

REPORT

on the operations of the Supervisory Board of POLNORD S.A. with the registered office in Gdynia in the year 2009 as well as on the results of the assessment: of the Management Board's Report on the operations of the Company in 2009 and the financial statements of POLNORD S.A. for the year 2009, the Management Board's Report on the operations of the POLNORD S.A. Capital Group in the year 2009 as well as the consolidated financial statements of the POLNORD S.A. Capital Group for 2009, and the Management Board's motion regarding the profit distribution for the year 2009

I. As at December 31st, 2009, the composition of the Supervisory Board was as follows:

Ryszard Krauze	- Chairman of the Supervisory Board
Bartosz Jałowiecki	- Member of the Supervisory Board
Barbara Ratnicka-Kiczka	- Member of the Supervisory Board
Wiesław Walendziak	- Member of the Supervisory Board
Tomasz Buzuk	- Member of the Supervisory Board
Maciej Grelowski	- Member of the Supervisory Board
Marek Modecki	- Member of the Supervisory Board
Robert Raczkowski	- Member of the Supervisory Board.

In 2009, the following changes in the Company's Supervisory Board's composition took place:

- as of 29.06.2009, Mr. Zbigniew Szachniewicz tendered his resignation from the function of a Member of the Supervisory Board,
- as of 30.06.2009 Mr. Dariusz Górka tendered his resignation from the function of a Member of the Supervisory Board,
- on 06.07.2009, the General Shareholders Meeting of the Company of 30.06.2009, renewed on 06.07.2009, appointed the following persons to act as members of the Supervisory Board: Mr. Tomasz Buzuk, Mr. Maciej Grelowski and Mr. Marek Modecki,
- as of 08.10.2009, Mr. Robert Raczkowski was appointed to act as a Member of the Supervisory Board of the Company following the registration, on 08.10.2009, by the District Court Gdańsk Północ in Gdańsk, of the amendments to the Articles of Association of the Company on the basis of the Resolution no. 4 of the Extraordinary Shareholders Meeting of 30.09.2009.

In the period from 1 January to 31 December 2009, a Member of the Supervisory Board, Mr. Bartosz Jałowiecki acted as the Board's Secretary.

The Supervisory Board of the Company, by way of the Resolution no. 26/2009 of 25.11.2009 appointed the Supervisory Board Audit Committee in the following composition:

Maciej Grelowski - Chairman of the Committee,
Marek Modecki- Deputy Chairman of the Committee,
Wiesław Walendziak – Member of the Committee.

A Member of the Audit Committee who meets the independence criteria and has the qualifications in the scope of accountancy and financial audit, provided for in the Act on Statutory Auditors and their Self-Governance, Entities Entitled to Examine Financial Statements and Public Supervision of 07.05.2009, is Mr. Maciej Grelowski.

II. In the reporting period, the Supervisory Board operated pursuant to regulations of the Commercial Companies Code, provisions of the Company's Articles of Association and Regulations of the Supervisory Board, specifying its organisation, manner of performing its duties and the Good Practices of Companies Listed on the WSE.

Two sessions of the Supervisory Board were held in 2009. Due to the appointment of the Audit Committee, instead of the third session of the Supervisory Committee, the first session of the a/m Committee of the Supervisory Board took place. Moreover, pursuant to art. 388 § 3 of the Commercial Companies Code and § 17 sections 2 and 3 of the Company's Articles of Association, the Supervisory Board adopted resolutions by way of correspondence (written) vote or using direct

remote communication means. The Management Board supplied the Supervisory Board with exhaustive information on all the material issues related to the Company's activity.

In 2009, the Supervisory Board adopted 29 resolutions in total, including without limitations, with regard to:

- granting the consent to exclude in a part or in whole the right of hitherto shareholders to take up shares (including in relation to the shares issued within the target capital as well as other subscription warrants);
- granting the consent for POLNORD S.A. to participate in other companies;
- granting the consent to conclude an agreement with a subsidiary;
- approval of terms and conditions of the issuance of bonds convertible into shares;
- appointing the Audit Committee and adopting the Audit Committee Regulations;
- election of the statutory auditor to examine the individual and consolidated financial statements for the year 2009;
- changes to be made in the Company's Management Board's composition;
- introducing amendments to the Regulations of the Management Options Scheme;
- adopting the consolidated text of the Company's Articles of Association;
- approval of the Supervisory Board's Report on operations for the year 2008;
- expressing the opinion as regards draft resolutions to be considered by the General Shareholders Meeting.

