ANNUAL REPORT ON THE CAPITAL GROUP
POL-MOT WARFAMA OPERATION FOR THE YEAR 2008
(for the period from 1 January 2008 to 31 December 2008)

Dobre Miasto, 14th March, 2009
INDEX

LETTER OF THE PRESIDENT OF THE BOARD TO THE SHAREHOLDERS ….. 3
1. Principles of preparation of the annual report on the Management Board operation .................................................. 4
2. General information about the Company and description of the Capital Group .................................. 4
3. Basic economic and financial values and growth perspectives .................................................................................. 5
4. Employment .................................................................................................................................................. 6
5. Significant factors of risk and dangers .................................................................................................................. 6
6. Information about basic products, goods and services .......................................................................................... 9
7. Information about markets ....................................................................................................................................... 11
8. Information about significant contracts concluded by the Company .................................................................. 12
9. Information about organizational connections .................................................................................................. 14
10. Transactions with dependent entities ............................................................................................................... 14
11. Information about incurred credits .................................................................................................................. 14
12. Information about given loans .................................................................................................................................. 15
13. Description of the use by the Issuer of inflows from the issue ............................................................................. 15
14. Prognosis of the results for the year 2008 ......................................................................................................... 15
15. Financial resources management ...................................................................................................................... 16
16. Evaluation of possibilities of investment plans implementation .......................................................................... 16
17. Evaluation of factors and unusual events ........................................................................................................ 16
18. Perspectives for business development .......................................................................................................... 17
19. Changes of the basic principles of management of the Company ...................................................................... 18
20. Changes in the management and supervising staff .......................................................................................... 18
21. Contracts between the Group and the management staff ................................................................................ 19
22. Value of salaries, awards or benefits ................................................................................................................. 20
23. Number and nominal value of shares held by the management and supervising staff .................................. 20
24. Shareholders having directly or indirectly minimum 5% of votes at the General Meeting ................. 21
25. Information about the contracts known for the Issuer that can in the future change proportions of shares held by the today’s shareholders .......................................................................................................................... 21
26. Holders of any securities giving special control authorization towards the Issuer ........................................... 21
27. Information about the control system of employees shares programs .................................................................. 21
28. Transfer limits of property rights of the Issuer securities .................................................................................. 22
29. Information about the contract with the subject authorized to audit financial reports ................................... 22
30. Statements of persons responsible for information enclosed in the present report on the Issuer operation .......................................................................................................................... 22

REPORT OF THE USE OF PRINCIPLES OF THE CORPORATE GOVERNANCE FOR THE YEAR 2008
1. Principles of the Corporate Governance assumed by the Group .............................................................. 25
2. Deviation from the principles of the Corporate Governance ........................................................................ 25
3. Description of the control and risk management systems applied in the Company .................................. 25
4. Shareholders having directly or indirectly significant blocks of shares ...................................................... 26
5. Principles of appointment and dismissal of management staff and their rights ......................................... 27
6. Principles of changes in the statutes of the Issuer’s Company ....................................................................... 28
7. Description of the General Meeting activities and its basic rights .................................................................. 28
8. Staff composition and its changes that occurred in the last financial year ..................................................... 29

Annual Report on the Capital Group for the Year 2008
To the shareholders of POL-MOT Warfama S.A.

Dear Sirs and Madams,

On behalf of the Board of Management of POL-MOT Warfama S.A. I have a pleasure to present you the financial report of the Capital Group for the year 2008.

The year 2008 will pass to the history of the world economy as a very difficult year. Without any doubts the last year was one of the most difficult in the history of our company and the whole branch, Today I can say that we have come out on top from the crisis. Despite the difficult market situation caused by the delay of the implementation of the EU Program of Rural Areas Development for 2007-2013 the Company managed to increase the sales of the agricultural machinery. Unfortunately, in the face of the crisis, we had to reduce margins.

The revenues from sales of the Group POL-MOT Warfama S.A. in the year 2008 amounted to 121 117 thousand PLN against 112 489 thousand PLN a year before, what means an increase by 7.7 %. The net loss of 4 357 thousand PLN against the profit in the year 2007 of 5 355 thousand PLN resulted from the problems I have mentioned. At the same time it should be emphasized that the Group is still widening its offer of products. The Company modernized its products: trailers, manure spreaders, roll balers and loaders. At the beginning of the year 2009 the Company POL-MOT Warfama obtained the approval certificate for the vehicle type 21A (pick-up with double cab) named ZXAUTO with the trademark Grand Tiger, which enables the sales of the car on the Polish and international market. This year during the XV ARGOTECH International Agricultural Technology Fair in Kielce the Company displayed a new functional model of tractor 904-S with 90 HP. According to the opinion of dealers and farmers visiting the exhibition, the Company dynamically modernized its products.

POL-MOT Warfama S.A. is one of the leading Polish manufacturers of agricultural machinery and equipment with an established position on the market. It presents a solid basis for further expansion, better financial results and strengthening of the position of the Company.

The new strategy of the Group, which is being successfully implemented, assumes improvement of the production quality, significant widening of the products selection and solicitation among the subjects in the branch. We focus on new technologies and ecology.

We thank our Investors for the trust they put in the Capital Group POL-MOT Warfama S.A. in this difficult time of crisis. We would like also to thank all employees of our Company and people who contributed to development of the Group last year.

We will do our best to convince the shareholders that the investment they made by purchasing our shares was a right decision.

Best regards,

President of the Board POL-MOT Warfama S.A.
Stanisław Kulas

The annual consolidated financial statement of the Capital Group Pol-Mot Warfama in 2008 has been drawn up on the basis of:
- International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS)
- Over the presented reporting period no change was made to the policy of the Company concerning principles of assets and liabilities valuation, as well as the financial results measurement assumed for the previous accounting year.
- The present 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 Spółka Akcyjna
Seat: DOBRE MIASTO
Adress: 11-040 Dobre Miasto, ul. Fabryczna 21
NIP 739-23-88-088
REGON 510481080
Joint stock: 22.180.000 zł
Telephone number: (48 89) 615 34 00
Fax number: (48 89) 615 34 26
E-mail: sekretariat@warfama.pl
Website: www.warfama.pl

POL-MOT WARFAMA S.A. – dominant entity – was established in result of transformation of the legal form of the public limited company POL-MOT WARFAMA pursuant to the resolution dated 24 June 1997 transforming it into a joint-stock company. The company was established for indefinited period.

