RAFAKO S.A.

FINANCIAL STATEMENT
FOR THE YEAR ENDED ON 31 DECEMBER 2010
INCLUDING AUDITOR'S OPINION AND REPORT

CONTENTS

CONTENTS

CONTENTS

Total income statement

for the year ended on 31st December 2010 and the year ended on 31st December 2009 (in thousands of zlotys)

Profit and loss account	*Note*	*Year ended 31December 2010*	*Year ended 31 December 2009*
Continued operations			
Revenue from sales		**1 110 307**	**905 180**
Revenue from sale of products and services	9.1	1 107 134	894 476
Revenue from sale of materials	9.1	3 173	10 704
Costs of product and material sales	9.2	(938 142)	(804 231)
Gross profit/(loss) on sales		**172 165**	**100 949**
Other operating income	9.5	10 158	3 967
Cost of sales		(47 118)	(23 708)
Overhead costs		(22 552)	(23 215)
Other operating costs	9.6	(56 853)	(10 717)
Profit/(loss) on operating activities		**55 800**	**47 276**
Financial revenues	9.7	7 526	12 611
Financial expenses	9.8	(11 802)	(11 749)
Gross profit/(loss)		**51 524**	**48 138**
Income tax	10	(11 340)	(12 484)
Net profit/(loss) on continued operations		**40 184**	**35 654**
Other total income for the period		**(273)**	**(222)**
Exchange differences from foreign currency conversion		(273)	(222)
Total income for the period		**39 911**	**35 432**
Weighted average number of shares		69 600 000	69 600 000
Profit (loss) per one share in zlotys	13	0,58	0,51

Racibórz, 21st March 2011

Wiesław Różacki	Krzysztof Burek	Maciej Kaczorowski	Piotr Wawrzynowicz	Jolanta Markowicz
President of the Board	Vice-president	Vice-president	Member of Supervisory Board delegated to act temporarily as member of Managing Board	Chief accountant

Financial statement

for the year ended on 31st December 2010 and the year ended on 31st December 2009 (in thousands of zlotys)

	Note	*31 December 2010*	*31 December 2009*	*31 December 2008*
ASSETS				
Long-term fixed assets				
Tangible fixed assets	16	128 494	129 445	127 123
Investment properties	18	–	–	–
Intangible assets	19	8 465	6 583	6 819
Investments in associated companies assessed by property right method	23	–	–	–
Long-term financial assets		42 912	44 315	42 497
Shares in subsidiaries	22	41 915	43 307	41 963
Shares in other entities	22	516	534	534
Granted long-term loans	24	481	474	–
Long-term deposits		–	–	–
Other long-term assets		–	–	–
Deferred tax assets	10.3	43 066	31 141	40 877
		222 937	**211 484**	**217 316**
Short-term current assets				
Inventories	25	26 121	22 476	51 988
Trade and other receivables	26	265 333	223 445	202 422
Trade and other receivables		209 831	153 865	175 722
- up to 12 months		209 831	153 865	175 268
- over 12 months		–	–	454
Granted short-term loans		–	–	–
Other receivables		55 502	68 561	22 022
Income tax receivables		–	1 019	4 678
Prepayments and accruals based on cost valuation of construction contracts	27	206 077	58 098	47 050
Short-term financial assets	28	186 947	245 271	260 929
Derivative instruments		2 357	888	–
Short-term investments		27 304	37 011	31 896
Short-term deposits		1 040	142 678	157 877
Cash and cash equivalents		156 246	64 694	71 156
		684 478	**549 290**	**562 389**
Fixed assets available for sale	**17**	150	–	–
TOTAL ASSETS		**907 565**	**760 774**	**779 705**

Racibórz, 21st March 2011

Wiesław Różacki	Krzysztof Burek	Maciej Kaczorowski	Piotr Wawrzynowicz	Jolanta Markowicz
President of the Board	Vice-president	Vice-president	Member of Supervisory Board delegated to act temporarily as member of Managing Board	Chief accountant

Financial statement
as at 31st December 2010 and 31st December 2009 (in thousands of zlotys)

	Note	31 December 2010	31 December 2009	31 December 2008
LIABILITIES				
Shareholders' equity	29			
Share capital		139 200	139 200	139 200
Share premium		36 778	36 778	36 778
Supplementary capital		158 142	143 368	139 644
Exchange rate variations resulting from conversion of foreign currencies		426	699	921
Retained profits / uncovered losses		40 184	35 654	14 164
Total shareholders' equity		**374 730**	**355 699**	**330 707**
Long-term liabilities				
Interest bearing bank credits and loans	30	–	–	–
Employee benefits liabilities	31	20 389	20 969	19 214
Deferred income tax provision	10.3	–	–	–
		20 389	**20 969**	**19 214**
Short-term liabilities				
Trade and other liabilities	32	279 975	165 630	181 939
Trade liabilities		175 096	112 480	147 831
- up to 12 months		161 072	100 633	138 869
- over 12 months		14 024	11 847	8 962
Investment liabilities		2 463	4 566	3 725
Other liabilities		97 823	48 584	30 383
Income tax liabilities		4 593	–	–
Current part of interest bearing bank credits and loans	30	–	–	–
Other financial liabilities	33	4 087	11 017	18 116
Subsidies and deferred income	34	228 384	207 459	229 729
Deferred income		228 355	207 459	229 729
Subsidies		29	–	–
		512 446	**384 106**	**429 784**
Liabilities concerning fixed assets available for sale		–	–	–
Total liabilities		**532 835**	**405 075**	**448 998**
TOTAL LIABILITIES		**907 565**	**760 774**	**779 705**

Racibórz, 21st March 2011

Wiesław Różacki	Krzysztof Burek	Maciej Kaczorowski	Piotr Wawrzynowicz	Jolanta Markowicz
President of the Board	Vice-president	Vice-president	Member of Supervisory Board delegated to act temporarily as member of Managing Board	Chief accountant

Cash flow statement

for the year ended on 31st December 2010 and the year ended on 31st December 2009 (in thousands of zlotys)

	Note	Year ended 31 December 2010	Year ended 31December 2009
Cash flows from operating activities			
Gross profit /(loss)		51 524	48 138
Adjustment for items:		(75 662)	(45 596)
Depreciation	9.3	9 972	11 680
Foreign exchange (profit) /loss		58	(295)
Net interest and dividends		(2 051)	(4 768)
(Profit)/loss on investments		(1 086)	(1 637)
Increase / (decrease) of settlement status through derivative instruments		(8 398)	(7 856)
(Increase)/ decrease in receivables		(36 888)	(24 672)
(Increase)/ decrease in inventories		(3 645)	29 512
Increase / (decrease) in liabilities except credits and loans		111 275	(15 153)
Changes in prepayments and accruals based on cost valuation of construction contracts		(127 083)	(33 318)
Income tax paid		(17 652)	911
Other		(164)	–
Net cash from operating activities		**(24 138)**	**2 542**
Cash flows from investing activities			
Sale of tangible fixed assets and intangible assets		258	34
Purchase of tangible fixed assets and intangible assets		(13 479)	(13 234)
Sale of financial assets		155 065	410 602
Purchase of financial assets		(7 242)	(399 910)
Dividends and interest received		1 995	4 774
Loans granted		–	(500)
Other		57	39
Net cash from investing activities		**136 654**	**1 805**
Cash flows from financing activities			
Repayment of finance lease liabilities		(2)	(130)
Inflow from loans / credits obtained		–	–
Repayment of loans / credits		–	–
Dividends paid to shareholders		(20 880)	(10 440)
Interest paid		–	(9)
Bank commissions		–	(8)
Other		191	–
Net cash flows from financing activities		**(20 691)**	**(10 587)**
Net changes of cash and cash equivalents		91 825	(6 240)
Net exchange variations		(273)	(222)
Cash at the beginning of the period	28.4	**64 694**	**71 156**
Cash at the end of the period, including:	28.4	**156 246**	**64 694**
Cash with restricted use		–	–

Racibórz, 21st March 2011

Wiesław Różacki	Krzysztof Burek	Maciej Kaczorowski	Piotr Wawrzynowicz	Jolanta Markowicz
President of the Board	Vice-president	Vice-president	Member of Supervisory Board delegated to act temporarily as member of Managing Board	Chief accountant

Shareholders' equity changes statement

for the year ended on 31st December 2010 and the year ended on 31st December 2009 (in thousands of zlotys)

	Share capital	*Share premium*	*Supple-mentary capital*	*Exchange rate variations resulting from conversion of foreign currency*	*Retained earnings / uncovered losses*	*Total shareholders' equity*
As at 1st January 2010	**139 200**	**36 778**	**143 368**	**699**	**35 654**	**355 699**
Total income for the reporting period	–	–	–	(273)	40 184	39 911
Dividend on profit for 2009	–	–	–	–	(20 880)	(20 880)
Appropriation of profit from previous years	–	–	14 774	–	(14 774)	–
As at 31st December 2010	**139 200**	**36 778**	**158 142**	**426**	**40 184**	**374 730**
As at 1st January 2009	**139 200**	**36 778**	**139 644**	**921**	**14 164**	**330 707**
Total income for the reporting period	–	–	–	(222)	35 654	35 432
Dividend on profit for 2008	–	–	–	–	(10 440)	(10 440)
Appropriation of profit from previous years	–	–	3 724	–	(3 724)	–
As at 31st December 2009	**139 200**	**36 778**	**143 368**	**699**	**35 654**	**355 699**

Racibórz, 21st March 2011

Wiesław Różacki	Krzysztof Burek	Maciej Kaczorowski	Piotr Wawrzynowicz	Jolanta Markowicz
President of the Board	Vice-president	Vice-president	Member of Supervisory Board delegated to act temporarily as member of Managing Board	Chief accountant

Additional information and clarifications

1. General information

RAFAKO S.A. ("the Company") is a joint stock company having their offices in Raciborz, ul. Łąkowa 33. The Company was established by notarial deed of 12th January 1993. On 24th August 2001 it was entered into the register of entrepreneurs under number KRS 34143 run by the District Court in Gliwice, X Economic Department of National Court Register. The Company was given the statistical number REGON 270217865.

On 15 January 2010 the Company received the decree by the District Court in Gliwice, X Economic Department KRS of 8 January 2010 on registration of alterations in the Company Articles of Association. One of them was a change in the Company name, that is: RAFAKO Spółka Akcyjna.

The duration of the Company is for undetermined time.

The Financial Statement of the Company covers a period of 12 months ending on 31st December 2010 and it comprises comparable data for the year ended on 31st December 2009.

The basic object of the Company's operations is:

- Manufacture of steam generators, except for hot water boilers for central heating (PKD 25.30.Z),
- Repair and maintenance of finished metal products (PKD 33.11.Z),
- Mounting of industrial machines, equipment and outfit (PKD 33.20.Z),
- Production of metal structures and their components (PKD 25.11Z),
- Other specialist construction works, not classified anywhere else (PKD 43.99.Z),
- Manufacture of industrial cooling equipment and fans (PKD 28.25.Z),
- Production of other metal vessels and tanks (PKD 25.29.Z),
- Mechanical working of metal components (PKD 25.62.Z),
- Machining of metals and applying coats on metals (PKD 25.61.Z),
- Production of machine tools for metals (PKD 28.41.Z),
- Repair and maintenance of machines (PKD 33.12.Z),
- Architectural activities (PKD 71.11.Z),
- Engineering and related technical consultancy (PKD 71.12.Z),
- Manufacture of ovens, furnaces and furnace burners (PKD 28.21.Z),
- Wholesale trade of other machines and equipment (PKD 46.69.Z),
- Wholesale trade of metals and metal ores (PKD 46.72.Z),
- Production of other machines of general use, not classified anywhere else (PKD 28.29.Z),
- Manufacture of tools (PKD 25.73.Z),
- Generation of electric energy (PKD 35.11.Z),
- Transmission of electric energy (PKD 35.12.Z),
- Distribution of electric energy (PKD 35.13.Z),
- Electric energy trading (PKD 35.14.Z),
- Production and supply of steam, hot water and air for air conditioning systems (PKD 35.30.Z),
- Wholesale trade of metal products, equipment and extra hydraulic and heating accessories (PKD 46.74.Z),
- Rental and management of own or leased immovable property (PKD 68.20.Z),
- Other tests and technical analyses (PKD 71.20.B),
- Other forms of extra-school education, not classified anywhere else (PKD 85.59.B),
- Sewage disposal and treatment (PKD 37.00.Z),

(in thousand zlotys)

- Hotels and similar accommodation facilities (PKD 55.10.Z),
- Tourist hostels and accommodation of short duration (PKD 55.20.Z),
- Restaurants and other permanent catering facilities (PKD 56.10.A),
- Other catering activities / services (PKD 56.29.Z),
- Operation of cultural facilities (PKD 90.04.Z),
- Entertainment and recreation (PKD 93.29.Z),
- Organization of fairs, exhibitions and conferences (PKD 82.30.Z),
- Scientific research and development work in other fields of science and technical areas (PKD 72.19.Z).

The Company own a Division in Turkey that draw up independent financial statements according to Turkish law.

2. Information on consolidated financial statement

The Company presenting this statement also draw up the consolidated financial statement of the Group for the year ended on 31st December 2010, that was approved to be published on 21st March 2011.

3. Composition of the Company Managing Board

Within the 12-month period that ended on 31st December 2010 the composition of the Company Managing Board changed. On 9th May 2010 the mandate of Vice-president Mr Roman Czerwiński expired because of his death. The composition of the Managing Board changed on 12th May 2010 and on the day of submitting this financial statement for 2010 it is as follows:

Wiesław Różacki	President of the Board
Krzysztof Burek	Vice-president
Maciej Kaczorowski	Vice-president *
Piotr Wawrzynowicz	Member of Supervisory Board delegated to act temporarily as member of Managing Board

*- on 7 March 2011 the Supervisory Board of RAFAKO S.A. increased the number of the Company Board members to four persons and appointed Mr Maciej Kaczorowski to the Vice-president position.

Within the 12-month period that ended on 31st December 2010 the composition of the Supervisory Board changed. On 15 July 2010 Mr Marek Wiak handed in his resignation from the post of a member of the Supervisory Board of RAFAKO S.A. The Annual General Meeting of RAFAKO S.A. on 15 July 2010 appointed Mr Maciej Stradomski to the position of a member of the Supervisory Board of RAFAKO S.A. On the day of submitting this financial statement the composition of the Supervisory Board is as follows:

Krzysztof Pawelec	Chairman of the Supervisory Board
Roman Jarosiński	Vice-chairman of the Supervisory Board
Witold Okarma	member of the Supervisory Board
Maciej Stradomski	member of the Supervisory Board
Sławomir Sykucki	member of the Supervisory Board
Piotr Wawrzynowicz	Member of Supervisory Board delegated to act temporarily as member of Managing Board
Leszek Wysłocki	member of the Supervisory Board

4. Approval of financial statement

This financial statement was approved to be published by the Company Board on 21st March 2011.

5. Essential values based on professional judgement and estimates

5.1. Professional judgement

In the process of application of accounting principles (policy) for the issues stated below, professional judgement of the Management, apart from estimations made by accountants, was of highest significance.

Classification of lease agreements in which the Company act as lessee

The Company act as party in lease agreements. Every lease agreement signed is analysed in respect of risk and advantages resulting from the use of assets acquired under the agreement and according to its valuation in conformity with MSSF requirements, it will be classified as operational or financial lease.

Classification of construction contracts

As soon as a construction contract is concluded, the management shall make an estimate regarding the manner of entering income and costs from the contracts and shall decide if the contract is settled according to progress degree method or income identification to costs incurred method.

Identification of embedded derivative instruments

At the end of each reporting period the Company management evaluate if under the contracts signed there are economic features and risk appropriate for the embedded derivative instrument in foreign currency, which would be closely related to economic features and risk appropriate for the main contract.

Classification of financial assets

At the end of each reporting period the Company evaluate if the financial assets they hold are investments maintained until maturity date.

5.2. Uncertainty of estimates

Basic assumptions concerning the future and other key sources of uncertainty occurring at the end of the reporting period, to which essential risk of significant adjustment of assets and liabilities values in the following financial year is related, are discussed below.

Impairment of assets

At the end of the financial year the Company test impairment of assets. This requires an estimate of functional value of the centre that works out cash, to which these assets belong. An estimate of functional value consists in determining future cash flows generated by the centre working out cash and to determine the discount rate to be applied for calculation of current value of these flows. Details regarding assets write-offs at the end of the reporting period, were presented in notes: 16, 18, 19, 22, 23, 25, 26 with additional information and clarifications.

Provisions for anticipated loss under the contract

At the end of each reporting period the Company update estimates of total income and costs under construction contracts, settled according to contract progress degree method. The Company shall enter the forecasted loss under the contract as cost in conformity with MSSF. Details regarding accounting for income and costs under construction contracts for the financial year were presented in notes: 8, 27, 32 and 35 with additional information and clarifications.

(in thousand zlotys)

Provisions for expenses caused by delays in contract performance

The Company shall make provisions for contractual penalties due to delays in contract performance, if there is high probability of inflicting penalties for delay in contract performance and this delay was caused through the fault of the Company, as the contractor. The amount of provisions shall result from the value of contractual penalties for delay stipulated in the given contract. Details regarding estimated provisions were presented in note 32.3 with additional information and clarifications.

5.3. Presentation adjustment

The Company verified methods of financial data presentation in the total income statement and financial statement. In order to adjust presentation methods to the Company's operations, changes were made in presentation of certain financial data that have no impact on the Company's financial result.

Main changes in the presentation manner of financial data in the total income statement:

- recognition of realized and calculated exchange variations for trade receivables in sales income,
- recognition of realized and calculated exchange variations for trade liabilities in the manufacturing cost,
- recognition of revenues/costs from realization and valuation of financial derivatives in revenues from sales or manufacturing cost,
- specification of increase /(decrease) in foreign exchange contract liabilities, which were expressed in (profit)/loss on investing activities.

Comparable financial data in items of the financial statement for 2009, the presentation of which was changed in comparison to data presented in the financial statement for 2009, were adjusted as stated below:

- in total income statement for 2009:

Sales revenues prior to adjustment	**897 174**
Results on realization of derivatives	(4 246)
Results on valuation of derivatives	7 856
Exchange rate variations concerning discharged trade receivables	(424)
Exchange rate variations from valuation of trade receivables	(5 884)
Sales revenues after adjustment	**894 476**
Cost of sold goods and materials prior to adjustment	**(806 766)**
Exchange rate variations concerning discharged trade liabilities	(894)
Exchange rate variations from valuation of trade liabilities	3 429
Cost of sold goods and materials after adjustment	**(804 231)**
Financial revenues before adjustment	**20 467**
Revenues from valuation of derivatives – included in sales revenues /cost of goods sold	(7 856)
Financial revenues after adjustment	**12 611**

Financial costs prior to adjustment	**(19 713)**
Recognition of exchange variations regarding trade receivables and liabilities in revenues from sales /cost of goods sold	3 663
Recognition of exchange variations regarding investing operations in other operating costs	55
Loss on realization of derivatives – presented in revenues from sales	4 246
Financial costs after adjustment	**(11 749)**

Other operating revenues	**3 912**
Recognition of exchange variations regarding investing operations	55
Remaining operating revenues after adjustment	**3 967**

- in cash flow statement for 2009:

(Profit)/loss on investment activities prior to adjustment	**(9 493)**
Specification of increase / (decrease) of settlement status from valuation of derivatives	7 856
(Profit)/loss on investment activities after adjustment	**(1 637)**

Increase / (decrease) of settlement status on account of derivatives prior to adjustment	–
Separation of increase / (decrease) of settlement status on account of derivatives from (profit)/loss on investment activities	(7 856)
Increase / (decrease) of settlement status by reason of derivatives after adjustment	**(7 856)**

6. Substantial accounting rules

6.1. Basis for drawing up financial statement

The financial statement was drawn up in conformity with historical cost principle, modified in case of financial instruments.

