POL-MOT WARFAMA S.A.
MANAGEMENT BOARD’S REPORT
FOR THE PERIOD FROM JANUARY 1ST 2009 TO DECEMBER 31ST 2009

Dobre Miasto, 22th March, 2010
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Letter of President of the Management Board.

Dear Sir or Madam,

I am pleased to present the financial statement of POL-MOT Warfama S.A. for the financial year ended 31 December 2009.

POL-MOT Warfama S.A. considerably decreased loss from PLN 4 357 thousand in 2008 to PLN 775 thousand in 2009. The unfavourable impact on the financial result in 2009 had the result of the related company Bioenergia Invest sp. z o.o. This company is the POL-MOT Warfama’s investment in modern sources of gaining biomass for the purpose of electric energy production. The last year was the first year of running this business. According to POL-MOT Warfama’s Management Board this company will generate positive financial result next months. The 2009 year was also the time of increased costs carried on restructuring process connected with acquisition POL-MOT Opalenica sp. z o.o. with POL-MOT Warfama S.A.

The sales revenue in 2009 decreased by 11.5% to PLN 107 146 thousand from PLN 121 117 thousand in the corresponding period of 2008. The main reason of revenue drop fall was deterioration of export sales, due to difficult agricultural market condition in foreign countries. Simultaneously the Company increased domestic sale of agricultural machinery and equipment by widening the range of assortment and products’ modernization. The Company launched new manure spreader N-265 of 10t capacity, bale wrapping machine Z-555/1, Z-543 roll baler and made dump-body trailers modernization.

The Company’s development strategy assumes achieving the position of a key producer and distributor of agricultural equipment in Poland, through an extended dealership network. Launching new tractors POL-MOT H and wide advertising campaign will strengthen POL-MOT Warfama’s position on domestic market.

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 Company’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 financial statement of the POL-MOT Warfama S.A. for 2009 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).
- 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 financial statement has been drawn up in the Polish currency – polski złoty (thousand; PLN),

2. General information about the Company.

Company: POL – MOT WARFAMA Spółka Akcyjna

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

Website: www.warfama.pl, www.supertraktor.pl

POL-MOT Warfama S.A. 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 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.

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 Dobieliński - President of the Management Board
2. Karol Zarajczyk - Vice-President of the Management Board
3. Stanisław Kulas - Vice-President of the Management Board
4. Jan Andrzej Wielgus - Member of the Management Board
5. Tomasz Horbal - 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 an 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.
April 17, 2009 – after the decision of District Court in Olsztyn V Economic Division at No V Gup 7/06 the bankruptcy proceedings were closed and on 10 July 2009 there was implemented the decision to remove the Felgex sp. z o.o. company from the Register of Companies.

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 (KRS 37387). Due to the fact that the POL-MOT Warfama earlier had taken over 100% FMR POL-MOT Opalenica sp. z o.o. shares the process completed by taking possession of the Pol-Mot Opalenica company’s assets without increasing the POL-MOT Warfama’s initial capital. In accordance with Art 494 of the Company Code POL-MOT Warfama on the day of acquisition entered in FMR POL-MOT Opalenica sp. z o.o. company’s law and duties.

2009 – there was formed the division in Opalenica according to the Management Board’s resolution accepted by the Supervisory Board’s resolution.

After closing the bankruptcy proceedings, removing Felgex sp. z o.o. in Dobre Miasto from the Register of Companies and completion of the acquisition of the FMR POL-MOT Opalenica sp. z o.o., the Capital Group POL-MOT Warfama ceased to exist. At present POL-MOT Warfama S.A. operates as company with its headquarters in Dobre Miasto and divisions in in Biedaszki Małe (near Kętrzyn), Lublin and in Opalenica (near Poznań).

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. Moreover, on the day of drawing up of this report POL-MOT Warfama S.A. owns 49% shares of Bioenergia Invest sp. z o.o.

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

The sales revenue in 2009 decreased by 11,5% to PLN 107 146 thousand from PLN 121 117 thousand in the corresponding period of 2008. The main reason of revenue drop fall was deterioration of export sales, due to difficult agricultural market condition in foreign countries. The Management Board is constantly searching for new markets by dynamic sales policy in home country and abroad. The result of decreasing sales was the fall of gross profit on sales by 18,2% comparing with the same period in 2008 to PLN 15 379 thousand in 2009.