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: automotive industry

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.

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 two divisions in Biedaszki Małe near Kętrzyn and in Lublin. The Company holds 100% of shares in the dependent entity POL-MOT Opalenica sp. z o.o. that produces agricultural machinery and its components.
On the day of drawing up of this report, the Company was represented by:

1. Stanisław Kulas - President of the Board
2. Adam Dobieński - Deputy President of the Board
3. Jan Andrzej Wielgus - Member of the Board
4. Karol Zarajczyk - Authorised clerk
5. Ewa Pradoń - Authorised clerk

The beginning of the Issuer’s activity dates back to the year 1946 when the National Company – Factory of Agricultural Machinery „AGROMET-WARFAMA” Dobre Miasto was established. Today there are very few still existing manufacturers of agricultural machinery and equipment in Poland that can boast of a longer tradition and richer experience. The first products of the factory were threshing-machines „Jutrzenka”. In the following year the Company widened the products range. After 25 years of the activity the Company was developed. In 1978 a mass production of trailers started. The crucial year in the Company’s history was the year 1997, when the Company was privatized and the Company POL-MOT Holding purchased a majority shareholding (85,7% of the share capital). Since that moment a dynamic development of the Company has taken place. Production of complete lines for straw, hay and green forage harvesting (roll balers, bale wrapping machines, bale loader trailers) and storage started. In 2003 the offer was widened by a series of backhoe loaders Mikrus.

At the end of 2006 the Company Pol-Mot Warfama S.A. concluded an agreement of cooperation with the Chinese company Shandong Foton Heavy Industries Co., Ltd related to the distribution of its products on the Polish market and in the bordering countries.

The year 2006 brought two significant events, one of which was the merger of Pol-Mot Warfama S.A. in Dobre Miasto with the company Pol-Mot TUR S.A. in Biedaszk Małe – manufacturer of front loaders TUR known in the whole country. Now the two companies operate under the name of Pol-Mot Warfama S.A., offering the customers a wider products selection.

The second important event was a successful introduction on the Polish market of the first batch of tractors sold with the trademark FOTON POL-MOT.

In December 2006 r. Pol-Mot Warfama S.A. purchased from the Company POL-MOT Holding S.A. 100% of shares of the Company FMR Pol-Mot Opalenica Sp. z o.o. with the seat in Opalenica.


The main objective of the Group Pol-Mot Warfama S.A. is implementation of the strategy aimed at reaching the position of key manufacturer and distributor of agricultural machinery in Poland with use of a large network of dealers and creation of a modern organization with a prospective business model.

In 2008 the sales revenues of the Capital Group Pol-Mot Warfama S.A. were 21 117 thousand PLN. These revenues were higher than the revenues in 2007 by 8 628 thousand PLN, i.e. by 7,7%. This result should be emphasized because of the difficulties caused by delays in funds payment of the program PROW 2007-2013 and the worsening economic situation in Poland and in the world.
In the whole year the gross margin was 18 793 thousand PLN and in comparison to the margin in 2007 was lower by 18%. The decrease of the sales margin in 2008 was caused by higher own sales costs.

The net loss was 4 357 thousand PLN in comparison to the loss in 2007 of 5 355 thousand PLN. The structure of assets of the Company in 2008 was as follows: fixed assets 41% (in 2007 – 44%), current assets 59% (in 2007 – 56%).

A stock increase was an important change in the balance structure in comparison to the status on 31.12.2007. It resulted from the expected growth of demand on the Company products related to the renewed payments of the EU funds of the program PROW 2007-2013 at the beginning of 2009. Tangible assets in comparison to the status of the end of 2007 increased by 8,6%. The main source of financing assets in 2008 were short-term liabilities (participation in the structure is 40%, while in 2007 it was 50,2%), among which bank loans that in comparison to the year 2007 increased by 1,9%. Long-term liabilities compared to the year 2007 decreased by 3,9%.

4. Employment of the Group POL-MOT Warfama S.A.

The level of employment of the Capital Group Pol-Mot Warfama S.A. is reported in the tables 1 and 2.

**Table 1. The average employment in POL-MOT Warfama SA resulting from the contracts of employment**

<table>
<thead>
<tr>
<th>Status on</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2007</td>
<td>495</td>
</tr>
<tr>
<td>31 December 2008</td>
<td>503</td>
</tr>
</tbody>
</table>

**Table 2. The average employment in FMR Pol – Mot Opalenica Sp. z o.o. – dependent entity of the Issuer resulting from the contracts of employment**

<table>
<thead>
<tr>
<th>Status on</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2007</td>
<td>143</td>
</tr>
<tr>
<td>31 December 2008</td>
<td>150</td>
</tr>
</tbody>
</table>

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 use of aggressive sales strategies by the Issuer’s competitors. In such a 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 dependance 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 loss of such 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 Group 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 Group.

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 Capital Group, 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 decrease of the growth rate of GDP and the investment demand in the year 2008 unfavourably influenced the activity of the Group. Any further worsening of the economic prosperity also in the field of agriculture can contribute to a decrease in the financial result of the Group.
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 Group, with a view to reducing the impact of such a risk on his results, by implementation of his strategic objectives, focuses his activities on improvement of the products and getting new orders from international contractors. The Issuer takes actions in the field of widening his 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 or US dollar. Besides about 39% of the products of the Group are destined for export, that is the reason why the financial results of the Group depend to some extent on the exchange rate fluctuations. In order to protect the financial results from the risk of exchange rate fluctuations, the Issuer applies in the dependent entity Pol-Mot Opalenica sp. z o.o. a system of securities like term contracts “forward” for foreign currency that protect some export contracts of the company. In the dominating company Pol-Mot Warfama S.A. there is a natural hedging in Euro.

5.10. Risk of lack of utilisation 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 November 2007 the Agency for Agriculture Development and Modernization (ArIMR) started to receive applications for co-financing investments in farms. In case of delays in the program launching, and also in case of organisational and procedural difficulties with submitting applications at the beginning of the functioning of the program, it is possible that farmers will not use opportunities of investment financing with EU funds, what happened in 2008. The Management Board is still monitoring the situation of the PROW program implementation and despite delays in funds payment in 2008, at the beginning of 2009 there is an increase of interest in the Company products due to the EU funds renewal. 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 Capital Group in the production activities. Steel prices are vulnerable to economic trends, they increase in the periods of dynamic economic growth and fall in the periods of worsening of the prosperity. The first half-year and the first half of the III quarter were the time of steel prices increase, while during the end of the second half-year of 2008 the level of steel prices was gradually declining. High prices of steel in these periods had a negative impact of the financial result of the Capital Group.

