POL-MOT WARFAMA S.A.

MANAGEMENT BOARD’S REPORT

FOR THE PERIOD FROM JANUARY 1ST 2010 TO DECEMBER 31ST 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 2010.

In 2010, POL-MOT Warfama SA received revenues from sales of PLN 111,898 thousand, compared to PLN 107,146 thousand. The company POL-MOT Warfama SA achieved a revenue growth of 4.4%. The main reason for the increase in revenues in the company POL-MOT Warfama SA was to increase agricultural machinery and equipment sales in the domestic market. This was possible thanks to the constant modernization and expansion of the Company's product range. An example is the introduction in 2010 of a new series of tractors POL-MOT H, which is very popular and appreciated by the recipients.

The net financial result of the Company at the end of 2010 amounted to PLN 96 thousand. Adverse impact on the financial result in 2010 had considerable capital expenditure incurred by the parent company POL-MOT Warfama SA on marketing campaign associated with the launch of a new product - agricultural tractor H series.

In 2010, POL-MOT Warfama SA purchased from the trustee in bankruptcy of Daewoo Motor Poland Ltd. property in Lublin, ul. Melgiewskiej 7-9. In the new location, the company plans to expand R & D division and launch of production including trailers, vacuum trucks, tractors and pick-up Grand Tiger, which sales on the Polish market is planned for early 2011.

The Company’s development strategy pursued by the Executive Board is assumed to become the major retailer of agricultural tractors in the domestic market, broadening the range of machines sold and the acquisition of customers for the newly launched products. Launching new tractors POL-MOT H and wide advertising campaign in 2010 will strengthen the Company’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 consolidated financial statement of the POL-MOT Warfama S.A. for 2010 has been prepared on the basis of:
- International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) approved by the European Union using the same principles for the current and comparative periods.
- In the absence of relevant regulations on the basis of Accounting Act of 29 September 1994 (with subsequent amendments).
- In 2010 the Issuer changed its accounting policies for the valuation of investment properties, which are valued at fair value, including the retrospective valuation. In addition, in 2010 were standardized the recording rights to perpetual usufruct of land. This right is recognized in tangible fixed assets in the position - land and not subject to depreciation.
- The financial statement has been drawn up in the Polish currency – polski zloty (thousand; PLN),

2. General information about the Company.

Company: POL – MOT WARFAMA S.A. (public limited company)
Seat: DOBRE MIASTO
Address: 11-040 Dobre Miasto, ul. Fabryczna 21
NIP 739-23-88-088
REGON 510481080
Joint stock: 22.180.000 PLN
Telephone number: (+48 89) 615 34 00
Fax number: (+48 89) 615 34 26
E-mail: sekretariat@warfama.pl
Website: www.warfama.pl, www.supertraktor.pl

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

POL-MOT Warfama S.A. is registered in the National Court Register by the District Court in Olsztyn VIII Economic Division at No.0000013785 since 23 May 2001 (former registration number RHB 2234). The company activity is agricultural machinery production, according to PKD - 28.3 - Machinery production for agriculture and forestry.
According to the Warsaw Stock Exchange classification: Machinery industry sector. On the day of drawing up of this report, the share capital of the Company was 22,180,000 ordinary bearer shares and was divided into 22,180,000 share, nominal value of each one was 1,00 PLN.

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. Jan Andrzej Wielgus - Member of the Management Board
4. 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 a cooperation agreement with a Chinese corporation, Shandong Foton Heavy Industries Co., Ltd, concerning the distribution of its products in Poland and in neighborhood markets.

In 2006, POL-MOT Warfama S.A. Dobre Miasto merged with Pol-Mot TUR S.A. in Biedaszki Małe – a manufacturer known mostly for TUR tractor front loaders, popular in rural areas and launched new tractors FOTON POL-MOT.

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

December 27, 2007 – Debut on the Warsaw Stock Exchange. The opening bid was PLN 4,18, which comprise the increase of 4,5% in comparison with price of issue.

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

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

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.

