POLNA

☐ corrected

Polish Financial Supervision Authority

Annual Report R 2010

(year)

(pursuant to Art. 82 section 1 item 3 of the Regulation of the Minister of Finance of 19th February 2009 – Journal of Laws Dz. U. No. 33, item 259)
(for issuers of securities conducting production, construction, commercial or service business activity)

For the financial year 2010, covering the period from 1st January 2010 until 31st December 2010
including a financial statement complying with IFRS

in: PLN (currency)

Date of issue: 21st March 2011

ZAKŁADY AUTOMATYKI POLNA SA (full issuer's name)	
POLNA (abbreviated issuer's name)	**Electrical engineering (ele)** (sector by Warsaw's Stock Exchange's classification)
37-700 (postal code)	**Przemyśl** (town)
Obozowa (street)	**23** (number)
166786601 (telephone)	**166783710** (fax)
m.kozlovski@polna.com.pl (e-mail)	**www.polna.com.pl** (website)
795-020-07-05 (NIP: Tax Identification Number)	**650009986** (REGON: National Business Registry Number)

(entity authorized to conduct the audit)

SELECTED FINANCIAL DATA	In PLN thousand		In EUR thousand	
	2010	2009	2010	2009
I. Net income from products, goods and materials sales	28 000	26 910	6 992	6 200
II. Cost of products, goods and materials sold	20 315	18 035	5 073	4 155
III. Gross profit (loss) from sales	7 685	8 875	1 919	2 045
IV. Profit (loss) from operating activity	618	1 902	154	438
V. Gross profit (loss)	846	1 615	211	372
VI. Net profit (loss)	752	2 176	188	501
VII. Net cash flow from operating activity	1 819	7 647	454	1 762
VIII. Net cash flow from investment activity	-452	-869	-113	-200
IX. Net cash flow from financial activity	-482	-3 959	-120	-912
X. Total net cash flow	885	2 819	221	649
XI. Total assets	47 631	46 579	12 027	11 338
XII. Fixed assets	28 169	30 748	7 113	7 485
XIII. Current assets	19 028	15 831	4 805	3 854
XIV. Fixed assets allocated for disposal	434	-	109	-
XV. Equity capital	40 419	39 667	10 206	9 656
XVI. Long-term liabilities	3 794	4 271	958	1 040
XVII. Short-term liabilities	3 418	2 641	863	643
XVIII. Share capital	9 823	9 823	2 480	2 391
XIX. Number of ordinary shares (in units)	2 585 026	2 585 026	2 585 026	2 585 026
XX. Profit (loss) per ordinary share (in PLN/EUR)	0,29	0,84	0,07	0,19
XXI. Book value per share (in PLN/EUR)	15,64	15,34	3,95	3,74

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File	Description
_Opinia biegłego rewidenta.pdf	Opinion by the entity authorised to audit financial statements resulting from the audit of the annual financial statement
_Raport biegłego rewidenta.pdf	Report by the entity authorised to audit financial statements from the audit of the annual financial statement
Oświadczenie o rzetelności sprawozd. Finans.pdf	The Management Board's declaration of the

Oświadczenie w sprawie podmiotu do bad. sprawozd. finans.pdf	The Management Board's statement concerning the entity authorised to audit financial statements
List Prezesa Zarządu do Akcjonariuszy.pdf	Letter of the President of the Management Board to Shareholders
Sprawozdanie finansowe za 2010 rok.pdf	Financial statement for the year 2010
Sprawozdanie Zarządu za 2010 rok.pdf	The Management Board's report for the year 2010

SIGNATURES OF ALL THE MEMBERS OF THE MANAGEMENT BOARD

Date	Full name	Title/Function	Signature
2011/03/21	Miroslav Kozlovski	President of the Management Board	
2011/03/21	Andrzej Piszcz	Vice-President of the Management Board	

SIGNATURE OF THE PERSON AUTHORIZED TO KEEP ACCOUNT BOOKS

Date	Full name	Title/Function	Signature
2011/03/21	Bożena Polak	Proxy – Chief Accountant	

ZAKŁADY AUTOMATYKI “POLNA” SPÓŁKA AKCYJNA

IN PRZEMYŚL

OPINION OF A STATUTORY AUDITOR

REPORT FROM THE AUDIT OF THE FINANCIAL STATEMENT

FINANCIAL STATEMENT

REPORT FROM THE ENTITY’S ACTIVITY

KATOWICE, MARCH 2011

OPINION OF AN INDEPENDENT STATUTORY AUDITOR

FOR THE GENERAL SHAREHOLDERS MEETING

AND THE SUPERVISORY BOARD

OF ZAKŁADY AUTOMATYKI "POLNA" SPÓŁKA AKCYJNA

IN PRZEMYŚL

We have carried out an audit of the enclosed financial statement of Zakłady Automatyki „POLNA" S.A. in Przemyśl, comprising:

- financial standing statement as of 31st December 2010, showing the amount of **PLN 47,631 thousand,**

- total income statement for the period from 1st January to 31st December 2010, showing total general income in the amount of **PLN 752 thousand,**

- statement of changes in equity for the period from 1st January to 31st December 2010, showing an increase in equity capital by **PLN 752 thousand,**

- cash flow statement for the period from 1st January to 31st December 2010, showing an increase in net cash position by **PLN 885 thousand,**

- additional information on the adopted accounting principles (policy) and other explanatory information.

The Director of the entity is responsible for making a financial statement complying with the applicable regulations and statement of the entity's activity.

The Director of the entity and members of the Supervisory Board or another body supervising the entity are obliged to ensure that the financial statement and statement of activity meet the requirements provided for in the Accounting Act of 29th September 1994 (Journal of Laws Dz.U. of 2009, No. 152, item 1223 as amended), hereinafter referred to as the "Accounting Act".

Our task was to audit the financial statement and to express our opinion concerning its conformity with the required accounting principles (policy), as well as establish whether it presents reliably and clearly, in all important aspects, the financial and property standing and financial result of the entity and whether the accounting books providing the basis for its making are kept correctly.

We audited the financial statement in accordance with:
1) chapter 7 of the Accounting Act,
2) Polish standards of financial review, issued by the National Council of Statutory Auditors in Poland.

The audit of financial statement was planned and conducted in such a way as to achieve reasonable certainty allowing us to express an opinion on the statement.

The audit involved, in particular, checking the correctness of the accounting principles (policy) applied by the entity and significant estimates, checking – mostly randomly – accounting entries and documents providing the basis for the numbers and information included in the financial statement, as well as the overall evaluation of the financial statement.
We believe that the audit provided sufficient basis for expressing a reliable opinion.
In our opinion, the audited financial statement, including both numbers and written explanations:

a) shows reliably and clearly all the information important for the evaluation of the financial and property standing of the audited entity as of 31st December 2010, as well as its financial result for the accounting year from 1st January to 31st December 2010,

b) was made correctly in all the important aspects, in conformity to the accounting principles (policy) arising out of the International Accounting Standards, International Financial Reporting Standards and interpretations related to them, announced in the form of European Commission executive regulations, and as for issues the Standards do not regulate, in accordance with the provisions of the Accounting Act and executive regulations issued pursuant to it, as well as on the basis of correctly kept accounting books,

c) provisions of the Regulation of the Minister of Finance of 19th February 2009 on current and periodic information published by issuers of securities and the conditions for regarding information required by the law of a non-member state as equivalent (Journal of Laws Dz. U. No. 33, item 259),

d) complies with legal regulations and the entity's charter, applicable for the content of the financial statement.

The statement from the entity's activity is complete within the meaning of Article 49 section 2 of the Accounting Act and information included in it, coming from the audited financial statement, complies with it.

The main statutory auditor:

(signature)
…………………………
Genowefa Polak
entered into the register of statutory auditors
with no. 9308

Kancelaria Porad Finansowo - Księgowych
dr Piotr Rojek
Spółka z ograniczoną odpowiedzialnością
40-286 Katowice, ul. Floriana 15
entity entered into the list of entities
authorised to audit financial statements
with no. 1695

Katowice, 21st March 2011

REPORT
FROM THE AUDIT OF THE FINANCIAL STATEMENT

ZAKŁADY AUTOMATYKI "POLNA"
SPÓŁKA AKCYJNA
IN PRZEMYŚL

FOR THE ACCOUNTING YEAR
FROM 1ST JANUARY TO 31ST DECEMBER 2010

Report of the independent statutory auditor for the Shareholders and the Supervisory Board of Zakłady Automatyki "POLNA" Spółka Akcyjna in Przemyśl

This report was prepared in relation to an audit of the financial statement of Zakłady Automatyki "POLNA" S.A. with the seat in Przemyśl for the accounting year from 1st January to 31st December 2010.

This report should be read together with the opinion of statutory auditors concerning the above-mentioned financial statement.

The report includes 26 pages numbered one after the other and comprises the following parts:

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I. General Part	*10*
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I. GENERAL PART

1. INTRODUCTORY INFORMATION

Zakłady Automatyki "POLNA" S.A. was established by means of a notarial deed on 14th January 1992.
The Company's seat is located in Przemyśl (37-700), at 23 Obozowa Street.

The Company is entered into the National Business Register kept by the District Court in Rzeszów, XII Economic Division of the National Court Register with the **KRS number 0000090173.**

Zakłady Automatyki "POLNA" is a joint stock company.

The entity holds the statistical identification number (REGON) **650009986** and operates with the Tax Identification Number (NIP) **795-02-00-705,** assigned on 15th June 1993.

In accordance with the Company's Charter, its operation activity is in particular:

- metal founding,
- production of hydraulic and pneumatic drive equipment,
- production of other pumps and compressors,
- production of other cocks and valves,
- processing and utilization of waste other than dangerous,
- recycling of raw materials from sorted materials,
- wholesale trade of other machines and equipment,
- non-specialized wholesale trade,
- wholesale trade of waste and scrap.

The actual object of activity does not differ significantly from the one stipulated in the Company's Charter.

As of 31st December 2010, the Company's initial capital amounted to PLN 9,823 thousand and was divided into 2,585,026 shares of nominal value PLN 3.80 each.

As of the end of the accounting year, the initial capital ownership structure was the following:

	Number of shares	Number of votes	Nominal value of shares (PLN)	Share in the initial capital (%)
Zbigniew Jakubas with affiliated entities	1.210.732	1.210.732	4.600.781,60	46,83
Radosław Kamiński with a close companion	140.405	140.405	533.539,00	5,43
Others	1.233.889	1.233.889	4.688.778,20	47,74
Total	2.585.026	2.585.026	9.823.098,80	100,00

During the accounting year and after the balance sheet day until the day of completing the financial statement audit, there were no changes in the initial capital.

On the balance sheet day, i.e. 31st December 2010, the equity capital amounted to PLN 40,419 thousand and had increased by PLN 752 thousand in comparison to the end of the previous accounting year.

The audited entity does not hold shares in any subsidiaries.

On 31st December 2010, the Management Board of the Company was composed of:

- President of the Management Board - Mr Miroslav Kozlovski,
- Vice-President of the Management Board - Mr Andrzej Piszcz.

During the period under consideration and after the balance sheet day until the day of completing the financial statement audit, there were the following changes in the composition of the Management Board:

- On 28th June 2010, the Supervisory Board adopted a resolution on appointing Mr Andrzej Piszcz for the position of the Vice-President of the Management Board,
- On 28th June 2010, the Supervisory Board adopted a resolution on delegating Mr Władysław Wojtowicz (a member of the Supervisory Board) to temporarily perform the activities of the President of the Management Board until 28th September 2010,
- By resolution no. 17/2010 of 27th September 2010, the Supervisory Board appointed

Mr Miroslav Kozlovski for the position of the President of the Management Board – the Managing Director of Zakłady Automatyki Polna S.A., beginning from 29th September 2010.

The Supervisory Board had the following composition as of 31st December 2010:

- President of the Supervisory Board – Mr Wiesław Piwowar,
- Vice-President of the Supervisory Board – Mr Adam Świetlicki vel Węgorek
- Secretary of the Supervisory Board – Mr Władysław Wojtowicz
- Member of the Supervisory Board – Ms Grażyna Kotar
- Member of the Supervisory Board – Mr Jarosław Iwaniec.

During the period under consideration and after the balance sheet day until the day of completing the financial statement audit, there were no changes in the composition of the Supervisory Board.

2. FINANCIAL STATEMENT

2.1. The audited financial statement

The financial statement made from the accounting year from 1st January to 31st December 2010 includes:

- financial standing statement as of 31st December 2010, showing the amount of **PLN 47,631 thousand,**
- total income statement for the accounting year from 1st January to 31st December 2010, showing total general income in the amount of **PLN 752 thousand,**
- statement of changes in equity for the accounting year from 1st January to 31st December 2010, showing an increase in equity capital by **PLN 752 thousand,**
- cash flow statement for the accounting year from 1st January to 31st December 2010, showing an increase in net cash position by the amount of **PLN 885 thousand,**
- additional information on the adopted accounting principles (policy) and other explanatory information.

2.2. Information on the authorised entity and the statutory auditor

The audit was conducted on the basis of an agreement between Kancelaria Porad Finansowo - Księgowych dr Piotr Rojek Spółka z ograniczoną odpowiedzialnością with the seat in Katowice, at ul. Floriana 15 and Zakłady Automatyki "POLNA" S.A. with the seat is in Przemyśl, at ul. Obozowa 23, concluded on 2nd July 2010.

"Kancelaria" was selected for the Company's statutory auditor by resolution of the Supervisory Board of 26th April 2010.

Kancelaria Porad Finansowo - Księgowych dr Piotr Rojek Spółka z ograniczoną odpowiedzialnością in Katowice operates within the area of auditing financial statements in accordance with the Act of 7th May 2009 on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight (Journal of Laws Dz.U. No. 77, item 649) and was entered into the list of entities authorized to audit financial statements with no. 1695.

The contractor is represented in performance of the contract by the statutory auditor:

- Genowefa Polak entered into the register of statutory auditors with no. 9308

Joanna Witkowska-Mosz, a legal trainee, participated in performance of the audit.

The audit was conducted in August 2010 as well as in February and March 2011.

Both the entity authorised to conduct the audit and the statutory auditor performing it on the entity's behalf declare that they are independent from the audited entity within the meaning of Article 56 of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight.

2.3. Declarations received and data availability

There were no significant limitations of the scope of the audit. The Management Board of the Company made all the financial statements, accounting books and documents available and provided all the information and explanations necessary for expressing the opinion.
We also received a declaration of the Management Board signed by all the members of the Board (in its composition on 21st March 2011) of complete inclusion of data in accounting books, showing all contingent liabilities and providing information on important events occurring in the period between the balance sheet day and the day of making the declaration.

2.4. Information on the financial statement for the previous accounting year

The financial statement for the previous accounting year was audited by Misters Audytor Sp. z o.o. in Warsaw and received the following opinion:

"Starting with the year 2009, pursuant to Art. 45 of the Accounting Act, the entity has been making financial statements in conformity to the principles included in International Financial Reporting Standards, approved of by the European Union.
The Company's financial statement for the previous accounting year, finished on 31st December 2008, was subject to an audit by another statutory auditor, who expressed his positive opinion of that statement on 23rd March 2009. Our opinion concerns solely the financial statement for the accounting year finished on 31st December 2009."

That financial statement was approved by resolution of the Annual General Shareholders Meeting on 28th June 2010.

The financial statement for the previous accounting year was deposited in the National Court Register (Krajowy Rejestr Sądowy) and made public in Monitor Polski B (Official Gazette of the Government of the Republic of Poland) no. 2368 on 1st December 2010.

Pursuant to the resolution of the Annual General Shareholders Meeting of 28th June 2010, the distribution of profit was the following:

- Reserve capital PLN 2,176 thousand

Moreover, on 28th June 2010, the Annual General Shareholders Meeting adopted a resolution on transfer of the retained profits concerning the adjustments resulting from the Company's transition to the International Accounting Standards in 2009, amounting to PLN 20,156 thousand to increasing the supplementary capital.

Accounting books as of 1st January 2010 were correctly opened on the basis of the approved closing balance of 31st December 2009.

II. FINANCIAL STANDING

1. The economic activity of the entity, its financial result and financial standing for the accounting year finished on 31st December 2010 and for the previous year are characterized by the absolute values and selected ratios presented below:

(In PLN thousand)	2010	2009	2008
Balance sheet total	**47.631**	**46.579**	**49.214**
Fixed assets	**28.169**	**30.748**	**31.548**
Equity capital	**40.419**	**39.667**	**37.085**
including: financial result	**752**	2.176	**14**
• EBITDA result from operating activity + amortization	**3.283**	**4.407**	**7.032**
• Gross profitability of sales (%) EBIT / operating income	**3,64**	8,92	**12,36**
• Net profitability of sales (%) net financial result / operating income	**2,68**	**8,09**	**0,04**
• Profitability of equity capital (%) net financial result / equity capital	**1,88**	5,67	**0,04**
• Profitability of property (assets) (%) net financial result / balance sheet total	**1,60**	**4,54**	**0,03**
• Liquidity I (current) current assets / short-term liabilities	**8,13**	**4,15**	**3,25**
• Liquidity II (quick) current assets – supplies / short-term liabilities	**6,43**	**3,20**	**2,31**
• Net Working Capital (NWC) equity capital + long-term liabilities - fixed assets	**16.044**	**13.190**	**11.149**
• Net Working Capital in turnover days (days) net working capital x number of days in the period / operating income	**209**	**179**	**117**
• Receivables turnover ratio (days) short-term receivables due for deliveries x number of days in the period / operating income	**56**	**63**	**59**

• Supplies turnover ratio (days) supplies x number of days in the period / operating expenses	**51**	**64**	**59**
• Liabilities turnover ratio (days) short-term liabilities due for deliveries x number of days in the period / operating expenses	**13**	**17**	**31**
• Total debt ratio (%) balance sheet total – equity capital / balance sheet total	**15,14**	**14,84**	**24,65**
• Net financial result per share (EPS) (PLN) net financial result / number of shares issued	**0,29**	**0,84**	**0,01**
• Ratio of current liabilities coverage EBITDA / short-term liabilities	**116,71**	**236,01**	**122,15**

2. Comments:

In 2010, a decrease in net financial result was noted in comparison to the previous year by 65.44%, which was influenced by the loss on other operation activity, amounting to PLN (401) thousand and drop in gross profit from sales by PLN 1,190 thousand. As a result of that, almost all profitability ratios were reduced in the year under examination.
Liquidity ratios had a significant increase in comparison to the end of the year 2009: liquidity I ratio by 3.98 and liquidity II ratio by 3.23, respectively.
It is worth noting that in the period under examination, the Entity achieved net working capital in the amount of PLN 16,044 thousand (higher by PLN 2,854 thousand in comparison to 2009, and even by PLN 4,895 thousand in comparison to 2008).
As for turnover ratios, the following changes were observed:
- the speed of receivables turnover ratio was shortened by 7 days,
- the cycle of supplies turnover was reduced by 13 days,
- the cycle of liabilities pay-off was shortened by 4 days.
However, it must be noted that the time of collecting receivables is longer than the cycle of liabilities pay-off by 43 days, which means that the Company credits its recipients.
The total debts ratio has remained on a similar, low level for the last two years and in amounted to 15.14% the period under examination. As for the ratio of current liabilities coverage with the operation activity result, adjusted by amortization, it reached a very high level and amounted to 116.71%.

III. DETAILED INFORMATION

1. Evaluation of the adopted accounting principles, documentation of economic operations and keeping the accounting books.

The documentation of the adopted accounting principles, adopted by the Company, meets the requirements of the Accounting Act and complies with the International Financial Reporting Standards (IFRS). During the audit, we did not observe any irregularities in documentation of economic operations and keeping the accounting books which could significantly affect the examined financial statement and which were not removed, also in terms of reliability, accuracy and verifiability of the accounting books, relation between records made in the books and accounting documents as well as the financial statement made and correctness of opening the accounting books. Accounting books are kept in a computerized system and meet the requirements of regulations concerning keeping accounting books with the use of computers. Accounting books, as well financial and accounting documentation, are stored in conformity to the provisions of chapter 8 of the Accounting Act.

2. Inventory of assets

The Company conducted an inventory of the assets enumerated below:

- Cash in the cash register — in accordance with the position as of 31/12/2010
- Money assets on bank accounts — in accordance with the position as of 31/12/2010
- Production in progress — in accordance with the position as of 31/12/2010
- Final products — in accordance with the position as of 31/12/2010
- Materials being processed — in accordance with the position as of 31/12/2010
- Goods — in accordance with the position as of 31/12/2010
- Receivables and liabilities — in accordance with the position as of 31/12/2010.

The Company conducts an inventory of supplies in the storehouse every two years. The last inventory took place on 31st December 2009.

The conducted inventory of assets is the audited entity's fulfillment of the obligation arising out of Article 26 of the Accounting Act.

Inventory differences were determined and cleared in the books from the period under examination.

Workers of our office observed physical inventory of selected supplies of materials being processed, finished products and production in process on 4th January 2011.

3. Basic accounting principles applied in making the financial statement

Accounting principles applied in making the financial statement comply with International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and interpretations related to them, published in the form of the European Commission executive regulations, and as for the issues IAS and IFRS do not regulate – with the provisions of the Accounting Act of 29th September 1994 (Journal of Laws Dz.U. of 2009, No. 152, item 1223 as amended) and executive regulations based on it.

a) Valuation of assets and liabilities expressed in foreign currencies

As of the balance sheet day, cash assets and liabilities expressed in foreign currencies are recognized at the average exchange rate established by the National Bank of Poland for that day for the given currency.
Exchange differences concerning assets and liabilities expressed in foreign currencies, occurring as of the day of their valuation and at the moment of making the payment of receivables and liabilities in foreign currencies, are included in financial income and expenses.
Non-cash assets and liabilities are included in accordance with historical cost expressed in a foreign currency are shown at the exchange rate valid on the day of making the transaction.

b) Tangible fixed assets

Tangible fixed assets include fixed assets and fixed assets under construction. Fixed assets include assets which are purchased and maintained so as to use them in the production process or for goods deliveries and providing services and which are expected to be used for a time longer than one period.
Fixed assets are appraised at their acquisition price or production cost reduced by amortization write-offs and write-offs for diminution in value.

c) Intangible assets

Intangible assets are identifiable non-cash assets not having a physical form, which remain under the entity's control and from which the entity is going to receive economic benefits in the future.

Intangible assets include computer software and development works expenditure.
Intangible assets are appraised at their acquisition prices reduced by amortization write-offs and write-offs for diminution in value.

d) Amortization

Amortization rates of fixed assets and intangible assets are determined by the Company, taking into consideration the time period over which a given asset is expected to be used by the entity.

Utility periods for the main groups of fixed assets are the following:

• Buildings, premises and civil and water engineering facilities	from	2.32	%	to	13.64	%
• Machines and technical equipment	from	3.61	%	to	33.33	%
• Means of transport	from	9.16	%	to	16.44	%
• Other fixed assets	from	12.37	%	to	20.00	%

Utility periods for intangible assets are the following:

• software		50	%
• development works		33	%

Assets with initial unitary value not exceeding PLN 3.5 thousand are charged as expenses on a one-off basis at the moment of putting them into service. Amortization begins not earlier than at the moment when an asset is ready to use and finished not later than at the moment when amortization write-offs equal the initial value, the asset is handed over for liquidation or sales or its shortage is found.

e) Financial assets

Financial assets include shares in other entities.
Shares in entities are appraised at their acquisition prices adjusted by write-offs for diminution in value.

f) Deferred income tax assets

Deferred income tax assets were established in the amount anticipated to be deducted from income tax in the future due to negative exchange rate differences, which will decrease the basis for income tax calculation while observing the principle of conservative valuation.

Changes in the value of those assets are recognized as income or cost.

g) Supplies
Supplies include materials, half-finished products, production in progress and final products, as well as goods.

Supplies are appraised at their production costs or purchase prices not higher than their net selling prices as of the balance sheet day.

h) Short-term receivables and prepayments and accruals
Short-term receivables include:

- all receivables due for deliveries and services regardless of their contractual payment date,
- other receivables whose current contractual payment date of the last installment falls within 12 months of the balance sheet day,
- all claims concerning short-term and long-term receivables pursued in court, in the case of which a binding court judgement has not been passed.

Receivables are appraised at the due amount reduced by revaluation write-offs for diminution of value.

Expenditure incurred or entered into books, constituting future periods expenses, is included in active prepayments and accruals. Prepayments and accruals include in particular:

- insurances, subscriptions and other expenses of the next year paid in advance.

i) Short-term financial assets
Short-term investments include short-term financial assets including cash and shares in other companies.

The investments are appraised:
- cash – in nominal value,
- shares and stocks at purchase price adjusted by write-offs for diminution of value.

j) Fixed assets allocated for disposal
The entity appraises a fixed assets classified as allocated for sales at the amount lower than its carrying value and fair market value decreased by selling costs.

k) Equity capital

Equity capital is capital created by the Company in accordance with the binding law, applicable regulations and the Company's Charter. Profit from the current year is included in equity capital. The Company's initial capital is shown in the amount stipulated in the Company's Articles of Association and included in the National Court Register entry in the nominal value. Net financial result of the accounting year is net profit arising out of the total income statement.

l) Deferred income tax reserve

Deferred income tax reserve is made in the amount of income tax payable in the future as a result of temporary differences. Changes in the value of that reserve are recognized as income or costs.

