PD-ABT-127

Deloitte & Touche

Poland Privatization Through Restructuring Status Report Phase I

Delivery Order No. 18
Project No. 180-0014
Contract No. EUR-0014-I-00-1056-00
Eastern Europe Enterprise Restructuring and Privatization Project

U.S. Agency for International Development
EUR/RME

January 1993

Deloitte & Touche

Sp. z o.o.

„KOLMEX" Building
ul. Grzybowska 80/82
00-844 Warszawa
Poland

Telephone: (48 2) 661-53-00
(48 2) 661-53-01
(48 2) 661-53-02
(48 2) 661-53-03
Fax: (48 2) 661-53-50

8 January 1993

Mr. William Joslin
AID Representative
U.S. Embassy
00-461 Warsaw
Poland

Mr. Mark Karns
Bureau for Europe
Agency for International Development
Washington D.C. 20523
USA

Gentlemen,

US AID CONTRACT NO. EUR-0014-I-00-1056-00, DELIVERY ORDER NO. 18, PRIVATISATION THROUGH RESTRUCTURING.

Enclosed herein is a status report covering all phase I activities under this assignment.

Should you have any questions or comments, please do not hesitate to contact me.

Yours sincerely,

Jeffry Baldwin

Jeffry Baldwin
Project Director

PRIVATISATION THROUGH RESTRUCTURING (PtR)

STATUS REPORT Phase I

Activities during Phase I

- We prepared the work plan which was accepted by the Ministry of Privatization (a copy is enclosed in Attachment 1).

- Five companies were selected for this pilot project. A list of the companies is enclosed in Attachment 2. Attachment 2 contains information described in deliverable A. of Phase I under this assignment.

- We contacted the five selected companies and confirmed their interest in participating in the privatization through restructuring program and to notify them about upcoming activities.

- We prepared and conducted a presentation to representatives of the supervisory boards of the five companies (a copy of the presentation is enclosed in Attachment 3).

- We defined a generic business profile format to describe the companies (a copy is enclosed in Attachment 4).

- We prepared information request templates to be completed by the companies (a copy is enclosed in Attachment 5).

- We commenced collecting required data for the preparation of the business profiles.

- We produced general promotion materials containing a summary of the PtR program and the companies involved. A copy of the promotion material is enclosed in Attachment 6. Attachment 6 contains information described in deliverable B of Phase I under this assignment.

- We promoted the companies at the third UNIDO Investors Forum held in Warsaw on 26-28 October, 1992.

- We completed the collection of data required for the preparation of business profiles.

- We visited the pilot companies on-sites to ensured management understanding of the program and its obligations.

- We converted financial statements of the companies into a western financial reporting format.

Activities during Phase I (continued)

- We completed the preparation of the business profiles for the companies in the Polish language.

- We translated the business profiles into the English language. A copy of the business profiles are enclosed in Attachment 7. Attachment 7 contains information described in deliverable C. of Phase I under this assignment.

- We prepared the framework for the management contract and submitted it to the Ministry. A copy of the English version of the contract is enclosed in Attachment 8.

ATTACHMENTS

Attachment:		Contents:
1.	.....	WorkPlan
2.	.....	List of Companies
3.	.....	Presentation to the Supervisory Boards of the companies
4.	.....	Business Profile outline
5.	.....	Business Profile information request templates
6.	.....	General promotion material
7.	.....	Business Profiles
8.	.....	Management contract (draft)

ATTACHMENT 1

VATIZATION THROUGH RESTRUCTURING
RK PLAN

October 6, 1992

SE I.

asks	Work steps	Delive rables	Time (M/D)	Personnel
Revision of MOP pilot candidates: a/ WUKO Sp. z o.o. Wschowa, b/ INOFAMA S.A. Inowroclaw, c/ TECHMA Bydgoszcz S.A., d/ OPTEX Opoczno S.A., e/ Zaklady Chemiczne RUDNIKI S.A.	1.1 Collect data available at MoP and other sources re. five MoP candidates. 1.2 Set individual meetings to discuss/explain details of the PtR. 1.3 Confirm companies interest and commitment to PtR. 1.4 Assess suitability of the companies to PtR based on selected criteria.	X	24	W.Tabaczyk M.Pawlowicz
Business Profile definition.	2.1 Define contents of BP. 2.2 Develop required BP format. 2.3 Obtain MoP approval to the BP format and contents.	X	10	J.Baldwin D.Brunell J.Maciejewicz T.Larsen M.Pawlowicz
Assist in preparation of the business profiles (BP).	3.1 Introduce guidelines and BP format for preparation of BP's to companies. 3.2 Provide general assistance as needed to companies in preparing their BP's. 3.3 Review of BP's for consistency and adequacy. 3.4 Obtain MOP approval of the final BP's.	X	50	D.Brunell T.Larsen J.Maciejewicz M.Pawlowicz W. Tabaczyk

IVATIZATION THROUGH RESTRUCTURING
)RK PLAN - CONT.

Tasks	Work steps	Delive rables	Time (M/D)	Personnel
4. Framework of the management contract.	4.1 Set objectives for the MC. 4.2 Review of existing documents. 4.3 Decide on content and format. 4.4 Draft of standardized MC. 4.5 Work with MoP on MC revisions. 4.6 Obtain MOP approval to final MC. 4.7 Proposed version of standardized MC.	X	37	J.Baldwin E.Budkiewicz D.Burnell J.Wolfe
5. Promotion campaign/solicit MG interest.	5.1 Design the promotion campaign 5.2 Consult with MOP on the promotion camapign 5.3 Promote PtR program and the BP's to domestic and international potential MG's. 5.4 Check the potential interest in becoming MG among the current managements of the companies. 5.5 Prepare for information request from potential MG's (eg. company visits, general information etc.) 5.6 Prepare a list of potential MG candidates. 5.7 Arrange for processing MG proposals (closing date).	X	50	J.Baldwin T.Larsen J.Maciejewicz M.Pawlowicz C.Potters
Total number of M/D in Phase I:	----------	---	171	-----

VATIZATION THROUGH RESTRUCTURING
RK PLAN - CONT.

SE II.

asks	Work steps	Delive rables	Time (M/D)	Personnel
Evaluate restructuring plans.	1.1 Identify the evaluation process. 1.2 Definition of selection criteria for RP's. 1.3 Assist in review and evaluation of RP's. 1.4 Recommend preferred RP's to MoP. 1.5 MOP Selection of the best RP's.	X	20	D.Burnell T.Larsen M.Pawlowicz
Review MG bids.	2.1 Individual meetings with MG's in order to discuss RP's. 2.2 Solicit for initial value bids for the companies.		50	J.Baldwin M.Pawlowicz C.Potters J.Maciejewicz
Solicit Management Groups.	3.1 Define basic conditions for negotiation process. 3.2 Establish the negotiating team. 3.3 Individual negotiations with MG's. 3.4 Final selection of MS's.	X	84	J.Baldwin E.Budkiewicz J.Wolfe J.Maciejewicz
Signing contracts.	4.1 Drafting the final MG contract. 4.2 Customized appendices to MG contract. 4.3 Sign contract.	X	7	E.Budkiewicz J.Wolfe

IVATIZATION THROUGH RESTRUCTURING
)RK PLAN - CONT.

Tasks	Work steps	Delive rables	Time (M/D)	Personnel
·. Recommendations for program improvement.	5.1 Draft document of recommendations, concerns and suggestions to be presented to MOP. 5.2 Estimate the potential number of companies entering PtR. 5.3 Obtain MoP approval of final list. 5.4 Review and assess selection criteria previously established at MoP. 5.5 Work with MoP to finalize selection criteria. 5.6 Assess the final list of selection criteria. 5.7 Update program hand-book including recommended changes to enhance its efficiency and future success.	X	20	J.Baldwin M.Pawlowicz C.Potters J.Maciejewicz
Total number of M/D in Phase II:	----------	---	181	-----
Total number of M/D in the project:	----------	---	352	-----

(Business profile),
) (man/days),
; (Management group),
P (Ministry of Privatization),
: (Privatization through restructuring),
(Restructuring plan),

ATTACHMENT 2

List of the five selected pilot companies slated for privatization through restructuring:

1. Company: Zaklady Chemiczne "Rudniki" S.A.
   Address: ul. Fabryczna 1
   420240 Rudniki (Near Czestochowa)
   Industry: Chemical
   Employment: 347 people
   Products/Services: Non-organic chemical products

2. Company: WUKO-Wschowa Ltd.
   Address: ul. Obroncow Warszawy 26
   67-400 Wschowa
   Industry: Machinery
   Employment: 140 people
   Products/Services: Snow ploughs, sand spreaders, road watering equipment and other truck attachments

3. Company: INOFAMA S.A.
   Address: ul. Metalowcow 7
   88-100 Inowroclaw
   Industry: Machinery
   Employment: 1,056 people
   Products/Services: Motorway barriers, waste containers and other similar metal based products

4. Company: Techma Bydgoszcz S.A.
   Address: ul. Olowiana 10
   85-461 Bydgoszcz
   Industry: Machinery
   Employment: 194 people
   Products/Services: Steel constructions and forklift trucks

5. Company: Optex=Opoczno S.A.
   Address: ul. Kolberga 2
   26-900 Opoczno
   Industry: Textile
   Employment: 1,222
   Products/Services: Polyester fabrics of textured yarns

ATTACHMENT 3

Prywatyzacja z restrukturyzacją

Program spotkania

1. Wstęp
   - prezentacja uczestników spotkania
   - cel spotkania

2. Program "Prywatyzacja z Restrukturyzacją"
   - etapy programu
   - główne punkty programu
   - ramy czasowe programu

3. Rola i zaangażowanie uczestników w programie

4. Profile biznesowe
   - format profilu biznesowego
   - współpraca z przedsiębiorstwami
   - wyznaczenie osób odpowiedzialnych

5. Harmonogram wizyt w poszczególnych spółkach

6. Dyskusja, pytania

Prywatyzacja z restrukturyzacją

Etap I

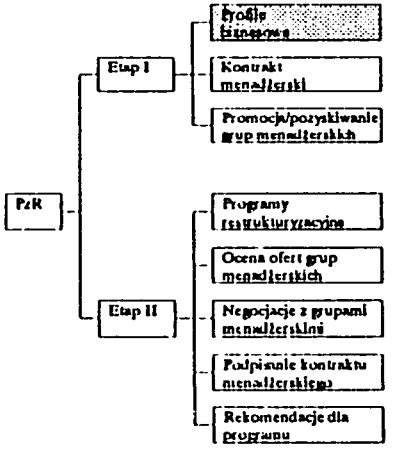
- Profile biznesowe
- Kontrakt menadżerski
- Promocja/pozyskiwanie grup menadżerskich

Prywatyzacja z restrukturyzacją

Etap II

- Programy restrukturyzacyjne
- Ocena ofert grup menadżerskich
- Negocjacje z grupami menadżerskimi
- Podpisanie kontraktu menadżerskiego
- Rekomendacje dla programu

X | XI | XII | I '93 | II | III | IV | V | VI

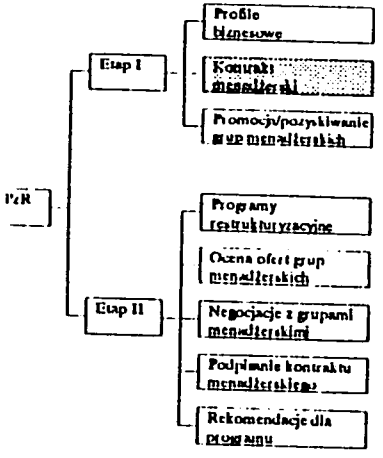


Prywatyzacja z restrukturyzacją

- Spotkanie z radami nadzorczymi spółek
- Spotkanie z zarządami
- Przedstawienie formatu profilu biznesowego
- Zebranie danych do profili biznesowych
- Przygotowanie profilu biznesowego
- Zaaprobowanie profili biznesowych przez MPW

Profile biznesowe

X | XI | XII | I '93 | II | III | IV | V | VI

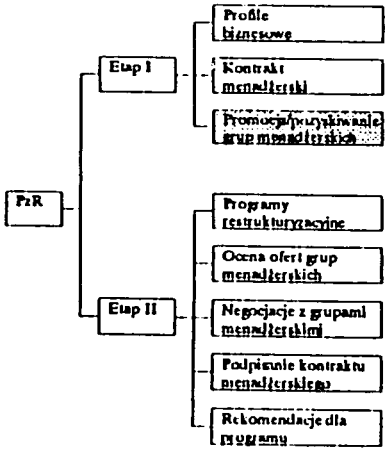


Prywatyzacja z restrukturyzacją

Kontrakt menadżerski

- Przygotowanie standardowego kontraktu menadżerskiego
- Zaaprobowanie przez MPW kontraktu menadżerskiego

X | XI | XII | I '93 | II | III | IV | V | VI

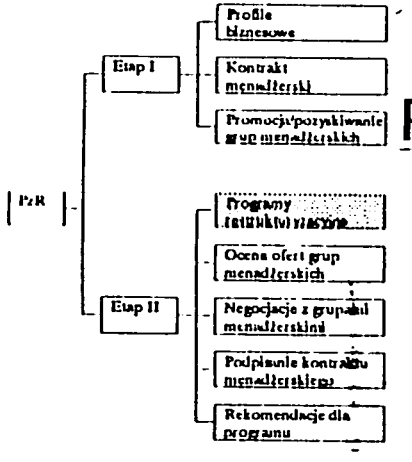


Prywatyzacja z restrukturyzacją

Promocja/ pozyskiwanie grup menadżerskich

- Przygotowanie akcji promocyjnej
- Promocja programu w środowiskach potencjalnych grup menadżerskich krajowych i zagranicznych
- Wizytacje spółek przez zainteresowane grupy menadżerskie
- Konkurs ofert grup menadżerskich

ETAP II

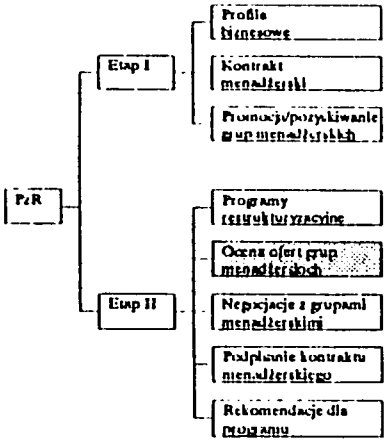


Prywatyzacja z restrukturyzacją

Plany restrukturyzacyjne

- **Ocena planów restrukturyzacyjnych**
- **Wybór najlepszych planów restrukturyzacyjnych**

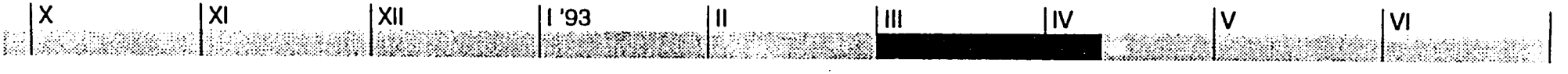
X | XI | XII | I '93 | II | III | IV | V | VI

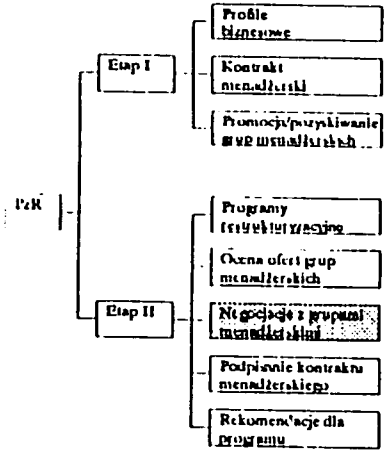


Prywatyzacja z restrukturyzacją

Ocena ofert

- Indiwidualne spotkania z grupami menadżerskimi
- Porównanie ofert wartości wyjściowej spółek



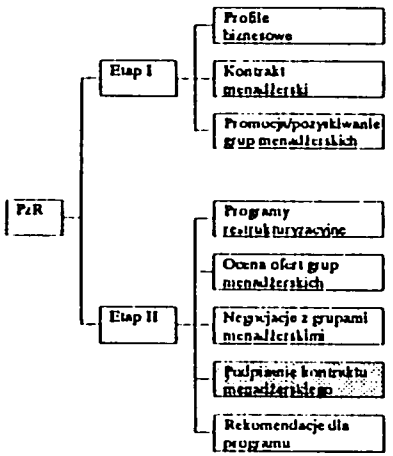


Prywatyzacja z restrukturyzacją

- Negocjacje z grupami menadżerskimi
- Wybór grupy menadżerskiej

Negocjacje z grupami menadżerskimi

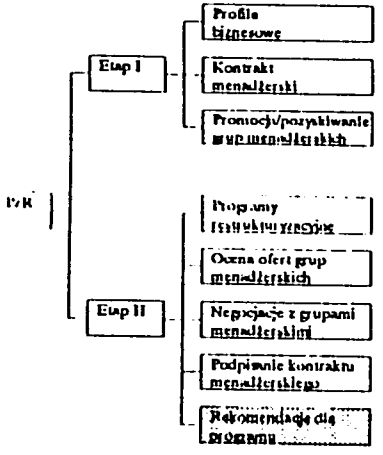
X | XI | XII | I '93 | II | III | IV | V | VI



Prywatyzacja z restrukturyzacją

Podpisanie kontraku menadżerskiego

- Przygotowanie kontraku manadżerskiego
- Podpisanie kontraktu manadżerskiego



Prywatyzacja z restrukturyzacją

- Aktualizacja programu "Prywatyzacja z restrukturyzacją"

Rekomendacje dla programu

Prywatyzacja z restrukturyzacją

Wstępne spotkania w spółkach

	Przedsiębiorstwo	Okres	MPW	Deloitte & Touche
1	Wuko-Wschowa	03.11.92	Bożena Dyjak + Marcin Halicki	Wojciech Roman + Magda Pawłowicz
2	Techma-Bydgoszcz	29.10.92	Bożena Dyjak + Renata Wanat	Wojciech Roman + Beata Wincek
3	Optex-Opoczno	09.11.92	Bożena Dyjak + Beata Końska	Wojciech Roman + Jolanta Kokosińska
4	Inofama	??.11.92	Bożena Dyjak + Agnieszka Małocha	Wojciech Roman + Beata Wincek
5	Rudniki	10.11.92	Bożena Dyjak + Tomasz Popis	Wojciech Roman + Jolanta Kokosińska

ATTACHMENT 4

TOC of Business Profile for PtR candidates

Overall purpose of the Business Profile:

To serve as primary promotional document for attracting interested and appropriate Management Group candidates

To facilitate a common understanding between the company and potential Management Groups of the company's opportunities and needs-- thereby increasing the likelihood for a good match between the two

Objectives of the Business Profile for each party:

The company:

To accurate reflect the company's situation and possibilities
To attract qualified and suitable management groups
To determine a serious level of interest on the side of the candidates and organizing information exchange necessary to formulate a Restructuring Plan

The potential Management Groups:

To enable potential MGs to self-identify their interest
To better understand the business opportunities and expectation of an MG
To expedite decision making process and eliminate possible alternatives
To organize information exchange necessary to formulate a Restructuring Plan

Ministry of Privatization:

Expand the universe of possible Management Group candidates
Provide openness and fairness for all participants
Increase potential value to the state treasure and to guarantee the long-term viability of the company

Summary: (1 page)

Company Name, Size, Description and Location
Products, Markets and Revenues
Company's uniqueness / competitive advantages
PtR summary and timing
Where to get additional information

Introduction:

Basis of company selection (why this co?)
Position of co in program and overview of program steps (why this process?)
Statement of advantages for MGs and definition of MG in the program (Who should participate as an MG?)
Role and benefits for potential MGs (what is in it for MGs?)
Commitments, contributions and other concerns (what are my risks?)

