

Polna
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Polish Financial Supervision Authority

Quarterly Report Q

1 / 2010
(quarter) / (year)

for issuers of securities conducting production, construction, commercial or service activity

for the 1st quarter of the financial year 2010, covering the period from 2010/01/01 until 2010/03/31

including a condensed financial statement made in accordance with IFRS

Currency: PLN

Date of issue: 14th May 2010

Zakłady Automatyki Polna SA
(full issuer's name)

Polna
(abbreviated issuer's name)

Electrical engineering
(sector by Warsaw's Stock Exchange's classification)

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(Tax Identification Number - NIP)

650009986
(National Business Registry Number - REGON)

SELECTED FINANCIAL DATA	In PLN thousand		In EUR thousand	
	1 st quarter(s) cumulatively / 2010, from 2010/01/01 until 2010/03/31	1 st quarter(s) cumulatively / 2009, from 2009/01/01 until 2009/03/31	1 st quarter(s) cumulatively / 2010, from 2010/01/01 until 2010/03/31	1 st quarter(s) cumulatively / 2009, from 2009/01/01 until 2009/03/31
I. Net income from products, goods and materials sales	4 906	6 974	1 237	1 516
II. Profit (loss) from operating activity	-552	563	-139	122
III. Gross profit (loss)	-559	-560	-141	-122
IV. Net profit (loss)	-470	-506	-118	-110
V. Net cash flow from operating activity	-846	2 200	-213	478
VI. Net cash flow from investment activity	-192	-94	-48	-20
VII. Net cash flow from financial activity	-37	40	-9	9
VIII. Total net cash flow	-1 075	2 146	-271	467
IX. Total assets	47 778	46 579	12 371	11 338
X. Long-term liabilities	4 190	4 271	1 085	1 040
XI. Short-term liabilities	4 391	2 641	1 137	643
XII. Equity capital	39 197	39 667	10 149	9 656
XIII. Share capital	9 823	9 823	2 543	2 391
XIV. Number of shares	2 585 026	2 585 026	2 585 026	2 585 026
XV. Profit (loss) per ordinary share (in PLN/EUR)	-0,18	-0,20	-0,05	-0,04
XVI. Diluted profit (loss) per ordinary share (in PLN/EUR)	-0,18	-0,20	-0,05	-0,04
XVII. Book value per share (in PLN/EUR)	15,16	15,34	3,93	3,74
XVIII. Diluted book value per share (in PLN/EUR)	15,16	15,34	3,93	3,74
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 01/01/2010 to 31/03/2010 and for the comparative period from 01/01/2009 to 31/03/2009 (the amounts were converted to EUR at the exchange rate for the year 2010, i.e. EUR 1 = PLN 3.9669, and for the year 2009, EUR 1 = PLN 4.5994);

- items from IX to XIII and items XVII-XVIII were presented as of 31/03/2010, and for the comparative period, as of 31/12/2009 (the amounts were converted to EUR at the exchange rate for 31/03/2010, i.e. EUR 1 = PLN 3.8622, and for 31/12/2009, at the exchange rate EUR 1 = PLN 4.1082).

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_2010.pdf	Financial statement for the 1 st quarter of the year 2010

SIGNATURES OF INDIVIDUALS REPRESENTING THE COMPANY

Date	Full name	Title/Function	Signature
2010/05/14	Jan Zakonek	President of the Management Board	
2010/05/14	Jacek Lechowicz	Member of the Management Board	

QUARTERLY REPORT FOR THE 1ST QUARTER OF THE YEAR 2010



ZAKŁADY AUTOMATYKI „POLNA”

Spółka Akcyjna

**CONDENSED UNITARY STATEMENT FOR THE PERIODS OF THE 1ST QUARTER FINISHING ON
31ST MARCH 2010 AND 31ST MARCH 2009, PREPARED IN COMPLIANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS**