ł) Reserves

Reserves for liabilities are made for future liabilities, resulting from past events or highly probable, whose amount can be reliably estimated.

The reserves include:

- deferred income tax reserves,
- reserves for retirement termination pays, seniority awards and outstanding leaves,
- reserve for the Management Board bonus,
- reserve for Management Board termination pays,
- reserve for costs of balance sheet audit,
- reserves for warranty repairs and reviews and for guarantees.

In accordance with the Company's remuneration system, employees are entitled to retirement termination pays, disability packages and seniority awards. The Company recognizes expenses for those titles on the basis of memorandum. The benefits are appraised with the actuarial method.

m) Financial liabilities

Financial liabilities include liabilities due for loans and credits and leasing contracts.

Liabilities due for financial leasing contracts as of the day of beginning the leasing are appraised in the lower out of the following values: fair market value of the assets on lease or current value of minimum leasing payments. Leasing payments are divided into financial costs and decreasing the balance of leasing liability in a way allowing for achieving a fixed interest rate on the liability remaining to be paid.

n) Short-term liabilities

Short-term liabilities include the total of liabilities due for deliveries and services regardless

of the payment date and other liabilities titles payable within 12 months of the balance sheet day.
Short-term liabilities are shown in the payable amount.

o) Prepayments and accruals
Prepayments and accruals include income from deposits for deliveries.

p) Income from products, goods and materials sales
Income from sales of products, goods and materials is constituted by recurrent income directly connected with the entity's basic activity. That income is shown in the net amount without VAT, with consideration of subsidies, discounts, rebates etc.

r) Costs of products, goods and materials sold, costs of sales and general management expenses
Costs of products, goods and materials sold, costs of sales and general management expenses include all expenses connected with basic activity, except other costs and financial costs.

s) Other income and costs
Other income and costs include income and costs not connected directly with basic production activity, affecting the financial result.

t) Financial income and expenses
Financial income and expenses include income and costs connected with financial activity, affecting the financial result.

u) Income tax
Corporate income tax is an income tax constituting tax liability, adjusted by change in the position of deferred income tax reserves and deferred income tax assets.
A reserve for income tax is created in the amount of income tax payable in the future as a result of positive temporary differences occurring.
Deferred tax assets are established in the amount expected to be deducted from the tax in the future as a result of occurrence of negative temporary differences established with consideration of conservative valuation principle.

4. Description of particular items of the financial standing statement and total income statement

4.1. Tangible fixed assets
The position of tangible fixed assets presented in the statement conforms to the accounting

books of the Company. Changes in the value of fixed assets are presented below:

(in PLN thousand)	**End of the year position**		**Beginning of the year position**	
	Gross value	Accumulated amortization	Gross value	Accumulated amortization
• fixed assets, including:	35.280	7.916	35.515	5.757
- buildings, premises and civil and water engineering objects	14.425	1.550	14.425	1.036
• revaluation write-offs	23		3	

In the accounting year under consideration, the Company purchased fixed assets with a total value of PLN 843 thousand. At the same time, fixed assets with total initial value of PLN 336 thousand were liquidated.

Buildings, premises and civil and water engineering objects (47.08%), as well as machines and technical equipment (40.79%) have the greatest participation in the structure of fixed assets.

The fixed assets revaluation write-off amounts to PLN 23 thousand.

As of 31st December 2010, tangible fixed assets constituted 57.40% of the Company's property.

4.2. Intangible assets

The position of intangible assets presented in the statement conforms to the accounting books of the Company.

In the accounting year under consideration, income referred to purchase of computer software for PLN 13 thousand.

As of 31st December 2010, the participation of intangible assets in the general assets value amounted to 0.03%.

4.3 Long-term financial assets

The position of long-term financial assets presented in the statement conforms to the accounting books of the Company.

(in PLN thousand)	End of the year position	Beginning of the year position
• shares and stocks in other entities	26	26
• revaluation write-offs	26	26

As of 31st December 2010, long-term financial assets are covered by a revaluation write-off in 100%.

4.4. Long-term prepayments and accruals

The position of long-term prepayments and accruals presented in the balance sheet arises out of the accounting books and refers to the titles enumerated below:

	(in PLN thousand)
Long-term prepayments and accruals: • deferred income tax asset	813

As of 31st December 2010, prepayments and accruals constituted 1.71% of the general assets value.

4.5. Supplies

The position of supplies shown in the statement arises out of the accounting books.

(in PLN thousand)	End of the period position	%	Beginning of the period position	%	Item 2/4
1.	2.	3.	4.	5.	6.
• materials	3.245	55,38	3.433	59,36	94,52
• half-finished products and production in progress	2.102	35,88	1.755	30,34	119,77
• final products	511	8,72	594	10,27	86,03
• goods	1	0,02	2	0,03	50,00
Total	**5.859**	**100**	**5.784**	**100**	**101,30**
Revaluation write-off	1.874	31,98	2.159	37,33	86,80
Net supplies value	**3.985**	**68,02**	**3.625**	**62,67**	**109,93**

In comparison to the previous year, the supplies position increased by 9.93%.
As of the balance sheet day, materials had the greatest participation in the supplies structure (55.38%).
As of 31st December 2010, supplies constituted 8.37% of the Company's assets.

4.6 Receivables due for deliveries and services, other receivables and prepayments and accruals

The position of receivables presented in the statement conforms to the accounting books.

The time structure of receivables due for deliveries and services in accordance with the maturity date is as follows:

(in PLN thousand)	End of the period position	%	Beginning of the period position	%
timely	ss	72,42	2.553	72,02
• up to 12 months	4.130	72,42	2.553	72,02
• over 12 months	-	-	-	-
overdue	1.573	27,58	992	27,98
• up to 1 months	874	15,33	401	11,31
• from 1 month to 3 months	395	6,93	379	10,69
• from 3 months to 6 months	29	0,50	19	0,54
• from 6 months to 12 months	19	0,33	-	-
• over 12 months	256	4,49	3.545	100,00
Gross receivables	5.703	100.00	3.545	100,00
Revaluation write-offs	395	6,93	263	7,42
Net receivables	5.308	93,07	3.282	92,58

As of 31st October 2010, the Company confirmed receivables in the amount of PLN 2,829 thousand, which constitutes 95.19% of the domestic receivables as of that day and 57.08% of the general net receivables due for deliveries and services.
Until 28th February 2011, PLN 4,715 thousand (88.83%) was paid out of the total amount of receivables due for deliveries and services, amounting to PLN 5,308 thousand as of the balance sheet day.

Receivables due for taxes, subsidies, customs duties, social and health insurances and other benefits, amounting to PLN 84 thousand, refer to receivables related to VAT.
Other receivables include particularly a tender bond (PLN 46 thousand) and a deposit for leasing buy-out (PLN 30 thousand).

As of the balance sheet day, the Company made a 100% revaluation write-off for receivables pursued in court.

The position of prepayments and accruals mostly referred to the following titles:

Short-term prepayments and accruals:	
• subscriptions	10
• insurances	28
• outsourcing	23

As of 31st December 2010, receivables due for deliveries and services, other receivables and prepayments and accruals constituted 11.61% of the Company's property.

4.7 Short-term financial assets

The position of short-term financial assets presented in the statement arises out of the accounting books.

In the item, the value of purchased shares in other unit in a total amount of PLN 42 thousand was presented.

As of 31st December 2010, short-term financial assets constituted 0.09% of the Company's assets.

4.8 Cash and cash equivalents

The position of cash and cash equivalents presented in the statement arises out of the accounting books. As of the end of the accounting books, the main items were:

	Amount in PLN thousand	Participation (%)
• cash in the cash box	16	**0,17**
• cash in banks	1.029	**10,89**
• other cash	**8.400**	88,94
Total	**9.445**	**100,00**

As of 31st December 2010, cash and cash equivalents constituted 19.83% of the Company's assets.

4.9. Capitals

The value of capitals presented in the statement arises out of the accounting books.

	(in PLN thousand)
• initial capital	9.823
• supplementary capital	21.844
• reserve capital	8.000
• net profit	752
Total equity capital	**40.419**

The position of capitals constitutes 84.86% of the balance sheet total.

4.10 Financial liabilities

The value of financial liabilities presented in the statement arises out of accounting records. The value of financial liabilities at the beginning and at the end of the accounting year developed as follows:

(in PLN thousand)	End of the period position	Beginning of the period position
Long-term liabilities: • liabilities due for financial leasing contracts	-	303
Short-term liabilities: • liabilities due for financial leasing contracts	327	482
Total	327	785

As of 31st December 2010, financial liabilities constituted 0.69% of the Company's equity and liabilities.

4.11 Reserves

The position of reserves presented in the statement conforms to the accounting books. The value of reserves at the beginning and at the end of the accounting year developed as follows:

(in PLN thousand)	End of the period position	Beginning of the period position
• deferred income tax reserve	3.105	3.420
• reserve for retirement termination pays	248	168

• reserve for seniority awards	427	343
• reserve forleaves	263	227
• reserve for death benefits	93	92
• reserve for warranty repairs expenses	159	159
• reserve for the costs of financial statement audit	18	11
• reserve for the Management Board bonus	43	79
• reserve for the Management Board termination pay	16	181
• others	14	50
Total	4.386	4.730

As of 31st December 2010, reserves constituted 9.21% of the Company's equity and liabilities.

4.12 Liabilities due for deliveries and services, other liabilities and prepayments and accruals

The position of short-term liabilities conforms to the accounting books.

The amount of liabilities due for deliveries and services in accordance with the maturity date is as follows:

(in PLN thousand)	End of the period position	%
timely	1.162	99,57
• up to 12 months	1.162	99,57
• over 12 months	-	-
overdue	5	0,43
• up to 1 months	5	0,43
• over 1 year	-	-
Total	1.167	100,00

The Company made confirmations of balances of liabilities due for deliveries and services as of 31st October 2010.

Out of the general amount of liabilities, PLN 1,831 thousand was confirmed, which constitutes 79.61% of the total.

Liabilities due for deliveries and services presented as of the balance sheet day were increased by 52.35% in comparison to the previous year.

Until 28th February 2011, PLN 1,142 thousand (97.86%) was paid out of the total amount of liabilities due for deliveries and services (PLN 1,167 thousand as of the balance sheet day). Short-term liabilities also include regulatory settlements, liabilities due for remunerations and other current liabilities.

As of 31st December 2010, liabilities due for taxes, customs duties, insurances and other benefits included:

	(in PLN thousand)
• contributions for social and health insurances	415
• personal income tax	87
• VAT	338
• PFRON (State Fund of Rehabilitation of Handicapped People)	1
Total	841

The position of other prepayments and accruals presented in the balance sheet arises out of the accounting records data.

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(in PLN thousand)	End of the period position	Beginning of the period position
Other short-term prepayments and accruals: • income from deposits for deliveries	13	12
Total	13	12

As of 31st December 2010, short-term liabilities and prepayments and accruals constituted 5.25% of the Company's total equity and liabilities.

4.13 Income from products, goods and materials sales
Income presented in the accounting year conforms to the accounting books.
In 2010, the Company obtained income from sales in the amount of PLN 28,000 thousand.
The main part of the income was income from sales of products (even 98.86% of the total).
In comparison to the previous year, income from sales increased by 4.05%.

4.14 Costs of products, goods and materials sold
Costs presented in the accounting year conforms to the accounting books.
In comparison to the previous year, own costs of products, goods and materials sold increased by 12.64%.

4.15 Other income and expenses

The amounts presented in the statement conform to the accounting books.

The amounts presented in the profit and loss account conform to the accounting books.

Other income includes:

	(in PLN thousand)
• released revaluation write-offs for supplies	437
• released revaluation write-offs for tangible fixed assets and receivables	128
• income from sales of waste and packages	84
• income from scrapping	41
• others	44
Total	734

Other costs include:

	(in PLN thousand)
• loss from sales of non-financial fixed assets	186
• revaluation write-offs	570
• costs related to sales of waste and packages	27
• costs of scrapping	296
• damages and fines paid	16
• others	40
Total	**1.135**

The Company had a loss of PLN (401) thousand from other activity.

4.16 Financial income and financial expenses

The amounts presented in the statement conform to the accounting books.

Financial income referred to:

	(in PLN thousand)
• interest received	**378**
• profit from disposal of investments	**34**
Total	**412**

Financial income referred to:

	(in PLN thousand)
• interest	29
• revaluation of investments	2
• excess of negative exchange rate differences over positive ones	**117**
• others	36
Total	**184**

The Company had a profit of PLN 228 thousand from financial activity.

5. Contingent liabilities and risks

5.1 Collateral on property in favour of third parties

As of 31^{st} December 2010, collateral on property in favour of third parties include:

	(in PLN thousand)
• bail mortgages on real property	**750**
Total	**750**

5.2 Other contingent liabilities

As of 31^{st} December 2010, other contingent liabilities include:

	(in PLN thousand)
• bills of exchange	2.594
• liabilities due for entrusted material	66
Total	2.660

5.3 Other significant risks

Regulations concerning taxes, customs duties or insurances were often changed, so using the tax system in practice may cause occurrence of ambiguity in tax regulations.

In addition, frequent differences in interpretation of tax law regulations contribute to the high tax risk. Although the Management Board of the Company is sure of meeting the requirements of tax law regulations, there exists a risk of erroneous interpretation of regulations of that law.

Supervising bodies may control tax issues within 5 years of ending the period subject to the audit.

6. Events occurring after the end of the accounting year

After the date of the end of the accounting year, no significant events occurred to affect the financial standing of the audited entity.

7. Statement of changes in equity

The data included in the statement of changes in equity are complete and conform to information included in the financial standing statement and records in the accounting books.

8. Cash flow statement

The cash flow statement made by the Company for the period from 1st January to 31st December 2010 is correctly related to the financial standing statement, total income statement and records in the accounting books. During the audit, no significant irregularities in the making of that statement were found.

9. Other explanatory information

The data included in other explanatory information are correct and complete, arise out of the records in the accounting books and conform to the amounts presented in other parts of the statement.

We did not observe any significant lacks or irregularities which might affect the reliability of the financial statement in a negative way.

10. Statement from the entity's activity

Financial data included in the Management Board's report from the Company's activity for the accounting years from 1st January to 31st December 2010, concerning particular items of the financial statement, are correct.

The main statutory auditor: *(signature)*

…………………………

Genowefa Polak

entered into the register of statutory auditors

with no. 9308

Kancelaria Porad Finansowo – Księgowych dr Piotr Rojek
Spółka z ograniczoną odpowiedzialnością 40-286 Katowice, ul. Floriana 15 entity entered into the list of entities authorised to audit financial statements with no. 1695

Katowice, 21st March 2011

DECLARATION BY THE MANAGEMENT BOARD
OF ZAKŁADY AUTOMATYKI "POLNA" S.A.

of the accuracy of the unitary financial statement for the year 2010

The Management Board of Zakłady Automatyki "POLNA" S.A., composed of Miroslav Kozlovski – President of the Management Board and Andrzej Piszcz – Vice-President of the Management Board, declare that to their best knowledge, the annual financial statement and comparable data were made on the basis of the International Financial Reporting Standards and truly, accurately and clearly reflect the Company's financial situation and its financial result.

The statement of the Company's activity contains the true image of its development, achievements and standing, including the description of basic risks and threats.

Andrzej Piszcz	Miroslav Kozlovski
Vice-President of the Management Board	President of the Management Board

Przemyśl, 21st March 2011

DECLARATION BY THE MANAGEMENT BOARD
OF ZAKŁADY AUTOMATYKI "POLNA" S.A.

concerning the entity authorized to audit the unitary financial statement
for the year 2010

The Management Board of Zakłady Automatyki "POLNA" S.A. declares that the entity authorized to audit financial statements, auditing the annual financial statement, was chosen in accordance with legal regulations and that the entity and the statutory auditors conducting the audit met the conditions to issue an objective and independent opinion on the audited financial statement, pursuant to the applicable regulations and professional standards.

Andrzej Piszcz	Miroslav Kozlovski
Vice-President of the Management Board	President of the Management Board

Przemyśl, 21st March 2011

Dear Shareholders,

On behalf of the Management Board of Zakłady Automatyki "POLNA" S.A., I present to you the statement from economic activity of the Company for the year 2010.

Contemporary market conditions, confirmed and deepened by the recent economic crisis, require from enterprises better and better abilities of predicting, always being ahead and reacting quickly, while at the same time concentrating on the basic principles underlying their activity – quality and reliability of products, timely deliveries and responding to customers' needs, including development of new products and improving existing ones, as well as well-thought-out actions aimed at cost reduction.

The results for the fourth quarter of 2009, as well as the first and the fourth quarter of 2010, clearly indicate the necessity of a broader look in terms of managing the Company. Governed with the shareholders' expectations – among others, with an increase in profitability, increasing goodwill of the Company by acquisition of another entity and beginning to create a group – the Management Board is also obliged to take into consideration the market conditions described above and the Company's level of preparation for it in terms of organizational, technical, financial and staff areas. The expectations and objectives were summarized and formulated at the end of 2010 in the form of the Mission, Vision, Values and Strategic Objectives, which the Company is going to realize consistently in the years to come.

Perspectives of development in the sectors of nuclear power industry, petrochemical industry, gas industry, heat industry or renewable energy industry translate into perspectives for the Company, which has a potential based on the following solid fundaments: developed construction solutions, experience of the staff and excellent knowledge of the manufacture technology used. Because of that, the year 2011 requires double effort and involvement, as it assumes simultaneous development and restructuring of the firm.

Restructuring activities being carried out refer to: the policy of fixed assets management, management of the company infrastructure, the level of computerization and IT development supporting operation and management processes, the policy of human resources management, including creation of staff to replace specialists with many years of service and experience in the Company, as well as creating and implementing organization culture. Introducing the actions and consolidating the effects of those actions in the Company requires time and great determination.

I am sure that conducting the planned actions consistently will allow us to conclude the year 2011 as the period of increase in goodwill and clear development of the Company.

Presenting the annual report to you, in the name of the Management Board of Zakłady Automatyki "POLNA" S.A., I thank you for the trust shown to the Company.

Yours faithfully,

Miroslav Kozlovski

President of the Management Board, Managing Director

ZAKŁADY AUTOMATYKI "POLNA"
Spółka Akcyjna

UNITARY ANNUAL FINANCIAL STATEMENT
FOR THE YEAR 2010

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS

PRZEMYŚL, MARCH 2011

PART ONE – SUPPLEMENTARY INFORMATION ON THE ADOPTED ACCOUNTING PRINCIPLES (POLICY)

PART TWO – UNITARY: FINANCIAL STANDING STATEMENT, STATEMENT OF CHANGES IN EQUITY, TOTAL INCOME STATEMENT AND CASH FLOW STATEMENT

PART THREE – OTHER EXPLANATORY INFORMATION

wPART ONE - SUPPLEMENTARY INFORMATION ON THE ADOPTED ACCOUNTING PRINCIPLES (POLICY)

I. The registered name and seat, competent register court and registration number, the main object of activity of the issuer according to PKD (Polish Classification of Economic Activities) and indication of industry according to the classification adopted by the WSE market.

The company's name: Zakłady Automatyki "Polna" S.A.
Seat: 37-700 Przemyśl, ul. Obozowa 23
Register court: District Court in Rzeszów, XII Economic Division of the National Court Register (KRS), KRS number 0000090173.

The Company's object of activity is:

- 24.5 Metal founding;
- 28.12.Z Production of hydraulic and pneumatic drive equipment;
- 28.13.Z Production of other pumps and compressors;
- 28.14.Z Production of other cocks and valves;
- 38.21.Z Processing and utilization of waste other than dangerous;
- 38.32.Z Recycling of raw materials from sorted materials;
- 46.69.Z Wholesale trade of other machines and equipment;
- 46.90.Z Non-specialized wholesale trade;
- 46.77.Z Wholesale trade of waste and scrap.

The Company is classified as belonging to the electrical engineering industry.

II. The issuer's lifetime.

The time of the Company's activity is unlimited.

III. The reporting currency, accounting year, the time covered by the statement and approval of the statement by the Management Board for publication.

The reporting currency of this financial statement is Polish zloty, and all amounts are expressed in thousands of Polish zlotys (unless otherwise stated).

The accounting year is a calendar year.

The financial statement was made for the period from 1st January 2010 to 31st December 2010. The comparative financial data covers the previous year, i.e. the period from 1st January 2009 to 31st December 2009.

The Management Board approved this financial statement for publication on the day 21/03/2011.

IV. Composition of the Management Board and the Supervisory Board of the issuer.

The Management Board of the Company until 28th June 2010:

- Jan Zakonek – President of the Management Board – Managing Director
- Jacek Lechowicz – Member of the Management Board – Sales and Marketing Director

At the session on 28th June 2010, the Supervisory Board appointed the Management Board in the following composition:

- Władysław Wojtowicz – Member of the Supervisory Board Delegated to temporarily perform the activities of the President of the Management Board until 28th September 2010
- Andrzej Piszcz – Member of the Management Board – Vice-President

At the session on 27th September 2010, the Supervisory Board appointed Mr Miroslav Kozlovski for the position of the President of the Management Board and the Managing Director.

The Supervisory Board of the Company had the following composition on the balance sheet day and on the day of making the financial statement:

- Mr Wiesław Piwowar – President,
- Mr Adam Świetlicki vel Węgorek – Vice-President,
- Mr Władysław Wojtowicz – Secretary,
- Mr Jarosław Iwaniec – Member,
- Ms Grażyna Kotar – Member.

No changes in the Company's Supervisory Board occurred during the reporting period.

V. Indication whether the financial statement and the comparative financial data include aggregate data.

The Company is not composed of any internal organizational units; the financial statement does not include aggregate data.

VI. Indication whether the issuer is a holding company or a significant investor and whether it makes consolidated financial statements.

The Company does not make consolidated financial statements, is not a holding company or a significant investor with regard to other entities.

VII. Indication whether the financial statement was made after a merger of companies.

During the reporting period no merger of the Company with other entities took place.

VIII. Indication whether the financial statement was made with the assumption of the issuer continuing its business activity in the foreseeable future and whether any circumstances exist which indicate a threat to continuation of its activity.

The financial statement was made with the assumption of the Company continuing their business activity. The Company is not planning to reduce or abandon any fields of its activity.

IX. Declaration that the financial statements were subject to transformation so as to ensure data comparability.

The Company has made financial statements in accordance with the IFRS since 2009. The report for 2009 was the first annual report made in accordance with the IFRS.
So as to ensure comparability of data to the year 2010, the financial statement for 2009 was transformed. The differences between statements were described in item XIV.

X. Indication whether corrections were made in the presented financial statement or comparative data as a result of objections of the bodies authorized to audit financial statements for the years for which the financial statement or comparative data were included in the report.

No corrections resulting from auditors' objections were necessary.

XI. Description of the accounting principles (policy) adopted for making the financial statement, including methods for valuation of assets and liabilities, as well as income and expenses, determining the financial result and the way of making the financial statement and comparative data.

1. The basis for making the financial statement.

Since 1st January 2009, pursuant to the Resolution of the Annual General Shareholders Meeting No. 32/2008 of 30th June 2008, "POLNA" S.A. has been making unitary financial statements in compliance with the International Financial Reporting Standards accepted by the European Commission.
Annual financial statement of "POLNA" S.A. was made in compliance with the International Financial Reporting Standards (IFRS) for the first time, taking into consideration IFRS 1 "First-time Adoption of International. Financial Reporting Standards". As for issues not regulated by the aforementioned standards, the statement was made in compliance with the

Accounting Act of 29^{th} September 1994 and executive regulations issued following it.
The information included in the report for the year 2010 was included in accordance with the Regulation of the Minister of Finance of February 19^{th} 2009 on current and periodical information made public by issuers of securities and on the conditions under which such information may be recognized as being equivalent to information required by the legal regulations of a state which is not a EU member state.
The presented financial statement was made with consideration of the historical cost principle.

2. Declaration of conformity.
This financial statement was made in conformity to the International Financial Reporting Standards (IFRS) approved by the European Union.

New standards, interpretations and changes to standards already published

The following amendments to the existing standards published by the International Accounting Standards Council and approved by the EU shall come into force in the year 2010:

- Amendments to IFRS 2 “Share-based Payment” – change in group cash-settled share-based payment transactions for recipients of goods or services (binding for annual periods beginning on 1^{st} January 2010 or later),
- Interpretation IFRIC 17 “Distributions of Non-cash Assets to Owners”, approved in the EU on 26^{th} November 2009 (binding for annual periods beginning on 1^{st} November 2009 or later),
- Amendments to IAS 39 “Financial Instruments:” – changes concerning hedge accounting (binding for annual periods beginning on 1^{st} July 2009 or later),
- IFRS 3 (amended) “Business Combinations”, approved in the EU on 3^{rd} June 2009 (binding for annual periods beginning on 1^{st} July 2009 or later),
- IFRS 1 (amended) “First-time Adoption of International Financial Reporting Standards”, approved in the EU on 25^{th} November 2009 (binding for annual periods beginning on 1^{st} January 2010 or later),
- Amendments to IAS 27 “Consolidated and Unitary Financial Statements” and amendments to IAS 28 and IAS 31 resulting from them, approved in the EU on 3^{rd} June 2009 (binding for annual periods beginning on 1^{st} July 2009 or later),
- Interpretation IFRIC 18 “Transfers of Assets from Customers” – applicable for transactions made on 1^{st} July 2009 or later),
- Interpretation IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” (binding for annual periods beginning on 1^{st} July 2010 or later).
- Amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards”: Limited exemption for first-time adopters from presenting comparative

data required by IFRS 7 for entities applying IFRS for the first time" binding for annual periods beginning on 1st July 2010 or later. In accordance with that amendment, entities applying IFRS for the first time use the same transition periods as other entities, included in Amendments to IFRS 7 "Enhancing disclosures about transfers of financial assets".

