Polna Polish Financial Supervision Authority

Quarterly Report Q 1 / 2011
(quarter) / (year)

(pursuant to Art. 82 section 1 item 3 of the Regulation of the Minister of Finance of 19th February 2009 – Journal of Laws Dz. U. No. 33, item 259)
for issuers of securities conducting production, construction, commercial or service activity

for the 1st quarter of the accounting year 2011, covering the period from 2011/01/01 until 2011/03/31
including a condensed financial statement made in accordance with IFRS

Currency: PLN

Date of issue: 13th May 2011

ZAKŁADY AUTOMATYKI POLNA SA
(full issuer's name)

POLNA (abbreviated issuer's name)
Electrical engineering (ele) (sector by Warsaw's Stock Exchange's classification)

37-700 (postal code)
Przemyśl (town)

Obozowa (street)
23 (number)

166786601 (telephone)
166783710 (fax)

m.kozlovski@polna.com.pl (e-mail)
www.polna.com.pl (website)

795-020-07-05 (NIP: Tax Identification Number)
650009986 (REGON: National Business Registry Number)

SELECTED FINANCIAL DATA	**In PLN thousand**		**In EUR thousand**	
	1st quarter(s) cumulatively / 2011, period from 2011/01/01 until 2011/03/31	**1st quarter(s) cumulatively / 2010, period from 2010/01/01 until 2010/03/31**	**1st quarter(s) cumulatively / 2011, period from 2011/01/01 until 2011/03/31**	**1st quarter(s) cumulatively / 2010, period from 2010/01/01 until 2010/03/31**
I. Net income from products, goods and materials sales	6 688	4 906	1 683	1 237

II. Profit (loss) from operating activity	-191	-552	-48	-139
III. Gross profit (loss)	-102	-559	-26	-141
IV. Net profit (loss)	-82	-470	-21	-118
V. Net cash flow from operating activity	1 234	-846	311	-213
VI. Net cash flow from investment activity	-92	-91	-23	-23
VII. Net cash flow from financial activity	-85	-138	-21	-35
VIII. Total net cash flow	1 057	-1 075	266	-271
IX. Total assets	48 041	47 631	11 975	12 027
X. Long-term liabilities	3 783	3 794	943	958
XI. Short-term liabilities	3 921	3 418	977	863
XII. Equity capital	40 337	40 419	10 054	10 206
XIII. Share capital	9 823	9 823	2 448	2 480
XIV. Number of shares (in pieces)	2 585 026	2 585 026	2 585 026	2 585 026
XV. Profit (loss) per ordinary share (in PLN/EUR)	-0,03	-0,18	-0,01	-0,05
XVI. Diluted profit (loss) per ordinary share (in PLN/EUR)	-0,03	-0,18	-0,01	-0,05
XVII. Book value per share (in PLN/EUR)	15,60	15,64	3,89	3,95
XVIII. Diluted book value per share (in PLN/EUR)	15,60	15,64	3,89	3,95
XIX. Declared or paid dividend per share (in PLN/EUR)	-	-	-	-

Selected financial data from the financial standing report for:

- items from I to VIII and items XV-XVI were presented for the period from 01/01/2011 to 31/03/2011 and for the comparative period from 01/01/2010 to 31/03/2010 (the amounts were converted to EUR at the exchange rate for the year 2011, i.e. EUR 1 = PLN 3.9742, and for the year 2010, EUR 1 = PLN 3.9669);
- items from IX to XIII and items XVII-XVIII were presented as of 31/03/2011, and for the comparative period, as of 31/12/2010 (the amounts were converted to EUR at the exchange rate for 31/03/2011, i.e. EUR 1 = PLN 4.0119, and for 31/12/2010, at the exchange rate EUR 1 = PLN 3.9603).

Selected financial data from the balance sheet (report on the financial standing) are presented as of the end of the the current quarter and as of the end of the previous financial year, which should be properly described.

The report should be submitted to the Polish Financial Supervision Authority and the company managing the controlled market; it should also be made public by means of an information agency, in compliance with binding regulations.

CONTENTS OF THE REPORT

File	Description
Sprawozdanie_finansowe_za_I_Kw_2011.pdf	Financial statement for the 1st quarter of the year 2011

SIGNATURES OF INDIVIDUALS REPRESENTING THE COMPANY

Date	Full name	Title/Function	Signature
2011/05/13	Miroslav Kozlovski	President of the Management Board	
2011/05/13	Andrzej Piszcz	Vice-President of the Management Board	
2011/05/13	Bożena Polak	Chief Accountant - Proxy	

ZAKŁADY AUTOMATYKI "POLNA"
Spółka Akcyjna

Condensed unitary statement
for the periods of the 1st quarter
finished on 31st March 2011 and 31st March 2010,
prepared in compliance with
the International Financial Reporting Standards

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22. Other information, important in the Issuer’s opinion for the evaluation of their personnel, property and financial condition, the financial result and changes in those data, and information important for evaluation of the Issuer’s capacity for performing their obligations.
23. Indication of factors which in the Issuer’s opinion will influence the results achieved by them in the period not shorter than the next quarter.

SELECTED FINANCIAL DATA

	in PLN thousand			in EUR thousand		
	1st quarter 2011 for the period from 2011/01/01 to 2011/03/31	position as of 2010/12/31	1st quarter 2010 for the period from 2010/01/01 to 2010/03/31	1st quarter 2010 for the period from 2011/01/01 to 2011/03/31	position as of 2010/12/31	quarter 2010 for the period from 2010/01/01 to 2010/03/31
Net income from products, goods and materials sales	6 688		4 906	1 683		1 237
- Profit (loss) from operating activity	-191		-552	-48		-139
- Gross profit (loss)	-102		-559	-26		-141
- Net profit (loss)	-82		-470	-21		-118
- Net cash flow from operating activity	1 234		-846	311		-213
- Net cash flow from investment activity	-92		-91	-23		-23
- Net cash flow from financial activity	-85		-138	-21		-35
- Total net cash flow	1 057		-1 075	266		-271
- Total assets	48 041	47 631	47 778	11 975	12 027	12 371
- Liabilities and reserves for liabilities	7 704	7 212	8 581	1 920	1 821	2 222
- Long-term liabilities	3 783	3 794	4 190	943	958	1 085
- Short-term liabilities	3 921	3 418	4 391	977	863	1 137
- Equity capital	40 337	40 419	39 197	10 054	10 206	10 149
- Share capital	9 823	9 823	9 823	2 448	2 480	2 543
- Number of shares (in pieces)	2 585 026	2 585 026	2 585 026	2 585 026	2 585 026	2 585 026
- Profit (loss) per ordinary share (in PLN/EUR)	-0,03		-0,18	-0,01		-0,05
- Book value per share (in PLN/EUR)	15,60	15,64	15,16	3,89	3,95	3,93

The basic financial data from the condensed financial statement were converted with the EUR exchange rate from the NBP Table of average rates.
For conversion of selected financial data concerning the profit and loss account and cash flow statement, the arithmetic mean was used of the average EUR rates from NBP tables as of the last day of each month in the period from January to March, which amounted to 3.9742 for 2011 and 3.9669 for 2010. So as to convert selected data concerning the balance sheet, the EUR rate from Table No. 63/A/NBP/2011 as of 31/03/2011 (i.e. 4.0119), Table No. 63/A/NBP/2010 as of 31/03/2010 (i.e. 3.8622) and Table No. 255/A/NBP/2010, as of 31/12/2010 (i.e. 3.9603) were assumed.

