

**Report on audit
of consolidated financial statement
of
APATOR S.A.
Capital Group
for the period
since the 1st January till the 31st December 2010**

Warsaw, April 2011

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1. GENERAL PART

1.1. IDENTIFICATION OF CAPITAL GROUP

Audit covered consolidated financial statement of Capital Group with the Parent Entity of APATOR S.A. (hereinafter referred as: Parent Entity), prepared at the 31st December 2010 for the financial year covering the period since the 1st January till the 31st December 2010.

1.2. MAKE UP OF CAPITAL GROUP OF APATOR S.A.

Capital Group of APATOR S.A. (hereinafter referred Capital Group) in 2010 covered the following entities:

- Parent Entity – Apator S.A.
- Subsidiaries:
 - Apator Control Sp. z o.o.
 - Apator Metrix S.A.
 - Apator Kfap Sp. z o.o. – subsidiary of Apator Powogaz S.A.
 - Apator Mining Sp. z o.o.
 - FAP PAFAL S.A.
 - Apator GmbH, Germany
 - Apator Rector Sp. z o.o.
 - Apator Powogaz S.A .
 - PPH Wodpol Sp. z o.o. – subsidiary of Apator Powogaz S.A.
 - Apator Telemetry Sp. z o.o. – subsidiary of Apator Powogaz S.A.
 - Apator Metroteks, Ukraine – subsidiary of Apator Powogaz S.A.
- Associated entities:
 - Apator Elektro, Russia
 - Metcom KFT, Hungary
 - ZAO Teplovodomer , Russia

Due to the commencement of liquidation process of Wodpol Sp. z o.o., on the 30th June 2010 Apator Powogaz SA lost the control over the company, consolidated financial statement included the results regarding the company up to that date.

1.3. INFORMATION ON PARENT ENTITY

Parent Entity that has made consolidated financial statement is APATOR S.A. with headquarters in Toruń, Żółkiewskiego 21/29.

APATOR S.A. was established on the 3rd December 1992. Registration at the court was made on the 14th January 1993 under number RHB 1364.



On the 24th October 2001 APATOR S.A. was registered in Register of Entrepreneurs of the National Court Register at District Court in Toruń, VII Economic Department under number of KRS 0000056456

In accordance with the Statute, the essential activity of APATOR S.A. is manufacturing and services of control and distribution electrical equipment.

Parent Entity:

- with statistical registration number in REGON system 870037630
- it is registered by State Fund of Rehabilitation of Handicapped People (PFRON) under number 87A0005H3
- goods and services (VAT) taxpayer and it is registered by Tax Office under Tax Identification Number (NIP) 879-016-68-96
- VAT UE taxpayer PL 8790166896

At 31st December 2010 the value of share capital of Parent Entity is 3.511 000 PLN and it consists of 35.107.028 shares of nominal value 0,10 PLN each. Share capital covers 7.795.638 registered shares of A series, preferred to voting and 27.311.390 ordinary bearer shares of A, B, C series .

At the 31st December 2010 the ownership structure of share capital of Parent Entity was as follows:

Shareholders	Number of shares	Number of votes	Share in share capital in %	Share in total number of votes in %
Apator Mining Sp. z o.o.	5.600.000	5.600.000	15,95	9,57
Mariusz Lewicki	2 021 500	5 515 507	5,76	9,43
Tadeusz Sosgórnik	1.900.503	4.879.809	5,41	8,34
Danuta Guzowska	1.520.279	4.382.921	4,33	7,49
Zbigniew Jaworski	1.327.307	3.609.851	3,78	6,17
Janusz Marzygliński	1.051 068	3.505.344	2,99	5,99
Other shareholders	21 686 371	31 000 510	61,78	53,01
Total	35 107 028	58 493 942	100,00	100,00

The regulatory authority for Parent Entity is Supervisory Board acting in 2010 in the following make-up :

