

of 5 May 2011

**Report of the Supervisory Board  
of PAMAPOL S.A.  
on the results of an evaluation of the report of the Management  
Board on the operations of the  
PAMAPOL Capital Group and the financial statements of the  
PAMAPOL Capital Group for the financial year  
1 January 2010 to 31 December 2010**

The Supervisory Board of the Company PAMAPOL S.A. with its registered office in Rusiec, composed of:

1. Paweł Szataniak - Chairman of the Supervisory Board
2. Rafał Tuzimek – Deputy Chairman of the Supervisory Board, Independent Member of the Supervisory Board
3. Ewa Szataniak - Secretary of the Supervisory Board
4. Justyna Szataniak - Member of the Supervisory Board
5. Piotr Kamiński - Independent Member of the Supervisory Board

pursuant to Article 382 par. 3 of the Commercial Companies Code, has evaluated the report of the Management Board on the operations of the PAMAPOL Capital Group and the financial statements of the PAMAPOL Capital Group for the financial year 1 January 2010 to 31 December 2010 in terms of their compliance with the books of account, other documents, and the factual status.

## **I. REPORT OF THE MANAGEMENT BOARD**

In its report on the operations of the Pamapol Capital Group for the period 1 January 2010 to 31 December 2010, the Management Board of the Company pointed out that net sales in that period amounted to PLN 55,697,000, and the Group's operations in the same period showed a net profit of PLN 3,025,000. In 2010, the average employment in the Pamapol Group was 1,570 persons, whereas in 2009 it was 1,558.

The year 2010 was a very challenging one for the Pamapol Group. After a 'heavy' 2008, the Management Board of the Group worked out an operational strategy for 2009-2011. After 2009, which was a time of emerging from the impasse, it was time to make definite improvements in the Group's financial position. At the beginning of 2010, the strategy for 2010-2011 was updated, and further restructuring activities were undertaken within the Pamapol Group. The main objective focused on was to improve the profitability of sales, which turned out to be no easy task in 2010. At the same time, it was vital to increase turnover, and this was a *de facto* driving force in increasing production levels. The Group's operational strategy for 2010 as approved by the Management Board foresaw a 15-per cent

increase in sales revenue year-on-year. The financial result for 2010 represents a ‘victory’ over the most difficult period in the Pamapol Group’s history (2008), and shows a gradual improvement in its financial position during 2009 and 2010. In 2010, however, the Group was still operating under unfavourable external conditions, and this resulted in reduced profitability on sales in the vegetable companies (WZPOW Kwidzyn and ZPOW Ziębice). It is true that the net sales margin improved during the reporting period, but the low sales profitability generated in the vegetable companies caused a final decrease in the profitability of sales at the Group level. The gross margin on sales in 2010 was 19 per cent, as opposed to 17 per cent in 2009. The net margin on sales in 2010 was 2 per cent, whereas in 2009 it was - 0.2 per cent. In the vegetable companies, the reduced level of profitability on sales was caused by a lack of production raw materials on the Polish and European markets, and by the necessity of importing expensive vegetables from distant world markets (such as China).

The Pamapol Group’s biggest successes in 2010 include:

1. carrying out a restructuring of production – taking advantage of economies of scale in the companies Pamapol, Mitmar and Cenos
2. performing a contract for Agencja Rynku Rolnego of a total value of PLN 43.3 million
3. restricting its debt level - the balance of credits and loans (short- and long-term) as at 31 December 2010 was PLN 145,178,000, as opposed to PLN 158,490,000 as at 31 December 2009.
4. obtaining financing in the form of a multi-purpose credit line in the amount of PLN 17 million granted to Pamapol S.A. by PKO BP.
5. the vegetable companies obtaining higher purchase credit from Bank BGŻ: PLN 32 million to WZPOW Kwidzyn and PLN 10 million to ZPOW Ziębice.
6. completion of the final settlement of transactions securing exchange rate risk concluded by WZPOW Kwidzyn. In the assessment of the Management Board, the solutions applied on how to settle exchange rate options were favourable enough for the Group that they did not endanger the current liquidity of either the Company or the Group.

The Supervisory Board declares that the factual circumstances given in the report correctly reflect the factual status, and that the above values on sales, employment, profitability and profit are in accordance with the documents of the Company, and are confirmed in the opinion of the independent certified auditor - Grant Thornton Frackowiak Sp. z o.o. with its registered office in Poznan - issued on 29 April 2011.

## **II. FINANCIAL STATEMENTS**

In accordance with the data contained in the financial statements of the PAMAPOL Capital Group for the period 1 January 2010 to 31 December 2010:

- the balance sheet prepared as at 31 December 2010 closed on the assets and liabilities side in the amount of PLN 467,696,000
- the profit and loss account for the period 1 January 2010 to 31 December 2010 showing a net profit of PLN 3,025,000
- the breakdown of changes in equity showing an increase in equity of PLN 3,010,000
- the cash flow statement for the period 1 January 2010 to 31 December 2010 showing a net

decrease in cash and equivalents in the amount of PLN 834,000

the Supervisory Board declares that the values given are in accordance with the documents and the factual status, and are confirmed in the opinion of the independent certified auditor – Grant Thornton Frąckowiak Sp. z o.o. – issued on 29 April 2011.

Rusiec, 5 May 2011.