I. UNITARY FINANCIAL STATEMENT

STATEMENT OF FINANCIAL STANDING

		Position as of 2011-03-31 end of quarter 2011	Position as of 2010-12-31 end of previous year 2010	Position as of 2010-03-31 end of quarter 2010
	AKTYWA			
I.	**I. Fixed assets**	**27 671**	**28 169**	**30 434**
	- Tangible fixed assets	26 802	27 341	29 439
	- Other intangible assets	75	15	53
	- Deferred income tax assets	794	813	942
II.	**II. Current assets**	**19 936**	**19 028**	**17 344**
	- Supplies	4 254	3 985	4 405
	- Trade receivables and other	4 313	5 469	4 673
	receivables, including:	4 086	5 308	4 254
	- receivables due for deliveries and services	227	161	419
	- other receivables	26	26	-
	- Income tax receivables	38	42	53
	- Financial assets	10 527	9 445	7 475
	- Cash and cash equivalents	778	61	738
III	- Prepayments and accruals	**434**	**434**	**-**
	TOTAL ASSETS	**48 041**	**47 631**	**47 778**
	EQUITY AND LIABILITIES			
I.	**I. Equity**	**40 337**	**40 419**	**39 197**
	- Initial capital	9 823	9 823	9 823
	- Other capitals	29 844	29 844	7 511
	- Retained profits	752	-	22 333
	- Net profit (loss)	-82	752	-470
II.	**II. Long-term liabilities**	**3 783**	**3 794**	**4 190**
	- Deferred income tax reserves	3 067	3 105	3 339
	- Long-term reserves for liabilities	716	689	548
	- Leasing liabilities	-	-	303
III	**III. Short-term liabilities**	**3 921**	**3 418**	**4 391**
	- Liabilities due for deliveries	3 084	2 486	3 308
	and services and other liabilities,	1 402	1 167	1 809
	including”	1 682	1 319	1 499
	- liabilities due for deliveries and services	244	327	381
	- other liabilities	582	592	700
	- Leasing liabilities	11	13	2
	- Short-term reserves	**48 041**	**47 631**	**47 778**

Book value	40 337	40 419	39 197
Number of shares	2 585 026	2 585 026	2 585 026
Book value per ordinary share	**15,60**	**15,64**	**15,16**

Diluted book value per ordinary share equals the book value per ordinary share.

OFF-BALANCE SHEET ITEMS

	Position as of 2011-03-31 end of quarter 2011	Position as of 2010-12-31 end of previous year 2010	Position as of 2010-03-31 end of quarter 2010
1. Contingent receivables	**-**	**-**	**-**
1.1. From affiliated units (due for)	-	-	-
- guarantees and warranties received	-	-	-
1.2. From other units (due for)	-	-	-
- guarantees and warranties received	-	-	-
2. Contingent liabilities	**2 730**	**2 660**	**6 350**
2.1. In favour of affiliated units (due for)	-	-	-
- guarantees and warranties granted	-	-	-
2.2. In favour of other units (due for)	2 730	2 660	6 350
- collateral of credits - blank	1 000	1 000	4 000
bill of exchange	128	128	79
- collateral of contracts - blank	200	200	200
bill of exchange	1 131	1 266	1 963
- collateral of receivables for	142	66	108
goods delivered	**2 601**	**2 660**	**6350**

STATEMENT OF CHANGES IN EQUITY

Equity items	Initial capital	Revaluation capital	Others capitals	Retained profits	Toral
Balance as of 01/01/2011	**9 823**	**-**	**29 844**	**752**	**40 419**
- Adjusted balance	9 823	-	29 844	752	40 419
- Net profit for the period	-	-	-	-82	-82
- Total profit and loss	-	-	-	-82	-82
recognized within the period	-	-	-	-	-
- Distribution of profit	**9 823**	**-**	**29 844**	**670**	**40 337**

Equity items	Initial capital	Revaluation capital	Others capitals	Retained profits	Toral
Balance as of 01/01/2010	**9 823**	**-**	**7 512**	**22 332**	**39 667**
- Adjusted balance	9 823	-	7 512	22 332	39 667
- Net profit for the period	-	-	-	752	752
- Total profit and loss	-	-	-	752	752
recognized within the period	-	-	22 332	-22 332	-
- Distribution of profit	**9 823**	**-**	**29 844**	**752**	**40 419**

Equity items	Initial capital	Revaluation capital	Others capitals	Retained profits	Toral
Balance as of 01/01/2010	**9 823**	**-**	**7 511**	**22 333**	**39 667**
- Adjusted balance	9 823	-	7 511	22 333	39 667
- Net profit for the period	-	-	-	-470	-470
- Total profit and loss	-	-	-	-470	-470
recognized within the period	-	-	-	-	-
- Distribution of profit	**9 823**	**-**	**7 511**	**21 863**	**39 197**

TOTAL INCOME STATEMENT

	PROFIT AND LOSS ACCOUNT	1st quarter 2011 r. period from 2011-01-01 to 2011-03-31	1st quarter 2010 r. period from 2010-01-01 to 2010-03-31
A.	**A. Net income from products,**	**6 688**	**4 906**
I.	**goods and materials sales, including:**	6 665	4 860
II.	I. Sales of products	23	46
B.	II. Sales of goods and materials	**5 179**	**3 974**
I.	**B. Cost of products, goods**	5 161	3 938
II.	**and materials sold, including:**	18	36
C.	I. Production costs of products sold	**1 509**	**932**
I.	II. Value of goods and materials sold	82	124
II.	**C. Gross profit (loss) from sales**	52	41
III.	I. Other income	1 674	1 425
IV.	II. Costs of sales	56	142
D.	III. General management expenses	**-191**	**-552**
I.	IV. Other expenses	119	116
II.	**D. Operating activity profit (loss)**	30	123
E.	I. Financial income	**-102**	**-559**
F.	II. Financial expenses	**-20**	**-89**
I.	**E. Gross profit (loss)**	-	-
II.	**F. Income tax**	-20	-89
G.	I. a) current tax	**-82**	**-470**