Name and Surname	Function
· Janusz, Ryszard Marzygliński	Chairman of Supervisory Board
· Ryszard Wojnowski	Deputy Chairman of Supervisory Board
· Danuta, Urszula Guzowska	Member of Supervisory Board
· Mariusz Lewicki	Member of Supervisory Board
· Krzysztof, Kazimierz Kwiatkowski	Member of Supervisory Board
· Mariusz, Hubert Pawlak	Member of Supervisory Board till 21.06.2010



Activity of Apator S.A. in 2010 was managed by the Executive Board in the following make-up:

Janusz Niedźwiecki - President of Executive Board
Tomasz Habryka - Member of Executive Board
Jerzy Kuś - Member of Executive Board

Independently every member of Executive Board and independently every Proxy is entitled to make a declaration of will on behalf of APATOR S.A.

Independent commercial proxy was granted to:

- Mrs Janina, Maria Karaszewska – Zandrowicz,
- Mr Zbigniew, Stanisław Baranowski,
- Mr Tomasz, Lech Piasecki (proxy was cancelled on the 26th January 2010).

1.4. IDENTIFICATION OF CONSOLIDATED FINANCIAL STATEMENT AUDITED

Consolidated financial statement being the subject of audit was prepared by Parent Entity in accordance with International Accounting Standards and International Financial Reporting Standards and related to them interpretations announced in form of decree of European Commission.

The statement covers:

- Consolidated statement of financial position made at 31st December 2010 where on side of assets and liabilities proved the amount of 372.661 000 PLN,
- Consolidated statement of total income made for the period from the 1st January 2010 to the 31st December 2010 proved total income in total in amount of 50.038 000 PLN, including net profit in amount of 50.050.000 PLN
- Consolidated statement of changes in equity proved the increase of the equity in the period from the 1st January 2010 to the 31st December 2010 by the amount of 33.183 000 PLN ,
- Consolidated statement of cash flow account in the period from the 1st January 2010 to the 31st December 2010 proved the increase of net cash by the amount of 6.616. 000 PLN
- Additional information to consolidated statement including particularly the description of adopted accounting principles in the Group and clarification notes

The basis for preparation of consolidated financial statement of Capital Group of Apator S.A. was consolidation documentation and consolidated financial statement of Capital Group of Apator Powogaz S.A. and financial statements of other entities in Grupa Apator. The table below presents set of information on consolidated financial statements:



Name and headquarters of the entity	Balance date at which financial statement was prepared	Key chartered auditor acting on behalf of authorised entity	Opinion on financial statement
APATOR S.A. in Toruń	31.12.2010	Ewa Orkwiszewska Reg. No. 2890 on behalf of: Korycka, Budziak & Audytorzy Sp. z o.o. – authorised entity Reg. No. 84	No reservations with remark
Apator Control Sp. z o.o. in Toruń	31.12.2010	Dagmara Wdowczyk – Reg. No. 12102 on behalf of: Korycka, Budziak & Audytorzy Sp. z o.o. – authorised entity Reg. No. 84	No reservations
Name and headquarters of the entity	Balance date at which financial statement was prepared	Key chartered auditor acting on behalf of authorised entity	Opinion on financial statement
Apator Metrix S.A. in Tczew	31.12.2010	Barbara Górecka-Zacharczyk – Reg. No. 1180 on behalf of: Korycka, Budziak & Audytorzy Sp. z o.o. – authorised entity Reg. No.84	No reservations with remark
Apator Mining Sp. z o.o. in Katowice	31.12.2010	Krystyna Lewandowska – Reg. No.. 9306 on behalf of: Korycka, Budziak & Audytorzy Sp. z o.o. – authorised entity Reg.No..84	No reservations with remark
FAP PAFAL S.A. in Świdnica	31.12.2010	Krystyna Lewandowska – Reg.No. 9306 on behalf of: Korycka, Budziak & Audytorzy Sp. z o.o. – authorised entity Reg. No. 84	No reservations with remark
Grupa Kapitałowa Apator Powogaz S.A. in Poznań	31.12.2010	Ewa Orkwiszewska – Reg. No. 2890 on behalf of: Korycka, Budziak & Audytorzy Sp. z o.o. – authorised entity Reg. No. 84	No reservations with remark
Apator GmbH, Eberbach, Germany	31.12.2010	It has not been audited	

Consolidation of financial statements of all subsidiaries included in consolidated financial statement was carried out by full method.