The financial statement is presented in Polish zlotys („PLN"), and all values, unless indicated otherwise, are given in thousands of zlotys.

The financial statement was drawn up with the assumption to proceed business activity by the Company in foreseeable future. On the day of approval of this financial statement no circumstances were found that indicate threat to continuation of business activity by the Company.

6.2. Conformity declaration

This financial statement was drawn up according to International Financial Reporting Standards („IFRS") and IFRS approved by the European Union. On the day of approval of this financial statement for publication, taking into account the process of introduction of IFRS standards in the European Union and business activity conducted by the Company, within the scope of accounting rules applied by the Company there is no difference between IFRS standards which were enforced, and IFRS standards that were approved by the European Union.

IFRS comprise standards and interpretations accepted by the Council of International Accounting Standards („RMSR") and the Committee for Interpretation of International Financial Reporting („KIMSF").

The Company applied IFRS according to the status in force on 31st December 2010.

6.3. Measurement currency and financial statement currency

The Company's measurement currency and the reporting currency of this financial statement is the Polish zloty.

6.4. Changes in applied accounting rules

This financial statement and comparable financial data for 2010 were drawn up in conformity with IFRS standards. No alterations of applied accounting rules occurred in 2010.

6.5. New standards, changes and interpretations that were published but haven't taken effect yet

The Council of International Accounting Standards or the Committee for Interpretation of International Financial Reporting issued the following standards, alterations and interpretations, that either were not approved by the European Union or have not taken effect on 31st December 2010:

- MSSF 9 „Financial Instruments"

MSSF 9 was published by the Council of International Accounting Standards on 12th November 2009 and is in force for annual periods beginning on 1st January 2013. This standard introduces new requirements for classification and valuation of financial assets and will replace the currently valid MSR 39 „ Financial Instruments: recognition and valuation". According to the new standard all included financial assets currently within the range of MSR 39 will be assessed at depreciated cost or fair value. MSSF 9, contrary to MSR 39, does not anticipate the obligation of separation and individual valuation of embedded instruments. Up to the day of drawing up this financial statement MSSF 9 was not approved by the European Union.

- Alterations to MSSF 1 „Application of MSSF for the first time – Serious Hyperinflation and removal of fixed dates for entities applying MSSF for the first time"

The modification plan to MSSF 1 was published by the Council of International Accounting Standards on 30th September 2010. Alterations published contain guidelines for making financial statements by an entity compliant with MSSF after the period, in which they were unable to fulfil conditions included in Standards because of serious hyperinflation of their functional currency. Up to the day of drawing up this financial statement alterations to MSSF 1 were not approved by the European Union.

- Alterations to MSSF 7 „Financial Instruments: disclosure of information"

On 7 October 2010 the Council of International Accounting Standards issued the document „Disclosure of information on financial assets transfers" (alterations to MSSF 7) that tightens requirements for disclosure of information on transfers of financial assets without writing off and introduces new requirements for disclosure of assets components, which were written off, however the commitment of the entity in these components was unchanged in spite of sales. Up to the day of drawing up this financial statement alterations to MSSF 1 were not approved by the European Union.

- Alterations to MSR 12 „Deferred tax: realization of assets"

Modification plan to MSR 12 was published by the Council of International Accounting Standards on 10th September 2010. The plan proposes exemption from provisions of MSR 12, which require valuation of assets and liabilities on account of deferred tax resulting from definite assets, with the assumption that carrying value a given component will be fully restored at sale, unless there are distinct premises that economic benefits generated by the given component of assets will be consumed within the period of its economic utility. Up to the day of drawing up this financial statement alterations to MSSF 1 were not approved by the European Union.

- Annual amendments to MSSF

Amendments to MSSF 2010, which contain amendments to seven International Financial Reporting Standards, were published by the Council of International Accounting Standards on 6th May 2010. The objective is to introduce necessary alterations to MSSF. Up to the day of drawing up this financial statement annual amendments to MSSF were not approved by the European Union.

On the day of drawing up the statement the enforcement of the above standards, alterations and interpretations does not cause any changes in the financial statement being effect of applied above standards, alterations or interpretations for the first time.

6.6 Error adjustment

In the statement for the year ended on 31st December 2010 and the year ended on 31st December 2009 error of the past years was adjusted.

A detailed description of adjustments made is included in note 29.9 with additional information and clarifications.

(in thousand zlotys)

6.7 Investing activities in subsidiaries, associated companies and other

Investing activities in subsidiaries are investments in entities controlled by the Company. Investment in associated companies are investments in entities significantly affected directly by the Company or through subsidiaries, and which are neither its subsidiaries nor joint ventures. A financial year of subsidiaries, associated companies and the Company is identical. Investing activities in subsidiaries, associated companies and other not classified as available for sale are included in purchase price deducted by impairment losses, if any.

6.8 Conversion of items expressed in foreign currency

Deals expressed in currencies other than the Polish zloty are translated into Polish zlotys applying the exchange rate valid on the day of the deal.

At the end of reporting period assets and liabilities in cash expressed in currencies other than Polish zloty are translated into Polish zlotys applying the average rate in force at the end of the reporting period, laid down for the given currency by the National Bank of Poland. Exchange rate variations that arose from translation are expressed in items:

- Revenues from sales – if they refer to trade receivables,
- Cost of goods sold – if they refer to trade liabilities,
- Other revenues /operating costs – if they refer to trade liabilities or receivables by reason of sale /purchase of tangible fixed assets and intangible assets,
- Net financial revenues / costs – in case of other assets or liabilities.

Non-monetary assets and liabilities presented according to historical cost expressed in foreign currency are reported at historical rate of the transaction day. Non-monetary assets and liabilities presented according to fair value expressed in foreign currency are translated at the rate of the fair value valuation date.

The following rates were assumed for balance sheet valuation needs:

	31st December 2010	*31st December 2009*
USD	2.9641	2.8503
EUR	3.9603	4.1082
GBP	4.5938	4.5986
CHF	3.1639	2.7661
SEK	0.4415	0.4000
TRY	1.9227	1.9121

6.9 Tangible fixed assets

Tangible fixed assets are reported according to purchase price / manufacturing cost decreased by depreciation and any allowances for impairment losses. Original value of fixed assets comprises their purchase price increased by all costs directly related to purchase and adaptation of the asset to be fit for use. The cost comprises also replacement cost of machine and equipment parts at the moment it is incurred, if recognition criteria are met. Costs incurred after the date of commissioning of fixed assets, such as maintenance and repair costs, will debit the profit and loss account at the moment they are incurred.

The Company made valuation of part of fixed assets according to fair value and recognized this value as assumed cost for the day of 1st January 2004, which is the day of changeover to MSSF application.

When purchased fixed assets are divided into components that are items of substantive value, to which a separate period of economic utility can be assigned. Cost of general overhauls are also their component.

(in thousand zlotys)

Depreciation is calculated by linear method for the estimated period of use of a given component of assets, i.e.:

Type	*Depreciation rate*	*Period*
Land (right of perpetual usufruct of land)	-	-
Buildings and structures	from 1.58 % to 50.00 %	from 2 to 65 years
Machines and technical equipment	from 3.33 % to 50.00%	from 2 to 30 years
Office facilities	from 10.00 % to 66.67%	from 1 to 10 years
Transportation means	from 6.67 % to 50.00 %	from 2 to 15 years
Computers	from 10.00 % to 50.00 %	from 2 to 5 years

The Company count the right of perpetual usufruct of land among tangible fixed assets. Owing to absence of premises indicating withdrawal or lack of possibility to resume the right of perpetual usufruct of land located mainly in the production plant area of the company, the decision was made to classify the above mentioned right as component of tangible fixed assets that do not fall within depreciation, as in case of land.

If in drawing up the financial statement there were circumstances which indicate that carrying value of tangible fixed assets may not be recoverable, a review of these assets is made in respect of their impairment, if any. If there are premises indicating that impairment could have occurred, and carrying value exceeds the estimated recoverable value, then the value of these assets or centres working out cash, to which these assets belong, is decreased to the level of recoverable value. Recoverable value corresponds to the higher of the following two values: fair value reduced by selling costs or utility value. At determination of utility value, estimated future cash flows are discounted to present value using the gross discount rate reflecting current market valuation of cash value in time and risk related to a given component of assets. In case of the assets component that does not generate cash proceeds in an independent way, the recoverable value is determined for the centre working out cash to which this component belongs. Allowances for impairment losses are presented in profit and loss account in cost of goods sold item.

A given item of tangible fixed assets may be removed from the financial statement of a company after its sale or if no economic profit resulting from further use of such component of assets is expected. Any profit or loss resulting from removal of such component of assets from the financial statement (calculated as difference between net sale proceeds, if any, and net carrying value of a given item) is presented in profit and loss account in the period in which such removal was done.

Investments started concern fixed assets that are under construction or erection and are reported according to acquisition cost or manufacturing cost. Fixed assets under construction do not fall within depreciation until construction is completed and the fixed asset is commissioned.

At the end of each financial year the Company verify fixed assets in respect of impairment, assumed period of economic use and applied depreciation method and, if necessary, they make appropriate accounting adjustments, having impact on the current period or next years. If the Company repair fixed assets, that meet the criteria of being presented in assets value, then repair / overhaul costs are included in carrying value of tangible fixed assets.

6.10 External financing costs

External financing costs, that can be directly assigned to purchase, construction or manufacture of adapted assets component, are part of purchase price or manufacturing cost of this component. Other external financing costs are presented as financing cost of the period.

6.11 Intangible assets

Intangible assets purchased in a separate deal are assessed at first in the acquisition cost or manufacturing cost. The acquisition cost of intangible assets purchased in a transaction of merger of economic entities, is equal to their fair value on the merger day. After initial recognition, intangible assets are presented in the purchase price or manufacturing cost reduced by depreciation and allowances for impairment losses. Expenditures incurred on intangible assets manufactured on their own, except for expenditures borne on development, are not activated and are presented in costs of the period in which they were incurred.

As at 1 January 2004 the Company valuated parts of intangible assets according to fair value and recognized this value as assumed cost for MSSF 1 requirements.

The Company shall determine whether the usage period of intangible assets is limited or indefinite. Intangible assets with limited usage period are depreciated through the usage period and tested for impairment every time, when there are premises indicating their impairment. The period and depreciation method of intangible assets with limited usage period are verified at least at the end of every financial year. Changes in anticipated usage period or expected way of consuming economic benefits coming from a given component of assets are expressed through the change of depreciation period or method, as appropriate, and treated as changes of estimated values. Depreciation write-off of intangible assets components with limited usage period is expressed in the profit and loss account in the category which corresponds to the function of a given component of intangible assets.

Except for development works, intangible assets generated by the company on their own are not expressed in assets, and expenditures borne for their manufacture are expressed in the profit and loss account for the year in that they were incurred.

Intangible assets with indefinite usage period and these that are not used are subjected to verification in respect of impairment, if any, every year, with reference to individual assets or at the level of the centre working out cash. In case of other intangible assets, it is assessed every year if premises occurred that may prove their impairment. Usage periods are also verified every year, and if necessary, corrected with effect from the beginning of the financial year.

For intangible assets with definite usage period linear depreciation method is applied.

Depreciation period for intangible assets is from 2 to 10 years.

Profit or loss resulting from removal of intangible assets from the financial statement are evaluated according to the difference between net sales proceeds and carrying value of a given assets component and they are expressed in the profit and loss account at the very moment of their writing off.

Costs of research and development works

Costs of research works are written off in the profit and loss account as soon as they are incurred. Expenditures borne on development works within the scope of a given undertaking are carried over to another successive period, if it can be stated that they will be recovered in the future. After initial recognition of expenditures for development works, a historical cost model is applied that requires to express assets components according to purchase prices /manufacturing costs reduced by accumulated depreciation and accumulated allowances for impairment losses. Any expenditures carried forward to a successive period are depreciated through the anticipated period of gaining sales revenues from a given undertaking.

Costs of development works are evaluated in respect of impairment, if any, every year – if the component of assets has not been commissioned yet, or more frequently – if within the reporting period impairment premises occur indicating that their carrying value may not be recoverable.

A summary of rules applied towards intangible assets of the Company is as follows:

	Patents and licenses	*Computer software*
Usage periods	For patents and licenses used under agreements concluded for definite time, this period is assumed with taking into consideration an extra period, for which usage can be extended.	2-5 years
Method applied	Depreciation by linear method	Depreciation by linear method
Manufactured internally or purchased	purchased	Purchased
Verification in respect of impairment / testing recoverable value	Annual valuation if there are premises proving the occurrence of impairment.	Annual valuation if there are premises proving the occurrence of impairment.

Company value

Company value on account of takeover of a business entity is initially expressed according to the purchase price that is a surplus of merger costs of business entities over the share of the taking over company in net fair value of identifiable assets, liabilities and contingent liabilities. Following an initial recognition, the company value is reported according to the purchase price reduced by any accumulated allowances for impairment losses. The impairment test is conducted once a year or more often, if relevant premises occur. The company value does not undergo depreciation.

On the takeover day the purchased company value is allocated to each of the centres working out cash, that can use the merger synergy. Each centre or group of centres to which the company value was assigned:

- corresponds to the lowest level within the Company, at which the company value is monitored for internal managerial needs, and
- is not larger than one segment of operations in conformity with the definition of basic or supplementary formula of financial reporting of the Company defined according to MSSF 8 *Operating segments*.

An allowance for impairment losses is determined through estimation of recoverable value of the centre working out cash, to which the given company value was allocated. If the recoverable value of the centre working out cash is lower than carrying value, an allowance for impairment losses will be recognized. If the company value forms part of the centre working out cash and part of operations within this centre is sold, at determination of profits or losses on sale of such operations, the company value related to the sold operation is included in its carrying value. In such circumstances the sold company value is determined on the basis of relative value of sold operations and retained value of part of the centre working out cash.

6.12 Fixed assets available for sale

In a situation when a component of tangible fixed assets is available for sale in its current status considering customarily accepted terms of sale for this type of assets and its sale, in conformity with the selling schedules held, is highly probable within a year, then the Company shall classify the given component of assets as available for sale. The carrying value of such component of assets presented in the Company financial statement is the lower of two values: carrying value and fair value reduced by selling costs.

6.13 Recoverable value of long term assets

At the end of each reporting period the Company shall evaluate assets in respect of premises indicating their impairment. If such premises occur, the Company shall make a formal assessment of recoverable value. If the carrying value of a given component of assets or a centre working out cash exceeds its recoverable value, this is considered to be impairment, and an allowance is made to update its value to recoverable value level. The recoverable value is one of two values according to which value is higher: fair value reduced by selling costs or utility value of given component of assets or a centre working out cash.

6.14 Financial assets

Financial assets are divided into the following categories:

– financial assets kept until maturity date,
– financial assets valuated in fair value through financial result,
– loans and receivables,
– financial assets available for sale.

Financial assets kept until maturity date are investments with determined or possible to determine payments and defined maturity date, that the Company intend to keep and hold till this time. Financial assets kept until maturity date are assessed according to depreciated cost using the effective interest rate method.

Financial assets acquired in order to generate profit owing to short-term price fluctuations are classified as financial assets valuated in fair value through the financial result. Financial instruments valuated in fair value through the financial result are valuated in fair value, taking into consideration their market value at the end of the reporting period. Changes in fair value of these financial instruments are considered in revenues or financial costs.

Loans and receivables are recognized according to depreciated cost.

Any other financial assets are financial assets available for sale. Financial assets available for sale are expressed according to fair value, taking into consideration their market value at the end of the reporting period. In case of absence of stock exchange listing on active market and shortage of reliable determination of their fair value by alternative methods, financial assets available for sale are valuated in purchase price adjusted by allowance for impairment losses.

A positive and negative difference between fair value and purchase price, after reduction by deferred tax, of assets available for sale (if market price determined on active adjustable market exists or whose fair value may be determined in another reliable way), refers to supplementary capital from revaluation. Depreciation of assets available for sale caused by impairment refers to the profit and loss account as financial cost.

Financial assets kept until maturity date are classified as long-term assets, if their maturity exceeds 12 months from the end of the reporting period.

Financial assets evaluated at fair value through the financial result are counted among current assets, if the Managing Board intend to realize them within 12 months from the end of the reporting period.

Purchase and sale of financial assets is recognized on the transaction day. When initially recognized they are evaluated at the purchase price, i.e. fair value, including transaction costs.

Financial liabilities that are not financial instruments evaluated at fair value through the financial result, are evaluated according to depreciated cost, applying the effective interest rate method.

A financial instrument is removed from the financial statement, when the Company lose control over contractual rights that make up a given financial instrument; it usually occurs in case of sale of a financial instrument or if all cash flows attributed to a given financial instrument are transferred to an independent third party.

6.15 Impairment of financial assets

At the end of each reporting year the Company estimate if there are objective premises for impairment of a component of financial assets or group of financial assets.

6.15.1 Assets classified according to depreciated cost

If there are objective premises that loss was suffered due to impairment of loans granted and receivables evaluated at depreciated cost, then the allowance for impairment loss equals the difference between the carrying value of a financial assets component and present value of assessed future cash flows (except for future losses due to bad debts, that were not incurred yet), discounted with the use of primary effective interest rate (i.e. determined at initial recognition). The carrying value of an assets component is decreased directly or through an updating write-off. The loss amount is expressed in the profit and loss account.

At first the Company estimate if there are objective premises for impairment of individual components of financial assets, that are individually significant, and also premises for impairment of financial assets, that are individually insignificant. If from the analysis it follows that there are no objective premises for impairment of individually assessed components of financial assets, irrespective whether it is significant or not, then the Company include this component of financial assets in the group of financial assets with similar credit risk characteristics and evaluate it jointly for impairment. Assets that are evaluated individually for impairment and for which an allowance for impairment losses was presented or recognized, that the current write-off will not change, are not considered for joint evaluation of the impairment of assets group.

If within the following period the allowance for impairment loss decreased, and this decrease can be objectively related to the event following the recognition of the allowance, then the previously recognized allowance reverts. Later reversal of the allowance for impairment loss is expressed in the profit and loss account in the scope, in which the carrying value of reversal of the assets component does not exceed its depreciated cost.

6.15.2 Financial assets reported according to cost

If there are objective premises that an impairment of a capital instrument not listed on the stock exchange occurred, which is not reported according to fair value because its fair value cannot be determined reliably, or derivative that is related and must be settled through the delivery of such not listed capital instrument, then the allowance for impairment loss is fixed as the difference between carrying value of a component of financial assets and present value of estimated future cash flows, discounted by applying the current market rate of return for similar financial assets.

6.15.3 Financial assets available for sale

If there are objective premises that an impairment of a component of financial assets available for sale occurred, then the amount being the difference between the its purchase price (reduced by any capital payback and interest) and its present fair value, decreased by any allowances for impairment loss of this component presented previously in the profit and loss account, will be written off from shareholders' equity and transferred to the profit and loss account. Reversal of allowance for impairment loss of capital instruments classified as available for sale cannot be presented in the profit and loss account. If in the following period the fair value of a debt instrument available for sale increases, and this increase can be objectively related to the event following the recognition of allowance for impairment loss in the profit and loss account, then the amount of the reversible allowance is expressed in the in the profit and loss account.

6.16 Derivative financial instruments

Derivatives that the Company use in order to secure themselves against risk related to variation of currency exchange rates, are primarily forward currency contracts. Such financial derivatives are valuated to the fair value. Derivatives are reported as financial assets, if their value is positive, and as financial liabilities - if their value is negative.