The profit on operating activities in 2009 was PLN 1 204 thousand, while in 2008 amounted PLN -1 962 thousand. The favourable effect on the operating profit increase was decreasing of costs of products sold by 55% in comparison with 2008 due to the provision for bad debts reverse amounted PLN 1 342 thousand. The positive impact had also purchasing Bioenergia Invest sp. z o.o. company’s shares in return for contribution
(acquired stocks: PLN 1,410 thousand, unamortized value of contribution: PLN 647 thousand).

Moreover the financial expenses fell down by 68% in comparison with the end of 2008 and amounted PLN 1,535 thousand. Main elements were interest charges of credit and leasing. The POL-MOT Warfama S.A. company reported a net loss amounted PLN 775 thousand in 2009. The net loss of Bioenergia Invest sp. z o.o. effected unfavourably on Company’s result in 2009 - shown in profit and loss account at *Profit sharing of associate companies* and amounted PLN 451 thousand.

The structure of assets in 2009:
- Fixed assets - 47% (in 2008 – 41%),
- Current assets - 53% (in 2008 – 59%).

The relevant change in the structure of balance sheet in comparison with the end of 2008 was the item *Investments In interdependent and associated companies* amounted PLN 3,484 (the value of acquired shares of Bioenergia Invest sp. z o.o.).

The structure of liabilities in 2009:
- Equity capital - 56% (in 2008 – 51%),
- Total liabilities - 44% (in 2008 – 49%).

The main source of finance in 2009 were short-term liabilities, which constituted 37% of the Company’s total liabilities, in comparison with 2008 – 40%.
In 2009 the credit and loan share decreased to 17%, in 2008 amounted 19%.
The long-term liabilities fell by 28% in comparison with 2008.

### 4. Employment in POL-MOT Warfama S.A.

The staffing level in POL-MOT Warfama S.A. was presented in Table 1.

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

<table>
<thead>
<tr>
<th>Status on</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31st, 2008</td>
<td>653</td>
</tr>
<tr>
<td>December 31st, 2009</td>
<td>654</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 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.

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 decrease of the growth rate of GDP and the investment demand in the year 2008, and slight increase in 2009 unfavourably influenced the activity of Company. Any further worsening of the economic prosperity also in the field of agriculture can contribute to a decrease in the financial result of the Company.

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 or US dollar. To minimize this risk, after acquisition of POL-MOT Opalenica sp. z o.o., supplying of raw material was centralized. There was setting a new entity responsible for monitoring the market price of all raw materials (especially steel price) and making orders to all divisions. Besides, about 26% of the products of the Company are destined for export, which is the reason why the financial results of the
Company depended to some extent on the exchange rate fluctuations. In order to protect the financial results from the risk of exchange rate fluctuations, in the first half of 2009 the Issuer applied 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. The Management Board is still monitoring this risk.

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. 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. High prices of steel in these periods had a negative impact of the financial result of the Company. The Management Board takes action to optimize purchase and utilization of raw materials. In 2009 the steel price remained stable, but at the beginning of 2010 there was an upward trend. Maintenance this trend in 2010 can effect on financial result of Company.

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:

- 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,
- services in the range of:
  - cold metal forming,
- cutting,
- welding.

The division in Opalenica (to 31.09.2009 the company POL-MOT Oplaenica sp. z o.o.) completes the offer with the following products:

- silage selector,
- bale wrapping machines and round bale rewinders,
- swath collector,
- rotating shakers
- forage containers.

Table 2. Total revenues from sales of the POL-MOT Warfama S.A. in 2009 and 2008 in PLN thousand

