

## INTRODUCTION

**a) Business name and seat of the issuer, indicating a proper registry court and the number in the register, main object of the issuer's activity according to Polish Classification of Activity and indicating the industry according to the classification adopted by the WSE market.**

Business name: Przedsiębiorstwo Modernizacji Urządzeń Energetycznych REMAK S.A.,  
Seat: 45-955 Opole, ul. Zielonogórska 3,  
Registry Court: District Court in Opole, VIII Commercial Division of the National Court Register  
Date of registration in KRS: 21.06. 2001; KRS number: 21123

Main area of business activity according to Polish Classification of Activity:

2830 B Installation, repair and maintenance of steam generators (except central heating hot water boilers).  
2811B Manufacture of metal construction except services,  
2811C Services related to installation of metal construction,  
7430 Technical research and analyses.  
7020 Rental of real property on own account,  
4533, 4534 Installation of water and sewerage systems.

According to industry classification of WSE in Warsaw, the company is classified for the electromechanical industry.

**b) Time of duration of the issuer's activity, if it is specified.**

The duration of the Company is unlimited.

**c) Specifying the periods for which the financial statement and the comparative financial data is presented.**

Financial statement presents the data for 2008, from 1 January 2008 to 31 December 2008 as well as comparable financial data for 2007 i.e. from 1 January 2007 to 31 December 2007.

**d) Information concerning the composition of the issuer's Management Board and Supervisory Board.**

In 2008 the composition of the Management Board was not changed. On 30 September 2008 the Supervisory Board of the Company appointed as of 1 December 2008 Mr. Zbigniew Cudek for the function of the Vice-President of the Management Board.

Currently the Management Board of the Company is composed as follows: President - Marek Brejwo, Vice-President - Aleksandra Kowalska, Vice-President - Adam Rogala and Vice-President - Zbigniew Cudek.

In 2008 the composition of the Supervisory Board was not changed.

Currently the Supervisory Board is composed as follows: Jarosław Popiołek, Tadeusz Szymański, Miguel Vegas Solano, Barbara Gronkiewicz and Andrzej Sitkiewicz.

**e) Information whether the financial statement and comparable financial data include joint data.**

The financial statement for 2008 and comparable financial data for 2007 include joint data, i.e. individual statements of the issuer and of foreign branches, preparing their own individual financial statements.

**f) Pointing out whether the issuer is a dominant entity or a significant investor or whether the issuer prepares consolidated financial statements.**

The issuer is neither a dominant entity nor a significant investor in relation to the remaining entities, in which he possesses shares (stock) and does not prepare a consolidated financial statement. The issuer is covered by a consolidated financial statement of Mostostal Warszawa S.A. seated in Warsaw, which is a public company listed at WSE obliged to reveal consolidated financial statements.

**g) Information whether the financial statement was prepared after a merger of companies.**

In the reporting period no merger of companies was carried out, thus this is not a statement after merger.

**h) Information whether the financial statement was prepared with the assumption of continuation of the issuer's activity or whether there are circumstances pointing to the fact that further carrying out of activity is threatened.**

The financial statement was prepared with the assumption that the business activity of the Company will be continued.

There are no circumstances pointing to the threat towards the continuation of the Issuer's activity in the foreseeable future.

**i) Information whether the financial statements were subject to transformation in order to ensure the comparability of data.**

The financial statements for 2008 and 2007 were subject to transformation in order to ensure the comparability of data.

The above statements are fully comparable.

**j) The information whether there were adjustments made following from the auditors' opinion.**

In the prepared financial statement and comparable data for the analogical period of the previous financial year **no adjustments were introduced** resulting from the reservations in the opinion of the entity entitled to carry out the review, as there were no reservations in the auditors' opinions concerning the statements for current and the previous financial year.

**k) Description of the adopted principles (policy) of accounting including the assessment method of assets and liabilities as well as income and costs, determining the financial result and the manner of drawing up the financial statement and comparable data.**

The Company adopted the following accounting principles (policy):

**I. GENERAL PRINCIPLES**

A financial year of the Company corresponds to the calendar year. Remak S.A. as an issuer of securities prepares quarterly, mid-year and annual financial statements. A reporting period is a calendar month.

