of the Capital Group**

The business report of the Capital Group includes, in all material aspects, information mentioned in Art. 49 of the Accounting Act and of the Ordinance of the Minister of Finances dated 19 February 2009 on the current and periodic information provided by the issuers of securities and conditions of considering as equal the information required by the legal provisions of the non-member country (Dz. U. 2009 No. 33, item 259 as amended) in all material aspects and they are compliant with the information included in the consolidated financial statement.

### **3.9. Information on the opinion of the independent statutory auditor**

Based on the performed audit of the separate financial statement of the Capital Group prepared as at 31 December 2011 and for the period ending on this date we issued the opinion without any reservations.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością  
sp.k. , Reg. No. 3546, ul. Chłodna 51, 00-867 Warszawa

Statutory auditor No. 11995  
Limited Partner, Proxy

Rafał Wiza

Poznań, April 23, 2012

Statutory auditor No. 90061  
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