III. At the Supervisory Board's sessions, subject to analysis were the financial condition of the Company, the results of the Company for the past period of operations, including in particular the level of sales and costs in respective fields of activity of POLNORD S.A. and the Capital Group, in which POLNORD S.A. is the dominant entity, and also the profitability and liquidity ratios.

The Supervisory Board also analysed ongoing activities of the Management Board, concerning management of the Company's financial liquidity. The Supervisory Board analysed Management Board activities related to the acquisition of new real estates, participation in new companies and the execution of specific development projects. Matters concerning the real estate development activity pursued within the POLNORD S.A. Capital Group were also subject to consideration.

IV. The Supervisory Board, acting in line with its statutory responsibilities, taking into account the opinions and reports of the statutory auditor – BDO Sp. z o.o. company – concerning the financial statements of the Company for 2009 and the consolidated financial statements of the POLNORD S.A. Capital Group for 2009, which were subject to the audit, has considered and assessed material and financial condition of the Company for the financial year 2009 on the basis of the following documents:

- a) the Company's Management Board's Report on Operations of the Company for 2009;
- b) the Company's financial statements for the financial year from 1 January to 31 December 2009, including:
 - statement of financial condition (balance sheet) as at December 31, 2009, which recorded:
 - on the side of assets and liabilities, the amount of kPLN 1,416,201;
 - share capital in the amount of kPLN 44,357;
 - income statement for the year 2009 closing with:
 - net profit in the amount of kPLN 57,839;
 - statement on movements in equity,
 - recording an increase in the equity in the amount of kPLN 174,538;
 - cash flow statement for 2009,
 - recording increase in the cash balance by the net amount of kPLN 313;
 - additional information and explanation,
- c) consolidated financial statements of the POLNORD Capital Group for the financial year from January 1st to December 31st, 2009, including:
 - consolidated statement of financial condition (balance sheet) as at December 31, 2009, which recorded:
 - on the side of assets and liabilities, the amount of kPLN 2,022,481;
 - consolidated income statement closing with:
 - net profit in the amount of kPLN 63,634;
 - consolidated statement on movements in equity

- recording increase in the equity in the amount of kPLN 192,624;
- consolidated cash flow statement
for 2009, recording an increase in cash balance by the amount of kPLN 27,970;
- additional information and explanation;

d) the Management Board's Report on activity of the POLNORD S.A. Capital Group for 2009.

Furthermore, the Supervisory Board considered and assessed the motion of POLNORD S.A.'s Management Board related to the proposal of 2009 net profit distribution.

V. The statutory auditor examining financial statements of the Company for the year 2009, established that the statements:

- present truly and fairly all the information which is vital for the assessment of the material and financial standing of POLNORD S.A. as at December 31, 2009, and of its financial results for the financial year from January 1, 2009, to December 31, 2009,
- have been drafted, in all material aspects, in accordance with the accounting principles (policies) resulting from the International Financial Reporting Standards and the relevant interpretations published in the form of regulations of the European Commission, and within the scope not covered by these Standards – pursuant to the Accounting Act and secondary legislation issued on the basis thereof, and on the basis of properly maintained accounting books,
- are consistent with the provisions of the law influencing the contents of the financial statement and the provisions of the Company's Articles of Association.

The statutory auditor did not notify any objections with regard to the correctness and reliability of the financial statements under examination. At the same time, the auditor in their opinion drew the attention to the item 13.3 and 20 of the additional information and explanations appended to the financial statements and addressing the issue of investment property. The Company included to the investment properties the land in Dopiewiec n/Poznań, purchased by way of transfer of the ownership to an affiliated company on October 28, 2009, in result of the execution of the Investment Agreement of March 2009. When concluding the investment agreement, POLNORD S.A. planned the execution of a development project on this property, not taking however any binding decision in this scope. As at the day of purchase of the property, due to a review of investment plans of POLNORD S.A. which do not provide for a launch of the a/m project in a foreseeable period of time, the Company classified this property as an investment property held to grow its value. In line with the Company's policy in the scope of investment properties, Polnord S.A. appraised the real property in Dopiewiec up to the fair value, and the revaluation surplus totalling mPLN 59.9 was accounted for in the income statement for the audited period.