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

In 2010, the POL-MOT Warfama S.A. achieved sales revenue of PLN 111 898 thousand. These revenues were higher than those achieved in 2009 by 4.4%. While the revenues from domestic sales increased by 7.9%, the export sales declined by 6.1%. The increase in revenues from domestic sales was mainly due to increased sales of agricultural tractors, with the launch of a new series of tractors POL-MOT H. The decrease of export sales in 2010 was due to the difficult situation of the agricultural sector in foreign markets, which was particularly evident in the first half 2010. In the second half of 2010 the situation has improved, the company is currently observing an upward trend in sales on foreign markets.

A consequence of the sales revenue growth was an increase in gross profit on sales in 2010, which amounted to PLN 16 165 thousand and was higher than gross profit in 2009 by 2.9%.

The profit on operating activities in 2010 was 753 thousand, while in 2009 the company made a profit of PLN 5 205 thousand. Lowering operating result in this period was mainly due to increase in cost of sales, which significantly affected by increased spending on marketing campaign in connection with the launch of a series of tractors POL-MOT H.

In addition, in 2009, selling costs were reduced by provision for bad debts reverse amounted PLN 1 342 thousand.

Moreover, other operating income increased, compared to 2009, which was influenced gain on the current valuation of investment property to fair value of PLN 5 476 thousand.
The POL-MOT Warfama S.A. in 2010 showed a gross profit of PLN 972 thousand, while in 2009 the gross profit amounted PLN 1 123 thousand. Positive, significant impact on the Company's gross profit was a decrease of financial costs by 14.5% comparing to the same period of 2009. These costs amounted PLN 1 821 thousand in 2010, while in 2009 was PLN 2129 thousand.

Increased financial revenues, compared to 2009 (amounted PLN 542 thousand) also contributed to a higher gross profit. The main component of this position was the interest expense on debt and gains from exchange rate differences.

The net loss of Bioenergia Invest S.A. affected unfavourably on Company’s result in 2009 - shown in profit and loss account at Profit sharing of associate companies and amounted PLN 451 thousand.

POL-MOT Warfama SA as at 31.12.2009 had a 49% shares of Bioenergia Invest SA, while on a day 31.12.2010 the Company holds 51% shares of Bioenergia Invest SA. Both companies create the Capital Group POL-MOT Warfama, the results are presented in the consolidated financial statements for the year 2010.

POL-MOT Warfama recorded in 2010 a net profit of PLN 96 thousand, lower by PLN 269 thousand than in 2009. Adverse impact on net income in 2010 was to increase the deferred income tax, the input for temporary differences arising from revaluation of investment property to fair value and changes in estimates of the period of depreciation of fixed assets.

It should be underlined that the present financial results of the Company for the year 2009 changed in comparison to results presented at the Annual financial statements for 2009. These changes were due to retrospective adjustments relating to:
- correction estimate of the depreciation periods of fixed assets in 2010 and in previous years, which affected the change in the amount of depreciation and depreciation for previous years;
- revaluation of investment property to fair value;
- take into account in financial costs the valuation adjustment of the leased asset denominated in foreign currency.

The Company’s structure of assets in 2010:
• Fixed assets - 53% (in 2009 – 51%),
• Current assets – 47% (in 2009 – 49%).

The Company’s structure of liabilities of in 2010:
• Equity - 49% (in 2009 – 57%),
• Total liabilities - 51% (in 2009 – 43%).

The main source of financing assets in 2010 was current liabilities, their share in the structure of liabilities amounted to 39%, while in 2009 was 34%.

In 2010, the share of loans in the overall structure of liabilities amounting to 24%, in 2009 this share was 14%.
Long-term liabilities in 2010 increased to 12% in the overall structure of liabilities, in 2009 this share was 9%.

4. Employment in the 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, 2009</td>
<td>654</td>
</tr>
<tr>
<td>December 31st, 2010</td>
<td>678</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 increasing pace of economic growth expressed by GDP, from the fourth quarter of 2009 to the end of 2010, and growth rate of investment demand positively affected the Company's operations. Improving the economic situation in Poland in the next year will have a positive impact on the Company's financial results during this period. Negative impact on the Company's financial results may have worsened situation in agriculture.

5.7. Risk related to planned capital investments

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

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

5.9. Risk of exchange rate

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

POL-MOT Warfama SA purchases of goods in the EUR currency, while approximately 22% of sales are generated by exports in foreign currencies, primarily in EUR currency.