The accounting books are maintained using a computer technique pursuant to the Accounting Principles, at the Company's seat.

**II. VALUATION PRINCIPLES**

- **Intangible assets** are valued pursuant to their purchase prices decreased by depreciation and amortization write-offs and impairment losses, if any. Straight line depreciation method is applied, in equal instalments every month, starting from the first day of the month following the month in which the value was accepted for use, until the end of the month in which the sum of depreciation and amortization write-offs is levelled with their opening value or in which they were put to liquidation, sold or a deficit was determined. Intangible assets are assessed and the write-offs are made with application of the provisions of Art. 31 section 2 and Article 32 sections 1-4 and 6 of the Accounting Act.
- **Fixed assets** are assessed pursuant to their purchase prices decreased by depreciation and amortization write-offs and impairment losses, if any. Fixed assets are depreciated with use of straight line method starting from the first day of the month following the month in which the value was accepted for use, until the end of the month in which the sum of depreciation and amortization write-offs is levelled with their initial value or in which they were put to liquidation, sold or a deficit was determined. In determining the period and the depreciation rate provisions of Art. 32 of the Accounting Act are applied. In case of the right of perpetual usufruct presented in the books, the purchase price is deemed as the value of the right specified by a real estate appraiser. The right of perpetual usufruct of the land is redeemed within the period of 20 years.
- **Fixed assets under construction** are appraised in the amount of the costs incurred for purchase or creating of fixed assets or intangible assets, which will be created in result of completion of the construction.
- **Long-term fixed assets** are valued according to their purchase prices decreased by the impairment losses. In case of sale of shares, stock or other fixed assets included in long-term assets, the "first in, first out" principle (FIFO) is applied.
- **Long-term prepayments** are the assets arising in relation to deferred income tax. The assets arising from the deferred income tax are determined in the amount stipulated to be deducted from income tax in future in relation to the existing negative temporary differences, with preservation of the prudence principle.
- **Inventories of fixed assets** are assessed pursuant to their purchase prices or their costs of manufacturing not higher than the selling price on the balance sheet date. The Company applies the principle of including the value of materials on their purchase day in costs.

Determining the position of these assets and their valuation and adjustment of costs by the value of materials not consumed takes place at the end of every quarter of the financial year. The valuation is carried out with application of the FIFO principle.

- **Short-term liabilities** are reported in the amount of the due sum with preservation of the prudence principle. The value of liabilities is updated with consideration to the degree of probability of their payment through revaluation write-offs. The liabilities in currencies are valued in accordance with Art. 30 of the Accounting Act.
  - **Short-term investments:**
    - Short-term financial assets in form of shares, stock and other securities are valued according to their purchase price not higher than their market value on the balance sheet day. In case of sale of shares, stock or other securities meant for trading the “first in, first out” principle (FIFO) is applied.
    - Securing derivative financial instruments are entered in the accounting books on the contract date according to their purchase price. The valuation on the balance sheet day is made according to the reliably assessed fair value.
- Net cash in PLN is reported in its nominal value, and in currency is converted pursuant to Art. 30 of the Act. Outgoings of foreign currency from foreign currency account are made pursuant to FIFO method.
- **Short-term prepayments** include the costs related to future reporting periods. The settlements are made with preservation of prudence and materiality principles. A crucial position is costs and liabilities not reported to the settlement related to incomplete services determined pursuant to the cost-ratio method.
  - **Provisions for liabilities**
    - *provisions against deferred income tax* are created in the situation of occurring positive temporary differences, which in future will result in the increase of the basis for income tax. The provision is created in the amount of the income tax value due to be paid in future.
    - *provisions for fringe benefits* include the provisions for costs of service anniversary awards and retirement bonuses. The provisions are created on the basis of actuarial valuation. The Company creates provisions against not used holiday leaves. The provision is determined on the basis of the actual number of days of not used holiday leaves in the financial year and the daily remuneration rate for a particular employee group increased by settlement of premiums for national insurance contribution. This provision is created for employees of management units and auxiliary departments as of the balance sheet day and for the employees hired on executed long-term contracts as for the termination date of the contract.
    - *other provisions for liabilities* includes the provisions created against the operating costs within accrued liabilities and provisions for operating loss related to works in progress.
  - **Short-term liabilities** are valued in the amount due to be paid. Liabilities in foreign currency are valued in accordance with Article 30 of the Accounting Act.
  - **Accrued liabilities and deferred income** are created in relation to determining costs and income from unfinished services using the cost-ratio method and the costs in the amount of probable liabilities falling in the current reporting period. The entity also created long-term accrued liabilities in relation the right of perpetual usufruct of land received without payment within previous years included in the books.
  - **Income and costs of unfinished services** are valued proportionally to the degree of advancement of the service, provided such a degree can be reliably established. If reliable determination of the degree of advancement is not possible, the income is established in the amount of the costs incurred during a particular period, not higher than the costs, whose