The Management Board's report on the Company's activities is complete within the meaning of Article 49 of the Accounting Act and the Ordinance of the Minister of Finance of February 19, 2009, on current and interim information provided by issuers of securities and conditions of accepting information required by the legal provisions binding in a country which is not an Member State as equivalent thereto (Journal of Laws of 2009 No. 33 item 259), and the Information contained in the Report and derived from the financial statements are compliant with the latter.

VI. The statutory auditor who examined the consolidated financial statements of the POLNORD S.A. Capital Group for the year 2009 established, that the statements:

- present truly and fairly all the information which is vital for the assessment of the material and financial standing of POLNORD Capital Group as at 31 December 2009 and of its financial results for the financial year from 01 January 2009 to 31 December 2009,
- have been drafted, in all material aspects, in accordance with the accounting principles (policies) resulting from the International Financial Reporting Standards and the relevant interpretations published in the form of regulations of the European Commission, and within the scope not covered by these Standards – pursuant to the Accounting Act and secondary legislation issued on the basis thereof, and on the basis of properly maintained accounting books,
- are in accordance with the provisions of the law binding upon the POLNORD Capital Group and influencing the contents of the consolidated financial statement.

The statutory auditor did not file any objections with regard to the correctness and reliability of the financial statements of the POLNORD S.A. Capital Group, subject to the examination. At the same time, the auditor in their opinion drew the attention to the item 13.3 and 21 of the additional information and explanations appended to the consolidated financial statements and addressing the issue of investment property. POLNORD S.A., as the Dominant Entity of the Group, included to the investment properties the land in Dopiewiec n/Poznań, purchased by way of transfer of the ownership to an affiliated company on October 28, 2009, in result of the execution of the Investment Agreement of March 2009. When concluding the investment agreement, POLNORD S.A. planned the execution of a development project on this property, not taking however any bidding decision in this scope. As at the day of purchase of the property, due to a review of investment plans of POLNORD S.A. which do not provide for a launch of the a/m project in a foreseeable period of time, the Company, as the Dominant Entity, classified this property as an investment property held to grow its value. In line with the Group's policy in the scope of investment properties, Polnord S.A. appraised the real property in Dopiewiec up to the fair value, and the revaluation surplus totalling mPLN 59.9 was accounted for in the income statement for the audited period.

The Management Board's report on the POLNORD S.A. Capital Group's activities is complete within the meaning of Article 49 of the Accounting Act and the Ordinance of the Minister of Finance of February 19, 2009, on current and interim information provided by issuers of securities and conditions of accepting information required by the legal provisions binding in a country which is not an Member State as equivalent thereto (Journal of Laws of 2009 No. 33 item 259), and the Information contained in the Report and derived from the consolidated financial statements are compliant with the latter.

VII. With regard to the above, acting pursuant to § 16 item 3 point 1 and point 2 of the Company's Articles of Association, the Supervisory Board, within its statutory obligations:

- a) assessed positively the financial statements of the Company for 2009, including the statement of financial condition (balance-sheet), income statement and cash flow statement;
- b) assessed positively the Management Board's Report on activity of the Company for 2009;
- e) assessed positively the financial statement of the POLNORD S.A. Capital Group for 2009;
- d) assessed positively the Management Board's Report on the operations of the POLNORD S.A. Capital Group for 2009.