Profit and loss due to changes in derivatives fair value, that do not meet accounting principles of security pertain directly to net financial result of the financial year. Result on realization and valuation of financial derivatives adjusts revenues from sales or cost of goods sold accordingly.

Valuation of financial derivatives in fair value is conducted at the end of every reporting period basing on valuations carried out by banks that deal transactions. Any profit or loss because of valuation of financial derivatives pertain to revenues or costs of operating activities.

Fair value of forward currency contracts is determined through reference to current forward rates occurring with contracts of similar maturity date.

6.17 Inventories

Inventories are valuated according to the lower of two values: acquisition cost /manufacturing cost and the net selling price possible to reach.

Material purchased in order to be used in manufacture, that is at the moment of purchase explicitly identified with the performed construction contract, or other supply or services contracts is valuated in the financial year by applying the detailed identification method of individual purchase prices for a specific contract. On the last day of reporting period materials are valuated in conformity with construction contracts' valuation principles (MSR 11), i.e. value and costs related to purchase of these materials are included in the manufacturing cost.

Other manufacturing materials are valuated according to purchase price or manufacturing cost. Consumption of material is included in the manufacturing cost according to weighted average price.

Inventories are reported in net value (reduced by updating write-offs). Updating write-offs for inventories are created in relation to their impairment in order to bring the value of inventories to recoverable net value level. The amount of write-offs for inventories value to obtainable net value level and any loss in inventories are expressed as cost of the period in which the write-off or loss has taken place.

The obtainable net sale price is the estimated sale price obtained in ordinary business activity, reduced by finishing costs and estimated costs necessary to bring the sale in effect.

6.18 Trade and other receivables

Trade receivables for which the maturity date is usually from 30 to 90 days, are recognized and reported according to primarily invoiced amounts, taking into consideration the allowance for bad debts. The maturity date for receivables resulting from retained guarantee instalments expires on completion of the guarantee period. The allowance for doubtful receivables is estimated when collection of the full amount of receivables ceased to be likely. Bad debts are written off in the profit and loss account at the very moment they are found to be uncollectible.

If the impact of money value in time is essential, the value of receivables is determined by discounting of forecasted future cash flows to present value, using the gross discount rate that reflects the current valuation of money value in time. If the method lying in discounting is applied, increase in receivables because of passage of time is expressed as financial revenues.

Other receivables include in particular prepayments transmitted on account of future purchases of tangible fixed assets, intangible assets and inventories. Prepayments are presented in conformity with the character of assets. As non-monetary assets prepayments do not fall within balance sheet valuation.

Budgetary receivables are presented under other non-monetary assets, except for income tax receivables from legal entities, which form a separate item in the financial statement.

The Company present prepaid expenses in receivables, except for prepaid expenses because of equivalence of calculated sales revenue, related to valuation of construction contracts in conformity with MSR 11 (Construction contracts).

6.19 Cash and cash equivalents

Cash reported in the financial statement includes cash in a bank, in the cash box and short-term deposits with primary maturity date not exceeding three months.

The balance of cash and cash equivalents reported in the cash flows statement consists of the above stated cash and cash equivalents, reduced by outstanding credits on current accounts.

Among cash with limited disposing possibilities the Company count cash on cash deposits placed as security for guarantees granted on behalf of the Company.

6.20 Interest bearing bank credits, loans and debt securities

At the moment of initial recognition all bank credits, loans and debt securities are expressed according to purchase price corresponding to fair value of received cash, reduced by costs related to obtaining a credit or loan.

After initial recognition interest bearing bank credits, loans and debt securities are valuated at depreciated cost, using the effective interest rate method. In determination of the depreciated cost, costs related to obtaining a credit or loan, discount or premiums obtained at the settlement of the liability are taken into consideration.

Profit and loss is recognized in the profit and loss account as soon as the liability is removed from the financial statement, also in consequence of calculating an allowance.

6.21 Provisions

Provisions are made if the Company has an obligation (legal or customarily anticipated) resulting from past events, and when it is probable that meeting this obligation will involve the necessity of inflow of economic benefits and a reliable assessment of the liability can be made. If the Company expect that costs included by the provision will be paid back, for instance by an insurance contract, then this repayment is expressed as a separate component of assets, however only if it is absolutely certain that such repayment will really occur. Costs concerning a given provision are reported in the profit and loss account reduced by any repayments.

If the impact of monetary value in time is essential, the provision amount is determined by discounting of forecasted future cash flows to present value, using the net discount rate that reflects current market valuations of money in time and risk related to a given obligation (liability), if any. If the discounting method was applied, an increase of the provision with the time passing is expressed as financial costs.

6.22 Retirement severance pays and jubilee awards

According to the company remuneration system, the employees are entitled to jubilee awards after a definite length of service and to retirement severance pay when they go into retirement.
According to internal regulations the Company make write-offs for the Company Social Benefits Fund for pensioners coming from the Company.

The Company recognize these costs on accrual basis.

The amount of jubilee awards depends on length of service and average monthly remuneration. Employees receive also a one-time retirement severance pay. Employees, who are permanently incapable to work, are entitled to get pension severance pay. The amount of the severance pay depends on length of service and average monthly remuneration.

The Company recognize liabilities on account of retirement severance pay and jubilee awards in order to assign costs to periods they refer to. According to MSR 19 jubilee awards are other long-term employee benefits, however retirement severance pays are programmes of specific benefits after the employment period. Present value of these liabilities at the end of each reporting period is calculated by an independent actuary. The calculated liabilities are equal to discounted payments, to be made in the future, taking into consideration labour turnover and they concern the period until the end of the reporting period. Demographic information and information on labour turnover are based on historical data. Profits and losses from actuarial calculations are recognized in the profit and loss account.

Actuarial valuation of long- and short-term benefits is made not less often than at the end of every financial year.

6.23 Trade and other liabilities

Trade liabilities for which the maturity date is usually from 30 to 90 days, are presented and reported according to amounts primarily invoiced. The maturity date for liabilities resulting from retained guarantee instalments expires after the end of the guarantee period. In case the impact of monetary value in time is essential, the value of liabilities is determined by discounting of forecasted future cash flows to present value, applying the discount rate that reflects current market assessment of monetary value in time. If the discounting method was applied, an increase in liabilities because of passing of time is expressed as financial costs.

Other financial liabilities, that are not financial instruments valuated in fair value through the financial result, are valuated according to depreciated cost using the effective interest rate method.

The Company exclude from their financial statement financial liabilities, if the liability expired – i.e. when the obligation stipulated in the contract was fulfilled, remitted or expired. Replacement of a current debt instrument by an instrument of significantly different terms made between the same entities is recognized by the Company as expiry of the primary financial liability and expressed as a new financial liability. Similar significant modifications of contract terms for an existing financial liability is recognized by the Company as expiry of the primary financial liability and expressed as a new financial liability. Differences in carrying value that arose because of the replacement are reported in the profit and loss account.

Other non-financial liabilities include in particular accrued expenses, public-legal liabilities and remunerations. Other non-financial liabilities are expressed in the amount demanding payment.

6.24 Revenues

Revenues are expressed to such amount, that it is probable that the Company will gain economic profits related to a given transaction and when revenues can be evaluated in a reliable way. Revenues are recognized after reducing by value added tax (VAT) and rebates. When expressing revenues the criteria presented below shall also apply.

6.24.1 Sale of products and goods

Revenues are expressed if considerable risk and profits resulting from the property right to goods and products were transferred to the purchaser and when the amount of revenues can be evaluated in a reliable way.

6.24.2 Services

The progress of services in percentage points is determined as the ratio of costs incurred to costs assessed necessary to perform the purchase order.

6.24.3 Construction contracts

Construction contracts are trade contracts related to basic business operations of the Company, the subject of which is the construction of components of assets or groups of assets, that are tightly interrelated or mutually dependent in the engineering and technological respect or because of the function, final destination or manner of use. The majority of contracts is concluded in fixed prices and is settled according to contract progress method.

Total revenues from a contract contain the initial amount of revenues stipulated in the contract and revisions made during contract performance, claims and premiums.

Changes in contract revenues are taken into account if it is probable that the customer approves these changes and revenues resulting from them, and the value of these revenues can be reliably evaluated. Contract revenues are evaluated in fair value received or the payment due.
The total cost of a contract comprises costs, that can be allocated directly or using reasonable methods to a specific contract, and other costs that can be charged to the Ordering Party in conformity with the contract terms.

Revaluation of contract total costs and revenues is usually made in case of significant alterations in estimates of revenues or costs of the contract performance, however not less often than once semi-annually.

Effects of alterations in estimates of revenues or costs of the contract performance and effects of alterations in estimates of contract results are expressed as change of estimated value according to MSR 8 (Principles of (policy) accounting, changes of estimated values and error adjustment). Modified estimates are applied to determine the amount of revenues and costs expressed in the profit and loss account in the reporting period, in which these changes occurred, and in following periods.

Revenue at the reporting period is determined pro rata to the progress of contract performance, after deduction of revenues that affected the financial result in previous reporting periods.

Prepayments obtained for contract performance and invoiced in conformity with VAT regulations are reported as mid-term revenue settlements.

Progress of contract performance is calculated as quotient of actually incurred costs expressed in percentage terms, substantiated by appropriate accounting documents and estimated total contract costs.

If revenues of a period calculated according to progress exceed invoiced revenues, the Company shall decrease revenues for future periods on account of received prepayments and shall adjust sales revenues. If the balance of contract performance prepayments received is lower than the above revenues difference, sales are adjusted by the remaining amount, simultaneously expressing accrued expenses on account of equivalence of calculated sales revenues related to valuation of construction contracts.
If revenues of a period calculated according to progress are lower than invoiced revenues, the difference („surplus of invoiced sales”) is expressed in the accruals of revenues item.

The difference between estimated costs commensurate to revenues, and actual incurred costs is reported as inventories adjustment (with analytics for appropriate inventories items).

Contract costs concerning future operations related to the contract, e.g. planned manufacturing costs, future deliveries of material, goods and services, costs of material kept in store – except for materials manufactured specifically for the contract, are not taken into consideration when progress of services is determined. Also prepayments for subcontractors for work done under the contract are not included in costs incurred.

If estimated total costs of a contract exceed reliably estimated contract revenues (i.e. total estimated result from performance will be a loss), then the entire loss is recognized in a given period as cost debiting the manufacturing cost and it is expressed in the financial statement as provision for liabilities on account of construction contracts. The provision at the end of a given period is the difference of estimated total loss on performance of a specific contract and the recognized loss amount (according to progress) till the end of this period.

If a reliable assessment of the contract result is not possible, costs incurred are recognized to full amount, and revenues to the amount not exceeding the value of recognized costs, the recovery of which is probable, in conformity with MSR 18 (Revenues).

Revenues cashed and costs incurred in foreign currencies shall be recorded in Polish zlotys translated basing on the average exchange rate of the National Bank of Poland of the day of issuing the invoice, or other stipulated in the contract.

6.24.4 Interest

Income from interest is expressed gradually as it accumulates (taking into consideration the effective interest rate method, that forms the rate discounting future cash proceeds through an estimated period of use of financial instruments) in relation to net carrying value of a given component of financial assets.

6.24.5 Dividends

Dividends due are counted among financial revenues for the day of passing the resolution about distribution of profit by an appropriate company body, unless another day of the right to dividend is stated in the resolution.

6.24.6 Revenues from rental

Income from rental of investment real properties is expressed by linear method through the rental period in relation to open contracts.

6.24.7 Governmental subsidies

If there is justified certainty that a subsidy will be granted and all conditions related to it will be met, then governmental subsidies are expressed according to their fair value.

If the subsidy refers to a given cost item, then it is expressed as revenue in a commensurate manner to costs the subsidy is going to compensate. If the subsidy refers to a component of assets, then its fair value is expressed on the revenue accruals account, and then gradually, by way of equal annual allowance, written off to the profit and loss account through an estimated period of use of the related assets component.

6.25 Taxes

6.25.1 Tax payable

Liabilities and receivables by reason of tax payable for the current period and previous periods are assessed to the amount anticipated to be paid to the tax office (subject to reimbursement from tax authorities) using the tax rates and tax regulations that were legally or actually in force at the end of the reporting period.

6.25.2 Deferred tax

For the purpose of financial reporting a provision for income tax is made in relations to all transitional differences that occur at the end of the reporting period, between tax value of assets and liabilities and their carrying value presented in the financial statement.

The provision for deferred tax is expressed with reference to all positive transitional differences:

- except for the situation when provision for deferred tax arises in consequence of initial recognition of the company value or initial recognition of a component of assets or liabilities in a transaction that does not constitute a merger of economic entities, and at the moment of its conclusion it affects neither the gross financial result, the taxable income nor the tax loss, and
- in case of positive transitional differences resulting from investments in subsidiaries or associated companies and shares in joint ventures – except for the situation when dates of reversal of transitional differences fall within the control of the investor, and it is probable that in foreseeable future transitional differences will not be reverted.

Deferred tax assets are expressed with reference to all negative transitional differences, in such amounts that it is probable to gain taxable income, that will allow to make use of the above differences, assets and losses:

- except for the situation when deferred tax assets regarding negative transitional differences arise in consequence of initial recognition of a component of assets or liabilities in a transaction that does not constitute a merger of economic entities, and at the moment of its conclusion they affect neither the gross financial result, the taxable income nor the tax loss, and

- in case of negative transitional differences resulting from investments in subsidiaries or associated companies and shares in joint ventures, a component of deferred tax assets is recognized in the financial statement only to such an amount, that it is probable that in foreseeable future the above transitional differences will be reverted and taxable income will be gained, which will allow to deduct negative transitional differences.

Carrying value of a component of deferred tax assets is verified at the end of each reporting period and it is adequately decreased so much, that a taxable income, sufficient for partial or total realization of a component of deferred tax assets, is improbable to obtain.

Provisions and deferred tax assets are reported in the financial statement in compensative values.

Deferred income tax assets and provisions for deferred tax are evaluated using tax rates, that as anticipated will be in force in the period when the component of assets will be realized or provisions dissolved, assuming as basis tax rates (and tax regulations) in force at the end of the reporting period or such, that will be in force in future, which is certain at the end of the reporting period.

Income tax regarding items expressed directly in shareholders' equity is recognized in shareholders' equity, and not in the profit and loss account.

6.25.3 Value added tax

Revenues, costs, assets and liabilities are recognized after reduction of the value added tax, except for:

- if value added tax paid at the purchase of assets or services is not recoverable from tax authorities; then it is recognized as part of the purchase price of the component of assets or as part of a cost item, and
- receivables and liabilities that are reported taking into account value added tax.

Net amount of value added tax recoverable or due to tax authorities is expressed in the financial report as part of receivables or liabilities.

6.26 Net profit per share (earnings per share)

Net profit per share for every period is calculated by dividing net profit for a given period by the weighted average number of shares in a given reporting period. The Company do not present diluted earnings / loss per share, as there are no potentially watered common shares.

(in thousand zlotys)

7. Information on operational segments

The Company is the parent company of RAFAKO Group, that prepare the consolidated financial statement, therefore according to stipulations of MSSF 8, they present data concerning operational segments in the consolidated financial statement of the Group.

8. Information on construction contracts

	Year ended 31 December 2010	*Year ended 31 December 2009*
Revenues from sale of products and services, inclusive of:	**1 107 134**	**894 476**
a) sales revenues calculated using the contract performance progress method at the end of the reporting period	1 073 826	858 776
b) other revenues from sale of products and services concerning basic operating activities	33 308	35 700
Total amount of costs incurred and recognized profits (reduced by recognized losses) at the end of the reporting period	1 103 309	889 138
Received prepayments	93 182	158 729
Amounts retained	27 378	27 219
Gross amount receivable from the Ordering Party for work performed under the contract (assets)	200 646	54 679
Gross amount due to the Ordering Party for work performed under the contract (liabilities)	18 100	(2 016)

The concluded construction contracts may include contingency liabilities and receivables related to the following risks / chances:

1. risk of contractual penalties laid on because of default in meeting contractual dates, if any,
2. risk of incurring extra costs and penalties for inadequate contract performance, if any,
3. risk of incurring penalties because of default in adherence to technical parameters in the subject of the contract, if any,
4. risk of incurring costs of repairs, overhauls, modernization in the guarantee period, if any,
5. risk of realization of assets in case of insolvency (bankruptcy, winding up, etc.) of the Ordering Party, if any,
6. risk of claims and penalties that arose in consequence of suspension / withdrawing from the contract by one of the parties,
7. risk/chance of occurrence of liabilities /receivables that arose in consequence of changes in the fiscal system, customs, etc. made during the performance of the contract,
8. risk of occurrence of penalties and claims in consequence of default in meeting contract terms regarding handover to the Ordering Party required bank/ insurance guarantees for refund of prepayment and the performance bond,
9. risk/chance of occurrence of extra liabilities /receivables in consequence of final settlement by weight with the Ordering Party for the performed contract.

(in thousand zlotys)

9. Revenue and costs

9.1. Revenues from sale of goods and services

Revenues from sale of goods and services

	Year ended 31 December 2010	*Year ended 31 December 2009*
- net revenues from sale of products	1 095 579	885 715
- from associated companies included	3 780	6 171
- net revenues from sale of services	10 107	10 797
- from associated companies included	331	27
- other revenues	–	662
- results / figures on realization of derivatives	(2 070)	(4 246)
- results / figures on valuation of derivatives	8 468	7 856
- exchange differences regarding trade receivables realized	(4 528)	(424)
- exchange differences from valuation of trade receivables	(422)	(5 884)
Net revenues from sale of products, in total	**1 107 134**	**894 476**
- from associated companies included	4 111	6 198

Geographical structure of revenues from sale of products and services

	Year ended 31 December 2010	*Year ended 31 December 2009*
a) domestic customers	**807 001**	**548 184**
- from associated companies included	4 111	6 198
- revenues from sale of goods	799 163	536 757
- from associated companies included	3 780	6 171
- revenues from sale of services	5 569	9 361
- from associated companies included	331	27
- other revenues	–	662
- results / figures on realization of derivatives	(728)	(2 110)
- results / figures on valuation of derivatives	3 036	3 606
- exchange differences regarding trade receivables realized	(23)	(99)
- exchange differences from valuation of trade receivables	(16)	7
b) foreign customers	**300 133**	**346 292**
- to associated companies included	–	–
- revenues from sale of goods	296 416	348 958
- revenues from sale of services	4 538	1 436
- results / figures on realization of derivatives	(1 342)	(2 136)
- results / figures on valuation of derivatives	5 432	4 251
- exchange differences regarding trade receivables realized	(4 505)	(325)
- exchange differences from valuation of trade receivables	(406)	(5 892)
Net revenues from sale of products, in total	**1 107 134**	**894 476**
- from associated companies included	4 111	6 198

(in thousand zlotys)

Revenues from sale of material

	Year ended 31 December 2010	*Year ended 31 December 2009*
- revenues from sale of material	3 173	10 704
- from associated companies included	–	–
Net revenues from sale of goods and material, in total	**3 173**	**10 704**
- from associated companies included	–	–

Geographical structure of revenues from sale of material

	Year ended 31 December 2010	*Year ended 31 December 2009*
a) **domestic customers**	2 742	10 569
- from associated companies included	–	–
b) **foreign customers**	431	135
Net revenues from sale of goods and material, in total	**3 173**	**10 704**
- from associated companies included	–	–

The main customers of the Company's products and services are primarily foreign and domestic suppliers of power plants / facilities as well as the domestic and foreign general net supply and industrial power engineering.

Sales assortment in division into markets was presented in the report of the Managing Board on the Company operations in 2010 in clause 3.1.

Sale revenues from associated companies are presented in detail in note 38.