6. Information about Basic products, foods and services with their value and quantity description and participation of particular products, foods 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:

- Line for straw, hay and green forage harvesting (roll balers, bale wrapping machines, bale loader trailers),
- manure spreaders,
- trailers,
- front loaders TUR with equipment,
- agricultural tractors,
- grab-type loaders and backhoe loaders,
- container systems (container chassis and containers),
- lines (machines and devices) for the production of ecological briquettes,
- crop machines,
- spare parts for the products,
- and services in the range of:
  - cold metal forming,
  - cutting,
  - welding.

FMR Pol-Mot Opalenica Sp. z o.o. completes the offer with the following products:

* silage slector,
* bale wrapping machines and round bale rewinders,
* swath collector,
* rotating shakers
* forage containers.
Table 3. Total revenues from sales of the Capital Group in 2008 and 2007 in PLN thousand

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Line for straw, hay and green forage harvesting (roll balers, bale wrapping machines, bale loader trailers)</td>
<td>19 092</td>
<td>14 923</td>
<td>28%</td>
</tr>
<tr>
<td>Trailers</td>
<td>17 337</td>
<td>13 688</td>
<td>27%</td>
</tr>
<tr>
<td>Manure spreaders</td>
<td>11 861</td>
<td>12 082</td>
<td>-2%</td>
</tr>
<tr>
<td>Equipment for loaders</td>
<td>11 041</td>
<td>12 382</td>
<td>-11%</td>
</tr>
<tr>
<td>Other products with spare parts</td>
<td>10 246</td>
<td>10 930</td>
<td>-6%</td>
</tr>
<tr>
<td>Tractors</td>
<td>8 680</td>
<td>926</td>
<td>-15%</td>
</tr>
<tr>
<td>Front loaders TUR</td>
<td>8 646</td>
<td>10 179</td>
<td>-11%</td>
</tr>
<tr>
<td>Services</td>
<td>1 026</td>
<td>9 733</td>
<td>9%</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>121 270</strong></td>
<td><strong>112 248</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

* The above revenues of the Capital Group for 2008 do not include the amount 153 thousand PLN related to the sales between the subjects of the Group.

Pol-Mot Warfama S.A., continuing the products policy of the last years aimed at fulfilling growing needs of the market and its diversification, offers a wide range of tractors FOTON with power range 90, 82, 70 and 60 HP. The Company is working towards introduction on the market of tractors with power ranging from 50 to 125 HP.
In 2008 the Group Pol-Mot Warfama S.A. increased the sales of trailers and Line for straw, hay and green forage harvesting, especially roll balers. Also in this period, like a year before, the roll balers Warfama were very popular among customers because of its good performance and non complicated operating.

As for tractors, the Company got a sales increase in the first half of 2008, what confirms a positive receipt of the product by customers. The Management Board estimates that an appropriate promotion and introduction of a wider tractors selection on the market will allow the Company to continue this trend in following years.

In Poland Pol-Mot Warfama S.A. cooperates with a network of several dealers who offer its product throughout the country. Thanks to many years experience and the skilled staff the Company manufactures products of high quality. Implementation in the factory of the quality management system, complying with ISO 9001 standards finished in March 2000 with receiving a quality certificate from Germanischer Lloyd from Hamburg. In 2003, with new regulations in effect, the Company obtained the ISO 9001:2000 certificate.

During the fair Agrotech 13-16 March 2008 the Company was awarded with a Cup of the Minister of Agriculture for its contribution to mechanization development of the Polish agriculture.

The manure spreader type N-263 obtained a prize „Agricultural machine of the year 2008” awarded by the Institute for Building Mechanization and Electrification of Agriculture. The same product has been also awarded with a title „Product for medal” by the Industrial Institute of Agricultural Engineering

7. Information about markets, with regard to division into the domestic and international market and information about suppliers.

An important area of the activity of the Group Pol-Mot Warfama S.A. is export sales. The company exports its products to Sweden, Norway, Denmark, Holland, Belgium, Czech Republic, Nigeria, Croatia, Lithuania, Latvia, Ukraine and Russia. The products are sold on many international markets, mainly Scandinavian, also the developing Eastern market appears to be an important market. In the first half of 2008 the Company Pol-Mot Warfama S.A. achieved a significant increase of export to Lithuania, Latvia, Ukraine and Russia. But in the second half of 2008 trends of declining export sales are seen, especially on the Eastern markets, because of the worsening economic situation of the countries in this region.

The main export products are trailers, especially one-side turned ones (purchased generally by dealers from Sweden and Norway) and three-sides turned (with removable sides), type T-041/S i T-041/K.

The export sales of the dependent Company Pol-Mot Opalenica Sp. z o.o. in 2008 was 31,2 billion PLN. The main contractor of this company is still the company Trioliet Mullos B.V. from Holland that cooperates with Pol-Mot Opalenica Sp. z o.o. on the basis of the agreement of cooperation dated 10 October 2005.

The basic condition of reaching high sales volume was implementation of the products modernization program by improving existing constructions, introduction of new products with better working performance, quality and easier operation.
The several years presence of the Company on the Scandinavian markets through international partners with a recognized market position made it possible to create, on the basis of imported product, brands associated by final users with high quality, duration and reliability.