covering is probable. At including the income in the account of the results for particular period the income acknowledged in previous periods is deducted. The costs of production related to specified income due to incomplete service have impact on the reporting period in which the income is included. The costs of production of the incomplete service include the costs incurred from the date of signing the contract until the balance sheet day. The costs incurred before concluding the contract should be included as assets only when it is probable they will be covered by the income in future. Projected losses related to performing a service covered by the contract, not included in the result from previous periods also influence financial result of the entity. In result of application of the service advancement method in order to determine the income and the costs of the reporting period, the entity creates accrued expenses and deferred income settlements.

- Profit and loss account is prepared in the multiple-step variant
- Statement of cash flows is prepared using indirect method.

**1) Information on average exchange rate of PLN in the periods covered by the financial statement and comparable financial data, in relation to Euro, set by NBP.**

Reporting period	Average exchange rate in the period	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as for the last day of the period
2008	3.5321	3.2026	4.1848	4.1724
2007	3.7768	3.5699	3.9385	3.5820

**m) Information on basic items of balance sheet, profit and loss account and the statement of cash flows converted into EURO, with indication of the principles adopted for the conversion.**

No.	Detailed list	2008 EUR thousand)	2007 (EUR thousand)
<b>I.</b>	<b>BALANCE SHEET</b>		
1.	Fixed assets	4,507	4,888
2.	Current assets	17,595	19,660
	<b>TOTAL ASSETS</b>	<b>22,102</b>	<b>24,548</b>
3.	Equity capital	8,065	8,047
4.	Liabilities and provisions for liabilities	14,037	16,501
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>22,102</b>	<b>24,548</b>
<b>II.</b>	<b>PROFIT AND LOSS ACCOUNT</b>		
1.	Net income from sales of products, goods and materials.	48,415	59,567
2.	Costs of sold products, goods and materials.	44,934	57,316
3.	Profit (loss) on sales	3,481	2,251
4.	Overheads	2,906	2,328
5.	Profit (loss) on sales	575	-77
6.	Other operating income	298	248
7.	Other operating costs	221	222
8.	Operating profit (loss)	652	-51
9.	Result on financial transactions	985	-623
10.	Profit (loss) on economic activity	1,637	-674
11.	Gross profit (loss)	1,637	-674
12.	Income tax	304	76
13.	Net profit (loss)	1,333	-750
<b>III.</b>	<b>STATEMENT OF CASH FLOWS</b>		
1.	Operating cash flow (net)	6,304	3,095
2.	Investment cash flows (net)	-786	-502
3.	Net financial transaction cash flows	-5,086	-464
4.	Total net cash flows	432	2,129

Particular **items of assets and equity and liabilities** were converted into EURO according to average exchange rate announced by NBP binding on the balance sheet day i.e. according to the rate of PLN **4.1724** as of 31.12.2008 and the rate of PLN **3.5820** as of 31.12.2007.

**Particular items of profit and loss account** were converted into EURO according to average exchange rate of EUR announced by NBP, binding on the last day of each month in the reporting period, i.e. according to the rate of **3.5321** for 2008 and the rate of **3.7768** for 2007.

Particular **items of cash flow statement** net on operating activity, investments and financial transactions were converted into EURO according to average exchange rate of EUR announced by NBP, binding on the last day of each month in the reporting period, i.e. according to the rate of **3.5321** for 2008 and the rate of **3.7768** for 2007.