9.2. Costs of sold products and material

	Year ended 31 December 2010	*Year ended 31 December 2009*
a) depreciation	9 972	11 680
b) material and energy consumption	475 824	288 012
c) external services	392 545	355 562
d) taxes and charges	4 829	7 363
e) remunerations	96 536	90 674
f) social security and other benefits	24 312	23 606
g) result on valuation of derivatives	70	–
h) realized exchange differences	2 170	894
i) unrealized exchange differences	882	(3 429)
j) other costs by type	15 884	8 965
Costs by type, in total	**1 023 024**	**783 327**
Status change of receivables, inventories, products and accruals	(147 647)	2 883
Adjustment of inventories regarding construction contracts expressed in manufacturing cost	135 189	56 978
Product manufacturing costs for auxiliary services of the entity (negative value)	(7 234)	(653)
Selling costs (negative value), including:	(47 118)	(23 708)
- allowances for bad debts	(24 039)	(446)
Overhead costs (negative value)	(22 552)	(23 215)
Manufacturing cost of sold products	**933 662**	**795 612**
Value of sold material	4 480	8 619
Costs of sold products and material	**938 142**	**804 231**

(in thousand zlotys)

9.3. Depreciation of tangible assets and intangible assets, write-offs recognized in the profit and loss account

	Year ended 31 Dec. 2010	*Year ended 31 Dec. 2009*
Items recognized in the cost of goods sold (cost of sold goods and services):	8 717	10 507
Depreciation of tangible assets	7 800	9 554
Depreciation of intangible assets	917	953
Permanent impairment of tangible fixed assets	–	–
Items recognized in selling costs	530	423
Depreciation of tangible assets	350	344
Depreciation of intangible assets	180	79
Items recognized in overhead costs:	725	750
Depreciation of tangible assets	606	640
Depreciation of intangible assets	119	110

9.4. Costs of employee benefits

	Year ended 31 Dec. 2010	*Year ended 31 Dec. 2009*
Remunerations, including:	96 536	90 674
- current remuneration costs	94 092	88 989
- costs of retirement benefits and jubilee awards	2 442	1 671
- other benefits	2	14
Social security costs	24 312	23 606
	120 848	**114 280**

9.5. Other operating revenues

	Year ended 31 Dec. 2010	*Year ended 31 Dec. 2009*
Release of provision for costs of penalties	5 049	1 027
Revenues from stipulated penalties	3 231	315
Revenues from received indemnities	142	1 806
Received subsidies	162	–
Profit on sale of tangible fixed assets	77	71
Exchange differences regarding investment operations	45	55
Other	1 452	693
	10 158	**3 967**

(in thousand zlotys)

9.6. Other operating costs

	Year ended 31 Dec. 2010	*Year ended 31 Dec. 2009*
Formation of provision for costs caused by delays in contract performance	54 851	7 559
Costs of material scrapping	141	21
Donations	338	301
Costs of stipulated penalties	298	98
Allowance for the value of tangible fixed assets	51	–
Court costs	24	951
Other	1 150	1 787
	56 853	**10 717**

9.7. Net financial revenues

	Year ended 31 Dec. 2010	*Year ended 31 Dec. 2009*
Interest by reason of financial instruments	4 822	8 935
Other interest	8	–
Valuation of financial instruments	1 138	287
Income from sale of financial instruments	584	829
Allowance for share value in subsidiaries	–	1 586
Valuation of long-term settlements	–	593
Other financial revenues	974	381
Total financial revenues	**7 526**	**12 611**

9.8. Net financial costs

	Year ended 31 Dec. 2010	*Year ended 31 Dec. 2009*
Acquisition costs	6 761	7
Formation of provisions for financial costs	2 159	–
Formation of allowance for financial bad debts	–	8 946
Surplus of negative exchange differences	1 346	2 543
Costs of remission of shares in subsidiary	627	–
Interest on financial instruments	530	50
Valuation of settlements and loans	50	26
Formation of allowance for the value of interest charged	–	118
Banker's commission on loans granted	–	8
Other financial costs	329	51
Total financial costs	**11 802**	**11 749**

Detailed data regarding revenues and financial costs related to financial instruments is presented in note 41.2.

(in thousand zlotys)

10. Income tax

10.1. Income tax payable

Main components of the income tax payable for the year completed on 31st December 2010 and 31st December 2009 are the following:

	Year ended 31 Dec. 2010	*Year ended 31 Dec. 2009*
Profit and loss account		
Current income tax	(23 265)	(2 748)
Current income tax payable	(23 265)	(3 960)
Adjustments for current income tax from previous years	–	1 212
Deferred income tax	11 925	(9 736)
related to arising and reversal of transitional differences	11 925	(8 524)
Adjustments for deferred income tax from previous years	–	(1 212)
Income tax payable reported in the profit and loss account	**(11 340)**	**(12 484)**

10.2. Establishing the effective tax rate

Establishing income tax from gross financial result before taxation according to statutory tax rate, with income tax calculated according to effective tax rate of the Company for the year completed on 31st December 2010 and 31st December 2009 is as follows:

	Year ended 31 Dec. 2010	*Year ended 31 Dec. 2009*
Gross profit on continued operations before taxation	51 524	48 138
Profit on discontinued operations before taxation	–	–
Gross profit before taxation	51 524	48 138
Tax according to statutory tax rate in force in Poland, i.e. 19% (2009: 19%)	**9 790**	**9 146**
Costs that are not costs of income acquisition (permanent differences)	1 964	4 843
Revenues that are not the basis for taxation (permanent differences)	(567)	(1 400)
Other	153	(105)
Tax according to effective tax rate of 22.01% (2009: 25.93%)	**11 340**	**12 484**
Income tax (payable) reported in profit and loss account	**11 340**	**12 484**
Income tax attributed to discontinued activities	–	–
	11 340	**12 484**

(in thousand zlotys)

10.3. Deferred income tax

Deferred income tax calculated for the day 31st December 2010 and 31st December 2009 results from the following items:

	Financial statement for the day		*Profit and loss account for the year ended on*	
	31 Dec. 2010	*31 Dec. 2009*	*31 Dec. 2010*	*31 Dec. 2009*
Provisions for deferred tax				
Calculated revenues from sales related to valuation of construction contracts	(36 141)	(11 958)	(24 183)	(22 081)
Calculated revenues from sales of the division in Turkey	(11 709)	(8 597)	(3 112)	(6 783)
Valuation of long-term liabilities	(487)	(468)	(19)	(102)
Valuation of land	(1 526)	(1 526)	–	–
Valuation of fixed assets	(8 177)	(7 552)	(625)	(325)
Valuation of intangible assets	(548)	(358)	(190)	(132)
Value of fixed assets under investment allowance	(6)	(7)	1	105
Value of fixed assets in leasing	–	(1)	1	23
Surplus of unrealized positive exchange differences	(78)	(135)	57	1 234
Interest charged on deposits	(27)	(2)	(25)	(2)
Interest charged on granted loan	(5)	–	(5)	–
Calculated revenues from insurance	–	(168)	168	483
Guarantee and insurance costs accounted for in time	–	(981)	981	(586)
Valuation of certificates	(399)	(182)	(217)	(54)
Charged conventional penalties	(157)	–	(157)	–
Calculated income on remission of shares in subsidiary	(39)	–	(39)	–
Adjustment of opening balance regarding guarantees and insurance	–	981	(981)	586
Gross provision for deferred income tax	**(59 299)**	**(30 954)**	**(28 345)**	**(27 634)**

(in thousand zlotys)

	Financial statement for the day		*Profit and loss account for the year ended on*	
	31 Dec. 2010	*31 Dec. 2009*	*31 Dec. 2010*	*31 Dec. 2009*
Deferred tax assets				
Value of allowances for bad debts	9 235	4 601	4 634	27
Value of allowances for inventories	1 150	1 407	(257)	564
Charged costs of bonuses	1 860	1 573	287	390
Charged costs of unused paid holidays	348	183	165	14
Valuation of long-term receivables	34	5	29	(5)
Value of allowances for fixed assets	10	–	10	–
Value of allowances for the value of long-term financial assets	899	899	–	(1 423)
Calculated costs of construction contracts' performance	727	1 014	(287)	541
Valuation of assets related to settlement of construction contracts according to MSR 11	59 650	33 964	25 686	10 827
Calculated manufacturing costs of the division in Turkey	10 307	9 486	821	8 314
Calculated costs of guarantee repairs	1 633	2 513	(880)	1 433
Calculated costs of jubilee awards and retirement severance pays	3 874	3 984	(110)	333
Liabilities by reason of unpaid remunerations	540	522	18	(1 208)
Leasing liabilities	–	–	–	(25)
Calculated costs of banker's commissions	–	1	(1)	–
Provision for guarantee and insurance costs	851	–	851	–
Interest charged on liabilities	1	202	(201)	–
Interest charged on overdue receivables	(22)	(29)	7	(29)
Provision for anticipated costs because of delays in contract performance	10 926	1 464	9 462	1 437
Valuation of derivatives	329	1 924	(1 595)	(1 493)
Other	13	180	(167)	(1)
Adjustment of opening balance regarding recognition of costs of the division in Turkey	–	(1 798)	1 798	(1 798)
Deferred tax gross assets	**102 365**	**62 095**	**40 270**	**17 898**
Deferred income tax burden			**11 925**	**(9 736)**
Net assets / provision for deferred tax	**43 066**	**31 141**		

The Company did not suffer any tax loss within the reporting period, they did not account for tax loss from previous years either. The Company has no unused tax relief. The policy of forming deferred income tax was presented in note 6.25.2.

In the reporting period the Company made adjustment of deferred income tax, which was described in detail in note 29.9.

11. Discontinued operations

In the year that ended on 31 December 2010 and 31 December 2009 the Company did not discontinue any operations.

(in thousand zlotys)

12. Assets and liabilities of the Company Social Benefits Fund

The Company Social Benefits Fund Act of 4th March 1994 with subsequent amendments stipulates that the Company Social Benefits Fund is formed by employers who employ over 20 full-time workers. The Company form such fund and make periodic write-offs to the amount of the basic write-off and allowance for old-age pensioners and pensioners. The objective of the Fund is to subsidy social activities of the Company, loans granted to their employees and other social costs.

	31 Dec. 2010	*31 Dec. 2009*
Assets of the Company Fund	1 226	861
Cash of the Company Social Benefits Fund	946	581
Loans granted to company employees from the Fund	280	280
Liabilities towards the Company Social Benefits Fund	(1 214)	(165)
Balance of settlements with funds	**12**	**696**

13. Profit per share

Basic profit allocated per one share is calculated by dividing net profit allocated for the Company ordinary shareholders for the period by weighted average number of common shares that occur within this period.

Below please find data concerning profit and shares, that were used to calculate basic profit allocated per one share:

	Year ended 31 Dec. 2010	*Year ended 31 Dec. 2009*
Net profit on continued operations	40 184	35 654
Net profit	40 184	35 654
Net profit falling on ordinary shareholders, applied to calculate profit per one share	40 184	35 654
Weighted average number of common shares, applied to calculate basic profit per one share	69 600 000	69 600 000
Effect of dilution:	–	–
Options per shares	–	–
Depreciable preferred shares	–	–
Adjusted weighted average number of common shares applied to calculate diluted profit per one share	69 600 000	69 600 000
Profit/(loss) per one share		
– basic on profit for the financial year	0,58	0,51
– basic on profit from continued operations	0,58	0,51

In the period between the end of the reporting period and the day of drawing up this financial statement no other transactions for ordinary shares or potentially ordinary shares occurred.

14. Dividends paid

The Annual General Meeting of Company Shareholders on 15th July 2010 passed the resolution No 27 on dividends to be paid to Company Shareholders to the amount of zlotys 20.880.000 (0.30 zloty/1 share). The right to dividend was determined according to the number of RAFAKO S.A. shares held on 2nd August 2010, however the date of payment was determined to be 16th August 2010. The Company made payment of dividend on profit for 2009 within the date stated by the resolution of the Annual General Meeting.

15. Proposal for appropriations and applications of profit for 2010

The Company Managing Board recommend to appropriate the profit for 2010 of zlotys 40 183 686.51 for Company supplementary capital.

(in thousand zlotys)

16. Tangible fixed assets

31st December 2010	*Land*	*Buildings*	*Machines and equipment*	*Vehicles*	*Other*	*Fixed assets under construction*	*Total*
Net value on 1st January 2010	**9 040**	**69 185**	**44 624**	**2 285**	–	**4 311**	**129 445**
Status increase	133	1 356	6 442	1 145	–	11 365	20 441
Status decrease	(4)	(40)	(192)	(28)	–	(12 321)	(12 585)
Allowance for impairment losses	–	(36)	(15)	–	–	–	(51)
Amortization allowance for financial year	–	(1 948)	(6 446)	(362)	–	–	(8 756)
Net value on 31st December 2010	**9 169**	**68 517**	**44 413**	**3 040**	–	**3 355**	**128 494**
On the day 1st January 2010							
Gross value	9 040	80 075	77 428	4 635	2 822	4 311	178 311
Remission and allowance for impairment losses	–	(10 890)	(32 804)	(2 350)	(2 822)	–	(48 866)
Net value	**9 040**	**69 185**	**44 624**	**2 285**	–	**4 311**	**129 445**
On the day 31st December 2010							
Gross value	9 169	81 328	82 878	5 277	2 793	3 355	184 800
Remission and allowance for impairment losses	–	(12 811)	(38 465)	(2 237)	(2 793)	–	(56 306)
Net value	**9 169**	**68 517**	**44 413**	**3 040**	–	**3 355**	**128 494**

(in thousand zlotys)

31st December 2009	*Land*	*Buildings*	*Machines and equipment*	*Vehicles*	*Other*	*Fixed assets under construction*	*Total*
Net value on 1st January 2009	**9 040**	**58 335**	**43 363**	**1 608**	–	**14 777**	**127 123**
Status increase	–	13 205	8 480	1 007	945	14 072	37 709
Status decrease	–	(125)	(185)	–	–	(24 538)	(24 848)
Amortization allowance for the financial year	–	(2 230)	(7 034)	(330)	(945)	–	(10 539)
Net value on 31 December 2009	**9 040**	**69 185**	**44 624**	**2 285**	–	**4 311**	**129 445**
On the day 1st January 2009							
Gross value	9 040	67 045	69 868	3 752	2 012	14 777	166 494
Remission and allowance for impairment losses	–	(8 710)	(26 505)	(2 144)	(2 012)	–	(39 371)
Net value	**9 040**	**58 335**	**43 363**	**1 608**	–	**14 777**	**127 123**
On the day 31st December 2009							
Gross value	9 040	80 075	77 428	4 635	2 822	4 311	178 311
Remission and allowance for impairment losses	–	(10 890)	(32 804)	(2 350)	(2 822)	–	(48 866)
Net value	**9 040**	**69 185**	**44 624**	**2 285**	–	**4 311**	**129 445**

(in thousand zlotys)

Fixed assets in lease

On the day 31st December 2010 the Company did not own or make use of means of transportation under a financial leasing agreement.

In the year that ended on 31st December 2009 one leasing agreement valued at zlotys 107 thousand on the day of purchase of the leasing subject was completed within the time-limit under the signed agreement. The Company made use of its right to buy a vehicle on leasing basis.

Description of securities established on fixed assets

On the day 31st December 2010 and 31st December 2009 no land or buildings being the Company's property and classified as tangible fixed assets were mortgaged in order to secure liabilities of the Company.

17. Tangible fixed assets available for sale

On the day 31st December 2010 the Company owned fixed assets that would meet criteria in order to be classified as assets available for sale.

	31 Dec. 2010	*31 Dec. 2009*
Fixed assets available for sale, including:	150	–
technical equipment and machines	150	–
Fixed assets available for sale	**150**	–

On the day 31st December 2009 the Company did not own fixed assets that would meet criteria in order to be classified as assets intended for sale.

18. Investment properties

On the day 31st December 2010 and 31st December 2009 the Company did not own investment properties that could be classified as assets.

(in thousand zlotys)

19. Intangible assets

31st December 2010	*Company value*	*Patents and licenses*	*Other intangible assets*	*Total*
Net value on 1st January 2010	**376**	**6 207**	–	**6 583**
Status increase	–	3 257	–	3 257
Status decrease	–	(159)	–	(159)
Allowance for impairment losses	–	–	–	–
Amortization allowance for the period	–	(1 216)	–	(1 216)
On the day 31st December 2010	**376**	**8 089**	–	**8 465**
On the day 1st January 2010				
Gross value	376	13 657	108	14 141
Remission and allowance for impairment losses	–	(7 450)	(108)	(7 558)
Net value	**376**	**6 207**	–	**6 583**
On the day 31st December 2010				
Gross value	376	16 411	108	16 895
Remission and allowance for impairment losses	–	(8 322)	(108)	(8 430)
Net value	**376**	**8 089**	–	**8 465**

31st December 2009	*Company value*	*Patents and licenses*	*Other intangible assets*	*Total*
Net value on 1st January 2009	**376**	**6 443**	–	**6 819**
Status increase	–	890	15	905
Status decrease	–	–	–	–
Allowance for impairment losses	–	–	–	–
Amortization allowance for the period	–	(1 126)	(15)	(1 141)
On the day 31st December 2009	**376**	**6 207**	–	**6 583**
On the day 1st January 2009				
Gross value	376	12 766	93	13 235
Remission and allowance for impairment losses	–	(6 323)	(93)	(6 416)
Net value	**376**	**6 443**	–	**6 819**
On the day 31st December 2009				
Gross value	376	13 656	108	14 140
Remission and allowance for impairment losses	–	(7 449)	(108)	(7 557)
Net value	**376**	**6 207**	–	**6 583**

Intangible assets include patents, licenses and software. The largest items are:

- license for BENSON type supercritical boilers, whose carrying value on 31st December 2010 is zlotys 2 682 thousand (31st December 2009: zlotys 3 017 thousand); from 31st December 2010 the remaining depreciation period of the license is 8 years;
- license for heat recovery boilers, whose carrying value on 31st December 2010 is zlotys 257 thousand (31st December 2009: zlotys 385 thousand); from 31st December 2010 the remaining depreciation period of the license is 2 years.

(in thousand zlotys)

Description of securities established on intangible assets:

Intangible assets did not secure the Company liabilities on the 31st December 2010 and the 31st December 2009.

Intangible assets available for sale:

In the Company there are no intangible assets available for sale either on 31st December 2010 or on 31st December 2009.

Company value:

Within the period included in the financial statement the Company reported company value of zlotys 376 thousand, that arose from settlement of the purchase transaction of the enterprise Wyrskie Zakłady Urządzeń Przemysłowych „NOMA INDUSTRY" Sp. z o.o. in bankruptcy, having their premises in Wyry in 2007.

On the day 31st December 2010 and 31st December 2009 the Company tested impairment of these assets. The company impairment test did not show the necessity to make an allowance.

Depreciation of patents and licenses:

In the year that ended on 31st December 2010 and 31st December 2009 patents and licenses were depreciated evenly through the period of their economic utilization amounting from 5 to 10 years.

Research and development:

The Company did not bear any expenses on research and development either in the year that ended on 31st December 2010 or on 31st December 2009.

20. Merger of business entities

In the year that ended on 31st December 2010 and 31st December 2009 the Company did not merge with other business entities.

21. Participation in a joint venture

In the year that ended on 31st December 2010 and 31st December 2009 the Company did not take part in joint ventures with other business entities.

22. Equity / shares in companies

	31 Dec. 2010	*31 Dec. 2009*
Equity / shares in subsidiaries not listed on the stock exchange	41 915	43 307
Equity / shares in other companies not listed on the stock exchange	516	534
	42 431	**43 841**

Equity / shares in subsidiaries did not secure the Company liabilities either on 31st December 2010 or on 31st December 2009.

