POL-MOT WARFAMA S.A.

CONSOLIDATED MANAGEMENT BOARD’S REPORT

FOR THE PERIOD FROM JANUARY 1ST 2011 TO DECEMBER 31ST 2011
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>TABLE OF CONTENTS</td>
<td>2</td>
</tr>
<tr>
<td>LETTER OF PRESIDENT OF THE MANAGEMENT BOARD.</td>
<td>4</td>
</tr>
<tr>
<td>1. BASIS OF PREPARING FINANCIAL STATEMENTS</td>
<td>5</td>
</tr>
<tr>
<td>2. GENERAL INFORMATION ABOUT THE CAPITAL GROUP</td>
<td>5</td>
</tr>
<tr>
<td>3. OVERVIEW OF BASIC ECONOMIC AND FINANCIAL VALUES DISCLOSED IN THE FINANCIAL STATEMENTS.</td>
<td>10</td>
</tr>
<tr>
<td>4. EMPLOYMENT IN THE CAPITAL GROUP OF POL-MOT WARFAMA</td>
<td>12</td>
</tr>
<tr>
<td>5. DESCRIPTION OF SIGNIFICANT RISKS AND DANGERS WITH DEFINITION OF THE LEVEL OF THEIR IMPACT ON THE ISSUER</td>
<td>12</td>
</tr>
<tr>
<td>6. INFORMATION ABOUT BASIC PRODUCTS AND SERVICES WITH THEIR VALUE AND QUANTITY DESCRIPTION AND PARTICIPATION OF PARTICULAR PRODUCTS AND SERVICES</td>
<td>15</td>
</tr>
<tr>
<td>7. INFORMATION ABOUT MARKETS WITH DIVISION INTO THE DOMESTIC AND INTERNATIONAL MARKET AND INFORMATION ABOUT SUPPLIERS.</td>
<td>19</td>
</tr>
<tr>
<td>8. INFORMATION ABOUT SIGNIFICANT CONTRACTS CONCLUDED BY THE COMPANY</td>
<td>20</td>
</tr>
<tr>
<td>9. INFORMATION ABOUT THE ISSUER’S ORGANIZATIONAL OR CAPITAL CONNECTIONS WITH OTHER ENTITIES AND DEFINITION OF ITS MAJOR DOMESTIC AND INTERNATIONAL INVESTMENT</td>
<td>22</td>
</tr>
<tr>
<td>10. TRANSACTIONS WITH PARENT ENTITIES IF THEIR SINGLE OR TOTAL VALUE FROM THE BEGINNING OF THE REPORTING PERIOD EXCEEDS THE EQUIVALENT OF 500,000 EUR.</td>
<td>23</td>
</tr>
<tr>
<td>11. INFORMATION ON TAKEN LOANS AND LOAN AGREEMENTS, INCLUDING THEIR DUE DATES, AND ON WARRANTIES AND GUARANTEES GRANTED.</td>
<td>23</td>
</tr>
<tr>
<td>12. INFORMATION ON TAKEN LOANS AND LOAN AGREEMENTS, INCLUDING THEIR DUE DATES, AND ON WARRANTIES AND GUARANTEES GRANTED, WITH ACKNOWLEDGEMENT LOANS, WARRANTIES AND GUARANTEES GIVEN TO RELATED ENTITIES.</td>
<td>24</td>
</tr>
<tr>
<td>13. ALLOCATION OF RECEIPTS FROM THE ISSUE BY ISSUER</td>
<td>25</td>
</tr>
<tr>
<td>14. EXPLANATION OF DIFFERENCES BETWEEN THE ACHIEVED FINANCIAL RESULTS AND PREVIOUSLY PUBLISHED FORECASTS.</td>
<td>25</td>
</tr>
<tr>
<td>15. ASSESSMENT AND IDENTIFICATION OF POSSIBLE THREATS AND ACTIONS TAKEN BY THE COMPANY OR TO BE TAKEN IN ORDER TO PREVENT POSSIBLE THREATS,</td>
<td>25</td>
</tr>
<tr>
<td>16. ASSESSMENT OF CONTEMPLATED PROJECTS PERFORMANCE</td>
<td>26</td>
</tr>
</tbody>
</table>
17. ASSESSMENT OF EXTRAORDINARY FACTORS AND EVENTS INFLUENCING THE FINANCIAL RESULTS ACHIEVED IN THE FIRST HALF OF 2011 ..................................................... 26

18. CHARACTERISTICS OF EXTERNAL AND INTERNAL FACTORS VITAL FOR THE CAPITAL GROUP’S DEVELOPMENT AND DESCRIPTION OF PROSPECTIVE DEVELOPMENT OF BUSINESS ACTIVITY ................................................ 27

19. ORGANIZATIONAL CHANGES IN THE CAPITAL GROUP, INCLUDING THEIR CAUSES; CHANGES IN THE BASIC PRINCIPLES OF MANAGING .............................................. 28

20. CHANGES IN MANAGEMENT AND SUPERVISORY BOARD, PRINCIPLES REGULATING THE APPOINTMENT AND DISMISSAL OF MANAGERIAL STAFF AND THE RIGHTS OF MANAGERIAL STAFF ............................................................................. 29

21. AGREEMENTS CONCLUDED BETWEEN ISSUER AND MANAGEMENT BOARD, PREDICTED REFUND IN THE CASE OF RESIGNATION OR DISMISSED FROM POSITION WITHOUT ANY REASON OR IN THE CASE OF TAKEOVER OR MERGER. 31

22. REMUNERATION, REWARDS AND BENEFITS PAID, DUE OR POTENTIALLY DUE, TO THE MANAGERIAL AND SUPERVISORY STAFF .............................................................................. 31

23. COMPANY SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY AT LEAST 5% OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS ................................................................ 32

24. INFORMATION ON ANY AGREEMENTS, KNOWN TO ISSUER, THAT IN THE FUTURE MAY LEAD TO CHANGES IN THE PROPORTION OF SHARES HELD BY FORMER SHAREHOLDERS AND BONDHOLDERS ............................................................................. 32

25. POINTING SHAREHOLDERS, WHICH HAVE SPECIAL CONTROL RIGHTS AGAINST POL-MOT WARFAMA S.A. ............................................................................................................. 33

28. INFORMATION OF AGREEMENT WITH ENTITY AUTHORISED TO AUDIT OF FINANCIAL STATEMENT. .................................................................................................................. 33

29. STATEMENT OF RESPONSIBLE PERSONS FOR INFORMATION IN ANNUAL REPORT FROM COMPANY’S ACTIVITY .............................................................................................................. 34
Letter of President of the Management Board.

Dear Sir or Madam,

On behalf of the Management Board, I am pleased to present the financial statement of Capital Group for the 2011.

In 2011, Capital Group of POL-MOT Warfama achieved a net profit of PLN 1 318 thousand, compared to a loss in 2010. While the dominant entity POL-MOT Warfama S.A. at the end of 2011 gained a net profit of PLN 1 169 thousand.

Revenues from the sale of the Capital Group of POL-MOT Warfama amounted to PLN 172 359 thousand. The company POL-MOT Warfama S.A. increased revenues by 43% compared to 2010, whereas the company Bioenergia Invest S.A. showed a decrease in revenues of 22% compared to 2010. The main reason of the growth in POL-MOT Warfama S.A. was increase agricultural machinery and equipment sales, both domestically and abroad. A significant increase in export sales (by 50% compared to 2010) was due to improvement in the situation of the agricultural sector in foreign markets. An example of increased domestic sales in 2011 is a significant increase in sales of tractors POL-MOT H, which from the beginning are very popular and appreciated by customers.

In the past year there has been a the most relevant event in the history of the Capital Group, which was the takeover of rights to the most recognizable and valuable brands of farm tractors in this part of Europe - the brand URSUS. The acquisition results in a complete change of strategy for the placement of the new products of the Company. In 2012, POL-MOT Warfama S.A. intends to offer the market a full range of agricultural machinery branded URSUS. This will open the way to attract new group of customers, which should directly translate into a significant increase in market share, not only tractors but also of other machines from the offer of the Company. Ursus brand, well-known in over 120 countries around the world, opening up new opportunities to significantly increase the Company's sales of products in foreign markets. New URSUS tractors will be released in the first quarter of 2012.

The Management Board of POL-MOT Warfama would like to sincerely thank our shareholders, customers and suppliers for the trust that they have placed in us. We would also like to thanks all employers who contribute to Capital Group’s development.