UNITARY FINANCIAL STATEMENT

STATEMENT OF FINANCIAL STANDING (BALANCE SHEET)	Position as of 2010/03/31 (end of quarter 2010)	Position as of 2009/12/31 (end of previous year, 2009)	Position as of 2009/03/31 (end of quarter 2009)
ASSETS	30 434	30 748	31 062
I. Fixed assets	29 439	29 756	30 622
Tangible fixed assets	-	-	-
Investment property	-	-	-
Goodwill	53	58	72
Other intangible assets	-	-	-
Financial assets	-	-	-
Loans	942	934	368
Deferred income tax assets	-	-	-
Other prepayments and accrued income	17 344	15 831	18 961
II. Current assets	4 405	3 625	5 074
Supplies	4 673	3 563	4 627
Trade receivables and other receivables	-	-	-
Receivables due to income tax	53	44	30
Financial assets	-	-	-
Loans	7 475	8 547	7 922
Cash and cash equivalents	738	52	768
Prepayments and accrued income	-	-	540
Fixed assets earmarked for disposal	47 778	46 579	50 023
Total assets			
EQUITY AND LIABILITIES	39 197	39 667	36 985
I. Equity	9 823	9 823	9 823
Initial capital	-	-	-
Revaluation capital	7 511	7 511	7 498
Other capitals	22 333	20 157	20 170
Retained profits	-470	2 176	-506
Net profit (loss)	4 190	4 271	5 237

II. Long-term liabilities	-	-	-
Credits and loans	3 339	3 420	3 446
Deferred income tax reserves	548	548	1 007
Long-term reserves for liabilities	303	303	784
Leasing liabilities	-	-	-
Other long-term liabilities	-	-	-
Prepayments and accruals	4 391	2 641	7 801
III. Short-term liabilities	3 308	1 385	6 813
Liabilities due for deliveries and services, other liabilities	-	-	-
Short-term credits and loans	-	-	-
Current tax liabilities	381	482	270
Leasing liabilities	700	762	718
Short-term reserves	2	12	-
Prepayments and accruals	47 778	46 579	50 023
Total liabilities	30 434	30 748	31 062
Book value	39 197	39 667	36 985
Number of shares	2 585 026	2 585 026	2 585 026
Book value per share (in PLN)	15,16	15,34	14,31

OFF-BALANCE SHEET ITEMS

Off-balance sheet items	Position as of 2010/03/31 (end of quarter 2010)	Position as of 2009/12/31 (end of previous year, 2009)	Position as of 2009/03/31 (end of quarter 2009)
Contingent receivables	550	550	550
From other units (due for)	550	550	550
- guarantees and warranties received	6 350	6 299	2 277
Contingent liabilities	6 350	6 299	2 277
In favour of other units (due for)	-	-	-
- guarantees and warranties granted	4 000	4 000	-
- collateral of credits and loans - blank bill of exchange	79	74	48
- collateral of contracts - blank bill of exchange	200	200	200
- collateral of liabilities for goods delivered - blank bill of exchange	1 963	1 963	1 963
- collateral of leasing - blank bill of exchange	108	62	66
- liabilities due for entrusted materials	6 900	6 849	2 827

Total of off-balance sheet items	550	550	550
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STATEMENT OF CHANGES IN EQUITY

Equity items	Initial capital	Revaluation capital	Other capitals	Retained profits	Total
Balance as of 01/01/2010	9		7 511	22 333	39 667
Change of accounting policy principles			-	-	-
Adjusted balance	9		7 511	22 333	39 667
Net profit presented directly in equity			-	-	-
Net profit for the period			-	-470	-470
Total profit and loss included within the period			-	-470	-470
Including change of accounting policy principles			-	-	-
Dividends			-	-	-
Initial capital issued			-	-	-
Distribution of profit for the year 2009			-	-	-
Balance as of 31/03/2010	9		7 511	21 863	39 197

Equity items	Initial capital	Revaluation capital	Other capitals	Retained profits	Total
Balance as of 01/01/2009	9		7 498	19 763	37 084
Change of accounting policy principles			-	-	-
Correction of fundamental errors			-	407	407
Adjusted balance	9		7 498	20 170	37 491
Net profit presented directly in equity			-	-	-
Net profit for the period			-	2 176	2 176
Total profit and loss included within the period			-	2 176	2 176
Including change of accounting policy principles			-	-	-
Dividends			-	-	-
Initial capital issued			-	-	-
Distribution of profit for the year 2008			14	-14	-
Balance as of 31/12/2009	9		7 512	22 332	39 667