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

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

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

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

Steel is the major raw material used by the Company in the production activities. Steel prices are vulnerable to economic trends, increase in the periods of dynamic economic growth and fall in the periods of worsening of the prosperity. Increased volatility of steel prices has a significant impact on the company's financial results. In the first half of 2010 there was an upward trend, while in the second half of 2010 the steel price remained stable.
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,
- silage selector,
- bale wrapping machines and round bale rewinders,
- swath collector,
- rotating shakers
- forage containers.
- crop machines,
- spare parts for the products,
- services in the range of:
  - cold metal forming,
  - cutting,
  - welding.

Table 2. Total revenues from sales of the POL-MOT Warfama S.A. in 2010 and 2009
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>18 121</td>
<td>14 206</td>
<td>2,9%</td>
</tr>
<tr>
<td>Tractors</td>
<td>17 619</td>
<td>6 217</td>
<td>9,9%</td>
</tr>
<tr>
<td>Manure spreaders</td>
<td>14 802</td>
<td>17 078</td>
<td>-2,7%</td>
</tr>
<tr>
<td>Trailers</td>
<td>14 409</td>
<td>19 105</td>
<td>-4,9%</td>
</tr>
<tr>
<td>Machines for fodder mixing and distribution</td>
<td>13 245</td>
<td>15 787</td>
<td>-2,9%</td>
</tr>
<tr>
<td>Equipment for loaders</td>
<td>11 833</td>
<td>12 125</td>
<td>-0,7%</td>
</tr>
<tr>
<td>Front loaders TUR</td>
<td>7 924</td>
<td>8 482</td>
<td>-0,8%</td>
</tr>
</tbody>
</table>
Elements of agricultural machinery

<table>
<thead>
<tr>
<th></th>
<th>2010 in PLN thousand</th>
<th>2009 in PLN thousand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>1,709</td>
<td>1,638</td>
</tr>
<tr>
<td>Other products with spare parts</td>
<td>928</td>
<td>376</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td>11,898</td>
<td>10,714</td>
</tr>
</tbody>
</table>

Graphic listing of sales of the particular products in 2010 and 2009

The 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. Over the last three quarters of 2010, 200 tractors were launched into the market.

In 2009 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. In 2010, in response to market demand for mass production, introduced a larger model of manure spreader N-270, with carrying capacity 14 tons. The line for straw, hay and green forage harvesting was supplemented with roll baler Z-594 (chained-roll), tedder, rake, mower-crusher and a self-loading wrapper. Offer of biaxial trailer has been expanded by new models that have wider box body, and their design is based on the profiled frame, which enables the transport speed of 40 km/h and increased operating parameters.

In 2009 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.
In the second half of 2010 the Company produced test series of pick-up Grand Tiger. In the first half of 2011 the company plans to start selling these cars in the Polish market.

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

Thanks to many years experience and the skilled staff the Company manufactures products of high quality. The implementation in the factory of the quality management system, complying with ISO 9002 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. Maintaining continuity of certification in November 2010 was carried out an audit in the Company, which confirmed the compliance of company Quality Management System with the norm.

POL-MOT Warfama SA in 2010 received the following awards:

1. During the International Fair POLAGRA-PREMIERY 2010 the manure spreader N-266 was awarded with Gold Medal. The granting of the medal is a result of appreciation of the advantages of the manure spreader and the research and development conducted by a team of POL-MOT Warfama SA constructors.

2. Exhibition Award "DOBROSŁAW" for agricultural tractor POL-MOT H series with a front loader TUR at the International Fair Of Agricultural Techniques AGROTECH in 2010, it was the only distinction of KRUS granted at this fair.

3. Another prize at the AGROTECH 2010 was also the Gold Medal for Tractor POL-MOT H series with the front loader TUR. This demonstrates the recognition of product and brand confidence.

4. The main prize in the International Fair of PELLETS-EXPO & BRYKIET-EXPO won technological line for briquetting straw. This award is the fifth award for briquetting lines, offered by the Company.