**n) Indication and explanation of differences in the value of revealed data and material differences of adopted accounting principles (policy) between the financial statement and the comparable data and the financial statement and comparable data prepared according to International Accounting Standard (IAS).**

The Company has not prepared and does not prepare its financial statement in accordance with International Financial Reporting Standards - IFRS. Were financial statements prepared according to IFRS, the main differences between the accounting principles adopted for the attached statement and IFRS with the assumption that the day of changing into IFRS is 01.01.2004 would concern in particular the following:

1. Tangible fixed assets.

1.1. In accordance with IFRS 1, as for the day of the first application of IFRS an entity may evaluate fixed assets up to their fair value and acknowledge their fair value as the assumed cost on this date. The Company has established the cost of chosen tangible fixed assets by specifying the fair value of these assets as for the day of changing into IFRS. Within the frames of the Polish Accounting Standards (PAS), the Company has conducted its revaluation of fixed assets as for 1 January 1995 in order to reflect the results of inflation through application of revaluation ratios determined by General Statistical Office for particular groups of fixed assets.

1.2. The company revealed in its books for 2002 the right of perpetual usufruct of land received for free within previous years. The right of perpetual usufruct of land was included in the books in the value determined by a real property appraiser, increasing the value of tangible fixed assets and long-term prepayments. This right is depreciated with simultaneous acknowledgement of other operating income. In accordance with IFRS 1, the Company recognized a fair value of these assets and included this value as assumed cost as of 1 January 2004. The fair value of the right of perpetual usufruct of land as for 1 January 2004 was determined on the basis of the appraisal of the real property appraiser.

	balance sheet value Acc. to PAS 31.12.2008	balance sheet value acc. to IFRS 31.12.2008	adjustment of value
tangible fixed assets/thousand PLN /	15,895	37,133	21,238

## 2. Long-term receivables and liabilities

In accordance with PAS as for the balance sheet date, receivables and liabilities due to deliveries of works and services with due date exceeding 12 months were reported in the amount required to be paid. In accordance with IAS 39 long-term deposits are assessed according to depreciated cost with application of effective percent rate. For the assessment of long-term liabilities and receivables as for 31 December 2008, the Company adopted the percent rate equal to WIBOR 1Y i.e. 5.98%. The result of the valuation of receivables and liabilities to the current value is presented in the below table:

	balance sheet value acc. to PAC 31.12.2008	balance sheet value acc. to IFRS 31.12.2008	adjustment of value
Long-term receivables /PLN thousand /	3,812	3,106	(706)
Long-term liabilities /PLN thousand /	404	372	(32)

### List of results of revealed differences in the area of net profit and equity in PLN thousand\*

	31.12.2008	31.12.2007
<b>Net profit/loss acc. to PAS</b>	<b>4,711</b>	<b>(2,834)</b>
Adjustment due to depreciation of tangible fixed assets	(262)	25
Long-term receivables discount +	(557)	28
Long-term liabilities discount -	(49)	58
<b>Net profit/loss acc. to IFRS</b>	<b>3,843</b>	<b>(2,723)</b>
	<b>30.06.2008</b>	<b>31.12.2007</b>
<b>Equity acc. to PAS</b>	<b>33,650</b>	<b>28,826</b>
Valuation of tangible fixed assets,	17,202	17,464
Long-term receivables discount	(572)	(15)
Long-term liabilities discount	26	75
<b>Equity acc. to IFRS</b>	<b>50,306</b>	<b>46,350</b>

### \*given amounts of adjustments include the influence of the deferred tax

The identification of differences and their valuation requires making assessments and assumptions which have influence on specified values. Despite the fact that adopted assumptions and estimates are based on the best knowledge of the Company, real values may be different than the projected ones. This note identifying main areas of differences between Polish Accounting Standards and IFRS was prepared on the basis of IFRS binding on 31.12.2008 and with the assumption that the day of changing into IFRS is 1 January 2004. Due to the fact that further standards are still being prepared and the current standards are subject to change there is a possibility that the standards according to which the Company will prepare its first financial statement according to IFRS will be different from the standards applied in order to prepare this note.

In accordance with IFRS only complete financial statement including balance sheet, profit and loss account, list of changes in equity, statement of cash flows with comparable data and explaining notes can provide a reliable assessment of financial position, results of activities and cash flows in accordance with IFRS.