(in thousand zlotys)

Equity / shares in subsidiaries on 31st December 2010:

Company name	*Premises*	*Subject of the enterprise*	*Date of taking control*	*Value of shares (equity) acc. to purchase price*	*Adjustments updating the value*	*Carrying value of shares (equity)*	*% share in capital*	*% share in total number of votes*
DOM Sp. z o.o.	Racibórz	Management of housing communities	29.02.1996	6 070	–	6 070	100.00%	100.00%
FPM S.A.	Mikolów	Production of ovens, furnaces and furnace burners	26.02.2008	35 184	–	35 184	82.19%	82.19%
RAFAKO Engineering Sp. z o.o.	Racibórz	Construction engineering, urban development and technological services	27.08.2007	506	–	506	100.00%	100.00%
RAFAKO Engineering Solution doo	Belgrade	Technological engineering for building industry, industry and protection of the environment	21.08.2007	155	–	155	77.00%	77.00%
				41 915	–	**41 915**		

Financial data for subsidiaries on 31st December 2010:

Company name	*Shareholders' equity*	*Share capital*	*Retained earnings*	*Liabilities*	*Receivables*	*Company assets, total*	*Revenues from sales*	*Unpaid value of equity / shares*	*Dividends received or due*
DOM Sp. z o.o.	9 762	6 070	3 692	6 662	618	16 424	3 908	–	–
FPM S.A.	54 256	5 309	2 509	15 747	14 152	70 003	74 134	–	–
RAFAKO Engineering Sp. z o.o.	449	500	(51)	1 226	339	1 675	3 384	–	–
RAFAKO Engineering Solution doo	282	192	3	24	124	306	1 072	–	–

(in thousand zlotys)

Equity / shares in subsidiaries on 31st December 2009:

Company name	*Premises*	*Subject of the enterprise*	*Date of taking control*	*Value of shares (equity) acc. to purchase price*	*Adjustments updating the value*	*Carrying value of shares (equity)*	*% share in capital*	*% share in total number of votes*
DOM Sp. z o.o.	Racibórz	Management of housing communities	29.02.1996	12 700	–	12 700	100.00%	100.00%
FPM S.A.	Mikolów	Production of ovens, furnaces and furnace burners	26.02.2008	29 950	–	29 950	70.50%	70.50%
RAFAKO Engineering Sp. z o.o.	Racibórz	Construction engineering, urban development and technological services	27.08.2007	506	–	506	100.00%	100.00%
RAFAKO Engineering Solution doo	Belgrade	Technological engineering for building industry, industry and protection of the environment	21.08.2007	151	–	151	75.00%	75.00%
				43 307	–	**43 307**		

**- on 26th February 2009 the court decided to declare bankruptcy of the entity, the Company do not exercise control over the entity.*

Financial data for subsidiaries on 31st December 2009:

Company name	*Shareholders' equity*	*Share capital*	*Retained earnings*	*Liabilities*	*Receivables*	*Company assets, total*	*Revenues from sales*	*Unpaid value of equity / shares*	*Dividends received or due*
DOM Sp. z o.o.	15 302	12 700	2 602	613	718	15 919	3 628	–	–
FPM S.A.	46 539	3 309	43 230	15 177	14 527	61 716	63 879	–	–
RAFAKO Engineering Sp. z o.o.	211	500	(289)	1 148	405	1 359	3 689	–	–
RAFAKO Engineering Solution doo	343	192	151	162	157	505	1 374	–	–

**- unchecked data, the Company do not exercise control over the entity*

Equity / shares in associated companies on 31st December 2010 and 31st December 2009:

Company name	*Premises*	*Subject of the enterprise*	*Value of shares (equity) acc. to purchase price*	*Adjustments updating the value*	*Carrying value of shares (equity)*	*% share in capital*	*% share in total number of votes*
SANBEI-RAFAKO Sp. z o.o.*	Zhangjiakou China	Manufacture and sale of boilers	4 644	(4 644)	–	26.23	26.23%
			4 644	**(4 644)**	–		

**- company described also in note 23*

(in thousand zlotys)

Financial data for associated companies on 31st December 2010 *:

Company name	*Shareholders' equity*	*Share capital*	*Retained earnings*	*Liabilities*	*Receivables*	*Company assets, total*	*Revenues from sales*	*Unpaid value of equity / shares*	*Dividends received or due*
SANBEI-RAFAKO Sp. z o.o. **	26 077	17 702	(502)	152 511	86 192	178 588	99 636	–	–

* *- financial data of the company presented according to Chinese accounting standards*
** *data for 31st December 2009*

Financial data for associated companies on 31st December 2009 *:

Company name	*Shareholders' equity*	*Share capital*	*Retained earnings*	*Liabilities*	*Receivables*	*Company assets, total*	*Revenues from sales*	*Unpaid value of equity / shares*	*Dividends received or due*
SANBEI-RAFAKO Sp. z o.o.	26 077	17 702	(502)	152 511	86 192	178 588	99 636	–	–

* *- financial data of the company presented according to Chinese accounting standards*

The share of RAFAKO S.A. in other companies is as follows:

31st December 2010 *

entity (company) name, indication of legal form	premises	subject of the enterprise	Carrying value of equity (shares)	Shareholders' equity, including:	- share capital	% share in capital	% share in total number of votes
APC Metalchem S.A. in bankruptcy **	Opole	Engineering and production of chemical equipment	–	(35 973)	(17 563)	0.12%	0.12%
ENGOREM Sp. z o.o.	Łódź	Overhaul activities in the power engineering sector	6	8 095	1 165	0.04%	0.04%
FAMAK S.A.	Kluczbork	Manufacture of cranes and continuous handling/ transporting machines	18	23 163	77 366	0.02%	0.02%
MORFEO S.A. in bankruptcy ***	Ozorków	Production of cotton and cotton-like fabric	–	(43 537)	2 311	0.03%	0.03%
TAURON Polska Energia S.A.****	Katowice	Generation of electric energy	491	14 831	14 305	0.01%	0.01%
WISTOM S.A. in bankruptcy	Tomaszów Mazowiecki	Production of synthetic fibres	–	(107 986)	59 371	0.67%	0.67%
			515				

* *- financial data for companies presented according to PSR, unchecked data*
** *- data for 30 June 2007*
****- data for 31 December 2005*
**** *- data for 30 September 2010*

(in thousand zlotys)

31st December 2009 *

entity (company) name, indication of legal form	premises	subject of the enterprise	Carrying value of equity (shares)	Shareholders' equity, including:	- share capital	% share in capital	% share in total number of votes
APC Metalchem S.A. w upadłości***	Opole	Engineering and production of chemical equipment	–	(35 973)	(17 563)	0.12%	0.12%
CBKK S.A.	Tarnowskie Góry	Engineering of power boilers	21	3 495	501	2.55%	2.55%
ENGOREM Sp. z o.o.	Łódź	Overhaul activities in the power engineering sector	6	9 178	1 165	0.04%	0.04%
FAMAK S.A.**	Kluczbork	Manufacture of cranes and continuous handling/ transporting machines	18	20 038	77 366	0.02%	0.02%
MORFEO S.A. in bankruptcy ****	Ozorków	Production of cotton and cotton-like fabric	–	(43 537)	2 311	0.03%	0.03%
PKE S.A.	Katowice	Generation of electric energy	489	3 877 157	1 559 232	0.01%	0.01%
WISTOM S.A. in bankruptcy	Tomaszów Mazowiecki	Production of synthetic fibres	–	(109 737)	59 371	0.67%	0.67%
			534				

** - financial data for companies presented according to PSR, unchecked data*
*** - data for 31 December 2008*
**** - data for 30 June 2007*
*****- data for 31 December 2005*

23. Investments in associated entities

Investments in associated entities are evaluated by the Company in conformity with the accounting policy described in note 6.7.

On the day 31st December 2010 the Company present as investments in associated entities the value of shares in the partnership SANBEI-RAFAKO Sp. z o.o. with premises in Zhangjiakou, China, in which the Company hold a share of 26.23%. The basic subject of activities of SANBEI-RAFAKO is manufacture and sale of boilers for medium-sized and small power stations. The partnership SANBEI-RAFAKO draw up financial statements in conformity with Chinese accounting standards. In the opinion of the Managing Board of RAFAKO S.A., the Company do not affect the associated entity in a significant way because of limited to a considerable extent possibility to participate in decision making on operating and financial policy of the entity, therefore the Company report this investment at the purchase price. Shares in the entity according to purchase price of zlotys 4 644 thousand fall completely within an allowance for permanent impairment losses.

The table below shows abridged information on investments in SANBEI-RAFAKO sp. z o.o.*:

	*31 Dec. 2010***	*31 Dec. 2009*
Share in financial statement of the associated entity:	4 643	4 643
Current assets (short-term)	168 864	168 864
Fixed assets (long-term)	9 724	9 724
Short-term liabilities	152 511	152 511
Long-term liabilities	–	–
Net assets	**26 077**	**26 077**

(in thousand zlotys)

	*Year completed 31 Dec. 2010***	*Year completed 31 Dec. 2009*
Share in income and profit of the associated entity:	919	919
Income	–	–
Profits	3 505	3 505

**- financial data according to Chinese accounting standards applied by the partnership SANBEI-RAFAKO Sp. z o.o.*

*** - RAFAKO S.A. did not receive financial results of SANBEI-RAFAKO Sp. z o.o. for 2010 until the day of publishing this financial statement.*

24. Loans granted

	31 Dec. 2010	*31 Dec. 2009*
Loans granted, including:	481	474
- loan granted to the subsidiary	481	474
	481	**474**

The Company granted a loan of zlotys 500 thousand to the subsidiary, the fair value of which on 31st December 2010 is zlotys 481 thousand (31st December 2009: zlotys 474 thousand).

25. Inventories

	31 Dec. 2010	*31 Dec. 2009*
Material		
According to purchase price	32 172	29 880
According to net value possible to reach	26 121	22 476
Total inventories, according to the lower of two values: purchase price (manufacturing cost) and net value possible to reach	**26 121**	**22 476**

Allowance for stock depreciation:

	31 Dec. 2010	*31 Dec. 2009*
Status at the beginning of the period	(7 404)	(4 435)
- change of allowance status	1 353	(2 969)
Status at the end of the period	(6 051)	(7 404)

Material inventories did not secure the Company liabilities on 31st December 2010 and 31st December 2009.

(in thousand zlotys)

26. Trade and other receivables

	31 Dec. 2010	*31 Dec. 2009*
Trade receivables from associated entities	641	1 126
- to 12 months	641	1 126
- over 12 months	–	–
Trade receivables from other entities	209 190	152 739
- to 12 months	209 190	152 739
- over 12 months	–	–
Income tax receivables	–	1 019
Other receivables from third parties, including:	49 472	68 550
- other tax receivables	8 786	36 697
- receivables by reason of loans granted	39 036	20 252
- the Company Social Benefits Fund	12	697
- material insurance	618	5 164
- other	1 020	5 740
Other receivables from associated entities	6 030	11
Total receivables (net)	**265 333**	**223 445**
Allowance for receivables	62 738	38 204
Gross receivables	**328 071**	**261 649**

The Company adjusted income tax receivables from legal entities for the year 2009. This adjustment did not affect shareholders' equity of the Company for the day 31st December 2009. This issue was presented in detail in note 29.9 of this statement.

26.1. Allowances for bad debts

	31 Dec. 2010	*31 Dec. 2009*
Status at the beginning of the period, including:	(38 204)	(28 318)
- receivables from associated entities	(21 692)	(21 639)
Formation of an allowance for trade receivables, including:	(29 781)	(940)
- receivables from associated entities	–	(53)
Formation of an allowance for financial receivables	(1 186)	(8 946)
Dissolution of the allowance, including:	6 433	–
- receivables from associated entities	53	–
Utilization of the allowance	–	–
Status at the end of the period	(62 738)	(38 204)
- receivables from associated entities	(21 639)	(21 692)

In 2010 the Company formed an allowance for bad debts resulting from the performance of a contract for a foreign customer to the amount of 23 762 thousand zlotys. Owing to the risk that the above receivables are unrealizable, the allowance included the entire value of receivables, also including non-overdue receivables. In 2009 the Company formed an allowance for bad debts on account of the dispute with ING Bank Śląski S.A. at the amount of 8 946 thousand zlotys.

26.2. Trade gross receivables – maturing up to the end of reporting period:

	31 Dec. 2010	*31 Dec. 2009*
a) to 1 month	101 068	58 034
b) over 1 month to 3 months	82 881	26 247
c) over 3 months to 6 months	5 893	4 276
d) over 6 months to 1 year	470	7 993
e) over 1 year	–	–
f) overdue receivables	72 125	86 573
Total gross trade receivables	**262 437**	**183 123**
g) allowance for trade receivables	(52 606)	(29 258)
Total net trade receivables	**209 831**	**153 865**

Trade receivables of 95 461 thousand zlotys carrying value secured guarantees granted on the day 31st December 2010 (31st December 2009: 79 237 thousand zlotys).

26.3. Gross overdue trade receivables – divided into outstanding receivables within the period:

	31 Dec. 2010	*31 Dec. 2009*
a) to 1 month	17 629	45 773
b) over 1 month to 3 months	4 944	8 599
c) over 3 months to 6 months	7 977	2 839
d) over 6 months to 1 year	14 629	3 879
e) over 1 year	26 946	25 483
Total gross overdue trade receivables	**72 125**	**86 573**
f) allowances for overdue trade receivables	(49 720)	(29 258)
Total net overdue trade receivables	**22 405**	**57 315**

On the day 31st December 2010 of the amount of overdue receivables 21 639 thousand zlotys were receivables from associated entities that fell totally under the allowance (31st December 2009: 21 692 thousand zlotys).

26.4. Short-term gross receivables (currency structure)

	31 Dec. 2010	*31 Dec. 2009*
a) in Polish currency	200 669	141 773
b) in foreign currencies (in currency and translated into zlotys)	127 402	119 876
b1. unit/currency thousands/EUR	26 086	27 618
thousands zlotys	103 422	113 734
b2. unit/currency thousands/SEK	37 019	–
thousands zlotys	16 113	–
b3. unit/currency thousands/TRY	3 783	2 859
thousands zlotys	7 273	5 467
b4. unit/currency thousands/BAM	288	208
thousands zlotys	593	439
b5. other currencies in thousands zlotys	1	236
Short-term receivables, total	**328 071**	**261 649**

Trade receivables are not interest-bearing and they have usually 30-day due date. However for some contractors the receivables repayment period determined according to individual contracts is within the interval from 1 to 3 months. The Company have receivables with longer repayment period, regarding guarantee instalments for long-term contracts.

(in thousand zlotys)

The Company have a policy of selling only to verified customers. Owing to this, in the opinion of the management, there is no extra credit risk, over the level defined by the allowance for bad debts, appropriate for the Company's trade receivables.

Transaction terms with associated entities are presented in note 38.3 of additional information.

27. Prepayments and accruals based on cost valuation of construction contracts

	31 Dec. 2010	*31 Dec. 2009*
Calculated sales revenues according to progress of construction contracts increasingly from the beginning of contract performance	753 424	966 155
Value of invoiced sales revenues increasingly from the beginning of contract performance	(476 951)	(864 289)
Value of received prepayments on account of contract performance	(70 396)	(43 768)
	206 077	**58 098**

The Company execute construction contracts, the revenues of which calculated according to progress exceed the invoiced revenues. After adjusting by the value of prepayments received on account of contract performance, the Company recognized prepayments and accruals on account of sales revenues, that are the equivalent of future sales receivables.

28. Short term financial assets

28.1 Derivatives

	31 Dec. 2010	*31 Dec. 2009*
Forward contracts	2 357	888
	2 357	**888**

(in thousand zlotys)

On the day 31st December 2010 the Company have unsettled forward type currency transactions with positive fair value. These are EUR selling transactions of 13 814 331 EUR.

No	*Date of conclusion*	*Date of settlement*	*Currency*	*Exchange rate*	*Transaction denomination (EUR)*	*Transaction valuation on 31.12.2010 (PLN)*	*Bank*
1.	2010-12-17	2011-02-28	EUR/PLN	4,0050	2 872 522,00	86 545,45	BGŻ
2.	2010-12-20	2011-04-29	EUR/PLN	4,0017	1 436 809,00	37 047,79	BGŻ
3.	2010-05-06	2012-02-28	EUR/PLN	4,2440	800 000,00	114 939,73	PKO BP S.A.
4.	2010-05-05	2012-03-30	EUR/PLN	4,1300	675 000,00	25 631,65	BRE Bank
5.	2010-05-06	2012-03-30	EUR/PLN	4,2555	550 000,00	78 489,56	PKO BP S.A.
6.	2010-05-05	2012-04-30	EUR/PLN	4,1380	890 000,00	33 692,29	BRE Bank
7.	2010-05-06	2012-04-30	EUR/PLN	4,2605	890 000,00	120 433,10	PKO BP S.A.
8.	2010-05-05	2012-05-31	EUR/PLN	4,1460	900 000,00	33 887,98	BRE Bank
9.	2009-05-28	2012-06-29	EUR/PLN	4,6250	1 800 000,00	876 183,84	BRE Bank
10.	2010-05-05	2012-06-29	EUR/PLN	4,1530	900 000,00	33 290,23	BRE Bank
11.	2009-05-27	2012-12-28	EUR/PLN	4,6250	2 100 000,00	917 180,59	BRE Bank
					13 814 331,00	**2 357 322,21**	

The above currency transactions were concluded by reason of performed trade contracts denominated in EUR, basing on market conditions that do not differ from commonly applied terms for such financial transactions.
The increase of EUR currency rate above spot rate which is an essential component of the valuation formula of these transactions on 31st December 2010 (i.e. over the exchange rate 3.9603 PLN/EUR), will result in an increase of negative valuation of the reported transactions. „Negative" impact of the rise of EUR exchange rate, if any, over the level 3.9603 PLN/EUR on valuation and financial result of the Company will be partly compensated by an increase in the value of trade contracts (and at the same profitability of these contracts) denominated in EUR and related to concluded currency transactions.

28.2. Short term investments

	31 Dec. 2010	*31 Dec. 2009*
Share units in investment fund Allianz Pieniężny Fundusz Inwestycyjny Otwarty	22 009	30 711
Share units in investment fund KBC Gamma Specjalistyczny Fundusz Inwestycyjny Otwarty	5 295	4 985
Certificates of deposit in fund Investor Fundusz Inwestycyjny Zamknięty	–	1 315
	27 304	**37 011**

28.3. Short term deposits

	31 Dec. 2010	*31 Dec. 2009*
Short-term deposits including:	1 040	142 678
- that constitute security for contingent liabilities	–	3 479
	1 040	**142 678**

Short-term deposits are the Company's cash deposited in banks for varying periods, from three months to one year.

28.4. Cash and cash equivalents

	31 Dec. 2010	*31 Dec. 2009*
Cash in bank and cash box	15 120	58 942
Short-term deposits up to 3 months, including:	141 126	5 752
- that constitute security for contingent liabilities	–	–
	156 246	**64 694**

Cash in banks is interest-bearing according to the variable interest rates, that depend on the interest rate of one-day bank deposits. Short-term deposits are made for varying periods, from one day to one month, according to the Company demand for cash and they are interest-bearing according to interest rates agreed with the bank. Fair value of cash and cash equivalents on 31st December 2010 amounted to 156 246 thousand zlotys (31st December 2009: 64 694 thousand zlotys).

On 31st December 2010 and 31st December 2009 RAFAKO S.A. did not possess any unused granted credits.