- Amendments to IFRS arising out of the annual amendments schedule.

The above-mentioned standards, interpretations and amendments to standards did not affect significantly the accounting policy of the entity.

Standards and interpretations already published but not yet in force

As of the day of making this financial statement, the Company had not applied the following standards, amendments to standards and interpretations, which had been published and approved for application but had not been implemented yet.

- Amendments to IAS 24 "Related Party Disclosures" – Simplification of requirements concerning disclosures by entities related to the state and defining related parties precisely (binding for annual periods beginning on 1st January 2011 or later),
- Amendments to IAS 32 "Financial Instruments: Presentation" – Classification of Rights Issues, approved in the EU on 23rd December 2009 (binding for annual periods beginning on 1st January 2011 or later),
- **Amendments to IFRIC 14 – "Contributions Paid within Minimum Funding Requirements" – prepaid contributions related to minimum funding requirements (binding for annual periods beginning on 1st January 2011 or later).**

The entity decided not to take the possibility of earlier application of the aforementioned standards, amendments to standards and interpretations. In accordance with the entity's estimations, the above-mentioned standards, amendments to standards and interpretations would not have significantly influenced the financial statement if the entity had applied them on the balance sheet day.

Standards and interpretations adopted by IASB but not yet approved by EU

Current IFRS in the form approved by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, amendments to standards and interpretations, which have not been approved for application as of the day of signing the statement:

- IFRS 9 "Financial Instruments" (binding for annual periods beginning on 1st January

2013 or later),

- IFRS 7 " Financial Instruments: Disclosures " (binding for annual periods beginning on 1st January 2011or later, with the possibility of earlier application).

In accordance with the entity's estimations, the above-mentioned standards, amendments to standards and interpretations would not have significantly influenced the financial statement if the entity had applied them on the balance sheet day.

3. Detailed accounting principles.

Tangible fixed assets (IAS 16) are shown at their acquisition price, production cost or reappraised value reduced by amortization and possible write-offs for diminution in value. The acquisition price of fixed assets comprises the purchase price and all expenses directly related to the purchase and adaptation of the asset to using.

As of the moment of transition to IAS, perpetual usufruct of land, as well as buildings and structures, were appraised at their fair market value determined by an expert as the realizable value.

Amortization is calculated for all fixed assets, excluding land and fixed assets under construction, for the estimated period of economic utility of those assets, using the straight-line method and the following annual amortization rates:

- Buildings and structures 2.32 – 13.64%
- Machines and technical equipment 3.61 – 33.33%
- Means of transport 9.16 – 16.44%
- Other fixed assets 12.37 – 20.00%.

Amortization rates reflect the period of economic utility of given fixed assets. They are verified by technical services at least once a year. When determining the utility period of an asset, the following are taken into consideration: expected usage of the asset, expected physical wear and tear depending on operating factors such as the number of shifts during which the asset is going to be used, renovation and conservation plan, preservation and conservation of the asset during stoppage, as well as technological and market loss of usefulness resulting from production changes or improvements or changes in demand for a given product for production of which the asset is used.

Amortization of fixed assets with the initial value exceeding PLN 3,500.00 is calculated beginning from the month following the month of putting the asset into service. Items with service life longer than one year and unit value between PLN 1,000 and PLN 3,500 are entered into a fixed assets register and amortized on a one-off basis in the full initial value in the month of putting the asset into service. Items with service life longer than one year and unit value not exceeding PLN 1,000 are written off to material consumption costs in the full initial value on the date of putting them into service.

If there is evidence indicating the possibility of permanent diminution in value of a fixed asset, the Company makes write-offs revaluating the asset to the level of its net selling price.

Revaluation write-offs made on account of diminution of value are included in the profit and loss account.
Fixed assets under construction are appraised at the purchase price or production cost, increased by the costs directly related to their acquisition and production and possibly reduced by write-offs on account of permanent diminution in value.

Intangible assets (IAS 38) purchased from other business entities are subject to activation at their acquisition price. Intangible assets are amortized with the straight-line method according to principles and rates considering their economic utility periods, from the month following the acceptance of the intangible and legal assets into service. Amortization of intangible assets may not be done for a period shorter than 2 years in the case of computer software and copyrights and shorter than 5 years in the case of other titles.

Costs of research (MSR 38) are written off in the income statement on the day they are incurred. **Expenditure for development works** performed within a given project are activated if it can be assumed that they will be regained in the future. That expenditure is amortized within the period of three years. Development expenditure is verified for potential diminution in value if the occurring events indicate that their carrying value may be impossible to regain.

Long-term and short-term investments – initially, financial assets or financial liabilities are appraised at their fair market value. As for instruments not qualified as appraised at their fair market value by their financial result, the fair market value is increased by transaction expenses, which may be directly related to purchase or issuance of a financial asset or financial liability. After the initial recognition, the Company appraises financial assets at their fair market value, except for loans and receivables, instruments held until their maturity date and investments in equity instruments (which do not have prices quoted on active market and hence their fair market value may not be reliably measured), as well as derivative instruments associated with them, which have to be cleared by means of provision of unquoted equity instruments. In the case of loans and receivables, as well as instruments held until their maturity date, they are appraised at amortized cost with the use of effective interest rate method. A financial asset without established maturity date is appraised at the amount of cost.

Materials and goods supplies (IAS 2) are valued at their acquisition price understood as purchase price of the supplies units due to the seller, without deductible VAT, increased by import tax, excess duty and customs duty and reduced by rebates and discounts.
Expenses related to purchase of materials and goods, including costs of transport, handling charges and costs of sorting are summed up in the “Purchase costs” account. Those costs are cleared proportionally to the value of the supplies and materials consumption.
To establish the outgoings of materials and goods supplies, the Company applies the FIFO

method.
As of the balance sheet day, the Company makes analyses of accumulation of supplies according to their age and makes write-offs revaluing the net worth of material supplies in accordance with the following formula: supplies over 2 years old – writing off 100% of their value, supplies over 1 year old – writing off 50% of their value, supplies over 6 months old – writing off 10% of their value. Write-offs revaluing the supplies are included in the profit and loss account.

Supplies of production in progress (IAS 2) are appraised at their production costs, while **supplies of finished products (IAS 2)** are appraised at production costs not higher than their net selling price. Production costs include direct materials and labour costs, as well as proper mark-up of production costs established with the assumption of using the productive power to the usual extent. General management costs, sales and distribution costs, other operating costs and unjustifiable indirect production costs (in particular, costs of unused production capacity and production losses) are not included in production costs.
As of the balance sheet day, the Company makes analyses of accumulated supplies, considering their age, and makes write-offs revaluing the net value of supplies of production in progress and final products, applying the same principles of establishing write-offs as in the
case of materials.
The write-offs revaluating the worth of supplies are recognized in the profit and loss account.

Receivables due for deliveries and services (IAS 39) are appraised at the amount of the due payment (in accordance with the amounts initially invoiced), subject to the principles of conservative valuation. As of the balance sheet day, the Company makes revaluing write-offs for overdue receivables, taking into consideration the delay in payment:

- over 3 months but up to 6 months: in the amount of 10% of their value,
- over 6 months but up to 12 months: in the amount of 50% of their value,
- over 12 months: in the amount of 100% of their value.

Revaluation write-offs for receivables difficult to regain, including receivables adjudicated by court action, receivables from contractors in composition or bankruptcy proceedings and interest for late deliveries, amount to 100% of their value. Write-offs revaluing receivables are recognized in the profit and loss account. On the balance sheet day, the value of receivables is increased by interest calculated from the late payments.

Receivables expressed in foreign currencies (IAS 21) are recognized at the average exchange rate established by the NBP for the given currency for the day preceding the day of arising of the receivables, unless another exchange rate was established in the customs declaration or other document binding the entity. As of the payment day, the receivables are recognized at the buying rate of the bank in which the transaction is conducted. As of the balance sheet day, the receivables are converted in compliance with the average rate established for the given currency by the NBP for that day. The differences between rates are included in the profit and loss account.

Cash (IAS 7) is appraised at its nominal value. As for the cash accumulated on bank accounts, its nominal value also covers the interest calculated by the banks, constituting financial income.
Operations expressed in foreign currencies are recognized in account books as of the day of their performance at the buying rate for selling the currency or at the selling rate for buying the currency established by the bank in which the operation is performed, whichever is applicable. Time deposits are valued at the initial rate of the currency inflow to the bank.
Cash accumulated on a bank account is valued as of the balance sheet day at the average exchange rate of a given currency established by the NBP for that day. Positive and negative exchange differences are charged to income or financial costs, whichever is the case.

Fixed assets allocated for sale (IFRS 5) are included in the financial statement in an amount lower than their carrying value or fair market value reduced by cost of sale.
Assets may only be included in this group if the company is actively looking for a buyer and there is a high probability that the assets will be disposed of within one year from the date of their inclusion in the group.

Liabilities due for deliveries and services are shown in the payable amount (IAS 39). The due amount is increased by interest for the delay in payment in the case of receiving an interest note from the creditor.

Liabilities expressed in a foreign currency are included in the account books as of the day of arising, at the average exchange rate established for the given currency by the NBP for the day preceding the day of issuing the purchase invoice, unless another exchange rate was established in the customs declaration or other document binding the entity. As of the payment day, the liabilities are included at the selling rate established by the bank in which the transaction is conducted. As of the balance sheet day, the liabilities are converted in compliance with the average rate established for the given currency by the NBP for that day. Positive and negative exchange differences arising are charged to income or financial costs, whichever is the case.

Financial liabilities (IAS 39) are entered into the books at the date of conducting or clearing the transaction at the acquisition price. As of the balance sheet day, the financial liabilities (credits or contracted loans) are valued at an adjusted acquisition price, i.e. the price they were contracted at, reduced by repayments of the initial capital and properly adjusted by an accumulated amount of the discounted difference between the initial value and the value as of the maturity date, calculated with the use of effective interest rate. The differences arising due to revaluation of financial liabilities with the use of the adjusted acquisition price are charged to income or financial costs, whichever is applicable. Collateral financial liabilities (currency options) are appraised at the fair market value on the basis of appraisal made by the bank.

Financial leasing liabilities (IAS 17) as of the agreement execution day are shown at the net value of the object of leasing and reduced by the capital part of the leasing charge, calculated with the use of internal rate of return. The fixed asset in question is classified as the Company's own property and is subject to amortization within the predicted utility period.

Prepayments and accruals of expenses refer to expenses incurred in the future periods, covering subscriptions, insurances, the social fund, real property tax and perpetual usufruct of land. Those expenses are recognized in the month of issuing the invoice and then charged into expenses over the utility period, until the date of transferring them fully to the financial result. Prepayments and accruals lasting longer than one year are classified as fixed assets, and others, as current assets. In the case of a diminution in value, they are charged to other expenses at a one-off basis.

The Company makes **reserves (IAS 19, IAS 37)** for the risks known to it, losses that may occur and effects of other events. They are appraised not less frequently than on every balance sheet day at a substantiated, estimated value. Financial results of reserves are adequately classified as other expenses or financial expenses, depending on the circumstances the future liabilities are related to.
The Company recognizes reserves for liabilities in conformity to IAS 19 "Employee benefits", with respect to retirement termination pays, employees' leaves, seniority awards and death benefits on the basis of actuarial reports.
In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the Company establishes reserves for: warranty repairs, termination pays and termination pays for the members of Management Board and for the costs of balance sheet audits.

Equity capitals are recognized in account books with respect to their kinds and in accordance with principles specified by legal regulations and the Company's Charter. Equity capitals comprise:

- itinial (share) capital, shown at the nominal value of registered shares, in the amount specified in the Company's Charter and entered into the National Court Register (KRS),
- revaluation capital concerning changes in the fair market value of assets,
- other capitals, including:

- supplementary capital, created pursuant to the Code of Commercial Companies, Article 396, from profit in accordance with the Charter and from valuation of employee shares,
- reserve capital, designated for buy-out of the Company's own shares,

- retained profits, including non-distributed profit or non-covered loss from previous years,
- net profit/loss – the financial result of the current year.

If there are changes in accounting principles, significantly affecting the results from previous years, and the effects of those changes may be reliably determined, the difference arising out of transformation of statements for the previous years shall be charged to "retained profits".

If in a given accounting year, or before the approval of the financial statement for that year, a fundamental error having occurred in the previous years is found, as a result of which the statements for that year or the previous years cannot be regarded as reliable and clearly presenting the financial status of the Company, the amounts of adjustments shall be charged to equity capital in the item "retained profits".

Income (IAS 18) is included at such a value as the Company is likely to obtain economic profits related to a given transaction and when the amount of the income may be reasonably appraised.
Income from sales of products and goods is included if relevant risk and benefits resulting from the property right to the products and goods have been transferred to the buyer.
Income from services is included after the service is performed.
Income from lease of premises is include in monthly installments as of the last day of each month.
Interest revenues are included successively as accrued.

Expenses are included in accordance with the principle of proportionality to profits. Expenses are registered with respect to their kinds in section 4 and moved to where they arise in section 5 on a running basis. At the end of an accounting period, costs from section 4 are transferred to the "Current year's financial result" account.

Fair market value of shares sold to the employees as part of staff motivation programmes at the nominal price is recognized in remuneration expenses for a given period. Those liabilities are charged to the other capitals of IFRS 2 at a one-off basis.

Segments of activity (IFRS 8) – the division into segments results from the management and internal reporting structure. The Company has adopted a reporting system based on industry segments and geographical segments.

In the industry segment, it conducts the activity in the following assortment groups: automatic control engineering, heat engineering automatics, central lubrication, hydraulic control systems, casts, laboratory equipment, other products (services) and goods and materials.
In the geographical segment, the division into domestic and export sales was adopted. Within export sales, sales to EU countries and sales to countries outside the EU were singled out.
The Company presents the income received and expenses generated by individual segments. The industry and geographical segments mentioned above are presented at the level of net profit from sales. The results of activity if individual segments are systematically reviewed by the main body responsible for operational decision-making within the Company.
The Company in not able to separate the carrying value of assets and liabilities of particular segments, hence it does not ascribe it to particular segments.

Income tax (IAS 12)
Income tax constitutes an encumbrance of gross financial result and covers current tax and deferred tax.
Current tax is the amount determined on the basis of tax regulations, which is calculated from taxable income for a given period.
Current tax is included as a liability in the amount in which it has not been paid. If the amount paid so far due to current income tax exceeds the amount to be paid, the difference is included as receivables.
Deferred tax is calculated with the use of the balance sheet method. Deferred tax reflects the net tax effect of temporary differences between the carrying value of an asset or liability and its tax value. Assets and liabilities due to deferred income tax are calculated with the use of the binding tax rates predicted for the following years, in which the temporary differences are expected to be realized at the tax rates announced or established for the balance sheet day.
Deferred income tax assets from negative temporary differences and from unused tax losses are only accepted if sufficient tax base from which those differences may be deducted is likely to appear in the future.
Deferred income tax reserves are made regardless of the time when they are to be realized.
Deferred income tax assets and reserves are not discounted and they are classified in the balance sheet as fixed assets or long-term liabilities, whichever is the case.

Total income statement
Total income statement covers the financial result of the period recognized in the profit and loss account, as well as profits and losses not charged to the financial result of the period directly but shown in the equity capital.

Profit and loss account is made in a spreadsheet version and a comparative version. The financial result is established with the application of major accounting principles: the principle of periodicity, proportionality of income and expenses, prudence, continuity and relevance.

Net profit per share and diluted profit per share

Net profit per share for each period is calculated by dividing the net profit for a given period by the weighted average number of shares in the given reporting period.

Diluted net profit per share means the necessity to adjust net profit and the average weighted number of shares by action of all the diluting ordinary shares, whereas the potential ordinary shares should be treated as diluting if their conversion into ordinary shares reduced the net profit per single share when activity is continued.

Due to the fact that potential ordinary shares do not occur, **diluted profit per share equals net profit per share.**

Cash flow statement

Cash flow statement is made with the indirect method.

XII. Average exchange rates of zloty in the periods covered by the financial statement with regard to euro, established by the NBP.

For the needs of balance sheet valuation and result valuation, the following euro exchange rates were assumed:

Exchange rate binding on the last day of the period:

EURO	**31/12/2010**	**31/12/2009**
	PLN 3.9603	PLN 4.1082

Average exchange rate in the period*

EURO	**01/01/2010 - 31/12/2010**	**01/01/2009 - 31/12/2009**
	PLN 4.0044	PLN 4.3406

**Calculated as the arithmetic mean of the exchange rates binding on the last day of each month in a given period.*

The lowest EURO exchange rate in the period 01/01/2010 – 31/12/2010 amounted to PLN 3.8356 (06/04/2010, average NBP rate, Table 066/A/NBP/2010).

The lowest EURO exchange rate in the period 01/01/2009 – 31/12/2009 amounted to PLN 3.9170 (07/01/2009, average NBP rate, Table 004/A/NBP/2009).

The highest EURO exchange rate in the period 01/01/2010 – 31/12/2010 amounted to PLN 4.1770 (07/05/2010, average NBP rate, Table 088/A/NBP/2010).

The highest EURO exchange rate in the period 01/01/2009 – 31/12/2009 amounted to PLN 4.8999 (18/02/2009, average NBP rate, Table 034/A/NBP/2009).

XIII. The main items of the statement of financial standing (balance sheet), profit and loss account and cash flow statement, financial statement and comparative financial data, converted into EURO, with indication of the principles assumed for making such a conversion.

The main items of the statement of financial standing (balance sheet) converted into EURO:

Position in EUR thousand as of	31/12/2010	31/12/2009
Total assets	**12,027**	**11,338**
I. Fixed assets	7,113	7,485
II. Current assets	4,805	3,854
III. Fixed assets allocated for disposal	109	-
Total equity and liabilities	**12,027**	**11,738**
I. Equity capital	10,206	9,656
II. Long-term liabilities	958	1,040
III. Short-term liabilities	863	643

The following EURO exchange rates, established by the NBP, were used to convert the balance sheet data:

- as of 31/12/2010 – PLN 3.9603
- as of 31/12/2009 – PLN 4.1082.

The main items of the profit and loss account converted into EURO:

In EURO thousand for the period:	01/01/2010 - 31/012/2010	01/01/2009 - 31/12/2009
Net income from products, goods and materials sales	6,992	6,200
Cost of products, goods and materials sold	5,073	4,155
Gross profit (loss) from sales	1,919	2,045
Gross profit (loss) from operating activity	w 154	438
Gross profit (loss)	211	372
Net profit (loss)	188	501

The main items of the cash flow statement converted into EURO:

In EURO thousand for the period:	**01/01/2010 - 31/12/2010**	**01/01/2009 - 31/12/2009**
Net cash flow from operating activity	454	1,762
Net cash flow from investment activity	-113	-200
Net cash flow from financial activity	-120	- 912
Total net cash flow	221	649

The following EURO exchange rates, established by the NBP, were used to convert the data from the profit and loss account and from the cash flow statement:

- for the period from 01/01/2010 to 31/12/2010 – PLN 4.0044
- for the period from 01/01/2009 to 31/12/2009 – PLN 4.3406.

XIV. Indication and explanation of differences between the values of the data shown and important differences concerning the adopted accounting principles (policy).

Data for the year 2009, presented in the annual report R/2010 as comparative data, differ the data presented in the annual report R/2009 in the following way:

CASH FLOW STATEMENT

Detailed list	**Report R/2010 Now**	**Report R/2009 Previously**	**Difference**
A. Operating activity cash flow			
Revaluing write-offs for diminution of value of tangible fixed assets	5	-	5
Profit (loss) from sales of tangible fixed assets	485	-50	535
Net cash from operating activity	**7 647**	**7 107**	**540**
B. Investment activity cash flow			
Expenses for purchase of tangible fixed assets	-953	-413	-540
Interest received	363	-	363
Net cash used in investment activity	**-869**	**-692**	**-177**
C. Financial activity cash flow			
Inflows from interest on deposits	-	363	-363
Net cash from financial activity	**-3 959**	**-3 596**	**-363**

Presented differences concerning:

1. **Revaluation write-offs for diminution of value of tangible fixed assets + PLN 5 thousand** had before been presented in the item ‘Profit (loss) from sales of tangible fixed assets’.

2. **Profit (loss) from sales of tangible fixed assets + PLN 535 thousand**: + PLN 540 thousand refers to tangible fixed assets allocated for disposal presented earlier in ‘Expenditure for purchase of tangible fixed assets’ as well as -5 PLN thousand recognized earlier in that item (+ PLN 5 thousand), and currently presented in the item ‘Revaluation write-offs for diminution of value of tangible fixed assets’.

3. The amount of -540 PLN thousand, previously recognized in the item ‘**Expenditure for purchase of tangible fixed assets**’, was presented in the item ‘Profit (loss) from sales of tangible fixed assets’.

4. **Interest received (payments due for interest on deposits)** in the amount of PLN 363 thousand was moved from financial activity to investment activity.

PART TWO – UNITARY: FINANCIAL STANDING STATEMENT, STATEMENT OF CHANGES IN EQUITY, TOTAL INCOME STATEMENT AND CASH FLOW STATEMENT

FINANCIAL STANDING STATEMENT	**Note**	**Position as of 2010/12/31**	**Position as of 2009/12/31**
ASSETS			
I. Fixed assets		**28 169**	**30 748**
Tangible fixed assets	1	27 341	29 756
Other intangible assets	2	15	58
Financial assets	3	-	-
Deferred income tax assets	23	813	934
II. Current assets		**19 028**	**15 831**
Supplies	4	3 985	3 625
Trade receivables and other receivables, including:	5	5 469	3 563
- receivables due for deliveries and services		5 308	3 282
- other receivables		161	281
Receivables due to income tax		26	-
Financial assets	6	42	44
Cash and cash equivalents	7	9 445	8 547
Prepayments and accruals	8	61	52
III. Fixed assets allocated for disposal	**9**	**434**	**-**
TOTAL ASSETS		**47 631**	**46 579**
EQUITY AND LIABILITIES			
I. Equity		**40 419**	**39 667**
Initial capital	10	9 823	9 823
Other capitals	11	29 844	7 511
Retained profits		-	20 157
Net profit (loss)		752	2 176
II. Long-term liabilities		**3 794**	**4 271**
Deferred income tax reserves	23	3 105	3 420
Long-term reserves for liabilities	12	689	548
Leasing liabilities	13	-	303
III. Short-term liabilities		**3 418**	**2 641**

Liabilities due for deliveries and services and other liabilities, including:	14	2 486	1 385
- liabilities due for deliveries and services		1 167	766
- other liabilities		1 319	619
Leasing liabilities	13	327	482
Short-term reserves	12	592	762
Prepayments and accruals	15	13	12
TOTAL EQUITY AND LIABILITIES		**47 631**	**46 579**

Book value		40 419	39 667
Number of ordinary shares		2 585 026	2 585 026
Book value per ordinary share		**15,64**	**15,34**

Diluted book value per ordinary share equals book value per ordinary share.

STATEMENT OF CHANGES IN EQUITY

Equity items	Initial capital	Revaluation capital	Other capitals	Retained profits	Total
Balance as of 01/01/2010	9 823	-	7 512	22 332	39 667
Adjusted balance	9 823	-	7 512	22 332	39 667
Net profit for the period	-	-	-	752	752
Total profit and loss recognized in the period	-	-	-	752	752
Distribution of profit for the year 2009	-	-	22 332	-22 332	-
Balance as of 31/12/2010	9 823	-	29 844	752	40 419

Equity items	Initial capital	Revaluation capital	Other capitals	Retained profits	Total
Balance as of 01/01/2009	9 823	-	7 498	19 763	37 084
Correction of fundamental errors	-	-	-	407	407
Adjusted balance	9 823	-	7 498	20 170	37 491
Net profit for the period	-	-	-	2 176	2 176
Total profit and loss recognized in the period	-	-	-	2 176	2 176
Distribution of profit for the year 2008	-	-	14	-14	-
Balance as of 31/12/2009	9 823	-	7 512	22 332	39 667

TOTAL INCOME STATEMENT

PROFIT AND LOSS ACCOUNT	Note	For the period 01/01/2010 - 31/12/2010	For the period 01/01/2009 - 31/12/2009
A. Net income from products, goods and materials sales, including:		28 000	26 910
I. Net income from sales of products	16	27 682	26 700
II. Net income from sales of goods and materials	17	318	210
B. Cost of products, goods and materials sold, including:		20 315	18 035
I. Production costs of products sold	18	20 039	17 860
II. Value of goods and materials sold		276	175
C. Gross profit (loss) from sales		7 685	8 875
I. Other income	19	734	409
II. Costs of sales		254	202
III. General management expenses		6 412	6 273
IV. Other expenses	20	1 135	907
D. Operating activity profit (loss)		618	1 902
I. Financial income	21	412	619
II. Financial expenses	22	184	906
F. Gross profit (loss)		846	1 615
G. Income tax	**23**	94	-561
I. a) current tax		287	-
II. b) deferred tax		-193	-561
H. Net profit (loss)		752	2 176

TOTAL INCOME STATEMENT	Note	For the period 01/01/2010 – 31/12/2010	For the period 01/01/2009 – 31/12/2009
I. Net profit (loss)		**752**	**2176**
II. Other elements of total income			
1. Effects of valuation and transfers of salable financial assets (net amount)	-	-	-
III. General total income		**752**	**2176**

Net profit		752	2176
Weighted average number of ordinary shares		2585026	2585026

Net profit per ordinary share		0,29	0,84

Diluted net profit per ordinary share equals net profit per ordinary share.