The Business:

Company background
- Name, location, accessibility
- Origin
- History (including markets and industry)
- Stages of development
- Current business focus

Products and Services
- Description and specification of products and services
- Product fit to customer needs
- Product categories
- Product uniqueness
- Qualities and characteristics of products
- Value added in providing the product or service

Markets
- Segmentation of markets served and companies position in the market
  - Local, National, E-Europe, W-Europe and other international markets
- Customer segmentation by location, size and type
- Competitors with their relative position in the market
  - Local, National, E-Europe, W-Europe and other international markets
- Advantages/disadvantages relative to competitors
  - Quality, price, service, quantity, ...
- Key factors in the market
  - What is effecting the sales
- Industry trend
- Opportunities and threats

Marketing and Sales
- Sales (by productline) of past three years in PLZ and in quantity
- Description of marketing activities
  - Who is responsible
  - How many people are involved
  - What media and marketing materials are used
- Sales and distribution channels
  - Role and responsibilities
  - Selling agents by product line
- Opportunities

Manufacturing
- Production process and steps
- Production capacity, capabilities and utilization
- Manufacturing technology and special skills
- Raw materials used by type and amount
  - Availability of raw materials
  - Description and quantity of main suppliers
  - Pending supplier contracts
- Inventory by type

Assets and facility description
- Land
  - Size, description, location, function, accessibility for in and output
- Buildings
  - Age, capacity, use, status
- Equipment and machinery
  - amounts, types and models, function, age, utilization, performance characteristics
- Social assets
  - description, usage, location, age
- Other assets
  Patents, licenses

Organization:

Organization structure
- Organization chart
- Number of people per department
- Relations between divisions, groups and departments

Current management
- Profile of current management, Age, Skills, Education, Years with the company, job description, role, career history, how appointed, plans for the future, interest

Employees
- Positions, demographics, number of years with the company, skills, amounts per department
- Compensation per group
- Relations, contracts and Trade Unions
- Existing training programs

Social, housing and other funds
- Fringe benefits and in-kind compensation

Financial information:

Basis of preparation

Past 3 years trade summary

- Income statement '89 / '90 / '91 / first half '92

  + Sales Products
  + Sales Services
  - Items returned
  Net sales

  - Costs of goods and services sold
  Gross margin

  - Operating expenses
  - Administration expenses
  - Salaries
  - Car expenses
  - Insurance
  - Depreciation
  - Other expenses
  Total operating expenses

  Operating income
  + Other income
  - interest expenses

  Income before taxes
  - taxes
  Net income

- Balance sheet '89 / '90 / '91 / first half '92

Cash		A/P
A/R		S-T Debt
Inventory		Accrued Taxes
Prepaid expenses		Accrued Expenses
Current Assets		Current liabilities
Land		L-T Debt
Buildings		Other Liabilities
Machines		Total Liabilities
Furniture		
Cars		Capital
Intangibles		Retained Earnings
Other		Additional paid in capital
- Depreciation		Total Equity
Total Assets	=	Total Equity + Total Liabilities

Cost structure

- Direct labor (blue collar)
- Indirect labor (white collar)
- Materials
- Taxes
- Depreciation
- Gas, light, power & water
- Other overhead costs

Current trading and prospects
- YTD trading
- Sales by type
- Projected sales for 1993 by type

Bank relations
- Name, address and bank contact
- Outstanding loans with terms and conditions
- Available credit lines

Other issues:

Legal status of the company
- Description of corporate status (Sp. z o.o.)
- Land and building ownership
- Lean on assets
- Pending obligations
- Intellectual property
- social obligations

Environmental issues
- Licenses
- Current range of allowable emissions

Appendices

Location map and site plan
Privatization though Restructuring
Overview of Poland's investment climate and privatization efforts
Domestic industry information
Product brochures, literature and marketing materials

ATTACHMENT 5

Privatization Through Restructuring
Management Contract

Comments by Pat Shapiro, Technical Representative to AID, to Jim Wolfe, primary drafter.
25 Jan 1993

Numbers refers to Contract Sections:

1.3 Define "private owners" as a term. Private owners are holders of shares of the Company other than the State Treasury, MOP or other agencies of the government of Poland.

1.4 Define employees as a term. The definition would fit best somewhere in Section 1.

3.5 Define the term "outstanding" in reference to shares of stock. The term is used in the agreement to refer to shares sold to and owned by private owners, as a result of the privatization process.

7.1 Delete definition of "Restructuring Plan." This term is already defined in Sec. 2.1.

8.3 What does "for important reasons" mean? Taken from the Polish statute, this clause seems very broad. What is the specific meaning as it is used in the statute? If this phrase is not essential, delete.

8.6 Delegation of "all other authority" seems very broad. Either delete, or modify. The policy question is whether the MG will have too much authority if all the authority and power of the supervisors and board of directors is delegated to the MG.

8.7.1 Delete. There is a possible conflict between 8.7.1 and 8.7. In 8.7 the MG has been granted the authority to do what is required by the restructuring plan; in 8.7.1, the MG must still get prior written authority to sell or lease assets. Modify 8.7.1 to mean a sale outside of the restructuring plan.

10. Provide some compensation to the MG if there is an early sale of shares of the company to an outside group, other than the MG. One way to do this is to provide a lower limit on the amount for which the shares may be sold (e.g., some percentage of their value as determined on the Start Date). The purpose is to protect the MG if the MOP sells all or part of the shares to some outside third party. Also, could have the management fee be paid in some part, i.e., a 6 months payment for early termination brought about through the sale of shares in the Company.

The broader question here is: what happens to the MG if they do not exercise their right of first refusal to purchase shares in the Company, and an outside party buys a majority of the shares?

Comments by Pat Shapiro
Page two

11.1 Combine this section with the meaning of 12.1, for a more clear definition of an "offering." Are private placements permitted? If so, private placements should be added to the list in 12.1 to make meaning more clear.

13.1 Modify to reflect the implied consent of MOP to sales of public offerings in 16.2.

16.2 Define a "public tender." (This definition is in the Polish statutes; may simply refer to the appropriate statute section.)

16.2 Make more clear that this section controls over section 13.1.

16.3 Modify "above Offering" to more clearly mean an offering "conducted under Section 16."

19.1.1 Define the starting date for the period of months which elapse before MG may declare a default.

20. Define the term "termination," and make more clear the difference between early termination for default, and other types of ending of the contract (sale of more than 50% of shares, sale of 100% of shares).

22.1 Modify references to the "Restructuring Plan" to include the phrase "as amended" in order to make more clear the possibility of amendments to the Plan approved by the MOP.

22.1 Recommend striking the phrase "for any reason" at the end of the paragraph, as too strong. Also makes it unclear whether any reason would include reasons not connected to asset stripping.

22.2(c) Recommend deleting. Too strong a phrase, and unclear what the meaning would be interpreted to be under Polish law.

23.1.3 Change term "effective date" to mean "Start Date."

24.1.2 Should the MG have responsibility to induce Supervisors to fulfil outstanding contracts, since the Supervisors are also parties to this contract? Supervisors should be able to enforce these outstanding contracts, and be responsible for their own failure to do so. (This point is not clear under Polish law. The MG may need to also be responsible.)

INFORMACJE O PRODUKTACH I USŁUGACH (stan na dzień 30.09.92)

Asortyment Nazwa/Numer	Podstawowe dane techniczne	Data wprowadzenia do produkcji	Ofertowa cena sprzedaży (w mln zł)	Przeznaczenie/zastosowanie

Odbiorcy (za okres 01.01. - 30.09.92)

Prosimy o podanie głównych odbiorców.

Nazwa odbiorcy	Status prawny	Lokalizacja *	Branża odbiorcy	Współpraca z odbiorcą (lata)	Wielkość zakupów			
					1990	1991	do 30.09.92	
					jednostki	jednostki	jednostki	mln zł

*) proszę określić lokalizację (warianty: lokalny, krajowy, Europa Wschodnia, Europa Zachodnia, inne)

Odbiorcy II

Nazwa odbiorcy	Lokalizacja sprzedaży *				
	Lokalna	Krajowa	Europa Wsch.	Europa Zach.	Inna

* Właściwą lokalizację proszę zaznaczyć za pomocą "X"

Czynniki oddziałujące na odbiorcę przy zakupie produktu

Poniższa tabelka służy określeniu jakie czynniki i w jakim stopniu oddziałują na odbiorcę przy dokonywaniu zakupu.
Na skrzyżowaniu poszczególnych rubryk (pola białe) należy, używając odpowiedniego oznaczenia literowego, zaznaczyć, który z dwóch czynników jest w przypadku danego produktu ważniejszy dla potencjalnego odbiorcy, np.: jeżeli cena produktu, według państwa opinii, oddziałuje bardziej na potencjalnego odbiorcę niż jakość produktu, to w okienku, będącym przecięciem rubryk "Cena (C)" i "Jakość produktu (JP), należy wpisać "C", jako oznaczenie literowe ceny (odpowiednie oznaczenia literowe podane są w nawiasach obok danego czynnika).

Produkt									
Cena (C)	Cena (C)								
Dostępność produktu (DP)		Dostępność produktu (DP)							
Jakość produktu (JP)			Jakość produktu (JP)						
Jakość usług (JU)				Jakość usług (JU)					
Czas dostawy produktu (CZ)					Czas dostawy produktu (CZ)				
Możliwość substytucji spośród innych produktów (MS)						Możliwość substytucji spośród innych produktów (MS)			
Projekt techniczny, wykonanie (PT)							Projekt techniczny, wykonanie (PT)		
Inne *								Inne *	
Inne *									Inne *

* w przypadku rozpoznania przez Państwo innych czynników prosimy o ich nazwanie

KONKURENCJA (stan na 30.09.92)

Produkt*	Nazwa przedsiębiorstwa konkurencyjnego	Lokalizacja konkurenta **	Przewaga/słabość przedsiębiorstwa w zakresie: ***										Udział poszczególnych konkurentów w rynku (sprzedaż) (w %)
			P	C	JP	CZ	JU	R	Z	A	LO	MS	

* Proszę wymienić główne produkty lub grupy produktów

** Proszę wybrać odpowiednie spośród niżej poanych możliwości:

- lokalna
- krajowa
- Europa Wschodnia
- Europa Zachodnia
- inna

*** Proszę wybrać odpowiednie spośród niżej podanych możliwości:
"+" przewaga; "-" słabość; "0" porównywalność

P - projekt techniczny, wykonanie
C - cena
JP - jakość produktu
CZ - czas dostawy produktu
JU- jakość usług
R - reklama
Z - zdolności wytwórcze
A - asortyment produkowanych wyrobów
LO - lokalizacja
MS - możliwość stosowania

SPRZEDAŻ

Nazwa produktu/usługi	Wielkość sprzedaży						Zamówienia do realizacji		Sprzedaż przewidywana w 1993
	1990		1991		stan na 30.09.92		Koniec 1992	1993	
	jednostki	mln zł	jednostki	mln zł	tys. m	mln zł			

pti\sprzedaż\sprzed-2.wk1

LOKALIZACJA SPRZEDAŻY (stan na 30.09.92) na terenie:

Nazwa produktu	Lokalizacja sprzedaży								
	Województwa macierzyste			Regionu			Całego kraju		
	Ilość	S.b.*	S.p.p.*	Ilość	S.b.*	S.p.p.*	Ilość	S.b.*	S. p. p.*

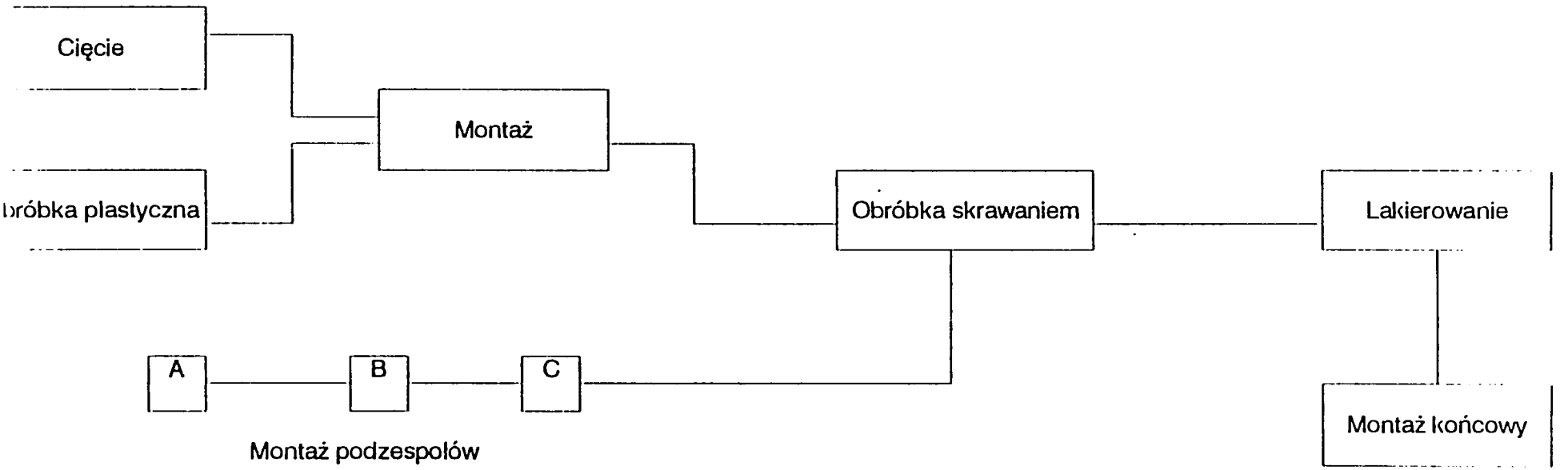
Prosimy o zaznaczenie krzyżykiem odpowiedniego pola, "S.b." w przypadku sprzedaży bezpośredniej lub "S.p.p." w przypadku sprzedaż realizowanej przez pośrednika.

EKSPORT (za okres 01.01. - 30.09.1992)

Produkt	Odbiorca	Kraj	Ilość	S.b.*	S.p.*

* prosimy o zaznaczenie krzyzykiem odpowiedniego pola, "S.b." w przypadku sprzedazy bezpośredniej lub "S.p." w przypadku sprzedazy pośredniej

SCHEMAT PROCESU PRODUKCJI (przykład)



dodatkowy opis każdego etapu procesu produkcji
w każdym z etapów należy okreslić:

- wielkość mocy produkcyjnych
- stopień wykorzystania mocy produkcyjnych
- możliwości innego wykorzystania

wykorzystywane surowce (dostępność/jakość)

pli\dostawcy\dostaw 1.wk1

DOSTAWCY (za okres 01.01. - 30.09.92)

Dostawca	Surowiec	Zastosowanie (do jakiej grupy produktów?)	Czy są substytuty (jakie?)	Wielkość dostaw (jednostki)	Wielkość zapasów (jednostki)	Wartość zapasów (w mln zł)

pli\dostawcy\dostaw-2.WK1

DOSTAWCY c.d.

Jakość* surowca	Cena za jednostkę **	Czy istnieją trudności z pozyskaniem surowca?	Warunki dostawy i płatności	Czy jest wierzycielem? ***

*) warianty: + + b. wysoka; + wysoka; 0 średnia; - niska; - - b. niska
**) proszę podać średnią cenę ofertową na dzień 30.09.92
***) jeżeli tak, proszę podać wielkość, termin płatności i rodzaj zabezpieczenia

NIERUCHOMOŚCI I - ZIEMIA (stan na 30.09.92)

Powierzchnia	Lokalizacja	Przeznaczenie	Forma własności lub użytkowania	Uwagi

pir\aktywa\aktyw-2.wk1

NIERUCHOMOŚCI II (stan na 30.09.92)

ZABUDOWANIA PRODUKCYJNE	Powierzchnia (m2)	Lokalizacja	Stan techniczny*	Wiek (w latach)	Forma własności lub użytkowania

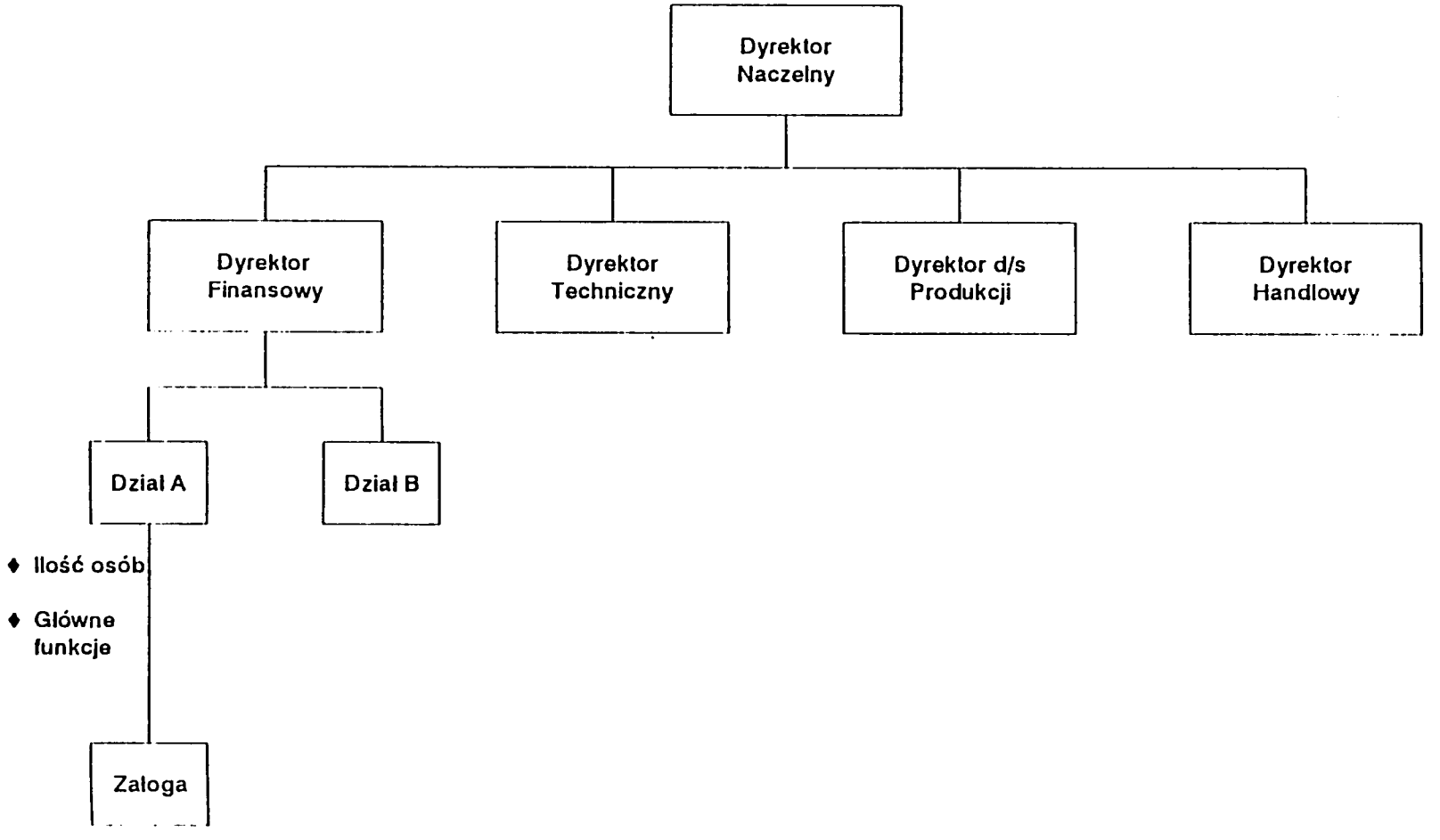
ZABUDOWANIA NIEPRODUKCYJNE	Powierzchnia (m2)	Lokalizacja	Stan techniczny*	Wiek (w latach)	Forma własności lub użytkowania

* Warianty:
- dobry
- średni
- zły
- nie do użytku

PARK MASZYNOWY (stan na 30.09.92)

MASZYNY I URZĄDZENIA typ/model	Ilość	Przeznaczenie	Wiek	Ostatnie remonty kapitalne	Wykorzystanie mocy przerobowej %	Forma własności	Inne uwagi

STRUKTURA ORGANIZACYJNA (przykład)



ZATRUDNIENIE (stan na 30.09.92)

	Pracownicy produkcyjni	Pracownicy działów pomocniczych	Administracja	Zarząd	Ogółem
Stan zatrudnienia					
Struktura % (kobiety/mężczyźni)					
Przeciętne wynagrodzenie					
Współczynnik fluktuacji					

Stopa bezrobocia w regionie =

Pracownicy produkcyjni

Okres zatrudnienia w zakładzie	Liczba
0 - 2 lata	
2 - 5 lat	
5 - 10 lat	
10 i więcej lat	

STRUKTURA KOSZTÓW

Kategoria kosztów	Udział w kosztach ogółem %
Koszty robocizny bezpośredniej	
Koszty robocizny pośredniej	
Koszty materiałowe	
Podatki	
Amortyzacja	
Opłaty za wodę, energię, gaz	
Pozostałe	
Koszty ogółem	100.0%

\ptr\kredyty\kredy-1.wk1

KREDYTY

Nazwa banku/oddział	Rodzaj kredytu (cel)	Data udzielenia	Termin spłaty	Wysokość kredytu (mln zł* lub'000 USD**)	Warunki kredytu ***

lub ** proszę zaznaczyć czy kredyt jest w zł czy w USD
*** karencja, oprocentowanie, zabezpieczenie, ilość transz, inne

a:\ptr\kredyty\kredy-2.WK1

ZOBOWIĄZANIA (stan na 30.09.92)

Wierzyciel *	Rodzaj zobowiązania	Wartość zobowiązania	Rodzaj zabezpieczenia

*) nie dotyczy dostawców

Deloitte & Touche

ATTACHMENT 6

Privatization Through Restructuring

Overview:

Privatization through Restructuring (PtR) is Poland's latest innovative privatization program. It is based on the concept that before actual privatization takes place companies will be restructured to enhance their attractiveness to potential buyers. The restructuring will be carried out by solicited Management Groups (MGs) which will, apart from a fixed salary, receive a percentage of the proceeds from sales.