Table 4. Main range of products for sale of the Capital Group with division into the domestic and international market in 2008

<table>
<thead>
<tr>
<th>Products</th>
<th>Year 2008 POLAND in thousand PLN</th>
<th>Year 2008 ABROAD in thousand PLN</th>
<th>TOTAL:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Line for straw, hay and green forage harvesting (roll balers, bale wrapping machines, bale loader trailers)</td>
<td>18 047</td>
<td>1 046</td>
<td>19 092</td>
</tr>
<tr>
<td>Trailers</td>
<td>7 685</td>
<td>9 652</td>
<td>17 337</td>
</tr>
<tr>
<td>Manure spreaders</td>
<td>10 528</td>
<td>1 333</td>
<td>11 861</td>
</tr>
<tr>
<td>Equipment for loaders</td>
<td>10 225</td>
<td>816</td>
<td>11 041</td>
</tr>
<tr>
<td>Other products with spare parts</td>
<td>9 064</td>
<td>1 182</td>
<td>10 246</td>
</tr>
<tr>
<td>Tractors</td>
<td>8 428</td>
<td>9652</td>
<td>8 680</td>
</tr>
<tr>
<td>Front loaders TUR</td>
<td>7 499</td>
<td>1 147</td>
<td>8 646</td>
</tr>
<tr>
<td>Services</td>
<td>1 026</td>
<td></td>
<td>1 026</td>
</tr>
<tr>
<td><strong>PRODUCTS OF THE DEPENDENT ENTITY - POL-MOT OPALENICA SP. Z.O.O.:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machines for fodder mixing and distribution</td>
<td></td>
<td>19 794</td>
<td>19 794</td>
</tr>
<tr>
<td>Elements of agricultural machines</td>
<td></td>
<td>11 402</td>
<td>11 402</td>
</tr>
<tr>
<td>Other products</td>
<td>1 567</td>
<td>578</td>
<td>2 145</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>72 069</strong></td>
<td><strong>47 201</strong></td>
<td><strong>121 270</strong></td>
</tr>
</tbody>
</table>

With a group of strategic suppliers the Company concluded agreements of cooperation. The company Pol-Mot Warfama S.A. systematically points towards opening consignment storehouses in the factory in Dobre Miasto. For few years the participation of import in purchases has been increased because of the strengthening of the Polish currency. However with regard to the weakening of PLN towards Euro and dollar in IV quarter of 2008 and at the beginning of 2009, the Group is implementing a conception of suppliers diversification, focusing on domestic subjects. This idea, depending on the Polish currency value to Euro and dollar, will be continued also in 2009.

The Company POL-MOT Warfama S.A. has two suppliers who in 2008 exceeded the level of 10% of revenues from sales. They are:
- Stalbud Mikłuszka Maria with the seat in Brodnica, reaching the level of 16% of total revenues from sales
- Shandong Foton Heavy Industries in China with the level of 10% of total revenues from sales

8. Information about significant contracts concluded by the Company.

Summary of the significant contracts concluded in 2008:
**POL-MOT WARFAMA S.A.**

- Contract dated 28.01.2008 with OY Norcar – BSB with the seat in Nykarleby (Finland) of cooperation in the field of sales of mini-loaders OY Norcar by POL-MOT Warfama SA,
Annex no. 8 dated 26.02.2008 to the contract of multifunctional credit line with BGŻ, change of the limit amount of letters of credit and bank guarantees,

Annex no. 9 dated 01.04.2008 to the contract of multifunctional credit line with BGŻ, increase of transactions,

Annex no.10 dated 02.07.2008 to the contract of multifunctional credit line with BGŻ, definition of NDF EUR/USD transactions settlement dates.


Insurance contract of receivables of Pol-Mot Warfama S.A. from sales of foods and services with the Insurance Company Euler Hermes S.A. concluded for the period 01.01.2009 to 31.12.2009.

POL-MOT OPALENICA Sp. z o.o.

- contract dated 22.01.2008 for term foreign exchange operations with PKO BP S.A. with the seat in Warsaw
- contract dated 22.01.2008 for term foreign exchange operations with Millennium Bank S.A. with the seat in Warsaw
- contract dated 13.06.2008 for term foreign exchange operations with the Bank PKO BP S.A. with the seat in Warsaw
- contract dated 13.06.2008 for term foreign exchange operations with Millennium Bank S.A. with the seat in Warsaw
- contract dated 14.08.2008 for term foreign exchange operations with the Bank PKO BP S.A. with the seat in Warsaw
- contract dated 22.10.2008 for term foreign exchange operations with Millennium Bank S.A. with the seat in Warsaw
- contract dated 12.11.2008 for term foreign exchange operations with Millennium Bank S.A. with the seat in Warsaw
- contract dated 12.11.2008 for term foreign exchange operations with PKO BP Bank S.A. with the seat in Warsaw
- contract dated 03.12.2008 for term foreign exchange operations with Millennium Bank S.A. with the seat in Warsaw

Additionally the companies of the Capital Group renew every year their 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 Group, ipso facto non 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).

Pol-Mot Warfama S.A. hold 100% of shares in the Company FMR Pol-Mot Opalenica Spółka z o.o. with the seat in Opalenica, thus creating the Capital Group Pol-Mot Warfama. The purchase of the abovementioned shares took place on 11 December 2006.

In 2008 the Company Pol-Mot Warfama S.A. concluded currency option contracts which cost amounted to 812 thousand PLN. On the day 31 December 2008 and on the day of publication of this statement the Company does not have any open positions on these contracts. The dependent company Pol-Mot Opalenica sp. z o.o. concluded currency option contracts (forward type) with the aim of insuring singular exportation contracts of the Company.

The development strategy of the Capital Group elaborated by the Management Board of the dominant entity assumes a production growth and widening of the products range by modernization of the machines park and the production capacity increase. The development of the Group is due to the strategy implementation. The Group expects a widening of the offer and gaining new markets.

In the year 2008 the Group focused on the extension of the production infrastructure by purchase of modern machinery and equipment which allowed a power increase and reduction of production costs. The purchase by leasing of drilling machine, plasma cutter, and CNC router in one, specialized tools, CNC turning-lathe and semi-automatic devices helped to improve the quality of the products. Scientific and development research in the field of ecological briquettes production for the power industry has been carried out in cooperation with the company INVEST-MOT.

At the same time the Management Board implemented a wide range of construction works in the factories of the dominant entity concerning the modernization of the existing production halls and auxiliary rooms.

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.

The Issuer on 2 January 2008 concluded a commission contract with the company INVEST-MOT Sp. z o.o. The subject of this contract is testing the lines installed in the divisions of INVEST-MOT. The Company INVEST-MOT will carry out quality tests and deliver the results to the Issuer. The total value of the contract including the annexes is 1,788,000 PLN net.

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

POL-MOT Warfama S.A. in 2008 concluded following credit agreements:

- On September 16th, 2008, POL-MOT Warfama S.A. concluded a loan agreement for the limit of debt of up to PLN 8,000,000 with Bank Millennium in Warsaw. The credit
amount is intended for financing the borrower’s continuing operations. The loan was granted for the period ending on September 16th, 2009.