APATOR Ukraine the subsidiary has not been consolidated due to it does not run business. The shares of the entity in consolidated financial statement were covered by 100% write down.

In consolidated financial statement of Capital Group at the 31.12.2010 investments were evaluated by equity method in associated entities: Apator Elektro S.A. with headquarters in Moscow and ZAO Teplovodomer, Kiev (consolidated by Apator Powogaz S.A.). Shares in associated entity Metcom KFT, Budapest were evaluated by equity method and in view of their held for selling, they were covered by write down at the balance date, decreasing their balance value to the level of selling price and included in assets held for sale.

1.5. SCOPE AND BASIS OF AUDIT

Based on the contract concluded on the 14th May 2009 the Executive Board of Parent Entity ordered „Korycka, Budziak & Audytorzy” Sp. z o.o. in Warsaw, Solec 22 authorised entity to audit financial statements, registered in the list of the National Council of Statutory Auditors under number 84 to audit of consolidated financial statement of Capital Group made for the period since the 1st January 2010 till the 31st December 2010. The basis for conclusion of the contract was the resolution on appointment of chartered auditor to carry out the audit of financial statements of Parent Entity and consolidated financial statements of Capital Group of Apator S.A. for the period 2009-2010 adopted by Supervisory Board of APATOR S.A. on 19th December 2008.

Audit of consolidated financial statement on behalf of authorised entity No. 84 has been carried out by key chartered auditor Ewa Orkwiszewska (Reg. No. 2890).

Both Korycka, Budziak & Audytorzy Sp. z o.o. (hereinafter referred to as Auditors) and key chartered auditor auditing on its behalf meet the requirements of impartiality and independence specified in art. 56 of the Act dated the 7th May 2009 on chartered auditors and their council, authorised entities to audit financial statements and public oversight.

The scope of audit planned has not been limited.

The Parent Company of Capital Group of APATOR SA made available data (consolidation documents), information and documents required by chartered auditor.

The Executive Board of Parent Company submitted to chartered auditor the following statement in writing among other things on:

- completion and reliability of consolidated financial statement of Capital Group and being the basis for making consolidated financial statement and consolidation documents,
- disclosure all the events that occurred after the date of the balance and which could have the influence on rightness of the opinion on correctness and reliability of consolidated financial statement and evaluation of the property and financial positions of Capital Group,
- usage of no accounting tips in order to improve artificially the image of financial position of Capital Group

Audit of consolidated financial statement and consolidation documents was carried out since 11th April till 28th April 2011.

The audit was carried out according to:

- regulations of the chapter 7 of the Act on Accounting dated 29th September 1994 (Dz.U. 2009 No. 152 item 1223 with later amendments),
- national norms of financial audit issued by National Chamber of Statutory Auditors in Poland

The aim of our audit was to express the opinion in writing if consolidated financial statement for the period since the 1st January 2010 till the 31st December 2010 is correct and reliable and it presents clearly the property and financial positions and also financial result of Capital Group in accordance with accounting rules resulting from International Accounting Standards,



International Financial Reporting Standards and associated with them interpretations announced in decrees of European Commission and in case of not settled aspects in the standards – in compliance with the requirements of the Act on Accounting and based on its secondary regulations issued.

The object of auditing was property, financial positions, financial result and profitability of Capital Group but not data concerning particular consolidated entities.

