

Report of the Supervisory Board of PAMAPOL S.A.

on an evaluation of the Company in 2010, taking account of an evaluation of the system of internal control and system of managing significant risks to the Company

Acting in accordance with the rules of corporate governance in "Best Practises of Companies Listed on the WSE" accepted by the Company, the Supervisory Board of Pamapol S.A. with its registered office in Rusiec performed an evaluation of the situation of the Company in terms of its system of internal control and system of managing significant risks to the Company. That evaluation was performed on the basis of the financial statements of the Company for 2010, the certified auditor's opinion and report on the audit of the financial statements conducted and the knowledge of the members of the Supervisory Board, as at the date of preparing this report.

Evaluation of the situation of the Company in 2010

On the basis of the information contained in the report of the Company's Management Board and in the financial statements, the financial year from 1 January 2010 to 31 December 2010 saw a definite improvement in the financial position of the Company.

In 2008, economic events directly affecting the operations of the Company and macroeconomic factors caused a loss to be generated both at the non-consolidated and consolidated levels. 2009, however, was a period of fundamental restructuring, by which the loss made in previous years was wiped away, and profit was seen at the non-consolidated level. In 2010, the companies ZPOW Ziębice, WZPOW Kwidzyn and, in the second half of the year, Cenos, operated in unfavourable circumstances connected with high prices of raw materials for production and weak harvests of vegetables and grain, all of which finally affected the result generated at the consolidated level in 2010. The restructuring carried out in the Company Pamapol brought positive results in the form of an increase in the margin generated from basic sales and a definite improvement in the Company's net result.

The Supervisory Board expresses its hope for a systematic improvement in the economic situation of both the Company and the Capital Group.

One guarantee of such an improved economic situation may be the successive and consistent implementation of the updated "Pamapol Group Strategy for 2010-2011". The Management Board's implementation of that document will be the focus of the next evaluation by the Supervisory Board.

Evaluation of the internal control system and risk management system

The Management Board of the Company is directly responsible for the efficient operation of the internal control and risk management systems, and for their effectiveness and reliability in the cyclical processes of preparing financial statements.

The Company's Management Board and managerial staff perform detailed monthly analyses

of key financial data and business segment operating ratios in order to eliminate the threat of risks arising.

The President of the Management Board is responsible for preparing individual elements of the financial statements and periodic reports, in cooperation with the Company's accounting department and with assistance within the relevant scope from the legal department.

The President of the Management Board coordinates the process of preparing the financial statements and periodic reports, and is responsible for ensuring that they contain all required information.

The financial data necessary for preparing the financial statements and periodic reports are found in the financial and accounting system. All transactions are recorded therein in accordance with the Company's approved accounting policy, based on Polish Accounting Standards. In preparing the consolidated financial statements, those data are transformed in accordance with IAS.

Immediately after the deadlines for publishing periodic reports in a given year are announced, the Chief Accountant conveys that information to subsidiaries in order to ensure that all data for the consolidated financial statements are prepared on time.

The Chief Accountant at the Company level and the chief accountants at the subsidiaries level are responsible for preparing information needed to draw up the non-consolidated and consolidated financial statements, respectively.

Information on other elements of the periodic reports is sent to the units preparing those elements.

The Presidents of the management boards of subsidiaries are responsible for the reliability, accuracy and completeness of the financial statements of those subsidiaries, for their being sent to the Chief Accountant of the Company, and for the correctness, completeness and on-time delivery of information for the remaining parts of consolidated periodic reports.

The annual and mid-year financial statements are subject to auditing and review by the Company's auditor. The audit results are presented by the auditor to the President of the Management Board and the Chief Accountant, who then send them to the Management Board for appropriate action to be taken.

Furthermore, in the structures of individual subsidiaries belonging to the Pamapol Capital Group, persons are designated as being responsible for the internal control of their companies within the scope set out below:

- ongoing costs (in connection with the operations of a given company)
- complete control of receivables (inflows, clarifying discrepancies in invoices, etc.)
- control of settling the costs of promotions and sales
- control of interest-bearing liabilities, any forward transactions, TKW settlements
- control of IT systems

The managers of individual departments of companies from the Capital Group are responsible for exercising control within the relevant scope.

In order to coordinate and strengthen control activities, a person is assigned to function as internal auditor within the Group. The internal auditor is responsible for controlling settlements of departmental, management board and sales costs.

An analysis of those elements is prepared on the basis of current data provided by individual companies within the Group.

Every year, the Supervisory Board evaluates the financial statements of the Company in terms of their compliance with the books of account, other documents and the factual status. It also evaluates the report of the Management Board on the operations of the Company in a given financial year. The results of those evaluations are made available to shareholders. Impartiality is guaranteed by the fact that the composition of the Supervisory Board includes independent members.

The Supervisory Board submitted a motion for the entity authorised to audit the financial statements to perform an evaluation of the Pamapol Group's internal control system. In response, Grant Thornton Frackowiak Sp. z o.o. (the auditing entity) presented its evaluation of the effectiveness of the PAMAPOL Group internal control system and an evaluation of the risk management system, in the form of a letter to the Supervisory Board.

The Supervisory Board analysed the individual issues presented in that letter, and subscribes to the evaluation of the auditors contained therein. The letter constitutes an appendix to the "Report of the Supervisory Board of PAMAPOL S.A. on the evaluation of the Company's position in 2010 taking account of the evaluation of the system of internal control and system of managing significant risks to the Company".

Taking the above factual circumstances into account, the Supervisory Board approves the internal control and risk management systems in effect within the Company.

Rusiec, 5 May 2011.