In 2008 Pol-Mot Warfama S.A. proceeds co – operations with banks:
- Kredyt Bank S.A. in Warsaw in according to agreements:
  - credit limit in current account No 721290004335 from March 31th, 2006 (annex No1 from 13.07.2006, annex No2 from 06.04.2007, No3 03.09.2007, No4 11.09.2007, No5 05.11.2007, No6 12.11.2007)
  - the limit of debt in the form of letter of credit without financing concluded on November 12th, 2007;

In 2008 Pol-Mot Opalenica Sp. z o.o. proceeds co – operations with banks:
- Bank Millennium S.A. in Warsaw, annex to credit agreement No 80560807 concluded in March 12th, 2007 and prolong to March 11th, 2008;

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.

There weren’t any loans or warranties and guarantees granted in Capital Group in 2008.

13. In the event of the issue of securities in the period covered by the financial statements – allocation of receipts from the issue by Issuer.

According to presented in issuing prospect aims, incomes were 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.

Pol-Mot Warfama S.A. did not publish any forecasts for the year 2008.
15. Assessment and identification of possible threats and actions taken by the Group or to be taken in order to prevent possible threats, including reasons concerning the management of Pol-Mot Warfama Group’s financial resources.

On a 31.12.2008 the Group’s equity increased by 57.2% in comparison with the previous year ending on a 31.12.2007 and amounted 57 573 kPLN. Liabilities and reserves to equity ratio decreased from 1.59 to 0.96 in comparison with 2007. In 2008 EBIT reached the level of -1 962 kPLN, in 2007 amounted 8 409 kPLN. The net loss in 2008 amounted 4 357 kPLN which reflected in the negative return on assets ratio and return on equity ratio. The total debt ratio in 2008 decreased from 61% to 49% in comparison to the previous year.

Liquidity ratios increased in 2008 – current ratio: increased from 1.11 to 1.48 and quick ratio: from 0.37 to 0.52. Liquidity ratios are at safe levels, which confirm the Group’s positive financial standing. Pol-Mot Warfama S.A. in 2008 bought in leasing the moulding – drill - borer machine. The Group ensured financing of current activity by debt in current accounts. The volume of commitment debt was suitable to growth of requested current assets as a result of higher sales and stocks.

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

Pursuant to the development financing strategy, investment projects will be implemented, based on obtained long-term loans and the Group’s own funds.

If the possessing funds wouldn’t be enough for financing additional investment, The Board of Management didn’t exclude debts, loans or other forms of financing available on the market.

The Company is going to take advantage of the possibility of UE grant programs for financing investments in big corporations.

17. Assessment of extraordinary factors and events influencing the financial results achieved in 2008, including the extent to which these factors and extraordinary events influenced the achieved results.

The most significant internal factors influencing the development of Pol-Mot Warfama S.A. are: Positive factors:

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

Negative impact:
- the decrease of the exchange rate of the Polish zloty to the main settlement currencies in
  the Group in 4Q of 2008,
- higher prices of goods and imported raw materials,
- growth of salaries, especially blue collar workers,
- costs of currency option transaction made by the former President of the Management
  Board,
- allowance on currency forward transactions on secured transactions in Pol-Mot Opalenica
  sp. z o.o.,
- allowance on account receivable,
- growth of transport costs.

18. Characteristics of external and internal factors vital for the Company’s development
and description of prospective development of business activity, taking into account
elements of the developed marketing strategy. Expected development of Pol-Mot Warfama
S.A. and characteristics of the development policy of the Capital Group.

The Board of Management would continue development strategy of the Capital Group.
The basis assumption of realized medium-term strategy is strengthen its position on the market,
which should be reflected in higher share in domestic market.

Long-term strategy assumes development by the implementation of new products and using
distributions channels and positioning these products on the domestic market and abroad.
One of the strategy element is increasing direct import share in purchasing new machines and
facilities, which aren’t producing in Company, but widening the product range.

Pol-Mot Warfama S.A. would like to implement next activities:
- consolidation with FMR Pol-Mot Opalenica sp. z o.o, which makes lower activity costs and
  improves production profitability,
- modernization of production infrastructure in fabrics, where there are implemented modern
  technology enabled automatization production process,
- increasing production capacity, efficiency and quality of producing elements; to increasing
  productivity and production economic, the Group are going to modernization production and
  stocks infrastructure,
- widening range of products by canvassing,
- as a Marketing strategy – products distribution by the best and most effective dealer.

- as a Pol-Mot Opalenica sp. z o.o activity:
- maintain co-operation conditions with significant recipient, Trioliet from Holland,
- Increasing the volume of sales by the growth of efficiency and realization planned
  investments.
19. Organizational changes in the Pol-Mot Warfama S.A. Group, including their causes; changes in the basic principles of managing.

No organizational changes or changes in the basic principles of managing Pol-Mot Warfama S.A. occurred in 2007.

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.

Changes in Pol-Mot Warfama S.A.:

The Management Board of Company in 31.12.2007:

1. Grzegorz Bartosik - The President of The Management Board
2. Krzysztof Mularuk - The Vice-President of The Management Board
3. Andrzej Urbanowicz - Member of the Management Board
4. Stanisław Kulas - Member of the Management Board

Changes in the Management Board:

1) On May 20th, 2008 Grzegorz Bartosik resigned from The President/Member of The Management Board,
2) On June 30th, 2008 Krzysztof Mularuk was dismissed from the Vice –President/Member of Management Board of the Company,
3) On June 30th, 2008 Andrzej Urbanowicz was dismissed from the Member of The Management Board of the Company,
4) On May 20th, 2008 Stanisław Kulas was appointed to the Management Board as a President of the Board,
5) On June 30th, 2008 Adam Dobieliński was appointed as Vice-President of The Management Board,
6) On June 30th, 2008 Jan Wielgus was appointed as a Member of The Management Board.

The Management Board of Company in 31.12.2008:

1. Stanisław Kulas - The President of The Management Board
2. Adam Dobieliński - The Vice-President of The Management Board
3. Jan Wielgus - Member of the Management Board
4. Karol Zarajczyk - Authorised clerk
5. Ewa Pradoń - Authorised clerk

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

Supervisory Board in 31.12.2008:

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  

In 2008 there was no changes in the composition of the Supervisory Board.