5. Straw briquetting line has also received the award at XI Fair of Ecology, Municipal Waste Services, Recyclable Materials, Waste Management and Recycling EKOTECH 2010 in Kielce.

6. Distinction in the "Machine of the Year 2010" for the manure spreader N-270, organized by the Institute of Technology and Life Sciences, Division in Warsaw, editors of "Agro", Fair Kielce, and KRUS and PIMR (Industrial Institute of Agricultural Engineering) in Poznan.

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. This situation was also maintained in the first half
of 2010. In the second half of 2010 was observed a slight increase in demand for agricultural equipment.

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>2010 POLAND in thousand PLN</th>
<th>2010 ABROAD in thousand PLN</th>
<th>Total:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Line for straw, hay and green forage harvesting</td>
<td>16 744</td>
<td>1 377</td>
<td>18 121</td>
</tr>
<tr>
<td>Tractors</td>
<td>17 389</td>
<td>230</td>
<td>17 619</td>
</tr>
<tr>
<td>Manure spreaders</td>
<td>14 109</td>
<td>694</td>
<td>14 802</td>
</tr>
<tr>
<td>Trailers</td>
<td>8 443</td>
<td>5 966</td>
<td>14 409</td>
</tr>
<tr>
<td>Machines for fodder mixing and distribution</td>
<td>0</td>
<td>13 245</td>
<td>13 245</td>
</tr>
<tr>
<td>Equipment for loaders</td>
<td>11 405</td>
<td>428</td>
<td>11 833</td>
</tr>
<tr>
<td>Front loaders TUR</td>
<td>7 652</td>
<td>272</td>
<td>7 924</td>
</tr>
<tr>
<td>Elements of agricultural machinery</td>
<td>2</td>
<td>1 707</td>
<td>1 709</td>
</tr>
<tr>
<td>Services</td>
<td>928</td>
<td>0</td>
<td>928</td>
</tr>
<tr>
<td>Other products with spare parts</td>
<td>10 384</td>
<td>924</td>
<td>11 308</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>87 056</strong></td>
<td><strong>24 842</strong></td>
<td><strong>111 898</strong></td>
</tr>
</tbody>
</table>

The Company concluded cooperation agreements with a group of strategic suppliers. Due to the weakening of the Polish currency against the euro and the dollar in early 2009, the Company has implemented the concept of diversification of suppliers, focusing on national entities. This concept, depending on the exchange rate of the Polish currency against the euro and the dollar was maintained until the end of 2009 and throughout the year 2010.

The Company POL-MOT Warfama S.A. has single supplier Hattat Tarim MakSan.Tis.AS., which turnover in 2010 exceeded the level of 10% and accounted for 12,4% of total sales revenue of the Company.

8. Information about significant contracts concluded by the Company.

Summary of the significant contracts concluded in 2010:

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

- 25 January 2010 purchase 61 shares of Bioenergia Invest sp. z o.o. for PLN 61 000. Following the above transactions POL-MOT Warfama SA owned 3 978 shares in Bioenergia Invest sp. z o.o. in Dobre Miasto, which ensured to hold 49% of the votes at the General Meeting of Shareholders of this company.

- 21 April 2010 acquisition of 162 shares of Bioenergia Invest sp. z o.o. for PLN 172 675. POL-MOT Warfama SA currently has 4 140 shares in Bioenergia Invest sp. z
o.o. in Dobre Miasto, which give 51% of the votes at the General Meeting of Shareholders of this company.


- Annex from 16.03.2010 of the Credit Agreement in a current account from 31.03.2006 with Kredyt Bank S.A. in Warsaw for financing current activity.

- Annex from 25.06.2010 of the Credit Agreement in a current account from 16 September 2008 with Millennium Bank S.A. in Warsaw for financing current activity.

- 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.

- Agreement on the investment credit of 12.10.2010 with Kredyt Bank SA intended to finance the purchase of property located at ul. Melgiewskiej 7-9 in Lublin.

- Acquisition agreement of the property situated at ul. Melgiewskiej 7-9 in Lublin, of 14.10.2010 between the company POL-MOT Warfama SA and trustee in bankruptcy of Daewoo Motor Polska sp. z o. o.