Yours faithfully,

Chairman of POL-MOT Warfama S.A. Company’s Board of Management

Adam Dobieliński
1. Basis of preparing financial statements

The consolidated financial statement of the Capital Group of POL-MOT Warfama for 2011 has been prepared on the basis of:

- International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) approved by the European Union using the same principles for the current and comparative periods.
- In the absence of relevant regulations on the basis of Accounting Act of 29 September 1994 (with subsequent amendments).
- In 2010 the Issuer changed its accounting policy for the valuation of investment properties, which are valued at fair value, including the retrospective valuation. In addition, in 2010 were standardized the recording rights to perpetual usufruct of land. This right is recognized in tangible fixed assets in the position - land and not subject to depreciation.
- In 2011, the Issuer changed its accounting policy for the valuation of provisions for employee vacations. The Company depart from charging reserves due to the low rotation of production workers. Amounts of non-leave pay are insignificant, and vacations are used in the period prescribed by law, which from 2012 year was extended to September 30.
- The financial statement has been drawn up in the Polish currency – polski złoty (thousand; PLN),

2. General information about the Capital Group

Company: POL – MOT WARFAMA S.A. (public limited company)

Seat: DOBRE MIASTO

Address: 11-040 Dobre Miasto, ul. Fabryczna 21

NIP 739-23-88-088

REGON 510481080

Joint stock: 22.180.000 PLN

Telephone number: (+48 89) 615 34 00

Fax number: (+48 89) 615 34 26

E-mail: sekretariat@warfama.pl warfama@warfama.pl


POL-MOT Warfama S.A. – dominant entity - was established in result of transformation of the legal form of the POL-MOT WARFAMA Ltd. pursuant to the resolution dated 24 June 1997 into a Public Limited Company. The present structure of divisions formed by
acquisitions POL-MOT Warfama S.A. with subsidiaries and by establishing new division in Lublin. The Company has an unlimited period of operation.

POL-MOT Warfama S.A. is registered in the National Court Register by the District Court in Olsztyn VIII Economic Division at No.0000013785 since 23 May 2001 (former registration number RHB 2234). The company activity is agricultural machinery production, according to PKD - 28.3 - Machinery production for agriculture and forestry.

According to the Warsaw Stock Exchange classification: Machinery industry sector.
On the day of drawing up of this report, the share capital of the Company was 22,180,000 ordinary bearer shares and was divided into 22,180,000 share, nominal value of each one was 1,00 PLN.

The Capital Group consists of three companies:

1. POL-MOT Warfama S.A. (jednostka dominująca)

POL-MOT Warfama S.A. is a recognized Polish manufacturer of agricultural machinery and equipment, like roll balers, manure spreaders, trailers, tractors, front loaders, machines for hay-silage crops and transport, machines for straw grinding and briquetting, grab-type loaders and backhoe loaders. The Company has a factory in Dobre Miasto near Olsztyn and three divisions in Biedaszki Małe near Kętrzyn, Lublin and in Opalenica.

On the day of drawing up of this report, the Company was represented by:

1. Adam Dobieński - President of the Management Board
2. Karol Zarajczyk - Vice-President of the Management Board
3. Jan Wielgus - Member of the Management Board
4. Wojciech Zachorowski - Member of the Management Board

POL-MOT Warfama is a direct heir of the State Enterprise – Warmian Agricultural Machine Factory “AGROMET-WARFAMA” Dobre Miasto, established in 1946. The first products of this factory were the simple “Jutrzenka” threshers. In subsequent years, its production range gradually expanded. In the 1970s, the factory was expanded and in 1978, serial production of dump-body trailers began. A critical moment in the history of the company was 1997, when the plant became privatized, and the majority shareholding of Warfama (85,7%) was acquired by Pol-Mot Holding. It was when a dynamic growth of the enterprises began. Roll-balers, bale wrapping machines and bale loader trailers were added to the production range, which now made a complete technological line for gathering and storing green fodder, hay and straw.

In 2003, the production offer was extended by the family of tractor-mounted backhoe loaders Mikrus. At the end of 2006, POL-MOT Warfama S.A. signed a cooperation agreement with a Chinese corporation, Shandong Foton Heavy Industries Co., Ltd, concerning the distribution of its products in Poland and in neighborhood markets.
In 2006, POL-MOT Warfama S.A. Dobre Miasto merged with Pol-Mot TUR S.A. in Biedaszki Małe – a manufacturer known mostly for TUR tractor front loaders, popular in rural areas and launched new tractors FOTON POL-MOT.

In December 2006, POL-MOT Warfama acquired 100% shares in Agricultural Machine Factory POL-MOT Opalenica Sp. z o. o., with seat in Opalenica.

December 27, 2007 – Debut on the Warsaw Stock Exchange. The opening bid was PLN 4.18, which comprise the increase of 4.5% in comparison with price of issue.

2008 – there was established the division in Lublin according to the Management Board resolution from 9 June 2008 and accepted resolution of the Supervisory Board.

August 31, 2009 (the day of takeover) - the District Court in Olsztyn VIII Economic Division registered the acquisition of FMR POL-MOT Opalenica sp. z o.o. in Opalenica.

On 14 October 2010 POL-MOT Warfama SA purchased from the trustee in bankruptcy of the company DAEWOO MOTOR POLAND Ltd. property located in Lublin, ul. Melgiewskiej 7-9. Some of the acquired property with R & D center and production of machinery and equipment were previously leased by the Issuer.

On 26 April 2011, POL-MOT Warfama S.A. signed a sales agreement with Bumar sp. z o.o. in Warsaw of:

1. 100% shares of the Ursus sp z o.o. based in Warsaw, registered in the National Court Register by the District Court in Warsaw XIII Economic Division at No. KRS0000085448, sales price of the shares was set at PLN 1;

2. trademarks of the “Ursus”, which were registered in the Polish Patent Office under numbers 47098, 54394, 56476, and submitted to the Polish Patent Office under numbers 374742, 374744, 374746, the sale price of trademarks was set on the amount of PLN 8.1 million;

3. Tractors “Ursus” for a total maximum price PLN 7 321 035 net (the price may be lower in the case of acquisition by the Issuer less than the indicated number of tractors on the contract).

On June 20, 2011 POL-MOT Warfama S.A. signed with the company Bumar sp. z o.o. closure protocols for each of the agreements and became the owner of all purchased components of URSUS. The value of the sales contract for tractors brand "URSUS" amounted finally PLN 4 799 665. The remaining amount of the transaction has not changed.

On 20 June 2011, the Extraordinary Shareholders Meeting of Ursus sp. z o.o. has taken a resolution to change company name to LZM2 sp. z o.o. (Ltd). The change has been registered by the Registry Court.

On 12 July 2011, POL-MOT Warfama S.A. has sold all shares, i.e. 48 023 held in LZM2 sp. z o.o. (formerly Ursus sp) to Insolvency Law Institute Ltd. (Instytut Prawa Upadłościowego i Naprawczego sp. z o. o.) in Lublin for the total price of PLN 1. These
shares represent 100% share capital of the sold company and entitle to 100% of votes at the Shareholders’ Meeting

On 28 June 2011, the company URSUS sp. z o.o. was established by the company POL-MOT Warfama SA. The share capital amounts to PLN 5,000 and is divided into 50 shares with a nominal value of PLN 100 per share. The headquarters of URSUS sp. z o.o. is located in Lublin, Melgielska 7-9, bestowed from POL-MOT Warfama S.A. The newly registered company, is not the successor in right of the company Ursus sp. z o.o. in Warsaw (KRS 0000085448), which now operates under the name LZM2 sp. z o.o. (Ltd.) in Warsaw and it is not affiliated in any way.

The POL-MOT Warfama S.A. in Dobre Miasto is a subsidiary company (that operates under the control) of POL-MOT Holding S.A. in Warsaw. POL-MOT Holding S.A. holds 13,732,242 shares of POL-MOT Warfama S.A., which is 61.91% share in total amount of voting stocks on the Annual General Meeting.

2. Bioenergia Invest S.A. (subsidiary)

Company: BIOENERGIA INVEST S.A. (public limited company)
Seat: DOBRE MIasto
Address: 11-040 Dobre Miasto, ul. Fabryczna 21
NIP 525-243-76-44
REGON 141585020
KRS 0000377027
Joint stock: PLN 8,118,000
Telephone number: (+48 89) 615 36 09
Fax number: (+48 89) 615 36 09
E-mail: sekretariat@bioenergiainvest.pl

Bioenergia Invest S.A. is registered in the National Court Register by the District Court in Olsztyn VIII Economic Division at No. 0000377027. The company activity is manufacture and sale of products (briquettes) of straw, according to PKD (2007)- 16.29Z.

On the day of drawing up of this report, the Company was represented by:

1. Tadeusz Kasjanowicz - President of the Management Board
2. Dariusz Cycan - Vice-President of the Management Board
3. Mirosław Motyliński - Member of the Management Board

The company was established under the memorandum of 29 September 2008 as a limited liability company under the name of INVEST-MOT Bioenergia sp. z o.o. based in Warsaw. Its founder was the company INVEST-MOT sp. z o.o. in Warsaw. The main business of the company INVEST-MOT Bioenergia from its inception was to attract different types of biomass, in particular for electricity production.
On 2 February 2009 POL-MOT Warfama SA located in a Dobre Miasto concluded with the company INVEST-MOT sp. z o.o. agreement on cooperation in the production of biomass and joined to Bioenergia Invest sp. z o.o. This date is considered the beginning of the company’s operations.

Based on this agreement POL-MOT Warfama SA joined the company INVEST-MOT Bioenergia sp. z o.o. through the acquisition of shares in the share capital increased from PLN 50,000 to PLN 8,118,000. In addition to the arrangements for capital commitment in the implementation of the joint venture, the parties have agreed to change the name of the company from INVEST-MOT Bioenergia sp. z o.o. for the new - Bioenergia Invest sp. z o.o. and to transfer the seat of the company from Warsaw to the Dobre Miasto.

On 22 April 2010 POL-MOT Warfama SA acquired from INVEST-MOT sp. z o.o. in Warsaw the additional shares in the company Bioenergia Invest sp. z o.o., providing a 51% stake in the company.