Equity items	Initial capital	Revaluation capital	Other capitals	Retained profits	Total
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Balance as of 01/01/2009	9	-	7 498	19 763	37 084
Change of accounting policy principles		-	-	-	-
Correction of fundamental errors		-	-	407	407
Adjusted balance	9	-	7 498	20 170	37 491
Net profit presented directly in equity		-	-	-	-
Net profit for the period		-	-	-506	-506
Total profit and loss included within the period		-	-	-506	-506
Including change of accounting policy principles		-	-	-	-
Dividends		-	-	-	-
Initial capital issued		-	-	-	-
Distribution of profit for the year 2008		-	-	-	-
Balance as of 31/03/2009	9	-	7 498	19 664	36 985

TOTAL INCOME STATEMENT

Profit and loss account	1st quarter 2010, from 2010/01/01 until 2010/03/31	1st quarter 2009, from 2009/01/01 until 2009/03/31
A. Net income from products, goods and materials sales, including:	4 906	6 974
I. Sales of products	4 860	6 956
II. Sales of goods and materials	46	18
B. Cost of products, goods and materials sold, including:	3 974	4 511
I. Production costs of products sold	3 938	4 497
II. Value of goods and materials sold	36	14
C. Gross profit (loss) from sales	932	2 463
I. Other operating income	124	46
II. Costs of sales	41	40
III. General management expenses	1 425	1 734
IV. Other operating expenses	142	172
D. Operating activity profit (loss)	-552	563
I. Financial income	116	508
II. Financial expenses	123	1 631

E. Gross profit (loss)	-559	-560
F. Income tax	-89	-54
I. a) current tax	-	-
II. b) deferred tax	-89	-54
G. Net profit (loss)	-470	-506
TOTAL INCOME STATEMENT	1st quarter 2010, from 2010/01/01 until 2010/03/31	1st quarter 2009, from 2009/01/01 until 2009/03/31
I. Net profit (loss)	-470	-506
II.		
I. Results of valuation and transfer of salable financial assets (net amount)		
III. General total income	-470	-506
Net (annualized) profit (loss)	2 212	-1 067
Mean average number of ordinary shares	2 585 026	1 363 963
Net profit (loss) per ordinary share (in PLN)	0,86	-0,78

CASH FLOW STATEMENT

DETAILED LIST	1st quarter of 2010, from 2010/01/01/ to 2010/03/31	1st quarter of 2009, from 2009/01/01/ to 2009/03/31
A. Operating activity cash flow		
I. Profit (loss) before tax	-556	-560
II. Total adjustments	551	1249
Intangible assets amortization	5	13
Revaluation write-offs for goodwill depreciation	-	-
Revaluation write-offs for tangible fixed assets depreciation	-	-
Tangible fixed assets amortization	623	662
Profit (loss) from sales of fixed tangible assets	-	-22
Profit (loss) from sales of salable financial assets (allocated for trade)	-	-
Profit (loss) from valuation of investment real property in its fair market value	-	-
Profit (loss) from change in fair market value of financial assets shown in their fair market value	-9	767

Profit (loss) due to exchange rate differences	26	-181
Interest expenses	7	28
Interest received	-101	-18
Dividends received	-	-
III. Cash from operating activity before changes in the working capital	-8	689
Change in supplies position	-781	-80
Change in receivables position	-1201	1738
Change in short-term liabilities position (except credits and loans)	1901	614
Change in prepayments and accruals position (except deferred tax assets)	-695	-719
Change in reserves position (except deferred tax reserve)	-62	-42
Other adjustments	-	-
IV. Cash generated in operating activity	-846	2200
Interest paid	-	-
Income tax paid	-	-
V. Net cash from operating activity	-846	2200
B. Investment activity cash flow		
Expenditure for acquisition of intangible assets	-	-41
Inflow from sales of intangible assets	-	-
Expenditure for acquisition of tangible fixed assets	-126	-78
Inflow from sales of fixed tangible assets	-	25
Expenditure for acquisition of investment real property	-	-
Inflow from sales of investment real property	-	-
Expenditure for acquisition of financial assets maintained until their maturity date	-	-
Inflow from sales of financial assets maintained until their maturity date	-	-
Expenditure for acquisition of salable financial assets (allocated for trade)	-	-
Inflow from sales of salable financial assets (allocated for trade)	-	-
Expenditure for acquisition of subsidiaries (reduced by cash taken over)	-	-
Inflow from sales of subsidiaries	-	-
Other expenses – extra contributions to the capital	-	-
Inflow from government subsidies	-	-
Loans granted	-	-
Received repayments of loans granted	-	-
Interest received	-	-
Dividends received	-	-