- Agreement from 09.12.2010 between Issuer and Chinese company HEBEI ZHONGXING AUTOMOBILE CO. LTD. Under the provisions of this Agreement the Issuer has been the only one importer, installer, distributor and servicer in Poland of co-produced HEBEI Zhongxing Automobile Co.. LTD car pick-ups.

Additionally the Company renews every year insurance contracts like:

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

The insurance contracts guarantee an operating stability, the total amount of the insurance Premium doesn’t exceed 10% of the own capital of the Issuer, ipso facto no classifying these contracts as significant.
9. **Information about the Issuer’s organizational or capital connections with other entities and definition of its major domestic and international investment (securities, financial instruments, intangible and legal values and real estates).**

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

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

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

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

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

POL-MOT Warfama S.A. in 2010 cooperates with the following banks:

- **Kredyt Bank S.A. in Warsaw**, according to the agreement of credit limit in current account No 721290004335 from March 31, 2006 (annex No8 from 16.03.2010 to 31.03.2011). Repayment of the loan is secured by a real estate mortgage with insurance policy transfer and “in blanco” bill of exchange.

- **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 A5/1/08/400/05 from 06.12.2010 for a period 06.12.2010-01.12.2011). Repayment of the loan is secured by a real estate mortgage, registered charge on a floating pool with insurance policy transfer and assignment of receivables form cooperation agreement.

- **PKO Bank Polski S.A. in Warsaw**, the loan agreement in the current account No 270/13/RB/2004 from 16.06.2004, changed by annex No 12 from 25.01.2010 for a period 25.01-2010-25.01.2011. Repayment of the loan is secured by a real estate mortgage with insurance policy transfer, “in blanco” bill of exchange and consent to make deductions of the receivables from the current account in PKO BP S.A.

POL-MOT Warfama SA in 2010, was the guarantor of lease agreements concluded by the company Bioenergia Invest SA These agreements, together with the values of the guarantees are described in section 12
12. **Information on taken loans and loan agreements, including their due dates, and on warranties and guarantees granted, with acknowledgement loans, warranties and guarantees given to related entities.**

In 2009 and 2010 POL-MOT Warfama S.A. granted guaranties on Bioenergia Invest sp. z o.o. company’s liabilities on behalf of:

- Kredyt Lease S.A. In Warsaw, operating lease from 10.11.2009 concluded on five-year period time to the amount of PLN 822 thousand.
- Bankowy Leasing Sp. z o.o. in Łódź, operating lease from 12.11.2009 concluded on five-year period time to the amount of PLN 1650 thousand.
- Bankowy Leasing Sp. z o.o. in Łódź, operating lease from 19.02.2010 concluded on five-year period time to the amount of PLN 718 thousand.
- Kredyt Lease S.A. In Warsaw, operating lease from 29.03.2010 concluded on five-year period time to the amount of PLN 700 thousand.
- Bankowy Leasing Sp. z o.o. in Łódź, operating lease from 04.08.2010 concluded on five-year period time to the amount of PLN 699 thousand.
- Bankowy Leasing Sp. z o.o. in Łódź, operating lease from 24.09.2010 concluded on five-year period time to the amount of PLN 676 thousand.

The sum of guarantees granted by POL-MOT Warfama SA for the obligations of the Bioenergia Invest SA as at 31.12.2010 amounts to PLN 3 729 thousand.

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.**

From the moment of obtaining funds from the issue to the date of this report, 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.**

The Company did not publish any forecasts for the year 2010.

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 31.12.2010 the Company’s equity amounted PLN 64 131 thousand and comprised 49% of total liabilities.

Liabilities and reserves to equity ratio increased from 0,74 in 2009 to 1,05 in 2010.

The debt ratio increased from 43% in 2009 and reached a level of 51% in the end of 2010.

The liquidity current ratio decreased from 1,44 in 2009 to 1,21 in 2010.

Also the liquidity quick ratio fell down from 0,52 in 2009 to the level of 0,47 in 2010.

These ratios have reached lower levels compared to levels generally considered as safe.