On 31 January 2011 Bioenergia Invest sp. z o.o. was transformed into a Bioenergia Invest SA. The company's capital has not changed and is PLN 8 118 000 (eight million one hundred and eighteen thousand PLN) and is divided into 8 118 000 ordinary bearer shares, series A, with a nominal value PLN 1 each.

The shareholders of Bioenergia Invest SA in a Dobre Miasto at the moment of publication of this report are:
- POL-MOT Warfama SA has 4 140 000 shares,
- INVEST-MOT sp o.o. has 3 615 000 shares.
- Mr. Karol Zarajczyk has 227 000 shares,
- Mr. Paweł Gilewski has 136 000 shares.

Bioenergia Invest SA activity consists of organizing networks of straw briquette production through leasing of complete processing lines for straw briquetting to leaseholders from all over the country and the receipt produced briquettes. The resulting briquette is sold to power plants using biomass co-firing technology of coal and biomass combustion. Total amount of briquettes produced by the company under the cooperation agreements with the network of suppliers is increasing, and network capacity is adjusted to current market needs. The condition for the cooperation with the company is willing to organize the production of briquettes and the provision of adequate quantities of material for production.

3. Ursus sp. z o.o. (subsidiary)

Company: URSUS sp. z o.o. (limited liability company)
Seat: LUBLIN
Address: 20-952 Lublin, ul. Melgiewska 7-9
NIP 946-26-34-809
REGON 0000395392
KRS 0000395392
Joint stock: PLN 5.000
E-mail: prawnik@ursus.com.pl
The company Ursus sp. z o.o. was established on 28 July 2011 by the company POL-MOT Warfama SA. The articles of association of the Company was prepared in a Notary Office in a Dobre Miasto by Notary Iwona Syrewicz - Kozlowska and signed in the repertory under the number A 3931/2011. The share capital amounts to PLN 5000 and is divided into 50 shares with a nominal value of PLN 100 each. The sole shareholder of the company Ursus sp z o.o. is POL-MOT Warfama SA, and its president is Mr. Karol Zarajczyk. The Company has not established a Supervisory Board. The company's headquarters is in Lublin, and is located at ul. Mełgiewska 7-9, bestowed by POL-MOT Warfama SA On September 6, 2011, the company was registered in the District Court in Lublin - Lublin East based in Świdnik, VI Commercial Department under the number KRS 0000395392. On September 21, 2011. Statistical Office in Lublin gave the company number: 061249290.

It is planned that the Company's main activity will be manufacturing of machines for agriculture and forestry, according to PKD (2007) - 28.30.Z.

Establishment of a subsidiary Ursus sp o.o. is an element of the strategy of the Issuer in the reconstruction and revitalization of the URSUS brand.

The newly registered company is not the successor in right of the company LZM2 sp. z o.o. (former Ursus sp. z o.o.) in Warsaw, KRS 0000085448 and it is not affiliated in any way.

Thus, neither the company POL-MOT SA Warfama nor the Company Ursus sp o.o. in Lublin (KRS 0000395392), are not liable for the obligations of LZM2 Ltd. (former Ursus sp z o.o.) in Warsaw, KRS 0000085448.

3. Overview of basic economic and financial values disclosed in the financial statements.


In 2011, the Capital Group POL-MOT Warfama achieved sales revenue of PLN 172 359 thousand. In this, revenue from domestic sales amounted to PLN 134 622 thousand (excluding sales to the subsidiary), while revenues from export sales amounted to PLN 37 737 thousand. The revenue from export sales apply only to the parent company POL-MOT Warfama SA.

The sales revenue of the company POL-MOT Warfama S.A. in 2011 was higher than those achieved in 2010 by 43%. While the revenues from domestic sales increased by 41%, the export sales increased by 50%. The increase in revenues from domestic sales was mainly due to increased sales of agricultural tractors, with the launch of a new series of tractors.
POL-MOT H and sales of Ursus tractors purchased from the Bumar sp. z o.o. Sales of tractors POL-MOT H regularly increases, in addition from the first quarter of 2012 the company launches a wider range of Ursus tractors. A significant increase of export sales was due to improvement of the situation of the agricultural sector in foreign markets, which translated into increased sales, in particular: Dutch, Czech, and Scandinavian markets.

Revenues from the sale of the company Bioenergia Invest SA in 2011 amounted to PLN 14 183 thousand and were lower by PLN 4 025 thousand compared to 2010. In 2010, sales of the company Bioenergia Invest concerned only domestic sales, while in 2011 the value of export sales accounted for 6% of total sales of the company Bioenergia Invest. The reduction in sales revenue of the company Bioenergia Invest SA in 2011 was due to the low harvest of straw, and its worse quality, which contributed to lower efficiency of production lines and the amount of biomass for power sold. In order to further increase sales, the Management Board of Bioenergia Invest SA is taking steps to obtain biomass from foreign markets.

According to the outlined vision of development, Bioenergia Invest SA is taking steps to increase market share, which is reflected in signing long-term contracts with customers. An example of this is concluded on September 7, 2011 the Framework Agreement with the company GDF SUEZ Bioenergia sp. z o.o. in Polaniec for supplying of agricultural biomass (Current report 29/2011). Estimated value of contract at the current market price is around PLN 365 million.

The Capital Group of POL-MOT Warfama in 2011 at the level of gross profit from sales made a profit of PLN 25 698 thousand and it was higher than the gross profit from sales earned in the year 2010 by 54%. The profit on operating activities after taking into account other operating income and operating expenses was PLN 2 347 thousand. Operating profit in 2011 was higher than the profit shown in 2010 by PLN 2 350 thousand.

The Capital Group POL-MOT Warfama in 2011 showed a gross profit of PLN 980 thousand, while in 2010 the gross loss amounted to PLN 363 thousand.

In 2011, the Capital Group POL-MOT Warfama recorded a net profit of PLN 1 318 thousand.

Compared net profit for the year 2010 after the analysis of the current auditor has been corrected, as it is described on page 8 of the separate financial statements for the year 2011.

The Capital Group’s structure of assets in 2011:
- Fixed assets – 49,2%
- Current assets – 50,8%

The Capital Group’s structure of liabilities of in 2011:
- Equity – 38,5%
- Total liabilities – 61,5%

The main source of financing assets in 2011 was current liabilities, their share in the structure of liabilities amounted to 48,0%.
4. Employment in the Capital Group of POL-MOT Warfama

The staffing level in POL-MOT Warfama S.A. and Bioenergia Invest S.A. was presented in Table 1a and 1b.

Table 1a. The average employment in POL-MOT Warfama S.A. - employment contract

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<tr>
<th>Status on</th>
<th>Number of employees</th>
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<tr>
<td>December 31st, 2010</td>
<td>678</td>
</tr>
<tr>
<td>December 31st, 2011</td>
<td>727</td>
</tr>
</tbody>
</table>

Table 1b. The average employment in Bioenergia Invest S.A. - employment contract

<table>
<thead>
<tr>
<th>Status on</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31st, 2010</td>
<td>9</td>
</tr>
<tr>
<td>December 31st, 2011</td>
<td>12</td>
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5. Description of significant risks and dangers with definition of the level of their impact on the Issuer.

Factors of risk related to the Issuer, his branch and the environment where the Issuer operates:

5.1. Risk of margins reduction

A possible strengthening of the competition on the market can cause the aggressive sales strategies by the Issuer’s competitors. In such situation it can be possible that the competitors will reduce their margins on the products which quality and price are similar to those offered by the Issuer. It can result in a necessity of margins reduction by the Issuer, what can negatively influence the revenues and results. The Issuer, counteracting a potential risk, uses the production scale effect and diversifies raw materials deliveries with in order to control the margin level and resist a potential loss of market share.

5.2. Risk of dependence on key customers

Loss of key customers can negatively influence the financial position and results of the Company operating on the competitive market. In case of the strategic customers of the Issuer the risk is limited because of the previous cooperation in frames of the dealer
agreement and joint elaboration of quality standards of the products. According to the Issuer, a long-term cooperation limits the risk of losing such customers.

The company Bioenergia Invest SA has regular suppliers and has signed cooperation agreements in the field of production and supplies of briquettes and the lease. The company has also signed an agreement with the power plants to secure the continuous reception of produced briquettes. According to the Issuer, the long-term contracts reduce the risk of losing these customers.

5.3. Risk related to scientific and development research of new products

A strong competition is the reason why the companies still have to modernize and implement new technological solutions in their products. The pressure put by the competition makes it necessary to incur expenses for research and development aimed at elaboration of better products adapted to needs and requirements of the customers. Implementation by the Company of a wrong research and development policy can lead in the future to the situation where the products are less modern than the products of the competition. At the same time it is not sure that all expenses for research and development will contribute to an increase of revenues and profits of the Company.

In the presence of the agriculture development in Poland, the Issuer pursues a policy aimed at introduction of technological modifications in the produced machines and offering products fulfilling individual needs of customers.

5.4. Risk of rotation/ loss of the key staff

The strong position of the Issuer on the market is connected with the stability of employment of the specialized staff of Company, as well as the production workers (welders, metal workers, turners). According to the Issuer, skills improvement of the employees and all activities aimed at their appropriate motivation should result in a better cooperation with the customers and suppliers and influence the quality of the products.