Objective:

To privatize small and medium-sized companies that require preliminary restructuring to make them economically viable.

Participating Companies:

Volunteering small and medium-sized single-holder State-Treasury joint stock companies. Currently:

Company:	Products:
- Wuko-Wschowa*,	Truck attachments
- Optex-Opoczno*,	Textiles
- Techma-Bydgoszcz*,	Metal containers
- Zaklady Chemiczne "Rudniki"*,	Chemicals
- Inofama-Inowroclaw*,	Metal works

For additional information on the following companies please contact ITCA (Tel: 29 85 40).

- MERA-ELZAB,	Electronics
- Bielskie Zaklady Graficzne,	Publishing of books and brochures
- PREMET S.A.,	Lighters
- Huta Szkla "KARA",	Flatglass
- Gorniczo Przetworcze Zaklady,	Heat resistant clays
- TEMED S.A.,	Medical equipment
- Powogaz-Poznan,	Sewage treatment equipment
- Zaklady Przemyslu Dziewiarskiego "Wanda",	Knitwear
- Olsztynskie Kopalnie Surowcow Mineralnych,	Gravel
- Bielskie Przedsienbiortwo Robot Instalacyjnych,	Sewage and heat systems

* A summary of the company is enclosed.

Who should apply?

Polish and foreign individuals or companies equipped to restructure a company should apply. This includes strategic investors, entrepreneurs, companies seeking access to the Polish market and other groups that want to explore new market opportunities at a low cost.

Role and benefits for the Management Group (MG):

The MG will be contracted by the Ministry of Privatization (MoP) to restructure and sell the company. They will report to the company's existing supervisory board and are compensated on three levels. First, MGs will receive a fixed salary. Second, MGs will share in the annual profits of the company and finally, the MGs will receive a percentage of the proceeds from privatization.

Privatization Through Restructuring

What to do, if interested?

Groups interested in becoming a Management Group should submi their name and address to Deloitte & Touche (see Additional Information). They will receive a copy of the Business Profile on the company of their interest.

A site visit and additional company information will be available after the group's reiteration of interest and signing of a confidentiality agreement. This should provide the potential MGs with sufficient information to submit a Restructuring Plan and to make a tender bid, both required to qualify for selection to MG.

Program Steps:

1. Solicit Management Groups (MGs)

1.1	Participating company prepares a Business Profile
1.2	The company is promoted to potential MGs
1.3	Interested MGs visit company and get additional information
1.4	Serious MGs submit a Restructuring Plan for the company
1.5	Ministry of Privatization (MoP) selects a MG by tender procedure
1.6	MG is contracted by the MoP

2. Restructuring Process

The contracted Management Group is responsible for carrying out proposed restructuring activities.

3. Sale of the Company

The company is considered to be privatized when at least 51% of the shares are in private hands.

Timing:

Promotion of companies to potential MGs (step 1.2); January, 1993
Deadline for submission of restructuring plans (step 1.3); March, 1993

Additional Information:

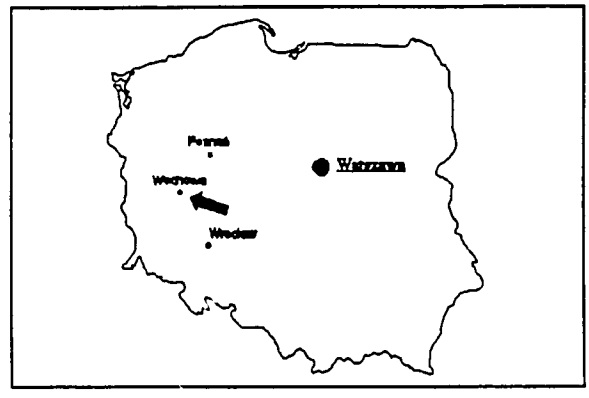
Deloitte & Touche,
Aleje Ujazdowskie 6A
Warsaw
Contact: Mr. Wojciech Roman
Tel:(22)29-32-85 Fax:(22)29-01-07

Ministry of Privatization
Privatization through Restructuring
ul. Krucza 36, Room 506
Contact: Ms. Bozena Dyjak
Tel:(2)628-0281 ext. 507 Fax:(2)628-3090

Company: WUKO-WSCHOWA Ltd.

Address: ul. Obrońców Warszawy 26
67-400 Wschowa

Industry: Machinery



Date of Commercialization: 6 September, 1991

Products and Services:

- Waste removal trailers
- Waste removal semi-trailers
- Road watering equipment
- Waste containers
- Snow-ploughs
- Sand spreaders

Turnover: 13,083 m zl (for the period of 1st Jan - 30th Sept 1992)

Sales by product type:

Product	Sales in million zl	No of pieces
Waste removal trailers	1,881	76
Waste removal semi-trailers	3,111	57
Waste containers	4,459	536
Road watering equipment	950	10
Sand spreaders	1,100	10
Spare parts	1,272	-

Employment: 140, including:

Blue collar	54
Support staff	46
Administration	38
Management	2

Customer base:

Currently, the company has 400 customers. They are end-users, primarily local governments.
The company's main customers purchase waste containers and sand spreaders. Remain customers are primarily single purchase orders.
The company sells its products to domestic customers, except containers, which are exported to the Netherlands and Germany.

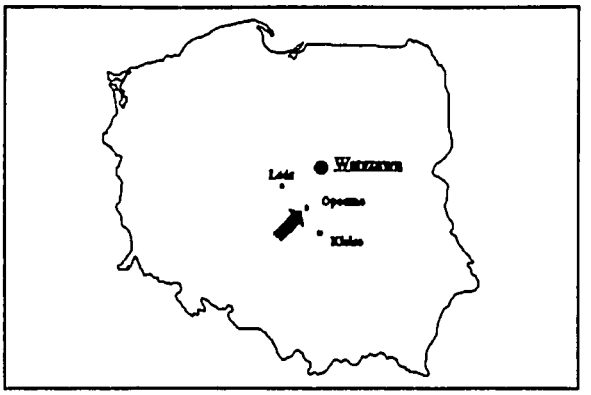
Competition:

In respect to trailers, there are two main competitors on the market: MEPROZET - Kościan and POM - Chojna. MEPROZET is considered a major threat, due to its location close to WUKO-WSCHOWA.
In the waste container market, there is a range of competitors in the home-market, mostly in the state-owned sector. Foreign competitors are also entering the market, which is characterized of being dynamic and research and development in the field of products.
The company enjoys a kind of "monopolistic" position in the field of semi-trailers, as there is no other manufacturer of this kind of equipment in Poland.
As far as sand spreaders are concerned, the main competitors are: Okręgowy Zakład Transportu i Maszyn in Olsztyn and foreign companies from Germany and Denmark.

Company: Optex-Opoczno S.A.

Address: ul. Kolberga 2
26-900 Opoczno

Industry: Textile



Date of Commercialisation: 12 July, 1991

Products and Services: Manufacturer of polyester fabrics of textured yarns, classical thinned and profiled. The range of products includes clothing, decorative, special coated fabrics and ready made goods.

Turnover: 162,900 m zl (for the period of 1st Jan - 30th Sept 1992)

Employment: 1,222, including:

Blue collar	822
Support staff	262
Administration	134
Management	4

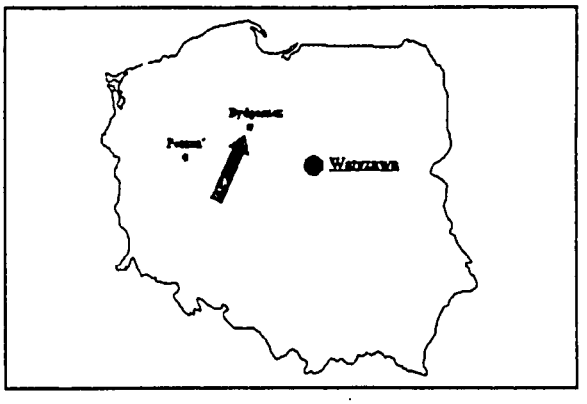
Customer base: Private retail outlets, wholesale outlets, textile processing companies. Optex also sells its products on export markets, including: Western European countries, Finland, Lithuania, Jordan. Currently, the total number of customers is estimated at 1,200.

Competition: The main competitors are domestic textile manufacturers like ZPB "Alba" - Łódź, ZPJ "Ortal" - Łódź, ZPW "Kentex" - Kenty, ZPDz "Vera" - Łódź, ZPJ "Miranda" - Turek. Imported textiles from Korea and Japan are also providing competition.

Company: TECHMA Bydgoszcz S.A.

Address: ul. Ołowiana 10
85-461 Bydgoszcz

Industry: Machinery



Date of Commercialisation: 17 May, 1991

Product and Services:

- Steel construction, including containers;
- Units and parts for cranes and transportation equipment;
- Fork lift trucks;
- Repair and maintenance of Polish and imported (manufactured by "Balcancar" Bulgaria) fork lift trucks;
- Transportation services.

Turnover: 16,436 m zl (for the period of 1st Jan - 30th Sept 1992)

Sales by product type:

Product	Sales in million zl	No of pieces
Steel construction	2,466	273
incl.:		
containers	2,218	263
Units and parts for cranes and transport equipment	10,843	429
Fork lift trucks	952	24
Services:		
fork lift truck repairs	2,685	-

Employment: 194, including:

Blue collar:	139
Support staff	12
Administration	41
Management	2

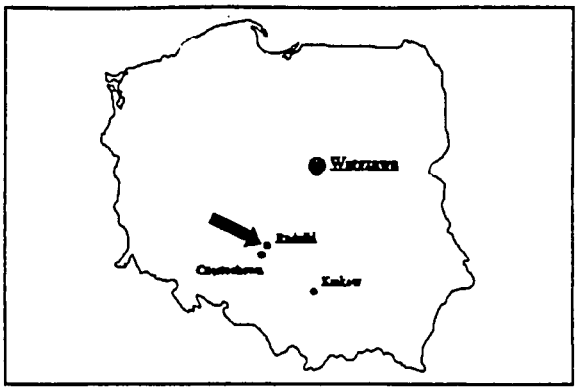
59

Customer base: Rrivate customers account for 70% of the total production of the company. There is one major customer for fork lift trucks.

Competitors: Main competitors are "Zakrem" Grajewo, Rrzedsiębiorstwo Urządzeń Technicznych Suchedniów and imported products from Czecho-Slovakia and Bulgaria.

Company: Zakłady Chemiczne "Rudniki" S.A.

Address: ul. Fabryczna 1
42-240 Rudniki/
near Częstochowa



Industry: Chemical

Date of Commercialisation: 29 May, 1991

Products and Services: Manufacture of semi-finished goods and non-organic chemical products such as:

- silicate alkaline
- nonorganic salt
- cleaning materials
- corrosion inhibiters, core binders

Turnover: 136,735 m zl (for the period of 1st Jan - 30th Sept 1992)

Employment: 347

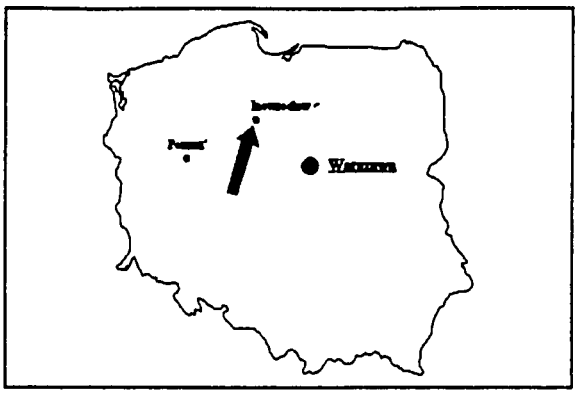
Customer base: The company has annual contracts with 400 customers, 40 of which are large clients. It sells directly to end-users and uses private and state-owned distribution channels.

Competition: The main competitors are manufacturers of caustic soda, including: Zakłady Azotowe in Włocławek, "Organika-Rokita" in Brzeg Dolny and other manufactures of chemical products.
In respect to glaze, the main competitor is "Vitrosilicon" S.A. from Ilowa near Żagań.
In relation to the other products, the company is the main producer in the home-market and enjoys a kind of monopolistic position in the market.

Company: INOFAMA S.A.

Address: ul. Metalowców 7
88-100 Inowrocław

Industry: Machinery



Date of Commercialization: 1 May, 1992

Products and Services:

- motorway barriers
- waste containers
- agricultural machinery and equipment
- stock-farming equipment
- galvanizing services
- heating services

Turnover: 205,371 m zl (for the period of 1st Jan - 30th Sept 1992)

Employment: 1,056 including:

Blue collar	437
Support staff	430
Administration	187
Management	2

Customer base: The company currently has 150 customers. the customer base includes: small, private, distribution companies dealing with the distribution of agricultural machinery and equipment.
Exports account for about 80% of the company's production. INOFAMA sells its product to clients in Germany, France, Switzerland and Belgium. Exports include motorway barriers, waste containers and stock-farming equipment.

Competition: As far as agricultural machinery and equipment are concerned, the company specializes in products for farming mechanization. In this field, there is no competition in the home-market.
In respect to motorway barriers and environmental protection equipment, the company faces increasing competition in foreign markets, where these products are sold.

ATTACHMENT 7

CHEMICAL PLANT
RUDNIKI S.A.

Rudniki, Częstochowa area, November 1992

BUSINESS PROFILE

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II. HISTORY OF THE COMPANY 3

III. PRODUCTS AND SERVICES 4

IV. DESCRIPTION OF THE MANUFACTURING PROCESS 5

V. MARKET DESCRIPTION 6

VI. SALES AND MARKETING 8

VII. RAW MATERIALS 10

VIII. ORGANISATIONAL STRUCTURE OF THE COMPANY 11

IX. REAL PROPERTY 12

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ANNEX 19

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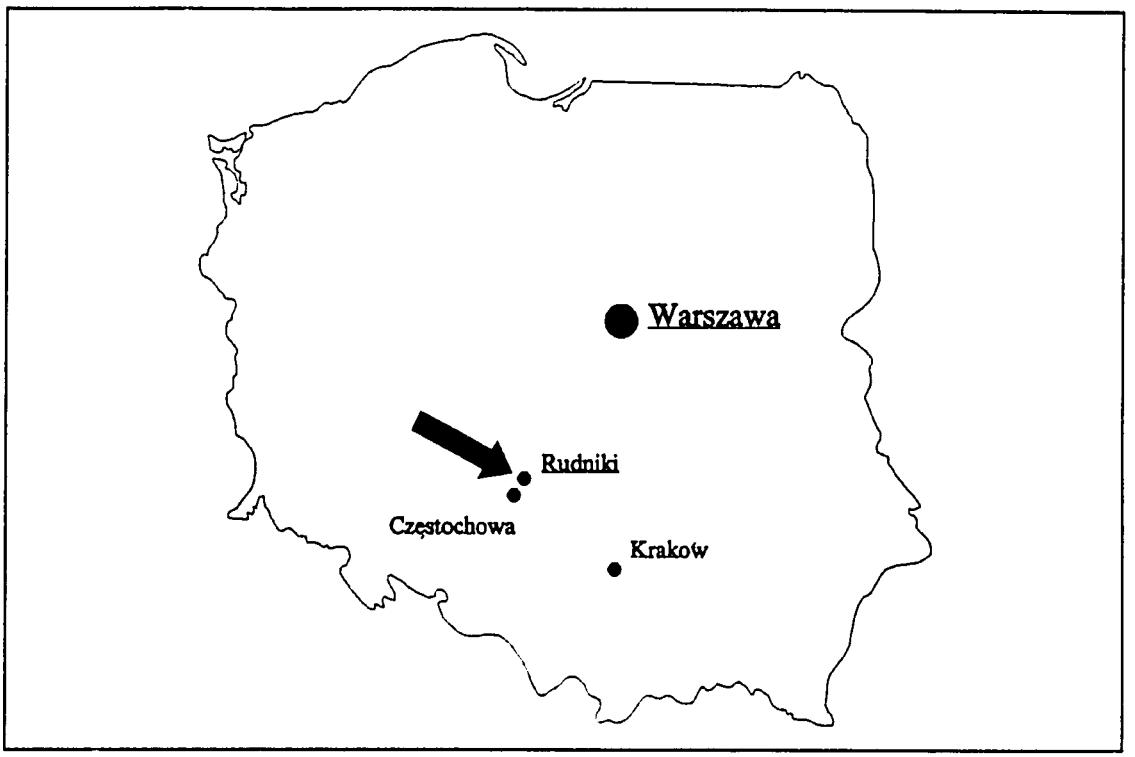
I. BASIC DATA ABOUT THE COMPANY



Address:	Fabryczna Street 1 42 240 Rudniki, Częstochowa area
Phone nr:	460 41 to 43
Fax nr:	55 077
Industry:	Chemical industry
Main products and services:	Products and intermediate products of the inorganic chemical industry, in particular: alkaline silicates, inorganic salts and reinforcing fillers, washing and cleaning media, corrosion inhibitors, binders, degreasing salts.
Number of employees as of 30.09.92:	350
Turnover in the period 01.01 - 30.09.92:	132,906 million zł (9.6 million US$)*/
Net income after taxes for 30.09.92:	17,133 million zł (1.24 million US$)*/
Principal customers:	The Company's products are predominantly purchased by household chemistry, paper, glass, industrial and food processing, steel and rubber industry enterprises.