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<tbody>
<tr>
<td>Trailers</td>
<td>19 105</td>
<td>17,83%</td>
<td>17 337</td>
<td>14,30%</td>
<td>3,5%</td>
</tr>
<tr>
<td>Manure spreaders</td>
<td>17 078</td>
<td>15,94%</td>
<td>11 861</td>
<td>9,78%</td>
<td>6,2%</td>
</tr>
<tr>
<td>Line for straw, hay and green forage harvesting (roll balers, bale wrapping machines, bale loader trailers),</td>
<td>14 206</td>
<td>13,26%</td>
<td>19 092</td>
<td>15,74%</td>
<td>-2,5%</td>
</tr>
<tr>
<td>Equipment for loaders</td>
<td>12 125</td>
<td>11,32%</td>
<td>11 041</td>
<td>9,10%</td>
<td>2,2%</td>
</tr>
<tr>
<td>Other products with spare parts</td>
<td>10 434</td>
<td>9,74%</td>
<td>10 246</td>
<td>8,45%</td>
<td>1,3%</td>
</tr>
<tr>
<td>Front loaders TUR</td>
<td>8 482</td>
<td>7,92%</td>
<td>8 646</td>
<td>7,13%</td>
<td>0,8%</td>
</tr>
<tr>
<td>Tractors</td>
<td>6 217</td>
<td>5,80%</td>
<td>8 680</td>
<td>7,16%</td>
<td>-1,4%</td>
</tr>
<tr>
<td>Services</td>
<td>376</td>
<td>0,35%</td>
<td>1 026</td>
<td>0,85%</td>
<td>-0,5%</td>
</tr>
</tbody>
</table>
| **Division in Opalenica:**
| Machines for fodder mixing and distribution               | 15 787                | 14,73%    | 19 794                | 16,32%    | -1,6%     |
| Elements of agricultural machinery                         | 1 638                 | 1,53%     | 11 402                | 9,40%     | -7,9%     |
| Other products                                            | 1 699                 | 1,59%     | 2 145                 | 1,77%     | -0,2%     |
| **TOTAL:**                                                | **107 146**           | **100%**  | **121 270**           | **100%**  | -         |

*The above revenues from sales for 2008 do not include the amount PLN 153 thousand related to the sales between the entities of the Company.
In 2009 the Company POL-MOT Warfama S.A. offered 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. On May 2009, the Issuer signed a cooperation agreement with Turkish company Hattat Tarim Mak. San. Ve Tic. A.S.

In 2009 POL-MOT Warfama S.A. significant increased the sales of manure spreaders. On the market was launched the new manure spreader N-266. Wooden construction of side profiles and floor, silent work of the machine that favorably impacts the environment and comfort of operations meet the customers’ expectations.

The range of products was widen by the Straw Briquette Line used for biomass production, which is now the most efficient line of this type on the domestic market, and ballot trailer for transporting bales, of the capacity of 7000 kilo. The Company also granted approval certificate for pick-up Grand Tiger, which will be available on the market at the second half of 2010. In 2009 the Company modernized Z-555/1 Bale wrapping machine and Dump body trailers.

Thanks to many years experience and the skilled staff the Company manufactures products of high quality. The implementation in the factory of the quality management system, complying with ISO 9001 standards was finished in March 2000 with receiving a quality certificate from Germanischer Lloyd from Hamburg. In 2003, in effect of new regulations, the Company obtained the ISO 9001:2000 certificate. In November 2009, the POL-MOT Warfama S.A. granted Quality Management System Certification ISO 9001:2008, an extension of Warfama’s original ISO certification, achieved in 2000.

The mechanical briquetting machine BM-60 used for biomass production had been given authorization to use the promotional label "WYRÓB NA MEDAL" ("Product for the
Medal”) at the AGROTECH fair (13-15 March 2009). This award confirms the innovative technology of the product and its high quality, as well as environmentally-friendly technological solutions. During the International Fair in Poznan POLEKO 2009 the same mechanical briquetting machine BM-60 got the “Gold Medal”. POL-MOT Warfama S.A. also received an award from the hands of the Minister of Agriculture Marek Sawicki for the manure spreader N-266.

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, Latvia and Russia. The bad economic condition in 2009 decreased the sales on abroad markets.

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). In response to market needs the single-axle (T-042, T-080) and double-axle agricultural trailers (T-604, T-610, T-670) was modernized. These trailers were equipped in central lock and new renowned profiles of boards Fuhrmann and Profilcar.