5.5. Risk related to the temporary production suspension

The temporary production suspension caused by a possible devastation or loss of a part or the entire fixed assets or lack of the production continuity resulting from prolonged machines failures or black outs can cause missing deadlines of execution of some orders placed by the customers. Worsening of the quality standards of the customers services and delays in the orders execution can lead to a decrease in participation of the Issuer on the market and thus to worsening of the financial results and the decrease in sales of the Issuer. The above mentioned phenomenon is not likely to happen.

5.6. Risk related to the macroeconomic situation of Poland – economic prosperity of the country
The macroeconomic situation of Poland, especially the growth rate of GDP, is one of the most important factors that can impact the financial results of the Issuer. The stabilization of economic growth in 2011 expressed by GDP, and growth rate of investment demand positively affected the Company's operations. The projected decline in economic situation in Poland in the next year may have a negative impact on the Company's financial results during this period. Negative impact on the Company's financial results may have worsened situation in agriculture and availability of credits.

5.7. Risk related to planned capital investments

Realization of the planned investment depends on the stability of the market environment. There is a risk that the expenses incurred for a particular purpose can be insufficient, and implementation of projects can be difficult despite the utmost diligence of the Issuer. Besides, any organizational and legal problems can bring returns on capital different than expected. To minimize a possibility of such a risk, the Issuer, before making a decision of a capital investment, carries out an economic analysis of the undertaking.

5.8. Risk related to increased competition on the market of agricultural machinery manufacturers

On the market of agricultural machinery manufacturers there is a strong competition among companies from Poland and from other countries. Any competition increase and an entry on the Polish market of strong international manufacturers can consequently influence negatively the Issuer’s operation and his financial results. The Company, with a view to reducing the impact of such a risk on his results, by implementation of his strategic objectives, focuses activities on improvement of the products and getting new orders from international contractors. The Issuer takes actions in the field of widening its offer to face the customers’ expectations.

5.9. Risk of exchange rate

In the execution of orders the Issuer makes purchases of materials and products which value is expressed in Euro. To minimize this risk, in 2009 the supplying of raw material was centralized by setting a new entity responsible for monitoring the market price of all raw materials (especially steel price) and making orders to all divisions.

POL-MOT Warfama SA purchases of goods in the EUR currency, while approximately 23% of sales are generated by exports in foreign currencies, primarily in EUR currency.

The Management Board continually monitors the exposure to foreign exchange risk of the company, estimates its impact on the company's financial results and in the event of an excessive concentration considers the introduction of hedging exposure.

5.10. Risk of lack of utilization of EU funds for agriculture modernization by farmers

Since 2007 in frames of the UE funds for farmers the Program of Agricultural Areas Development (PROW) for the years 2007-2013 has been functioning. In case of delays in the launch of the next stages of the program, as well as in the case of the emergence of organizational and procedural difficulties on submitting applications, farms may not take
advantage of opportunities to finance the investment from UE funds. The Management Board is still monitoring the situation of the PROW program implementation. In case of delays with the Program funds payment, the risk of a lower demand for agricultural machinery and equipment in that period should be taken in consideration, which undoubtedly will influence the financial results of the Issuer.

5.11. Risk of increase of prices of basic raw materials used by the Issuer in production

Steel is the major raw material used by the Company in the production activities. Steel prices are vulnerable to economic trends, increase in the periods of dynamic economic growth and fall in the periods of worsening of the prosperity. At the beginning of 2011 there was an upward trend, while the rest of the year the steel prices declined, and consequently in the whole 2011 year, there was a slight drop of steel prices. Increased volatility of steel prices has a significant impact on the company's financial results.

6. Information about basic products and services with their value and quantity description and participation of particular products and services (if relevant) or groups of them in the total sales of the Company, and changes hereof in the reporting period.

The Issuer is a recognized manufacturer of agricultural machinery and equipment on the domestic market. The range of products is composed of the following groups:

- agricultural tractors,
- manure spreaders,
- fertiliser spreaders,
- slurry tankers,
- mounted field sprayers
- line for straw, hay and green forage harvesting (roll balers, bale wrapping machines, bale loader trailers),
- front loaders TUR with equipment,
- trailers,
- lines (machines and devices) for the production of ecological briquettes,
- grab-type loaders and backhoe loaders,
- container systems (container chassis and containers),
- silage selector,
- bale wrapping machines and round bale rewinders,
- swath collector,
- rotating shakers
- forage containers.
- crop machines,
- pick-ups GRAND TIGER,
- spare parts for the products,
- services in the range of:
  - cold metal forming,
  - cutting,
  - welding.
Bioenergia Invest SA produces briquettes and leased line for briquetting, as part of cooperation agreements with suppliers. The obtained briquette is sold by the company to power plants which use technology for biomass co-frying with coal. The company examines the possibility of extending the activities of the acquisition of energy from OZE (Renewable Energy).

Table 2. Total revenues from sales of the POL-MOT Warfama S.A. in 2011 and 2010 in PLN thousand

<table>
<thead>
<tr>
<th>Product/service/goods</th>
<th>2011* in PLN thousand</th>
<th>2010* in PLN thousand</th>
<th>2011/2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tractors</td>
<td>40 698</td>
<td>17 619</td>
<td>131%</td>
</tr>
<tr>
<td>Line for straw, hay and green forage harvesting (roll balers, bale wrapping machines, bale loader trailers)</td>
<td>23 519</td>
<td>18 121</td>
<td>30%</td>
</tr>
<tr>
<td>Manure spreaders</td>
<td>17 042</td>
<td>14 802</td>
<td>15%</td>
</tr>
<tr>
<td>Machines for fodder mixing and distribution</td>
<td>15 778</td>
<td>13 245</td>
<td>19%</td>
</tr>
<tr>
<td>Trailers</td>
<td>14 108</td>
<td>14 409</td>
<td>-2%</td>
</tr>
<tr>
<td>Equipment for loaders</td>
<td>12 954</td>
<td>11 833</td>
<td>9%</td>
</tr>
<tr>
<td>Front loaders TUR</td>
<td>9 055</td>
<td>7 924</td>
<td>14%</td>
</tr>
<tr>
<td>Elements of agricultural machinery</td>
<td>8 278</td>
<td>1 709</td>
<td>384%</td>
</tr>
<tr>
<td>Services</td>
<td>3 814</td>
<td>928</td>
<td>311%</td>
</tr>
<tr>
<td>Other products with spare parts</td>
<td>14 600</td>
<td>11 308</td>
<td>29%</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>159 845</td>
<td>111 898</td>
<td>-</td>
</tr>
</tbody>
</table>

Bioenergia Invest**:

<table>
<thead>
<tr>
<th>Product/service/goods</th>
<th>2011* in PLN thousand</th>
<th>2010* in PLN thousand</th>
<th>2011/2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biomass</td>
<td>11 219</td>
<td>12 757</td>
<td>-12,00%</td>
</tr>
<tr>
<td>Other products and services</td>
<td>2 964</td>
<td>1030</td>
<td>188,00%</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>14 183</td>
<td>13 787</td>
<td>-</td>
</tr>
</tbody>
</table>

* In the consolidated financial statements there are exemptions on sales revenue of PLN 2 851 thousand due to sale to the subsidiary in 2010, and PLN 1 669 thousand due to sale to the subsidiary in 2011.
** The revenues from sales of Bioenergia Invest S.A. in the period from 22 April to 31 December 2010. The sales revenue in the whole year of 2010 amounted to PLN 18 208 thousand.
The POL-MOT Warfama S.A. offered a wide range of FOTON tractors: 60 HP, 82 HP, 70 HP, 60 HP, due to the politics of products diversification. In connection with huge demand of domestic market on tractors with horsepower from 80 to 100, the Company launched new tractors POL-MOT H. These tractors characterized good technical parameters and new design. Over the last three quarters of 2010, 200 tractors were launched into the market.

The year 2011 was the best for several years in terms of sales of new tractors in Poland, which allowed the company to gain a place in the top ten best selling brands in the domestic market. This was related largely with the signing of contracts for the distribution of The European Agricultural Fund for Rural Development (2007-2013) by the The Agency for Restructuring and Modernisation of Agriculture, and well reception by the market Company’s tractors.

The company POL-MOT Warfama SA launched the large number of tractors brand POL-MOT H and to meet ever growing demand for agricultural tractors Issuer as the sole owner and operator of trademarks and brand URSUS (the most recognizable brand in the Polish segment of tractors and agricultural machinery) will launch a new range of agricultural tractors from 50 HP to 140 HP. Sale of the first models of new Ursus tractors produced in the company's branch in Lublin is planned for the first quarter of 2012.

In 2010, in response to market demand for mass production, company introduced a larger model of manure spreader N-270, with carrying capacity 14 tons. In 2011 based on N-265 spreader, was created single axle version, enabling work on the difficult, marshy area and was marked the N-265/A. The fertiliser spreader N-072 also came on the market. The group of Line for straw, hay and green forage harvesting was also supplemented by the round baler Z-594 (chained-roll), tedder, rake, mower-shredder and a bale wrapping machine.
The offer of double-axle trailers has been enriched by new models with larger cargo space and profiled frame, which enables the transport speed of 40 km/h and increases operating parameters.

In 2011, Company’s range of product was extended by cultivating and sowing aggregates AS 32 and AS 33. Additionally, in order to widen this segment, the Company will launch the universal row seeder, which aim is to meet the strong demand in the market for this type of product.