	TOTAL INCOME STATEMENT	1st quarter 2011 r. period from 2011-01-01 to 2011-03-31	1st quarter 2010 r. period from 2010-01-01 to 2010-03-31
I.	**I. Net profit (loss)**	**-82**	**-470**
II.	**II. Other elements of total income**		
1.	1. Results of valuation and transfer	-	-
III.	of salable financial assets (net amount)	**-82**	**-470**

Net (annualized) profit (loss)	**1 140**	**2 212**
Weighted average number of ordinary shares	2 585 026	2 585 026
Net profit (loss) per ordinary share (in PLN)	**0,44**	**0,86**

Diluted net profit per ordinary share equals the net profit per ordinary share.

CASH FLOW STATEMENT

	DETAILED LIST	1st quarter 2011 r. period from 2011-01-01 to 2011-03-31	1st quarter 2010 r. period from 2010-01-01 to 2010-03-31
A.	**A. Operating activity cash flow**		
I.	**I. Profit (loss) before tax**	**-102**	**-559**
II.	**II. Total adjustments**	**480**	**551**
	- Intangible assets amortization	7	5
	- Tangible fixed assets amortization	587	623
	Profit (loss) from sales of tangible fixed assets	-1	-
	- Profit (loss) due to change in fair market value of financial assets	4	-9
	- Profit (loss) due to exchange rate differences	-25	26
	- Interest expenses	3	7
	- Interest received	-95	-101
III.	**III. Cash from operating activity before recognition of changes in the working capital**	**378**	**-8**
	- Change in supplies position	-268	-781
	- Change in receivables position	1 156	-1 201
	- Change in short-term liabilities position (except credits and loans)	671	1 901
	- Change in prepayments and accruals position (except deferred tax assets)	-720	-695
	- Change in reserves position (except deferred tax reserve)	17	-62
IV.	**IV. Cash generated in operating activity**	**1 234**	**-846**
	- Income tax paid	-	-
V.	**V. Net cash from operating activity**	**1 234**	**-846**
B.	**B. Investment activity cash flow**		
	- Expenditure for acquisition of intangible assets	-67	-
	- Expenditure for acquisition of tangible fixed assets	-121	-126
	- Inflow from sales of fixed tangible assets	1	-
	- Interest received	95	101
	- Other investment expenses	-	-66
	- Net cash used in investment activity	**-92**	**-91**
C.	**C. Financial activity cash flow**		
	Repayment of financial leasing liabilities	-83	-101
	- Interest paid	-2	-7
	- Other inflows	-	-30
	Net cash from financial activity	**-85**	**-138**
D.	**D. Total net cash flow (A.+B.+C.)**	**1 057**	**-1 075**
E.	**E.** Balance sheet change in net cash position, including:	1 082	-1 072
	Change of cash position due to exchange differences **F. Opening balance of cash**	25	3
F.	**G. Closing balance of cash (E+F)**	**9 445**	**8 547**
G.	**C. Financial activity cash flow**	**10 527**	**7 475**

II. ADDITIONAL INFORMATION FOR THE UNITARY QUARTERLY REPORT FOR THE 1ST QUARTER OF THE YEAR 2011

1. General information

Zakłady Automatyki „POLNA" Spółka Akcyjna, having its registered seat in Przemyśl, at ul. Obozowa 23, is a public limited company incorporated in accordance with Polish law. "POLNA" S.A. was entered into the companies register of the District Court in Rzeszów, XII Economic Division of the National Court Register (KRS) under KRS number 0000090173. "POLNA" S.A. was established for an unlimited period of time. It operates pursuant to Polish law and conducts its activity within the territory of Poland.

The Company's object of activity is:

- 24.5 Metal founding;
- 28.12.Z Production of hydraulic and pneumatic drive equipment;
- 28.13.Z Production of other pumps and compressors;
- 28.14.Z Production of other cocks and valves;
- 38.21.Z Processing and utilization of waste other than dangerous;
- 38.32.Z Recycling of raw materials from sorted materials;
- 46.69.Z Wholesale trade of other machines and equipment;
- 46.90.Z Non-specialized wholesale trade;
- 46.77.Z Wholesale trade of waste and scrap.

The Company has been recognized as belonging to the electrical engineering sector.

2. The basis for making the report and the statement period

Pursuant to the Resolution of the Annual General Shareholders Meeting No. 32/2008 of 30th June 2008, since 1st January 2009 "POLNA" S.A. has been making unitary financial statements in compliance with the International Financial Reporting Standards accepted by the European Commission.
The condensed quarterly financial statement of "POLNA" S.A. was made in compliance with the International Financial Reporting Standards (IFRS), in particular with IAS 34 "Interim Financial Reporting".
As for issues not regulated by the aforementioned standards, the statement was made in compliance with the Accounting Act of 29th September 1994 and executive regulations issued on its basis.
The information included in the report for the 1st quarter of the year 2011 was prepared in accordance with the Regulation of the Minister of Finance of February 19th 2009 on current and periodical information made public by issuers of securities and on the conditions under which such information may be recognized as being equivalent to information required by the legal regulations of a state which is not a EU member state (Journal Of Laws Dz. U. No. 33, item 259).
The condensed unitary financial statement covers the period from 1st January 2011 to 31st March 2011 and the comparative period from 1st January 2010 to 31st March 2010.
When presenting the financial data for the 1st quarter of 2010, comparability to the 1st quarter of the current financial year was used.
The condensed unitary financial statement was made with the assumption that economic activity would be continued in the foreseeable future. On the day of making the statement, no circumstances indicating any danger to continuing the activity are known.
The reporting currency of this financial statement is Polish zloty (PLN), and all the amounts are expressed in PLN thousand (unless otherwise stated).

3. Accounting principles adopted for making the financial statement.

Tangible fixed assets (IAS 16) are shown at their acquisition price, production cost or reappraised value reduced by amortization and possible impairment charges. The acquisition price of fixed assets comprises the purchase price and all expenses directly related to the purchase and adaptation of the asset to using.
Perpetual usufruct of land, as well as buildings and structures, are valued in their fair market value determined by an expert as the realizable value.