Decrease in the liquidity ratios in 2010 were due to, among others increasing the value of liabilities from deliveries and services and the value of short-term loans and bank loans. Increased demand for farm machinery and equipment in the second quarter of each year, forcing purchases of materials and supplies in preparation for increased production in the first months of 2011, which in turn caused an increase in the value of liabilities at the end of 2010. Regularity settlement of liabilities of the Company was dependent on the level of repayments of trade debtors. Sales growth in 2010 and the impact of the financial crisis has caused an increase in receivables in the year 2010 of about PLN 7 135 thousand compared to the year 2009. At the same time, the company noted, the lower more than half of the increase in liabilities, compared to an increase in accounts receivable, i.e. by PLN 3 372 thousand compared to the year 2009.

At the end of 2010, POL-MOT Warfama SA has taken action to accelerate the collection of receivables by customers, which resulted in reduced levels of outstanding debts in the first months of 2011. As a result of actions taken, POL-MOT Warfama SA is able to regulate obligations, which level of about 17 million at year-end 2010, fell to around 10 million as of 15.03.2011.

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

Recent world events and speculation on commodity exchanges indicate a possible substantial increase in steel prices - the basic raw material used in the production, which can affect the deterioration of the profitability of business and thus the change in the ratios level in 2011. POL-MOT Warfama SA continuously monitors the level of profitability of individual products and adjusts the margins to satisfactory levels of profitability. Also take steps to reduce fixed costs and variable costs in these areas, which the company may have a direct impact. These actions aim to achieve higher margins and restoring liquidity ratios to the levels generally considered as safe.

The Board of Directors of Company on a day of publication of the report didn’t predict any threats for meeting the Company’s obligations.
16. Assessment of contemplated projects performance, including capital investments against possessed funds, taking into account possible changes in the financing structure of this activity.

Investment projects implemented in 2010 or planned to be implemented in 2011, based on obtained long-term loans and the Company’s own funds. The Company is going to take advantage of the possibility of UE grant programs for financing investments in big corporations.

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,

The negative factors:

- higher prices of goods and imported raw materials, 
- lower export sales,
- delays in call operations and execution of contracts under the PROW 2007-2013.

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.

Over the next financial year the Management Board will 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. The 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 elements is increasing direct import share in purchasing new machines and facilities, which aren’t producing in Company, but widening the product range. Examples of these objectives is signed an agreement with Turkish company Hattat Tarim Mak. San. ve Tic. A.S. concerning cooperation of tractors production.
In 2009 the Company also granted approval certificate for pick-up Grand Tiger (Current report 8/2009). On 9 December 2010 the company has signed an agreement with the Chinese company HEBEI Zhongxing Automobile Co. LTD (Current report 26/2010), under which the Issuer has been in Poland exclusive importer, installer, distributor and servicer of co-produced by Chinese company pick-ups. Car launching on the Polish market is planned for early 2011.

On 14 October 2010 was concluded an agreement for the acquisition of property situated in Lublin, between the Issuer and the trustee in bankruptcy of the Company DAEWOO MOTOR POLAND Ltd., based in Lublin. Property acquired will constitute the Company's branch office in Lublin. Some of the acquired property with R & D center and production of machinery and equipment were previously leased by the Issuer.

Bioenergia Invest SA during the next financial year will be implementing the development strategy prepared by the Management Board. The basic assumptions adopted and consistently implemented strategy will be strengthen the position in the market of biomass.

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

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

In 2010, the Company made changes in the Articles of association (resolution of the District Court in Olsztyn, dated 20 April 2010 on an entry in the Register of Entrepreneurs of the amendments to the Articles of association).

20. Changes in management and supervisory board, principles regulating the appointment and dismissal of managerial staff and the rights of managerial staff, in particular, the right to decide on the issue or purchase of shares.

POL-MOT Warfama S.A.:

The Management Board as of 31.12.2009:

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 Wielgus - The Member of the Management Board

The Management Board as of 31.12.2010:

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 Wielgus - The Member of the Management Board
5. Tomasz Horbal - The Member of the Management Board

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

1) On 2 February 2010, Mr. Tomasz Horbal was appointed as a Member of the Management Board.
2) On 5 October 2010, Mr. Stanisław Kulas was dismissed from the Vice-President office.

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

The Supervisory Board as of 31.12.2010:

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

In 2010, the Supervisory Board has not changed.