In 2009 the range of products was widen by the Straw Briquetting Line used for biomass production (LTBS). In 2010 the Line was modernized and now is the most efficient line of this type on the domestic market. In early 2011, the Company started project of an innovative line of management the post-harvest residues of corn, which received funding from the EU and the positive recommendation of the Polish Agency for Enterprise Development.

In the second half of 2010 the Company produced test series of pick-up Grand Tiger. In the second half of 2011, the first units of cars produced in the company's branch in Lublin appeared at the dealerships.

In Poland, POL-MOT Warfama SA works with a network of dozens of dealerships, offering its products throughout the country.

Thanks to many years experience and the skilled staff the Company manufactures products of high quality, on the basis of the current Quality Management System compliant with the international standard ISO 9001:2008. This system is an extension of Warfama’s original ISO certification from March 2000. Maintaining continuity of management according to modern standards is the effect of long-term cooperation POL-MOT Warfama S.A. with the Germanischer Lloyd Certification GmbH from Hamburg.

POL-MOT Warfama SA in 2011 received the following awards:

1. Distinction in the "Machine of the Year 2011" for the manure spreader N-270, organized by the Institute of Technology and Life Sciences, Division in Warsaw, editors of "Agro", Fair Kielce, and KRUS and PIMR (Industrial Institute of Agricultural Engineering) in Poznan.

2. Laureate of "GREENEVO 2011 - Green Technology Accelerator" technology award and an opportunity to promote the straw briquetting line LTBS internationally under the auspices of the Ministry of Environment of the Republic of Poland.

Revenues from the sale of the company Bioenergia Invest SA decreased from PLN 18 208 thousand in 2010 to PLN 14 183 thousand in 2011, a decrease by PLN 4 025 thousand. The drop in sales revenue was due to lower quantity of raw materials for production in the market due to severe weather conditions during harvest time, which contributed to the low efficiency of 1 ha of raw material and its worse quality.
7. Information about markets with division into the domestic and international market and information about suppliers.

An important area of the activity of the POL-MOT Warfama S.A. is export sales. The company exports its products to Sweden, Norway, Holland, Belgium, Czech Republic, Croatia, Lithuania, Slovakia, Moldova, Romania, Latvia and Russia.

The company's products are sold in many foreign markets, mainly Dutch and Scandinavian, while it turns out, that present the important market is also developmental Eastern market. In the first half of 2011 there has been a revival of Dutch and Scandinavian markets, also the export of tractors and front loaders on the Czech market increased. A similar phenomenon applies to the eastern markets, where the increased interest in the Company's products, such as round balers, trailers, manure spreaders and LTBS lines.

Table 3. Main range of products of the POL-MOT Warfama S.A. with division into the domestic and international market in 2009.

<table>
<thead>
<tr>
<th>Products</th>
<th>2011 POLAND in thousand PLN</th>
<th>2011 ABROAD in thousand PLN</th>
<th>Total:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tractors</td>
<td>40 049</td>
<td>648</td>
<td>40 698</td>
</tr>
<tr>
<td>Line for straw, hay and green forage harvesting</td>
<td>22 841</td>
<td>678</td>
<td>23 519</td>
</tr>
<tr>
<td>Manure spreaders</td>
<td>15 720</td>
<td>1322</td>
<td>17 042</td>
</tr>
<tr>
<td>Machines for fodder mixing and distribution</td>
<td>0</td>
<td>15 778</td>
<td>15 778</td>
</tr>
<tr>
<td>Trailers</td>
<td>5 864</td>
<td>8 244</td>
<td>14 108</td>
</tr>
<tr>
<td>Equipment for loaders</td>
<td>12 481</td>
<td>473</td>
<td>12 954</td>
</tr>
<tr>
<td>Front loaders TUR</td>
<td>8 724</td>
<td>331</td>
<td>9 055</td>
</tr>
<tr>
<td>Elements of agricultural machinery</td>
<td>1</td>
<td>8 277</td>
<td>8 278</td>
</tr>
<tr>
<td>Services</td>
<td>3 656</td>
<td>157</td>
<td>3 814</td>
</tr>
<tr>
<td>Other products with spare parts</td>
<td>13 355</td>
<td>1244</td>
<td>14 599</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>122 692</strong></td>
<td><strong>37 153</strong></td>
<td><strong>159 845</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Bioenergia Invest</strong>:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biomass</td>
</tr>
<tr>
<td>Other products and services</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
</tr>
</tbody>
</table>

* In the consolidated financial statements there are exemptions on sales revenue of PLN 1 669 thousand due to sale to the subsidiary.
The Company concluded cooperation agreements with a group of strategic suppliers. Due to the weakening of the Polish currency against the euro and the dollar in early 2009, the Company has implemented the concept of diversification of suppliers, focusing on national entities. This concept, depending on the exchange rate of the Polish currency against the euro and the dollar was maintained until the end of 2011.

The Company POL-MOT Warfama S.A. has single supplier Hattat Tarim MakSan.Tis.AS., which turnover in 2010 exceeded the level of 10% and accounted for 11% of total sales revenue of the Company.

The company Bioenergia Invest SA in 2011 has two strategic suppliers. “Spółdzielnia Kółek Rolniczych” in Łaszczów, where the turnover of biomass provided by the supplier exceeded the level of 14% of the company’s total sales. The second supplier is F.H. Drewit Tomasz Witko, where the turnover of biomass provided by the supplier reached a level of 11% of total sales revenue. Between the company Bioenergia Invest SA and mentioned companies are signed agreements on cooperation in the production and supply of briquettes and the lease.

8. Information about significant contracts concluded by the Company.

Summary of the significant contracts concluded in 2011:

**POL-MOT WARFAMA S.A.:**


- Agreement of 03.03.2011 with the Polish Agency for Enterprise Development, based in Warsaw (the institution implementing the Program) for funding from the European Union under the 1.4-4.1 Operational Programme Innovative Economy 2007-2013, Project "Development and implementation of an innovative line of management the post-harvest residues of corn" (Current report 16/2011).
• Sales contracts from 26.04.2011 with the company Bumar sp. z o.o.: sales contract for tractors brand "URSUS", sales contract for trademarks "URSUS" and the contract for the sale of shares in URSUS sp. z o.o. headquartered in Warsaw (Current report 11/2011, 17/2011 and 18/2011) with closure protocols for each of the agreements signed on June 20, 2011.

• Factoring contract signed on June 30, 2011, with the company ABN AMRO Commercial Finance sp. z o.o. (currently Fortis Commercial Finance sp. z o.o.) to provide factoring services for POL-MOT Warfama S.A. by financing sale of agricultural tractors (Current report 26/2011).

• Contract dated July 12, 2011 for the sale of all shares held in Ursus sp. z o.o., i.e., 48.023 to Insolvency Law Institute Ltd. (Instytut Prawa Upadłościowego i Naprawczego sp. z o. o.) in Lublin for the total price of PLN 1. These shares represented 100% of the share capital of Ursus sp. z o.o. (Current report 27/2011).


• License Agreement dated November 7, 2011 to use URSUS trademarks in determining parts for tractors with the company Zakład Produkcyjno-Handlowy ROL-MAR Andrzej Markowski. Based on this agreement the Issuer has granted ZPH ROL-MAR Andrzej Markowski, up to 31 December 2016, the exclusive license to use URSUS trademarks for the purpose of ZPH ROL-MAR Andrzej Markowski economic activity in the production, sale and distribution of parts for tractors in Poland (Current report 32/2011).

• Cooperation agreement signed on November 24, 2011 with the Bank BRE Bank SA of the multi-currency credit in the current account for the financing current activity to a maximum amount of PLN 14 000 000. Lifetime of the agreement was set for November 23, 2012.


BIOENERGIA INVEST S.A.

• The Framework Agreement for the purchase of agricultural biomass dated 29.04.2011 signed between Bioenergia Invest SA in Dobre Miasto, the company ENERGA Elektrownie Ostrołęka SA in Ostrołęka and the Ekologiczne Materiały Grzewcze sp. z o.o. in Szeptewo. The subject of the contract is the sale by Bioenergia Invest SA in favor of Ekologiczne Materiały Grzewcze sp. z o.o. together with delivery to ENERGA Elektrownie Ostrołęka SA agricultural biomass under the conditions indicated in the Framework Agreement (Current report 10/2012).
On January 2, 2012 the Management Board of POL-MOT Warfama S.A. was informed from its subsidiary, Bioenergia Invest SA that concluded Framework Agreement for the purchase of agricultural biomass with the company ENERGA Elektrownie Ostrołęka SA in Ostrołęka and the Ekologiczne Materiały Grzewcze sp. z o.o. in Szepietowo, not entered into force, because the parties have not concluded Biomass Supply Agreement to 31 December 2011, defeasance come true.

The cause of failure of Biomass Supply Agreement is a limited amount of biomass on the Polish market and caused by that managing resources owned by the Bioenergia Invest SA accordance with the new, amended in this respect, the strategy of the Company. Bioenergia Invest SA will provide biomass to ENERGA Elektrownie Ostrołęka SA in Ostrołęka, but in a different (from recorded in the above Agreement) structure. In addition to its own agricultural biomass production company intends to provide imported biomass to the power plant.