The object of auditing was not to detect and clarify the events wanted by law like misuse of funds and other events against the law which could occur beyond the accounting system of consolidated entities.

1.6. CONSOLIDATED FINANCIAL STATEMENT FOR THE PREVIOUS YEAR

Consolidated financial statement of Capital Group for financial year ended on the 31st December 2009 was audited by entitled entity: Korycka, Budziak & Audytorzy Sp. z o.o. on behalf of it by chartered auditor Ewa Orkwiszewska Reg. No. 2890

The opinion was made on consolidated financial statement audited without reservations with comment concerning the disclosure in the statement prepared in accordance with International Accounting Standards and International Financial Reporting Standards the effects of hyperinflation translation of equity of Capital Group exclusively in clarification note.

Consolidated financial statement of Capital Group for 2009 was approved by Ordinary General Shareholders Meeting of APATOR SA on 21st June 2010 and it was published in Monitor Polski B no 1533 item 8407 of 27th August 2010.



2. ANALYSIS OF FINANCIAL POSITION OF CAPITAL GROUP

2.1. DATA AND RATIOS PRESENTING ECONOMIC AND FINANCIAL POSITIONS

The results of activity of Capital Group in 2010 in relation to the results achieved by Capital Group in two previous years and also property and financial situations at 31.12.2009 in relation to the status at the end of 2009 and 2008 are presented by data and ratios below:

Description	2010	2009 *)	2008
Total balance sheet (000'PLN)	372.661	304.868	312.019
Fixed assets (000'PLN)	184.637	160.192	158.821
Current assets (000'PLN)	188.024	144.676	153.198
Equity (000'PLN)	211.203	178.020	163.645
Revenues on sales (continued and discontinued operation) (000'PLN)	409.213	366.925	356.191
Result on sales (continued and discontinued operation), (000'PLN)	48.304	48.364	48.213
Net financial result ** (000'PLN)	50.050	30.793	22.904
Net profit per shareholders of the parent entity (000'PLN)	47.141	29.582	21.174
Profitability of the property (%)	13,4	10,1	7,3
<u>Net financial result**)</u> Total assets			
Return of equity (%)	23,7	17,3	14,0
<u>Net financial result**)</u> Equity			
Sales profitability (%)	11,8	13,2	13,5
<u>Profit on sales</u> Revenues on sales of products and goods			
Fluidity – fluid ratio I (times)	1,8	2,0	1,7
<u>Current assets</u> Short term liabilities and reserves			
Fluidity – fluid ratio II (times)	1,2	1,2	1,1
<u>Total current assets – reserves</u> Short term liabilities and reserves			
Fluidity – fluid ratio III (times)	0,2	0,1	0,2
<u>Cash and other cash assets</u> Short term liabilities and reserves			
Payment rotation days (days)	85,8	65,7	70,6
<u>Receivables from deliveries and services x 365 days</u> Revenues on sales of products and goods			
Ratio of repayment of liabilities (days)	42,9	26,8	27,8
<u>Liabilities due to deliveries and services x 365 days</u> Cost of products, goods and materials sold			
Inventory turnover (days)	85,4	83,6	81,7
<u>Inventories x 365 days</u> Cost of products, goods and materials sold			
Sustainability of financing (%)	72,4	76,2	71,3
<u>Equity + long term reserves and liabilities</u> Total inventories			

*) with consideration the adjustment of essential error

***) result per both the shareholders of parent company and minority shareholders



2.2. INTERPRETATION OF DATA AND RATIOS PRESENTED

The value of assets of the Capital Group at the end of 2010 in relation to the status of the beginning of the year increased by 67.793.000 PLN that is by 22,2%. The change was caused by:

- increase of the value of fixed assets by 24.445.000 PLN
- increase of the value of current assets by 43.348.000 PLN

The increase of the value of fixed assets of the Group resulted first of all of :

- acquisition by Apator Powogaz SA 100% of shares in Metra Sumperk s.r.o – Czech company, where the control over the entity was taken in January 2011. The purchase price of those shares was 10.201.000 PLN
- increase in value of the goodwill from consolidation by 10.063.000 PLN due to revaluation of the liability with regard to the option of purchase of minority shares in Apator Rector Sp. z o.o. and additional payment to the price of shares bought in that Company.