Other inflows	-	-
Other investment expenses	-66	-
Net cash used in investment activity	-192	-94
C. Financial activity cash flow	-	-
Net inflows from issuance of shares	-	-
Purchase of own shares	-	-
Buy-out of debt securities	-	-
Inflow from contracting loans and credits	-	-
Repayments of loans and credits	-	-
Repayment of interest on loans and credits	-	-
Inflows due to interest on deposits	101	18
Repayment of financial leasing liabilities	-101	-84
Interest paid	-7	-28
Dividends paid	-	-
Commission on credits	-	-
Other inflows	-30	134
Net cash from financial activity	-37	40
D. Total net cash flow (A.+B.+C.)	-1075	2146
E. Balance sheet change in net cash position, including:	-1072	2193
- change in cash position due to exchange rate differences	3	47
F. Opening balance of cash	8547	5729
G. Closing balance of cash (E+F), including:	7475	7922
- with limited disposability	-	-

ADDITIONAL INFORMATION FOR THE UNITARY QUARTERLY REPORT FOR THE 1ST QUARTER OF THE YEAR 2010

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”.

The information included in the report for the 1st quarter of the year 2010 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 2010 to 31st March 2010 and the comparative period from 1st January 2009 to 31st March 2009.

When presenting the financial data for the 1st quarter of 2009, 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.

The principles of assets and liabilities valuation and financial result measurement, adopted for making the quarterly report, comply with the principles adopted when making the annual financial statement.

Tangible fixed assets (IAS 16) are shown at their acquisition price, production cost or reappraised value (after revaluation of fixed assets) reduced by amortization and possible write-offs for diminution in value. 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	4.34 – 73.78%.

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 is calculated beginning from the month following 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 revaluating the asset to the level of its net selling price. Revaluation write-offs made on account of diminution of value are included in the profit and loss account.

Fixed assets under construction are appraised at the purchase price or production cost, increased by the costs directly related to their acquisition and production and possibly reduced by write-offs on account of permanent diminution in value.

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 written off in the income statement on the day they are incurred. **Expenditure for development works** performed within a given project is activated if it can be assumed that they will be regained in the future. That expenditure is amortized within the period of three years. Development expenditure is verified for potential diminution in value if the occurring events indicate that their carrying value may be impossible 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 inclusion, 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 revaluating 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 revaluating the supplies are included in the profit and loss account.

Supplies of production in progress (IAS 2) are appraised at their production costs, while **supplies of final products (IAS2)** are appraised at production costs not higher than their net selling price. 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 revaluating 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 revaluating 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 included 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 included 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 included 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 at 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.

Operations expressed in foreign currencies are included 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 earmarked for sale (IFRS 5) are included 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 included 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 included 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 core 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 agreement execution day 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 operating 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 provisions of law and of the Company's Charter. Equity capitals include:

- initial (share) capital shown in the nominal value of registered shares, conforming to the information in the Company's Charter and the entry into the National Court Register,
- revaluation capital concerning changes in the fair market value of assets,
- other capitals, such as:
 - supplementary capital created in accordance with the Charter and coming from the distribution of profit, from transfer of the capital from revaluation of sold and liquidated fixed assets and from valuation of shares for the employees,
- 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 when changes occur which significantly affect previous years results, and those results 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 adoption of the financial statement for that year, a fundamental error having occurred in the previous years is found, as a result of which the statements for that year or the previous years cannot be regarded as reliable and clearly presenting the financial standing of the Company, the amounts of adjustments shall be charged to equity capital as the item “retained profits”.