CASH FLOW STATEMENT

Detailed list	01/01/2010 – 31/12/2010	01/01/2009 – 31/12/2009
A. Operating activity cash flow		
I. Profit (loss) before tax	846	1 615
II. Total adjustments	2 632	3 283
Intangible assets amortization	19	27
Revaluation write-offs for tangible fixed assets depreciation	88	5
Tangible fixed assets amortization	2 646	2 478
Profit (loss) from sales of fixed tangible assets	217	485
Profit (loss) from change in fair market value of financial assets shown in their fair market value	2	771
Profits (losses) due to exchange rate differences	-14	-212
Interest expenses	24	92
Interest received	-350	-363
III. Cash from operating activity before changes in the working capital	3 478	4 898
Change in supplies position	-360	1 357
Change in receivables position	-1 997	2 864
Change in short-term liabilities position (except credits and loans)	1 048	-1 069
Change in prepayments and accruals position (except deferred tax assets)	-7	8
Change in reserves position (except deferred tax reserve)	-29	-457
Other adjustments	-	46
IV. Cash generated in operating activity	2 133	7 647
Income tax paid	-314	-
V. Net cash from operating activity	1 819	7 647
B. Investment activity cash flow		
Expenditure for acquisition of intangible assets	-13	-41
Expenditure for acquisition of tangible fixed assets	-789	-953
Inflow from sales of fixed tangible assets	-	71
Interest received	350	363
Other investment expenses	-	-309
Net cash used in investment activity	-452	-869

C. Financial activity cash flow		
Buy-out of currency options	-	-3 726
Repayment of interest on loans and credits	-1	-
Repayment of financial leasing liabilities	-457	-354
Interest paid	-21	-92
Commission on credits	-3	-
Other inflows	-	213
Net cash from financial activity	-482	-3 959
D. Total net cash flow (A.III+/-B.III+\-C.III)	885	2 819
E. Balance sheet change in cash position, including:	898	2 818
- change in cash position due to exchange rate differences	13	-1
F. Opening balance of cash	8 547	5 729
G. Closing balance of cash (F+/-D), including:	9 445	8 547

EXPLANATORY NOTES

Note 1

TANGIBLE FIXED ASSETS	**Position for 2010/12/31**	**Position for 2009/12/31**
a) fixed assets, including:	27 341	29 756
- land (including perpetual usufruct of land)	1 621	1 621
- buildings, premises and civil and water engineering objects	12 872	13 386
- machines and technical equipment	11 153	12 926
- means of transport	262	365
- other fixed assets	1 433	1 458
Total tangible fixed assets	**27 341**	**29 756**

On the day 28th May 2010, the Company concluded an agreement with Podkarpacki Bank Spółdzielczy for working capital credit in a current account for the sum of PLN 500 thousand to be used for the purposes of settling current payments in the case of temporary shortages of funds on the current account. A mortgage amounting to PLN 750 thousand was established as the collateral for the credit.

The value of tangible fixed assets was adjusted by revaluation write-offs for the total amount of PLN 23 thousand. Revaluation write-offs refer to the ‘buildings and structures’ position in the amount of PLN 3 thousand (an old porter’s lodge, which is allocated for demolition due to poor technical condition). Revaluation write-off in the “machines and technical equipment" position in the amount of PLN 20 thousand concerns equipment purchased for galvanic processing seating which, due to ceasing the operation of the seating, was allocated for sales, and if there is no buyer – for scrapping.

Amortization of tangible fixed assets used for production or services provided was recognized in the profit and loss account as cost of products sold in the amount of PLN 2,387 thousand, and other tangible fixed assets, in general management expenses: PLN 259 thousand.

CHANGES IN TANGIBLE FIXED ASSETS FOR THE PERIOD FROM 01/01/2010 TO 31/012/2010

Detailed list	**Land (including perpetual usufruct of land)**	**Buildings and structures**	**Technical equipment and machines**	**Means of transport**	**Other fixed assets**	**Total**
a) opening gross value	1 621	14 425	15 845	457	3 167	35 515
b) increases (due for)	-	9	464	7	466	946
- purchase	-	9	361	7	466	843
- improvement	-	-	103	-	-	103
c) decreases (due for)	-	9	1 004	95	73	1 181
- liquidation	-	9	162	92	73	336
- sales	-	-	13	-	-	13
fdfdfff	-	-	829	3	-	832
d) closing gross value of fixed assets	1 621	14 425	15 305	369	3 560	35 280
e) opening amortization value	-	1 036	2 919	93	1 709	5 757
- increases within the period	-	522	1 598	46	480	2 646
- decreases within the period	-	8	385	32	62	487
f) closing	-	1 550	4 132	107	2 127	7 916

amortization value						
g) opening revaluation write-offs value	-	3	-	-		3
- increases within the period	-	-	99	-	-	99
- decreases within the period	-		79	-	-	79
h) closing revaluation write-offs value	-	3	20	-	-	23
i) closing net value of fixed assets as of 31/12/2010	1 621	12 872	11 153	262	1 433	27 341

*) An increase in fixed assets in the amount of PLN 946 thousand includes investment expenditure incurred in 2010 for purchase of fixed assets, amounting to PLN 843 thousand (Table below), and expenditure for improvement of fixed assets, amounting to PLN 103 thousand.

In 2010, the Company incurred investment expenditure amounting to PLN 856 thousand, and in 2011, expenditure amounting to PLN 1,244 thousand is planned.

Kind of expenditure	**Expenditure incurred in 2010**	**Expenditure planned for 2011**
Purchase and improvement of fixed assets – production machines and equipment	303	691
Purchase of fixed assets – non-production machines	160	70
Modernization of buildings and structures	9	35
Purchase of a server	47	-
Purchase of computers	11	9
Instrumentation	114	140
Fixed assets of low value (PLN 1,000 – 3,500)	199	18
Purchase of a car for the marketing department	-	60
Other investment expenditure (intangible assets)	13	221
Total expenditure	**856**	**1 244**

CHANGES IN TANGIBLE FIXED ASSETS FOR THE PERIOD FROM 01/01/2009 TO 31/12/2009

Detailed list	**Land (including perpetual usufruct of land)**	**Buildings and structures**	**Technical equipment and machines**	**Means of transport**	**Other fixed assets**	**Total**
a) opening gross value	1 621	14 216	15 062	459	3 164	34 522
b) increases (due for)	-	209	892	-	31	1132
- purchase	-	209	398	-	31	638
- restoring to use the assets allocated for disposal (reclassification)	-	-	494	-	-	494
c) decreases (due for)	-	-	109	2	28	139
- liquidation	-	-	81	2	28	111
- sale	-	-	28	-	-	28
d) closing gross value of fixed assets	1 621	14 425	15 845	457	3 167	35 515
e) opening amortization value	-	517	1 468	48	1 345	3 378
- increases within the period	-	519	1 530	46	384	2 479
- decreases within the period	-	-	79	2	20	101
f) closing amortization value	-	1 036	2 919	92	1 709	5 756
g) opening revaluation write-offs value	-	7	-	-	1	8
- increases within the period	-	-	-	-	-	-
- decreases within the period	-	4	-	-	1	5

h) closing revaluation write-offs value	-	3	-	-	-	3
i) net value of fixed assets as of 31/12/2009	1 621	13 386	12 926	365	1 458	29 756

Note 2

OTHER INTANGIBLE ASSETS	**Position as of 2010/12/31**	**Position as of 2009/12/31**
a) expenditure for development works	-	7
b) purchased concessions, licences and similar assets, including:	15	51
- computer software	15	51
Total intangible assets	**15**	**58**

The value of other intangible assets was adjusted by revaluation write-offs for PLN 37 thousand with regard to lack of reception protocol for the foundry production process.
As of the day of making the annual financial statement, other intangible values did not constitute collateral of the Company's liabilities.
Amortization of intangible assets is recognized in the profit and loss account in general management expenses in the amount of PLN 19 thousand.

CHANGES IN OTHER INTANGIBLE ASSETS FOR THE PERIOD 01/01/2010 TO 31/012/2010

Detailed list	**a**	**b**		**c**	**Total**
	Costs of development works	**Purchased concessions, patents, licences and similar values, including:**		**Other intangible assets**	
			computer software		
a) opening gross value	197	-	381	-	578
b) increases (due for)	-	-	13	-	13
- purchase	-	-	13	-	13
c) decreases (due for)	-	-	-	-	-
d) closing gross value	197	-	394	-	591
e) opening amortization value	190	-	330	-	520
- increases within the	7	-	12	-	19

period					
- decreases within the period	-	-	-	-	-
f) closing amortization value	197	-	342	-	539
g) opening revaluation write-offs value	-	-	-	-	-
- increases within the period	-	-	37	-	37
- decreases within the period	-	-	-	-	-
h) closing revaluation write-offs value	-	-	37	-	37
i) net value of other intangible assets as of 31/12/2010	-	-	15	-	15

CHANGES IN OTHER INTANGIBLE VALUES FOR THE PERIOD 01/01/2009 TO 31/012/2009

Detailed list	**a**	**b**		**c**	**Total**
	Costs of development works	**Purchased concessions, patents, licences and similar values, including:**		**Other intangible assets**	
			computer software		
a) opening gross value	197	-	340	-	537
b) increases (due for)	-	-	41	-	41
- purchase	-	-	41	-	41
c) decreases (due for)	-	-	-	-	-
d) closing gross value	197	-	381	-	578
e) opening amortization value	183	-	310	-	493
- increases within the period	7		20		27
- decreases within the period	-	-	-	-	-
f) closing amortization value	190	-	330	-	520
g) opening revaluation write-offs value	-	-	-	-	-
- increases within the period	-	-	-	-	-
- decreases within the period	-	-	-	-	-
h) closing revaluation write-offs value	-	-	-	-	-

i) net value of other intangible assets as of 31/12/2009	7	-	51	-	58

Note 3

FINANCIAL ASSETS	Position as of 2010/12/31	Position as of 2009/12/31
Long-term investments, including:	26	26
- shares or stocks in other units	26	26
Long-term investments revaluation write-offs	26	26
Carrying value of financial assets	**-**	**-**

Long-term shares / stocks worth PLN 26 thousand were subject to a 100% revaluation write-off. That amount covers shares in companies whose recovery is doubtful.

Note 4

Position as of 31/12/2010

Supplies	Valuation at purchase price / production cost	Write-offs revaluing supplies' opening value	Reversals of supplies revaluation write-offs shown as decreases of those write-offs in the period	Revaluation write-offs of supplies shown as costs in the period	Write-offs revaluing supplies' closing value	Value of supplies shown as costs in the period	Closing carrying value of supplies
Materials	3 245	1 425	204	81	1 302	-	1 943
Half-finished products and production in progress	2 102	417	52	49	414	-	1 688
Final products	511	317	181	22	158	-	353
Goods	1	-	-	-	-	-	1
Total supplies	5 859	2 159	437	152	1 874	20 315	3 985

Position as of 31/12/2009

Supplies	Valuation at purchase	Write-offs revaluing supplies'	Reversals of supplies revaluation	Revaluation write-offs of supplies	Write-offs revaluing supplies'	Value of supplies shown as	Closing carrying value of

	price / production cost	opening value	write-offs shown as decreases of those write-offs in the period	shown as costs in the period	closing value	costs in the period	supplies
Materials	3 433	1 177	18	266	1 425	-	2 008
Half-finished products and production in progress	1 755	432	108	93	417	-	1 338
Final products	594	328	33	22	317	-	277
Goods	2	-	-	-	-	-	2
Total supplies	5 784	1 937	159	381	2 159	18 035	3 625

On the day of making the financial statement, supplies did not constitute collateral of the Company's liabilities.

Note 5

TRADE RECEIVABLES AND OTHER RECEIVABLES	**Position as of 2010/12/31**	**Position as of 2009/12/31**
a) from affiliated units	-	-
b) receivables from other units	5 469	3 563
- due for deliveries and services, with payback period:	5 308	3 282
- up to 12 months	5 308	3 282
- over 12 months	-	-
- due for other taxes, customs duties and social insurances	84	122
- other receivables	77	159
Total net trade receivables and other receivables	5 469	3 563
c) write-offs revaluing receivables	426	263
Total gross trade receivables and other receivables	**5 895**	**3 826**

CHANGE IN POSITION OF WRITE-OFFS REVALUING TRADE RECEIVABLES AND OTHER RECEIVABLES	**Position as of 2010/12/31**	**Position as of 2009/12/31**
Opening position	263	195
a) increases (due for)	217	111
- overdue receivables	108	63

- receivables adjudged by the court	5	48
- receivables in bankruptcy proceedings	104	-
b) decreases (due for)	54	43
- overdue receivables	49	40
- receivables adjudged by the court	5	3
Closing position of write-offs revaluating short-term receivables	**426**	**263**

For receivables overdue more than 3 months, interest and receivables for which there are court proceedings, composition agreement proceedings or bankruptcy proceedings, the Company makes revaluation write-offs for diminution of value.

GROSS TRADE RECEIVABLES AND OTHER RECEIVABLES (CURRENCY STRUCTURE)	**Position as of 2010/12/31**	**Position as of 2009/12/31**
a) in the Polish currency	4 326	2 297
b) in foreign currencies (according to currencies and converted to PLN)	1 569	1 529
b1. unit/currency thousand/EUR	338	340
- PLN thousand	1 338	1 426
b2. unit/currency thousand/USD	78	36
- PLN thousand	231	103
Total trade receivables and other receivables	**5 895**	**3 826**

RECEIVABLES DUE FOR DELIVERIES AND SERVICES	**Position as of 2010/12/31**	**Position as of 2009/12/31**
a) timely	4 130	2 553
b) overdue up to 1 month	874	401
c) overdue over 1 month and up to 3 months	395	379
d) overdue over 3 months and up to 6 months	29	19
e) overdue over 6 months and up to 1 year	19	-
f) overdue over 1 year	256	193
Total (gross) receivables due for deliveries and services	5 703	3 545
g) write-offs revaluing receivables due for deliveries and services	395	263
Total (net) receivables due for deliveries and services	**5 308**	**3 282**

Receivables payment periods up to 3 months are connected with normal sales course of the Company.
At the end of the year 2010, disputable receivables amount to PLN 339 thousand. Overdue receivables are related to deliveries and services. As of the day of making the financial statement, receivables did not constitute collateral of the Company's liabilities.

Note 6

SHORT-TIME FINANCIAL ASSETS	Position as of 2010/12/31	Position as of 2009/12/31
Financial assets allocated for trade (shares) according to acquisition price	70	70
Write-offs revaluing opening value of financial assets	26	40
Inclusion in the period of revaluation write-offs for diminution of value	15	-
Reversal of revaluation write-offs for diminution of value in the period	13	14
Write-offs revaluing closing value of financial assets	28	26
Financial assets allocated for trade (shares) according to fair market value	**42**	**44**

Note 7

CASH AND CASH EQUIVALENTS	Position as of 2010/12/31	Position as of 2009/12/31
a) cash in the cashbox	16	10
b) cash on bank accounts	1 029	347
c) other cash and cash equivalents, including:	8 400	8 190
- deposits	8 400	8 190
Total cash and cash equivalents	**9 445**	**8 547**

CASH AND CASH EQUIVALENTS (CURRENCY STRUCTURE)	Position as of 2010/12/31	Position as of 2009/12/31
a) in the Polish currency	8 519	8 252
b) in foreign currencies (according to currencies and converted to PLN)	926	295
b1. unit/currency thousand/EUR	181	72
- PLN thousand	716	295
b2. unit/currency thousand/USA	71	-

- PLN thousand	210	-
Total cash and cash equivalents	**9 445**	**8 547**

Note 8

PREPAYMENTS AND ACCRUALS	Position as of 2010/12/31	Position as of 2009/12/31
Subscriptions	10	8
Insurances	28	24
Next year expenses	23	20
Total prepayments and accruals	**61**	**52**

Note 9

CHANGES IN FIXED ASSETS ALLOCATED FOR DISPOSAL FOR THE PERIOD FROM 01/01/2010 TO 31/012/2010

Detailed list	Technical equipment and machines	Means of transport	Total
a) opening gross value	-	-	-
b) increases (due for)	829	3	**832**
c) decreases (due for)	-	-	-
d) closing gross value of fixed assets	829	3	**832**
e) opening amortization value	-	-	-
- increases within the period	329	1	**330**
- decreases within the period	-	-	-
f) closing amortization value	329	1	**330**
g) closing net value without write-offs	500	2	**502**
h) opening revaluation write-offs value	-	-	-
- increases within the period	68	-	**68**
- decreases within the period	-	-	-
i) closing revaluation write-offs value	68	-	**68**
j) closing net value of fixed assets as of 31/12/2010	432	2	**434**

Note 10

SHARE CAPITAL (STRUCTURE)								
Series (emission)	Type of share	Type of share preference	Restriction of right to shares	Number of shares	Worth of series/ emission (nominal value)	Way of covering capital	Date of registration	Right to dividends (from the date)
A	Bearer	no	no	564 010	2 143 238,0	Cash	31/01/92	31/01/92
B	Bearer	no	no	168 412	639 965,6	Cash	25/08/97	01/01/97
C	Bearer	no	no	81 000	307 800,0	Cash	17/03/98	01/01/97
D	Bearer	no	no	19 000	72 200,0	Cash	17/03/98	01/01/97
E	Bearer	no	no	1 664 844	6 326 407	Cash	11/12/08	01/01/07
F	Bearer	no	no	87 760	333 488	Cash	17/12/08	01/01/08
Total number of shares				**2 585 026**				
Total share capital					**9 823 099**			
Nominal value of one share = PLN 3.80								

Initial capital – number of shares issued	**Position as of 2010/12/31**	**Position as of 2009/12/31**
A – ordinary bearer shares	564 010	564 010
B – ordinary bearer shares	168 412	168 412
C – ordinary bearer shares	81 000	81 000
D – ordinary bearer shares	19 000	19 000
E – ordinary bearer shares	1 664 844	1 664 844
F – ordinary bearer shares	87 760	87 760
Number of shares issued as of the day	2 585 026	2 585 026

In the reporting period, no changes in the share capital occurred.

Pursuant to Resolution no. 24/2008 of the General Shareholders Meeting of 30th June 2008, The Management Board of the Company was authorized to increase the share capital by the amount falling for the year 2010, not higher than PLN 380 thousand, in relation with a staff motivation programme.

Pursuant to the provisions of “Rules of Allotment of Shares Issued as Part of Statutory Capital to Entitled Employees”, the condition on which shares could be offered is the Issuer achieving profit from sales (except costs of the said programme) on the level of at least 75% of the profit from sales forecast for a given year, determined in “Strategy of Activity of Zakłady Automatyki “POLNA” S.A. in the Years 2007-2010”.

Due to the fact the Issuer did not achieve the minimum 75% level of realization of the prognosis for profit from sales, the Programme was not realized in the year and shares scheduled for the year 2010 were not issued.

The Company does not own its own shares.

According to the issuer's knowledge, the composition of shares ownership holding at least 5% of the total number of the votes at an GSM is the following:

Shareholder	Number of shares	Share in the share capital (%)	Number of votes at GSM	Share in the total number of votes at GSM (%)
Zbigniew Jakubas affiliated entity – Wartico Invest Sp. z o.o. affiliated entity – Multico Sp. z o.o.	780 179 384 474 46 079	30,18 14,87 1,78	780 179 384 474 46 079	30,18 14,87 1,78
Zbigniew Jakubas and affiliated entities jointly	1 210 732	46,83	1 210 732	46,83
Radosław Kamiński with a close companion	140 405	5,43	140 405	5,43

There were no changes in the structure of significant blocks of shares in comparison to the structure of share ownership made public in the quarterly report for the 3rd quarter of 2010 on 10/11/2010.

Note 11

OTHER CAPITALS	**Position as of 2010/12/31**	**Position as of 2009/12/31**
Supplementary capital created (by kind)	21 360	7 022
- pursuant to provisions of the Code of Commercial	3 274	3 274

Companies, Article 396		
- from profit pursuant to the Company's Charter	18 086	3 748
Other supplementary capital (by kind)	484	489
- from revaluation of liquidated fixed assets	-	5
- from valuation of shares for the employees	484	484
Reserve capital	8 000	-
Other capitals jointly	**29 844**	**7 511**

Pursuant to the Code of Commercial Companies, the Company makes obligatory write-offs from profit for the supplementary capital, whose aim is to cover potential (future) or actual losses amounting to at least 8% of the profit for a given accounting year, until the value of supplementary capital equals at least 1/3 of the registered share capital. The supplementary capital created that way is not subject to distribution; it can only be used to cover a loss shown in the financial statement. The reserve capital, amounting to PLN 8,000 thousand, is designated for buying out the Company's own shares.

Note 12

LONG-TERM AND SHORT-TERM RESERVES	Position as of 2010/12/31	Position as of 2009/12/31
Long-term reserves for retirement benefits and similar benefits	**689**	**548**
- reserves for retirement benefits	246	167
- reserves for seniority awards	360	300
- reserves for death benefits	83	81
Other long-term reserves	-	-
Total long-term reserves	**689**	**548**
Short-term reserves for retirement benefits and similar benefits	**342**	**282**
- reserves for retirement benefits	2	1
- reserves for seniority awards	67	43
- reserves for annual leaves	263	227
- reserves for death benefits	10	11
Other short-term reserves	**250**	**480**
- reserves for expenses connected with the balance sheet audit	18	11
- reserves for warranty repairs	159	159
- reserves for bonuses for the Management Board	43	79
- reserves for termination pay for the Management	16	181

Board		
- other reserves	14	50
Total short-term reserves	**592**	**762**

Reserves are created when the Company is encumbered with a present liability resulting from past events and fulfillment of the liability is likely to necessitate funds outflow; besides, the amount of the liability can be reliably estimated.

Employee benefits

The Company pays benefits in favour of its employees. The basis for valuation of reserves for future employee benefits is regulations of labour law, remuneration regulations and other agreements between the employer and employees. The reserve estimation was made with consideration of obligatory encumbrance of the employer arising out the legal obligations as of the day of reserve valuation (e.g. pension contributions).
The actuarial valuation of retirement benefits was made as of 31/12/2010.

Assumptions of valuation:

- Mortality rate table of 2009, prepared by the Central Statistical Office,
- Probability of retirement – 0.25%
- Model of mobility of the Company's employees – the Multiple Decrement Model
- Technical interest rate – 4.8%
- Default retirement age – 60 years old for women, 65 years old for men.

The following general classification of employee benefits, occurring in Poland, was adopted:

- Benefits payable after finishing work – retirement, invalidity and death benefits
- Other long-term benefits – seniority awards
- Short-term benefits – unused annual leaves

In the case of benefits payable after finishing work and other long-term benefits, the Projected Unit Credit Method was used to establish the reserve.
For all benefits, it was assumed that rights to benefits are acquired in a linear way over the period for which a given benefit is classified.
Calculation of the reserve for future liabilities was made for persons employed in the Company in accordance with the position for 31/12/2010. The reserve does not cover persons who will be hired after that day nor any changes in the principles for benefit payments that may arise in the future.
It was assumed that men and women retire at the default retirement age.

Reserves were made for:

- Retirement and invalidity benefits – long-term and short-term,

- Seniority awards – long-term and short-term,
- Death benefits – long-term and short-term,
- Unused annual leaves – short-term.

Short-term reserves are designated for benefits payable within the nearest 12 months, and long-term reserves, for benefits payable within a longer period.

Other reserves are created for the following titles:
- for expenses connected with the balance sheet audit,
- for warranty repairs.

WCHANGE IN RESERVES POSITION FOR THE PERIOD FROM 01/01/2010 TO 31/12/2010

Changes in reserves positions	**Long-term reserves**	**Short-term reserves**						
	For retirement benefits and similar benefits	For retirement benefits and similar benefits	For expenses connected with balance sheet audit	For warranty repairs	For bonuses for the Management Board	For termination pays for the Management Board	Other reserves	Total
Value of reserves as of 01/01/2010	548	282	11	159	79	181	50	762
Created	167	74	28	-	43	16	18	179
Used	-	-	21	-	79	181	54	335
Reversed	26	14	-	-	-	-	-	14
Value of reserves as of 31/12/2010	689	342	18	159	43	16	14	592

CHANGE IN RESERVES POSITION FOR THE PERIOD FROM 01/01/2009 TO 31/12/2009

Changes in reserves positions	**Long-term reserves**	**Short-term reserves**						
	For retirement benefits and similar benefits	For retirement benefits and similar benefits	For expenses connected with balance sheet audit	For warranty repairs	For bonuses for the Management Board	For termination pays for the Management Board	Other reserves	Total
Value of	1 007	278	41	159	86	151	45	760

reserves as of 01/01/2009								
Created	-	28	21	-	70	50	55	224
Used	64	19	51	-	66	-	12	148
Reversed	395	5	-	-	11	20	38	74
Value of reserves as of 31/12/2009	548	282	11	159	79	181	50	762

Note 13

LEASING LIABILITIES	**Position as of 2010/12/31**	**Position as of 2009/12/31**
Long-term	-	303
Short-term	327	482
Total leasing liabilities	**327**	**785**

As of the day of making this financial Wstatement, the Company has the following leasing agreements:

1. Agreement No. POLNASA/LU/50300/2007, concluded with BRE Leasing Sp. z o.o. for financing of purchase of a HP-63P processing centre from the supplier, Maszyny Obrabiarki Centra – Mechanicy Pruszków Sp. z o.o., total gross value – PLN 1,380,288. The collateral for the agreement is 3 promissory notes of the lessee with a promissory note declaration for PLN 1,131,408.48. The lessee committed themselves to purchase the object of leasing after the lapse of the basic leasing period, within 30 days from the maturity date of the last leasing installment, for the selling price determined in the leasing agreement, amounting to PLN 204,000.