*/ The exchange rate US Dollar - Polish złoty on 30.09.92: 13,839 zł = 1 US$

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II. HISTORY OF THE COMPANY

1887	—	Establishment of the "Rędziny" Chemical Products Factory — Stock Company.
1948	—	Nationalisation of the enterprise and foundation of the "Rudniki" Chemical Works.
1962	—	Initiation of the current production profile shaping process.
1964	—	Implementation of the sodium glaze and sodium water—glass production technologies.
1969	—	Implementation of the penta—water sodium silicate and industrial cleaning agents production technologies.
1972	—	Implementation of the silicone dioxide filler production technology.
1976	—	Implementation of the deca—water sodium tertraborate production technology.
1991.04.30	—	Transformation of the enterprise into joint stock Company owned by the State Treasury.

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III. PRODUCTS AND SERVICES

The "Rudniki" Chemical Works manufacture inorganic chemistry products.
The Company is Poland's only producer of the majority of products listed below.

"Rudniki" products include the following:

1. **Sodium glaze**, obtained by melt in tank furnaces. A portion of the product is sold, the rest is utilized as intermediate product for sodium water—glass production.

2. **Bright silicone dioxide filler**, utilized as rubber builder, plastic filler and as a component of toothpaste, sealing compounds and epoxide glue.

3. **Sodium water—glass**, obtained by dissolution of sodium glaze under pressure. Six types of sodium water—glass are manufactured as final products, it is also utilized as intermediate product for further processing.

4. **Silicic acid sol**, produced from water—glass by ion exchange. Added to moulding sands for precision casting, utilized in the end—use finish of cloth and as a clarifying agent for fruit juices.

5. **Deca—water sodium tetraborate**, component of glass—making and enamelling compounds, utilized as an assistant agent by the textile, leather and paper industries.

6. **Industrial cleaning media**, of which more than ten kinds are being manufactured as alkaline agents employed in mechanical and automatic washing stands and systems. These group of products is mainly utilized by the steel, food processing and agricultural industries, as well as municipal service companies.

7. **Silicate corrosion inhibitors**, obtained by combining sodium water—glass and activating agents. Prevents the build—up of boiler scale in central heating systems.

8. **Assistant agents for binder founding**, produced by combining sodium water—glass and activating agents. Utilized in foundries as binders for moulding sands.

9. **Penta—water sodium silicate**, component of industrial cleaning and washing agents and of various household chemistry products.

IV. DESCRIPTION OF THE MANUFACTURING PROCESS

The manufacturing processes used in "Rudniki" primarily use the chemical reactions which take place in manufacturing installations, individually adjusted to particular products.

The manufacturing cycles of particular products consist of the following phases:

- precipitation,
- filtration,
- drying,
- evaporation,
- melting in high temperatures,
- mixing solid bodies and liquids,
- wrapping and weighing,
- loading onto pallets,
- pumping operations.

The following operations are used in auxiliary processes:

- physical and chemical analyses,
- production of steam and compressed air,
- pressure and non-pressure unloading.

The installations used in the manufacturing processes are displayed in Appendix 1.

b·1

V. MARKET DESCRIPTION

The Company has approximately 500 customers. Customers come from a variety of different branches: household chemistry, paper, glass, industrial and food processing, metallurgy, founding, leather and rubber industries.

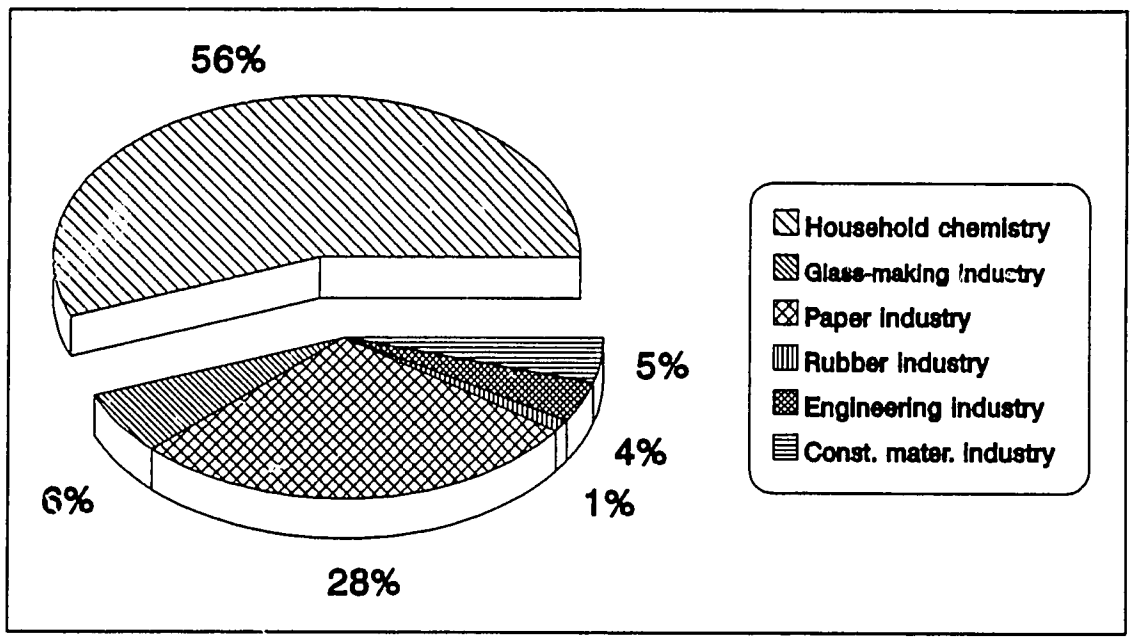
About 35% of customers have been purchasing from "Rudniki" for more than 10 years.

In the period from January to September 1992 the purchases of only one of the customers — the Lever Poland company from Bydgoszcz -- has exceeded 10% of the total sales volume. The purchases of others individual customers do not exceed 5% of the total sales volume.

The domestic sales structure in terms of market sectors, calculated as a percentage share of the Company's major customers in the volume of sales to this group of customers is exhibited on the chart below.

The 15 major domestic customers amounted to 35% of the aggregate sales volume in the period from January to September 1992.

Table 1.



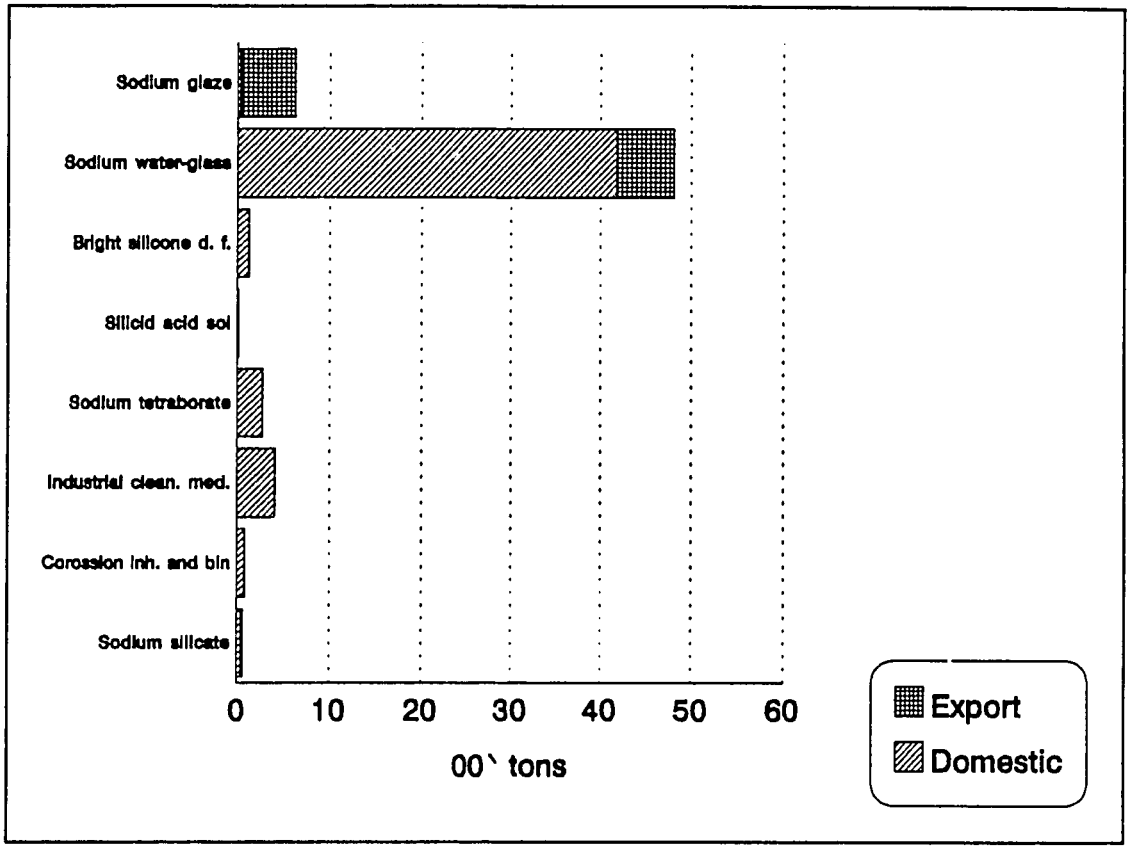
In the period of January to September 1992 the domestic sales structure in terms of market sectors, calculated as a percentage share of the Company's major customers in the value of sales to this group of customers is as follows:

- household chemistry 41%
- glass-making industry 26%
- paper industry 19%
- construction material industry 6%
- rubber industry 5%
- engineering industry 3%

70

The relation between domestic sales and exports of the Company in the period from January to September 1992, by product groups, is displayed on the following chart:

Table 2.



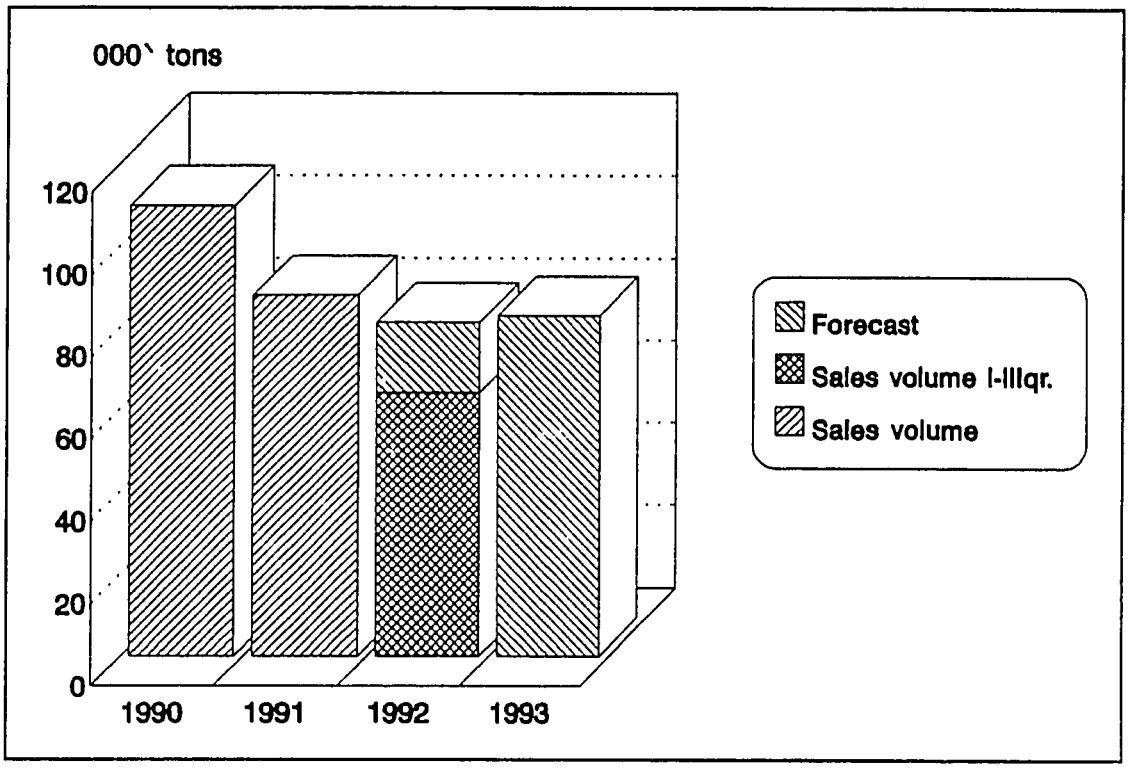
The Company exports its products — mainly through the "Ciech" Foreign Trade Enterprise — to Germany, Italy, England, Sweden, Norway, Czechoslovakia, Romania and San Domingo.

The export share of total sales volume equalled 19% and in the total sales value 15 % in the period from January to September 1992.

VI. SALES AND MARKETING

The chart below displays the sales volume of "Rudniki" in 1990, 1991 and 1992 (I—IX) as well as management's forecast sales in 1993.

Table 3.

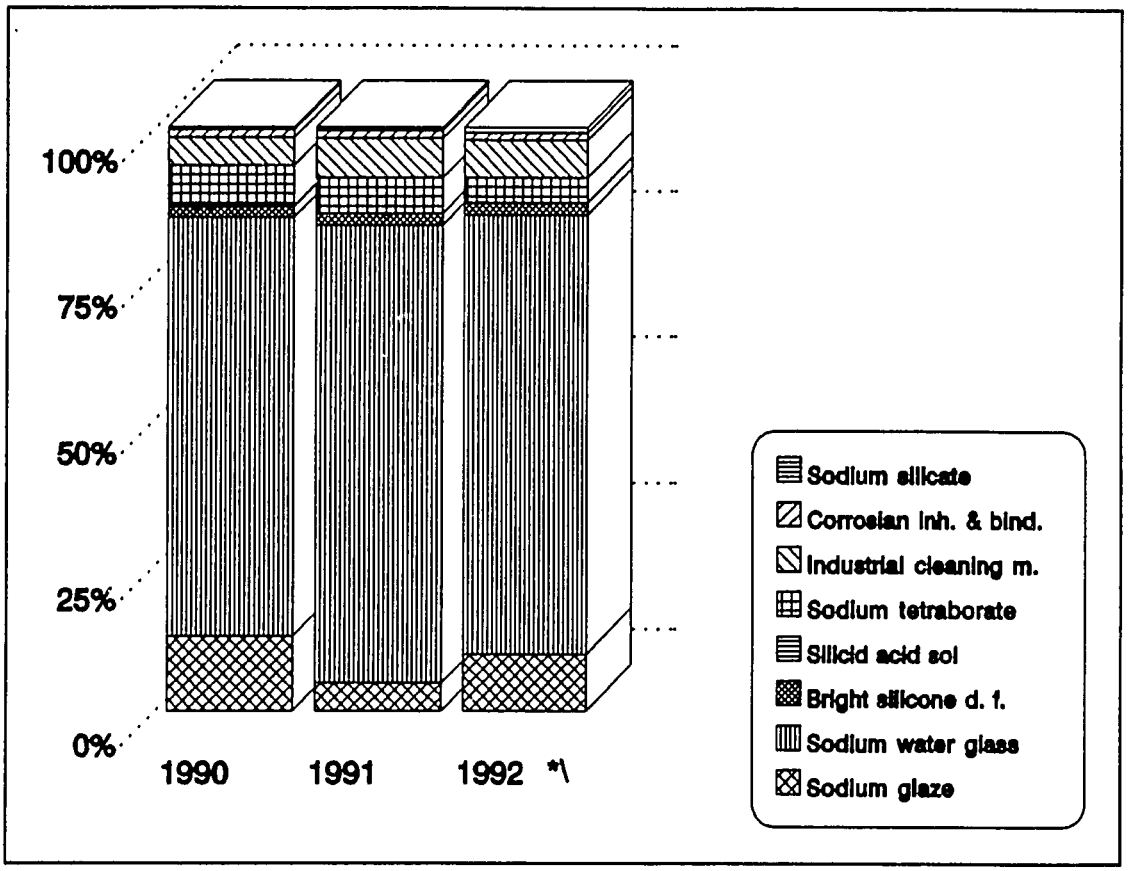


The sales value has amounted to 132,906 million zł (9.6 million US$)*\ in the period from January to September 1992.

The exchange rate US Dollar - Polish zloty on 30.09.92: 13,839 zł = 1 US$

The sales structure in 1990, 1991 and 1992 (I — IX) in terms of product groups is exhibited on the chart below:

Table 4.



The Company sells its products either directly to industrial customers or through wholesale companies concerned with distribution of household chemistry products.

*\ Based on sales for three quarters.

VII. RAW MATERIALS

The Company utilizes the following raw materials for production:

- soda ash,
- caustic soda,
- soda lye,
- glass—making sand,
- tripolyphosphate,
- borocalcite ore,
- heating oil,
- natural gas.

The Company is sourcing the required raw materials mainly from domestic manufacturers. Only one of the raw materials is imported, namely borocalcite ore which is procured in Turkey. Borocalcite ore is necessary for the production of sodium tetraborate.

The supply of heating oil and natural gas are crucial for the Company. These raw materials are delivered by the Płock "Petrochemia" and the Local Śląsk Gas Supply Company in Zabrze.

VIII. ORGANISATIONAL STRUCTURE OF THE COMPANY

A chart showing the organisational structure of the Company is included in Appendix 2.

Appendix 3 contains CVs of the Executive Board members.

The structure of employment and average monthly remuneration for 30.09.92 are displayed underneath.

Table 5.

	Number of employees	Average remuneration in '000 zł.	Fluctuation ratio
Total	350	2,604	15.6
Production workers	121	2,729	13.0
Employees in support departments	179	2,448	18.8
Administration	47	2,433	8.9
Executive board	3	9,628	50.0

Two worker's unions are active in the Company:

— NSZZ** of the "Rudniki" S.A. employees — 264 members,

— NSZZ "Solidarność" — 48 members.

** NSZZ = Independent Autonomous Worker's Union

IX. REAL PROPERTY

The value of the Company's assets amounted to 157,913 million zł on 30.09.1992, 86,835 of which are fixed assets. The Company owns all buildings and other facilities utilized for the purposes of operation. The composition of real property is displayed in the subsequent tables.

Table 6.

Type of real property	Area in [ha]	Location
Land		
Plant site	19.5737	Rędziny district
Water intake site	0.0820	Wancerzów
Water intake site	0.2480	Rędziny Okupniki
Water intake site	0.1030	Jaskrów
Holiday centre site	2.4681	Polanica Zdrój
Housing estate and gardens site	2.1206	Marianka Rędzińska
Refuse site	5.0354	Rudniki

Table 7.