Amortization is calculated for all fixed assets, excluding land and fixed assets under construction, by estimated period of economic utility of those assets, using the straight-line method and the following annual amortization rates:

- Buildings and structures 2.32 – 13.64%
- Machines and technical equipment 3.61 – 33.33%
- Means of transport 9.16 – 16.34%
- Other fixed assets 12.37 – 20.00%.

Amortization rates reflect the period of economic utility of a fixed asset. They are verified by technical services at least once a year. When determining the utility period of an asset, the following are taken into consideration: expected usage of the asset, expected physical wear and tear depending on operating factors such as the number of shifts during which the asset is going to be used, renovation and conservation plan, preservation and conservation of the asset during stoppage, as well as technological and market loss of usefulness resulting from production changes or improvements or changes in demand for a given product for which the asset is used.
Amortization of fixed assets of the initial value exceeding PLN 3,500.00 is calculated beginning from the month of putting the asset into service. Items with service life longer than one year and unitary value between PLN 1,000 and PLN 3,500 are entered into a fixed assets register and amortized on a one-off basis in the month of putting the asset into service. Items with service life longer than one year and unitary value not exceeding PLN 1,000 are written off to material consumption costs in the full initial value on the date of putting them into service.
If there is evidence indicating the possibility of permanent diminution in value of a fixed asset, the Company makes write-offs revaluing the asset to the level of its net selling price. Revaluation write-offs made on account of impairment are recognized in the profit and loss account.
Fixed assets under construction are appraised at the purchase price or production cost of the asset, increased by the costs directly related to their acquisition and production and possibly reduced by impairment charges.

Intangible assets (IAS 38) purchased from other business entities are subject to activation at their acquisition price. Intangible assets are amortized with the straight-line method according to principles and rates taking into consideration their economical utility period, from the month following the acceptance of the intangible assets into service. Amortization of intangible assets may not be done for a period shorter than 2 years in the case of computer software licences and copyrights and shorter than 5 years in the case of other titles.

Costs of research (MSR 38) are charged to expenses in the profit and loss account on the day they are incurred.
Expenditure for development works incurred within the framework of a given project is activated if it can be assumed that the amounts will be regained in the future. That expenditure is amortized within the period of three years. Expenditure for development works is verified regarding potential impairment if the occurring events indicate that their carrying value may not be possible to regain.

Long-term and short-term investments – initially, financial assets or liabilities are appraised in their fair market value. In the case of instruments not qualified as appraised in fair market value by the financial result, the fair market value is increased by costs of transactions which may be directly related to purchase or issuance of a financial asset or liability. Following the initial recognition, the Company appraises financial assets in their fair market value, with exceptions of: loans and receivables, instruments retained until their maturity dates and investments in capital instruments without quoted market prices from the active market and whose fair market value cannot be reliably measured, as well as derivatives related to them, which have to be cleared by means of supplying capital instruments without quoted market prices. As for loans and receivables and instruments retained until their maturity dates, they are appraised at amortized cost, applying the effective interest rate. A financial asset without a determined maturity date is valued in the cost amount.

Materials and goods supplies (IAS 2) are valued at their acquisition price understood as purchase price of the supplies units due to the seller, without deductible VAT, increased by import tax, excess duty and customs duty and reduced by rebates and discounts.
Expenses related to purchase of materials and goods, including costs of transport, handling charges and costs of sorting are summed up in the "Purchase costs" account. Those costs are cleared proportionally to the value of the supplies and materials consumption.
To establish the outgoings of materials and goods supplies, the Company applies the FIFO method.
As of the balance sheet day, the Company makes an analysis of accumulation of supplies according to their age and makes write-offs revaluing the net worth of material supplies in accordance with the following formula: supplies over 2 years old – writing off 100% of their value, supplies over 1 year old – writing off 50% of their value, supplies over 6 months old – writing off 10% of their value. Write-offs revaluing the supplies are recognized in the profit and loss account.

Supplies of production in progress (IAS 2) are appraised at their production costs, while **supplies of final products (IAS 2)** are appraised at production costs not higher than their net selling prices. Production costs include direct materials and labour costs, as well as proper mark-up of production costs established with the assumption of using the productive power to the usual extent. General management costs, sales and distribution costs, other operating costs and unjustifiable indirect production costs (in particular, costs of unused production capacity and production losses) are not included in production costs.
As of the balance sheet day, the Company makes an analysis of accumulated supplies, considering their age, and makes write-offs revaluing the net value of supplies of production in progress and final products, applying the same principles of establishing write-offs as in the
case of materials.
The write-offs revaluing the worth of supplies are included in the profit and loss account.

Receivables due for deliveries and services (IAS 39) are appraised at the amount of the due payment (in accordance with the amounts initially invoiced), pursuant to the principles of conservative valuation. As of the balance sheet day, the Company determines revaluation write-offs for overdue receivables, taking into consideration the period of backlog:

- over 3 months but up to 6 months, in the amount of 10% of their value,
- over 6 months but up to 12 months, in the amount of 50% of their value,
- over 12 months, in the amount of 100% of their value.

Receivables difficult to collect, including receivables adjudged by a court claim, receivables from clients subject to composition or bankruptcy proceedings and interest on late deliveries are written off in 100% of their value. Receivables revaluation write-offs are recognized in the profit and loss account. As of the balance sheet day, receivables are increased by interest calculated from late payments.

Receivables expressed in foreign currencies (IAS 21) are recognized at the average exchange rate established for the given currency by the NBP for the day preceding the day of arising of the receivables, unless another exchange rate was established in the customs declaration or other document binding the entity. As of the payment day, the receivables are recognized at the buying rate of the bank in which the transaction is conducted. As of the balance sheet day, the receivables are converted in compliance with the average rate established for the given currency by the NBP for that day. The differences between rates are included in the profit and loss account.

Cash (IAS 7) is appraised in its nominal value. As for the cash accumulated on bank accounts, its nominal value also covers the interest calculated by the banks, constituting financial income.
Transactions expressed in foreign currencies are recognized in account books as of the day of their performance at the buying rate for selling the currency or at the selling rate for buying the currency established by the bank in which the operation is performed, whichever is applicable. Time deposits are valued at the initial rate of the currency inflow to the bank.
Cash accumulated on a bank account is valued as of the balance sheet day at the average exchange rate of a given currency established by the NBP for that day. Positive and negative exchange differences are charged to income or financial costs, whichever is the case.

Fixed assets allocated for sale (IFRS 5) are recognized in the financial statement in an amount lower than their carrying value or fair market value reduced by the cost of sale.
Assets may only be included in this group if the company is actively looking for a buyer and there is a high probability that the assets will be disposed of within one year from the date of their inclusion in the group.