Changes in Pol-Mot Opalenica Sp. z o.o.:

1. Aniela Bartkowiak - The President of The Management Board  
2. Kazimierz Sak - The Member of The Management Board  
3. Krzysztof Kańduła - The Member of The Management Board  

The Supervisory Board in 31.12.2007:
1. Andrzej Zarajczyk - The Chairman of The Supervisory Board  
2. Ryszard Mrozek - The Deputy Chairman of The Supervisory Board  
3. Marek Wolniewicz - The Member of The Supervisory Board  
4. Grzegorz Bartosik - The Member of The Supervisory Board  

The Supervisory Board in 31.12.2008:
1. Andrzej Zarajczyk - The Chairman of The Supervisory Board  
2. Ryszard Mrozek - The Deputy Chairman of The Supervisory Board  
3. Marek Wolniewicz - The Member of The Supervisory Board  
4. Stanisław Kulas - The Member of The Supervisory Board  

Changes in the composition of the Supervisory Board:

1) On June 4th 2008 Grzegorz Bartosik was dismissed from the Member of Supervisory Board and Stanisław Kulas was appointed to the Supervisory Board as a Member.

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 are employed on a labour contract. In case of breaking the agreement by employer, employees are entitled to severance pay or indemnification according to labor law.
22. The value of salaries, awards and benefits, including incentive and bonuses programmes.

<table>
<thead>
<tr>
<th>Management Board:</th>
<th>Position:</th>
<th>Gross management fee in 2008 [zł]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stanisław Kulas</td>
<td>The President of The Management Board</td>
<td>312 003,72 zł</td>
</tr>
<tr>
<td>Adam Dobieński</td>
<td>The Vice-President of The Management Board</td>
<td>70 935,43 zł</td>
</tr>
<tr>
<td>Jan Andrzej Wielgus</td>
<td>Member of the Management Board</td>
<td>115 233,33 zł</td>
</tr>
<tr>
<td>Karol Zarajczyk</td>
<td>Authorised clerk</td>
<td>75 085,00 zł</td>
</tr>
<tr>
<td>Ewa Pradoń</td>
<td>Authorised clerk</td>
<td>120 960,00 zł</td>
</tr>
</tbody>
</table>

Pol-Mot Opalenica Sp. z o.o. in Opalenica

<table>
<thead>
<tr>
<th>Management Board:</th>
<th>Position:</th>
<th>Gross management fee in 2008 [zł]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aniela Bartkowiak</td>
<td>The President of The Management Board of Pol-Mot Opalenica</td>
<td>125 560,22 zł</td>
</tr>
<tr>
<td>Kazimierz Sak</td>
<td>Member of the Management Board of Pol-Mot Opalenica</td>
<td>124 374,68 zł</td>
</tr>
<tr>
<td>Krzysztof Kańduła</td>
<td>Member of the Management Board of Pol-Mot Opalenica</td>
<td>100 915,10 zł</td>
</tr>
</tbody>
</table>

TOTAL: 1 045 067,48 zł

<table>
<thead>
<tr>
<th>Supervisory Board:</th>
<th>Position:</th>
<th>Gross salary in 2008 [zł]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrzej Zarajczyk</td>
<td>The Chairman of The Supervisory Board</td>
<td>30 000,00 zł</td>
</tr>
<tr>
<td>Ryszard Mrozek</td>
<td>The Deputy Chairman of The Supervisory Board</td>
<td>24 000,00 zł</td>
</tr>
<tr>
<td>Henryk Goryszewski</td>
<td>The Member of The Supervisory Board</td>
<td>24 000,00 zł</td>
</tr>
<tr>
<td>Zbigniew Janas</td>
<td>The Member of The Supervisory Board</td>
<td>24 000,00 zł</td>
</tr>
<tr>
<td>Paweł Gilewski</td>
<td>The Member of The Supervisory Board</td>
<td>24 000,00 zł</td>
</tr>
<tr>
<td>Michał Szwonder</td>
<td>The Member of The Supervisory Board</td>
<td>24 000,00 zł</td>
</tr>
</tbody>
</table>

TOTAL: 204 000,00 zł

23. Total amount and net value of shares possessing by 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>Authorised clerk</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.
24. 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 2008, 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 votes</th>
<th>% of total vote number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union Investment TFI S.A. in Warsaw</td>
<td>1 250 000</td>
<td>5.64</td>
<td>1 250 000</td>
<td>5.64</td>
</tr>
<tr>
<td>Allianz Polska TFI S.A. in Warsaw</td>
<td>1 594 706</td>
<td>7.19</td>
<td>1 594 706</td>
<td>7.19</td>
</tr>
<tr>
<td>POL-MOT HOLDING S.A. Warsaw and its dependent companies</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>5 603 052</td>
<td>25.26</td>
<td>5 603 052</td>
<td>25.26</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.,

25. 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 for 2008 the Management Board of POL-MOT Warfama S.A. has no knowledge of any agreements concluded in 2008, and leading to changes in the proportion of shares held by former shareholders and bondholders in the future.

On May 6th, 2008 The Ordinary Shareholders Meeting passed a resolution 28/2008 concerning the establishment of the Incentive Programme for the Company’s employee. The matter consists in issuing subscription warrants, which entitled to assumption share M series after fulfillment some criterion. Detailed conditions of realization Incentive Programme, setting the participations, maximum limit of subscription warrants and criterion were established in Incentive Programme Statute from December 4th, 2008.

26. Pointing shareholders, which have special control rights against to Issuer.

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

27. Information about Control System of Labour Operation Programmes.

Information about Incentive Programme are placed in point 25 of annual report.
28. 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 “Ustawy o ofercie”.

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

29. 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, Supervisory Board chose the auditor. The Supervisory Board by the regulation No 264/2008 form October 10th, 2008 chose Grant Thornton Frąckowiak Sp. z o.o. (limited liability company) with its headquarter in Poznań pl Wiosny Ludów 2, entitled to audit financial statements under reference number 238. On 25 November 2008 was concluded the agreement, which also include financial statement for 2008. The amount of salary was 98 800 PLN net.

Annual report for 2007 and financial statement for first half 2008 was prepare by BDO Numerica Sp. z o.o. (limited liability company). Total amount of reports was 154,4 kPLN. Additionally BDO Numerica Sp. z o.o. Company provided other services, which total cost was 35,9 kPLN in 2008.