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

Income from sales of products and goods is included if relevant risk and benefits resulting from the property right to the products and goods have been transferred to the buyer.

Income from services is included after the service is performed.

Income from lease of premises is included in monthly installments as of the last day of each month.

Interest revenues are included 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 “Current year’s financial result” account.

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

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 the activity in the following assortment groups: industrial automatics, heat engineering automatics, 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 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.

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 included 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 receivables.

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 from negative temporary differences and from 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

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.

Cash flow statement

Cash flow statement is made with the indirect method.

4. Information on adjustments due to reserves, deferred income tax reserve and assets, and on write-offs revaluating assets.

In the 1st quarter of the year 2010, the following adjustments related to reserves were made:

Item no.	Reserve's title	Position as of 01/01/2010	Making	Reduction	Position as of 31/03/2010
1.	Deferred income tax	3 420	0	82	3 338
2.	Balance sheet audit costs	11	0	11	0
3.	Product fee and environmental fees	3	0	3	0
4.	Reserve for termination pays for dismissed employees	45	0	45	0
5.	Other prepayments and accruals	3	0	3	0

Changes in deferred income tax assets:

Item no.	Detailed list	Position as of 01/01/2010	Making	Reduction	Position as of 31/03/2010
1.	Gross deferred income tax assets	1 084	8	0	1 092
2.	Write-offs revaluating deferred income tax assets	150	0	0	150
3.	Net deferred income tax assets	934	8	0	942

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

Item no.	Current assets	Position as of 01/01/2010	Making	Reduction	Position as of 31/03/2010
1.	Material supplies	1 425	35	29	1 431
2.	Production in progress supplies	418	24	0	442
3.	Products supplies	317	13	2	328

Domestic	305	35	19	-24	17	-177	49	4	228
Export, including:	447	1	8	0	1	0	5	0	462
To EU countries	445	1	8	0	1	0	5	0	460
To countries beyond EU	2	0	0	0	0	0	0	0	2
Segment's result	753	36	26	-24	18	-177	54	4	689
Other operating income									46
Other operating expenses									172
Operating activity profit (loss)									563
Financial income									508
Financial expenses									1 631
Profit before tax									-560
Income tax									-54
Net profit									-506

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	01/01/2010 – 31/03/2010	Structure (%)	01/01/2009 – 31/03/2009	Structure (%)	Change (%)
Total income from product sales, including:	4 860	100,0%	6 956	100,0%	-30,1%
Domestic	3 752	77,2%	4 739	68,1%	-20,8%
Export, including:	1 108	22,8%	2 217	31,9%	-50,0%
Internal delivery of goods to EU	952	19,6%	2 103	30,3%	-54,7%
Export beyond EU	156	3,2%	114	1,6%	37,2%
Income from sales of goods and materials	46	100,0%	18	100,0%	155,0%
Domestic	45	97,1%	18	100,0%	147,7%
Export	1	2,9%	0	0,0%	0,0%

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

In the 1st quarter of 2010, net income from sales and equalized to it amounted to PLN 6,237 thousand and was lower by PLN 1,879 thousand (23.1%) in comparison to the 1st quarter of 2009.

There was a decrease by 30.1% in net income from product sales for the 3 months of 2010 in comparison to 2009. It concerned both domestic sales and total export sales. It needs to be noted that in total export sales the decrease was much higher (50.0%) and referred to export within the union (-54.7%).

In 2010, the Company had a loss on sales amounting to PLN 534 thousand, while in 2009 the Company obtained profit from sales amounting to PLN 689 thousand.

Despite a significant decrease in income from sales, thanks to tight budgetary discipline, the Company minimized the losses incurred in the basic activity.

In overall activity, the Company had a net loss of PLN 470 thousand in the 1st quarter of 2010. In the 1st quarter of 2009, the Company also had a net loss, amounting to PLN 506 thousand.