Type of real property	Area in [m²]	Location	Age in [yrs.]
Production buildings			
Production building	3035	Rudniki, Fabryczna 1	17
Production building	1509	Rudniki, Fabryczna 1	23
Production building	4530	Rudniki, Fabryczna 1	19
Production building	205	Rudniki, Fabryczna 1	15
Production building	448	Rudniki, Fabryczna 1	29
Production building	917	Rudniki, Fabryczna 1	29
Production building	1298	Rudniki, Fabryczna 1	18
Boiler building	1166	Rudniki, Fabryczna 1	19
Oil management building	110	Rudniki, Fabryczna 1	19
Substation building	270	Rudniki, Fabryczna 1	29
Switching station building	217	Rudniki, Fabryczna 1	19
Gas station building	66	Rudniki, Fabryczna 1	34
Compressor station building	450	Rudniki, Fabryczna 1	15
Waste water treatment station	144	Rudniki, Fabryczna 1	9
Machine—shop	833	Rudniki, Fabryczna 1	19
Joinery	335	Rudniki, Fabryczna 1	33
Measurement station	915	Rudniki, Fabryczna 1	19
"Demi" water purification station	205	Rudniki, Fabryczna 1	14
Non—production buildings			
Administration buildings	2373	Rudniki, Fabryczna 1	22 - 34
Apartment building	654	Marianka Rędzińska	90
Apartment building	2806	Rędziny	25
Apartment building	1235	Częstochowa	31
Apartment building	898	Częstochowa	18
Holiday centre	754	Polanica Zdrój	30

Type of real property	Area in [m²]	Location	Age in [yrs.]
Employees' allotment gardens	1100	Marianka Rędzińska	90
Stores	4104	Rudniki, Fabryczna 1	9 - 34
Garages	445	Rudniki, Fabryczna 1	34
Locomotive shed	98	Rudniki, Fabryczna 1	34
Canteen	690	Rudniki, Fabryczna 1	34
Recreation room	534	Rudniki, Fabryczna 1	19
Baths and laundries	1851	Rudniki, Fabryczna 1	36
Laboratory	491	Rudniki, Fabryczna 1	19 - 34
Others	408	Rudniki, Fabryczna 1	19
First—aid room	1069	Rudniki, Fabryczna 1	36

X. FINANCIAL DATA

BALANCE SHEET AS AT

	Note	30.09.1992 '000,000 zl	31.12.1991 '000,000 zl	31.05.1991 '000,000 zl	31.12.1990 '000,000 zl
ASSETS					
FIXED ASSETS					
Tangible fixed assets	4	86,835	88,914	92,123	94,873
Intangible assets		0	0	0	0
Investments	5	24	24	24	24
		86,859	88,938	92,147	94,897
CURRENT ASSETS					
Inventories	6	21,838	11,302	22,499	18,398
Receivables	7	29,103	24,658	19,211	17,277
Cash	8	20,113	13,925	2,325	9,633
Other assets		0	0	0	24,113
		71,054	49,885	44,035	69,421
TOTAL ASSETS		157,913	138,823	136,182	164,318
CAPITAL AND LIABILITIES					
CAPITAL					
Founding fund	9	0	0	0	17,111
Company fund	9	0	0	0	102,620
Share capital	9	70,000	70,000	70,000	0
Reserve capital	9	51,372	49,592	49,673	0
Reserve for future losses		7,633	0	0	0
Unallocated net income from previous periods		0	5,971	760	10
		129,005	125,563	120,433	119,741
CURRENT LIABILITIES	10	11,775	7,750	10,177	19,326
NET INCOME FOR THE PERIOD		17,133	5,510	5,572	25,251
TOTAL CAPITAL AND LIABILITIES		157,913	138,823	136,182	164,318

INCOME STATEMENT FOR THE PERIOD

	Note	01.01-30.09 1992 '000,000 zl	01.06-31.12 1991 '000,000 zl	01.01-31.05 1991* '000,000 zl	0.1.01-31.12 1990 '000,000 zl
Sales	1	132,906	86,549	60,107	127,367
Turnover tax		-27	0	-1	-36
Net sales		**132,879**	**86,549**	**60,106**	**127,331**
Operating expenses	2	-110,619	-65,825	-54,192	-84,468
Change in inventories		8,836	-5,661	6,718	2,462
Other income/(loss)		94	158	-218	269
Interest and similar income	3	2,494	1,074	366	1,280
Interest and similar charges		-14	-3	0	0
Operating income		**33,670**	**18,292**	**12,780**	**46,874**
Unusual gains		867	370	757	5,177
Unusual losses		-91	-62	-174	-853
Net unusual gains		776	308	583	4,324
Income before taxes		**34,446**	**18,600**	**13,363**	**51,198**
Income taxes		-13,792	-7,578	-5,381	-20,531
Excess wage tax and dividends/payments on share capital made to the State Treasury		-3,521	-5,512	-2,410	-5,416
Net income for the period		**17,133**	**5,510**	**5,572**	**25,251**

(*) On 31 May, 1991 Zakłay Chemiczne "Rudniki" was transformed into a joint stock company, wholly owned by the State Treasury.

US$ exchange rates as at:
31.12.1990 - 1 US$ = 9,500 zł
31.05.1991 - 1 US$ = 11,105 zł
31.12.1991 - 1 US$ = 10,957 zł
30.09.1992 - 1 US$ = 13,839 zł

NOTES TO FINANCIAL STATEMENTS

	01.01-30.09 1992 '000,000 zl	01.06-31.12 1991 '000,000 zl	01.01-31.05 1991 '000,000 zl	0.1.01-31.12 1990 '000,000 zl
1) SALES				
Sales of finished products - domestic	113,075	78,442	59,031	108,128
Sales of finished products - export	19,356	9,845	790	18,984
Services rendered - domestic	475	262	286	255
	132,906	88,549	60,107	127,367
2) OPERATING EXPENSES				
Depreciation	5,141	4,158	2,996	2,771
Materials	69,977	41,429	38,632	53,985
Energy	2,617	1,544	896	1,891
External services	16,307	9,022	6,158	12,307
Wages and salaries	8,396	5,501	3,246	5,911
Social security	3,661	1,896	1,146	2,132
Transfer to employees' funds	313	172	122	82
Other	4,207	2,103	996	5,389
	110,619	65,825	54,192	84,468
3) INTEREST AND SIMILAR INCOME				
Interest	2,494	1,074	366	1,280
Dividends received	0	0	0	0
	2,494	1,074	366	1,280

NOTES TO FINANCIAL STATEMENTS

	30.09.1992 '000,000 zl	31.12.1991 '000,000 zl	31.05.1991 '000,000 zl	31.12.1990 '000,000 zl
4) TANGIBLE FIXED ASSETS				
Net book value:				
Land	1,134	0	0	0
Buildings and fixtures	68,097	70,765	72,443	73,755
Technical equipment	11,999	12,214	13,344	13,773
Transportation equipment	4,109	4,618	5,101	5,458
Assets under construction	1,194	1,111	1,059	1,711
Fixtures and fittings	81	16	31	28
Other fixed assets	221	190	145	148
	86,835	88,914	92,123	94,873
5) INVESTMENTS				
Shares in other companies	24	24	24	24
6) INVENTORIES				
Materials	10,191	7,685	13,156	15,768
Work in progress	6,773	965	1,925	1,019
Finished goods	4,826	2,636	7,401	1,589
Items held for resale	48	16	17	22
	21,838	11,302	22,499	18,398
7) RECEIVABLES				
Trade receivables	21,749	22,041	17,429	15,813
Amounts due from the State Treasury	4,160	115	302	0
Prepayments in respect of inventories	0	826	0	0
Prepayments in respect of assets under construction	0	246	0	0
Deferred costs	735	0	0	0
Other	2,459	1,430	1,480	1,464
	29,103	24,658	19,211	17,277
8) CASH				
Cash on hand	163	28	34	36
Cash at bank	19,950	13,897	2,291	9,597
Other	0	0	0	0
	20,113	13,925	2,325	9,633

NOTES TO FINANCIAL STATEMENTS

	30.09.1992 '000,000 zl	31.12.1991 '000,000 zl	31.05.1991 '000,000 zl	31.12.1990 '000,000 zl
9) CAPITAL				
Founding fund:				
Opening balance	0	0	17,111	9,192
Revaluation of fixed assets	0	0	0	7,919
Transfer to reserve capital (a)	0	0	-17,111	0
Closing balance	0	0	0	17,111
Company fund:				
Opening balance	0	0	102,620	35,635
Revaluation of fixed assets	0	0	0	47,456
Transfer from net income	0	0	0	19,573
Depreciation of employees' homes	0	0	-40	-40
Transfer to share capital (a)	0	0	-70,000	0
Transfer to reserve capital (a)	0	0	-32,562	0
	0	0	-18	-4
Closing balance	0	0	0	102,620
Share capital:				
Opening balance	70,000	70,000	0	0
Transfer from company fund (a)	0	0	70,000	0
Closing balance	70,000	70,000	70,000	0
Reserve capital:				
Opening balance	49,592	49,673	0	0
Transfer from company fund (a)	0	0	32,562	0
Transfer from founding fund (a)	0	0	17,111	0
Transfer from net income	1,885	0	0	0
Depreciation of employees' homes	-71	-55	0	0
Amounts designated for social activities	-34	-26	0	0
Closing balance	51,372	49,592	49,673	0

(a) On 29 May, 1991 Zaklay Chemiczne "Rudniki" was transformed into a joint stock company, wholly owned by the State Treasu

10) CURRENT LIABILITIES				
Trade payables	1,290	1,585	2,135	11,755
Employees' funds	3,716	3,353	3,743	4,210
Amounts due to the State Treasury	4,189	1,935	2,460	1,340
Deferred income	31	131	1,114	1,289
Amounts due to employees	740	502	385	460
Other	1,809	244	340	272
	11,775	7,750	10,177	19,326

ANNEX

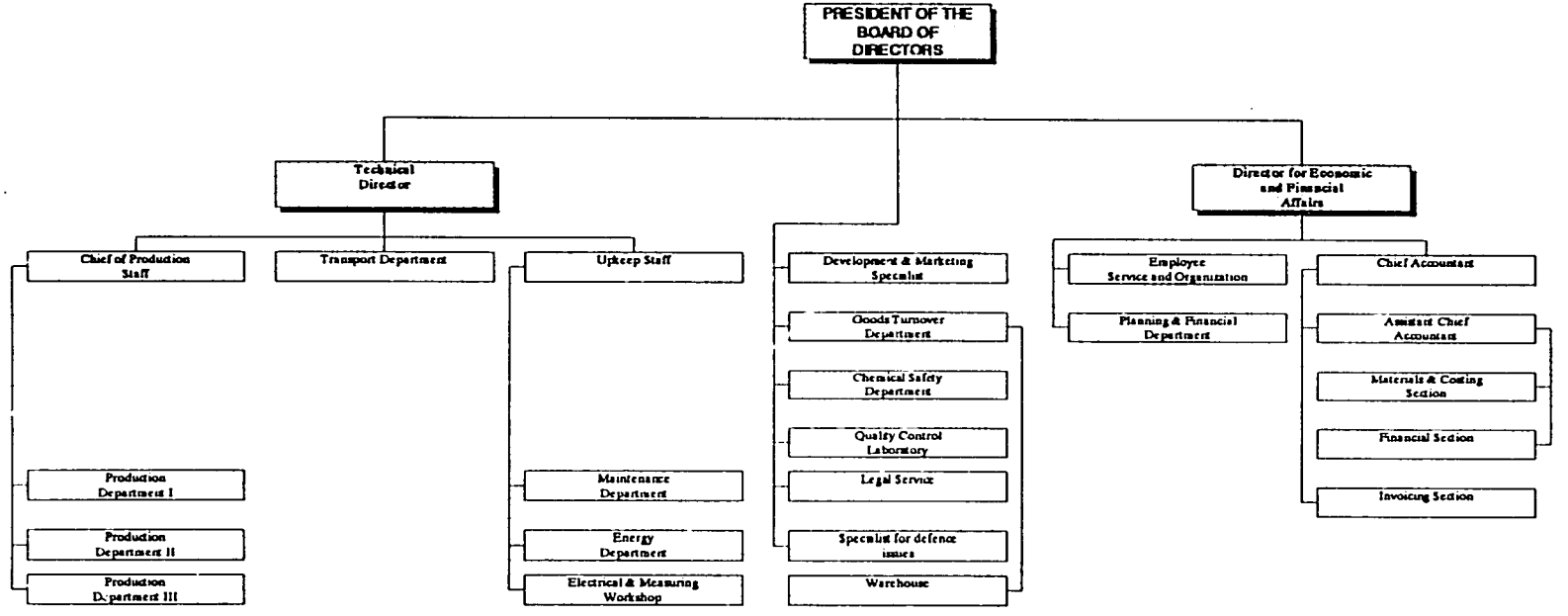
APPENDIX 1

Systems and machines

Systems and machines	Number of units	Function	Age in [yrs.]	Production capacity utilization in the period 1.01 - 30.09.92
Borax system	1	Production of borax	17	33%
Metasilicate system	1	Production of metasilicate	23	45%
Metasilicate granulation system	1	Production of metasilicate	1	90%
Bright silicone dioxide filler	1	Production of bright silicone dioxide filler	19	37%
system	1	Production of silicic acid sol	15	21%
Silicic acid sol system	1	Production of water—glass	29	68%
Water—glass system	1	Production of sodium glaze	28	82%
Glaze system	1	Production of liquid agents	18	30%
PC liquid agents system		Required for production	19	30%
Water supply system		Required for production	19	Acc. to production
Heat energy supply system		Required for production	18	requirements
Power and lighting supply		Required for production	29	Acc. to production
system		Required for production	19	requirements
Gas supply system		Required for production	19	Acc. to production
Compressed air supply system			15	requirements
Waste water system				Acc. to production
				requirements
				Acc. to production
				requirements

APPENDIX 2

DIAGRAM OF THE ORGANIZATIONAL STRUCTURE



APPENDIX 3

Curriculum vitae of the members of the Board of Directors

STANISŁAW OLEJNICZAK born: 7th of June, 1947	-	1991	Chairman of the Board of Directors, "RUDNIKI" Chemical Works.
	-	1978-1991	Assistant director for economic and commercial affairs
	-	1972-1978	Factory of Mechanical Devices in Częstochowa, successively as. - a senior economist, - a senior inspector for the analysis of the electronic data system, - a manager of the organizational and legal department.
	-	1972-1971	Factory of Buttons in Częstochowa, a junior economist
	-	1971	Higher School of Economics in Katowice.
LONGIN OGŁAZA born: 23rd of January, 1951	-	1991	Member of the Board of Directors, "RUDNIKI" Chemical Works.
	-	1979	"RUDNIKI" Chemical Works, successively as: - a technologist, - a manager of the investment department, - a manager of the manufacturing department, - a technical director.
	-	1973	A scientific worker at the Institute of Chemistry at the Jagielloński University in Kraków.
MAREK TABAKA born: 24th of July, 1951	-	1991	Member of the Board of Directors, "RUDUNIKI" Chemical Works.
	-	1975	"Rudniki" Chemical Works as a director for economic and financial matters.
	-	1969	Factory of Mechanical Devices "Wykromet" in Częstochowa, successively as: - a senior dispatcher, - a senior planner, - an economist, - a specialist on organizational, administrative and personnel affairs, - an assistant director
	-	1958	Academy of Economics in Katowice.

WUKO Spółka z o.o.

Wschowa, December 1993

BUSINESS PROFILE

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APPENDICES

I. BASIC INFORMATION ABOUT THE COMPANY

Address:	Obrońców Warszawy 2, Str. 67-400 Wschowa
Telephone no:	(0-65) 40-36-16
Fax no:	(0-65) 40-36-18
Industry:	Engineering
Main products and services:	Waste removal vehicle equipment, containers, motorway railings.
Turnover in the period of Jan. - Sept. 1992:	13,083 m zl / US$ 0.945*
Financial result as at 30th Sept. 1992:	(39) m zl / US$ (0.003)*
Number of employees as at 30th Sept. 1992:	139
Principal customers:	Mainly end users, especially public utility companies.

*/ the dollar zloty exchange rate as at 30th Sept. 1992: US$ 1 = 13,839 zl

II. HISTORY OF THE COMPANY

1957	-	Establishment of 'Waste Removing and Cleaning Equipment Plant (Wytwórnia Tabo.. i Sprzętu do Oczyszczania Miasta) attached to Municipal Authority in Wschowa (Przedsiębiorstwo Gospodarki Komunalnej we Wschowie).
1958	-	Separating Waste Removal Vehicle Construction Works from the Municipal Authority. The plant in Wschowa started operating as a subsidiary of Sanitary Transportation Equipment Works in Łódź (Komunalne Przedsiębiorstwo Taboru i Sprzętu Sanitarnego w Łodzi).
1973	-	Establishing Municipal Equipment Construction Plant "WUKO" in Wschowa (Wytwórnia Urządzeń Komunalnych "WUKO" we Wschowie).
6th Sept.,1991	-	Transforming the enterprise into a limited liability company "WUKO" Spółka z o.o.

III. PRODUCTS AND SERVICES

The Company product mix includes the following:

1. **waste removal truck equipment SK-821**: chassis type - Jelcz 325P, gross tare weight 8,200 kg, tank capacity 7,200 l, filling/emptying time 8/3.5 minutes, suction depth 6 m, use: pumping out liquid waste from sewage tanks and sewage removal;

2. **waste removal vehicle tank SK-201**: chassis type - Star-200, gross tare weight 5,000 kg, tank capacity 5,200 l, filling/emptying time 8/3 minutes, suction depth 6 m, purpose: pumping out liquid waste from sewage tanks and liquid waste removal;

3. **waste removal vehicle tank SK-816**: chassis type - Jelcz 416P, gross tare weight 10,200 kg, tank capacity 11,500 l, filling/emptying time 12/6 minutes, suction depth 6 m, purpose: pumping out liquid waste from sewage tanks and sewage removal;

4. **waste removal trailer equipment PA-35**: to be used with Ursus C 355-385 tractors, gross tare weight 1,250 kg, tank capacity 3,500 l, use: pumping out of liquid waste from sewage tanks and sewage removal, transporting and spreading of liquid manure for agriculture purposes;

5. **watering-cleaning vehicle equipment PZ-82**: chassis type Jelcz 325P or 422, tank capacity 7,200/8,000 l, width of watering 5m, use: washing and watering of streets, fire-fighting, pumping water out;

6. **container PZK-7**: capacity 7 m^3, tar weight 780 kg, acceptable load 4,000 kg, cooperation with SMW-1 frame vehicles and SMW-28 hook vehicles, use: collecting and transporting solid waste;

7. **container PZK-9**: capacity 9 m^3, tar weight 920 kg, acceptable load 4,000 kg, cooperation with SMW-1 frame vehicles and SMW-28 hook vehicles, use: collecting and transporting solid waste;

8. **containers**: capacity 2.5 to 3.6 m^3, meeting the standards presently in force on the German, Dutch and Swiss markets, use: collecting and removing solid waste, construction and other waste;

9. **hydraulic sand spreader PH-8**: chassis type Jelcz 325P or Skoda, fluid drive for working elements, semi-automatic control, width of the spreader 3 - 10 m, acceptable load 8,100 kg, use: spreading sand and chemicals;

10. **airfield snow-plough LPC-82 and LPK-82**: for use with Jelcz 325 and Kraz 255 - 7 vehicles, purpose: removal of snow from airfield aprons and access routes;

11. **snow-plough PO-8 and PO-641**: works with Jelcz, Skoda and Kamaz vehicles, use: removal of snow from streets and roads.

Life expectancy for fluid waste removal vehicles and sand spreading vehicles amounts to approximately 10 years.

IV. DESCRIPTION OF THE MANUFACTURING PROCESS

The manufacturing process is presented in Appendix 1.

The manufacturing process consists of the following stages:

1. Cutting

Cutting operations cover the preliminary preparation of parts and elements made of sheeting, bars and formed bars and are performed on the following equipment:

- guillotine shears;
- circular saws;
- spined cutting-off machine;
- vibration contour band-saws.

Cutting operations also cover manual cutting using plasma and semi-automatic cutting.

2. Machining

Machining operations are carried out using the following equipment:

- engine lathes;
- universal milling machine;
- boring machine;
- drillers;
- polishers.

3. Plastic working

Both hot and cold plastic working operations are performed. They include: bending, forming, pressing, die shearing, coiling of sheets and formed bars. Plastic working operations are carried out on the following equipment:

- eccentric presses;
- hammer;
- bending machines;
- coiling machines;
- hydraulic edging machines for sheets.

4. Sub-component assembly

Sub-component assembly includes: assembling and linking steel constructions, assembling drive mechanisms, valves, fittings, controlling and steering machines.

5. Welding

The welding of sub-components and components is performed in a CO_2 atmosphere at several work points equipped with the necessary fittings and bench and manouvering equipment, which enable convenient position welding.

6. Surface preparation for painting

The preparation of surfaces for painting is performed manually or in a clean-room by using steel or cast-iron shot.