Liabilities due for deliveries and services are shown in the payable amount (IAS 39). The due amount is increased by interest for the delay in payment in the case of receiving an interest note from the creditor.

Liabilities expressed in a foreign currency are recognized in the account books as of the day of arising, at the average exchange rate established for the given currency by the NBP for the day preceding the day of issuing the purchase invoice, unless another exchange rate was established in the customs declaration or other document binding the entity. As of the payment day, the liabilities are recognized at the selling rate established by the bank in which the transaction is conducted. As of the balance sheet day, the liabilities are converted in compliance with the average rate established for the given currency by the NBP for that day. Positive and negative exchange differences arising are charged to income or financial costs, whichever is the case.

Financial liabilities (IAS 39) are entered into the books at the date of conducting or clearing the transaction at the acquisition price. As of the balance sheet day, the financial liabilities (credits or contracted loans) are valued at an adjusted acquisition price, i.e. the price they were contracted at, reduced by repayments of the initial capital and properly adjusted by an accumulated amount of the discounted difference between the initial value and the value as of the maturity date, calculated with the use of effective interest rate. The differences arising due to revaluation of financial liabilities with the use of the adjusted acquisition price are charged to income or financial costs, whichever is applicable. Collateral financial liabilities (currency options) are appraised at the fair market value on the basis of appraisal made by the bank.

Financial leasing liabilities (IAS 17) as of the day of concluding the agreement are shown in the net value of the object of leasing and reduced by the capital part of the leasing charge, calculated with the use of internal rate of return. The fixed asset in question is classified as the Company's own property and is subject to amortization within the predicted utility period.

Prepayments and accruals of expenses refer to expenses incurred in the future periods, covering subscriptions, insurances, the social fund, real property tax and perpetual usufruct of land. Those expenses are included in the month of issuing the invoice and then charged into expenses in the utility period, until the date of transferring them fully to the financial result. Prepayments and accruals lasting longer than one year are treated as fixed assets, and others, as current assets. In the case of a considerable diminution in value, they are charged to other costs at a one-off basis.

The Company makes **reserves (IAS 19, IAS 37)** for the risks known to it, losses that may occur and effects of other events. They are appraised at least as frequently as on every balance sheet day at a reasonable, estimated value. Financial effects of the reserves are classified as other operational costs or financial costs, as applicable, depending on the circumstances the future liabilities are related to.

The Company includes reserves for liabilities in conformity to IAS 19 "Employee benefits", with respect to retirement gratuities, employees' leaves, seniority awards and death benefits on the basis of actuarial reports.

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the Company establishes reserves for warranty repairs, bonuses and gratuities for the Management Board members and for costs of balance sheet audits.

Equity capitals are included in accounting books divided into their kinds and in accordance with the principles resulting from legal regulations and provisions of the Company's Charter. Equity capitals include:

- initial (share) capital shown in the nominal value of registered shares, conforming to the Company's Charter and the entry in the National Court Register,
- revaluation capital concerning changes in the fair market value of assets,
- other capitals, including:
- • supplementary capital created in compliance with the Code of Commercial Companies Article 396: from profit, in accordance with the Charter and from valuation of shares for the employees,
- • reserve capital allocated for buy-out of the Company's own shares
- retained profits, including previous years profit that has not been distributed or loss that has not been covered,
- net profit / loss – the financial result of the current year.

In the case of changes of accounting principles which significantly affect previous years' results, providing that the effects of those changes can be credibly established, the difference arising out of the transformation of statements for the previous years shall be charged to "retained profits".

If in a given accounting year, or before the approval of the financial statement for that year, a fundamental error is found having occurred in the previous years, as a result of which the statements for that year or the previous years cannot be regarded as reliable and clearly presenting the financial and property standing of the Company, the amounts of corrections of the errors shall be charged to equity capital as the item "retained profits".

Income (IAS 18) is recognized in such a value as the Company is likely to obtain economic profits related to a given transaction and providing that the amount of the income may be reasonably appraised.

Income from sales of products and goods is recognized if the significant risk and benefits arising out of the property rights to the products and goods have been transferred for the buyer.

Income from sales of services is included after the service has been completely performed.

Income due for lease of premises is recognized in monthly installments as of the last day of each month.

Interest revenues are recognized successively as accrued.

Costs are included in accordance with the principle of proportionality to profits. Costs are registered with respect to their kinds in section 4 and moved to the where they arise in section 5 on a running basis. At the end of an accounting period, costs from section 4 are carried to the account "Current year's financial result".

Fair market value of shares sold to the employees as part of staff motivation programmes at the nominal price is recognized in the wage and salary costs for a given period. Those liabilities are charged to the other IFRS 2 capitals at the one-off basis.

Segments of activity (IFRS 8) – the division into segments results from the management structure and internal reporting. The Company has adopted a reporting system based on industry segments and geographical segments.

In the industry segment, it conducts activity in the following assortment groups: industrial automatics, heat engineering, central lubrication, hydraulic control systems, casts, laboratory equipment, other products (services) and goods and materials.

In the geographical segment, the division into domestic and export sales was adopted. Within the framework of export sales, sales to EU countries and sales to countries outside the EU were singled out.

The Company presents the income received and expenses generated by individual segments. The industry and geographical segments mentioned above are presented on the level of net profit from sales. The results of activity if individual segments are systematically reviewed by the main body responsible for operational decision-making within the Company.

The Company in not able to separate the carrying value of assets and liabilities of particular segments, hence it does not ascribe it to particular segments.

Income tax (IAS 12)

Income tax constitutes an encumbrance of gross financial result and covers current tax and deferred tax.

Current tax is the amount determined on the basis of tax regulations, which is calculated from taxable income for a given period.

Current tax is recognized as a liability in the amount in which it has not been paid. If the amount paid so far due to current income tax exceeds the amount to be paid, the difference is included as receivable.

Deferred tax is calculated with the use of the balance sheet method. Deferred tax reflects the net tax effect of temporary differences between the carrying value of an asset or liability and its tax value. Assets and liabilities due to deferred income tax are calculated with the use of the binding tax rates predicted for the following years, in which the temporary differences are expected to be realized at the tax rates announced or established for the balance sheet day.

Deferred income tax assets concerning tax on negative temporary differences, as well as unused tax losses, are only accepted if sufficient tax base from which those differences may be deducted is likely to appear in the future.

Deferred income tax reserves are made regardless of the time when they are to be realized.

Deferred income tax assets and reserves are not discounted and they are classified in the Balance sheet as fixed assets or long-term liabilities, whichever is the case.

Total income statement

Total income statement covers the financial result of the period included in the profit and loss account and profits and losses not charged to the financial result of the period directly but shown in the equity capital.