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>2009 POLAND in PLN thousand</th>
<th>2009 ABROAD in PLN thousand</th>
<th>Total:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trailers</td>
<td>12 417</td>
<td>6 688</td>
<td>19 105</td>
</tr>
<tr>
<td>Manure spreaders</td>
<td>15 987</td>
<td>1 090</td>
<td>17 078</td>
</tr>
<tr>
<td>Line for straw, hay and green forage harvesting</td>
<td>13 871</td>
<td>335</td>
<td>14 206</td>
</tr>
<tr>
<td>Equipment for loaders</td>
<td>12 125</td>
<td></td>
<td>12 125</td>
</tr>
<tr>
<td>Other products with spare parts</td>
<td>10 059</td>
<td>374</td>
<td>10 434</td>
</tr>
<tr>
<td>Front loaders TUR</td>
<td>8 192</td>
<td>290</td>
<td>8 482</td>
</tr>
<tr>
<td>Tractors</td>
<td>6 110</td>
<td>107</td>
<td>6 217</td>
</tr>
<tr>
<td>Services</td>
<td>376</td>
<td></td>
<td>376</td>
</tr>
<tr>
<td><strong>Division in Opalenica:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machines for fodder mixing and distribution</td>
<td>11</td>
<td>15 776</td>
<td>15 787</td>
</tr>
<tr>
<td>Elements of agricultural machinery</td>
<td></td>
<td>1 638</td>
<td>1 638</td>
</tr>
<tr>
<td>Other products</td>
<td>1 543</td>
<td>156</td>
<td>1 699</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td>80 691</td>
<td>26 455</td>
<td>107 146</td>
</tr>
</tbody>
</table>
The Company concluded cooperation agreements with a group of strategic suppliers. POL-MOT Warfama S.A. systematically points towards opening consignment storehouses in the factory in Dobre Miasto. However with regard to the weakening of PLN towards Euro and dollar in IV quarter of 2008 and at the beginning of 2009, the Company implemented a conception of suppliers’ diversification, focusing on domestic subjects. This idea, depending on the Polish currency value to Euro and dollar, continued also in 2009.

The Company POL-MOT Warfama S.A. has not any supplier who in 2009 exceeded the level of 10% of revenues from sales.

8. Information about significant contracts concluded by the Company.

Summary of the significant contracts concluded in 2009:

POL-MOT WARFAMA S.A.:

- Co-operation agreement dated on February 2nd 2009 with INVEST-MOT sp z o.o. limited liability company with the seat in Warsaw to execute a project of gaining and utilization of all types of biomass for the purpose of electric energy production. POL-MOT Warfama S.A. joined to Bioenergia Invest sp. z o. o. and purchased company’s shares (Current report 5/2009, 6/2009, 14/2009, 36/2009, 5/2010).


- Contract dated 20.05.2009 with Hattat Tarim Mak. San. ve Tic. A.S. of cooperation in the field of tractors production (75-100 HP). The three-year time agreement is worth 27.000.000,00 EURO (Current report 15/2009).


- Agreement from 29.09.2009 with Shandong Foton Heavy Industries Co. Ltd with the seat at Weifang (Shandong, China) of five-years cooperation in the field of tractors distribution and marketing in Europe, especially in Poland (Current report 34/2009).
• Agreement of receivables from goods and services sold insurance with the Insurance Company Euler Hermes S.A.. The agreement was concluded for the period from 01.01.2009 to 31.12.2009. The POL-MOT Opalenica sp. z o.o. on 01.08.2009 extended the agreement with Euler Hermes S.A. to 31.07.2010.

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 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).

After closing the bankruptcy proceedings, removing Felgex sp. z o.o. in Dobre Miasto from the Register of Companies and completion of the acquisition of the FMR POL-MOT Opalenica sp. z o.o., on August 31 2009 the Capital Group POL-MOT Warfama ceased to exist. At present POL-MOT Warfama S.A. operates as company with its headquarters in Dobre Miasto and divisions in in Biedaszk Małe (near Kętrzyn), Lublin and in Opalenica (near Poznań).

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. Moreover, on the day of drawing up of this report POL-MOT Warfama S.A. owns 49% shares of Bioenergia Invest sp. z o.o. with headquarter in Dobre Miasto.

The subsidiary company POL-MOT Opalenica sp. z o.o. (subsidiary of POL-MOT Warfama S.A. to 31.08.2009) concluded in the first half of 2009 the currency option contracts (forward type) with the aim of insuring singular exportation contracts of the Company

The development strategy of the POL-MOT Warfama S.A. elaborated by the Management Board of the Company 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 Company is due to the strategy implementation. The Company expects a widening of the offer and gaining new markets.
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 2009 cooperates with the following banks:


- Millennium Bank S.A. in Warsaw, according to the credit agreement in a current account No 1/08/400/05 from September 16 2008, (annex No A1/1/08/400/05 from 21.09.2009).

- 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 11 from 08.06.2009 (POL-MOT Opalenica sp. z o.o. as a subsidiary of POL-MOT Warfama S.A. to 31.08.2009).

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.