- The biomass supply agreement dated September 7, 2011 signed with the company GDF SUEZ Bioenergia sp. z o.o. in Połaniec (Current report 29/2011). Estimated value of contract at the current market price is around PLN 365 million.
- An agreement of credit line for the implementation of letters of credit in foreign and domestic trade with the Bank Zachodni WBK S.A. dated November 22, 2011. Lifetime of the agreement was set for April 30, 2012. Under that agreement, the Bank granted Bioenergia Invest SA a credit line to the amount of PLN 20.000.000 for the purpose of execution of letters of credit (Current report 33/2011).

Additionally the Company renews every year insurance contracts like:

- property insurance against break-in and robbery, devastation, fire and other fortuitous events,
- insurance of electronic devices against all risks,
- motor vehicle insurance of the Company cars and
- insurance of goods during domestic transport (CARGO).

The insurance contracts guarantee an operating stability, the total amount of the insurance Premium doesn’t exceed 10% of the own capital of the Issuer, ipso facto no classifying these contracts as significant.

9. Information about the Issuer’s organizational or capital connections with other entities and definition of its major domestic and international investment (securities, financial instruments, intangible and legal values and real estates).

The Company has a factory in Dobre Miasto near Olsztyn and three divisions in Biedaszki Małe (near Kętrzyn), Lublin and in Opalenica (near Poznan). Moreover, on the day of
drawing up of this report POL-MOT Warfama S.A. owns 51% shares of Bioenergia Invest S.A. with headquarter in Dobre Miasto.

On June 20, 2011, the company POL-MOT Warfama SA and the company Bumar sp. z o.o. were signed the closure protocols for sales contracts, as a result the Issuer became the owner of 100% of shares in Ursus sp. z o.o., trademarks "Ursus" and “Ursus” tractors.

On July 12, 2011 POL-MOT Warfama S.A. sold all shares, i.e., 48.023 held in Ursus sp. z o.o. (currently LZM2 sp. z o.o) to Insolvency Law Institute Ltd. (Instytut Prawa Upadłościowego i Naprawczego sp. z o. o.) in Lublin for the total price of PLN 1. These shares represented 100% of the share capital of Ursus sp. z o.o. and entitle to 100% of votes at the Shareholders' Meeting.

On 28 June 2011, the company URSUS sp. z o.o. was established by the company POL-MOT Warfama SA. The share capital amounts to PLN 5 000 and is divided into 50 shares with a nominal value of PLN 100 per share. The Company POL-MOT Warfama SA is now the sole owner of the trademark and brand "Ursus".

The POL-MOT Warfama S.A. in Dobre Miasto is a subsidiary company (that operates under the control) of POL-MOT Holding S.A. in Warsaw. POL-MOT Holding S.A. holds 13 732 242 POL-MOT Warfama S.A. shares, which is 61,91% share in total amount of voting stocks on the Annual General Meeting.

10. Transactions with parent entities if their single or total value from the beginning of the reporting period exceeds the equivalent of 500.000 EUR.

In the company POL-MOT Warfama there was no transaction concluded in the reporting period exceeds the equivalent of 500.000 EUR.

11. Information on taken loans and loan agreements, including their due dates, and on warranties and guarantees granted.

POL-MOT Warfama S.A. in 2011 cooperates with the following banks:

- Kredyt Bank S.A. in Warsaw, according to the agreement of credit limit in current account No 721290004335 from March 31, 2006 (annex No 10 from 12.07.2011 to 30.11.2011). Repayment of the loan is secured by a real estate mortgage with insurance policy transfer and “in blanco” bill of exchange. On November 30, 2011 the contract has expired.

- Millennium Bank S.A. in Warsaw, according to the credit agreement in a current account No 1/08/400/05 from September 16, 2008, (changed by annex from 02.12.2011 for a period 02.12.2011-01.12.2012). Repayment of the loan is secured by a real estate mortgage, registered charge on a floating pool with insurance policy transfer and assignment of receivables form cooperation agreement.
• PKO Bank Polski S.A. in Warsaw, the loan agreement in the current account No 270/13/RB/2004 from 16.06.2004, changed by annex No 15 from 25.03.2011 for a period 25.03.2011-25.01.2011. Repayment of the loan is secured by a real estate mortgage with insurance policy transfer, “in blanco” bill of exchange and consent to make deductions of the receivables from the current account in PKO BP S.A. On January 25, 2012 the contract has expired.

• BRE Bank S.A. in Warsaw, according the cooperation agreement dated 24.11.2011 for a period 24.11.2011-23.11.2012. According to cooperation agreement the Bank BRE Bank SA approved the multi-currency credit (PLN and EUR) in the current account to a maximum amount of PLN 14 000 000. Repayment of the loan is secured by a real estate mortgage with insurance policy transfer and “in blanco” bill of exchange.

POL-MOT Warfama SA in 2011, was the guarantor of lease agreements concluded by the company Bioenergia Invest SA These agreements, together with the values of the guarantees are described in section 12

12. Information on taken loans and loan agreements, including their due dates, and on warranties and guarantees granted, with acknowledgement loans, warranties and guarantees given to related entities.

To the end of 2011, POL-MOT Warfama S.A. granted guaranties on Bioenergia Invest sp. z o.o. company’s liabilities on behalf of:

• Kredyt Lease S.A. In Warsaw, operating lease from 10.11.2009 concluded on five-year period time to the amount of PLN 829 thousand.
• Bankowy Leasing Sp. z o.o. in Łódź, operating lease from 12.11.2009 concluded on five-year period time to the amount of PLN 1650 thousand.
• Bankowy Leasing Sp. z o.o. in Łódź, operating lease from 19.02.2010 concluded on five-year period time to the amount of PLN 718 thousand.
• Kredyt Lease S.A. In Warsaw, operating lease from 29.03.2010 concluded on five-year period time to the amount of PLN 706 thousand.
• Bankowy Leasing Sp. z o.o. in Łódź, operating lease from 04.08.2010 concluded on five-year period time to the amount of PLN 699 thousand.
• Bankowy Leasing Sp. z o.o. in Łódź, operating lease from 24.09.2010 concluded on five-year period time to the amount of PLN 676 thousand.
• Europejski Fundusz Leasingowy S.A. in Wrocław, operating lease from 08.10.2010 concluded on five-year period time to the amount of PLN 1 373 thousand.
• Bankowy Leasing Sp. z o.o. in Łódź, operating lease from 14.03.2011 concluded on four-year period time to the amount of PLN 167 thousand.
• Bankowy Leasing Sp. z o.o. in Łódź, operating lease from 13.06.2011 concluded on four-year period time to the amount of PLN 322 thousand.
• Bankowy Leasing Sp. z o.o. in Łódź, operating lease from 07.07.2011 concluded on four-year period time to the amount of PLN 85 thousand.

The guarantees are granted without remuneration to the POL-MOT Warfama S.A.
The sum of guarantees granted by POL-MOT Warfama SA for the obligations of the Bioenergia Invest SA as at 31.12.2011 amounts to PLN 4 189 thousand.

The company POL-MOT Warfama SA granted the company Bioenergia Invest SA a loan of PLN 500 000, under the loan agreement dated 19.08.2011, the amount of unpaid account receivables as at 31.12.2011 was PLN 100 000.

On January 27th, 2012 the Issuer granted the company OBR MOTO Lublin sp. z o.o. promise of loan in the amount of PLN 16 852 230 intended to cover the cost of the project entitled: „The creation of Research and Development Centre of machinery and equipment for the agricultural sector, and vehicles using alternative drive”, implemented as part of Action 4.5.2, „Support of investment in modern services sector“ Innovative Economy Operational Programme, which will be financed from the European Regional Development Fund.

Promise is valid for a period of 12 months from the date of issue. The condition for the conclusion promised loan agreement is to submit by the OBR MOTO Lublin Ltd. in the life of promise confirmed in writing information on the qualification of application for project financing from the European Regional Development Fund - Operations 4.5.2 Operational Programme Innovative Economy (Current report 5/2012). The Issuer has stipulated in the promise that in case of extraordinary change in market condition or situation on financial markets could in the time of this promise withdraw from it. In the event of the issue of securities in the period covered by the financial statements – allocation of receipts from the issue by Issuer.

In 2011, the company Bioenergia Invest SA did not give guarantees or loans.

13. Allocation of receipts from the issue by Issuer.

Since the obtaining fund from issue, according to presented in issuing prospect aims, to the date of publication of this report, incomes have been assigned for financing the purchase of production machinery, technology investments, information technology and repayment debts.

14. Explanation of differences between the achieved financial results and previously published forecasts.

The Capital Group did not publish any forecasts for the year 2011.

15. Assessment and identification of possible threats and actions taken by the Company or to be taken in order to prevent possible threats, including reasons concerning the management of POL-MOT Warfama Capital Group’s financial resources.

On a 31.12.2011 the Capital Group’s equity amounted PLN 67 773 thousand and comprised 39% of total liabilities.
Liabilities and reserves to equity ratio increased to 1,6 in 2011 from 1,1 in 2010.

The debt ratio reached a level of 61% in 2011 while in 2010 was 52%.

At the end of 2011 the liquidity current ratio amounted to 1,1, while the liquidity quick ratio was 0,5. At the end of 2010 indicators were respectively 1,2 and 0,5.