Profit and loss account is made in a spreadsheet version and a comparative version. The financial result is established with the application of major accounting principles: the memorial, proportionality of profits and costs, caution, continuity and relevance.

Net profit per share, diluted profit per share

Net profit per share for each period is calculated by dividing the net profit for a given period by the weighted average number of shares in the given reporting period.

Diluted net profit per share means a necessity to adjust the net profit and the average weighted number of shares by effects of all diluting potential ordinary shares, whereas potential ordinary shares should be treated as diluting if their conversion to ordinary shares would reduce the net profit for a single ordinary share provided that the effect would continue.

Due to the fact that no potential ordinary shares occur, **the diluted profit per share equals net profit per share.**

Cash flow statement

Cash flow statement is made with the indirect method.

The accounting principles applied when making this interim financial statement comply with those applied when making the annual financial statement of the Company for the year finished on 31st December 2010, with the exception of application of the following new or amended standards and interpretations binding for annual periods beginning on 1st January 2011 or later:

- IAS 24 “Related Party Disclosures” (amended in November 2009) – binding for annual periods beginning on 1st January 2011 or later,
- Amendments to IAS 32 “Financial Instruments: Presentation: Classification of Rights Issues” – binding for annual periods beginning on 1st February 2010 or later,
- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards: Limited exemption for first-time adopters from presenting comparative data required by IFRS 7 for entities applying IFRS for the first time” – binding for annual periods beginning on 1st July 2010 or later),
- changes arising out of IFRS review (issued in May 2010) – some of the changes apply for annual periods beginning on 1st July 2010 or later, and some – for periods beginning on 1st January 2011
- Amendments to IFRIC 14 IAS 19 – “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: prepaid contributions related to minimum funding requirements” – binding for annual periods beginning on 1st January 2011 or later,
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” – binding for annual periods beginning on 1st July 2010 or later.

Adopting the above-mentioned standards and interpretations did not cause any significant changes in the accounting policy or in presentation of financial statements.

The following standards and interpretations have been issued by the International Accounting Standards Board or the IFRS Committee but have not yet come into force:

- IFRS 9 “Financial Instruments”, Phase 1 “Classification and measurement” – binding for annual periods beginning on 1st January 2013 or later – until the day of approval of this financial statement, the standard has not been approved by the EU. In the following phases, the International Accounting Standards Board is going to deal with hedge accounting and impairment. Completion of that project is forecast for the middle of the year 2011. Application of the first phase of IFRS 9 will affect classification and valuation of financial assets of the Company. The Company will evaluate that influence in relation to the other phases when they are issued, so as to present a consistent image.
- Amendments to IFRS 7 “Financial Instruments: Enhancing disclosures about transfers of financial assets” – binding for annual periods beginning on 1st July 2011 or later – until the day of approval of this financial statement, the standard has not been approved by the EU.

- IAS 12 – "Income Tax: Recovery of Underlying Assets" – binding for annual periods beginning on 1st January 2012 or later – until the day of approval of this financial statement, the standard has not been approved by the EU.
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Fixed Transition Dates Exemption" – binding for annual periods beginning on 1st July 2011 or later – until the day of approval of this financial statement, the standard has not been approved by the EU.

The Company did not decide to apply earlier any other standard, interpretation or amendment which has been issued but is not yet in force.

4. Information on adjustments due to reserves, deferred income tax reserve and assets, as well as write-offs made to revalue assets.

In the 1st quarter of the year 2011, the following adjustments related to reserves were made:

Item no.	Reserve's title	Position as of 01.01.2011	Making	Reduction	Position as of 31.03.2011 r.
1.	Deferred income tax	3 105	18	56	3 067
2.	Long-term reserve for retirement benefits	246	-	14	232
3.	Long-term reserve for seniority awards	360	45	-	405
4.	Long-term reserve for death benefits	83	-	4	79
5.	Short-term reserve for seniority awards	67	7	-	74
6.	Reserve for annual leaves	263	-	4	259
7.	Balance sheet audit costs	18	-	18	-
8.	Reserve for gratuity for the Management Board	16	20	-	36
9.	Other reserves	14	-	14	-

Changes in deferred income tax assets:

Item no.	Detailed list	Position as of 01.01.2011	Making	Reduction	Position as of 31.03.2011 r.
1.	Gross deferred income tax assets	813	8	27	794
2.	Write-offs revaluing deferred income tax assets	-	-	-	-
3.	Net deferred income tax assets	813	8	27	794

In the period under consideration, write-offs revaluing current assets were as follows:

Item no.	Current assets	Position as of 01.01.2011	Making	Reduction	Position as of 31.03.2011 r.
1.	Material supplies	1 302	1	43	1 260
2.	Supplies of production in progress	414	7	1	420
3.	Products supplies	158	1	3	156
	Total supplies	**1 874**	**9**	**47**	**1 836**
4.	Receivables	426	22	14	434

Segments of activity

The basic segments classification criterion is the industry division, i.e. division into assortment groups. The division is as follows:

List	Products and half-finished products						Services	Goods and materials	Non-classifield goods	Total
	Industrial automatics	Heat engineering	Central lubrication	Hydraulic control	Laboratory equipment	Industrial automatics				
Income										
Domestic	2 740	427	436	102	246	657	134	23	-	4 765
Export, including:	1 611	40	5	-	3	253	11	-	-	1 923
to EU countries	1 379	23	5	-	3	253	11	-	-	1 674
to countries beyond EU	232	17	-	-	-	-	-	-	-	249
Total income	**4 351**	**467**	**441**	**102**	**249**	**910**	**145**	**23**	**-**	**6 688**
Expenses										
Domestic	2 438	549	416	112	275	825	93	18	-	4 726
Export, including:	1 756	43	3	-	4	370	3	-	-	2 179
to EU countries	1 488	26	3	-	4	370	3	-	-	1 894
to countries beyond EU	268	17	-	-	-	-	-	-	-	285
Total expenses	**4 194**	**592**	**419**	**112**	**279**	**1 195**	**96**	**18**	**-**	**6 905**
Segment's result										
Domestic	302	-122	20	-10	-29	-168	41	5	-	39
Export, including:	-145	-3	2	-	-1	-117	8	-	-	-256
to EU countries	-109	-3	2	-	-1	-117	8	-	-	-222
to countries beyond EU	-36	-	-	-	-	-	-	-	-	-36
Segment's result	**157**	**-125**	**22**	**-10**	**-30**	**-285**	**49**	**5**	**-**	**-217**
Other income	-	-	-	-	-	-	-	-	82	82
Other expenses	-	-	-	-	-	-	-	-	56	56
Operating activity profit (loss)	**157**	**-125**	**22**	**-10**	**-30**	**-285**	**49**	**5**	**26**	**-191**
Financial income	-	-	-	-	-	-	-	-	119	119
Financial expenses	-	-	-	-	-	-	-	-	30	30
Profit before tax	**157**	**-125**	**22**	**-10**	**-30**	**-285**	**49**	**5**	**115**	**-102**
Income tax	-	-	-	-	-	-	-	-	-20	-20
Net profit	**157**	**-125**	**22**	**-10**	**-30**	**-285**	**49**	**5**	**135**	**-82**
Assets, capitals and liabilities										