29. Shareholders' equity

29.1. Share capital

In the year the ended on 31st December 2010 and the year that ended on 31st December 2009 the Company share capital did not change and amounted to zlotys 139 200 000 and was divided into 69 600 000 ordinary shares with nominal value 2,00 zlotys each in the following series:

Equity capital	*Number of shares*	*Value of shares in thousand zlotys*
Shares, series A	900 000	1 800
Shares, series B	2 100 000	4 200
Shares, series C	300 000	600
Shares, series D	1 200 000	2 400
Shares, series E	1 500 000	3 000
Shares, series F	3 000 000	6 000
Shares, series G	330 000	660
Shares, series H	8 070 000	16 140
Shares, series I	52 200 000	104 400
	69 600 000	**139 200**

29.2. Share face value

All issued shares have a face value of zlotys 2.00 and were acquired against cash contribution.

29.3. Shareholders' rights

Shares of all series are equally preferred shares to dividend and return on equity.

(in thousand zlotys)

29.4. Company Shareholders with significant share

The shareholding structure on 31st December 2010 is presented in Enclosure No 7 to the Managing Board report on the Company activities in 2010 regarding the application of corporate governance rules.

The shareholding structure changed in the period from 31st December 2010 until the publication of this statement and is as follows:

List of shareholders of the Company RAFAKO S.A. that hold over 5% of shares:				
Shareholder /company name /	Number of shares	No of votes resulting from the number of shares hold	% share in share capital	% share in overall number of votes in annual general meeting
Laris Investments Sp. z o.o. (a subsidiary of ELEKTRIM S.A.)	26 064 251	26 064 251	37.45	37.45
ELEKTRIM S.A	8 682 189	8 682 189	12.47	12.47
BZ WBK AIB Asset Management S.A. (customers)[2], **including**:	14 788 291	14 788 291	21.25	21.25
Arka BZ WBK FIO, the organ of which is BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., managed by BZ WBK AIB Asset Management S.A.[3]	9 565 483	9 565 483	13.74	13.74
Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK S.A., the organ of which is Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK S.A.[4]	5 800 000	5 800 000	8.30	8.30

1- number of shares pursuant to the notification of 27 April 2007
2 - number of shares pursuant to the notification of 3 February 2010
3 - number of shares pursuant to the notification of 25 February 2011
4 - number of shares represented on Annual Meeting of Shareholders on 15 June 2010

Exercising the voting right open-ended investment funds are entitled to, that are managed by the same investment funds company which are shareholders of RAFAKO S.A., fall within limitations stipulated in the investment funds act.

29.5. Capital from sale of shares above their face value

Capital from sale of shares above their face value was formed from a surplus of issued value over face value to the amount of 77 947 thousand zlotys. On 15th May 2000 the General Meeting of the Company passed a resolution on appropriation of 41 169 thousand zlotys to cover unsettled losses from previous years. In the year that ended on 31st December 2010 and 31st December 2009 no events occurred that caused a change in capital from sale of shares over their face value.

29.6. Supplementary capital

Supplementary capital was formed of statutory write-offs on profit generated in previous years financial years, also from surplus from distribution of profit over the required write-off.

29.7. Exchange rate variations resulting from recalculation of foreign subsidiaries

Reserve capital balance by reason of exchange rate variations is adjusted by exchange rate variations resulting from recalculation of the financial statement of a foreign subsidiary of the Company.

(in thousand zlotys)

29.8. Retained earnings

Retained earnings, according to MSSF methodology, in the comparable period covered by this statement include:

	unappropriated profit of previous years	*The current year results*	*Total*
On 1st January 2010	**35 654**	–	**35 654**
Result of the period	–	40 184	40 184
Dividend	(20 880)	–	(20 880)
Profit appropriation for 2009	(14 774)	–	(14 774)
On 31st December 2010	–	**40 184**	**40 184**
On 1st January 2009	14 164	–	14 164
Result of the period	–	35 654	35 654
Dividend	(10 440)	–	(10 440)
Profit appropriation for 2008	(3 724)	–	(3 724)
On 31st December 2009	–	**35 654**	**35 654**

29.9 Previous years' error adjustment

In the report for the year that ended on 31st December 2010 a previous years' error adjustment was made. The Company adjusted income tax liabilities and deferred income tax liabilities. The Company found wrong qualification of bank guarantee and insurance costs in order to fix the amount of income tax payable, therefore the tax liabilities were adjusted accordingly, and the value of interest due was assessed. The Company verified settlement of costs for the contract performed partly by the Division in Turkey, part of contract costs was qualified over to fiscal costs of the Company, therefore the Company adjusted the income tax settlement for 2009 and amended the deferred income tax settlement. These alterations did not affect the value of the Company capital for 31st December 2009.

Deferred tax assets on 31st December 2009 before adjustment	**31 958**
Adjustment on account of bank and insurance guarantees	981
Adjustment on account of recognition of partial costs of the project performed by the Division in Turkey	(1 798)
Deferred tax assets on 31st December 2009 after adjustment	**31 141**
Income tax receivables on 31st December 2009 before adjustment	**202**
Adjustment on account of bank and insurance guarantees	(981)
Adjustment on account of recognition of partial costs of the project performed by the Division in Turkey	1 798
Income tax receivables on 31st December 2009 after adjustment	**1 019**
Deferred tax assets on 31st December 2008 before adjustment	40 482
Adjustment on account of bank and insurance guarantees	395
Deferred tax assets on 31st December 2008 after adjustment	**40 877**
Income tax receivables for 31st December 2008 before adjustment	5 073
Adjustment on account of bank and insurance guarantees	(395)
Income tax receivables for 31st December 2008 after adjustment	**4 678**

(in thousand zlotys)

30. Interest bearing bank credits and loans

On 31st December 2010 and 31st December 2009 the company did not have any concluded credit agreements. The bank debt ratio, being a relation of the sum of credits and loans to the sum of shareholders' equity, was 0 % on 31st December 2010 and 31st December 2009.

31. Employee benefit liabilities

31.1. Pension benefits and other retirement benefits

The Company report jubilee award and retirement severance pay liabilities in conformity with the policy described in note 6.22.

According to valuation made not less often than at the end of every financial year by an independent actuary the Company express the present value of retirement severance pay liabilities. The amount of this liability and arrangements showing status changes within the financial period are presented in the table below:

	Year ended on 31 Dec. 2010	*Year ended on 31 Dec. 2009*
Beginning of the period	20 969	19 214
Setting up provisions for liabilities	1 864	3 440
Costs of paid benefits	(2 444)	(1 685)
Release of provisions for liabilities	–	–
End of the period	**20 389**	**20 969**

	31 Dec. 2010	*31 Dec. 2009*
Short-term	1 306	1 373
Long-term	19 083	19 596
	20 389	**20 969**

The main assumptions made by the actuary on the day and year that ended on 31st December 2010 and 31st December 2009 to calculate the liabilities amount are the following:

	2010	*2009*
Discount rate (%)	5.5	5.5
Anticipated inflation index (%)*	–	–
Labour turnover rate *	5	5
Anticipated remuneration growth rate (%)	5	5

** Shortage of data in the actuary's statement*

31.2. Benefits on termination of employment contract

The Company do not present liabilities by reason of benefits on termination of employment contracts.

(in thousand zlotys)

32. Trade and other liabilities

32.1.Trade liabilities

	31 Dec. 2010	*31 Dec. 2009*
Trade liabilities		
Towards related companies	550	7 532
- to 12 months	550	7 516
- over 12 months	–	16
Towards other companies	174 546	104 948
- to 12 months	160 522	93 117
- over 12 months	14 024	11 831
Total	**175 096**	**112 480**

In the year that ended on 31st December 2010 an increase in liabilities towards suppliers occurred by 62 616 thousand zlotys (in the year that ended on 31st December 2009 there was a decrease of liabilities by 35 351 thousand zlotys).

Trade liabilities are interest-free and usually settled within 30 days. Other liabilities are interest-free, with 30-day maturity date.

The amount resulting from the difference between value added tax liabilities and receivables is paid to appropriate tax authorities in monthly periods.

Interest liabilities are usually settled in monthly periods during the entire financial year.

Transaction terms with related companies are presented in note 38.3 with extra information.

32.2. Investment liabilities

	31 Dec. 2010	*31 Dec. 2009*
Liabilities by reason of investment in fixed assets	2 463	4 566
	2 463	**4 566**

On 31st December 2010 the Company had contracts signed regarding capital expenditures scheduled in 2011 to the total amount of 1 320 thousand zlotys. The agreements concern mainly investments in Company buildings.

In 2011 the Company plan to incur capital expenditures of 26 700 thousand zlotys, including:
- tangible fixed assets of 23 600 thousand zlotys;
- intangible assets of 3 100 thousand zlotys.

In 2010 the Company planned to incur capital expenditures of 40 331 thousand zlotys, including:
- tangible fixed assets of 24 700 thousand zlotys;
- intangible assets of 3 131 thousand zlotys;
- long-term financial investments of 12 500 thousand zlotys.

Capital expenditures incurred by the Company in 2010 amounted to 11 372 thousand zlotys, including: machines, equipment, computers and means of transportation amounting to 7 909 thousand zlotys, land and buildings of 2 408 thousand zlotys, intangible assets of 1 055 thousand zlotys.

(in thousand zlotys)

32.3. Other liabilities

	31 Dec. 2010	*31 Dec. 2009*
Tax, duty, social insurance and other liabilities		
Value added tax	–	–
Flat tax deducted at source	–	–
Non-corporate income tax	1 494	1 380
Social insurance liabilities	5 585	5 408
Settlements with the tax office	486	–
Other	12	20
	7 577	**6 808**
Remuneration liabilities towards employees	4 942	4 760
Liabilities towards related companies	–	–
Liabilities towards a joint venture	–	–
	4 942	**4 760**
Other liabilities by reason of:		
Provisions for unused annual leave	1 834	961
Provisions for bonus costs	9 792	8 280
Provisions for guarantee repairs costs	8 595	13 229
Provisions for losses by reason of construction contracts performance	3 825	5 338
Provisions for delayed inflow of costs	–	381
Provisions for audit costs	70	67
Provisions for guaranty costs	2 144	–
Provisions for costs of delayed contract performance	57 504	7 703
Other	1 540	1 057
	85 304	**37 016**
	97 823	**48 584**

(in thousand zlotys)

Costs of not used annual leaves

The provision for costs of unused annual leaves is calculated monthly basing on the actual number of days of unused annual leaves at the end of each month. In the financial year one twelfth of the annual leave due falls on each month, increased by all unused annual leaves from previous periods. The number of days determined in this way is multiplied by the mean daily rate for the given employee, fixed according to the remuneration of the month for which the provision is calculated, increased by contributions to the Social Insurance Institution (ZUS).

	Year ended on 31 Dec. 2010	*Year ended on 31 Dec. 2009*
Beginning of the period	961	889
Setting up the provisions for liability	1 857	968
Costs of paid benefits	(984)	(896)
End of period	**1 834**	**961**
Short-term on the day	1 834	961
Long-term on the day	–	–
	1 834	**961**

Costs of bonuses

The Company pay an annual bonus to their employees, the amount of which depends on the degree of realization of operating profit. According to resolutions of the Collective Labour Agreement (UZP), following the approval of annual financial statements for the company, within up to 30 days, the Managing Board – after consulting the Trade Unions – shall take decision about the payment of incentive bonus for the Company employees. Within the financial year the Company form a provision for the annual bonus in the amount stated in the Collective Labour Agreement (UZP), unless the Managing Board decide not to do so.

	Year ended on 31 Dec. 2010	*Year ended on 31 Dec. 2009*
Beginning of the period	8 280	6 224
Setting up provisions for liability	9 045	7 536
Costs of paid benefits	(5 903)	(4 309)
Release of provisions for liability	(1 630)	(1 171)
End of period	**9 792**	**8 280**
Short-term on the day	8 603	7 195
Long-term on the day	1 189	1 085
	9 792	**8 280**

(in thousand zlotys)

Costs of guarantee repairs

Provisions for guarantee repairs are formed in consequence of an assessment of anticipated and possible to assess costs of supervision, repairs, operations and guarantee work related to contractual obligations of the Company, following from the completion of a construction contract performance. The provision amount is the sum of estimated costs (original costs of the Company and „external" delivery and service costs) reduced by anticipated probable revenues from reimbursement of these costs (e.g. by suppliers and subcontractors).

	Year ended on 31 Dec. 2010	*Year ended on 31 Dec. 2009*
Beginning of the period	13 229	5 686
Setting up provisions for liability	8 518	14 073
Costs incurred	(13 152)	(6 530)
Release of provisions for liability	–	–
End of period	**8 595**	**13 229**
Short-term on the day	8 595	13 229
Long-term on the day	–	–
	8 595	**13 229**

Losses resulting from construction contracts

The Company make provisions for anticipated losses on contracts in conformity with the methodology described in note **Błąd! Nie można odnaleźć źródła odwołania.**. If according to analysis it appears that estimated total contract costs exceed reliable revenues from the contract, (i.e. the total result of the contract will be a loss), then the entire loss on the contract is recognized in the given financial year.

	Year ended on 31 Dec. 2010	*Year ended on 31 Dec. 2009*
Beginning of the period	5 338	2 489
Setting up provisions for liability	11 179	4 746
Making use of the provision	–	–
Release of provisions for liability	(12 692)	(1 897)
End of period	**3 825**	**5 338**
Short-term on the day	2 605	528
Long-term on the day	1 220	4 810
	3 825	**5 338**

(in thousand zlotys)

Costs of delays in the performance of contracts

The Company make provisions for penalties for delays in contract performance, if they are probable to occur and the delay was through the fault of the Company as the contractor. The provision amount follows from the value of penalties for delay stipulated in the given contract for a period of delay.

	Year ended on 31 Dec. 2010	*Year ended on 31 Dec. 2009*
Beginning of the period	7 703	144
Setting up provisions for liability	51 450	7 703
Costs incurred	–	–
Release of provisions for liability	(1 649)	(144)
End of period	**57 504**	**7 703**
Short-term on the day	57 504	7 703
Long-term on the day	–	–
	57 504	**7 703**

Contractual penalties costs (other than penalties for delays in contract performance)

The Company make provisions for contractual penalties, if there is high probability of inflicting a penalty for default in adherence to technical parameters stipulated in the contract and subject to penalties, or if in consequence of contract performance third parties' goods were violated. The provision amount results from the penalty value for default in adherence to technical parameters stipulated in the given contract or assessable liabilities value towards third parties.

	Year ended on 31 Dec. 2010	*Year ended on 31 Dec. 2009*
Beginning of the period	–	1 027
Setting up provisions for liability	–	–
Costs incurred	–	(620)
Release of provisions for liability	–	(407)
End of period	–	–
Short-term on the day	–	–
Long-term on the day	–	–
	–	–

(in thousand zlotys)

Audit costs

The provision for audit costs is made in the amount of remuneration for auditing the unit and consolidated financial statement for a given financial year according to an agreement concluded with the auditor. In the period before the agreement is signed, the basis for the provision estimates is the remuneration amount for audit from the last year's agreement. After the agreement with the auditor is signed for a given year, the provision is adjusted to the amount following from the agreement.

	Year ended on 31 Dec. 2010	*Year ended on 31 Dec. 2009*
Beginning of the period	67	114
Setting up the provision	70	67
Costs incurred	(67)	(92)
Release of provision		(22)
End of period	**70**	**67**
Short-term on the day	70	67
Long-term on the day	–	–
	70	**67**

32.4. Income tax liabilities

	31 Dec. 2010	*31 Dec. 2009*
Corporate income tax	4 593	–
	4 593	–

Tax settlements and other areas of activity that come under regulations (e.g. customs or foreign exchange issues) may be audited by administrative authorities, that are entitled to inflict high penalties and sanctions. Absence of reference to fixed legal regulations in Poland causes ambiguity and inconsistency to occur in valid regulations. Differences in opinions that often occur regarding the interpretation of legal fiscal regulations both internally in state authorities, as well as between state authorities and enterprises, result in the formation of areas of uncertainty and conflicts. These phenomena cause that fiscal risk in Poland is significantly higher than the risk existing usually in countries with a more developed fiscal system.

Tax settlements may be subjected to audits for a period of five years, starting from the end of the year when the tax was paid. In consequence of auditing the present Company tax settlements may be increased by an extra tax liability.

In the year that ended on 31st December 2010 and 31st December 2009 no tax audit was held of the corporate income tax.

33. Other financial liabilities

	31 Dec. 2010	*31 Dec. 2009*
Fair value of currency contracts		
Foreign exchange forward contracts	4 087	11 015
Financial lease liabilities	–	2
	4 087	**11 017**

Financial derivatives liabilities

On the day 31st December 2010 the Company have unsettled forward currency transactions. These are EUR selling transactions in the amount EUR 12 600 000 and purchase transactions of Swedish crown in the amount SEK 21 840 000.

No	*Date of conclusion*	*Date of settlement*	*Currency*	*Exchange rate*	*Transaction denomination (in SEK)*	*Transaction valuation on 31.12.2010 (in thousand zlotys)*	*Bank*
1.	2010-12-22	2011-08-12	SEK/PLN	0.4510	14 560 000.00	(55 486.52)	PKO BP S.A.
2.	2010-12-22	2011-08-22	SEK/PLN	0.4511	3 640 000.00	(13 353.20)	PKO BP S.A.
3.	2010-12-22	2012-05-21	SEK/PLN	0.4544	3 640 000.00	(1 021.85)	PKO BP S.A.
					21 840 000.00	**(69 861.57)**	

The decline in SEK rate below spot rate which is an essential component of the valuation formula of these transactions on 31st December 2010 (i.e. below the exchange rate 0.4415 PLN/SEK), will result in an increase of negative valuation of the reported transactions. „Negative” impact of the decline of SEK exchange rate, if any, below the level 0.4415 PLN/SEK on valuation and financial result of the Company will be partly compensated by decrease in the value of supplies (and at the same by lower costs) denominated in SEK and related to concluded currency transactions.

No	*Date of conclusion*	*Date of settlement*	*Currency*	*Exchange rate*	*Transaction denomination (in EUR)*	*Transaction valuation on 31.12.2010 (in thousand zlotys)*	*Bank*
1.	2008-10-29	2010-06-21	EUR/PLN	3,5955	6 000 000,00	(2 268 608,64)	BGŻ
1a	2010-12-20	2011-04-29	EUR/PLN	3,6030	3 000 000,00	(1 160 553,73)	BGŻ
1b	2010-12-17	2011-01-31	EUR/PLN	3,5980	3 000 000,00	(1 108 054,91)	BGŻ
2.	2008-10-29	2010-12-20	EUR/PLN	3,6045	4 000 000,00	(1 587 624,73)	BGŻ
2a	2010-12-20	2011-04-07	EUR/PLN	3,6060	760 000,00	(287 148,34)	BGŻ
2b	2010-12-20	2011-06-07	EUR/PLN	3,6080	900 000,00	(352 575,35)	BGŻ
2c	2010-12-20	2011-08-09	EUR/PLN	3,6090	540 000,00	(219 217,36)	BGŻ
2d	2010-12-20	2011-12-20	EUR/PLN	3,6120	1 800 000,00	(728 683,68)	BGŻ
3.	2010-04-28	2012-10-26	EUR/PLN	4,1360	800 000,00	(42 275,33)	PKO BP S.A.
4.	2010-04-28	2012-12-20	EUR/PLN	4,1485	900 000,00	(57 968,83)	PKO BP S.A.
5.	2010-04-28	2013-01-28	EUR/PLN	4,1610	900 000,00	(60 216,77)	PKO BP S.A.
					12 600 000,00	**(4 016 694,30)**	

The increase of EUR currency rate above spot rate which is an essential component of the valuation formula of these transactions on 31st December 2010 (i.e. over the exchange rate 3.9603 PLN/EUR), will result in an increase of negative valuation of the reported transactions. „Negative" impact of the rise of EUR exchange rate, if any, over the level 3.9603 PLN/EUR on valuation and financial result of the Company will be partly compensated by an increase in the value of trade contracts (and at the same profitability of these contracts) denominated in EUR and related to concluded currency transactions.