Slight decrease in the liquidity current ratio in 2011 was due to, among others increasing the value of liabilities from deliveries and services and the value of short-term loans and bank loans. Increased demand for farm machinery and equipment in the first half of each year, forcing purchases of materials and supplies in preparation for increased production in the first months of year, which in turn caused an increase in the value of liabilities. Regularity settlement of liabilities of the Company is dependent on the level of repayments of trade debtors. In 2011 there was an increase in receivables in the company POL-MOT Warfama S.A. caused a significant increase in sales during this period.

The Issuer has provided the liquidity in the financing of current operations through the use of overdrafts. The amount of credit exposure was adjusted to increase of the current capital requirements resulting from the increase in sales and stocks and thereby financing of growth in manufacturing activity.

The Board of Directors of Company on a day of publication of the report didn’t predict any threats for meeting the Company’s obligations.

16. Assessment of contemplated projects performance, including capital investments against possessed funds, taking into account possible changes in the financing structure of this activity.

Investment projects implemented in 2011 were financed by long-term loans and the Company’s own funds. The Company is going to take advantage of the possibility of UE grant programs for financing investments in big corporations. Bioenergia Invest S.A. also is going to take advantage of the possibility of UE grant programs for financing investments in companies.

17. Assessment of extraordinary factors and events influencing the financial results achieved in the first half of 2011, including the extent to which these factors and extraordinary events influenced the achieved results.

The positive factors which may influence on the development of POL-MOT Warfama S.A. activity are:

- implement new products on the market,
- improving existing range of products,
- Ursus brand purchase
• building distribution chains and gaining new customers and contracts,
• maintenance good relationship with regular customers, suppliers and dealers,
• participation in fairs and promotional events which improves company’s image and
  increases the volume of sales.

The negative factors:

• delays in call operations and execution of contracts under the PROW 2007-2013,
• increased competition in the markets of the Issuer,
• higher prices of goods and raw materials.

The positive factors which may influence on the development of Bioenergia Invest S.A.
activity are:

• increased demand for biomass in the market,
• signing long-term contract for the supply of biomass to power plants Połaniec,
• extension of an offer for sell biomass to the power station,

The negative factors:

• briquette production hold up during most cold weather in 2011 due to an increased
  risk of hydraulic failure
• low straw harvest in 2011,
• reprocessing the straw of inferior quality,
• costs of tests related to the implementation of a new pelleting technology.

18. Characteristics of external and internal factors vital for the Capital Group’s
development and description of prospective development of business activity,
taking into account elements of the developed marketing strategy.

Over the next financial year the Management Board will continue the Company’s
development strategy. The basis assumption of realized strategy is strengthening its
position on the market, which should be reflected in higher share in domestic market. The
strategy assumes development by the implementation of new products and using
distributions channels and positioning these products on the domestic market and abroad.

The company POL-MOT Warfama SA, which launched the large number of tractors brand
POL-MOT H, to meet ever growing demand for agricultural tractors, as the sole owner and
operator of trademarks and brand URSUS (the most recognizable brand in the Polish
segment of tractors and agricultural machinery) intends to launch a new range of
agricultural tractors from 50 HP to 140 HP.

One of the strategy elements is increasing direct import share in purchasing new machines
and facilities, which aren’t producing in Company, but widening the product range. An
example of these objectives is cooperation with Turkish company Hattat Tarim Mak. San.
vı Tic. A.Ş., under which the company selling tractors POL-MOT and Ursus H Series. The
new tractors series characterized good technical parameters and new original design.
In 2009 the Company also granted approval certificate for pick-up Grand Tiger. On 9 December 2010 the company has signed an agreement with the Chinese company HEBEI Zhongxing Automobile Co. LTD, under which the Issuer produces cars at the branch in Lublin, using supplies of components from other suppliers. In the year 2010 was made test series, while in the second quarter of 2011 started the production and sale on the Polish market.

Bioenergia Invest SA during the next financial year will be implementing the development strategy prepared by the Management Board. The basic assumptions adopted and consistently implemented strategy will be strengthen the position in the market of biomass by: development of plants network in country and abroad, the launch of corn biomass production in southern Europe, management of residues from the processing grain industry products, supplementing the import of biomass from Mediterranean areas, and the launch of successive deliveries to power plants in Poland.

Bioenergia Invest SA proceeding to technological development of production lines and creating a safer alternative to the briquette is working closely with POL-MOT Warfama SA to improve production of briquettes and pellets technology on an industrial scale. Currently, pellets are produced on 2 production lines. Possession of pelleting technology makes it possible to easily change the production, depending on market needs.

The Company's strategy involves the development by signing new agreements on cooperation in the production and supply of briquettes and starts to supply biomass to another power plant in Poland. The company is also examining the possibility of extending the activities of the acquisition of energy from OZE (Renewable Energy).

19. Organizational changes in the Capital Group, including their causes; changes in the basic principles of managing.

In 2009 the Company made changes in the cooperation with recipients. The organisational structure of POL-MOT Warfama S.A. was changed for better information flow and faster decision process and there was carried the training system for employees which prepares them to implement new management methods in the Company. Moreover the purchase of basic raw materials was centralized and there was implemented the diversification of raw materials’ suppliers.

In 2010, the Company made changes in the Articles of association (resolution of the District Court in Olsztyn, dated 20 April 2010 on an entry in the Register of Entrepreneurs of the amendments to the Articles of association).
20. Changes in management and supervisory board, principles regulating the appointment and dismissal of managerial staff and the rights of managerial staff, in particular, the right to decide on the issue or purchase of shares.

**POL-MOT Warfama S.A.:**

The Management Board as of 31.12.2010:

1. Adam Dobieliński - The President of The Management Board
2. Karol Zarajczyk - The Vice-President of The Management Board
3. Jan Wielgus - The Member of The Management Board
4. Tomasz Horbal - The Member of The Management Board

The Management Board as of 31.12.2011:

1. Adam Dobieliński - The President of The Management Board
2. Karol Zarajczyk
3. Jan Wielgus - The Vice-President of The Management Board
4. Wojciech Zachorowski - The Member of The Management Board

Changes in the Management Board of POL-MOT Warfama S.A.:

1) On 1 July 2011, Mr. Wojciech Zachorowski was appointed as a Member of the Management Board.
2) On 30 June 2011, Mr. Tomasz Horbal resigned from the Member of the Management Board office.

The Management Board of POL-MOT Warfama S.A. hasn’t any special rights, besides those ones from commercial corporations’ code.

The Supervisory Board as of 31.12.2010:

1. Andrzej Zarajczyk - The Chairman of The Supervisory Board
2. Ryszard Mrozek - The Deputy Chairman of The Supervisory Board
3. Zbigniew Janas - The Member of The Supervisory Board
4. Henryk Goryszewski - The Member of The Supervisory Board
5. Paweł Gilewski - The Member of The Supervisory Board
6. Michał Szwonder - The Member of The Supervisory Board

The Supervisory Board as of 31.12.2011:

1. Andrzej Zarajczyk - The Chairman of The Supervisory Board
2. Henryk Goryszewski - The Deputy Chairman of The Supervisory Board
3. Zbigniew Janas - The Member of The Supervisory Board
4. Zbigniew Nita - The Member of The Supervisory Board
5. Paweł Gilewski - The Member of The Supervisory Board
6. Michał Szwonder - The Member of The Supervisory Board
Changes in the Management Board of POL-MOT Warfama S.A.:

1) On 1 August 2011, Mr. Zbigniew Nita was appointed as a Member of the Supervisory Board.
2) On 31 July 2011, Mr. Ryszard Mrozek resigned from the Deputy Chairmen of the Supervisory Board office.

The Audit Committee as of 31.12.2010:

1. Paweł Gilewski - The Chairman of The Audit Committee
2. Ryszard Mrozek - The Member of The Audit Committee
3. Michał Szwonder - The Member of The Audit Committee

The Audit Committee as of 31.12.2011:

1. Paweł Gilewski - The Chairman of The Audit Committee
2. Zbigniew Nita - The Member of The Audit Committee
3. Michał Szwonder - The Member of The Audit Committee

Changes in the Audit Committee of POL-MOT Warfama S.A.:

1) On 1 August 2011, Mr. Zbigniew Nita was appointed as a Member of the Audit Committee.
2) On 31 July 2011, Mr. Ryszard Mrozek resigned from the Member of the Audit Committee office.

Changes in Bioenergia Invest SA:

The Management Board as of 31.12.2011:

1. Tadeusz Kasjanowicz - President of the Management Board
2. Dariusz Cygan - Vice-President of the Management Board
3. Mirosław Motyliński - Member of the Management Board

In 2011, the Management Board has not changed.

The Supervisory Board as of 31.12.2011:

1. Paweł Gilewski - The Chairman of The Supervisory Board
2. Katarzyna Świderska - The Deputy Chairman of The Supervisory Board
3. Marcin Matuszewicz - The Member of The Supervisory Board
4. Karol Zarajczyk - The Member of The Supervisory Board
5. Mateusz Zarajczyk - The Member of The Supervisory Board

In 2011, the Supervisory Board has not changed.
21. Agreements concluded between Issuer and Management Board, predicted refund in the case of resignation or dismissed from position without any reason or in the case of takeover or merger.

Members of The Management Board of POL-MOT Warfama S.A. are employed on a labour contract. In case of breaking the agreement by employer, employees are entitled to severance pay or indemnification according to labour law.