21. Agreements concluded between Issuer and Management Board, predicted refund in the case of resignation or dismissed from position without any reason or in the case of takeover or merger.

Members of The Management Board of POL-MOT Warfama S.A. are employed on a labour contract. In case of breaking the agreement by employer, employees are entitled to severance pay or indemnification according to labour law.
22. Remuneration, rewards and benefits paid, due or potentially due, to the managerial and supervisory staff.

<table>
<thead>
<tr>
<th>Management Board:</th>
<th>Position:</th>
<th>Gross remuneration in 2010 [PLN]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adam Dobieliński</td>
<td>The President of The Management Board</td>
<td>252 920 PLN</td>
</tr>
<tr>
<td>Karol Zarajczyk</td>
<td>The Vice-President of The Management Board</td>
<td>240 942 PLN</td>
</tr>
<tr>
<td>Stanislaw Kulas*</td>
<td>The Vice-President of The Management Board</td>
<td>126 832 PLN</td>
</tr>
<tr>
<td>Jan Andrzej Wielgus</td>
<td>The Member of The Management Board</td>
<td>166 290 PLN</td>
</tr>
<tr>
<td>Tomasz Horbal**</td>
<td>The Member of The Management Board</td>
<td>166 964 PLN</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td>953 948 PLN</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supervisory Board:</th>
<th>Position:</th>
<th>Gross remuneration in 2010 [PLN]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrzej Zarajczyk</td>
<td>The Chairman of The Supervisory Board</td>
<td>30 000 PLN</td>
</tr>
<tr>
<td>Ryszard Mrozek</td>
<td>The Deputy Chairman of The Supervisory Board</td>
<td>24 000 PLN</td>
</tr>
<tr>
<td>Henryk Goryszewski</td>
<td>The Member of The Supervisory Board</td>
<td>24 000 PLN</td>
</tr>
<tr>
<td>Zbigniew Janas</td>
<td>The Member of The Supervisory Board</td>
<td>24 000 PLN</td>
</tr>
<tr>
<td>Paweł Gilewski</td>
<td>The Member of The Supervisory Board</td>
<td>24 000 PLN</td>
</tr>
<tr>
<td>Michał Szwonder</td>
<td>The Member of The Supervisory Board</td>
<td>24 000 PLN</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td></td>
<td>150 000 PLN</td>
</tr>
</tbody>
</table>

Comment: Mr. Stanislaw Kulas acted as Vice President to 4 October 2010. Mr. Horbal Thomas is a Member of the Board from 1 February 2010.

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 2010, 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>IPOPEMA TFI S.A.</td>
<td>1 199 015</td>
<td>5,41</td>
<td>1 199 015</td>
<td>5,41</td>
</tr>
<tr>
<td>Others</td>
<td>7 248 743</td>
<td>32,68</td>
<td>7 248 743</td>
<td>32,68</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 2010, 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.

On 28 June 2010 the Supervisory Board of POL-MOT Warfama SA decided to choose the auditor - the company Wessly Ltd., based in Warsaw, ul. Irysowa 24A, entitled to audit financial statements under reference number 1117.

Under that agreement the company Wessly Ltd. is an entity authorized to review the Company's consolidated financial statements for the first half of 2010 and consolidated financial statements of POL-MOT Warfama Capital Group for the first half of 2010 in accordance with IFRS and to examine the Company's consolidated financial statements for the year 2010 and the consolidated financial statements of the Group of POL-MOT Warfama for the year 2010.

POL-MOT Warfama SA hasn’t previously cooperated with Wessly Ltd. in Warsaw.

The salary of abovementioned agreement amounts to 80,000 PLN net.

The annual financial statement for 2009 was approved by BDO sp. z o. o. in Warsaw, ul Postępu 12, registered under number 3355 on the list of entities authorized to audit financial statements. The total cost of reports amounted 63,000 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 2010, 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 17, 2011

............................
............................
............................

Adam Dobieliński
Karol Zarajczyk
Jan Andrzej Wielgus
Tomasz Horbal

The President of the Management Board
The Vice-President of the Management Board
The Member of the Management Board
The Member of the Management Board