VIII. The Supervisory Board – pursuant to art. 382 § 1 and § 3 of the Commercial Companies Code as well as § 16 section 3 item 2 of the Articles of Association of POLNORD S.A. – after having examined the documents submitted and familiarising with the opinion of statutory auditors, as well as taking into account the positive assessment of the statements referred to above, considered the motion of the Management Board related to the distribution of the Company's net profit generated in 2009 – and taking into account the reasons contained in the said motion – assessed positively the proposal of earmarking the Company's net profit generated in 2009 in the amount of PLN 57,839,102.22 (say: fifty seven million eight hundred thirty nine thousand one hundred two zloty and twenty two grosz):

- 1) in the amount of PLN 12,329,188.38 (say: twenty million three hundred twenty nine thousand one hundred eighty eight zloty thirty eight grosz), to cover losses from preceding years,
- 2) in the amount of PLN 9,541,243.34 (say: nine million five hundred forty one thousand two hundred forty three zloty thirty four grosz), for the dividend of Shareholders (which results in the amount of PLN 0.43 per 1 share),
- 3) in the amount of PLN 35,968,670.50 (say: thirty five million nine hundred sixty eight thousand six hundred seventy zloty fifty grosz) to increase the supplementary capital of the Company.

IX. Assessment of the Company's condition in 2009

After reviewing the Management Board's Report on the operations of the Company for the year 2009, financial statements of the Company for 2009 and the opinion of statutory auditor on examination of the financial statements of the Company, it is hereby established, as follows:

The year 2009 still falls within the period of substantial disturbances on the global financial and economic market. The real estate sector, dependent on banking sector going through difficult times was hit especially hard as a result of the above events. The most significant consequences of these turbulences include suspension of new loans by banks, reduced demand resulting from clients being in fear of losing their jobs, further significant loss of market value of real estate development assets.

Despite the difficult situation on the real estate market, POLNORD S.A., in result of the business activity it pursued, generated in 2009 a positive financial result in the amount of kPLN 57,839. The main source of sales revenues generated by the Company was the revenues gained from sale of land and residential premises.

As at 31 December 2009 the current assets constituted a substantial part of the overall value of assets (63%). Such a high proportion is due to the character of the Company's core activities and recognising land held for future investments under "Inventories - commodity" item. In 2009, commodities (mainly land) constituted 95% of the overall value of inventories. The Company's tangible fixed assets constituted only 0.2% of the overall value of assets. The analysis of assets structure shows that the business activity of the Company in the reporting period was in 79% financed with the equity, and in 21% - with the external capital. The fixed assets of POLNORD S.A. was covered in whole with the equity.

In 2009, the Company's assets profitability ratio increased on the preceding year and amounted to 4.1%, which means that each PLN 100 of used fixed assets generated more than PLN 4.00 of net profit. In the audited period we could also witness an increase of return on equity to the level of 5.2%. Both indicators went up first of all due to the increase in value of the Company's assets as well as in value of the equity, mainly in result of the increase of the Company's supplementary capital value by the amount of profit generated by POLNORD S.A. in the year 2009, which remained within the Company, as well as the increase of the share capital value by N, O, P and H shares issue.

In 2009 on preceding year, the level of financial liquidity of the Company increased, which was connected first of all with regular decrease in value of short-term liabilities. The rate of indebtedness of the Company went down on the preceding year by nearly 8 percentage points.

The results generated in 2009, as well as overall financial standing of POLNORD S.A. do not indicate any threat to the Company's going concern in the year 2010, within the meaning of the provisions of the Accounting Act. In the Supervisory Board's opinion, POLNORD S.A. is well prepared to cope with market challenges in 2010.

X. Assessment of internal control system and material risk management system functioning at POLNORD S.A.

The Company has implemented and continuously and actively develops the internal control and risk management system. The scope of this system covers such areas as e.g.:

- Controlling,
- Accounting,
- Reporting and consolidation,
- Forecasting and financial analyses.

As part of the internal audit and risk management system, the Company implemented a number of organisational solutions and procedures, implementing corporate standards that guarantee success of performed audit, as well as identification and elimination of risks, including:

- Organisational and financial spin-off of carried out real estate development projects executed by the establishment of special purpose vehicles,
- Streamlining of the Accounting Policy, reporting principles and account records across the Capital Group,
- Application of a consistent model of financial reporting for external and internal purposes,
- Clear distribution of responsibilities and capabilities among the financial personnel, as well as medium and senior level management,
- Principle of cyclical and formalisation of the review of budget assumptions and financial forecasts.
- Having financial statements reviewed and audited by a statutory auditor.