List	Products and half-finished products: Industrial automatics	Heat engineering	Central lubrication	Hydraulic control	Laboratory equipment	Industrial automatics	Services	Goods and materials	Non-classifield goods	Total
Assets	-	-	-	-	-	-	-	-	48 041	**48 041**
Capitals	-	-	-	-	-	-	-	-	40 337	**40 337**
Liabilities	-	-	-	-	-	-	-	-	7 704	**7 704**
Other information										
Investment expenditure for tangible fixed assets	-	-	-	-	-	-	-	-	48	**48**
Investment expenditure for intangible assets	-	-	-	-	-	-	-	-	67	**67**
Amortization of tangible fixed assets	-	-	-	-	-	-	-	-	587	**587**
Amortization of intangible assets	-	-	-	-	-	-	-	-	7	**7**
Write-offs revaluing non-financial assets	-	-	-	-	-	-	-	-	2 397	**2 397**

For the period 01/01/2010 – 31/03/2010

List	Products and half-finished products: Industrial automatics	Heat engineering	Central lubrication	Hydraulic control	Laboratory equipment	Foundry	Services	Goods and materials	Non-classifield goods	Total
Income										
Domestic	2 293	339	267	93	279	354	128	45	-	3 798
Export, including:	978	21	4	-	9	93	2	1	-	1 108
to EU countries	842	1	4	-	9	93	2	1	-	952
to countries beyond EU	136	20	-	-	-	-	-	-	-	156
Total income	**3 271**	**360**	**271**	**93**	**288**	**447**	**130**	**46**	**-**	**4 906**
Expenses										
Domestic	2 160	449	357	133	329	542	103	35	-	4 108
Export, including:	1 128	27	3	-	8	165	1	-	-	1 332
to EU countries	909	-	3	-	8	165	1	-	-	1 086
to countries beyond EU	219	27	-	-	-	-	-	-	-	246
Total expenses	**3 288**	**476**	**360**	**133**	**337**	**707**	**104**	**35**	**-**	**5 440**
Segment's result										

List	Products and half-finished products									
	Industrial automatics	Heat engineering	Central lubrication	Hydraulic control	Laboratory equipment	Foundry	**Services**	**Goods and materials**	**Non-classifield goods**	**Total**
Domestic	133	-110	-90	-40	-50	-188	25	10	-	-310
Export, including:	-150	-6	1	-	1	-72	1	1	-	-224
to EU countries	-67	1	3	-	1	-72	1	1	-	-132
to countries beyond EU	-83	-7	-	-	-	-	-	-	-	-90
Segment's result	**-17**	**-116**	**-89**	**-40**	**-49**	**-260**	**26**	**11**	**-**	**-534**
Other income	-	-	-	-	-	-	-	-	124	124
Other expenses	-	-	-	-	-	-	-	-	142	142
Operating activity profit (loss)	**-17**	**-116**	**-89**	**-40**	**-49**	**-260**	**26**	**11**	**-18**	**-552**
Financial income	-	-	-	-	-	-	-	-	116	116
Financial expenses	-	-	-	-	-	-	-	-	123	123
Profit before tax	**-17**	**-116**	**-89**	**-40**	**-49**	**-260**	**26**	**11**	**-25**	**-559**
Income tax	-	-	-	-	-	-	-	-	-89	-89
Net profit	**-17**	**-116**	**-89**	**-40**	**-49**	**-260**	**26**	**11**	**64**	**-470**
Assets, capitals and liabilities										
Assets	-	-	-	-	-	-	-	-	47 778	**47 778**
Capitals	-	-	-	-	-	-	-	-	39 197	**39 197**
Liabilities	-	-	-	-	-	-	-	-	8 581	**8 581**
Other information										
Investment expenditure for tangible fixed assets	-	-	-	-	-	-	-	-	214	**214**
Investment expenditure for intangible assets	-	-	-	-	-	-	-	-	-	**-**
Amortization of tangible fixed assets	-	-	-	-	-	-	-	-	623	**623**
Amortization of intangible assets	-	-	-	-	-	-	-	-	5	**5**
Write-offs revaluing non-financial assets	-	-	-	-	-	-	-	-	2 484	**2 484**

Besides, for the needs of internal management, the financial reporting system makes it possible to identify financial results according to the territorial criterion.

Detailed list	01.01.2011 -31.03.2011	Structure %	01.01.2010 -31.03.2010	Structure %	Change %
Total income from product sales, including:	**6 665**	**100,0%**	**4 859**	**100,0%**	**37,2%**
Domestic	4 742	71,1%	3 751	77,2%	26,4%
- Export, including:	1 923	28,9%	1 108	22,8%	73,6%
- Internal delivery of goods to EU	1 674	25,1%	952	19,6%	75,8%
- Export beyond EU	249	3,7%	156	3,2%	59,6%
- Income from sales of goods and materials, including:	**23**	**100,0%**	**46**	**100,0%**	**-50,0%**
Domestic	23	100,0%	45	97,8%	-48,9%
Export	-	0,0%	1	2,2%	-100,0%

6. Short description of the Issuer's significant achievements or failures in the reporting period and a list of the major events related to them.

The Company is continuing multi-direction actions aimed at improvement of organization and enhancing the effectiveness of functioning of the whole firm. Effective introduction of those actions is planned for not later than the end of the year 2011. Below, the results of particular months of the 1st quarter are presented.

Months of 1st quarter 2011	2011/01	2011/02	2011/03
Result from sales	-236	-65	85
Net result	-254	7	165

On the total activity, in the 1st quarter of 2011 the Company noted a net loss amounting to PLN 82 thousand, and in the 1st quarter 2010, the net loss amounted to PLN 470 thousand.
For the 1st quarter 2011, the Company increased the net cash position by PLN 1,057 thousand. That results from effective actions concerning reduction of receivables from the Company's clients.

7. Description of factors and events, particularly untypical ones, influencing the financial results obtained.

There were no such factor or events.