22. Remuneration, rewards and benefits paid, due or potentially due, to the managerial and supervisory staff.

<table>
<thead>
<tr>
<th>Management Board:</th>
<th>Position:</th>
<th>Gross remuneration in 2011 [PLN]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adam Dobieński</td>
<td>The President of The Management Board</td>
<td>275 920</td>
</tr>
<tr>
<td>Karol Zarajczyk</td>
<td>The Vice-President of The Management Board</td>
<td>253 304</td>
</tr>
<tr>
<td>Tomasz Horbal*</td>
<td>The Member of The Management Board</td>
<td>130 267</td>
</tr>
<tr>
<td>Jan Wielgus</td>
<td>The Member of The Management Board</td>
<td>166 003</td>
</tr>
<tr>
<td>Wojciech Zachorowski*</td>
<td>The Member of The Management Board</td>
<td>78 040</td>
</tr>
<tr>
<td></td>
<td>Bioenergia Invest S.A.</td>
<td></td>
</tr>
<tr>
<td>Tadeusz Kasjanowicz</td>
<td>The President of The Management Board</td>
<td>105 425</td>
</tr>
<tr>
<td>Dariusz Cycan</td>
<td>The Vice-President of The Management Board</td>
<td>20 000</td>
</tr>
<tr>
<td>Mirosław Motylński*</td>
<td>The Member of The Management Board</td>
<td>67 000</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td><strong>1 095 959</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supervisory Board:</th>
<th>Position:</th>
<th>Gross remuneration in 2011 [PLN]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrzej Zarajczyk</td>
<td>The Chairman of The Supervisory Board</td>
<td>30 000</td>
</tr>
<tr>
<td>Henryk Goryszewski</td>
<td>The Deputy Chairman of The Supervisory Board</td>
<td>24 000</td>
</tr>
<tr>
<td>Ryszard Mrozek*</td>
<td>The Deputy Chairman of The Supervisory Board</td>
<td>26 384</td>
</tr>
<tr>
<td>Zbigniew Janas</td>
<td>The Member of The Supervisory Board</td>
<td>24 000</td>
</tr>
<tr>
<td>Zbigniew Nita*</td>
<td>The Member of The Supervisory Board</td>
<td>10 000</td>
</tr>
<tr>
<td>Paweł Gilewski</td>
<td>The Member of The Supervisory Board</td>
<td>36 384</td>
</tr>
<tr>
<td>Michał Szwonder</td>
<td>The Member of The Supervisory Board</td>
<td>36 384</td>
</tr>
<tr>
<td></td>
<td>Bioenergia Invest S.A.</td>
<td></td>
</tr>
<tr>
<td>Paweł Gilewski</td>
<td>The Chairman of The Supervisory Board</td>
<td>0</td>
</tr>
<tr>
<td>Katarzyna Świderska</td>
<td>The Deputy Chairman of The Supervisory Board</td>
<td>0</td>
</tr>
<tr>
<td>Marcin Matuszewicz</td>
<td>The Member of The Supervisory Board</td>
<td>0</td>
</tr>
<tr>
<td>Karol Zarajczyk</td>
<td>The Member of The Supervisory Board</td>
<td>0</td>
</tr>
<tr>
<td>Mateusz Zarajczyk</td>
<td>The Member of The Supervisory Board</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td><strong>187 152</strong></td>
</tr>
</tbody>
</table>
Comment: Mr. Tomasz Horbal acted as the Member of the Management Board to 30.06.2011, Mr. Wojciech Zachorowski has acted as the Member of the Management Board from 01.07.2011, Mr. Ryszard Mrozek acted as the Deputy Chairman of the Supervisory Board to 31.07.2011, Mr. Zbigniew Nita has acted as Member of the Management Board from 01.08.2011.

The total amount and net value of shares possessing by the Management and Supervisory Board.

<table>
<thead>
<tr>
<th>Management Board:</th>
<th>Position:</th>
<th>Total volume of shares</th>
<th>% of shares in total amount of voting rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ewa Pradoń*</td>
<td>Proxy</td>
<td>1 797</td>
<td>0,00008</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supervisory Board:</th>
<th>Position:</th>
<th>Total volume of shares</th>
<th>% of shares in total amount of voting rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrzej Zarajczyk **</td>
<td>The Chairman of The Supervisory Board</td>
<td>13 732 242**</td>
<td>61,91**</td>
</tr>
</tbody>
</table>

* Ewa Pradoń - Owns shares indirectly by closely related person;  
** Andrzej Zarajczyk Dominant entity over INVEST-MOT Sp. z o.o. in connection with this, also a directly dominant entity over POL-MOT Holding S.A. in Warsaw. Pol-Mot Holding S.A. owns 13 732 242 shares which amounts 61,91% of total votes.

23. Company shareholders holding directly or indirectly at least 5% of votes at the General Meeting of Shareholders.

According to Company’s best knowledge, on a day of passing the annual report for 2011, shareholders with more than 5% of total votes on the General Shareholders’ Meeting are:

<table>
<thead>
<tr>
<th>Shareholders Structure</th>
<th>Number of Shares</th>
<th>% of share capital</th>
<th>Number of Shares</th>
<th>% of share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>POL – MOT HOLDING S.A.* in Warsaw and subsidiaries</td>
<td>13 732 242</td>
<td>61,91%</td>
<td>13 732 242</td>
<td>61,91%</td>
</tr>
<tr>
<td>Others</td>
<td>8 447 758</td>
<td>38,09%</td>
<td>8 447 758</td>
<td>38,09%</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>22 180 000</strong></td>
<td><strong>100,00%</strong></td>
<td><strong>22 180 000</strong></td>
<td><strong>100,00%</strong></td>
</tr>
</tbody>
</table>

* Invest-Mot sp. z o.o. dominant entity over Pol-Mot Holding S.A., Source: The Issuer’s Management Board

24. Information on any agreements, known to Issuer (concluded also after balance sheet date), that in the future may lead to changes in the proportion of shares held by former shareholders and bondholders.

On a day of passing the annual report the Management Board of POL-MOT Warfama S.A. hasn’t concluded any agreements, which may lead to changes in the proportion of shares held by former shareholders and bondholders in the future.
25. Pointing shareholders, which have special control rights against POL-MOT Warfama S.A.

In share equity there aren’t any shares, which give special control rights against Issuer.


In the company POL-MOT Warfama the Labour shares programme doesn’t not exist.

27. Any restrictions concerning conveying proprietary right and execute voting rights of Issuer.

According to the arrangements of the Prospectus, the dominant shareholder (POL-MOT HOLDING S.A.) committed that within 12 months from the date of the first quotation (25.01.2008), wouldn’t sell any shares without approval Millennium DM. Simultaneously Shareholder committed wouldn’t concluded any agreement, which causes conveying proprietary rights within 12 months from the date of first quotation. Obligation didn’t refer to:
- Sale of shares in response to call for enlist for selling shares, with the exemption of call announced on the basis of Article 72 of the Act on Public Offering.

According to Company’s best knowledge, there weren’t determined any others restriction in the field of conveying proprietary right and execute voting rights.

28. Information of agreement with entity authorised to audit of financial statement.

In accordance with regulation of the Article 66, Section 4, the Accounting Act from September 29th, 1994 and § 26 Point 19 of the Article of Association, the Supervisory Board chose the auditor.

On 2 June 2011 the Supervisory Board of POL-MOT Warfama SA decided to choose the auditor - the company BDO Ltd., based in Warsaw, ul. Postępu 12, entitled to audit financial statements under reference number 3355.

Under that agreement the company BDO Ltd. is an entity authorized to review the Company's unitary financial statements for the first half of 2011 and consolidated financial statements of POL-MOT Warfama Capital Group for the first half of 2011 in accordance with IFRS and to audit the Company's unitary financial statements for the year 2011 and the consolidated financial statements of the Group of POL-MOT Warfama for the year 2011.

The salary of abovementioned agreement amounts to 83.000 PLN net.

POL-MOT Warfama SA previously has cooperated with BDO Ltd. in Warsaw, while examining the Company's financial statements for the year 2009.
The review of the Company's unitary financial statement and consolidated financial statement of POL-MOT Warfama Capital Group for the first half of 2010 and audit of the Company's unitary financial statement and the consolidated financial statement of the Group of POL-MOT Warfama for the year 2010 was carried out by Wessly sp. z o.o. in Warsaw, ul Irysowa 24A, registered under number 1117 on the list of entities authorized to audit financial statements. The total cost of reports amounted to PLN 80.000 net.

29. Statement of responsible persons for information in annual report from Company’s activity.

The Management Board declares that, to the best of its knowledge, the annual financial statement, and comparative data, have been compiled in accordance with the binding accounting principles and truly, accurately and clearly reflect the actual and financial condition, as well as the financial result of the Company. The Report on the Activities of the Company contains a true description of development and achievements, as well as the condition of the Company, including basic risks and threats.

The Management Board declares that the entity authorised to audit financial statement, auditing the annual financial statement for the year 2011, was selected pursuant to the binding regulations. The auditors auditing the financial statement satisfied all conditions required to issue an objective and independent opinion, in accordance with relevant provisions of Polish law.

Dobre Miasto, March 16, 2012

Adam Dobieśniński
Karol Zarajczyk
Jan Wielgus
Wojciech Zachorowski
The President of the Management Board
The Vice-President of the Management Board
The Member of the Management Board
The Member of the Management Board