The above currency transactions were concluded by reason of performed trade contracts denominated in EUR and SEK, basing on market conditions that do not differ from commonly applied terms for such financial transactions.

Liabilities by reason of financial lease agreements and lease agreements with purchase option

In 2006 the Company concluded one financial lease agreement for a passenger car. The terms of this agreement are presented in the specification below:

	Date of agreement conclusion	*Original value of fixed assets in thousand zlotys*	*Period of the agreement*	*Currency*	*Lease liability on 31 Dec. 2010 in thousand zlotys*	*Lease liability on 31 Dec. 2009 in thousand zlotys*
Lease agreement for a passenger car	8 February 2006	107	48 months	EUR	–	2
Total		**107**			**–**	**2**

In the year that ended on 31st December 2010 the Company did not possess or use any fixed assets under a financial lease agreement.

In the year that ended on 31st December 2009 the lease agreement, 107 thousand zlotys worth on the day of purchase of the leased subject, was terminated in time according to the concluded agreement. The Company made use of the right to car purchase by lease.

34. Subsidies

Subsidies reported in the financial statement on 31st December 2010 amounted to 29 thousand zlotys. The subsidies regard:

- Preventive activities of the Insurance Company Powszechny Zakład Ubezpieczeń S.A., under which the company subsidized the design, deliveries and mounting of natural gas detection and signalling systems for two gas fired furnaces in w RAFAKO S.A.; the subsidy is in cash,
- Research project: "Case study of technologies for highly efficient „zero-emission" coal fired units with integrated capture of CO_2 from flue gas" preformed within the strategic research and development programmes „Advanced technologies of winning energy" of the National Research and Development Centre in Warsaw; the subsidy is in cash.

Objective of the subsidy	*Status on 31 Dec. 2009*	*Increases in the period*	*Subsidy writing-off into other operating revenues in the period*	*Reimburse-ment of subsidy in the period*	*Other subsidy reductions in the period*	*Status on 31 Dec. 2010*
Modernization of fixed assets	–	31	(2)	–	–	29
Performance of part of research project	–	160	(160)	–	–	–
	–	**191**	**(162)**	**–**	**–**	**29**

(in thousand zlotys)

35. Deferred revenues

	31 Dec. 2010	*31 Dec. 2009*
Deferred revenues by reason of:		
Prepayments received on account of future deliveries	93 182	127 529
Valuation of long-term contracts	135 173	79 930
	228 355	**207 459**

36. Reconciliation of amounts in cash flow statement with corresponding entries shown in the financial statement

	Year ended on 31 Dec. 2010	*Year ended on 31 Dec. 2009*
Change of receivables position reported in the financial statement	(42 907)	(24 682)
Receivables by reason of remission of shares in the subsidiary	6 003	–
Change of receivables position on account of interest on loan granted	16	10
Change of receivables position in cash flow statement	**(36 888)**	**(24 672)**
Change of liabilities position reported in the financial statement	**111 275**	**(15 395)**
Change of liabilities position for capital contribution in a subsidiary	–	242
Change of receivables position in cash flow statement	**111 275**	**(15 153)**

37. Contingent receivables and liabilities

37.1. Contingent receivables

	31 Dec. 2010	*31 Dec. 2009*
Bank and insurance guarantee receivables, mainly received as performance bonds for trade contracts	198 577	175 036
Received guaranty for repayment of bank credits and guarantees, including:	16 058	16 227
- from related companies	–	–
Bills of exchange received as security, including:	6 522	12 866
- from related companies	2 615	3 102
Letters of credit	17 303	–
Block on suppliers' accounts	223	–
	238 683	**235 123**

(in thousand zlotys)

37.2. Contingent liabilities

	31 Dec. 2010	*31 Dec. 2009*
Bank and insurance guarantee liabilities, granted mainly as performance bonds for trade contracts	676 548	718 485
Guaranty for repayment of bank credits and guarantees	–	–
Bills of exchange issued as security, including:	4 242	4 462
- for related company	–	220
Letters of credit	–	1 479
	680 790	**724 426**

37.3. Disputes, court proceedings

Arrangement proceedings and bankruptcy proceedings

On 31st December 2010 the total amount of outstanding debts in arrangement proceedings and bankruptcy proceedings reported by the Company amounts to 3 433 thousand zlotys.

Court proceedings

As at 31st December 2010 the Company is a party in court proceedings regarding disputable outstanding debts in total amount of 34 778 thousand zlotys.

The highest outstanding debts, i.e. 11 500 thousand USD (34 476 thousand zlotys) concern the claim of indemnification to be paid by the Public Limited Company Donieckobłenergo, having their premises in the Ukraine, due to final abandoning the boiler construction by the client. In 2009 the court of first instance and of second instance delivered a judgement favourable for the Company, however the Economic Court above, on rearguing the appeal complaint of the defendant, set aside the judgements and passed over the case to reargue. On 6th August 2010 the Company was given the judgement by the Court Chamber for economic issues of the Supreme Court of Ukraine, whereby the appeal complaint made by the Company on 2nd March 2010 was reargued favourably and resolved to sustain the judgement of the Donieck Economic Court of Appeal dated 23rd December 2008, in which a total amount of 56.7 million hryvnias was adjudicated in favour of RAFAKO S.A. as indemnification, interest for delay, legal charges and costs of legal representation, that was in conversion approximately 11 500 thousand USD on the day the action was instituted. Because the effectiveness of adjudicated debt collection was uncertain, the Company did not present this amount in revenues.

In October 2009 upon application of Bank ING, on bank accounts of the Company debt collection was enforced. The debt collection took place according to bank enforceable title (BTE) issued by ING Bank Śląski S.A., based on the declaration of submission to debt collection made by RAFAKO while signing the Credit Agreement concluded on 25th June 2008 between ING Bank Śląski S.A., and companies of RAFAKO Group, i.e. RAFAKO S.A., RAFAKO ENGINEERING Sp. z o.o. and Fabryka Elektrofiltrów ELWO S.A. in bankruptcy, in which agreement joint liability of the Group entities was stated.

ING Bank Śląski S.A., making use of the debt collection right in form of bank enforceable title (BTE), carried out debt collection in the amount of 8 997 thousand zlotys. From the very beginning the company Managing Board called in question the right of the Bank to encumbrance. In response to the Bank activities, the Company filed a lawsuit for payment of collected amounts in District Court in Warsaw, XX Economic Division on 3rd November 3 2009. On 25th November 2010 the District Court in Warsaw, XX Economic Division delivered a judgement adjudicating from ING Bank Śląski S.A. in favour of the Company the amount 8 997 thousand zlotys along with costs of court proceedings and legal representation. The judgement is not legally valid. Acting according to the principle of careful valuation, the Company made an allowance for these disputable receivables.

37.4. Guarantees

On 31st December 2010 the Company had contingent liabilities resulting from bank and insurance guarantees in the total amount 676 548 thousand zlotys, including:

1. Performance bonds and advance payment guarantee in total amount 143 233 thousand zlotys provided by BGŻ S.A., secured by a revolving credit limit agreement and contract guarantee agreement,
2. Performance bonds and advance payment guarantee in the amount 99 032 thousand zlotys provided by Credit Agricole Coroprate and Investment Bank S.A., secured by transfer of outstanding debts from the contract,
3. Performance bonds and advance payment guarantee in the amount 51 730 thousand zlotys provided by Generali TU S.A., secured by blank bill,
4. Performance bonds and guarantee for repair of defects in total amount 43 352 thousand zlotys provided by TUiR WARTA S.A., secured by an agreement,
5. Advance payment guarantee and performance bonds for adequate contract performance in the technical period in total amount 44 096 thousand zlotys provided by DnB Nord S.A., secured by a credit limit agreement,
6. Performance bonds and advance payment guarantee in the amount 42 604 thousand zlotys provided by STU ERGO HESTIA S.A., secured by blank bill,
7. Performance bonds and advance payment guarantee in total amount 39 712 thousand zlotys provided by PZU S.A., secured by blank bills and notarial declaration of submission to enforcement in the mode of article 777 Civil Code,
8. Advance payment guarantee, performance bonds and participation in the tender guarantee in total amount 36 972 thousand zlotys provided by Kredyt Bank S.A., secured by blank promissory note,
9. Performance bonds, advance payment guarantee and payment of receivables in total amount 31 531 thousand zlotys provided by BRE BANK S.A., secured by a cooperation agreement,
10. Advance payment guarantee, performance bonds and guarantee for adequate repair of defects in total amount 28 929 thousand zlotys provided by Bank PeKaO S.A., secured by transfer of outstanding debts from the contract and pledge on outstanding debts,
11. Performance bonds and advance payment guarantee in the amount 29 458 thousand zlotys provided by Deutsche Bank Polska S.A., secured by transfer of outstanding debts from the contract,
12. Advance payment guarantee in the amount 24 905 thousand zlotys provided by Towarzystwo Ubezpieczeń InterRisk S.A., secured by blank promissory note,
13. Guarantee for participation in the tender, performance bonds and advance payment guarantee in total amount 15 413 thousand zlotys provided by Raiffeisen Bank Polska S.A., secured by outstanding debts limit contract,
14. Guarantee for participation in the tender, performance bonds and advance payment guarantee in the amount 12 453 thousand zlotys provided by PKO BP S.A., secured by an agreement,
15. Performance bonds and advance payment guarantee in the amount 11 464 thousand zlotys provided by BOŚ S.A., secured by transfer of outstanding debts and blank promissory note,
16. Advance payment guarantee, performance bond and guarantee for prompt repair of defects in the amount 10 922 thousand zlotys provided by Towarzystwo Ubezpieczeń EULER HERMES S.A., secured by contractual guarantee agreements,
17. Performance bonds and guarantee for prompt repair of defects in total amount 10 676 thousand zlotys provided by T.U. Allianz Polska S.A., secured by a revolving credit limit agreement and contract guarantee agreement,
18. Performance bonds provided by ING Bank Śląski S.A. in total amount 66 thousand zlotys secured by a credit agreement.

(in thousand zlotys)

38. Information on affiliates

The following table shows total transaction amounts with affiliates for the given financial period (information regarding overdue receivables at the end of the financial period are presented in note 26.3 of extra information and clarifications):

Affiliate	*Year ended on 31 Dec.:*	*Sales to affiliates*	*Purchases from affiliates*	*Receivables from affiliates*	*Liabilities towards affiliates*
Entities that have significant impact on the Company:					
ELEKTRIM S.A.	*2010*	–	87	–	1
	2009	–	59	–	1
Entities from ELEKTRIM S.A. Group:					
ELEKTRIM-MEGADEX S.A.	*2010*	–	–	–	16
	2009	–	–	–	16
PAK S.A.	*2010*	3 675	17	612	4
	2009	6 114	11	1 077	3
Polska Telefonia Cyfrowa Sp. z o.o.	*2010*	–	574	–	94
	2009	–	613	–	104
Subsidiaries:					
PGL-DOM Sp. z o.o.	*2010*	10	65	–	–
	2009	57	64	6	–
FPM S.A.	*2010*	2	15	–	17
	2009	–	11 611	–	6 092
RAFAKO Engineering Sp. z o.o.	*2010*	320	3 274	55	296
	2009	27	3 281	54	342
RAFAKO Engineering Solution doo	*2010*	–	1 146	–	121
	2009	–	1 103	–	112
Associated company:					
SANBEI-RAFAKO Sp. z o.o.*	*2010*	–	–	–	–
	2009	–	–	–	–

**-revenue and receivables by reason of dividend was included in total amount by an allowance*

38.1. Parent company

The Company has no parent company.

38.2. Entity exerting significant impact on the Company

Laris Investments Sp. z o.o. having their premises in Warsaw (a subsidiary of ELEKTRIM S.A.) have 37.45% of ordinary shares of the Company (31st December 2009: 37.45%).

ELEKTRIM S.A. having their offices in Warsaw hold 12.47% of ordinary shares of the Company (31st December 2009: 12.47%).

(in thousand zlotys)

38.3. Transaction terms with affiliates

In the year that ended on 31st December 2010 and 2009 the Company did not carry out any significant transactions with affiliates on other than market terms.

All transactions with affiliates are carried out on terms applied by the Company in economic relations with entities that are not affiliates. Remuneration is usually agreed by tender, standard payment terms are stipulated. The affiliate must ensure performance of the services in conformity with documentation, provide guarantees for a defined period and provide a security in form of a bank performance bond. In relation to affiliates also standard contractual penalties apply, confidentiality provisions, industrial property provisions, contract insurance, force majeure and settling of disputes, if any.

38.4. Loan granted to members of the Board of Directors and Supervisory Board

Neither in the reporting period nor in comparable periods any loans were granted to members of the Board of Directors and Supervisory Board of the Company.

38.5. Transactions with other members of the Board of Directors

Neither in the reporting period nor in comparable periods any transactions were carried out by the Company with members of the Board of Directors and Supervisory Board.

The number of Company shares held by the management and supervisory board, and also the number of shares in affiliates of the Company held by the management and supervisory board, according to the status on 31st December 2010 is shown in the table below:

	Company name	*Total number of shares*	*Nominal share value in zlotys*
Managing person			
Wiesław Różacki	RAFAKO S.A.	10 000	20 000,00
Supervising person			
Sławomir Sykucki	ELEKTRIM S.A.	5	5,00
Roman Jarosiński	ELEKTRIM S.A.	5	5,00

38.6. Remuneration of senior management

	Year ended on 31 Dec. 2010	*Year ended on 31 Dec. 2009*
Short-term employee benefits (remunerations and margin)	5 555	5 621
Retirement benefits	–	–
Severance payments	–	–
Employee benefits in form of own shares	–	–
Total remunerations paid to senior management	**5 555**	**5 621**

Remuneration paid to members of the Board of Directors and Supervisory Board of the Company for the year that ended on 31st December 2010 was as follows:

	Basic remuneration	*Remuneration paid in form of awards in thousand zlotys*	*Other remuneration*
Managing Board	1 556,0	570,2	–
Wiesław Różacki	600,0	270,0	–
Krzysztof Burek	480,0	102,1	–
Roman Czerwiński	168,0	102,1	–
Roman Jarosiński	–	96,0	–
Piotr Wawrzynowicz	308,0	–	–
Supervisory Board	790,8	–	180,0
Krzysztof Pawelec	192,0	–	–
Roman Jarosiński*	180,0	–	180,0
Witold Okarma	96,0	–	–
Maciej Stradomski	44,4	–	–
Sławomir Sykucki	96,0	–	–
Piotr Wawrzynowicz	34,8	–	–
Marek Wiak	51,6	–	–
Leszek Wysłocki	96,0	–	–
		–	–
Supervisory Board – subsidiaries	266,0	–	–
Roman Jarosiński	150,0	–	–
Piotr Wawrzynowicz	116,0	–	–
Total	**2 612,8**	**570,2**	**180,0**

*- extra remuneration for self-reliant supervisory activities

Remuneration paid to members of the Board of Directors and Supervisory Board of the Company for the year that ended on 31st December 2009 was as follows:

	Basic remuneration	*Remuneration paid in form of awards in thousand zlotys*	*Other remuneration*
Managing Board	1 575,2	787,0	1 051,0
Wiesław Różacki	600,0	208,0	–
Krzysztof Burek	255,2	75,0	–
Roman Czerwiński	255,2	–	–
Roman Jarosiński	240,0	168,0	331,0
Eugeniusz Myszka	224,8	168,0	240,0
Jerzy Thamm	–	168,0	480,0
Supervisory Board	634,9	–	–
Krzysztof Pawelec	111,6	–	–
Roman Jarosiński	30,3	–	–
Grażyna Kuś	70,5	–	–
Witold Okarma	82,3	–	–
Sławomir Sykucki	82,3	–	–
Piotr Wawrzynowicz	11,8	–	–
Marek Wiak	82,3	–	–
Marian Woronin	70,5	–	–
Leszek Wysłocki	93,3	–	–
Supervisory Board – subsidiaries	116,0	–	–
Eugeniusz Myszka	116,0	–	–
Total	**2 326,1**	**787,0**	**1 051,0**

(in thousand zlotys)

38.7. Share of senior management in employee stock ownership plan

The Company do not hold an employee stock ownership plan.

39. Information on agreement with an certified auditor or entity authorized to audit financial statements

On 5th July 2010, the Supervisory Board of the Company acting according to authority following from Articles of the Company, chose the company DORADCA Zespół Doradców Finansowo-Księgowych Sp. z o.o. having their offices in Lublin, at Al. J. Piłsudskiego 1A, 20-011 Lublin, entered into the KIBR register under number 232, as an entity authorized to auditing. The selection of an auditor was made according to valid regulations and professional standards. In the past the Company made use of services of the above company in the scope of auditing financial statements of the Company and RAFAKO Group for 2006, 2007, 2008 and 2009.

On 14th July 2010 the Company concluded an agreement with the company DORADCA Zespół Doradców Finansowo-Księgowych Spółka z o.o. having their offices in Lublin to the audit financial statement of the Company and consolidated financial statement for the half-year and the year 2010. The total remuneration for auditing financial statements was agreed to be 96 thousand zlotys (including: financial statement of the Company - 68 thousand zlotys, consolidated financial statement 28 thousand zlotys). For 2009 the total remuneration for the audit of financial statements was agreed to amount to 91 thousand zlotys. The Company did not conclude any other agreements with the above mentioned entity in 2010.

The table below shows the remuneration of the entity authorized to auditing financial statements paid or due for the year that ended on 31st December 2010 and 31st December 2009 divided into various types of services:

Type of services	*Year ended* 31 Dec. 2010	*Year ended* 31 Dec. 2009
Mandatory audit of the consolidated financial statement *, including:	96	91
- audit of the Company financial statement	68	65
Other certifying services	–	–
Fiscal consultancy	–	–
Other services	–	–
Total	**96**	**91**

** refers to the company DORADCA Zespół Doradców Finansowo – Księgowych Sp. z o.o.*

The remuneration does not comprise services rendered to other companies of the Group.

(in thousand zlotys)

40. Financial risk management objectives and principles

The objective of financial risk management in RAFAKO S.A. is to cut down the variability of generated cash flows and achieved financial results on basic business activities to an acceptable level. Main financial instruments the Company make use of, include: cash, short-term deposits and forward currency transactions. The main task of the above mentioned instruments is to assist and provide financial security of current operating activities of the Company through stabilizing and neutralizing of financial liquidity risks, variability of exchange rates and interest rates, and also safe and effective depositing of financial surplus. Other financial instruments – such as trade receivables and liabilities – arise out of current business activities of the Company and are its inherent component.

The Company do not trade financial instruments. All financial instruments described in this section are of a character that assists immediate business processes, resulting from basic operations of the Company. The Company do not allow to utilize financial instruments for speculative purposes or other purposes that are unrelated closely to basic operations of the Company.

The most important type of financial risk in the analysed period was and is the present currency risk of the Company. The scale of this risk was presented in note 40.2. The Company accounting principles regarding derivatives were discussed in note 6.16.

40.1. Interest rate risk

On 31st December 2010 the Company did not hold any active credit agreements. Credit risk and changes in interest rate, if any, were no risk for the Company operations. Absence of credit engagement and the related absence of interest rate risk cause that the Company do not consider concluding forward contracts with interest rate (interest rate swap).

Interest rate risk – susceptibility to changes

The table below shows susceptibility of gross financial result on reasonably possible changes in interest rates with the assumption of constancy of other factors (related to variable interest rate liabilities). The impact on the Company shareholder's equity was not shown.