The Company's assets and liabilities for the day 31st March 2010 reached the value of PLN 47,778 thousand and were higher than the value for 31st December 2009 by PLN 1,199 thousand (2.6%), and lower than the value for 31st March 2009 by PLN 2,245 thousand (4.5%).

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 cyclicity of the issuer's activities in the presented period.

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

9. Information on issuance, redemption and paying off of debt 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 debt and 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 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 31/12/2009	Increases	Decreases	Position as of 31/03/2010
6 299	91	40	6 350

The increase in contingent liabilities concerned collateral for a sales agreement, amounting to PLN 5 thousand, as well as entrusted material in the amount of PLN 86 thousand, while the decrease concerned liabilities due for entrusted material, amounting to PLN 40 thousand.

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

Position as of 31/12/2009	Increases	Decreases	Position as of 31/03/2010
550	0	0	550

13. Statements of changes occurring between the data shown in this financial statement and comparative financial data, and the data shown in financial statements made and issued previously.

The Company has been making financial statements in accordance with IFRS since the year 2009. The report for the 1st quarter of 2009 was the first report made in accordance with IFRS. After the audit of the financial statement for the year 2009, conducted by statutory auditors, some changes occurred concerning the closing of the year 2008.

The data for the 1st quarter of 2009, presented in report Q1/2009, differ from those for the 1st quarter of 2009 presented as comparative data in the report for the 1st quarter of 2010. The differences are as follows:

STATEMENT OF FINANCIAL STANDING	Report Q1/2010	Report Q1/2009	Difference
ASSETS			
I. Fixed assets	31 062	30 975	87
Tangible fixed assets	30 622	30 535	87
TOTAL ASSETS	50 023	49 936	87
EQUITY AND LIABILITIES			
I. Equity capital	36 985	36 577	408
Retained profits	20 170	19 762	408
II. Long-term liabilities	5 237	5 558	-321
Deferred income tax reserves	3 446	3 767	-321
TOTAL EQUITY AND LIABILITIES	50 023	49 936	87

STATEMENT OF CHANGES IN EQUITY

Data shown in the report Q1/2009

Equity items	Initial capital	Revaluation capital	Other capitals	Retained profits	Total
Balance as of 01/01/2009	9 823	-	7 498	19 762	37 082
Change of accounting policy principles		-	-	-	-
Adjusted balance	9	-	7 498	19 762	37 083
Net profit presented directly in equity		-	-	-	-
Net profit for the period	-	-	-	-506	-506

Total profit and loss included within the period	-	-	-	-506	-506
Including change of accounting policy principles	-	-	-	-	-
Dividends	-	-	-	-	-
Initial capital issued	-	-	-	-	-
Distribution of profit for the year 2008	-	-	-	-	-
Balance as of 31/03/2009	9 823		7 4 9 8	19 256	36 577

Data shown in the report Q1/2010

Equity items	Initial capital	Revaluation capital	Other capitals	Retained profits	Total
Balance as of 01/01/2009	9 823		7 498	19 763	37 084
Change of accounting policy principles			-	-	-
Correction of fundamental errors			-	407	407
Adjusted balance	9		7 498	20 170	37 491
Net profit presented directly in equity			-	-	-
Net profit for the period			-	-506	-506
Total profit and loss included within the period			-	-506	-506
Including change of accounting policy principles			-	-	-
Dividends			-	-	-
Initial capital issued			-	-	-
Distribution of profit for the year 2008			-	-	-
Balance as of 31/03/2009	9 823		7 498	19 664	36 985

PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT	Report Q1/2010	Report Q1/2009	Difference
I. Financial income	508	3 463	-2 955
II. Financial expenses	1 631	4 586	-2 955

In the profit and loss account included in the report for the 1st quarter of 2009, currency options were presented with regard to turnover, while in the report for the 1st quarter of 2010 they were presented with regard to results.