2. Agreement No. POLNASA/LU/50307/2007, concluded with BRE Leasing Sp. z o.o. for financing of purchase of a TUX-63BM/1500 universal lathe from the supplier, PONER Sp. z o.o., total gross value – PLN 164,564.00. The collateral for the agreement is 3 promissory notes of the lessee with a promissory note declaration for PLN 134,891.71. The lessee committed themselves to purchase the object of leasing after the lapse of the basic leasing period, within 30 days from the maturity date of the last leasing installment, for the selling price determined in the leasing agreement, amounting to PLN 24,321.78.

Repayment period left from the balance sheet day	Future minimum leasing charges and their current net value			
	As of 31/12/2010		As of 31/12/2009	
	Minimum charges	Current value of minimum charges	Minimum charges	Current value of minimum charges
In the period shorter than 1 year	329	327	501	482
In the period from 1 year to 5 years	-	-	304	303
In the period over 5 years	-	-	-	-
Total	329	327	805	785

Lesser	**Payment date of the last installment**	**Liability amount as of 31/12/2010**	**Asset group**	**Net carrying value as of 31/12/2010**	**Net carrying value as of 31/12/2009**
BRE LEASING*)	20/10/2010	24	Machines and technical equipment – TUX-63BM lathe	103	110
BRE LEASING	11/06/2011	303	Machines and technical equipment – a multi-purpose machine	902	954
Total		327		1 005	1 064

*) the leasing liability refers to the final payment in the amount of PLN 24 thousand.

Note 14

LIABILITIES DUE FOR DELIVERIES AND SERVICES AND OTHER LIABILITIES	**Position as of 2010/12/31**	**Position as of 2009/12/31**
a) for affiliated entities	**-**	**-**

b) for other entities, including:	2 486	1 385
- due for deliveries and services, with maturity period:	1 167	766
- up to 12 months	1 167	766
- over 12 months	-	-
- other financial liabilities	-	-
- due for taxes, customs duties, insurances and other benefits	841	343
- due for salaries and wages	448	267
- others	30	9
Total liabilities due for deliveries and services and other liabilities	**2 486**	**1 385**

LIABILITIES DUE FOR DELIVERIES AND SERVICES AND OTHER LIABILITIES (CURRENCY STRUCTURE)	Position as of 2010/12/31	Position as of 2009/12/31
a) in the Polish currency	2 443	1 368
b) in foreign currencies (according to currencies and converted to PLN)	43	17
b1. unit/currency thousand/EUR	11	4
PLN thousand	43	17
Total short-term liabilities	**2 486**	**1 385**

Note 15

PREPAYMENTS AND ACCRUALS	Position as of 2010/12/31	Position as of 2009/12/31
Prepayments and accruals of income, including:	13	12
Income from advances for deliveries	13	12

Note 16

NET INCOME FROM PRODUCT SALES (SUBJECT STRUCTURE – KINDS OF ACTIVITY)	For the period 01/01/2010 – 31/12/2010	For the period 01/01/2009 – 31/12/2009
Income from sales of products and half-finished products	27 025	26 054
Income from sales of services	657	646
Total net income from product sales	**27 682**	**26 700**

NET INCOME FROM PRODUCT SALES (TERRITORIAL STRUCTURE)	For the period 01/01/2010 – 31/12/2010	For the period 01/01/2009 – 31/12/2009
Domestic	20 099	19 568
Export	7 583	7 132
Total net income from product sales	27 682	26 700

The Company grants warranties for the products manufactured for a 24-month period , and for the services provided, for a 6-month period.

Note 17

NET INCOME FROM SALES OF GOODS AND MATERIALS (SUBJECT STRUCTURE – KINDS OF ACTIVITY)	For the period 01/01/2010 – 31/12/2010	For the period 01/01/2009 – 31/12/2009
Sales of materials	11	26
Sales of goods	307	184
Total net income from sales of goods and materials	**318**	**210**

NET INCOME FROM SALES OF GOODS AND MATERIALS (TERRITORIAL STRUCTURE)	For the period 01/01/2010 – 31/12/2010	For the period 01/01/2009 – 31/12/2009
Domestic	290	210
Export	28	-
Total net income from sales of goods and materials	**318**	**210**

In the period under consideration, the Company did not have any receivers to achieve at least 10% of the total income from sales in 2010.

Note 18

PRODUCTION COST OF THE PRODUCTS SOLD	For the period 01/01/2010 – 31/12/2010	For the period 01/01/2009 – 31/12/2009
Costs by type:		

a) amortization	2 665	2 505
b) materials and power consumption	13 514	11 271
c) outsourcing	2 187	2 202
d) taxes and other charges	761	772
e) salaries and wages	6 432	5 584
f) social insurances and other benefits	1 516	1 436
g) other costs by type (due for)	615	573
- business trips	78	113
- advertising costs	127	243
- others	410	216
Total costs by type	**27 690**	**24 343**
Change in position of supplies and products, as well as prepayments and accruals	-594	198
Costs of production for the unit's own needs (negative value)	-391	-206
Sales costs (negative value)	-254	-202
General management costs (negative value)	-6 412	-6 273
Production costs of products sold	**20 039**	**17 860**

Note 19

OTHER INCOME	**For the period 01/01/2010 – 31/12/2010**	**For the period 01/01/2009 – 31/12/2009**
Profit from disposal of non-financial fixed assets	-	-
Subsidies	-	-
Other income, including:	734	409
a) reversal of revaluating write-offs, including:	565	215
- tangible fixed assets	79	19
- supplies	437	159
- receivables	49	37
b) release of reserves	-	-
c) income from sales of waste and containers	84	68
d) income from materials and products scrapping	41	58
e) remaining other income	44	68
Total other income	**734**	**409**

The reversal of write-offs revaluing tangible fixed assets was done at the moment of liquidation of fixed assets allocated for disposal, previously covered by the write-off.

The reversal of write-offs revaluing supplies was done as a result of management or liquidation of the supplies previously covered by the write-off.
The reversal of write-offs revaluing receivables was done at the moment of recovering the receivables or at the moment of finishing or discontinuance of court and bankruptcy proceedings.

Note 20

OTHER COSTS	**For the period 01/01/2010 – 31/12/2010**	**For the period 01/01/2009 – 31/12/2009**
Loss on disposal of non-financial fixed assets	186	155
Creating reserves	-	-
Making revaluation write-offs, including:	570	490
- tangible fixed assets	99	-
- intangible assets	37	-
- supplies	152	381
- receivables	214	109
- fixed assets allocated for disposal	68	-
Other income, including:	379	262
a) costs related to sales of waste and containers	27	50
b) costs of scrapping of materials, production in progress and products	296	163
c) compensations, penalties and fines paid	16	3
d) remaining other costs	40	46
Total other costs	**1 135**	**907**

Revaluation write-offs concerning tangible fixed assets were made as a result of discontinuance of production processes in which those assets were used.
Revaluation write-offs concerning intangible assets were made with relation to a protracted process of introducing those values.
Making revaluation write-offs concerning supplies results from moving some supplies to the group of a longer accumulation period, while making write-offs revaluing receivables concerns receivables of low recoverability, whose reclaim often requires court or execution services intervention.
Making revaluation write-offs concerning fixed assets allocated for disposal was connected with diminution of market value of those assets.

Note 21

FINANCIAL INCOME	For the period 01/01/2010 – 31/12/2010	For the period 01/01/2009 – 31/12/2009
Dividends and participation in profits	-	-
Interest, including:	378	407
- interest on cash accumulated on bank accounts	350	362
- interest on receivables	28	45
Profit from disposal of investments	34	-
Revaluation of investments	-	14
Other financial income, including:	-	198
a) excess of positive exchange differences over negative exchange differences	-	198
Total financial income	**412**	**619**

Note 22

FINANCIAL COSTS	For the period 01/01/2010 – 31/12/2010	For the period 01/01/2009 – 31/12/2009
Interest, including:	29	92
- interest on liabilities	7	10
- interest on credits	1	-
- interest on leasing agreements	21	82
Loss on disposal of investments	-	-
Revaluation of investments	2	-
Other financial costs, including:	153	814
a) excess of negative exchange differences over positive exchange differences	117	-
b) loss on financial instruments	-	771
c) remaining other financial costs	36	43
Total financial costs	**184**	**906**

Note 23

INCOME TAX	**For the period 01/01/2010 – 31/12/2010**	**For the period 01/01/2009 – 31/12/2009**
Income tax from corporate entities included in the tax return for the period	**287**	**-**
Deferred tax	**-193**	**-561**
Total tax	**94**	**-561**
Tax encumbrance shown in the profit and loss account	**94**	**-561**

Income tax – explanation for differences between tax calculated according to the binding rate and the shown tax	**For the period 01/01/2010 – 31/12/2010**	**For the period 01/01/2009 – 31/12/2009**
Profit before tax	**846**	**1615**
Income tax according to rate binding in the period (19%)	**161**	**307**
Income tax concerning previous years included in the current reporting period	-	-
Permanent differences	**257**	**48**
Other differences	804	-2450
Deductions from income (the amount of loss from previous years)	-393	**-**
Tax effect of the differences	126	-456
Income tax	**287**	-
The average effective tax rate (tax burden / income before tax)	**33,92%**	-

DEFERRED INCOME TAX ASSETS	**Position as of 2010/12/31**	**Position as of 2009/12/31**
Write-offs revaluing materials	247	271
Write-offs revaluing production in progress	79	79
Write-offs revaluing products	30	60
Write-offs revaluing receivables	3	-
Write-offs revaluing financial assets	5	-
Write-offs revaluing intangible assets	7	-

Write-offs revaluing tangible fixed assets	17	-
Reserves for employee benefits and other benefits	243	248
Negative exchange differences	2	5
Unpaid salaries and wages	-	51
Unpaid social insurance benefits	40	47
Leasing liabilities	65	173
Losses from previous years	75	150
Total deferred income tax assets	**813**	**1084**
Write-off revaluing deferred income tax assets	-	150
Net deferred income tax assets	**813**	**934**

DEFERRED INCOME TAX RESERVES	**Position as of 2010/12/31**	**Position as of 2009/12/31**
Difference between current tax value and the book value of fixed assets	3 101	3 404
Interest on receivables	1	8
Write-offs revaluing financial assets	-	8
Positive exchange differences	3	-
Total	3 105	3 420

Note 24

PROFIT PER SHARE	**For the period 01/01/2010 – 31/12/2010**	**For the period 01/01/2009 – 31/12/2009**
Net profit for the financial year	752	2 176
Weighted average number of ordinary shares	2 585 026	2 585 026
Profit per ordinary share	0,29	0,84

Note 25

The net profit for the year 2009, amounting to PLN 2,176,167.61, was allocated:

- in the amount of PLN 2,176,000.00 for the reserve capital.
- in the amount 167.61 for increasing the supplementary capital.

In 2010, the Company achieved a profit of PLN 752 thousand. The Management Board proposes to allocate the net achieved profit for other capitals (supplementary capitals).

PART THREE – SUPPLEMENTARY INFORMATION TO THE ANNUAL REPORT

I. Information on financial instruments

1. Information concerning financial instruments and changes in them are presented in the table below:

Item no.	Detailed list	Financial assets allocated for trade	Derivative instruments	Financial liabilities allocated for trade	Other financial liabilities (leasing)	Loans granted and own receivables	Financial assets held until maturity date	Financial assets available for sale
1.	Opening position	44	-	-	785	8 190	-	-
2.	Increases	-	-	-	-	210	-	-
	- acquisition, establishment, contracting	-	-	-	-	210	-	-
3.	Decreases	2	-	-	458	-	-	-
	- disposal, release, payment	-	-	-	458	-	-	-
	- valuation	2	-	-	-	-	-	-
4.	Closing position	42	-	-	327	8 400	-	-
Including								
4.1	Items shown in the balance sheet	42	-	-	327	8 400	-	-
	- short-term financial assets	42	-	-	-	-	-	-
	-cash and cash equivalents	-	-	-	-	8 400	-	-
	- short-term liabilities due for leasing	-	-	-	327	-	-	-

The Company did not include in the table above any trade receivables and liabilities whose objective is to purchase goods and services.
The maturity period of no financial instruments exceeds 1 year.

2. Characteristics of financial instruments:

Financial assets allocated for trade – The Company owns shares of Energoaparatura S.A. company, acquired in lieu of receivables previously covered by composition proceedings, quoted on the Warsaw Stock Exchange, and allocated them for disposal within the nearest 12 months. As of the balance sheet day, the price of shares is lower than their purchase price, so a write-off was made to revalue it to the market price.

Derivative instruments – The Company does not possess any derivative instruments.

Financial liabilities allocated for trade – The Company does not have any financial liabilities allocated for trade.
Other financial (leasing) liabilities – As of the day 31/12/2010, the Company holds two leasing agreements for purchase of machines and equipment. The final pay-off of the leasing liabilities will take place in June 2011.

Own receivables – At the beginning of the year, the Company had deposits for the amount of PLN 8,190 thousand. The deposits were contracted in Polish zlotys, with the realization dates up to four months of the balance sheet day. As of 31/12/2010, the value of bank deposits was PLN 8,400 thousand. The deposits were contracted in Polish zlotys.

Financial assets held until maturity date – The Company does not possess any financial assets held until maturity date.

Financial assets available for sale – The Company holds shares in other units for the amount of PLN 26 thousand, at the acquisition prices. In most cases, those are shares taken in lieu of receivables previously covered by composition proceedings. Because of high risk connected with regaining the above-mentioned sums, the Company made revaluation write-offs to the amount of the value of the shares. The revaluation write-off was charged to the results account.

3. Revealing contracts resulting in conversion of financial assets into securities or buy-back agreements.

The Company did not conclude any buy-back agreements or agreements resulting in conversion of financial assets into securities.

4. Financial assets valued at the fair market price reclassified as assets valued at the revised acquisition cost.

The Company did not reclassify any financial assets valued at the fair market price as assets valued at the revised acquisition cost.

5. Recognition of derivative instruments in the balance sheet.

As of 31/12/2010, the Company did not possess any derivative instruments.

6. Information on revaluation write-offs for permanent diminution of assets' value.

In the year 2010, the Company made a write-off revaluing the shares of Energoaparatura company, due to their valuation as of the balance sheet day. There, revaluation write-offs concerning derivative instruments from Item 1 of the Table were described. As for all write-offs referring to assets, they were described under the Tables concerning the given assets, and their recognition or reversal – in Notes 19 and 20.

7. Information on income from interest on debt financial instruments, loans granted or own receivables.

In the year 2010, the Company did not receive any interest on debt financial instruments. Interest on deposits in 2010 amounted to PLN 350 thousand.

8. Information on costs of interest on financial liabilities.

In the year 2010, interest on other financial liabilities (credit and leasing liabilities) amounted to PLN 22 thousand.

9. Aims and methods of financial risk management.

The Company does not currently have a comprehensive computerized system of risk management. Individual kinds of risk are analyzed separately by individual departments responsible for activities which might trigger risk. The following essential risks may be observed in the Company:

- market risk
  - price risk
  - currency risk
  - interest rate risk
- credit risk
- liquidity risk

In order to minimize the price risk, the Company implements the principle of deliveries diversification, realizes deliveries from approved suppliers and negotiates prices for longer periods.

Due to a relatively high level of export, the Company is exposed to currency risk. In order to minimize that risk, terms of changing the prices of products sold occurring in the case of significant exchange rate changes are included in contracts concluded with foreign business partners.

Analysis of sensitivity to currency risk (in PLN thousand).

An analysis of sensitivity to currency risk was carried out for net income from export sales of products, goods and materials with the assumption of increase and decrease of EUR and USD exchange rates to PLN by 5%.

	01/01/2010 – 31/12/2010			01/01/2009 – 31/12/2009		
	Value in currency converted into PLN	Increase in exchange rate (weakening of PLN)	Decrease in exchange rate (strengthening of PLN)	Value in currency converted into PLN	Increase in exchange rate (weakening of PLN)	Decrease in exchange rate (strengthening of PLN)
Net income from sales of products, materials and goods	7.611	+381	-381	7.132	+357	-357

If the exchange rates of currencies rose by 5% regarding PLN, the Company would observe an increase by PLN 381 thousand in net income from sales of export products, materials and goods for the year 2010; the change would be otherwise if the exchange rate dropped.
The Company is exposed to interest rate risk, as interest rate on cash, credits and leasing depends on its height.

Analysis of sensitivity to interest rate risk (in PLN thousand).

An analysis of the Company's sensitivity to interest rate risk with the assumption of change in the interest rate by 0.2% (in plus and in minus) is the following:

	31/12/2010			31/12/2009		
	Carrying value	Change in interest rates		Carrying value	Change in interest rates	
		+ 0.2%	- 0.2%		+ 0.2%	- 0.2%
Cash and cash equivalents	W9.445	+18,9	-18,9	8.547	+17,1	- 17,1
Leasing liabilities	327	+0,7	-0,7	785	+1,6	- 1,6
TOTAL	9.772	+19,6	-19,6	9.332	+18,7	- 18,7

As of 31/12/2010, the carrying value of assets and liabilities (financial; assets, cash and cash equivalents, leasing liabilities) – sensitive to the interest rate risk – amounts to PLN 9,772 thousand.

As of 31/12/2010, a change in interest rates by 0.2% (in plus) would potentially cause a change of assets and liabilities by PLN 19.6 thousand. The change would be otherwise in the case of change in minus

The Company is exposed to credit risk: failure of inflow of receivables due for sales (within the time arranged or at all). The Company takes measures to secure itself from that risk by assessing the recipients' credit capacity, the use of advance payments, collaterals and improvement of the receivables recovery system.

The Company is also exposed to liquidity risk in its activity. In order to alleviate it, the Company negotiates contracts with delayed payment dates.

10. Description of methods of establishing the fair market value of financial instruments.

The Company evaluates shares of companies quoted on the stock exchange at their fair market value, i.e. at the price quoted on the stock exchange for the balance sheet day.

11. Information on profit or loss from collateral instruments valuation.

At the end of the year 2010, the Company does not have any collateral instruments.

II. Segments of activity

In accordance with the requirements of IFRS 8, operating segments are identified on the basis of internal reports concerning those elements of the Company which are regularly verified by the individuals making decisions on allocating resources to a given segment and assessing the segment's financial result.

The primary criterion of segment classification is the industry division, i.e. division into assortment groups, which is the following:

For the period 01/01/2010 – 31/12/2010

Detailed list	**Products and half-finished products**						**Services**	**Goods and materials**	**Non-classified items**	**Total**
	Automatic control engineering	Heat engineering automatics	Central lubrication equipment	Hydraulic control systems	Laboratory equipment	Foundry				
Income										
Domestic	11 873	2 076	1 582	478	1 243	2 263	584	290	-	20 389
Export, including:	6 629	102	27	63	12	677	73	28	-	7 611
To EU countries	5 381	82	27	0	12	677	71	17	-	6 267
To countries beyond EU	1 248	20	0	63	0	0	2	11	-	1 344
Total income	18 502	2 178	1 609	541	1 255	2 940	657	318	-	28 000
Domestic	9 748	2 370	1 538	582	1 333	2 792	378	255	-	**18996**
Export, including:	6 694	120	23	101	12	970	44	21	-	**7 985**
To EU countries	5 293	94	23	0	12	970	44	12	-	**6 448**
To countries beyond EU	1 401	26	0	101	0	0	0	9	-	**1 537**
Total expenses	**16 442**	**2 490**	**1 561**	**683**	**1 345**	**3 762**	**422**	**276**	-	**26 981**
Domestic	2 125	-294	44	-104	-90	-529	206	35	-	**1 393**
Export, including:	-65	-18	4	-38	0	-293	29	7	-	**-374**

To EU countries	88	-12	4	0	0	-293	27	5	-	**-181**
To countries beyond EU	-153	-6	0	-38	0	0	2	2	-	**-193**
Segment's result	**2060**	**-312**	**48**	**-142**	**-90**	**-822**	**235**	**42**	-	**1 019**
Other income	-	-	-	-	-	-	-	-	734	**734**
Other expenses	-	-	-	-	-	-	-	-	1 135	**1 135**
Operating activity profit (loss)	**2060**	**-312**	**48**	**-142**	**-90**	**-822**	**235**	**42**	**-401**	**618**
Financial income	-	-	-	-	-	-	-	-	412	**412**
Financial expenses	-	-	-	-	-	-	-	-	184	**184**
Profit before tax	**2 060**	**-312**	**48**	**-142**	**-90**	**-822**	**235**	**42**	**-173**	**846**
Income tax	-	-	-	-	-	-	-	-	94	**94**
Net profit	**2060**	**-312**	**48**	**-142**	**-90**	**-822**	**235**	**42**	**-267**	**752**
Assets	-	-	-	-	-	-	-	-	47 631	**47 631**
Capitals	-	-	-	-	-	-	-	-	40 419	**40 419**
Liabilities	-	-	-	-	-	-	-	-	7 212	**7 212**
Investment expenditure for tangible fixed assets	-	-	-	-	-	-	-	-	843	**843**
Investment expenditure for intangible assets	-	-	-	-	-	-	-	-	13	**13**
Amortization of tangible fixed assets	-	-	-	-	-	-	-	-	2 646	**2 646**
Amortization of intangible assets	-	-	-	-	-	-	-	-	19	**19**
Write-offs revaluing non-financial assets	-	-	-	-	-	-	-	-	2 360	**2 360**

For the period 01/01/2009 – 31/12/2009

Detailed list	**Products and half-finished products**						**Services**	**Goods and materials**	**Non-classified items**	**Total**
	Automatic control engineering	Heat engineering automatics	Central lubrication equipment	Hydraulic control systems	Laboratory equipment	Foundry				
Income										
Domestic	11 823	2 202	1 437	407	837	2 252	611	210	-	**19 779**
Export, including:	6 566	106	26	65	9	324	35	0	-	**7 131**
To EU countries	6 007	99	26	0	9	324	35	0	-	**6 500**
To countries beyond EU	559	7	0	65	0	0	0	0	-	**631**
Total income	**18 389**	**2 308**	**1 463**	**472**	**846**	**2 576**	**646**	**210**	-	**26 910**
Expenses										
Domestic	9 736	2 152	1 395	561	799	2 709	350	172	-	**17 874**
Export, including:	5 802	124	18	150	12	501	29	0	-	**6 636**
To EU countries	5 203	118	18	0	12	501	29	0	-	**5 881**
To countries beyond EU	599	6	0	150	0	0	0	0	-	**755**

Total expenses	**15 538**	**2 276**	**1 413**	**711**	**811**	**3 210**	**379**	**172**	-	**24 510**
Segment's result										
Domestic	2 087	50	42	-154	38	-457	261	38	-	**1 905**
Export, including:	764	-18	8	-85	-3	-177	6	0	-	**495**
To EU countries	804	-19	8	0	-3	-177	6	0	-	**619**
To countries beyond EU	-40	1	0	-85	0	0	0	0	-	**-124**
Segment's result	**2 851**	**32**	**50**	**-239**	**35**	**-634**	**267**	**38**	-	**2 400**
Other income	-	-	-	-	-	-	-	-	409	**409**
Other expenses	-	-	-	-	-	-	-	-	907	**907**
Operating activity profit (loss)	**2 851**	**32**	**50**	**-239**	**5**	**-634**	**267**	**38**	**-498**	**1 902**
Financial income	-	-	-	-	-	-	-	-	3 575	**619**
Financial expenses	-	-	-	-	-	-	-	-	3 862	**906**
Profit before tax	**2 851**	**32**	**50**	**-239**	**35**	**-634**	**267**	**38**	**-785**	**1 615**
Income tax									-561	**-561**
Net profit	**2 851**	**32**	**50**	**-239**	**35**	**-634**	**267**	**38**	**-224**	**2 176**
Assets, capitals and liabilities										
Assets	-	-	-	-	-	-	-	-	46 579	**46 579**
Capitals	-	-	-	-	-	-	-	-	39 667	**39 667**
Liabilities	-	-	-	-	-	-	-	-	6 912	6 912
Other information										
Investment expenditure for tangible fixed assets	-	-	-	-	-	-	-		728	**728**
Investment expenditure for intangible assets	-	-	-	-	-	-	-		41	**41**
Amortization of tangible fixed assets	-	-	-	-	-	-	-		2 478	**2 478**
Amortization of intangible assets	-	-	-	-	-	-	-		27	**27**
Write-offs revaluing non-financial assets	-	-	-	-	-	-	-		2 425	**2 425**

Besides, for the needs of internal management, the financial reporting system makes it possible to identify financial results according to the territorial criterion.