Increase of tangible fixed assets by 2.020.000 PLN was due to expenditure borne in 2010 for the purchase of tools, machines for manufacturing and also taking for use the fixed assets based on leasing contracts.

Among current assets the biggest increase in relation to the previous year regarded to:

- receivables due to deliveries and services – increase by 30.141.000 PLN that is by 45,6%
- inventories – increase by 8.813.000 PLN that is by 16,1%
- cash – increase by 6.930.000 PLN that is by 67,7%

The increase of the above elements of the property resulted of significant increase of commercial turnover of the Group in 2010.

In the structure of the current assets of the Group on the last day of financial year 2010 the largest shares had :

- Inventories 33,8% (in 2009 – 37,9%)
- Trade receivables 51,2% (in 2009 – 45,7%)
- Cash 9,1% (in 2009 - 7,1%)

Among the sources of financing of the property of Capital Group at 31.12.2010 in majority were still the equities. Their share in the structure of sources of financing of the activity of Grupa Apator in relation to the status at the beginning of financial year decreased from 58,4% to 56,7%.

It is mainly the result of:



- increase by 5.991.000 PLN of long term debt of the Group due to financial liabilities (including the increase by 5.038 000. PLN liabilities due to the option of purchase of minority shares of subsidiary – Apator Rector Sp. z o.o.)
- increase by 14.358.000 PLN due to liabilities for deliveries and services.

The companies in Capital Group of APATOR SA in 2010 received the revenues on sales in transaction prices in amount of 42.288.000 PLN that is by 11,5 % higher than in previous year.

The costs of operation activity borne by the Group in 2010 were higher by 42.348 000 PLN that is by 13,3% than in previous year and they resulted in performance result on sales lower by 60.000 PLN in 2010.

The increase of revenues performed by the Group was the result of:

- increase in value of domestic sales by 39.526.000 PLN that is by 14,9%
- increase in value of export and sales to EU countries by 2.762.000 PLN that is by 2,7%

The increase of costs of operating activity of Capital Group was the result of:

- increase in value of products and goods sold by 32.558.000 PLN that is by 13,6%
- increase of cost of sales by 3.293.000 PLN that is by 13,4%
- increase of overheads by 6.497.00 PLN that is by 11,8%

Among the costs by nature the highest increase in value regarded to the costs of material and energy consumption (increase by 18.388 000 PLN that is by 14,4%) and employee benefits (increase by 7.300.000 PLN that is by 8,1%) and outsourcing (increase by 5.485 000 PLN that is 12,8%).

The result on other operating activity performed by the Group was lower by 4.405.000 PLN in relation to the previous financial year, mainly due to the decreased result of revaluation of inventories (loss in amount of 1.012.000 PLN at the profit 1.118.000 PLN in 2009) and the decrease of the profit on sales by 976 000m PLN and liquidation of fixed assets and intangibles.

More profitable than in 2009 was the result on financing operation of Capital Group. The profit on that operation in 2010 was 16.780 000 PLN when the loss in amount of -11447.000 PLN was in the previous year.

Better result on financing activity of the Group was mainly the result of:

- achievement of the profit on sales of 1.000 000 shares of Apator SA in amount of 16.957.000 PLN by Apator Mining
- increase by 11.006.000 PLN of the result on currency transactions

The financial result achieved by Capital Group in 2010 was by 19.257.000 PLN higher than in previous year. Significant increase of the financial net result of the Group and keeping the result on sales at similar level to the previous year resulted in the change of profitability ratios on the basis of those values.