7. Component assembly

Waste removal constructions, sand spreaders and watering machines are built onto car sub-frames. The addition of containers, frames, boxes, etc. on to the vehicles takes place in a special shop equipped with a gantry crane. Then, in another shop the final assembly of sub-components and components including frames, containers, fittings, compressor drives, gear-boxes, chassis adaptations, pneumatics, hydraulics, valve control is performed.

8. Testing

Testing is carried out after the assembly of all components (with the exception of the electrical installations) at a special test point. Each product goes through tests on leak-proofness, pressure endurance. Drive mechanisms, hydraulic and pneumatic installations including chassis start-up are tested. During these operations all safety and control valves are set up.

9. Final painting

Painting with phthalic refurbishing lacquers is performed in a lacquering room by a hydrodynamic method with paint heating. The phase includes also painting relevant signs and symbols.

10. Final assembly

The final assembly includes assembling electrical, lighting and signalling installations, as well as final reception by quality control.

11. Warehouse

The average production capacity utilization in each phase of the production process, assuming one-shift work, is presented in table 1.

Table 1. Production capacity utilization

Production process phase	Production capacity utilization
Cutting	25%
Machining	26%
Plastic working	25%
Sub-components assembly	120%*
Welding	140%*
Surface preparation	65%
Anticorrosive painting	140%*
Components assembly	120%*
Testing	15%
Final painting	140%*
Final assembly	40%

*/ two-shift work

Basic machines and equipment used in the production process is presented in appendix 2.

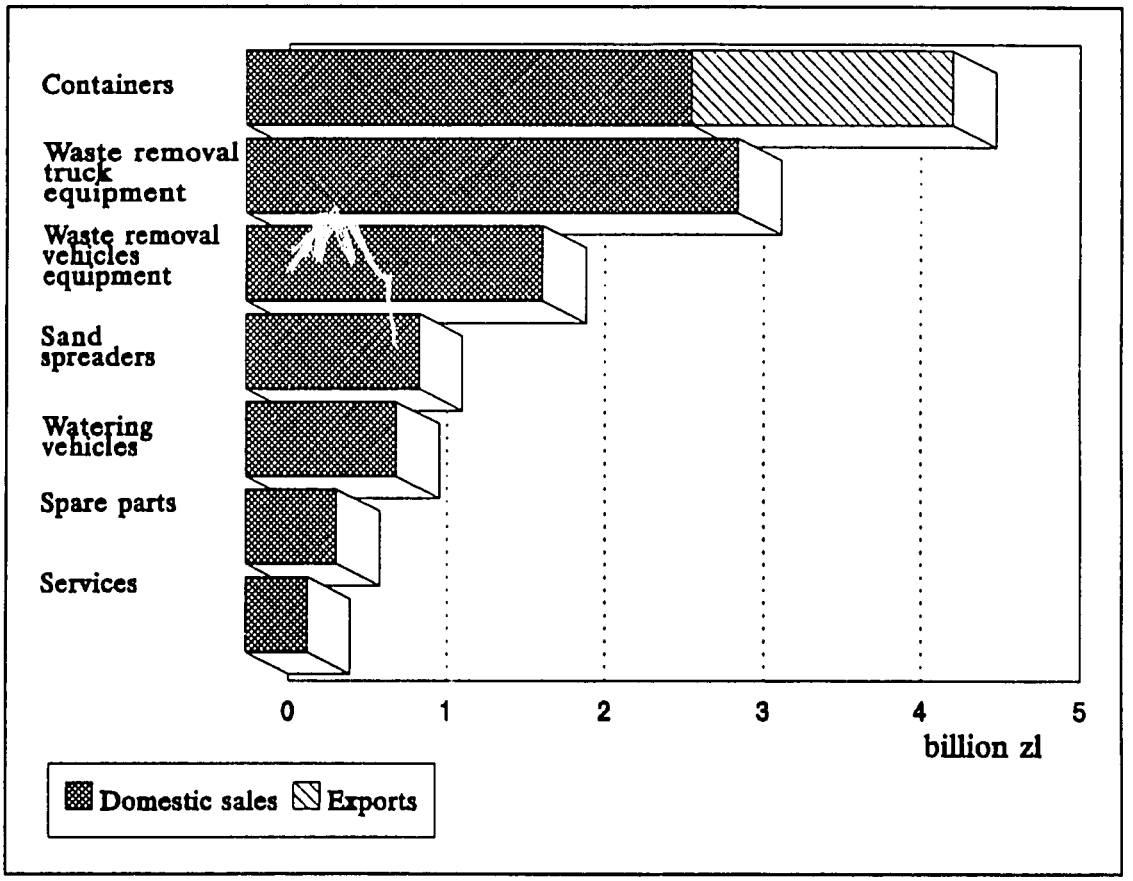
V. MARKET DESCRIPTION

The company sells its products to approximately 400 customers, which include mainly domestic public utility companies. State-owned enterprises and cooperatives, which have been purchasing from "Wuko" Sp. z o.o. for one to three years, constitute the majority of clients.

Exports account for about 13% of the total sales and include containers, which are sold to customers in Germany and in the Netherlands.

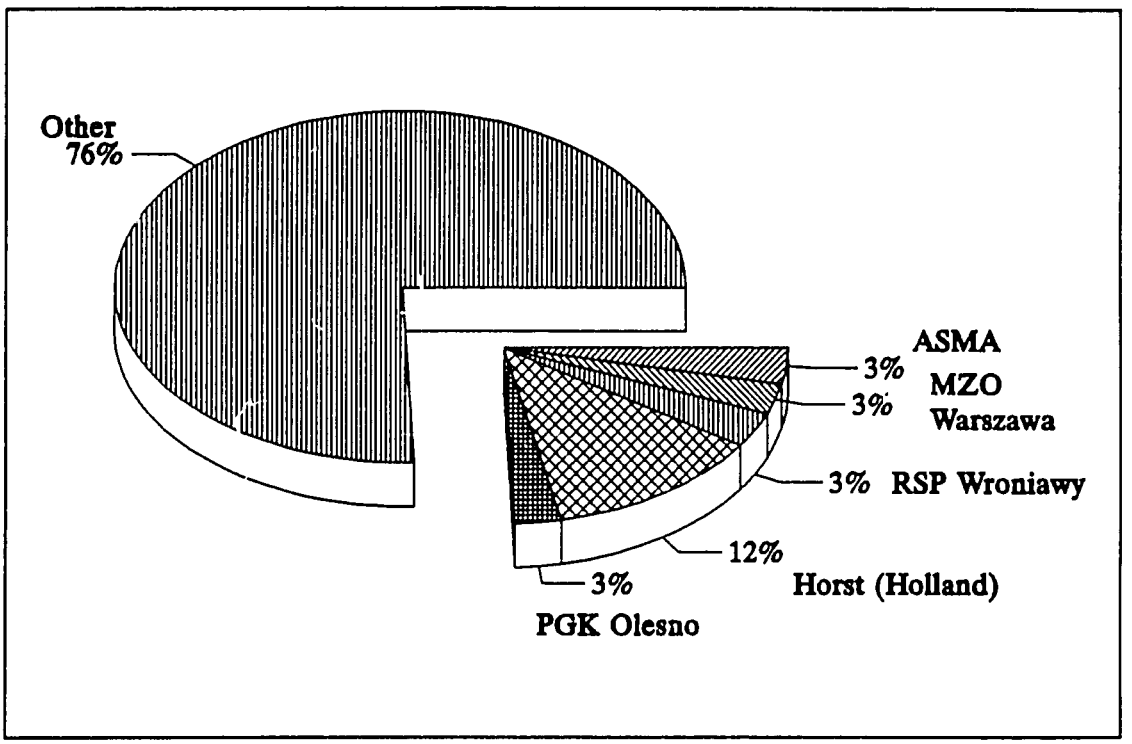
The geographical structure of the company sales by products for the period of January - September, 1992 is presented in Chart No 1.

Chart 1. Geographical sales structure by products (in the period of January - September, 1992)



Five companies can be distinguished among "Wuko" customers. Their share in the Company's total sales amounted to 24% (as recorded in the period of January - September, 1992). Dutch firm Horst, purchasing containers is the biggest customer. The sales structure of "Wuko" by customers as at 30th September, 1992 is presented in Chart No 2.

Chart 2. Sales structure by customers.



The Company perceives price, product and services quality as the key factors influencing a customer in buying a product.

VI. MARKET SHARE

"Wuko"'s market share on the domestic market and its main competitors by products are presented in Table No 2.

Table 2.

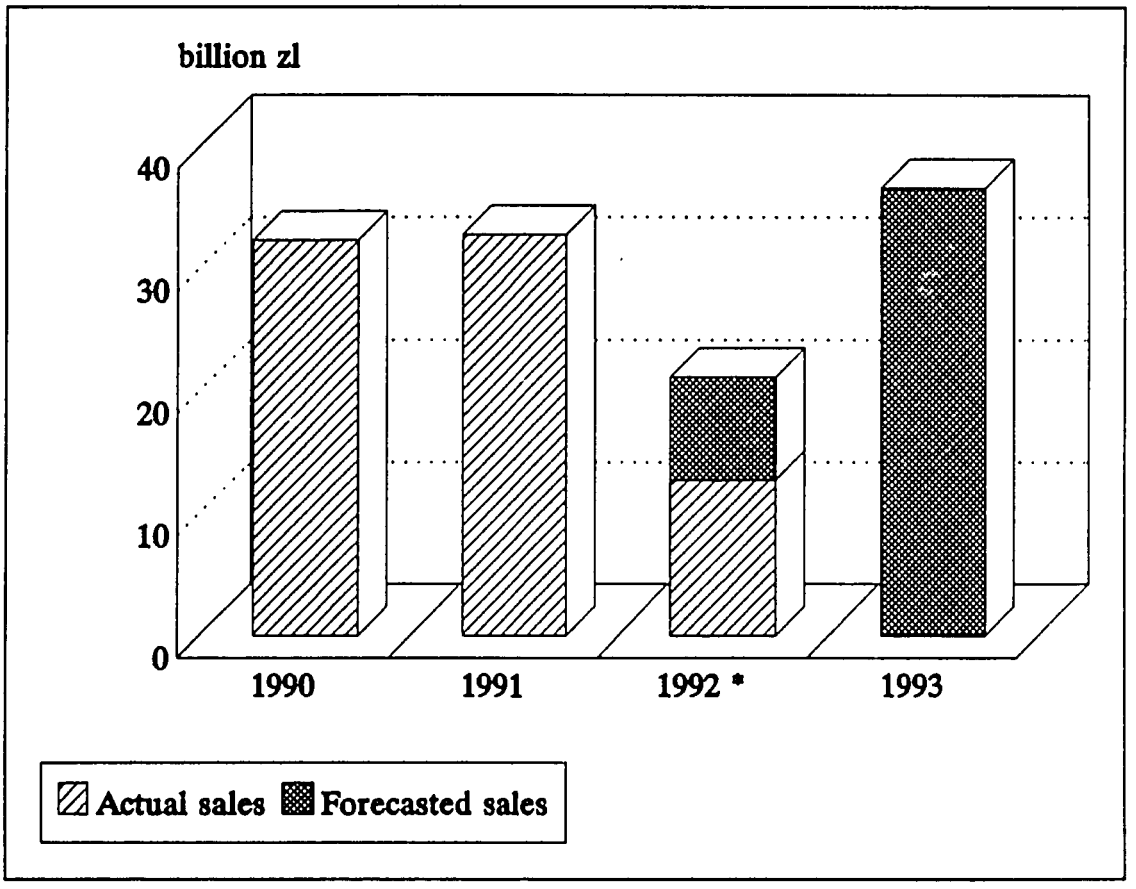
Product	**Domestic market share (percentage of sales)**	Main competitors
Containers	5%	"Wuko" Wrocław "Wuko" Łódź
Waste removal trailers	30%	"Meprozet" Kościan POM Chojne
Waste removal trucks	100%	
Sand spreaders	40%	OZT i MD Olsztyn "Schmidt" Germany "Nido" the Netherlands
Motorway snow ploughs	80%	
Airfield snow ploughs	100%	
Watering-cleaning vehicles	100%	

VII. SALES AND MARKETING

The Company total sales for the period of January - September, 1992 amounted to 13,083 million zl (US$ 0.945 million)*.

Chart No 3 presents the sales value (excluding services) calculated at constant prices (average prices for the period of January - September, 1992) effected in 1990, 1991, 1992 (January - September) and a forecast for 1992 and 1993.

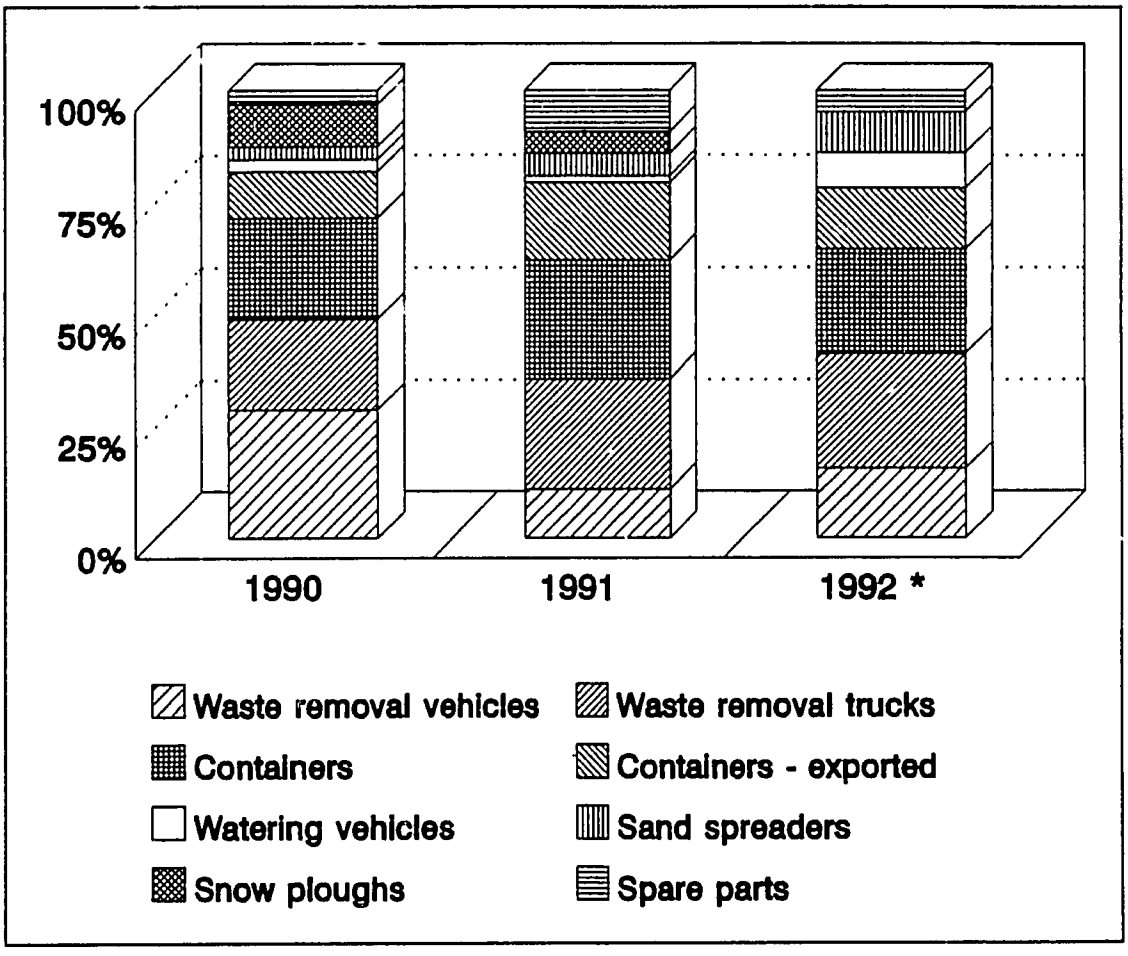
Chart 3. Sales (at constant prices) in 1990, 1991, 1992 (January - September) and forecast for 1992 and 1993.



*/ the dollar zloty exchange rate as at 30th September, 1992: US$ 1 = 13,839 zl

The sales structure in terms of value by products in 1990, 1991, 1992 (January - September) is presented in Chart No 4.

Chart 4. Sales structure in terms of value by products



On the domestic market the Company sells its products directly to end users. Direct sales constitute 95% of total domestic sales. In April, 1992, the Company established its own sales network: 12 salesmen working in four groups and each group operates in its own geographic area of the market. Company "Contractos" from Poznań is an intermediary used for the remaining part of domestic sales. Exports have been carried out without any intermediary companies since July, 1992.

* Refers to sales in the period of January September 1992.

VIII. RAW MATERIALS

The main raw materials used for the production include:

- metallurgical materials
- paints
- jointed shafts
- tires
- axial units
- compressors
- bottoms
- regulators H 122 and gear boxes (cooperation)
- PCV hoses
- screws

The Company purchases the materials from domestic producers, which include:

- "Stalexport", Katowice (metallurgical materials)
- "Stalhurt", Krzyż Wielkopolski (metallurgical materials)
- Sendzimir Steel Works, Kraków (metallurgical materials)
- "Glazbud", Wrocław (metallurgical materials)
- "Pokój" Steel Works, Ruda Śląska (metallurgical materials)
- "Nobiles", Włocławek (paints)
- Fabryka Farb, Złoty Stok (paints)
- "Agromet", Lublin (jointed shafts)
- "Stomol", Dębica (tires)
- POM, Węgorzewo (axial units)
- Zakład Naprawczy Mechanizacji Rolnictwa, Słupsk (compressors)
- "Chemar", Kielce (bottoms)
- "Techmasz", Leszno (regulators H 122)
- ZREMB, Poznań (gear boxes)
- Fabryka Tworzyw ERG, Jasło (PCV hoses)

The major materials and suppliers as a percentage of total are presented in Charts No 5 and 6.