Detailed list	**2010**		**2009**		**Change 2010/2009**
	Value	**Share (%)**	**Value**	**Share (%)**	
Total income from product sales, including:	**27 682**	**100,0%**	**26 700**	**100,0%**	**3,7%**
Domestic	20 099	72,6%	19 568	73,3%	2,7%
Export, including:	7 583	27,4%	7 132	26,7%	6,3%
Internal delivery of goods to EU	6 250		6 263		-0,2%

Export beyond EU	1 333		869		53,4%
Income from sales of goods and materials, including:	**318**	**100,0%**	**210**	**100,0%**	**51,4%**
Domestic	290	91,2%	210	100,0%	38,1%
Export	28	8,8%	-	-	-

III. Contingent liabilities and receivables

Contingent liabilities and receivables	**Position as of 2010/12/31**	**Position as of 2009/12/31**
1. Contingent liabilities	**2 660**	**6 299**
1.1 In favour of affiliated units (due for)	-	-
- guarantees and warranties granted	-	-
1.2 In favour of other units (due for)	2 673	6 299
- guarantees and warranties granted	-	-
- collateral of credits and loans - blank bill of exchange	1 000	4 000
- collateral of contracts - blank bill of exchange	128	74
- collateral of receivables for goods delivered - blank bill of exchange	200	200
- collateral of leasing - blank bill of exchange	1 266	1 963
- liabilities due for entrusted materials	66	62
2. Contingent receivables	**-**	**-**
2.1. From affiliated units (due for)	-	-
- guarantees and warranties received	-	-
2.2 From other units (due for)	-	-
- guarantees and warranties received	-	-
Total of off-balance sheet items	**2 660**	**6 299**

IV. Liabilities due for the Budget or local government units resulting from obtaining the property right to buildings and structures.

The Company does not have any liabilities due for the Budget or local government units resulting from obtaining the property right to buildings and structures.

V. Information on the issuer's transactions with affiliated entities, concerning transfer of

rights and obligations. Numbers concerning entities affiliated to the issuer.

The issuer is not affiliated to any entities and did not make any common transactions.

VI. Average employment

The average employment in full-time jobs was as follows:

Detailed list	**Position as of 31/12/2010**	**Position as of 31/12/2009**
Total employment, including:	203	223
- white-collar workers	71	75
- blue-collar workers	132	148

VII. The value of remunerations, awards or benefits – including ones resulting from motivation or bonus programmes – paid, due for each managing and supervising person individually.

The remunerations of the managing persons in 2010 are presented in the following table:

Management Board	Function in the period of 2010	Basic salary for 2010	Annual bonus paid for 2009	Leave equivalent	Additional benefits	Termination pay in cash	Annual bonus calculated for 2010	Total
Kozlovski Miroslav	President of the Management Board – Managing Director (appointed as of 29/09/2010, employment agreement from 07/10/2010)	56 191	-	-	5 619	-	7 836	69 646
Lechowicz Jacek	Member of the Management Board – Marketing and Sales Director (until 28/06/2010)	85 571	17 697	19 568	8 557	90 000	4 843	226 236
Piszcz Andrzej	Vice-President of the Management Board (from 28/06/2010)	98 286	-	-	12 286	-	15 263	125 835

Jan Zakonek	President of the Management Board – Managing Director (until 28/06/2010)	113 589	53 091	19 379	8 557	120 000	14 528	329 144
Wojtowicz Władysław	President of the Management Board (Member of the Supervisory Board delegated to temporarily perform the activities of the President of Management Board) (from 28/06/2010 to 28/09/2010)	30 333	-	-	-	-	-	30 333
Total		383 970	70 788	38 947	35 019	210 000	42 470	781 194

The remunerations of the managing persons in 2009 are presented in the following table:

Management Board	**Function in the period of 2009**	**Basic salary for 2009**	**Annual bonus paid for 2008**	**Additional benefits**	**Annual award calculated for 2008**	**Management Board's annual bonus for the calculated for 2009**	**Total**
Jacek Lechowicz	Member of Management Board – Marketing and Sales Director	169 893	16 438	17 489	-	17.381	221 201
Jan Zakonek	President of Management Board – Managing director	233 190	49 313	17 489	9 498	52.145	361 635
Total		403 083	65 751	34 978	9 498	69 526	582 836

The remunerations of the supervising persons in 2010 are presented in the following table:

Item no.	**Supervisory Board**	**Function performed in 2010**	**Basic salary for 2010**
1.	Iwaniec Jarosław	Member of Supervisory Board	18 965
2.	Kotar Grażyna	Member of Supervisory Board	18 965

3.	Piwowar Wiesław	President of Supervisory Board	22 125
4.	Świetlicki vel Węgorek Adam	Vice-President of Supervisory Board	20 545
5.	Wojtowicz Władysław	Secretary of Supervisory Board	20 545
	Total		**101 145**

The remunerations of the supervising persons in 2009 are presented in the following table:

Item no.	Supervisory Board	Function performed in 2009	Basic salary for 2009
1.	Iwaniec Jarosław	Member of Supervisory Board	18 374
2.	Kotar Grażyna	Member of Supervisory Board	18 374
3.	Piwowar Wiesław	President of Supervisory Board	21 437
4.	Świetlicki vel Węgorek Adam	Vice-President of Supervisory Board	19 906
5.	Wojtowicz Władysław	Secretary of Supervisory Board	19 906
	Total		**97 997**

VIII. Significant events occurring after the end of the annual period, not included in the financial statement for the given annual period.

After the balance sheet day, no events occurred which might have influence on changing the financial result of the Company.

IX. Explanations concerning seasonality or cyclicality of the issuer's activities in the presented period.

In the year 2010, neither seasonality nor cyclicality of the issuer's activity occurred.

X. Information on issuance, redemption and paying off of debt and capital securities.

In the period from the beginning of the year until the balance sheet day, the Company did not issue any shares and did not redeem or pay off any debt or capital securities.

XI. Information on paid-off (or declared) dividend, jointly and per share, divided into common stocks and preference stocks.

The Company did not pay off and did not declare the payment of any dividends.

XII. Indication of events occurring after the day as of which the financial statement was made, not included in the statement but likely to have a significant influence on the issuer's future financial results.

After the day as of which the financial statement was made, there did not occur any events not included in the statement but likely to have a significant influence on the issuer's future financial results.

XIII. Presentation of financial statements with consideration of accumulated inflation rate over 100% within the period of the last three years of the issuer's activity.

Due to the fact that the accumulated inflation rate has remained below 100% in the last 3 years of the Company's activity, the financial statements and comparative financial data are not corrected with a suitable inflation rate.

……………………….	……………………….	…………………….
Bożena Polak	Andrzej Piszcz	Miroslav Kozlovski
Chief Accountant	Vice-President	President
	of the Management Board	of the Management Board

Przemyśl, 21st March 2011

ZAKŁADY AUTOMATYKI "POLNA"
SPÓŁKA AKCYJNA

THE MANAGEMENT BOARD'S REPORT FROM THE COMPANY'S ACTIVITY IN 2010

PRZEMYŚL, MARCH 2011

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CHAPTER I.

BASIC INFORMATION ABOUT THE COMPANY

1. NAME AND REGISTERED SEAT

Zakłady Automatyki "POLNA" S.A.
37-700 Przemyśl, ul. Obozowa 23
tel. no. 16/678-66-01
fax: 16/678-65-24

2. COMPOSITION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD AND CHANGES IN THE REPORT PERIOD

The composition of the Management Board until 28/06/2010:

- Jan Zakonek – President of the Management Board – Managing director
- Jacek Lechowicz – Member of the Management Board – Marketing and Sales Director

At the session on 28th June 2010, the Supervisory Board appointed the Management Board in the following composition:

- Władysław Wojtowicz – Member of the Supervisory Board Delegated to temporarily perform the activities of the President of the Management Board until 28th September 2010
- Andrzej Piszcz – Member of the Management Board – Vice-President

At the session on 27th September 2010, the Supervisory Board appointed Mr Miroslav Kozlovski for the position of the President of the Management Board and the Managing Director.

The composition of the Supervisory Board:

- Mr Wiesław Piwowar – President,
- Mr Adam Świetlicki vel Węgorek – Vice-President,
- Mr Władysław Wojtowicz – Secretary,
- Mr Jarosław Iwaniec – Member,
- Ms Grażyna Kotar – Member.

In the report period, no changes occurred in the composition of the Supervisory Board.

3. LEGAL FORM

w The Company is a public limited company, quoted on the main market of the Warsaw Stock Exchange in the fixed quotation system, conducting activity pursuant to the Commercial Companies Code, registered on 12/02/2002 by the District Court in Rzeszów, XII Economic Division of the National Court Register, with the KRS number 00000173, managing a firm with the registered business name Zakłady Automatyki "POLNA" S.A. in Przemyśl.

4. THE COMPANY'S CAPITALS

As of the day 31st December 2010, the Company's equity capitals reached the value of PLN 40,419 thousand. The share capital amounted to PLN 9,823 thousand and was divided into 2,585,026 shares of nominal value PLN 3.80 each, including:

- 564,010 series A shares,
- 168,412 series B shares,
- 81,000 series C shares,
- 19,000 series D shares,
- 1,664,844 series E shares,
- 87,760 series F shares.

5. THE COMPANY'S SHAREHOLDERS

According to the Company's knowledge, the Company's share ownership on the day of issuing the annual report was the following:

	Number of shares / votes	**Participation in the share capital**
Zbigniew Jakubas	780,179 shares	(30.18%)
Affiliated entity Wartico Invest Sp. z o. o.	384,474 shares	(14.87%)
Affiliated entity Multico Sp. z o.o.	46,079 shares	(1.78%)
Zbigniew Jakubas and affiliated entities jointly	**1,210 ,732 shares**	**(46.83%)**
Radosław Kamiński with a close companion	140,405 shares	(5.43%)
Other shareholders	1,233,889 shares	(47.74%)
Total	**2,585,026 shares**	**(100.00%)**

6. THE OBJECT OF ACTIVITY

In accordance with Art. 7 of the Charter, the Company's object of activity is:

- 24.5 Metal founding;
- 28.12.Z Production of hydraulic and pneumatic drive equipment;
- 28.13.Z Production of other pumps and compressors;
- 28.14.Z Production of other cocks and valves;
- 38.21.Z Processing and utilization of waste other than dangerous;
- 38.32.Z Recycling of raw materials from sorted materials;
- 46.69.Z Wholesale trade of other machines and equipment;
- 46.90.Z Non-specialized wholesale trade;
- 46.77.Z Wholesale trade of waste and scrap.

CHAPTER II.

BASIC ECONOMIC AND FINANCIAL NUMBERS OF THE COMPANY AND THE FACTORS HAVING A SIGNIFICANT INFLUENCE ON THE ECOMONIC ACTIVITY AND THE RESULTS OBTAINED

7. THE COMPANY'S FINANCES

Since 1st January 2009, pursuant to the Resolution of the Annual General Shareholders Meeting No. 32/2008 of 30th June 2008, "POLNA" S.A. has made unitary financial statements in compliance with the International Financial Reporting Standards accepted by the European Commission.

For reliable and clear presentation of the firm's financial and property standing, the Company applies the principles included in the Company's accounting policy and described in the first part of the unitary annual financial standing for the year 2010 – additional information on the adopted accounting principles (policy). The book records system is computerized. The Company has a company account scheme and a list of accounting books. The adopted scheme of synthetic and analytical accounts allows for grouping data in sections necessary to make financial statements. The system enables to obtain current information on the result of economic activity and financial standing.

The presented data for the previous periods (presented above) have been transformed so as to retain the comparability principle.

7.1. FINANCIAL STANDING STATEMENT

The Company's financial standing statement for 31st December 2010 was closed with the amount of PLN 47,631 thousand on the side of assets and liabilities. The Company's net assets (book value) amounted to PLN 40,419 thousand, which is PLN 15.64 for one share.

Assets

- ***Fixed assets***

At the end of the year 2010, fixed assets amounted to PLN 28,169 thousand and constituted 59.1% of the Company's assets. Changes in the amount and structure of individual fixed assets in the accounting period are illustrated by the following tables.

Table 1. Changes in fixed assets, in PLN thousand

Detailed list	31/12/2010	31/12/2009	Change (%)

	Value	Participation (%)	Value	Participation (%)	
Total fixed assets, including:	28 169	100,0%	30 748	100,0%	-8,4%
Tangible fixed assets	27 341	97,1%	29 756	96,8%	-8,1%
Real property and investments	-	-	-	-	-
Company's goodwill	-	-	-	-	-
Other intangible values	15	0,1%	58	0,2%	-74,1%
Financial assets	-	-	-	-	-
Loans	-	-	-	-	-
Deferred income tax assets	813	2,9%	934	3,0%	-13,0%
Other prepayments and accruals	-	-	-	-	-

In the year 2010, the total value of total fixed assets decreased by 8.4% in comparison to the end of the previous year. The value of fixed assets depends on tangible fixed assets (97.1%), which decreased by 8.1% as a result of allocation for disposal for the amount of PLN 434 thousand and as a result of amortization, sales and liquidation.

The decrease of other intangible values (by 74.1%) occurred due to making a revaluation write-off related to lack of reception protocol for the foundry production process.

Deferred income tax assets decreased by PLN 121 thousand in comparison to the end of 2009, due to a decrease in the gross value of deferred income tax assets and a release of a write-off for the assets.

Table 2. Structure of tangible fixed assets, in PLN thousand

Detailed list	**31/12/2010**		**31/12/2009**		**Change (%)**
	Value	**Participation (%)**	**Value**	**Participation (%)**	
Total tangible fixed assets, including:	27 341	100,0%	29 756	100,0%	-8,1%
- land (including perpetual usufruct of land)	1 621	5,9%	1 621	5,4%	-
- buildings and structures	12 872	47,1%	13 386	45,0%	-3,8%
- technical equipment and	11 153	40,8%	12 926	43,4%	-13,7%

machines					
- means of transport	262	1,0%	365	1,2%	-28,2%
- other fixed assets	1 433	5,2%	1 458	4,9%	-1,7%

In 2010, there was a decrease in tangible fixed assets by 8.1% in comparison to the end of the year 2009. The Company's property is mostly buildings and structures (47.1%) as well as machines and equipment (40.8%).

The greatest decrease in tangible fixed assets was noted in the group of 'means of transport' (28.2%) and 'technical equipment and machines' (13.7%).

- ***Current assets***

At the end of the year 2010, current assets reached the amount of PLN 19,028 thousand and constituted 39.9% of the value of the Company's assets.

In the year 2010, there was a total increase of the current assets value by 20.2% in comparison to the end of the year 2009. The greatest items of current assets are cash and cash equivalents (49.6%), trade receivables and other receivables (28.7%) as well as supplies (20.9%).

The greatest increase in the value of current assets for the end of the year 2010 was observed in the item 'trade receivables and other receivables' (53.5%), which was related to an increase in sales value in December.

There was also an increase in the item 'prepayments and accruals' (by 17.3%) in comparison to the end of 2009, caused by an increase in the value of cash on bank accounts and of supplies (by 9.9%), mostly referring to production in progress and final products.

An increase in current assets occurred only in the item 'financial assets' (by 4.5%) and was related to increasing the write-offs revaluing those assets.

Table 3. Changes in current assets, in PLN thousand

Detailed list	**31/12/2010**		**31/12/2009**		**Change (%)**
	Value	**Participation (%)**	**Value**	**Participation (%)**	
Total current assets, including:	19 028	100,0%	15 831	100,0%	20,2%
Supplies, including:	3 985	20,9%	3 625	22,9%	9,9%
materials	1 943	10,2%	2 008	12,7%	-3,2%
production in progress	1 688	8,9%	1 338	8,5%	26,2%
final products	353	1,9%	277	1,7%	27,4%

goods	1	-	2	-	-50,0%
Trade receivables and other receivables	5 469	28,7%	3 563	22,5%	53,5%
- due for deliveries and services	5 308	27,9%	3 282	20,7%	61,7%
- other receivables	161	0,8%	281	1,8%	-42,7%
Income tax receivables	26	0,1%	-	-	-
Financial assets	42	0,2%	44	0,3%	-4,5%
Loans	-	-	-	-	-
Cash and cash equivalents	9 445	49,6%	8 547	54,0%	10,5%
Prepayments and accruals	61	0,3%	52	0,3%	17,3%

- ***Fixed assets allocated for disposal***

With regard to allocation of fixed assets for disposal in the amount of PLN 434 thousand, those assets were moved from tangible fixed assets. That item did not occur at the end of 2009.

Equity and liabilities

- ***Equity capital***

As of the end of 2010, equity capitals constituted 84.9% of the total sum of equity and liabilities and amounted to PLN 40,419 thousand. Changes in the value and structure of the capitals are presented in the following table.

Table 4. Amount and structure of equity capital, in PLN thousand

Detailed list	**31/12/2010**		**31/12/2009**		**Change (%)**
	Value	**Participation (%)**	**Value**	**Participation (%)**	
Total equity capital, including:	40 419	100,0%	39 667	100,0%	1,9%
Initial capital	9 823	24,3%	9 823	24,8%	-
Revaluation capital	-	-	-	-	-
Other capitals	29 844	73,8%	7 511	18,9%	297,3%
Retained profits	-	-	20 157	50,8%	-100,0%
Net profit (loss)	752	1,9%	2 176	5,5%	-65,4%

The increase of equity capital by 1.9% was a result of a net profit noted in 2010, amounting to PLN 752 thousand.

- ***Long-term and short-term liabilities***

Long-term liabilities amounted to PLN 3,794 thousand and constituted 8.0% of the total equity and liabilities position.

Changes in the value and structure of individual elements of that item are presented in the following table.

Table 5. Changes in long-term liabilities, in PLN thousand

Detailed list	31/12/2010		31/12/2009		Change (%)
	Value	Participation (%)	Value	Participation (%)	
Total long-term liabilities, including:	3 794	100,0%	4 271	100,0%	-11,2%
Loans and credits	-	-	-	-	-
Deferred income tax reserves	3 105	81,8%	3 420	80,1%	-9,2%
Long-term reserves for liabilities	689	18,2%	548	12,8%	25,7%
Leasing liabilities	-	-	303	7,1%	-100,0%
Other long-term liabilities	-	-	-	-	-
Prepayments and accruals	-	-	-	-	-

In the period under consideration, there was a decrease (by 11.2%) of long-term liabilities in comparison to the end of the year 2009.

The greatest decrease was in leasing liabilities (100%) and was connected with moving them to short-term liabilities. A decrease (9.2%) also occurred in the item ‘deferred income tax reserves’ and was related to reducing write-offs revaluing financial assets.

An increase in long-term liabilities was only observed in reserves for liabilities (by 25.7%) and resulted from an actuarial valuation of employee reserves performed for the end of the year.

Short-term liabilities amounted to PLN 3,418 thousand and constituted 7.2% of the total equity and liabilities. The changes and structures of particular elements in that item are presented in the following table.

Table 6. Changes in short-term liabilities, in PLN thousand

Detailed list	31/12/2010		31/12/2009		Change (%)
	Value	Participation (%)	Value	Participation (%)	
Total short-term liabilities, including:	**3 418**	**100,0%**	**2 641**	**100,0%**	**29,4%**
Due for affiliated units	-	-	-	-	**-**
Liabilities due to deliveries and services and other liabilities	-	-		-	**-**
Due for other units	**2 813**	82,3%	**1 867**	70,7%	**50,7%**
Liabilities due to deliveries and services and other liabilities, including	**2 486**	72,7%	**1 385**	52,4%	**79,5%**
- due for deliveries and services	**1 167**	34,1%	**766**	29,0%	**52,3%**
- other liabilities	**1 319**	38,6%	**619**	23,4%	**113,1%**
Short-term loans and credits	-	-	-	-	**-**
Current income tax liabilities	-	-	-	-	**-**
Leasing liabilities	**327**	9,6%	**482**	18,3%	**-32,2%**
Short-term reserves	**592**	17,3%	**762**	28,9%	**-22,3%**
Prepayments and accruals	**13**	0,4%	**12**	0,5%	**8,3%**

In the period under consideration, there was an increase (by 29.4%) in short-term liabilities in comparison to the end of the year 2009.

The increase mostly referred to the group of liabilities due for deliveries and services (by 52.3) and other liabilities (by 113.1%). In increase in other liabilities referred to liabilities due for taxes, customs duties, insurances and other benefits, as well as liabilities due for remunerations.

The decrease referred to leasing liabilities (by 32.25%) and was related to termination of the majority of leasing agreements and short-term reserves (by 22.3%); besides, it resulted from using the reserves for termination pays and bonus for the Management Board whose term of office finished in June 2010.

7.2 PROFIT AND LOSS ACCOUNT

- ***Income from sales***

Net income from sales and equalized to it amounted to PLN 28,985 thousand in the year 2010 and increased by 7.7% in comparison to the year 2009.

Table 7. Net income from sales and equalized to it, in PLN thousand

Detailed list	**01/01/2010 – 31/12/2010**	**01/01/2009 – 31/12/2009**	**Change (%)**
Net income from sales and equalized to it, including:	**28 985**	**26 918**	**7,7%**
- income from sales of products and services	27 682	26 700	**3,7%**
- income from sales of materials and goods	318	210	**51,4%**
- change in position of products	594	-198	**400,0%**
- costs of services for the Company's own needs	391	206	**89,8%**

The increase of income from sales resulted mainly from increase in income from sales of products and services by PLN 982 thousand.

- ***Other income***

Other income in the year 2010 amounted to PLN 734 thousand and referred to other income. In that group, the following had a significant importance: adjustments of write-offs revaluing non-financial assets, amounting to PLN 565 thousand (supplies: amounting to PLN 437 thousand, receivables: amounting to PLN 49 thousand, fixed assets: amounting to PLN 79 thousand). Furthermore, other income included: income from sales of waste and packages, amounting to PLN 84 thousand and income from materials and products scrapping, in the amount of PLN 41 thousand.

- ***Financial income***

Financial income for the year 2010 amounted to PLN 412 thousand. That value was mostly made up of interest on receivables and interest on cash accumulated on bank accounts (PLN 378 thousand) and profit from disposal of investments, amounting to PLN 34 thousand.

- ***Costs of operating activity***

Costs of operating activity incurred in the year 2010 amounted to PLN 27,966 thousand and were higher by 14.1% in comparison to 2009.

Table 8. Costs of operating activity, in PLN thousand

Detailed list	01/01/2010 - 31/12/2010		01/01/2009 - 31/12/2009		Change (%)
	Value	Participation (%)	Value	Participation (%)	
Total costs of operating activity, including:	27 966	100,0%	24 518	100,0%	14,1%
Amortization	2 665	9,5%	2 505	10,2%	6,4%
Materials and power consumption	13 514	48,3%	11 271	46,0%	19,9%
Outsourcing	2 187	7,8%	2 202	9,0%	-0,7%
Taxes and other charges	761	2,7%	772	3,1%	-1,4%
Remunerations	6 432	23,0%	5 584	22,8%	15,2%
Social insurances and other benefits	1 516	5,4%	1 436	5,9%	5,6%
Other costs by type	615	2,2%	573	2,3%	7,3%
Value of goods and materials sold	276	1,0%	175	0,7%	57,7%

- ***Other costs***

In the period under examination, other costs amounted to PLN 1,135 thousand and were higher by 25.1% than in the previous year. The level of other costs was mostly influenced by: revaluation of non-financial assets – PLN 570 thousand, tangible fixed assets – PLN 99 thousand, intangible assets – PLN 37 thousand, supplies – PLN 152 thousand, receivables in the amount of PLN 214 thousand and fixed assets allocated for disposal – PLN 68 thousand, costs of scrapping of materials, production in progress and products in the amount of PLN 296 thousand, a loss from disposal of non-financial fixed assets in the amount of PLN 186 thousand.

- ***Financial costs***

Financial costs for the end of 2010 amounted to PLN 184 thousand and were lower by 79.7% than the costs in 2009. The main item was an excess of negative exchange rate differences over positive ones (PLN 117 thousand), as well as interest on leasing agreements and liabilities in the amount of PLN 19 thousand and commissions related to trading with securities in the amount of PLN 33 thousand and bank commissions for PLN 3 thousand.

- ***Financial results***

Financial results of the Company in individual segments of its activity are the following.

Table 9. Financial results, in PLN thousand

Detailed list	**01/01/2010 - 31/12/2010**	**01/01/2009 - 31/12/2009**	**Change (%)**
Profit / loss from sales	1 019	2 400	-57,5%
Profit / loss from operating activity	618	1 902	-67,5%
Gross profit / loss	846	1 615	-47,6%
Net profit / loss	752	2 176	-65,4%

As for the basic activity, in the year 2010 the Company noted a profit from sales amounting to PLN 1,019 thousand, i.e. by 57.5% lower than in 2009 (PLN 2,400 thousand).

On account of other activity in 2010, the Company noted a loss amounting to PLN 401 thousand (income: PLN 734 thousand, costs: PLN 1,135 thousand). In the previous year, the loss from other activity was higher by PLN 97 thousand.

The Company's financial activity in 2010 resulted in a profit of PLN 228 thousand (income: PLN 412 thousand, costs: PLN 184 thousand), mainly due to interest on funds accumulated on bank accounts. In the previous year, the Company had a loss amounting to PLN 287 thousand.