- profitability of the property increased from 10,1% to 13,4%
- profitability of equity increased from 17,3% to 23,7%
- sales profitability decreased from 13,2% to 11,8%

The fluid ratios calculated on the basis of data of consolidated balance sheet showed at 31.12.2010 the values similar to their level in previous year.

The level of those ratios calculated at balance date does not show the occurrence of serious threats for financial fluidity of Capital Group taken entirely.

Unfavourable changes were presented by receivables turnover ratio calculated based on consolidated financial statement (rotation cycle longer by 20 days) and liabilities turnover ratio (higher by 16 days). Inventory turnover ratio at 31.12.2010 is similar in value to the status at the end of previous year.

2.3. GENERAL CONCLUSION

Data and ratios and plans presented by the Executive Boards of the companies in Capital Group and other information obtained during audit do not show the occurrence of any threats for the possibility of the activity to be continued by entities covered by consolidated financial statement for the next year due to intended give up or significant restriction of current activity by them.



3. DETAILED PART

3.1. INTERNAL CONTROL SYSTEM OF ACCOUNTING

The correctness of internal control system operation in Capital Group was subjected to detailed audit in particular companies (excluding foreign companies not having significant influence on consolidated financial statement). During the audit, no significant irregularities that might influence on the correct registration of economic operations in entities of the Capital Group were found in the functioning of the internal control system.

3.2. STOCK-TAKING

The correctness of stock taking of property elements of the companies subjected to consolidation concerning the scope, dates, methods used and correctness of verification and calculations of the results was detailed audited in individual companies (excluding foreign companies). Chartered auditors did not have any reservations, therefore we considered that property status of the companies subjected to consolidation in required scope was proved by stock taking.

3.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated balance sheet items	31.12.2010	31.12.2009*	31.12.2008
Fixed assets	184.637	160.192	158.821
Intangibles	3.723	3.209	3.252
Goodwill	59.509	49.446	38.635
Tangible fixed assets	99.640	97.620	101.869
Investment properties	1.341	1.394	1.381
Investments in associated entities	1.052	1 037	1.519
Other long term financial assets	10.693	-	-
Long term receivables	289	219	253
Long term prepayments	58	97	76
Assets due to deferred tax	8.332	7.170	11.836
Current assets	188.024	144.676	153.198
Inventories	63.602	54.789	53.238
Short term receivables	100.702	72.470	77.295
Other short term financial assets	2.007	1.637	348
Cash	17.164	10.234	20.208
Short term prepayments	1.842	2.713	2.067
Fixed assets held for sales	2.707	2.833	42
Total assets	<u>372.661</u>	<u>304.868</u>	<u>312.019</u>

Equity	211.203	178.020	163.645
Equity attributed to shareholders of parent company	207.904	176.289	161.242
Minority capital	3.299	1.731	2.403
Liabilities and reserves for liabilities	161.458	126.848	148.374
Long term reserves	17.932	17.688	18.062
Short term reserves	9.719	5.692	5.165
Long term liabilities	40.582	36.514	40.848
Short term liabilities	93.225	66.954	84.299
Total liabilities	<u>372.661</u>	<u>304.868</u>	<u>312.019</u>