	Increase / decrease by percentage points	*Impact on gross financial result*
Year that ended on 31st Dec. 2010		
PLN	+ 1%	1 420
EUR	+ 1%	24
PLN	- 1%	(1 136)
EUR	- 1%	(19)
Year that ended on 31st Dec. 2009		
PLN	+ 1%	1 412
EUR	+ 1%	–
PLN	- 1%	(1 130)
EUR	- 1%	–

40.2. Currency risk

The most important type of financial risk the Company is exposed to, is the currency risk, that results from variations of currency rate, causing uncertainty regarding future the level of cash flows denominated in foreign currencies. The exposure of the Company to currency risk results from the fact that a significant part of their cash flows is expressed in foreign currencies. Variations of PLN exchange rate to foreign currencies, that in particular occur in short time and with high dynamics, may have considerable influence both on profitability of contracts performed denominated in foreign currencies, as well as the level of currency differences calculated according to assets and liabilities items expressed in foreign currencies, and translated to PLN.

In the past period over 23 % of invoiced Company revenues was expressed in foreign currencies, mainly in EUR.

(in thousand zlotys)

The strategy of currency risk management applied by RAFAKO S.A. assumes the use of natural security to the highest extent. The Company aspire to structural accommodation of revenues and costs in the same currency to the highest extent under contracts performed. Net exposure to currency risk , that is not secured in a natural way, is secured within limits from 30% to 70% of estimated value of net exposure, exclusively by means of accepted types of derivatives.

On 31st Dec. 2010, the Company secured ca. 102% of currency exposure in EUR and ca. 40% of currency exposure in SEK (exposure understood as estimated difference between Company future proceeds and expenses expressed in EUR/SEK, considering the balance of prepayments and cash). Exceeding recommended levels of security results from transitional rise of currency exposure according to the status of 31st December 2010.

The table below shows the sensitivity of gross financial result (with reference to variation of fair value of cash assets and liabilities) and the Company shareholders' equity (by reason of change of fair value of forward contracts and net investment securities) on reasonably possible rate fluctuations of individual currencies with assumed constancy of other factors.

	Rise / drop of currency rate	***Impact on gross financial result***	***Impact on shareholders' equity***
31 December 2010 – EUR	+10%	7 261	5 881
	-10%	(7 261)	(5 881)
31 December 2010 – SEK	+10%	1 604	1 299
	-10%	(1 604)	(1 299)
31 December 2010 – TRY	+10%	361	292
	-10%	(361)	(292)
31 December 2010 – BAM	+10%	59	48
	-10%	(59)	(48)
31 December 2009 – EUR	+10%	8 986	7 279
	-10%	(8 986)	(7 279)
31 December 2009 – TRY	+10%	251	203
	-10%	(251)	(203)
31 December 2009 – BAM	+10%	44	36
	-10%	(44)	(36)

40.3. Goods' price risk

The Company is exposed to price increase risk, in particular of material strategic for the Company operations. The level of this risk is significantly influenced by the situation of raw material prices on world markets – steel, precious metals, fuels and energy caused both by fluctuations of currency rates as well as concentration of manufacturers tending to have common control of prices. The management strategy of goods' prices risk assumes aspiration to conclusion of contracts with sub-suppliers of material and services in the currency of the main contract, placing of material supplies on the part of the customer, as well as concluding purchase contracts in fixed prices. The Company do not conclude long-term agreements with sub-suppliers, the scope of supply and suppliers are agreed individually according to Company needs.

(in thousand zlotys)

40.4. Credit risk

Credit risk of RAFAKO S.A. is closely related to basic operations of the Company. It results from concluded trade contracts and is connected with potential occurrence of events, that may take form of insolvency of the contractor, partial repayment of receivables or essential delay in repayment of receivables. Granting the so-called commercial credit to customers is currently an inherent component of business activities, however the Company take a number of actions meant to minimize risks related to cooperation with a potentially unreliable customer. All customers who want to make use of commercial credits, are subjected to preliminary verification procedures.

Customers, who in the opinion of the Company, according to the verification performed are not financially reliable, shall provide adequate financial securities, that will minimize the risk of insolvency of these companies towards the Company. Moreover, thanks to current monitoring of receivables and taking immediate debt collection actions in relation to overdue receivables, the Company's exposure to credit risk is small.

40.5. Risk related to liquidity

The Company is exposed to the risk of liquidity in case of mismatch of timely structure of cash flows on contracts performed by the Company. The Company aspire to ensure the so-called positive cash flows, that eliminate the risk of liquidity with squaring receivables on time. Nominal value of credit lines available for the Company effectively prevent negative occurrences connected with delays in payment, if any. Moreover in connection with very good financial situation, the Company became independent of external financing sources to a considerable degree. Available credit lines in banks were not used. In the coming period the Company do not intend to increase their credit exposure.

In connection with the above, the risk of scarcity of cash and loss of financial liquidity by the Company can be presently described as low.

The table below shows financial liabilities of the Company on 31st December 2010 and 31st December 2009 according to maturity date based on contractual undiscounted payments.

31 Dec. 2010	*On demand*	*Below 3 months*	*From 3 to 12 months*	*From 1 year to 5 years*	*Over 5 years*	*Total*
Trade liabilities and other liabilities	114 124	135 522	16 510	16 386	–	282 542
Financial lease liabilities	–	–	–	–	–	–
Derivatives	–	1 087	2 256	–	–	3 343
	114 124	**136 609**	**18 766**	**16 386**	–	**285 885**

31 Dec. 2009	*On demand*	*Below 3 months*	*From 3 to 12 months*	*From 1 year to 5 years*	*Over 5 years*	*Total*
Trade liabilities and other liabilities	55 638	89 395	8 750	14 309	–	168 092
Financial lease liabilities	–	2	–	–	–	2
Derivatives	–	4 364	5 580	–	–	9 944
	55 638	**93 761**	**14 330**	**14 309**	–	**178 038**

(in thousand zlotys)

41. Financial instruments

41.1. Fair values

On 31st December 2010 the Company possessed securing instruments. All financial instruments of the Company were reported in the financial statement according to fair value.

Fair value of financial instruments was determined by discounting forecasted cash flows with the use of currently valid interest rates.

	Category acc. to MSR 39	***Carrying value***		***Fair value***	
		31 Dec. 2010	*31 Dec. 2009*	*31 Dec. 2010*	*31 Dec. 2009*
Financial assets					
Financial assets available for sale (long-term), including:	DDS	42 431	43 841	42 431	43 841
- shares and stock	DDS	42 431	43 841	42 431	43 841
Other financial assets (long-term), including:	UdtW	481	474	508	485
- long-term loans *	PiN	481	474	508	485
- long-term deposits	UdtW	–	–	–	–
Other financial assets (short-term), including:		28 344	179 689	28 344	179 689
- short-term deposits	UdtW	1 040	142 678	1 040	142 678
- deposit certificates	DDS	–	1 315	–	1 315
- share units TFI Allianz	DDS	22 009	30 711	22 009	30 711
- share units TFI KBC	DDS	5 295	4 985	5 295	4 985
Trade and other receivables	PiN	265 333	223 445	265 333	223 445
Financial derivatives, including:	WwWGpWF	2 357	888	2 357	888
- currency *forward* type contracts	WwWGpWF	2 357	888	2 357	888
Cash and cash equivalents	WwWGpWF	156 246	64 694	156 246	64 694

**-interest on loans in the amount 27 thousand zlotys are presented in short-term liabilities*

Financial liabilities					
Interest-bearing bank credits and loans	PZFwgZK	–	–	–	–
Other (long-term) liabilities, including:	PZFwgZK	–	2	–	2
- financial lease liabilities and tenancy with purchase option liabilities	PZFwgZK	–	2	–	2
Trade and other financial liabilities	PZFwgZK	279 975	165 630	279 975	165 630
Financial derivatives, including:	WwWGpWF	4 087	11 015	4 087	11 015
- currency *forward* type contracts	WwWGpWF	4 087	11 015	4 087	11 015

Used abbreviations:

UdtW – Financial assets kept until maturity date,
WwWGpWF – Assets / liabilities valuated in fair value through financial result,
PiN – Loans and receivables,
DDS – Financial assets available for sale,
PZFwgZK – Other financial liabilities valuated according to depreciated cost

(in thousand zlotys)

41.2. Revenue, cost, profit and loss entries included in the statement divided into categories of financial instruments

Year ended on 31st December 2010	*Category ac. to MSR 39*	*Revenues / (costs) by reason of interest*	*Profit / (loss) by reason of exchange rate variations*	*Release / (formation) of allowances*	*Profit / (loss) by reason of valuation*	*Profit / (loss) on sale of financial instruments*	*Other*	*Total*
Financial assets								
Financial (long-term) assets available for sale, including:	DDS	–	–	–	–	220	392	612
- shares and stock	DDS	–	–	–	–	220	392	612
Other (long-term)financial assets, including:	UdtW	67	–	–	7	–	–	74
- long-term deposits	UdtW	40	–	–	–	–	–	40
- loans	PiN	27	–	–	7	–	–	34
Other (short-term) financial assets		1 986	(65)	–	1 138	364	57	3 480
- deposits over 3 months to 1 year	UdtW	1 986	(65)	–	–	–	–	1 921
- investment certificates	DDS	–	–	–	(118)	364	–	246
- share units TFI Allianz	DDS	–	–	–	309	–	57	366
- share units TFI KBC	DDS	–	–	–	947	–	–	947
Trade and other liabilities	PiN	43	(5 494)	(25 221)	(160)	–	–	(30 832)
Financial derivatives, including:	WwWGpWF	–	–	–	8 398	–	–	8 398
- *forward* type currency contracts	WwWGpWF	–	–	–	8 398	–	–	8 398
Cash and cash equivalents	WwWGpWF	2 726	(736)	–	–	–	–	1 990
Total		**4 822**	**(6 295)**	**(25 221)**	**9 383**	**584**	**449**	**(16 278)**

(in thousand zlotys)

Year ended on 31st December 2010	*Category ac. to MSR 39*	*Revenues / (costs) by reason of interest*	*Profit / (loss) by reason of exchange rate variations*	*Release / (formation) of allowances*	*Profit / (loss) by reason of valuation*	*Profit / (loss) on sale of financial instruments*	*Other*	*Total*
Financial liabilities								
Interest-bearing bank credits and loans, including:	PZFwgZK	–	–	–	–	–	–	–
- credits on current account, interest bearing acc. to adjustable interest rate	PZFwgZK	–	–	–	–	–	–	–
Other financial liabilities, including:	PZFwgZK	–	–	–	–	–	–	–
- financial lease liabilities and tenancy with purchase option liabilities	PZFwgZK	–	–	–	–	–	–	–
Trade and other financial liabilities	PZFwgZK	(530)	(3 008)	–	103	–	4	(3 431)
Financial derivatives, including:	WwWGpWF	–	–	–	–	(2 070)	–	(2 070)
- *forward* type currency contracts	WwWGpWF	–	–	–	–	(2 070)	–	(2 070)
Total		**(530)**	**(3 008)**	–	**103**	**(2 070)**	**4**	**(5 501)**

(in thousand zlotys)

Year ended on 31st December 2009 *Financial assets*	*Category ac. to MSR 39*	*Revenues / (costs) by reason of interest*	*Profit / (loss) by reason of exchange rate variations*	*Release / (formation) of allowances*	*Profit / (loss) by reason of valuation*	*Profit / (loss) on sale of financial instruments*	*Other*	*Total*
Financial (long-term) assets available for sale, including:	DDS	–	–	1 586	–	–	–	1 586
- shares and stock	DDS	–	–	1 586	–	–	–	1 586
Other (long-term)financial assets, including:	UdtW	11	–	–	(26)	–	–	(15)
- long-term deposits	UdtW	–	–	–	–	–	–	–
- loans	PiN	11	–	–	(26)	–	–	(15)
Other (short-term) financial assets		4 774	(2 135)	–	287	829	39	3 794
- deposits over 3 months to 1 year	UdtW	4 774	(2 135)	–	–	–	–	2 639
- investment certificates	DDS	–	–	–	(16)	–	–	(16)
- share units TFI Allianz	DDS	–	–	–	317	829	39	1 185
- share units TFI KBC	DDS	–	–	–	(14)	–	–	(14)
Trade and other liabilities	PiN	228	(6 194)	(431)	55	–	(118)	(6 460)
Financial derivatives, including:	WwWGpWF	–	–	–	888	–	–	888
- *forward* type currency contracts	WwWGpWF	–	–	–	888	–	–	888
Cash and cash equivalents	WwWGpWF	3 922	(479)	–	–	–	–	3 443
Total		**8 935**	**(8 808)**	**1 155**	**1 204**	**829**	**(79)**	**3 236**

(in thousand zlotys)

Year ended on 31st December 2009	*Category ac. to MSR 39*	*Revenues / (costs) by reason of interest*	*Profit / (loss) by reason of exchange rate variations*	*Release / (formation) of allowances*	*Profit / (loss) by reason of valuation*	*Profit / (loss) on sale of financial instruments*	*Other*	*Total*
Financial liabilities								
Interest-bearing bank credits and loans, including:	PZFwgZK	(9)	(79)	–	–	–	(8)	(96)
- credits on current account, interest bearing acc. to adjustable interest rate	PZFwgZK	(9)	(79)	–	–	–	(8)	(96)
Other financial liabilities, including:	PZFwgZK	(2)	(8)	–	–	–	–	(10)
- financial lease liabilities and tenancy with purchase option liabilities	PZFwgZK	(2)	(8)	–	–	–	–	(10)
Trade and other financial liabilities	PZFwgZK	(39)	2 587	–	538	–	–	3 086
Financial derivatives, including:	WwWGpWF	–	–	–	6 968	(4 246)		2 722
- *forward* type currency contracts	WwWGpWF	–	–	–	6 968	(4 246)		2 722
Total		**(50)**	**2 500**	**–**	**7 506**	**(4 246)**	**(8)**	**5 702**

(in thousand zlotys)

41.3. Interest rate risk

The following tables present the carrying value of Company financial instruments exposed to interest rate risk, divided into individual age categories.

Year ended on 31st December 2010

Fixed interest	*<1year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Short-term deposits	1 040	–	–	–	–	–	1 040

Variable interest	*<1year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash and cash equivalents	156 246	–	–	–	–	–	156 246
Loans granted	–	–	–	–	–	481	481

Year ended on 31st December 2009

Fixed interest	*<1year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Short-term deposits	142 678	–	–	–	–	–	142 678

Variable interest	*<1year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash and cash equivalents	64 694	–	–	–	–	–	64 694
Loans granted	–	–	–	–	–	474	474
Financial lease liabilities and tenancy with purchase option liabilities	2	–	–	–	–	–	2

The interest rate of financial instruments with variable interest is updated in periods below 1 year. Interest on financial instruments with fixed interest is fixed through the entire period until maturity / due date for these instruments. Other Company financial instruments, that were not presented in the tables above, are not interest bearing and therefore they do not fall under interest rate risk.

(in thousand zlotys)

42. Employment structure

Average employment in the Company in the period from January to December was as follows:

	2010	*2009*
Average employment	**1 947**	**1 897**

In 2010 average employment in RAFAKO S.A. was 1 947 employees and compared to 2009 it increased by 50 employees.

According to the status on 31st December 2010 the Company employees with higher and secondary education were 63.0% of the employed staff (share of this group decreased compared to the status on 31st December 2009: 63.7%). The Company Managing Board attach significance to recruit on the labour market new, well qualified employees. As white-collar workers people with higher education in the particular field are mostly employed, as over 90 % of posts require specialist knowledge. The share of university graduates increased from 32.2% on 31st December 2009 to 33.2% of all workers employed on 31st December 2010. The Company also put emphasis on the process of continuous further education of workers, and accordingly a lot of employees decide to start extramural studies.

The age structure of the staff changed: the share of workers to 40 years old increased slightly from 40.0% on 31st December 2009 to 40.7% on 31st December 2010, however it decreased in the age bracket from 41 to 50 years (from 27.9% on 31st December 2009 to 27.5% on 31st December 2010). In the age bracket over 50 a slight increase was noticed – to 31.8% (31st December 2009: 32.7%). The observed age structure of the Company employees is correct in the opinion of the Managing Board, because it ensures organizational continuity. Changes that take place in the age structure of the staff employed are directly connected to observed demographic processes and social policy of the state. A substantial increase in the education level of employees raises the age of starting work, and a modification of retirement regulations extends the period of professional activity and increases the average age of the employed.

Within the last 12 months the employment structure in terms of seniority has not changed significantly. Workers with up to 10 years work experience are a quarter of all employed in the Company, the share of workers with work experience from 11 to 20 years is 18%, and the share of workers with work experience over 20 years is approximately 61%. The Company staff have long-standing and unique professional experience.

43. Events following the end of the reporting period

On 17th January 2011 the Company got a notification from the company ENERGA Kogeneracja Sp. z o.o., according to the Public Procurement Act of 29th January 2004, about the selection of the offer placed by RAFAKO S.A. for construction of a 20 MWe biomass fired power unit as the best. The value of the offer is ca. 191.8 million zlotys.

On 18th January 2011 the Company signed a contract with PGE Górnictwo i Energetyka Konwencjonalna S.A. – Oddział Elektrownia Bełchatów for retrofit and overhaul of rotary air preheaters with auxiliary boiler systems in Bełchatów Power Station, valued at ca. 120 million zlotys.

On 21st January 2011 the Company signed a contract with Kozienice S.A. Power Station for replacement of electrostatic precipitator in unit No 4 in Kozienice Power Station, ca. 23.9 million zlotys worth.

On 2nd March 2011 the Court of Registration of the capital city in Budapest registered the subsidiary RAFAKO Hungary Kft. having the offices in Budapest. The company's registered capital is 40 million HUF taken up entirely by RAFAKO S.A. The subject of activity of the founded company is erection of power and chemical equipment.

(in thousand zlotys)

On 7th March 2011 the Supervisory Board of RAFAKO S.A. made the following decisions:
- determined the number of the Company Board members to 4 persons,
- appointed from 7th March 2011 Mr Maciej Kaczorowski to the position of Vice-president of the Company.

On 9th March 2011 the Company signed a contract with MARTIN GmbH having their offices in Munich for ca. EUR 18.5 million for fabrication of boiler pressure parts for municipal waste incineration with complete auxiliaries, fabrication and delivery of steel structures, erection and plant start-up in Roskilde in Denmark.

On 11th March 2011 the Company got a notification from EUAS – Ankara (Turkey) about selecting the offer placed by the Consortium RAFAKO S.A. - EFOR Makina, for modernization of electrostatic precipitators in unit No 3 and 4 in Thermal Power Station SOMA (Turkey), to be the best. The proposal value is ca. 53.2 million zlotys, the value of RAFAKO S.A. amounts to ca. 18.8 million zlotys.

Within the period of 12 months (from March 2010 to March 2011) the Company concluded several contracts with Elektrobudowa S.A. (Contractor) for the total amount of approximately 41.6 million zlotys. The subject of the largest contract valued at 27.5 million zlotys, concluded on 15th March 2011, is delivery, erection and "turnkey" start-up of electrical equipment (line) intended for the Flue Gas Desulfurization system, units 1 and 2 in PGE GiEK S.A. Division Bełchatów S.A. Power Station.

This financial statement of the company RAFAKO S.A. was approved to be published on 21st March 2011 by resolution No 16 of the Managing Board of RAFAKO S.A. dated 21st March 2011.

Signatures of members of the Board

21st March 2011	Wiesław Różacki	President of the Board	....
21st March 2011	Krzysztof Burek	Vice-president	....
21st March 2011	Maciej Kaczorowski	Vice-president	....
21st March 2011	Piotr Wawrzynowicz	Member of Supervisory Board delegated to act temporarily as member of Managing Board	....

Signature of the person responsible for keeping of accounting books

21st March 2011	Jolanta Markowicz	Chief accountant	....