Chart 5. Supply structure in terms of value by materials (as at 30th September, 1992)

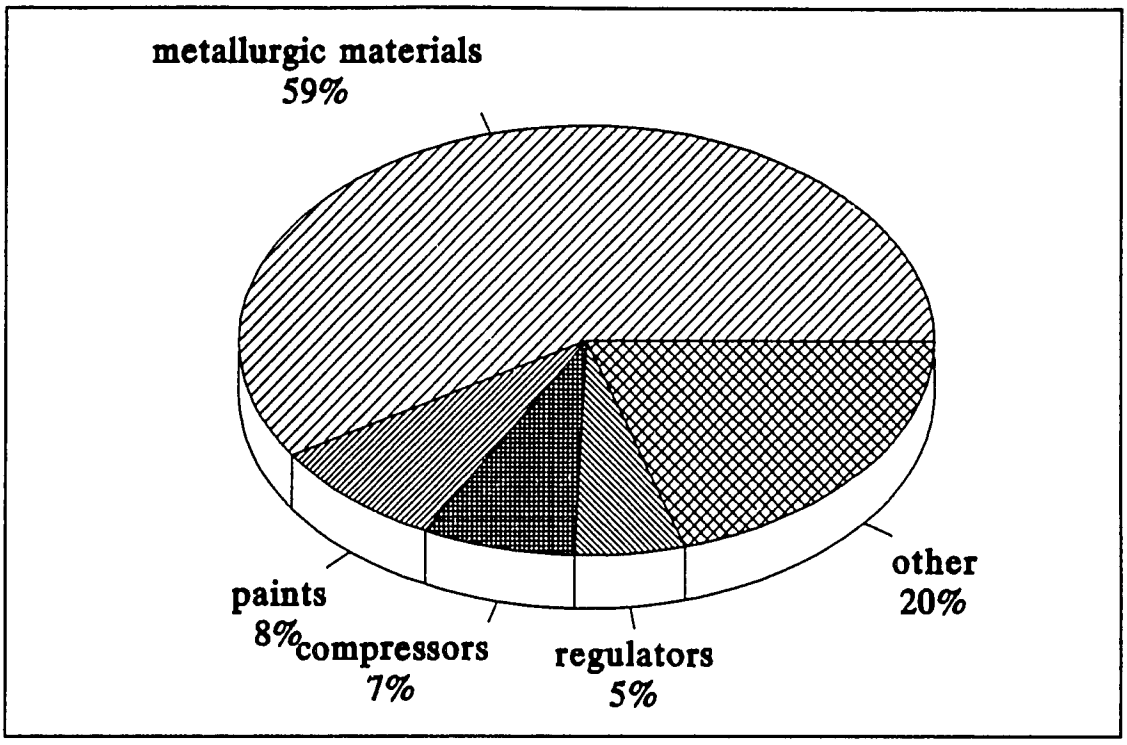
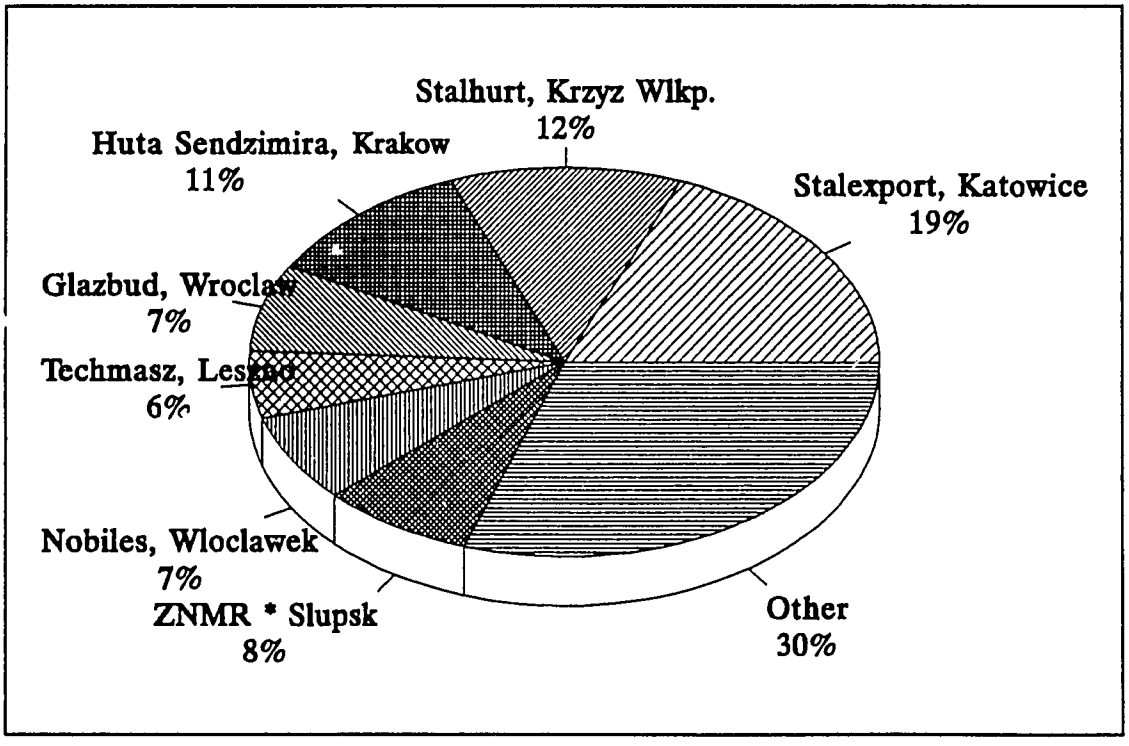


Chart 6. Supply structure in terms of value by suppliers (as at 30th September, 1992)



*/ Zakład Naprawczy Mechanizacji Rolnictwa

IX. ORGANIZATIONAL STRUCTURE OF THE COMPANY

The Company's current organizational structure was introduced on 30th August, 1992. The organizational structure chart is presented in Appendix No 3.

Curricula vitae of the members of the Board of Directors are presented in Appendix No 4.

The employment structure and the average remuneration as at 30th September, 1992 are presented in Table No3.

Table 3.

	Employment level no of people	Average salary in zlotys	Fluctuation ratio
Total	139	2,937,893	
Production staff	65	2,854,000	16.27%
Support staff	37	2,476,800	0%
Administration	35	3,000,072	9.68%
Management	2	13,085,500	0%

There is one trade union operating within the Company:

- NSZZ "Solidarność" - 50 members.

IX. COMPANY ASSETS

The value of the Company's assets, as at 30th September, 1992 amounted to 22,203 million zlotys, of which 16,557 million zlotys in fixed assets. The structure of fixed assets used by the Company is presented in the tables below.

Table 4.

Type of assets	Area in ha	Location	Form of ownership or use
Land			
Plot of land with production buildings	4.8129	Obrońców Warszawy 46, Str. Wschowa	perpetual leasehold
Plot of land with non-production buildings	0.1946	K. Wielkiego 1, Str. Wschowa	perpetual leasehold
Plot of land with non-production buildings *	0.20	K. Wielkiego, Str. Wschowa	
Recreation plot	0.8570	Brenno village, 18 km away from Wschowa	Company ownership

* the procedure for taking the land over by perpetual leasehold is under way

Table 5.

Type of assets	Area in m²	Location	Age (years)	Form of ownership or use
Production buildings				
Multi-floor assembly hall	1,903	on site	35	Company ownership
Assembly hall No 1	2,808	on site	22	Company ownership
Cutting, welding, and mechanical machining hall	20	on site	20	Company ownership
Assembly hall No 2	659	on site	15	Company ownership
Prototype hall No 3 (with first floor)	837	on site	12	Company ownership
Vehicle workshop and cutting hall	1,137	on site	10	Company ownership

Table 6.

Type of assets	Area in m²	Location	Age (years)	Form of ownership or use
Non-production buildings				
Administration building	390	Obrońców Warszawy 26, Str. Wschowa	22	Company ownership
Housing block	?	K. Wielkiego 13, Str. Wschowa	31	Company ownership
Housing block	1,946	K. Wielkiego 1, Str. Wschowa	27	Company ownership
Rest and recreation centre	8,570	Brenno village 18 km from Wschowa	13	Company ownership

X. FINANCIAL DATA

INCOME STATEMENT FOR THE PERIOD

	Note	01.09-30.09 1992 '000,000 zl	01.01-31.08 1991 '000,000 zl	01.01-31.12 1990 '000,000 zl
Sales	1	18.005	11.643	14.675
Turnover tax		(192)	(130)	(313)
Net sales		**17.813**	**11.513**	**14.362**
Operating expenses	2	(18.388)	(9.815)	(11.069)
Change in inventories		674	486	1.066
Other income		378	312	326
Interest and similar income		5	9	0
Interest and similar charges	3	(215)	(83)	(546)
Operating income		**267**	**2.422**	**4.139**
Unusual gains		80	0	160
Unusual losses		(68)	(21)	(279)
Net unusual gains/(losses)		12	(21)	(119)
Income before taxes		**279**	**2.401**	**4.020**
Income taxes		(252)	(845)	(1.534)
Excess wages tax and dividends paid to the State Treasury		(66)	(1.202)	(844)
Other items		0	(7)	0
Net income/(loss) for the period		**(39)**	**347**	**1.642**

(*) Financial statements have been prepared as at the month end following the date of commercialisation.

US$ exchange rates as at:
31.12.1990 - 1 US$ = 9,500 zł
31.08.1991 - 1 US$ = 11,270 zł
31.12.1991 - 1 US$ = 10,957 zł
30.09.1992 - 1 US$ = 13,839 zł

BALANCE SHEET AS AT

	Note	30.09.1992 '000,000 zl	31.08.1991 '000,000 zl	31.12.1990 '000,000 zl
ASSETS				
FIXED ASSETS				
Tangible fixed assets	4	16.537	17.619	13.875
Investments	5	20	12	2
		16.557	17.631	13.877
CURRENT ASSETS				
Inventories	6	3.930	2.842	3.189
Receivables	7	1.353	981	1.610
Cash	8	363	608	73
Other assets		0	0	1.179
		5.646	4.431	6.051
TOTAL ASSETS		22.203	22.062	19.928
CAPITAL AND LIABILITIES				
CAPITAL				
Founding fund	9	0	0	2.605
Company fund	9	0	0	13.051
Share capital	9	12.000	12.000	0
Reserve capital	9	7.795	7.843	0
		19.795	19.843	15.656
LONG TERM LIABILITIES		0	0	692
CURRENT LIABILITIES	10	2.447	1.872	1.938
NET INCOME/(LOSS) FOR THE PERIOD		(39)	347	1.642
TOTAL CAPITAL AND LIABILITIES		22.203	22.062	19.928

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NOTES TO FINANCIAL STATEMENTS

	01.09-30.09 1992 '000,000 zl	01.01-31.08 1991 '000,000 zl	01.01-31.12 1990 '000,000 zl
1) SALES			
Sales of finished products - domestic	15.193	9.448	12.866
Sales of finished products - export	2.708	2.150	1.747
Services rendered - domestic	104	45	62
	18.005	11.643	14.675
2) OPERATING EXPENSES			
Depreciation	1.287	544	339
Materials	9.251	5.714	7.087
Energy	0	0	302
External services	1.350	559	576
Wages and salaries	5.863	2.803	1.809
Social security	0	0	615
Other	637	195	341
	18.388	9.815	11.069
3) INTEREST AND SIMILAR CHARGES			
Loan interest	215	83	546

NOTES TO FINANCIAL STATEMENTS

	30.09.1992 '000,000 zl	31.08.1991 '000,000 zl	31.12.1990 '000,000 zl
4) TANGIBLE FIXED ASSETS			
Net book value:			
Buildings and fixtures	14.741	15.576	12.373
Technical equipment	1.203	1.146	883
Transportation equipment	361	538	468
Assets under construction	186	347	133
Fixtures and fittings	20	0	18
Other fixed assets	26	13	0
	16.537	17.619	13.875
5) INVESTMENTS			
Shares in other companies	20	12	2
6) INVENTORIES			
Materials	1.558	1.141	1.872
Work in progress	1.498	1.068	889
Finished goods	874	633	428
Items held for resale	0	0	0
	3.930	2.842	3.189
7) RECEIVABLES			
Trade receivables	875	549	1.385
Amounts due from the State Treasury	107	207	91
Deferred costs	247	192	89
Other	124	33	45
	1.353	981	1.610
8) CASH			
Cash on hand	48	11	6
Cash at bank	315	597	65
Other	0	0	2
	363	608	73

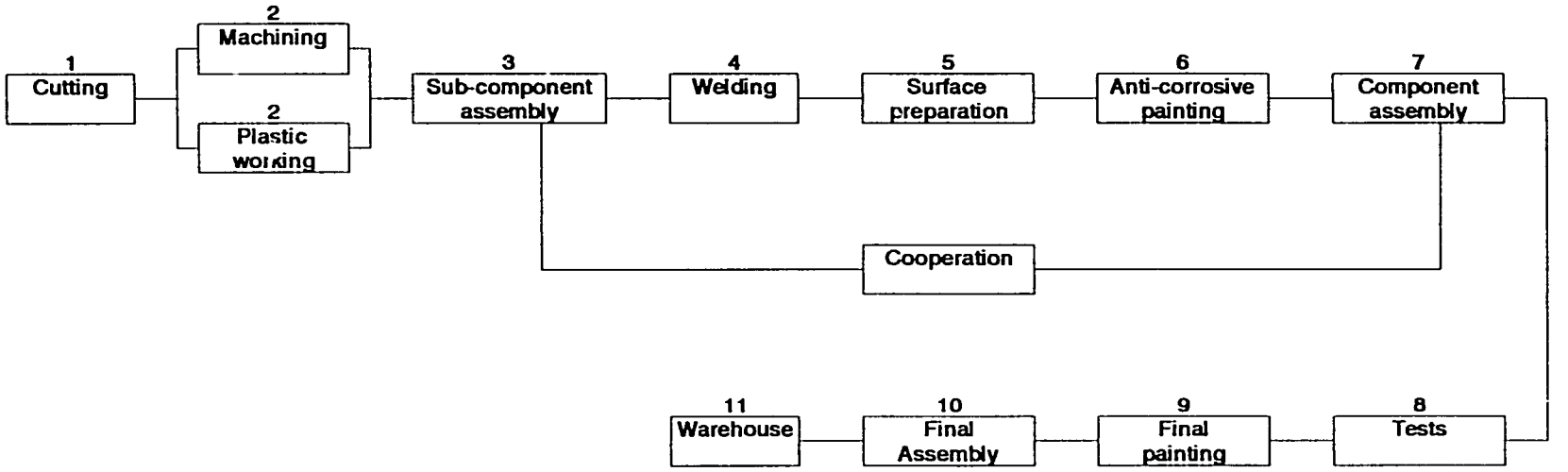
NOTES TO FINANCIAL STATEMENTS

	30.09.1992 '000,000 zl	31.08.1991 '000,000 zl	31.12.1990 '000,000 zl
9) CAPITAL			
Founding fund:			
Opening balance	0	2.605	213
Revaluation of fixed assets	0	670	2.392
Transfer to reserve capital	0	(3.275)	0
Closing balance	0	0	2.605
Company fund:			
Opening balance	0	13.051	906
Revaluation of fixed assets	0	3.373	11.188
Transfer from net income	0	212	1.001
Depreciation of employees' homes	0	(527)	(353)
Transfer to share capital	0	(12.000)	0
Transfer to reserve capital	0	(4.568)	0
Other increases	0	459	309
Closing balance	0	0	13.051
Participation capital:			
Opening balance	12.000	0	0
Transfer from company fund	0	12.000	0
Closing balance	12.000	12.000	0
Reserve capital:			
Opening balance	7.843	0	0
Transfer from company fund	0	4.568	0
Transfer from founding fund	0	3.275	0
Transfer from net income	131	0	0
Depreciation of employees' homes	(179)	0	0
Closing balance	7.795	7.843	0
10) CURRENT LIABILITIES			
Bank loans	370	0	0
Trade payables	1.081	374	1 212
Employees' funds	312	209	74
Amounts due to the State Treasury	141	901	422
Deferred income	0	0	0
Accrued items	122	46	0
Wages and salaries payable	209	153	136
Other	212	189	94
	2.447	1.872	1 938

APPENDICES

APPENDIX 1

Production process



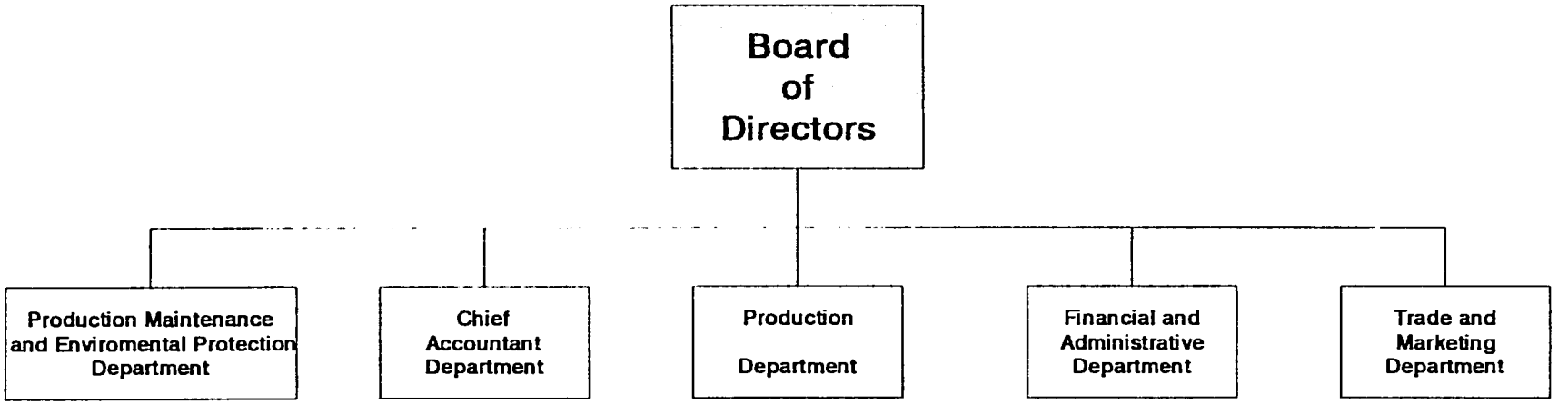
APPENDIX 2.

Main machines and equipment

Machines and equipment	No of pieces	Use	Age in years
Bending press brake PPH 160	1	bending	14
Universal shears No 1317	1	cutting	10
Eccentric press LE 16010	1	stamping - punching	10
Guillotyne shears NG8	1	cutting	6
Grinder NU 25	1	grinding	5
Compression set WS-100	1	working preassure	4
Screwing machine 9-50M	1	screwing	3
Semi-automatic welder	2	wire welding	2
Telpher overweight	1	assembly	16
Gantry crane SB-5	1	assembly	16
Car weigher	1	warehouse	21
Overhead travelling crane	1	assembly	10
Double-girder crane	1	assembly	7
Dust extractor	4	boiler house	4
Single-girder crane	1	assembly	4
Fork lift truck WW-1219	1	transportation	6
Fork lift truck RAK	3	transportation	6
Fork lift truck GPW 2007	2	transportation	5
Truck "Jelcz"	1	transportation	5
Trailer P-4	1	transportation	4
Truck NYSA	1	transportation	4
Generator	1	boiler house	11

APPENDIX 3

Organizational structure



APPENDIX 4

Board of Directors Curricula Vitae

JERZY DOBROWOLSKI born 22nd Sept.,1944	-	1992	WUKO Spółka z o.o. Chairman of the Board of Directors
	-	1991 - 1992	Public Utility Equipment Plant WUKO in Wschowa Vice Chairman, Technical Director
	-	1990 - 1991	"Ponar - Remo" Przedsiębiorstwo Obsługi Technicznej Maszyn i Obrotu in Warsaw Chief Specialist
	-	1990	Fabryka Maszyn "Ponar - Remo" in Wschowa performing the duties of Manager
	-	1986 - 1990	Kombinat Gospodarki Parkiem Obrabiarkowym "Ponar - Remo" in Warsaw, Zakład Remontowy Obrabiarek in Wschowa Managing Director
	-	1970 - 1986	Z.P.M. H. Cegielski, Iron Foundry House in Śrem trainee, production engineer, foreman, section manager, department vice manager
	-	1970	M.A. engineer, Technical University in Częstochowa, Metallurgical Department
PIOTR WALIŃSKI born 30th Dec., 1959	-	1992	WUKO Spółka z o.o. Vice Chairman of the Board of Directors
	-	1988 - 1992	Rawicka Fabryka Wyposażenia Wagonów "Rawag" in Rawicz Vice Chairman Financial Director Chief Accountant
	-	1985 - 1988	Chamber of the Treasury in Leszno Inspector
	-	1983 - 1985	the Copernicus Handicapped Cooperative in Leszno financial clerk
	-	1992	Certified Auditor No 4254
	-	1991	Certified Acountant No 12954
	-	1983	M.A. economics, University of Economics in Poznań, Planning and Management Department

"INOFAMA" S.A.