3.4. CONSOLIDATED STATEMENT OF TOTAL INCOME

Revenues and costs	2010	2009*	2008
Revenues on sales	409.213	366.925	356.191
Operating costs	-360.909	-318.561	-307.978
Profit on sales	48.304	48.364	48.213
Other operating revenues (costs)	-3.445	960	8.071
Shares in profit of associated entities consolidated by equity method	560	164	89
Restructuring revenues (costs)	-	-	-
Operating profit	45.419	49.488	56.373
Financial revenues (costs)	16.780	-11.447	-27.497
Negative goodwill referred to the result	-	-	-
Profit before tax	62.199	38.041	28.876
Income tax	-12.149	-7.248	-5.972
Net profit from continued operation	50.050	30.793	22.904
Net profit (loss) from discontinued operation	-	-	-
Net profit, including:	<u>50.050</u>	<u>30.793</u>	<u>22.904</u>
Shareholders of parent entity	47.141	29.582	21.174
Minority shareholders	2.909	1.211	1.730
Other total income, including:	-12	-108	-25
Exchange differences resulting of translation of foreign entities	-12	-108	-25
Total income in total, including :	50.038	30.685	22.879
Shareholders of parent entity	47.124	29.474	21.148
Minority shareholders	2.914	1.211	1.731

3.5. ACCOUNTING PRINCIPLES (POLICY) AND METHODS OF FINANCIAL DATA PRESENTATION

In consolidated financial statement for the financial year ended on 31st December 2010, the Executive Board of Parent Company presented the accounting principles and the methods of financial data presentation of Capital Group. In 2010 no significant changes were made in accounting principles used except some changes made in comparative data for 2009 in particular in relation to adjustment of the error concerning the exclusion from consolidated profit and loss account for 2009 not performed margin on transactions with associated entities and wrong presented in previous years assets due to deferred tax and also the introduction of

changes in presentation in some items of the statement. Those changes has been summarized in Clarification Note no. 42 to consolidated financial statement.

3.6. GOODWILL FROM CONSOLIDATION AND ITS IMPAIRMENT LOSS

The principles to establish the goodwill from consolidation, principles of making the impairment loss have been presented in point 5.2.3 regarding accounting principles used and in Clarification Note no. 3 to consolidated financial statement.

The goodwill from consolidation specified in consolidated balance sheet at 31.12.2010 concerns the following entities (sources of earning cash):

- Apator KFAP – in amount of 341 000 PLN covering the gross goodwill in amount of 533.000 PLN and established in 2009 writ down in amount of minus 192.000 PLN
- Apator Telemetry Sp. z o.o. - gross value in amount of 1.832.000 PLN
- Apator Metrotreks – gross value in amount of 358.000 PLN (including exchange differences 25.000 PLN)
- Apator Rector Sp. z o.o. gross value in amount of 39.389.000 PLN
- Apator Powogaz SA – gross value in amount of 17.514.000 PLN
- Apator GmbH – value in amount 0.000 PLN covering gross goodwill in amount of 143.000 PLN and established in 2008 write down in amount of -143.000 PLN

The Parent Company has made tests at the balance day for the decrease in value in particular cash earning sources where the goodwill had been added. The tests did not reveal the necessity to established additional write downs of the goodwill from consolidation.

3.7 EQUITY, INCLUDING MINORITY SHARES

The status of equities in amount of 211.203.000 PLN presented in consolidated balance sheet at 31.12.2010 is in accordance with consolidation documents. Consolidated financial data concerning equities have been presented in Clarification Notes nos.14,15 and 16 to consolidated financial statement.

Equity for minority shares at 31.12.2010 was in amount of 3.299.000 PLN and it regarded to minority shares:

- Apator Rector Sp. z o.o. - amount of 2.693.000 PLN
- Apator Telemetry Sp. z o.o. - amount of 532.000 PLN
- Apator Metrotreks - amount of 74.000 PLN

3.8 CONSOLIDATION EXCLUSIONS AND ADJUSTMENTS

Transactions between consolidated entities were excluded from consolidation. Exclusion of mutual settlements included in assets not performed margins on transactions between entities of the Capital Group, dividends received from entities within Capital Group and also other turnovers performed within Capital Group are in accordance with consolidation documents.

3.9 CONTINGENT LIABILITIES

Contingent liabilities of the entities of the Capital Group have been described in Clarification Note No. 37 to consolidated financial statement.