From overall activity in 2010, the Company achieved a net profit of PLN 752 thousand and it was lower than net profit for the previous year by PLN 1,424 thousand.

7.3 RATIO ANALYSIS

The following financial ratios illustrate the Company's condition in the last two years.

Table 10. Financial ratios

Detailed list	2010/12/31	2009/12/31
Profitability of sales profit (loss) from sales / income from sales and equalized to it	3,5%	8,9%
EBIT profitability profit (loss) from operating activity / income from sales and equalized to it	2,1%	7,1%
EBITDA profitability	11,3%	16,4%

profit (loss) from operating activity + amortization / income from sales and equalized to it		
Net profitability of sales net profit (loss) / income from sales and equalized to it	2,7%	8,1%
Return on equity (ROE) net profit (loss) / equity capital	2,0%	5,5%
Return on assets (ROA) net profit (loss) / total assets	1,7%	4,7%
Current liquidity ratio current assets / short-term liabilities	5,6	6,0
Quick ratio current assets – supplies / short-term liabilities	4,4	4,6
Supplies cycle (in days) supplies x number of days in the period / costs of operating activity	52	54
Cycle of recovering receivables due for deliveries and services (in days) receivables due for deliveries and services x number of days in the period / income from sales and equalized to it	67	45
Cycle of payment of liabilities due for deliveries and services (in days) liabilities due for deliveries and services x number of days in the period / costs of operating activity	15	11
Total debt ratio total liabilities / equity capital	15,1%	14,8%
Debt to equity ratio total liabilities / equity capitals	17,8%	17,4%
Ratio of coverage of fixed assets with equity (golden balance sheet rule) equity / fixed assets	143,5%	129,0%
Ratio of coverage of fixed assets with constant capital (golden bank rule) equity + long-term liabilities / fixed assets	157,0%	142,9%

The results of ratio analysis allow for stating that the financial standing of the Company is good. The liquidity ratios are on a high level, indicating excess liquidity. The excess liquidity results from including the cash allocated for taking over another entity. The value of current liquidity ratio without that cash would be 2.8 on average, and the quick ratio, 1.5. That is a satisfactory level.

The ratios of the Company's debt are on a safe level. The Company practically uses its own resources to cover its needs. The golden balance sheet rule and golden bank rule are observed: equity and capitals and constant capitals fully cover the fixed assets.

The result of efficiency ratios regarding management of receivables and liabilities indicates the need of systematic control and carrying out preventive actions concerning the areas such as management of supplier and customer; it particularly refers to receivables.

As for profitability ratios, their levels were positive but lower than those of the year 2009. The greatest decrease is observed in profitability of sales (-5.4%), which resulted mostly from a rise in prices of materials and raw materials, not transferred proportionally to an increase in prices of final products.

8. BASIC INFORMATION ON THE MARKETS, PRODUCTS AND GOODS

Zakłady Automatyki „POLNA" S.A. is one of a dozen or so Polish manufacturers of automatic industrial process control equipment. The Company's production covers products of the following industries:

- automatic control engineering (regulatory valves, pneumatic multi-spring diaphragm actuators),
- heat engineering (net filters, direct action regulators, butterflies),
- central lubrication equipment (lubrication pumps, lubricant feeders, one-way and multi-way systems, lubrication stations)
- hydraulic control (equipment used in construction machines),
- foundry (the foundry makes casts, including pressure ones, for the Company's internal needs and for external recipients).

Table 11. Products sales divided into groups, in PLN thousand

Detailed list	**Year 2010**	**Structure (%)**	**Year 2009**	**Structure (%)**	**Change 2010/2009**	
					value	**%**
Total income from products sales, including:	**27 682**	***100,0%***	**26 700**	***100,0%***	***982***	**3,7%**
Automatic control engineering	18 502	*66,8%*	18 389	*68,9%*	*113*	0,6%
Heat engineering equipment	2 178	*7,9%*	2 308	*8,6%*	*-130*	-5,6%
Central lubrication	1 609	*5,8%*	1 463	*5,5%*	*146*	10,0%

equipment						
Hydraulics machinery	541	*2,0%*	472	*1,8%*	*69*	14,6%
Laboratory equipment	1 255	*4,5%*	846	*3,2%*	*409*	48,3%
Casts	2 940	*10,6%*	2 576	*9,6%*	*364*	14,1%
Others	657	*2,4%*	646	*2,4%*	*11*	1,7%
Income from sales of materials and goods	**318**	***100,0%***	**210**	***100,0%***	***108***	**51,4%**
Total income from sales of products, goods and materials	**28 000**	***100,0%***	**26 910**	***100,0%***	***1 093***	**4,1%**

The Company's sales in 2010 reached the value of PLN 27,682 thousand and was higher by 3.7% than in the previous year.

In the automatic engineering group, only a slight increase in sales was noted, despite an improvement in the economic situation in the market. It results mainly from a long cycle of realization of greater investment projects, withheld in the years 2008-2009.

In the heat engineering group, the observed drop in sales results mainly from a decreased export to Russia, where the effects of the economic crisis are still very strongly visible.

In other groups of products, in which the improvement of the economic situation transfers to an increase in demand more quickly, there was a significant increase in sales, which is a good prognosis for the sales of the Company's products in the year 2011 and should result in further increase in the value of the orders received.

Automatic control engineering products:

They are devices used to change the intensity of medium flow, retaining the required characteristics. The main elements of those devices are regulating units whose aim is to change the resistance for the flowing factor and drives (actuators), whose aim is to supply mechanical power necessary to switch the regulating units. Regulatory valves produced by the Company "POLNA" S.A. are used, among others, in power industry, petrochemical industry, refinery industry and gas industry.

That group includes:

- control valves
- regulatory butterflies
- desuperheaters
- actuators for valves.

The value of turnover in this group of products in 2010 was PLN 18,502 thousand. That level is comparable to the level in 2009.

Heat engineering equipment:

The most numerous group is direct action regulators for regulation of the required pressure in technological installations. They are used in heating systems, industrial processes at cold and hot water, steam, air and non-flammable gases flow. In that group, there are also block and needle valves aimed at assembling, starting and servicing of converters, manometers and other equipment in measurement and regulatory systems of industrial automation control plants. What complements that is throttle valves enabling throttling pressure, regulation of flow intensity and complete shut-off of a medium, as well as filters installed before regulatory equipment, aimed at cleaning the medium flowing through it.

The products from that group are mainly used in the heating industry, on distribution centres in heat and power stations and thermal power stations.

The detailed division of products from that group is the following:

- direct action regulators,
- needle valves,
- block valves,
- butterflies,
- shut-off valves,
- filters.

The value of turnover in this group of products in 2010 was PLN 2,178 thousand. In comparison to 2009, it fell by 5.6%.

Central lubrication equipment:

Products included in this group allow for constructing a great number of various central lubrication systems. They are two-way, multi-way and progressive systems, used for lubrication of links in chains of horizontal transport conveyors, devices equipping lubrication posts in vehicle and machine service stations and other for special applications.

Two-way force-feed oiling systems are mostly recommended for lubrication of high-load machines and devices, operating in difficult conditions, with a high number of rubbing loops, located in great distances and requiring intensive lubrication. Those systems are used in ironworks and non-ferrous metals smelting plants, in open-cast mines, underground mining excavations, cement plants, sugar factories, forges and other places with similar equipment and similar working conditions.

Multi-way force-feed oiling systems are used wherever there is a need for continuous provision of little amount of lubricant. In comparison to two-way systems, they have a smaller range of lubrication points number and areas covered.

The value of turnover in this group of products in 2010 was PLN 1,609 thousand and increased by 10% in when comparing to the year 2009.

Water distillation equipment

Water distillation equipment is used to clean water from dissolved mineral salts and gases with the use of distillation method. Those devices are used in laboratories, chemists, health care services, research institutions etc.

In that group, we can differentiate the following products:

- distillers
- re-distillers.

The value of turnover in this group of products in 2010 was PLN 1,255 thousand and was higher by 48.3% in comparison to the year 2009

Hydraulic control equipment

The products from this group are used in heavy construction machines. The main recipient is the ‘Huta Stalowa Wola S.A.’ steelworks. The value of turnover in 2010 was similar to the turnover in the previous year and amounted to PLN 541 thousand.

Casts

The Company “POLNA” S.A. has its own foundry. The foundry produces casts made of grey cast iron and spheroidal cast iron, including pressure elements (bodies), both for the internal needs of the Company and for eternal customers. Casts made of cast carbon steel are also manufactured in a limited scope.

The value of turnover in that group was PLN 2,940 thousand, which means an increase by 14.1% regarding the year 2009.

Others

This item covers sales of industrial and non-industrial services. The Company provides services in mechanical processing of details and post-warranty service of the products. At a customer’s request, we also manufacture foundry instrumentation.

The value of sales in that group was similar to the level in the year 2009.

Income from sales of goods and materials

The turnover of goods and materials depends on the current needs for completions of the products manufactured with elements of other producers and the specificity of orders. In 2010, there was an increase of income from sales of goods and materials by 51.4%.

Table 12. Products sales divided into geographical areas, in PLN thousand

Detailed list	Year 2010	Structure (%)	Year 2009	Structure (%)	Change 2010/2009	
					value	%
Total income from products sales, including:	**27 682**	**100,0%**	**26 700**	**100,0%**	**982**	**3,7%**
Territory of Poland	20 099	72,6%	19 568	73,3%	531	2,7%
Export, including:	7 583	27,4%	7 132	26,7%	451	6,3%
Intra-community delivery of goods	6 250	22,6%	6 263	23,5%	-13	-0,2%
Export beyond the European Union	1 333	4,8%	869	3,3%	464	53,4%

Since the second quarter of 2010, signs of agitation on the market and increasing demand for the Company's products have been visible. Especially the second half-year brought a much greater value of sales, which indicates a stable improvement in the economic situation and creates a realistic chance to increase the turnover in the year 2011. The total sales in 2010 rose by 3.7% in comparison with the previous year, with a notable increase of export, especially to countries beyond the European Union.

Prognoses of foreign distributors of the Company for 2011 are also optimistic, particularly in the context of a clear economic improvement in Germany. At the same time, a falling exchange rate of Euro to zloty poses a risk to keeping the assumed level of profitability of export of the Company's products; it also necessitates further activities directed at cost reduction and increasing the efficiency of production.

In 2010, a number of significant changes were initiated in many areas of the Company's activity, which – apart from improving the efficiency of activity – are also aimed at improving the communication with clients and quicker reactions to the changing situation on the market. Those activities are also going to be continued in the year 2011, which together with proper marketing actions, should translate to an increase in turnover.

The Company holds all the necessary certificates allowing it to function on the market. Among others, they are:

- ISO 9001:2008 Certificate issued by TUV Rheinland InterCert. Kft.,
- Quality Assurance System Certificate according to European Directive 97/23/EC module H (certificate for pressure equipment manufacturers) issued by TUV Rheinland,
- Certificate System of the transfer of material identification,
- Recognition as a plant manufacturing casts from grey cast iron and spheroidal cast iron purposed for sea use, in accordance with the regulations of Bureau Veritas MODE II,

- GOST R Certificate,
- Quality Assurance System Certificate according to European Directive 97/23/EC, Annex I, Par. 4.3 (certificate for manufacturers of materials for main pressure elements – castings made from grey cast iron and spheroid graphite cast iron, as well as cast carbon steel),
- Certificate of compliance with the PN-M-42069:2007 norm for ZSN and ZSG regulators (used as construction products – Safety Mark B).

9. BASIC SOURCES OF MATERIALS, GOODS AND SERVICES SUPPLY

For a proper functioning of the Company, including the realization of clients' orders, it is necessary to optimize the process of management of supply with the following materials: highly-processed smelting products, cast carbon steel and high-alloy casts, rubber elements, springs, actuators, reducers and positioners.

The Company performs actions to diversify the sources of supply and eliminate the dependence on one supplier. Currently the Company has no supplier whose participation in the purchase value would exceed 10% of the total income from sales.

In the generally beneficial conditions of cooperation with suppliers, competition among suppliers of materials and a high reliability of deliveries, the Company was striving to successively diminish its accumulated supplies.

The Company is systematically monitoring the level of supplies accumulated, adjusting it to the current situation of the firm.

Over the year 2010, surface treatment processes were completely eliminated by moving galvanic processes to external contractors. Cooperation has been established with an alternative supplier concerning deliveries of one of the key materials.

The obtained authorizations to manufacture cast carbon steel allow the Company to become partially independent from external supplies and shortening of the time of realization of casts.

In 2010, the following supplies had the greatest participation:

Supplier 1	cast steel casts
Supplier 2	carbon and alloy smelting products
Supplier 3	electrical actuators
Supplier 4	fasteners
Supplier 5	high-alloy smelting materials,
Supplier 6	charging materials for cast iron production

The Company had no supplier of materials, goods and services whose participation in the purchase value would be at least 10% of the total income from sales.

10. DESCRIPTION OF SIGNIFICANT RISK FACTORS AND THREATS

Competition risk

Activities of competitors in the sector of industrial valves, especially on the Polish market, considerably contribute to the risk of losing potential orders. It strengthens our conviction and determination in carrying out activities aimed at improvement of products' quality, responding to requests for proposal, cost reduction and timely deliveries.

Risk connected with a loss of key workers

The Company's activity regarding design and manufacture of regulatory valves for special orders from our clients is based on knowledge and experience of highly qualified staff. Taking into consideration the job market in Germany, currently being opened, there is a risk of losing experienced operators operating machines and other equipment. The main objective of the Company concerning human resources management in 2011 is the necessary development of a reasonable payment grid and a system of staff motivation.

Suppliers of selected materials

The specificity of special orders realization necessitates cooperation with a few suppliers of materials for whom the Company has no substitutions. There are some actions taken in order to prepare an additional source of supplies.

Company infrastructure, computerization and IT development

The wear and tear of machines and equipment, buildings and main installations in the Company necessitates continuous monitoring and repair works.

Exchange rate risk

The financial results and operating activity of the Company are affected by fluctuations in currency exchange rates. In the long-time perspective, that risk will be limited due to the planned inclusion of Poland in the Euro zone.

11. INFORMATION ON FINANCIAL INSTRUMENTS

11.1 Information on financial instruments and changes in them is presented in the following table:

Item no.	**Detailed list**	**Financial assets allocated for trade**	**Derivative instruments**	**Financial liabilities allocated for trade**	**Other financial liabilities (leasing)**	**Loans granted and own receivables**	**Financial assets held until maturity date**	**Financial assets available for sale**
1.	Opening position	44	-	-	785	8 190	-	-
2.	Increases	-	-	-	-	210	-	-
	- acquisition, establishment, contracting	-	-	-	-	210	-	-

3.	Decreases	2	-	-	458	-	-	-
	- disposal, release, payment	-	-	-	458	-	-	-
	- valuation	2	-	-	-	-	-	-
4.	Closing position	42	-	-	327	8 400	-	-
		Including						
4.1	Items shown in the balance sheet	42	-	-	327	8 400	-	-
	- short-term financial assets	42	-	-	-	-	-	-
	- cash and cash equivalents	-	-	-	-	8 400	-	-
	- short-term liabilities due for leasing	-	-	-	327	-	-	-

In the table above, the Company did not include trade receivables and liabilities whose aim is purchase of goods and services.

The maturity period of no financial instruments exceeds 1 year.

11.2. Characteristics of financial instruments

Financial assets allocated for trade – The Company owns shares of Energoaparatura S.A. company, acquired in lieu of receivables previously covered by composition proceedings, quoted on the Warsaw Stock Exchange, and allocated them for disposal within the nearest 12 months. As of the balance sheet day, the price of shares is lower than their purchase price, so a write-off was made to revalue it to the market price.

Derivative instruments – The Company does not possess any derivative instruments.

Financial liabilities allocated for trade – The Company does not have any financial liabilities allocated for trade

Other financial (leasing) liabilities – As of the day 31/12/2010, the Company holds two leasing agreements for purchase of machines and equipment. The final pay-off of the leasing liabilities will fall in June 2011.

Own receivables – At the beginning of the year, the Company had deposits for the amount of PLN 8,190 thousand. The deposits were contracted in Polish zlotys, with the realization dates up to four months of the balance sheet day. As of 31/12/2010, the value of bank deposits was PLN 8,400 thousand. The deposits were contracted in Polish zlotys.

Financial assets held until maturity date – The Company does not possess any financial assets held until maturity date.

Financial assets available for sale – The Company holds shares in other units for the amount of PLN 26 thousand, at the acquisition prices. In most cases, those are shares taken in lieu of receivables previously covered by composition proceedings. Because of high risk connected with regaining the above-mentioned sums, the Company made revaluation write-offs to the amount of the value of the shares. The revaluation write-off was charged to the results account.

11.3. Revealing contracts resulting in conversion of financial assets into securities or buy-back agreements.

The Company did not conclude any buy-back agreements or agreements resulting in conversion of financial assets into securities.

11.4. Financial assets valued at the fair market price reclassified as assets valued at the revised acquisition cost.

The Company did not reclassify any financial assets valued at the fair market price as assets valued at the revised acquisition cost.

11.5. Recognition of derivative instruments in the balance sheet.

As of 31/12/2010, the Company did not possess any derivative instruments.

11.6. Information on revaluation write-offs for permanent diminution of assets' value.

In the year 2010, the Company made a write-off revaluing the shares of Energoaparatura company, due to their valuation as of the balance sheet day. There, revaluation write-offs concerning derivative instruments from Item 1 of the Table were described. As for all write-offs referring to assets, they were described under the Tables concerning the given assets, and their recognition or reversal – in Notes 19 and 20.

11.7. Information on income from interest on debt financial instruments, loans granted or own receivables.

In the year 2010, the Company did not receive any interest on debt financial instruments. Interest on deposits in 2010 amounted to PLN 350 thousand.

8. Information on costs of interest on financial liabilities.

In the year 2010, interest on other financial liabilities (credits and leasing liabilities) amounted to PLN 22 thousand.

9. Aims and methods of financial risk management.

The Company does not currently have a comprehensive computerized system of risk management. Individual kinds of risk are analyzed separately by individual departments responsible for activities which might trigger risk. The following essential risks may be observed in the Company:

- market risk

- price risk
- currency risk
- interest rate risk

- credit risk
- liquidity risk

In order to minimize the price risk, the Company implements the principle of deliveries diversification, realizes deliveries from approved suppliers and negotiates prices for longer periods.

Due to a relatively high level of export, the Company is exposed to currency risk. In order to minimize that risk, terms of changing the prices of products sold occurring in the case of significant exchange rate changes are included in contracts concluded with foreign business partners.

Analysis of sensitivity to currency risk (in PLN thousand).

An analysis of sensitivity to currency risk was carried out for net income from export sales of products, goods and materials with the assumption of increase and decrease of EUR and USD exchange rates to PLN by 5%.

	01/01/2010 – 31/12/2010			01/01/2009 – 31/12/2009		
	Value in currency converted into PLN	Increase in exchange rate (weakening of PLN)	Decrease in exchange rate (strengthening of PLN)	Value in currency converted into PLN	Increase in exchange rate (weakening of PLN)	Decrease in exchange rate (strengthenin g of PLN)
Net income from sales of products, materials and goods	7.611	+381	-381	7.132	+357	-357

If the exchange rates of currencies rose by 5% regarding PLN, the Company would observe an increase by PLN 381 thousand in net income from sales of products, materials and goods for the year 2010; the change would be otherwise if the exchange rate dropped.

The Company is exposed to interest rate risk, as interest rate on cash, credits and leasing depends on its height.

Analysis of sensitivity to interest rate risk (in PLN thousand).

An analysis of the Company's sensitivity to interest rate risk with the assumption of change in the interest rate by 0.2% (in plus and in minus) is the following:

	31/12/2010			31/12/2009		
	Carrying value	Change in interest rates		Carrying value	Change in interest rates	
		+ 0.2%	- 0.2%		+ 0.2%	- 0.2%
Cash and cash equivalents	9.445	+18,9	-18,9	8.547	+17,1	- 17,1
Leasing liabilities	327	+0,7	-0,7	785	+1,6	- 1,6
TOTAL	9.772	+19,6	-19,6	9.332	+18,7	- 18,7

As of 31/12/2010, the carrying value of assets and liabilities (financial; assets, cash and cash equivalents, leasing liabilities) – sensitive to the interest rate risk – amounts to PLN 9,772 thousand.

As of 31/12/2010, a change in interest rates by 0.2% (in plus) would potentially cause a change of assets and liabilities by PLN 19.6 thousand. The change would be otherwise in the case of change in minus

The Company is exposed to credit risk: failure of inflow of receivables due for sales (within the time arranged or at all). The Company takes measures to secure itself from that risk by assessing the recipients' credit capacity, the use of advance payments, collaterals and improvement of the receivables recovery system.

The Company is also exposed to liquidity risk in its activity. In order to alleviate it, the Company negotiates contracts with delayed payment dates.

11.10. Description of methods of establishing the fair market value of financial instruments.

The Company evaluates shares of companies quoted on the stock exchange at their fair market value, i.e. at the price quoted on the stock exchange for the balance sheet day.

11.11. Information on profit or loss from collateral instruments valuation.

At the end of the year 2010, the Company does not have any collateral instruments.

CHAPTER III.

ANNUAL REPORT CONCERNING THE USE OF CORPORATE GOVERNANCE IN THE YEAR 2010

12. Indication of the corporate governance set of principles which the Issuer is subject to and the place where the text of that set of principles is available for everybody

Dobre Praktyki Spółek Notowanych na GPW (Good practices of companies quoted on WSE) www.corp-gov.gpw.pl

13. Indication of the corporate governance principles which were not implemented or implemented in a limited scope

Good practices for Management Boards of quoted companies

1. Rule II, item 1.6: “1. A company should operate a corporate website and publish annual reports on the activity of the Supervisory Board taking account of the work of its committees together with the evaluation of the work of the Supervisory Board and of the internal control system and the significant risk management system submitted by the Supervisory Board”.

In the Company’s Supervisory Board no committees functioned in 2010, therefore the report from the Supervisory Board’s activity will not be able to take that condition into account. Besides, the Management Board of the Company has no knowledge of potential creation of specific committees by the Supervisory Board in the future.

What is more, that rule is implemented in a limited scope, as the annual report of the Supervisory Board includes only those evaluations whose making is required by Article 395 Paragraph 2 on account of Article 382 Paragraph 3 of Code of Commercial Companies.

Good practices for Supervisory Boards Members

1. Rule III, item 1: “In addition to its responsibilities laid down in legal provisions the Supervisory Board should: once a year prepare and present to the Ordinary General Meeting a brief assessment of the company’s standing including an evaluation of the internal control system and the significant risk management system.”

That rule is implemented in a limited scope, as the annual report of the Supervisory Board includes only those evaluations whose making is required by Article 395 Paragraph 2 on account of Article 382 Paragraph 3 of Code of Commercial Companies.

2. Rule III, item 7: “The Supervisory Board should establish at least an audit committee. The committee should include at least one member independent of the company and entities with significant connections with the company, who has qualifications in accounting and finance. In companies where the Supervisory Board consists of the minimum number of members required by law, the tasks of the committee may be performed by the Supervisory Board.”

As it has already been explained (Rule II, item 1.6), in the Company’s Supervisory Board no committees have been created. However, in accordance with the adopted practice, in the cases subject to an audit committee, the Company’s Supervisory Board takes decisions jointly.

3. Rule III, item 8: “Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors… should apply to the tasks and the operation of the committees of the Supervisory Board.”

The above-mentioned rule is not and will not be implemented, because Rule III item 7 is not implemented. No committees function within the Supervisory Board.

Good practices of Shareholders

1. Rule IV, item 1: “Presence of representatives of the media should be allowed at General Meetings.”

The rule is not and will not be implemented. Only entitled persons and persons rendering services for GSMs participate in General Shareholders Meetings. The Company does not see any necessity to introduce additional obligations for shareholders concerning special allowing representatives of the media to participate in GSMs. Binding provisions of the law, including the Regulation of the Minister of Finance referring to current and periodical reports made public by issuers of securities sufficiently regulate information obligations imposed on public limited companies in terms of openness and transparency of issues discussed by GSMs.

13. Description of the main characteristics of the internal control and risk management systems used in the issuer's company with reference to the process of making financial statements.

The Company has an internal control system, which ensures correctness, relevance, completeness and validity of financial and management information and compliance of the financial reports to the binding regulations. The internal control system is specified in:

- ISO Management System 9001:2000,
- Internal Control Rules,
- Internal regulations and orders,
- Stocktaking instructions,
- Accounting policy.

The Chief Accountant is responsible for the policy of accounting in the Company. The adopted principles of accounting are implemented continuously, which ensures comparability of financial statements. Financial statements of the Company are audited by authorized entities. The Supervisory Board selects the entities to conduct the audits of financial statements.

The Company carries out an analysis of risk areas connected with the Company's activity.

Individual kinds of risk are analyzed by the units responsible for the activities which may trigger the risks. The activities whose aim is to monitor and manage risk and, consequently, limit the influence of uncertainty on realization of the Company's tasks, are specified in the frameworks of activities for individual services and internal instructions and regulations of the Company.

14. Indication of shareholders holding directly or indirectly considerable blocks of shares and indication of number of shares held by those entities, their percentage participation in the share capital, number of votes arising from that and their percentage participation in the total number of votes at the General Shareholders Meeting.