30. Statement of responsible persons for information in annual report from Issuer’s activity.

The Management Board of POL-MOT Warfama S.A. declares that, to the best of its knowledge, the consolidated financial statement for the year 2008, 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 POL-MOT Warfama S.A. Capital Group.

The Management Report on the Activities of POL-MOT Warfama S.A. contains a true description of development and achievements, as well as the condition of the Capital Group, including basic risks and threats.

The Management Board of POL-MOT Warfama S.A. declares that the entity authorised to audit financial statement, auditing the consolidated financial statement for the year 2008, was selected pursuant to the binding regulations. The auditors auditing the consolidated financial statement satisfied all conditions required to issue an objective and independent opinion, in accordance with relevant provisions of Polish law.
DOBRE MIASTO, 14th of March, 2009 r.

................................. ................................. .................................
Stanislaw Kulas            Adam Dobielinski            Jan Andrzej Wielgus
The President of           The Vice-President         The Member of the
The Management            of The Management         Management Board
Board                      Board

Annual Report on the Capital Group for the Year 2008
REPORT CONCERNING COMPLYING WITH CORPORATE GOVERNANCE REGULATION FOR FINANCIAL YEAR ENDED 31TH DECEMBER OF 2008.

Dobre Miasto, 14th March, 2009
1. Corporate Governance

The Capital Group of Pol-Mot Warfama S.A. approved application of all of the corporate governance principles described in the document „Best practices in public companies”, which full version is available on the Website: http://www.corp-gov.gpw.pl/.

2. Exceptions from Corporate Governance principles.

Point I.1 constitutes that Company should adopt transparent and effective information policy (...), enabled transmission of General Meeting using Internet and publish it on the internet site.

Pol-Mot Warfama S.A. didn’t transmit deliberation of General Meeting in 2008 using Internet, and didn’t publish it on the Internet site of Issuer. The Management Board considers registration General Meeting and publishing it on the Internet site in the future.

Point II.6 constitutes that on the Internet site of Company there are placed annual reports from Supervisory Board’s activity with the committees.

On a day of publication of this report there weren’t set any committees in Supervisory Board.

Point III.7 constitutes that in the framework of the Supervisory Board should function at least the auditory committee. At least one independent of Company and related entity member should be a part of this committee, with competence in the field of accountancy and finance.

On a day of publishing this report there isn’t fulfill the above requirement, but there is consider to fulfill requirements for auditors committee after consultation with Supervisory Board. In the case of admitted committee there will be information announced in current report.

Point III.8 constitutes that in the field of committee’s activity in the Supervisory Board should be applied annex No1 to Recommendation of European Commission from February 15th, 2005 concerning the role of non-executive director (...). In the framework of Supervisory Board there aren’t any commission.

The Supervisory Board pass a regulation about operating mode – the content of this document is available on the Internet site of Issuer. If the Supervisory Board will appoint appropriate commissions, the company makes efforts to function correctly.

3. Description of main features of the internal control system and risk management in the Company in reference to draw up the financial statement.

The Management Board of Pol-Mot Warfama S.A. is responsible for the internal control system in the Capital Group, its efficiency in drawing up the financial statements and interim reports prepared and published according to Regulation from October 19th, 2005 – current and interim information referred by issuers.
The idea of efficiency of the internal control system in the field of the financial reporting is to ensure the adequacy and correctness of financial information contained in current financial statement and interim reports. Efficiency of the internal control system and risk management in the process of financial reporting was built on:

- **Established scope of financial reporting;**

  Within a year Company has drawn up a financial statement, using managerial accounting in the basis of accountancy regulation (International Accounting Standards IAS). The Management Board analyses current financial result comparing them with the accepted budget.

- **Defined duties division and work organization in the process of financial reporting;**

    The qualified team from Economic and Financial Department is responsible for preparing current and interim reports for Pol-Mot Warfama S.A. Financial Reports are compiled on a basis of financial data from books.

- **The rules of authorisation of financial statement before publication;**

  According to regulations, the Company gives current report to audit to independent chartered accountant.

4. **Shareholders holding directly or indirectly significant parcel of shares (...).**

According to Company’s best knowledge, on a day of 31th December 2008, shareholders with more than 5% of total votes on the General Shareholders’ Meeting are:

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<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.*
5. Description of principles regulating the appointment and dismissal of managerial staff and their rights and the scope of powers (...).

The governing bodies of Pol-Mot Warfama S.A. are: The Management Board, The Supervisory Board and General Meeting.

The Management Board shall be composed of one to five members. Members of the Management Board, including the President of the Management Board and Vice President/Presidents of the Management Board, shall be appointed and recalled by the Supervisory Board. Member of the Management Board can also be recalled or suspended by the General Meeting. Members of the Management Board shall be appointed for a common term of office. The Management Board’s term of office shall be three years.

Appointment authorized clerk requires acceptance all Members of The Management Board, to dismiss – every member of The Management Board.

Pursuant to the Articles of Association, if the Management Board consists of many persons, the Company is represented by two Members of the Management Board or one Member of the Management Board and one proxy jointly.

The Company can be represented also by the proxies. On June 9th, 2008 the Management Board gave joint commercial representation to Ewa Pradoń and Karol Zarajczyk to manages the Company’s affairs and represents the Pol-Mot Warfama S.A. in Dobre Miasto in all judicial and extrajudicial matters. Every proxy shall be entitled to make, jointly or with the Member of the Management Board, declarations of will and sign on behalf of the Company.

The Management Board

The Management Board shall exercise any rights related to managing the Company, specified by provisions of law excluding the ones reserved by law or by the Articles of Association for the other governing bodies of the Company.

The Management Board shall, first and foremost:

a) act on the Company’s behalf and represent it to the authorities, courts, offices, institutions and third parties;
b) develop and implement strategic aims of the Company;
c) keep the Company’s accounts in compliance with the law in force;
d) fulfill duties provided for in the National Court Register Act;
e) act in compliance with the provisions regarding the Company being listed on the stock market;
f) implement the resolutions of the Supervisory Board and the General Meeting; keep the Company’s stock ledger;
g) enter into contracts and incur obligations in compliance with the law in force;
h) develop annual plans of the Company’s activities;
i) prepare statements, reports and materials relating to the Company’s activities required by law and publish those materials in a manner provided for by law.
j) carry out tasks specified in annual activities plans of the Company;
k) prepare documents regulating the internal organization of the Company;
1) participate in the Supervisory Board meetings and the General Meetings, as well as submit motions to the above mentioned bodies;
m) prepare materials regarding the Company’s activities as necessary for the Supervisory Board, the General Meeting or upon a request from any supervisory body.