In 2009 POL-MOT Warfama S.A. granted a credit to POL-MOT Holding S.A. amounted PLN 500 thousand and guaranties on Bioenergia Invest sp. z o.o. company’s liabilities on behalf of:

- Kredyt Lease S.A. In Warsaw, operating lease from 10.11.2009r. concluded on five-year period time, amounted PLN 876 thousand.

- Bankowy Leasing Sp. z o.o. in Łódź, operating lease from 12.11.2009r. concluded on five-year period time, amounted PLN 1650 thousand.

These guaranties are granted without any gratification for POL-MOT Warfama S.A.
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 2009.

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’s financial resources.

On a 31.12.2009 the Company’s equity amounted PLN 56 798 thousand and comprised 56% of total liabilities.

Liabilities and reserves to equity ratio decreased from 0,96 to 0,79 in comparison with the data on the end of 2008.

The debt ratio decreased from 49% in 2008 to 44% in the end of 2009.
The liquidity current ratio remained stable at comparable level 1,48 in 2008 and 1,44 in 2009.

The liquidity quick ratio also remained stable at the level of 0,52.

Liquidity ratios are at safe levels, which confirm the POL-MOT Warfama S.A.’s positive financial standing.

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.

Pursuant to the development financing strategy, investment projects implemented in 2009 or planned to be implemented in 2010, based on obtained long-term loans and the Company’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 the first half of 2009, 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,
- 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,
- PLN currency growth in 2009

The negative factors:

- Bioenergia Invest sp. z o.o. loss,
- higher prices of goods and imported raw materials ,
- costs of restructuring process, acquisition the division in Opalenica (till 31.08.2009 POL-MOT Opalenica sp. z o.o.),
- currency transactions forward type on secured transactions in the division in Opalenica,
- lower export sales.

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.**

The Board of Management would continue the Company’s development strategy. The basis assumption of realized medium-term strategy is strengthening 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. On May 20, 2009 POL-MOT Warfama S.A signed an agreement with Turkish company Hattat Tarim Mak. San. ve Tic. A.S concerning cooperation of tractors production (Current report 15/2009). Moreover tractors would be equipped in engines of English company Perkins. The Company also granted approval certificate for pick-up Grand Tiger, which will be available on the market at the second half of 2010. On September 2009 the Company signed an agreement with Shandong Foton Heavy Industries Co. Ltd with the seat at Weifang (Shandong, China) of five-years cooperation in the field of tractors distribution and marketing in Europe, especially in Poland (Current report 34/2009).
19. Organizational changes in the POL-MOT Warfama S.A., including their causes; changes in the basic principles of managing.

In 2009 the Company innovated 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.

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 31.12.2008:
1. Stanisław Kulas - The President of The Management Board
2. Adam Dobieński - The Vice-President of The Management Board
3. Jan Andrzej Wielgus - Member of the Management Board

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

1) On 22 November 2009, Mr. Stanisław Kulas submitted his resignation from the position of the President/Member of the Management Board of the Company and hold the function of the Vice-President of the Management Board.
2) On 22 November 2009, Mr. Karol Zarajczyk was appointed as Vice-President of the Management Board.

The Management Board as of 31.12.2009:

1. Adam Dobieński - The President of The Management Board
2. Karol Zarajczyk - The Vice-President of The Management Board
3. Stanisław Kulas - The Vice-President of The Management Board
4. Jan Andrzej Wielgus - The Member of the Management Board