3.10 ADDITIONAL INFORMATION AND CLARIFICATIONS

The Parent Company provided additional information and clarifications concerning accounting principles and additional clarification notes according to the requirements of International Accounting Standards, International Financial Reporting Standards and interpretations referring to them and published in the form of directives of the European Commission and in the scope not regulated in these standards – according to the Act on Accounting and regulations issued on its basis as well as according to the regulations of Ministry of Finance dated 19th February 2009 on current and regular information transferred by issuers of securities and to be considered as information required by law of the country not being the member of the European Union (Dz.U. No. 33 dated 28th February 2009 item 259 with later amendments).

3.11 REPORT ON ACTIVITY OF CAPITAL GROUP

The Executive Board of the Parent Company has submitted to the auditors the report on activity of Capital Group for the period since 1st January 2010 till 31st December 2010. Financial data presented in the report on activity result from audited consolidated financial statement prepared at the 31st December 2010.

The report on activity of Capital Group meets in all significant aspects the requirements of art 49 para 2 of the Act on Accounting and the regulations of Ministry of Finance dated 19th February 2009 on current and regular information transferred by issuers of securities and to be considered as information required by law of the country not being the member of the European Union (Dz.U. No. 33 dated 28th February 2009 item 259 with later amendments).

3.12 EVENTS TAKING PLACE AFTER THE BALANCE DATE

According to the statement of the Executive Board of the Parent Company there were no events after the balance sheet date that were not included into consolidated financial statement for 2010 that would have a substantial influence on it.



The events that took place after the date of balance and may have a substantial influence on the development of business of the Capital Group of Apator SA in the following years, have been described in Clarification Note No. 43. There are particularly the following events:

- On the 3rd January 2011 District Court in Poznań made the registration of merger by incorporation of APATOR POWOGAZ SA (taking over entity) and APATOR KFASP Sp. z o.o. (taken over entity)
- Since the 1st January 2011 APATOR POWOGAZ SA took the control over Czech company Metra Sumperk s.r.o. Taking the control over the company was based on conditional purchase contract of 100% shares signed on 15-11-2010.
- On the 9th March 2011 APATOR SA acquired the property from Pomerania Special Economic Zone sp. z o.o. with the headquarters in Sopot (PSSE) with area 5,1 ha for the net price of 3.142.000 PLN. The property is located on PSSE area in Ostaszewo, Łysomice commune. In the contract concluded PSSE Sp. z o.o. committed placing the offer for the repurchase the above property in case when the sale by APATOR SA of the right of perpetual use of land with the right to buildings and constructions located in Toruń is not possible. APATOR SA was granted the permission to run business on the PSSE area on 28th December 2010.
- On the 18th April 2011 Apator SA and Galeria Copernicus Toruń 2 Sp. z o.o. with the headquarters in Warsaw concluded preliminary sales contract of the right of perpetual usage of land and buildings and constructions being the separate the objects of the ownership located in Toruń, Żółkiewskiego 21/29. The total price of the property was fixed for 34.072 000 PLN and it can be increased by 2 m PLN if APATOR SA makes additional investment at its own cost.

3.7. SUMMARY

1. The reliability and correctness of data included in particular items of consolidated annual report RS-2010 for the period since the 1st January 2010 till the 31st December 2010 were audited and it was found that they meet appropriate requirements.
2. As a result of our audit we found that consolidation documents are complete and correct in all significant aspects and they meet all significant requirements that consolidation documents should do.
3. The complete assessment of the consolidated financial statement is included in opinion being the separate document.

4. Final stipulations

The report has been made in six copies, four of which are received by the Parent Company. The report consists of 18 numbered pages with the signature of key chartered auditor.



Chartered Auditor of the Group

Key chartered Auditor Reg. No. 2890

Ewa Orkwiszewska

Acting on behalf of authorised entity for
auditing of financial statements Reg. No. 84

Korycka, Budziak & Audytorzy Sp. z o.o.

ul. Solec 22

00-410 Warszawa

Warsaw, 28th April 2011