CASH FLOW STATEMENT

Data shown in the report Q1/2009

Cash flow statement	1st quarter of 2009, from 2009/01/01/ to 2009/03/31
A. Operating activity cash flow	
I. Net profit (loss)	-506
II. Total adjustments	2 724
1. Share in net (profit) loss of units appraised by the ownership rights method	-
2. Amortization	675
3. (Profit) loss from currency exchange rates differences	-181
4. Interest and share of profits (dividends)	28
5. Investment activity (profit) loss	-22
6. Change in reserves position	-96
7. Change in supplies position	-93
8. Change in receivables position	1 636
9. Change in short-term liabilities (except credits and loans) position	732
10. Change in prepayments and accruals position	-719
11. Change in income tax	-
12. Other adjustments	764
III. Net operating activity cash flow (I-II)	2 218
B. Investment activity cash flow	
I. Inflows	25
1. Disposal of intangible and legal assets and tangible fixed assets	25
II. Expenses	119
1. Purchase of intangible and legal assets and tangible fixed assets	119
III. Net investment activity cash flow (I-II)	-94
C. Financial activity cash flow (I-II)	
I. Inflows	134
1. Other financial inflows	134
II. Expenses	112
7. Payment of liabilities due for financial leasing agreements	84
8. Interest	28
III. Net financial activity cash flow (I-II)	22
D. Total net cash flow (A.III+/-B.III+/-C.III)	2 146
E. Balance sheet change in net cash position, including:	2193

- change in cash position due to currency exchange rates differences	47
F. Opening balance of cash	5 729
G. Closing balance of cash (F+/-D), including:	7 922

Data shown in the report Q1/2010

DETAILED LIST	1st quarter of 2009, from 2009/01/01/ to 2009/03/31
A. Operating activity cash flow	
I. Profit (loss) before tax	-560
II. Total adjustments	1 249
Intangible assets amortization	13
Tangible fixed assets amortization	662
Profit (loss) from sales of fixed tangible assets	-22
Profit (loss) from valuation of investment real property in its fair market value	-
Profit (loss) from change in fair market value of financial assets shown in their fair market value	767
Profit (loss) due to exchange rate differences	-181
Interest expenses	28
Interest received	-18
III. Cash from operating activity before changes in the working capital	689
Change in supplies position	-80
Change in receivables position	1 738
Change in short-term liabilities position (except credits and loans)	614
Change in prepayments and accruals position (except deferred tax assets)	-719
Change in reserves position (except deferred tax reserve)	-42
IV. Cash generated in operating activity	2 200
V. Net cash from operating activity	2 200
B. Investment activity cash flow	-41
Expenditure for acquisition of intangible assets	-78
Expenditure for acquisition of tangible fixed assets	25
Inflow from sales of fixed tangible assets	-94
Net cash used in investment activity	-41

C. Financial activity cash flow	
Inflows due to interest on deposits	18
Repayment of financial leasing liabilities	-84
Interest paid	-28
Other inflows	134
Net cash from financial activity	40
D. Total net cash flow (A.+B.+C.)	2 146
E. Balance sheet change in net cash position, including:	2 193
- change in cash position due to exchange rate differences	47
F. Opening balance of cash	5 729
G. Closing balance of cash (E+F), including:	7 922

14. Selected financial data including the main items of the condensed financial statement (also converted into euro).

SELECTED FINANCIAL DATA	In PLN thousand			In EUR thousand		
	1 st quarter 2010 cumulatively, from 2010/01/01 until 2010/03/31	Position as of 2009/12/31	1 st quarter 2009 cumulatively, from 2009/01/01 until 2009/03/31	1 st quarter 2010 cumulatively, from 2010/01/01 until 2010/03/31	Position as of 2009/12/31	1 st quarter 2009 cumulatively, from 2009/01/01 until 2009/03/31
Net income from products, goods and materials sales	4 906		6 974	1 237		1 516
Profit (loss) from operating activity	-552		563	-139		122
Gross profit (loss)	-559		-560	-141		-122
Net profit (loss)	-470		-506	-118		-110
Net cash flow from operating activity	-846		2 200	-213		478
Net cash flow from investment activity	-192		-94	-48		-20
Net cash flow from financial activity	-37		40	-9		9
Total net cash flow	-1 075		2 146	-271		467
Total assets	47 778	46 579	50 023	12 371	11 338	10 640
Liabilities and reserves for liabilities	8 581	6 912	13 038	2 222	1 682	2 773
Long-term liabilities	4 190	4 271	5 237	1 085	1 040	1 114