The Company's share ownership, together with indication of the number of shares held by them and their percentage participation in the share capital:

Shareholder	Number of shares	Share in the share capital (%)	Number of votes at GSM	Share in the total number of votes at GSM (%)
Zbigniew Jakubas	780 179	30,18	780 179	30,18

Affiliated entity – Wartico Invest Sp. z o.o.	384 474	14,87	343 474	14,87
Affiliated entity – Multico Sp. z o.o.	46 079	1,78	46 079	1,78
Zbigniew Jakubas and affiliated entities jointly	1 210 732	46,83	1 210 732	46,83
Radosław Kamiński with a close companion	140 405	5,43	140 405	5,43

15. Indication of holders of any securities giving special control rights and description of those rights.

The Company's securities do not give the shareholders any additional rights.

16. Indication of any limitations concerning exercising the right to voting, such as limitation of exercising the right to voting by holders of a specified portion or number of votes, time limitations or provisions stating that, at the Company's collaboration, capital rights concerning securities are separate from the securities held.

The Company's securities have no limitations to executing the right to vote.

17. Indication of any limitations concerning transfer of property rights to the issuer's securities.

There are no limitations concerning transfer of property rights to the issuer's securities.

18. Description of principles concerning appointing and revoking managing persons and their rights, in particular the right to take the decision of emission or purchase of shares.

The principles concerning appointing and revoking managing persons and their rights are described in the Company's Charter.

The Company's Charter is available on the website: www.polna.com.pl.

19. Description of rules of changing the issuer's Charter or Articles of Association.

The rules of changing the Company's Charter are described in the Company's Charter. The Company's Charter is available on the website: www.polna.com.pl.

20. The General Shareholders Meeting's mode of activity and its basic powers, as well as description of the shareholders' rights and the way of exercising them, in particular the principles arising from the rules of General Shareholders Meeting, if such rules has been adopted, unless the information referring to the above-mentioned issues arise directly from legal regulations.

The General Shareholders Meeting's mode of activity is described in the Company's Charter and in the Rules of the General Shareholders Meeting.

The above-mentioned documents are available on the website: www.polna.com.pl.

21. The personal composition of the managing and supervisory bodies of the issuer and their committees, changes occurring in them in the last accounting year and description of the bodies' activity.

The composition of the managing body changed. On 28/06/2010, the term of office of the Management Board composed of Jan Zakonek (President of the Management Board) and Jacek Lechowicz (Member of the Management Board) terminated.

On that day, Andrzej Piszcz was appointed to participate in the Management Board as the Vice-President of the Management Board. At the same time, the Supervisory Board delegated the Member of the Supervisory Board, Władysław Wojtowicz, to perform the duties of the President of the Management Board (for a specified period of time – until 28/09/2010).

On 29/09/2010, Miroslav Kozlovski was appointed to perform the function of the President of the Management Board.

Composition of the Supervisory Board did not change.

The principles of activity of the managing and supervising bodies are specified in the Rules of the Management Board and the Rules of the Supervisory Board, whose contents is available on the Company's website: www.polna.com.pl.

CHAPTER IV
OTHER INFORMATION

22. AGREEMENTS IMPORTANT FOR THE COMPANY'S ACTIVITY
22.1 DISTRIBUTION AGREEMENTS

The Company was represented on the market by the following distributors:

- Biuro Handlu Zagranicznego „Emet – Impex-I" Sp. z o.o., Gliwice;
- Eko – System, Bydgoszcz;
- Firma Handlowo-Usługowa „Control Process 2" Sp. z o. o., Tarnów;
- Inwestprojekt Lublin S.A., Lublin,
- "Polna Śląsk" Sp. z o.o., Katowice;
- Polna Wielkopolska Sp. z o.o., Poznań;
- Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe „Inwestor" Ltd. Sp. z o.o., Katowice;
- Przedsiębiorstwo Usługowo-Produkcyjne „Skamer – ACM" Sp. z o. o., Tarnów;
- "Termer – MCM" Sp. z o. o., Bełchatów;
- "Transmedium" Tadeusz Macha, Bielsko-Biała;
- Zakład Automatyki Przemysłowej INTEC Sp.j. W. Codrow, P. Czeczenikow, Wrocław.

Besides, in the second half of 2010, distribution agreements were concluded with the following companies:

- Przedsiębiorstwo "ARMAKON" Sp.z o.o., Konin;
- Przedsiębiorstwo Usługowo-Handlowe „INSTAL" Sp. Z o.o., Katowice;

as well as a commercial cooperation agreement with the company:

- "Klimatwent" Sławomir Skubisz, Przecław.

On the foreign market, the Company was represented by:

- Polna corp. s.r.o. Trinec, Czech Republic,
- EMSR-Tech GmbH, Germany,
- Kurenta UAB Konsultacine Firma LT, Lithuania,
- PRAID, Ukraine,
- KOMIMPEKS, Ukraine.

At the beginning of the year 2011, a cooperation agreement was concluded with the company UAB "Specialus Montazas-NTP" (Lithuania), specializing among other things in design and realization of industrial installations.

22.2 AGREEMENTS WITH BANKS

On the day 28th May 2010, the Company signed an annex to the agreement with Podkarpacki Bank Spółdzielczy (concluded in July 2009) for working capital credit in a current account for the amount of PLN 500 thousand to be used for the purposes of settling current payments in the case of temporary shortages of funds on the current account.

The terms and conditions included in the credit agreement are listed in the table below.

Table 13. Terms and conditions of credit agreement

Registered name	No. of agreement and date of concluding	Amount of credit remaining to be paid	Interest terms	Maturity date	Collateral
Podkarpacki Bank Spółdzielczy seated in Sanok, branch in Przemyśl	Agreement no. 36/RB/2009 of 08/07/2009, annex no. 1/2010 of 13/04/2010; annex no. 2/2010 of 28/05/2010	PLN 500 thousand	variable interest rate equal to a variable WIBOR rate for a one-month period, increased by 2.5 percentage point	30/05/2011	a bail mortgage amounting to PLN 750 thousand on a real property, assignment of rights from an insurance policy on the property, a blank bill of exchange and a promissory note declaration, power of attorney giving authorization to make use of bank account

22.3 LEASING AGREEMENTS

For the day of making this report, the Company has the following leasing agreements, concluded in the year 2007:

1. Agreement No. POLNASA/LU/50300/2007, concluded with BRE Leasing Sp. z o.o. for financing of purchase of a HP-63P processing centre from the supplier, Maszyny Obrabiarki Centra – Mechanicy Pruszków Sp. z o.o., total gross value – PLN 1,380,288.

2. Agreement No. POLNASA/LU/50307/2007, concluded with BRE Leasing Sp. z o.o. for financing of purchase of a TUX-63BM/1500 universal lathe from the supplier, PONER Sp. z o.o., total gross value – PLN 164,564.

22.4 INSURANCE AGREEMENTS

The Company has the following insurance agreements:

1. Towarzystwo Ubezpieczeń i Reasekuracji „Warta" S.A. – public liability insurance on account of conducted activity and possessed property and introducing products to the market; sum insured: PLN 15,000 thousand, premium: PLN 39.1 thousand, insurance period from 01/01/2011 to 31/12/2011.
2. Towarzystwo Ubezpieczeń i Reasekuracji „Warta" S.A. – all-risks property insurance; sum insured, total premium for the insurance: PLN 13.1 thousand, insurance period from 04/09/2010 to 04/09/2011.
3. Chartis Europe Spółka Akcyjna Oddział w Polsce – insurance of claims towards members of company's bodies, sum insured: PLN 5,000 thousand, total annual premium: PLN 14.4 thousand, insurance period from 08/12/2010 to 07/12/2011.
4. Motor insurances.

23. STAFF AND STAFF BENEFITS

The average employment in years 2009 – 2010 had a tendency to decrease from 223 positions in 2009 to 203 positions in 2010.

When divided in terms of education, the greatest group is workers with vocational education (41.6%) and secondary education (32.3%); 18.2% of the employees have higher education; the share of employees with primary education is low (7.9%). Job seniority in the Company is the following: employees with seniority of over 20 years prevail in the structure; participation of employees with seniority of up to 5 years is small; the dominant age group among the employees is over 50 years old (38.8%) and between 40 and 50 years old (30.8% of the total employment), as well as between 31 and 40 (20.6% of the staff), and the remaining group under 30 years old constitutes 9.8%. Participation of those employee groups in the staff was relatively stable in the period under consideration.

The analysis of basic employment fluctuation rates in the Company in the years 2009 – 2010 shows: a downward tendency of general fluctuation rate (the rate of taking workers in + the rate of dismissals) from 14.5% in 2009 to 12.2% in 2010, which was caused mainly by the forecasted decrease of employment in the Company, a downward tendency in the number of dismissals (the number of people dismissed / the number of people taken in as of the end of the previous year) from 12.2% in 2009 to 11.4% in 2010, an upward tendency in the rate of taking in (the number of people taken in / the number of people employed as of the end of the previous year) from 2.1% in 2009 to 14.3% in 2010. The fact that in 2010 the rate of taking in was higher than the rate of dismissals indicates taking actions aimed at adjusting employment to the current needs of the Company.

Changes in employment position

In December 2010, average employment in the Company amounted to 213 positions.

In the year 2011, the average employment should be 215 positions, and the average employment at the end of 2011 should amount to 213 positions.

One of the forms of benefits is training workshops. The Training Schedule devised for 2010 included obligatory training workshops, training concerning the quality management system, professional training and postgraduate courses. In 2010, expenses incurred by the Company for educating employees amounted to PLN 69 thousand and 270 people were trained.

There are Rules of Social Benefits for the Company's employees, whose preliminary was agreed on with the trade union organizations.

The employees working in difficult conditions are entitled to prophylactic meals provided by a catering establishment operating in the Company's seat.

Preventive care for the workers is provided by Wojewódzka Przychodnia Medycyny Pracy (A voivodeship occupational medicine clinic) with which the Company has a long-lasting agreement. The object of that agreement is health service, provided in the form of preventive care of the workers.

Two trade unions operate within the Company:
- NSZZ „Solidarność",
- Związek Zawodowy Pracowników „Polna" S.A.

In 2010, no strikes or collective disputes occurred. On 21st January 2011, trade union organizations in the Company notified the Management Board of entering into a collective labour dispute between the Management Board and the employees of the Company. The dispute concerns an increase in the basic pay by 15%. On 17th February 2011, a temporary agreement was made and the dispute was suspended until 30th April 2011.

24. INVESTMENTS, INVESTMENT PLANS AND EVALUATION OF POSSIBILITY OF CAPITAL INVESTMENTS REALIZATION

For the year 2010, investments concerning fixed tangible assets were scheduled for the total value of PLN 1,134 thousand, including the following main enterprises:

- purchase of production machines and equipment PLN 698 thousand

(modernization of moulding lines with general overhauls of moulding machines, general overhaul of a radial drilling machine, purchase of a stream-abrasive cleaner, purchase of a device for determining moulding sand humidity, purchase of a marking device, purchase of an electric driver)

- purchase of non-production machines and equipment PLN 274 thousand

(modernization of the testing machine, modernization of electric power measuring systems, purchase of a spectrometer, purchase of a grinding machine for making metallographic specimens for microscopic tests).

The main focus of investments was on improving the efficiency of functioning of the foundry division.

As part of the realization of the plan, the expenditure incurred in 2010, referring to tangible fixed assets, amounted to PLN 843 thousand and constituted 74.3% of the amount planned for 2010.

In 2010, the main investment tasks included:

- purchase and improvement of production machines and equipment	PLN 303 thousand
- purchase of fixed assets – non-production machines	PLN 160 thousand

The plan of investments for the year 2011 concerning tangible fixed assets provides for expenditure amounting to PLN 1,244 thousand and includes:

- purchase and improvement of production machines and equipment	PLN 691 thousand
- purchase of non-production machines and equipment	PLN 70 thousand
- modernization of buildings and structures	PLN 35 thousand
- purchase of instrumentation	PLN 140 thousand
- purchase of a car for the marketing department	PLN 60 thousand
- purchase of low-value fixed assets	PLN 18 thousand
- purchase of computers	PLN 9 thousand

What is more, expenditure for intangible assets is planned for the year 2011. It concerns utility software (mainly that for effective management of production documentation) as well as purchase and renewal of licences. The value of expenditure planned in that respect is PLN 221 thousand. The Company is planning to finance investment expenditure in 2011 from its own funds.

As regards capital investments, the Company is preparing to purchase shares in a production company in order to increase the variety of products offered. That purchase is planned from the following sources of financing: all the means obtained from the issuance of series E and series F shares, the Company's own funds and a loan.

25. RESEARCH, DEVELOPMENT AND NEW PRODUCTS

What, has been observed for the last few years is a growing customer interest in regulatory valves, including non-standard (out-of-catalogue) ones, adjusted to specific customer needs.

In the Company, construction and production works are conducted concerning realization of various non-standard orders for valves, elements of reduction and steam cooling stations, regulatory valves DN150-250 for pressures over PLN 100 or valves designed for operation in lowered temperatures.

Apart from manufacturing non-standard valves, in 2010 the development of new products started: direct action regulators ZSU with collar body ends, small direct action regulators ZSC, cut-off valves and check valves, as well as triple eccentric butterflies.

The products listed will extend the Company's product offer and, according to the Marketing Department's assessment, they will find their place on the domestic and foreign markets.

The group of products being prepared for putting into operation includes: regulatory valves DN150-250 for working pressures over PN100, elements of reduction and steam cooling stations, pneumatic actuators with integrated electro-pneumatic positioners P5/R5-250, 400, 630 and a minimal flow valve ZM-1.

26. ENVIRONMENT PROTECTION

The Company has a regulated formal and legal status as regards environment protection. It has the following decisions:

Permission for producing waste,

Permission for releasing gases and dusts to the air,

Water permit.

In its production process, "Polna" S.A. does not use technologies that are particularly harmful for the environment.

The Company has the right to use the "Cleaner Production" logo, awarded by the chapter of the Polish Register of Cleaner Production, obtained upon verification of the Environment Management System, functioning in the company. That system is based on the preventive Cleaner Production strategy, in accordance with the international Declaration CP UNEP and the UN document "Global Compact".

The Company carries out the process of continuous modernization of its products and technologies of their production in terms of environment protection.

27. OTHER INFORMATION

27.1 Indication of proceedings taking place before the court, competent arbitration body or public administration body.

No proceedings concerning liabilities or other obligations, meeting the criteria of the Regulation of the Minister of Finance of 19th February 2009, Art. 91, section 5, item 5, were or are taking place before the court, competent arbitration body or public administration body.

27.2 Information on organizational or capital relations between the issuer and other entities and description of its main investments

The issuer is not related to any entities and did not make any investments in Poland or abroad, including capital investments.

27.3 Making by the issuer or their subsidiary important transactions with affiliated entities on terms other than market conditions, meeting the criteria specified in the Regulation of the Minister of Finance of 19th February 2009, Art. 91, section 6, item 5

There were no such transactions.

27.4 Information on agreements concerning loans and credits, contracted or terminated in the accounting year.

On 28th May 2010, the Company signed an annex to the agreement (concluded in July 2009) with Podkarpacki Bank Spółdzielczy for working capital credit in a current account. That information is described in detail in item 22.2 – Bank Agreements.

In the reporting period, no loans were contracted and no agreements concerning loans and credits were terminated.

27.5 Information on loans granted by the Issuer in the accounting year.

In the year 2010, the Company did not grant any loans.

27.6 Information on guarantees and warranties granted and received in the accounting year.

In the year 2010, the Company received a guarantee from Podkarpacki Bank Spółdzielczy for PLN 13 thousand. That guarantee is a collateral for a warranty for products supplied and was granted to the Company for the period until January 2015.

27.7 Description of the use by the issuer of the income from issuance until the moment of making the statement of activity

At the end of the year 2008, the Company issued series E and series F shares. The obtained financial means (PLN 6,660 thousand), reduced by issuance expenses, amounted to PLN 6,304 thousand.

Until the day of making the report from the Company's activity, the Company has used PLN 3,276 thousand out of the income for the following purposes:

Using the funds from the issuance of	2008	2009	2010	2011	Total

shares					
Investments and machine repairs and improving the Company's infrastructure	883	722	635	15	2 255
Repayment of leasing liabilities connected with acquiring machines	30	343	374	65	812
Taking over another entity from the industry		170	39		209
Total	**913**	**1 235**	**1 048**	**80**	**3 276**

The remaining funds, amounting to PLN 3,028 thousand, have been deposited on the Company's bank accounts.

27.8 Differences between the financial results and the results forecast for the year 2009.

The Management Board of the Company did not issue any prognoses of financial results for 2010.

27.9 Description of factors and untypical events influencing the result from activities in the year 2010.

In 2010, there were no untypical events or factors affecting the Company's results.

27.10 Prospects for development of the Company's activity in the nearest accounting year.

The growing requirements level concerning enterprises, especially in the recent period of economic crisis, confirmed the necessity to concentrate on quality of products and services, punctuality and cost reduction, as well as development of new products. The Company has a clear potential, based on solid foundations such as: good construction solutions developed so far, experienced staff and perfect knowledge of the manufacture technology used. Some perspectives are also observable on the market (power, petrochemical and gas industries). The Company is going to combine its potential with the market perspectives by means of determination in restructuring activities, the staff's openness to development and changes, efficiency in research and development of new construction and technological solutions, training aimed at increasing qualifications and the staff's awareness of modern methods of work oriented at the customers' needs, modernization of the IT aspect of management and development of more active marketing activity.

27.11 Changes in basic principles of management of the issuer's company

There were no such changes.

27.12 Agreements concluded between the Issuer and managing persons.

Labour contracts have been concluded with the Members of the Management Board, which state that the Members of the Management Board, in the event they are not appointed for another term of office or revoked during the term, are entitled to a termination pay amounting to a multiple of a single monthly basic pay for each six months of work; however, it may not exceed the amount of six times that remuneration.

The termination pay is a product of a monthly basic pay and the number of six-month employment periods.

In the case of the ex-President of the Management Board, not appointed for the next term of office in June 2010, the periods of work in the position of a Member of the Management Board were taken into consideration when calculating the six-months periods, and in the case of the ex-Member of the Management Board, not appointed for the next term of office in June 2010, the periods of work on the position of the Marketing and Sales Director before the implementation of these rules were taken into consideration.

The entitlement to the termination pay is awarded after having worked for six months.

The right to termination pay does not apply:

- for the work period for which the Members of the Management Board did not receive approval from the General Shareholders Meeting,
- as a result of members of the Management Board's resignation from fulfilling the function; however, revoking due to permanent loss of capacity to fulfill the function (death, disability or long-lasting illness preventing one from fulfilling the function in accordance with a medical certificate) is not regarded as resignation from the function.

27.13 The value of remunerations, awards and benefits, also arising from staff motivation or bonus programmes, paid or due, for each managing and supervising person separately.

The managing persons' remuneration is presented in the following table:

Table 14. The Management Board's remuneration in 2010, in PLN

Management Board	Function in the period of 2010	Basic salary for 2010	Annual bonus paid for 2009	Leave equivalent	Additional benefits	Termination pay	Annual bonus calculated for 2010	Total
Kozlovski Miroslav	President of the Management Board – Managing Director (appointed as of 29/09/2010, employment agreement from 07/10/2010)	56 191	-	-	5 619	-	7 836	69 646
Lechowicz Jacek	Member of the Management Board – Marketing and Sales Director (until 28/06/2010)	85 571	17 697	19 568	8 557	90 000	4 843	226 236
Piszcz Andrzej	Vice-President of the Management Board (from 28/06/2010)	98 286	-	-	12 286	-	15 263	125 835
Jan Zakonek	President of the Management Board – Managing Director (until 28/06/2010)	113 589	53 091	19 379	8 557	120 000	14 528	329 144
Wojtowicz Władysław	President of the Management Board (Member of the Supervisory Board delegated to temporarily perform the activities of the President of Management Board) (from 28/06/2010 to 28/09/2010)	30 333	-	-	-	-	-	30 333
Total		383 970	70 788	38 947	35 019	210 000	42 470	781 194

Table 15. The remunerations of the managing persons in 2009, in PLN:

Management Board	Function in the period of 2009	Basic salary for 2009	Annual bonus paid for 2008	Additional benefits	Annual award calculated for 2008	Management Board's annual bonus for the calculated for 2009	Total
Jacek Lechowicz	Member of Management Board – Marketing and Sales Director	169 893	16 438	17 489	-	17.381	169 893
Jan Zakonek	President of Management Board – Managing director	233 190	49 313	17 489	9 498	52.145	233 190
Total		403 083	65 751	34 978	9 498	69 526	403 083

The supervising persons' remuneration is presented in the following Tables:

Table 16. The Supervisory Board's remuneration in 2010, in PLN

Item no.	Supervisory Board	Function in 2010	Basic salary for 2010
1.	Iwaniec Jarosław	Member of Supervisory Board	18 965
2.	Kotar Grażyna	Member of Supervisory Board	18 965
3.	Piwowar Wiesław	President of Superisvory Board	22 125
4.	Świetlicki vel Węgorek Adam	Vice-President of Supervisory Board	20 545
5.	Wojtowicz Władysław	Secretary of Supervisory Board	20 545
Total			101 145

Table 17. Supervisory Board's remuneration in 2009, in PLN

Item no.	Supervisory Board	Function in 2009	Basic salary for 2009
1.	Iwaniec	Member of Supervisory	18 374

	Jarosław	Board	
2.	Kotar Grażyna	Member of Supervisory Board	18 374
3.	Piwowar Wiesław	President of Superisvory Board	21 437
4.	Świetlicki vel Węgorek Adam	Vice-President of Supervisory Board	19 906
5.	Wojtowicz Władysław	Secretary of Supervisory Board	19 906
Total			97 997

27.14 Total number and nominal value of all the shares (stocks) held by the managing and supervising persons, for each person separately.

According to the Company's knowledge, as of the day of making this report, the managing or supervising persons do not hold any shares of the Company.

27.15 Information on agreements known to the issuer, which may cause changes in the ration of shares held by the current shareholders in the future

As of the day of issuing this report, the Company does not know of any agreements which may cause changes in the ratio of shares held by the current shareholders in the future.

27.16 Information on the system of control of employees shares programmes.

By General Shareholders Meeting resolution No. 24/2008 of 30th June 2008, the Company's Charter was modified by introducing Article 9a, which:

- authorized the Management Board to increase the share capital by an amount not higher than PLN 1,140,000 (one million one hundred and forty thousand) (target capital) by 31st December 2010,

- within the limits of the target capital, it authorized the Management Board to make further increases of the Company's share capital by means of further emissions of shares, with the restriction that beginning with the accounting year 2008, the Management Board shall be authorized to make one increase of the share capital per accounting year, in the amount not exceeding:

PLN 380,000 (three hundred and eighty thousand) in the year 2008,

PLN 380,000 (three hundred and eighty thousand) in the year 2009,

PLN 380,000 (three hundred and eighty thousand) in the year 2010,

- authorized the Management Board to offer the shares issued within the target capital to the Company's employees, upon prior approval of the "Rules of allocation of shares issued within the target capital to entitled employees of the Company" by the Supervisory Board.

The Supervisory Board controls the employee shares programme by means of each time approval of the Management Board's decisions concerning emission of shares by resolution.

The 1st block parcel of shares for the accounting year 2008, amounting to PLN 333,488.00 (87,760 shares) was realized in 2008.

Each employee signing an agreement for taking up shares was obliged to work for the Company for twelve months, counting from the day of concluding the agreement. In the case of failure to do so, the employee is obliged to pay a contractual fine.

The 2nd and 3rd block parcel of shares, amounting to PLN 380,000.00 (100,000 shares) each were not realized in 2009 or in 2010, because the conditions required for offering shares were not met: namely the Issuer achieving profit from sales (excluding the costs of the programme in question) on the level of at least 75% of the prognosis for profit from sales for a given year, determined in "Strategy of Activity of Zakłady Automatyki "POLNA" S.A. in the Years 2007-2010".

The staff motivation programme scheduled for the years 2008-2010 was finished.

27.17 The date of concluding the agreement with the entity authorized to audit the issuer's financial statements and the total amount of remuneration provided for in that agreement.

On 26th April 2010, the Supervisory Board of the Company chose the auditor to audit the financial statement and review the interim statement for 2010. The selected auditor is Kancelaria Porad Finansowo – Księgowych dr Piotr Rojek Spółka z o.o., ul. Floriana 15, 40-286 Katowice, entered into the list of entities authorised to audit financial statements with no. 1695 and entered into the National Court Register in the District Court Katowice-Wschód in Katowice, VIII Economic Division of the National Court Register with the KRS number 0000109170.

On 2nd July 2010, an agreement was concluded with Kancelaria Porad Finansowo - Księgowych dr Piotr Rojek Spółka z o.o. for the period from 15/08/2010 to 14/03/2011 for making a review and audit of the financial statement for the year 2010. The total net remuneration arising out of the agreement is PLN 27,000, including PLN 17,000 for the annual audit and PLN 10,000 for the interim review.

For the year 2009, the remuneration due for interim review and audit of the financial statement amounted to PLN 25,700, including annual audit – PLN 15,700 and interim review – PLN 10,000.

In the years 2010 and 2009, the Company did not calculate or pay the entity authorised to audit financial statements any other remunerations.

…………………………….	…………………………………
Andrzej Piszczcz	Miroslav Kozlovski
Vice-President of the Management Board	President of the Management Board

Przemyśl, 21st March 2011