The Supervisory Board

The Supervisory Board shall be composed of five to seven members. The General Meeting of the Shareholders shall determine the number of members of the Supervisory Board for a given term of office or an extension of a given term of office. The Supervisory Board’s term of office shall be common and shall last three years. Members of the Supervisory Board shall be appointed and dismissed by the General Meeting. The Supervisory Board shall appoint a Chairperson of the Supervisory Board and a deputy Chairperson of the Supervisory Board from its own composition.

The Supervisory Board shall fulfill its duties collectively, however it may delegate its members to singlehandedly handle specific supervisory activities. The Supervisory Board shall supervise the Company’s activities in all business domains.

The Supervisory Board shall operate pursuant to the Regulations of the Supervisory Board. Supervisory Board resolutions shall be adopted by simple majority of votes of the members present at the Supervisory Board meeting. If the number of votes is equal, the Chairperson of the Supervisory Board shall have the deciding vote. Supervisory Board resolutions may be adopted if all members of the Supervisory Board have been duly notified of the meeting and at least half of the members are present at the meeting.

6. Description of changes in the Article of Association.

The changes in the Article of Association need passing the resolution in the General Meeting by majority of ¾ of votes of the members and in the presence of at least 50% of the share capital represented at the Meeting.

7. Description of the General Meeting.

Ordinary annual General Meeting shall be convened by the Management Board on a date provided for by the statute. Extraordinary General Meeting shall be convened by the Management Board of its own initiative, upon a request from a shareholder/shareholders representing jointly at least 1/10 (one tenth) of the share capital or upon the Supervisory Board’s request. General Meetings shall be held in Dobre Miasto, Olsztyn or Warszawa.

The Supervisory Board shall have a right to convene a General Meeting if the Management Board fails to do so within the time period provided for in the Company’s Articles of Association or the code of commercial companies. All matters to be examined by the General Meeting shall be motioned by the Management Board and shall require the Supervisory Board’s opinion. Shareholders shall participate in the General Meeting in person or by proxies. The proxy shall be granted in writing, otherwise null and void, and attached to the book of minutes.

The General Meeting shall be valid and can adopt resolutions in the presence of at least 50% of the share capital represented at the Meeting, provided that the notification of the date and place
of the Meeting has been properly placed, subject to the provisions of the code of commercial companies.

The General Meeting resolutions shall be adopted by a simple majority of votes (i.e. the resolution shall be adopted when the number of votes cast “in favor” is bigger than the number of votes cast “against”, and the abstaining votes are not taken into account), unless the provisions of law call for more rigorous requirements as to a Supervisory Board quorum.

The voting shall be public, subject to the provisions of the code of commercial companies.

The General Meeting shall be opened by the Chairperson of the Supervisory Board or, in case of their absence, by the deputy Chairperson. If neither of them is able to open the General Meeting, it shall be opened by one of the other members of the Supervisory Board. If none of the said persons are present, the General Meeting shall be opened by the President of the Management Board or a person appointed by the Management Board.

Company’s documents such as By-laws of The Supervisory Board, General Meeting and Management Board and the Article of Association are available on the Issuer’s Website www.warfama.pl at a bookmark Investor Relations > Company > Corporate governance.

8. Composition and changes of Company managerial and supervisory bodies and their function.

The Management Board of Company as at December 31th, 2007:

1. Grzegorz Bartosik - The President of The Management Board
2. Krzysztof Mularuk - The Vice-President of The Management Board
3. Andrzej Urbanowicz - Member of the Management Board
4. Stanisław Kulas - Member of the Management Board

Changes in the Management Board:

1) On May 20th, 2008 Grzegorz Bartosik resigned from The President of The Management Board.
2) On June 30th, 2008 Krzysztof Mularuk was dismissed from the Vice – President of Management Board of the Company
3) On June 30th, 2008 Andrzej Urbanowicz was dismissed from the Member of The Management Board of the Company
4) On May 20th 2008 Stanislaw Kulas was appointed to the Management Board as a President of the Board
5) On June 30th 2008 Adam Dobieński was appointed as Vice-President of The Management Board
6) On June 30th 2008 Jan Wielgus was appointed as a Member of The Management Board.

The Management Board of Company in 31.12.2008:

1. Stanisław Kulas - The President of The Management Board
2. Adam Dobieński - The Vice-President of The Management Board
3. Jan Wielgus - Member of the Management Board
4. Karol Zarajczyk - Authorised clerk
5. Ewa Pradoń - Authorised clerk
The Management Board of Pol-Mot Warfama S.A. hasn’t any special rights, besides those ones from commercial corporations code.

The Supervisory Board in 31.12.2008:

7. Andrzej Zarajczyk - The Chairman of The Supervisory Board
8. Ryszard Mrozek - The Deputy Chairman of The Supervisory Board
9. Zbigniew Janas - The Member of The Supervisory Board
10. Henryk Goryszewski - The Member of The Supervisory Board
11. Paweł Gilewski - The Member of The Supervisory Board
12. Michal Szwonder - The Member of The Supervisory Board

In 2008 there was no changes in the composition of the Supervisory Board.

Changes in Pol-Mot Opalenica Sp. z o.o.:

1. Aniela Bartkowiak - The President of The Management Board
2. Kazimierz Sak - The Member of The Management Board
3. Krzysztof Kańduła - The Member of The Management Board

The Supervisory Board in 31.12.2007:
1. Andrzej Zarajczyk - The Chairman of The Supervisory Board
2. Ryszard Mrozek - The Deputy Chairman of The Supervisory Board
3. Marek Wolniewicz - The Member of The Supervisory Board
4. Grzegorz Bartosik - The Member of The Supervisory Board

The Supervisory Board in 31.12.2008:
1. Andrzej Zarajczyk - The Chairman of The Supervisory Board
2. Ryszard Mrozek - The Deputy Chairman of The Supervisory Board
3. Marek Wolniewicz - The Member of The Supervisory Board
4. Stanisław Kulas - The Member of The Supervisory Board

Changes in the composition of the Supervisory Board:

6. On June 4th 2008 Grzegorz Bartosik was dismissed from the Member of Supervisory Board and Stanisław Kulas was appointed to the Supervisory Board as a Member.