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

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. Pawel Gilewski - The Member of The Supervisory Board
6. Michal Szwonder - The Member of The Supervisory Board
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 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 2009 [PLN]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adam Dobieński</td>
<td>The President of The Management Board</td>
<td>183 960,65 PLN</td>
</tr>
<tr>
<td>Karol Zarajczyk**</td>
<td>The Vice-President of The Management Board</td>
<td>27 000,00 PLN</td>
</tr>
<tr>
<td>Stanisław Kulas</td>
<td>The Vice-President of The Management Board</td>
<td>171 007,77 PLN</td>
</tr>
<tr>
<td>Jan Andrzej Wielgus</td>
<td>The Member of The Management Board</td>
<td>158 154,27 PLN</td>
</tr>
<tr>
<td>Pol-Mot Opalenica Sp. z o.o. in Opalenica***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aniela Bartkowiak</td>
<td>The President of The Pol-Mot Opalenica Management Board</td>
<td>77 166,00 PLN</td>
</tr>
<tr>
<td>Kazimierz Sak</td>
<td>The Member of The Pol-Mot Opalenica Management Board</td>
<td>67 588,64 PLN</td>
</tr>
<tr>
<td>Krzysztof Kańduła</td>
<td>The Member of The Pol-Mot Opalenica Management Board</td>
<td>67 659,00 PLN</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td>752 536,33 PLN</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supervisory Board:</th>
<th>Position:</th>
<th>Gross remuneration in 2009 [PLN]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrzej Zarajczyk</td>
<td>The Chairman of The Supervisory Board</td>
<td>30 000,00 PLN</td>
</tr>
<tr>
<td>Ryszard Mrozek</td>
<td>The Deputy Chairman of The Supervisory Board</td>
<td>24 000,00 PLN</td>
</tr>
<tr>
<td>Henryk Goryszewski</td>
<td>The Member of The Supervisory Board</td>
<td>24 000,00 PLN</td>
</tr>
<tr>
<td>Zbigniew Janas</td>
<td>The Member of The Supervisory Board</td>
<td>24 000,00 PLN</td>
</tr>
<tr>
<td>Paweł Gilewski</td>
<td>The Member of The Supervisory Board</td>
<td>24 000,00 PLN</td>
</tr>
<tr>
<td>Michał Szwonder</td>
<td>The Member of The Supervisory Board</td>
<td>24 000,00 PLN</td>
</tr>
<tr>
<td>Pol-Mot Opalenica Sp. z o.o. In Opalenica***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andrzej Zarajczyk</td>
<td>The Chairman of The Supervisory Board</td>
<td>20 000,00 PLN</td>
</tr>
<tr>
<td>Ryszard Mrozek</td>
<td>The Deputy Chairman of The Supervisory Board</td>
<td>16 000,00 PLN</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td>186 000,00 PLN</td>
</tr>
</tbody>
</table>

** Mr. Karol Zarajczyk has been appointed to hold the function of Vice-President of the Management Board since November 20, 2009.

*** POL-MOT Opalenica sp. z o.o. was the subsidiary of POL-MOT Warfama S.A. till August 31, 2009.
23. 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.

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 2009, 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>OFE Aviva</td>
<td>1 000 000</td>
<td>4,51</td>
<td>1 000 000</td>
<td>4,51</td>
</tr>
<tr>
<td>Others</td>
<td>7 447 758</td>
<td>33,58</td>
<td>7 447 758</td>
<td>33,58</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

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 the Management Board of POL-MOT Warfama S.A. hasn’t concluded any agreements in 2009, which may lead to changes in the proportion of shares held by former shareholders and bondholders in the future.
However on the shareholders structure may influence the establishment of the Incentive and Loyalty Programme and the Incentive Programme. The General Annual Meeting of POL-MOT Warfama S.A. on May 6th, 2008 pass a resolution 28/2008 concerning the establishment of the Incentive and Loyalty Programme for the Company’s employee.

Abovementioned programmes were implemented by issuing subscription warrants, which entitled to preference assumption of shares from conditional raised share capital after fulfilment some criterion (Art 453 § 2, The commercial Code).

26. 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.

27. Information about Control System of Labour Operation Programmes.

Information about Incentive Programme is 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 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.

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, the Supervisory Board chose the auditor.

The Supervisory Board by the regulation No 37/2009 from November 3, 2009 chose BDO Sp. z o.o. (limited liability company) with its headquarter in Warsaw, ul Postępu 12, entitled to audit financial statements under reference number 3355.
On December 7, 2009 was concluded with this entity the agreement concerning audit of 2009 Issuer’s financial statement. The salary of abovementioned agreement amounts to 63,000 PLN net.

The annual financial statement for 2008 and semi-annual financial statement for first half of 2009 was approved by Grant Thornton Frąckowiak sp. z o. o. in Poznań, pl Wiosny Ludów 2, registered under number 3355 on the list of entities authorized to audit financial statements. The total cost of reports amounted 98,800 PLN net.

30. 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 for the year 2009, 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 2009, 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 22, 2010

The President of the Management Board
Adam Dobieński

The Vice-President of the Management Board
Karol Zarajczyk

The Vice-President of the Management Board
Stanisław Kulas

The Member of the Management Board
Jan Andrzej Wielgus

The Member of the Management Board
Tomasz Horbal