Responsible for preparation of financial statements and current reporting for the Company's management purposes, is a team of highly qualified employees of the financial and accounting department. The Company, while enabling participation in trainings and the relevant courses of studies, takes all reasonable endeavours to ensure that its staff continually improve their

qualifications, while remaining up-to-date with the requirements imposed by external regulations, as well as solutions and tools from a widely understood finance area.

In the process of preparing financial statements, the Company takes advantage of the dedicated IT tools which support ongoing control of accounting operations and controlling calculations. The basic IT systems used by the Capital Group include:

- Integrated IT system recording transactions in line with the accounting policy adopted by the Company (Asseco Softlab ERP),
- Electronic log of purchase invoices,
- Calculation package for real estate development investments, including the investment budget (income, costs and cashflow) and well as performance against the budget,
- Consolidation package for preparation of the Capital Group's financial statements.

From the point of view of minimising the risk of error and in order to deliver true and fair financial statements, a key role at the Capital Group is played by the financial Controlling Department of the Company which in cooperation with medium and senior management of the Company and authorities of companies from the Capital Group, performs reviews, reconciliation and consolidation of the basic financial data on real estate development investments and construction contracts carried out at the Capital Group S.A.

An important tool enabling:

- a) acquisition by the Management Board of the Company of systematic information supporting the process of decision taking as regards executed development projects and key business areas and
 - b) identification of risks which should be recorded in the financial statements
- is the Management Information System (MIS) functioning at the Company.

Within the MIS there are organised, on a monthly basis, meetings of the Management Board and the executives of the Company, at which individual development projects are subject to analysis in the scope of sales level, execution of the project's budget, cash flow forecasts and where decisions are taken as regards further actions both within the individual development projects as well as the whole organisation. At the MIS meeting, there are also beforehand identified the areas of possible risk and ineffectual areas within the organisation itself, which enables reacting in advance.

Pursuant to the effective legal regulations, the Company reports its financial statements to be reviewed or audited by an independent statutory auditor with recognised and appropriately high qualifications. The Company's Supervisory Board selects the independent auditor pursuant to the authorisation issued by the General Shareholders Meeting.

In the Supervisory Board's opinion, in the light of the above, the internal control system as well as the risk management system dealing with substantial risk for the Company operate correctly.

XI. Based on § 22 item 1 point 8 of the Articles of Association of POLNORD S.A., the Supervisory Board of the Company hereby applies to the General Shareholders Meeting for:

1. approval of the financial statements of the Company for the year 2009, including the statement of financial condition (balance sheet), income statement and cash flow statement and additional information and explanations (in the form of R-2009 report);
2. approval of the Management Board's Report on activity of the Company for 2009;
3. approval of the consolidated financial statements of POLNORD S.A. Capital Group for the year 2009, including the consolidated statement of financial condition (balance sheet), consolidated income statement and consolidated cash flow statement, and additional information and explanations;
4. approval of the Management Board's Report on the operations of the POLNORD S.A. Capital Group for 2009;
5. taking a decision in respect of the profit distribution with circumstances pointed out by the Management Board taken into account;
6. granting the approval of performance of duties to the following Members of the Management Board:
 - Wojciech Ciurzyński - for the period from 1 January to 31 December 2009;
 - Bartłomiej Kolubiński - for the period from 1 January to 18 June 2009;

- Piotr Wesołowski - for the period from 1 January to 31 December 2009;
- Andrzej Podgórski - for the period from 1 January to 31 December 2009;
- Michał Świerczyński - for the period from 25 November to 31 December 2009.

XII. At the same time, the Supervisory Board applies to the General Shareholders Meeting for approval hereof and granting Members of the Supervisory Board the approval of performance of duties for the year 2009.

§ 2

The Resolution comes into force as of the day of its adoption.

§ 3

Pursuant to § 17 section 2 of the Company's Articles of Association and in connection with art. 388 § 3 of the Commercial Companies Code, this resolution is passed in the written mode by way of correspondence voting and in accordance with § 13 section 1 sentence 2 of the Regulations of Supervisory Board's operation and enters into force as at the moment its approval is signed by more than a half of members of the Board.