8. Explanations concerning seasonality or cyclicality of the Issuer's activity in the presented period.

In the presented period, neither seasonality nor cyclicality of the issuer's activities occurred.

9. Information on issuance, redemption and paying off of non-equity and capital securities.

In the period from the beginning of the year to the balance sheet day, the Company did not make a redemption or paying off of non-equity or capital securities.

10. Information on paid-off (or declared) dividends, jointly and per share, divided into common stocks and preference stocks.

The Company did not pay off and did not declare the payment of any dividends.

11. Indication of events occurring after the day as of which the condensed quarterly report was made, not included in the report but likely to have a significant influence on the issuer's future financial results.

According to the Management Board's assessment, after the day for which the condensed quarterly report was made no events occurred which could have a significant influence on the issuer's future financial results.

12. Information concerning changes in contingent liabilities or contingent assets occurring since the end of the last accounting year.

There have been the following changes in contingent liabilities since the end of the last accounting year:

Position as of 31/12/2010	Increases	Decreases	Position as of 31/03/2011
2,660	282	341	2,601

The increase in contingent liabilities concerned collateral for entrusted material in the amount of PLN 282 thousand, and the decrease concerned collateral for leasing liabilities, amounting to PLN 135 thousand, as well as liabilities due for entrusted material, amounting to PLN 206 thousand.

There have been no changes in contingent assets since the end of the last accounting year.

13. List of differences between the data presented in this financial statement and comparable financial data and the financial statements made and published previously.

The data for the 1st quarter of 2010, presented in report Q1/2010, differ from those for the 1st quarter of 2010 presented as comparative data in the report for the 1st quarter of 2011. The differences are as follows:

Statement of changes in equity

	Detailed list	Report Q1/2011	Report Q1/2010	Difference
A.	**Cash flow from investment activity**			
	Interest received	101	-	101
	Net cash used in investment activity	**-91**	**-192**	**101**
B.	**B. Cash flow from financial activity**			
	Payments due for interest on deposits	-	101	-101
	Net cash from financial activity	**-138**	**-37**	**-101**

Off-balance items

Detailed list	Report Q1/2011	Report Q1/2010	Difference
Contingent receivables	**-**	**550**	**-550**
From other units (due for)	-	550	-550
- guarantees and warranties received	-	550	-550

14. Description of organisation of the issuer's group, with indication of units subject to consolidation.

The Company does not make a group; it is not a holding company for other entities and does not make a consolidated report.

15. Indication of the effects of changes in the economic unit's structure, including business combination, takeover or sale of units of the issuer's group, long-term investments, division, restructuring or abandonment of activities.

The Company did not make any changes in its structure; neither did any combination, takeover or sale of group's units occur. In the period discussed, no changes in long-term investments took place and the Company did not abandon any activity.

16. The Management Board's stance towards the possibility of fulfillment of the result forecasts for a given year issued previously, against the background of the results presented in the quarterly report in relation to the forecast results.

The Management Board did not issue any forecasts of "POLNA" S.A.'s results for the year 2011.

17. Indication of the shareholders holding directly or indirectly (through dependent entities) at least 5% of votes at a General Shareholders Meeting as of the day of issuing the report, along with indication of the number of shares held by those entities, their percentage share in the share capital, the resulting number of votes and their percentage share in the total number of votes at an GSM, as well as indication of changes in the ownership structure of the issuer's significant blocks of shares in the period from issuing the previous report:

According to the issuer's knowledge, the composition of shares ownership holding at least 5% of the total number of the votes at an GSM is the following:

Shareholder	Number of shares	Share In the share capital (%)	Number of votes/shares at GSM	Share In the Total number of GSM (%)
Zbigniew Jakubas	780 179	30,18	780 179	30,18
Affiliated entity Wartico Invest Sp. z o.o.	384 474	14,87	384 474	14,87
Affiliated entity Multico Sp. z o.o.	46 079	1,78	46 079	1,78
Zbigniew Jakubas and affiliated entities jointly	**1 210 732**	**46,83**	**1 210 732**	**46,83**
Radosław Kamiński with a close companion	140 405	5,43	140 405	5,43

Since the issuance of the annual report, no changes in the ownership structure of significant blocks of shares of the issuer have occurred.

18. Specification of the ownership of the Issuer's shares or right to the shares by the individuals managing and supervising the Issuer as of the day of issuing the quarterly report, as well as indication of changes in the ownership, within the period from issuing the previous periodical report, for each person individually.

According to the Issuer's knowledge, the individuals currently managing or supervising the Company do not hold any shares of the Company.

19. Indication of proceedings taking place before the court, a competent arbitration body or a public administration body, concerning obligations or liabilities of the Issuer or their subsidiary.

No proceedings concerning obligations or liabilities of the Company or its subsidiary of total value exceeding 10% of their equity capital are taking place before any court or public administration body.

20. Concluding by the issuer or their subsidiary one or more transactions with affiliated entities, if individually or jointly they are significant and were concluded on terms and conditions other than market conditions.

No such transactions occurred.

21. Information on the Issuer or their subsidiary guaranteeing a credit or loan or giving guarantee – jointly to one entity or a unit dependent on it, if the value of the warranties or guarantees is equivalent to at least 10% of the Issuer's equity capital.

In the first quarter of 2011, the Company did not guarantee any credit or loan and did not give any guarantees.

22. Other information, important in the Issuer's opinion for the evaluation of their personnel, property and financial condition, the financial result and changes in those data, and information important for evaluation of the Issuer's capacity for performing their obligations.

- Financial resources of "POLNA" S.A. allow them for fulfillment of their contracted obligations. At the end of the 1st quarter of 2011, the current liquidity ratio (calculated as the ratio between current assets and short-term liabilities) amounted to 5.1. The high current liquidity ratio is greatly influenced by the cash possessed, which the Company is planning to assign for acquisition of certain entities so as to create a group.
- Planned acquisition of a business entity. Analyses of entities within the industry, conducted so far, indicate that the Company should not restrict the development by creating a group only by means of entities out of the industry.
- Consistent actions towards the development of back-up of constructors.

23. Indication of factors which in the Issuer's opinion will influence the results achieved by them in the period not shorter than the next quarter.

The most important factors which may influence the Company's financial condition in the next quarter include:

- Opening the job market in Germany increases the risk of loss of specialists from individual key areas. That is strengthened by the staff's expectations towards the Company regarding the policy of remunerations, motivation and human resources management.
- Planned search for possibilities of gaining the new market in the South Europe (Italy).
- Planned broadening of the scope of production activity.

Przemyśl, 13rd May 2011