Short-term liabilities	4 391	2 641	7 801	1 137	643	1 659
Equity capital	39 197	39 667	36 985	10 149	9 656	7 867
Share capital	9 823	9 823	9 823	2 543	2 391	2 089
Number of shares	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)	-0,18		-0,20	-0,05		-0,04
Book value per share (in PLN/EUR)	15,16	15,34	14,31	3,93	3,74	3,04

The main items of the condensed financial statement were converted at the EUR rate from the NBP's average rates table.

To convert selected financial data concerning the profit and loss account and cash flow account, the arithmetic means of average EUR rates from the NBP tables as of the last day of the month in the period from January to March (amounting to 3.9669 for the year 2010 and 4.5994 for the year 2009) were used.

To convert selected data concerning the balance sheet, the EUR rate from Tables No. 63/A/NBP/2010 as of 31st March 2010 (i.e. 3.8622) and No. 63/A/NBP/2009 as of 31st March 2009 (i.e. 4.7013), as well as Table No. 255/A/NBP/2009 as of 30th December 2009 (i.e. 4,1082), were used.

15. 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.

16. 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.

17. 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 2010.

18. 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 relevant block 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 at GSM	Share in the total number of votes at GSM (%)
Zbigniew Jakubas affiliated entity – Wartico Invest Sp. z o.o.	780 179	30,18	780 179	30,18
affiliated entity – Multico Sp. z o.o.	384 474	14,87	343 474	14,87
	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.

19. 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.

The share ownership by the managing individuals as of the day of issuing the quarterly report is as follows:

Full name	Function	Share ownership
Jan Zakonek	President of the Management Board	
Jacek Lechowicz	Member of the Management Board	

Since the issuance of the annual report, no changes in the managing individuals' share ownership have occurred. According to the issuer's knowledge, the supervising individuals do not hold any shares of the Company. Since the issuance of the annual report, no changes concerning the share ownership by supervising individuals have occurred.

20. Indication of proceedings taking place before a court, a relevant body of arbitration 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 its equity capital, are taking place before any court or public administration body.

21. Information on the issuer or their subsidiary concluding one or more transactions with affiliated entities, if they are significant individually or jointly and were made on conditions other than market conditions.

No such transactions occurred.

22. Information on the issuer or their subsidiary guaranteeing a credit or loan or giving guarantee jointly to one entity its subsidiary, if the value of guarantees is equivalent to at least 10% of the issuer's equity capital.

In the year 2010, the Company did not guarantee any credit or loan and did not give any guarantees.

23. 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 it for fulfillment of its contracted obligations. Financial liquidity does not present any dangers in the Company's business activity. At the end of the 1st quarter of 2010, the current liquidity ratio (calculated as the ratio between current assets and short-term liabilities) amounted to 3.9. In the Management Board's opinion, there are no circumstances indicating any dangers to the Company's solvency.
- The Management Board of the Company is still conducting the activities taken in order to implement the resolution No. 47 of the Annual General Shareholders Meeting of 22nd June 2009, concerning taking over of another entity within the industry whenever a profitable and economical opportunity to do that appears.

24. Indication of factors which in the issuer's opinion will influence the results achieved by the issuer at least over the next quarter.

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

- an increase in demand (in comparison to the 1st quarter of 2010) for the goods produced, noticeable when developing production plans for the nearest months,
- the Company's sales depending on decisions concerning investments and renovations, made by business entities, which change or postpone the realization of their investments,
- aggressive activity of competing companies on the Polish market,
- rising production costs, namely prices of materials, raw materials and media, together with limited capacity of transferring the increase in expenses to the final products, which may result in a decrease in profitability of the products sold,
- fluctuations of currency exchange rates in relation to zloty,
- lack of highly-qualified professional workers employed directly in production, which, combined with scarce possibilities of obtaining staff from other sources, may disrupt the production process,
- pressure from the Company's employees to raise salaries and wages.