Inowrocław, December 1992

BUSINESS PROFILE

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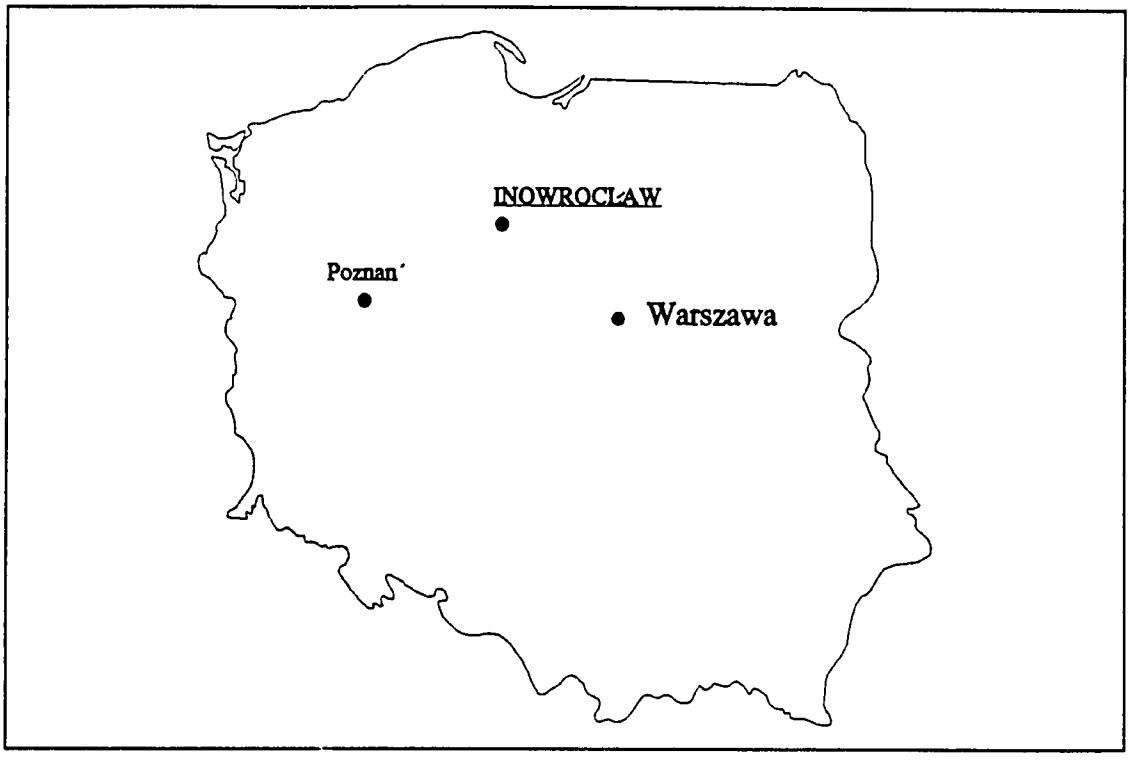
APPENDICES

I. BASIC DATA ABOUT THE COMPANY



Address:	Metalowców Street 7 88-100 Inowrocław
Phone No:	740 - 51 to 59
Fax No:	728 - 16
Industry:	Metallurgy
Main products and services:	Motorway railings, waste containers, agricultural machinery and equipment.
Turnover in the period of January - September, 1992:	**209,189 m zl / US$ 15.12 m ***
Financial result as at 30th September, 1992:	**8,669 m zl / US$ 0.63 m ***
Number of employees as at 30th September, 1992:	1,056
Main customers:	Mainly end users: private domestic and foreign companies, individual farmers. Sales through intermediaries constitutes the minority.

*/ the zloty dollar exchange rate as at 30th September, 1992: US$ 1 = 13,839 zł

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II. HISTORY OF THE COMPANY

1880	—	established the "Głogowski and Son" Agricultural Machinery and Tools Factory;
1949	—	transformed the Company into a state—owned enterprise, renamed Inowrocław Agricultural Equipment Factory "Inofama";
1964	-	opened a new workshop;
1973	-	renamed Agricultural Machinery Factory "Agromet - Inofama"
1976	-	opened a zinc works, production shop with a social building, boiler house and warehouses;
1991.05.01	—	transformed the enterprise into a joint stock company of the State Treasury, renamed "INOFAMA" S.A.;
1992	-	commenced the investment concerning fume desulphurizing at the boiler house.

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III. PRODUCTS AND SERVICES

"INOFAMA" S.A. manufactures railings and other motorway fencing accessories, waste containers and agricultural equipment.

The product mix includes the following:

1. **motorway railings** made of galvanized steel, manufactured in two versions: type A — rounded profile, and type B — angular profile.

2. **waste containers**, made of steel, galvanized, wheeled, capacity: 1.3 m^3, adjusted for dust free emptying by refuse collection trucks;

3. **swine railings** for breeding pigs;

4. **mobile tanks for water transportation**, manufactured in 4 versions, capacity: 1,500, 2,000, 2,500 and 3,000 litres, designed in the shape of a horizontal cylinder with an internal baffle plate reducing the impact of liquid on side walls during transportation;

5. **stationary tanks for water transportation**, manufactured in 4 versions, capacity: 1,500, 2,000, 2,500 and 3,000 litres, designed in the shape of a horizontal cylinder with an internal baffle plate reducing the impact of liquid on the side walls during transport;

6. **drinking bowls**, oval shape, for watering cattle in pastures on farms; made of steel sheets; manufactured in 5 versions, capacity: 400, 600, 800, 1,000 and 1,200 litres;

7. **sprinkling machines** for sprinkling crops with water or fertilizer solutions, capacity 0.3 ha/h, sprinkling area of 2 to 3.5 ha during a single course of the truck; manufactured in two versions;

8. **barrels** for transporting and spreading liquid manure; made of steel sheets, both sides galvanized; manufactured in three versions, capacity: 400, 630 and 1,000 litres;

9. **cisterns** for water transportation and storage for breeding and cultivating purposes (the possibility of utilization for ammonia water storage and transportation); made of steel sheets coated with a zinc protection layer on both sides, capacity 2,000 litres;

10. **blowers** for air—operated transport of straw and grain; capacity for straw: 6-7.2 t/h, for grain: 13 t/h; transport range for straw materials: horizontal — 40 m, vertical — 10 m; manufactured in two versions;

11. **electric steamers** for steaming and warm storage of potatoes (designed also to warm water and other feeds); made of double wall steel sheets; the space between the walls filled with an insulating material; manufactured in three versions, boiler capacity: 63, 100 and 160 litres;

12. **mobile steam generators** for breeding and gardening purposes (washing and disinfecting vessels and milking machines, heating rooms, etc.); maximum capacity reached at 250 kg/h, boiler capacity 400 l, heated area 7.2 m^2, transport speed (on its own chassis) 6 km/h.

Except the primary activities, ie. manufacturing, the Company provides services including galvanizing elements and systems as well as supplying heat (the in—plant boiler room supplies heat to nearby companies). The share of services in the total sales amounted to 2.12% (as recorded in the period of january - September, 1992).

IV. DESCRIPTION OF THE MANUFACTURING PROCESS

The manufacturing process for four main product groups is presented in Appendix 1.

The manufacturing process consists of the following stages:

1. Cutting

Cutting operations are performed on the following equipment:

- circular saws;
- band—saws;
- general purpose anvil shears: UP13, NU16, NU25;
- guillotine shears, max. thickness of the 1,500 x 3,000 sheet — 13 mm.

2. Plastic working

Plastic working operations are performed on presses of the following types:

- eccentric presses, tonnage from 16 to 160 t;
- crank presses, maximum tonnage 800 t;
- hydraulic presses, maximum tonnage 160 t.

3. Machining

Machining operations are performed on the following equipment:

- general purpose engine lathes, type TUD, TUR;
- general purpose milling machines, type FAW;
- drills, type WS, WKA-25, WRS-25 and WRS-50;
- cylindrical grinders M14524;
- screwing machines MSIV16, GA-52/2;
- broaching machines 7N56;
- hobbing machines 53A50 4, ZPA-75.

4. Welding

Welding operations are performed on the following equipment:

- semi—automatic gas mixture (carbon dioxide and argon) welders;
- semi—automatic welders for flux welding.

5. Galvanizing (zinc coating)

The galvanizing process is performed on an automatic process line and comprises the following stages:

- degreasing
- water rinsing
- etching
- stagnant water rinsing
- running water rinsing
- flux treatment
- drying
- galvanizing
- cooling and chromate treatment

In the galvanizing process two types of galvanizing baths of the following dimensions are used:

— 5.00 m x 1.45 m x 3.30 m
— 5.00 m x 1.80 m x 1.67 m.

6. **Painting**

Pneumatic paint guns are used for painting. The company has also painting rooms as well as hydrodynamic and electrostatic painting equipment (manufactured by Ransburg company) at its disposal.

7. **Assembly**

The assembly operations are performed on flow production lines or in work centres. Pneumatic equipment and overhead cranes are used in this process.

8. **Preparations for shipment**

The products are prepared for shipment at purpose—built stands. During this process the products are placed in packages on pallets and secured by steel straps.

9. **Shipment**

The products are shipped by motor or rail transport. There is a railway siding on site. Products are loaded by means of car cranes.

The average production capacity utilization, assuming two shift work, in the four main departments is presented in Table 1.

Table 1. Production capacity utilization.

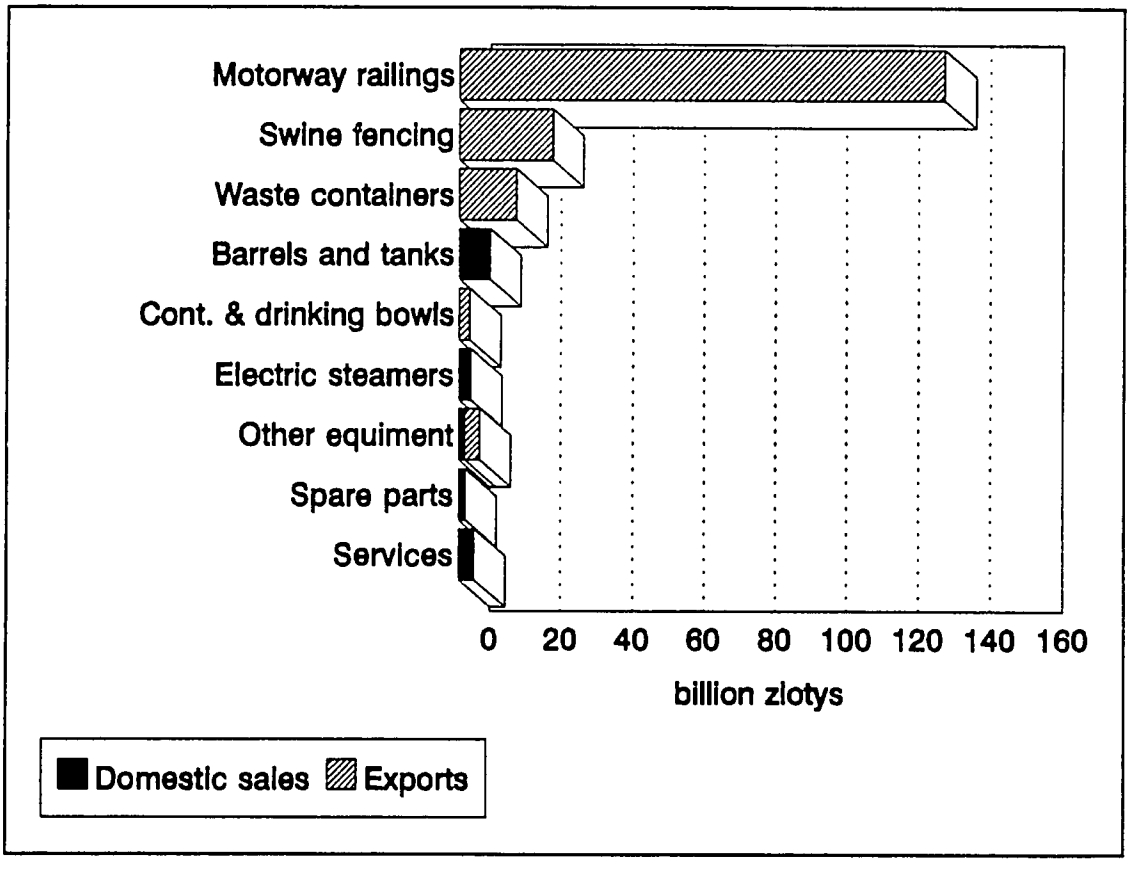
Department 100 Plastic working and machining	Department 200 Assembly, welding and painting	Department 300 Galvanizing and packing	Department 675 Cutting
50%	70%	150%	60%

Main machines and equipment utilized in the manufacturing process are specified in Appendix 1.

V. MARKET DESCRIPTION

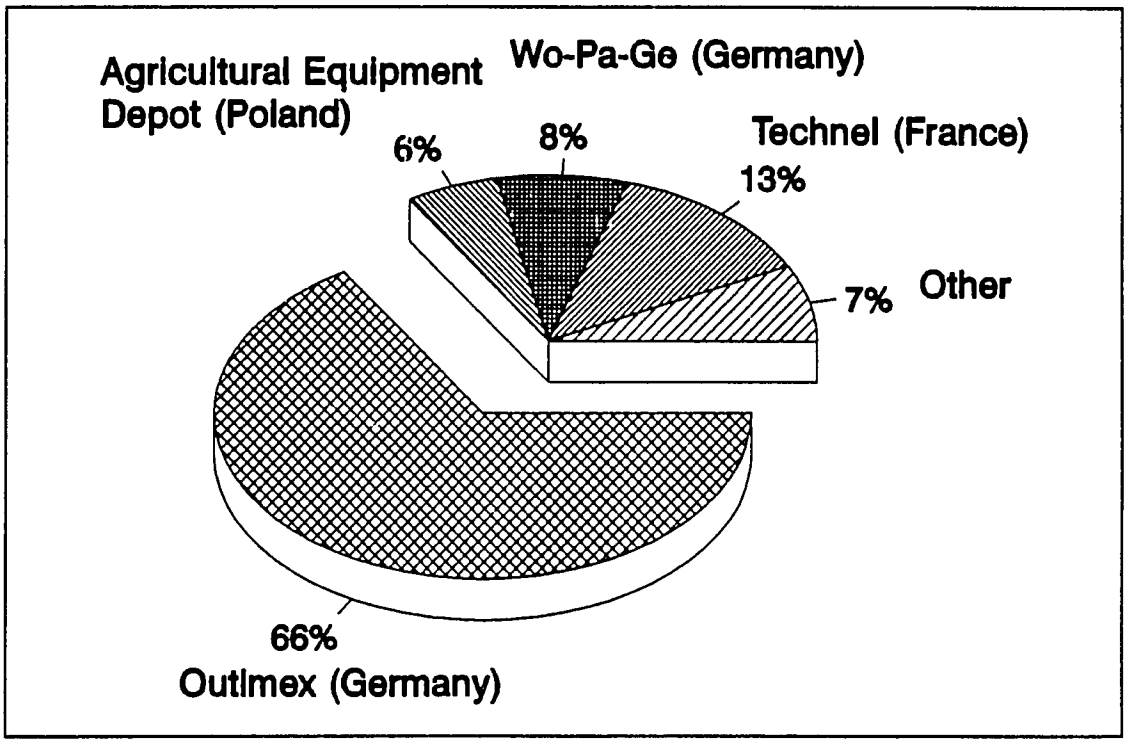
The Company sells its products to about 150 customers. Exports constitute 90.38% of the total sales. Foreign customers of "Inofama" include companies from Germany, France, Belgium and Switzerland. Domestic customers, which account for 9.62% of the total sales, include mainly trade enterprises involved in the sale of agricultural machinery and equipment. Their share of domestic sales amounted to 81% in the period of January - September, 1992. The remaining 19% of the domestic sales goes directly to end users. The geographical sales structure by products is shown in Chart 1.

Chart 1. Geographical sales structure by products (in the period of January - September, 1992)



Four companies, which account for 93% of the total sales (as recorded in the period of january - September, 1992), can be distinguished among "Inofama" customers. The German firm "Outimex", purchasing motorway railings is the biggest customer (66% of total sales). The sales structure of "Inofama" by customers is presented in Chart 2.

Chart 2. Sales structure by customers.



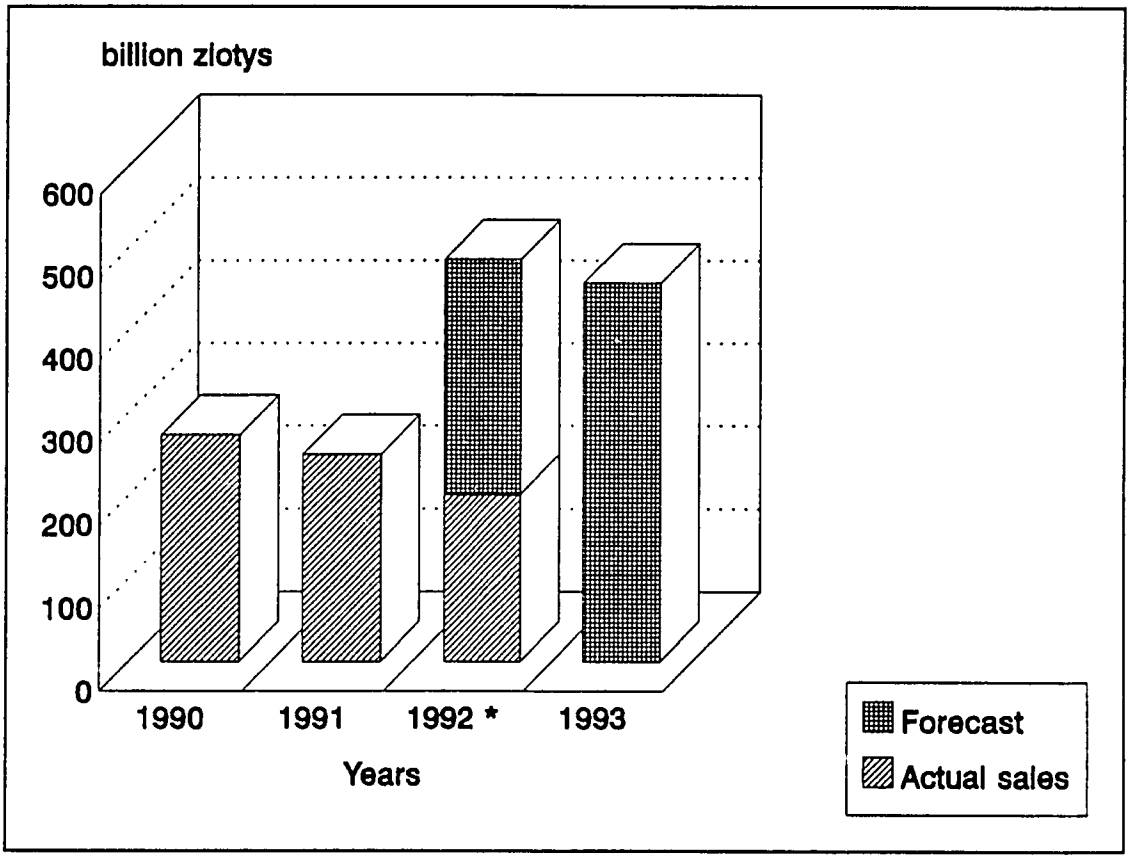
The majority of domestic customers have been purchasing from "Inofama" for about 20 years. A half of foreign customers have been cooperating with "Inofama" for 9-10 years. The second half have been buying from the Company for 2-4 years.

VI. SALES AND MARKETING

The Company total sales for the period of January - September, 1992 amounted to 209,189 million zl (US$ 15.12 m)*.

Chart 3 shows the sales value (excluding services) calculated at constant prices (average prices in the period of January - September, 1992) in 1990, 1991, 1992 (January - September) and forecasts for 1992 and 1993.

Chart 3. Sales (at constant prices) in 1990, 1991, 1992 (January - September) and forecasts for 1992 and 1993



*/ the dollar zloty exchange rate as at 30th september, 1992: US$ 1 = 13,839 zl

**/ actual sales refers to sales in the period of January - September, 1992

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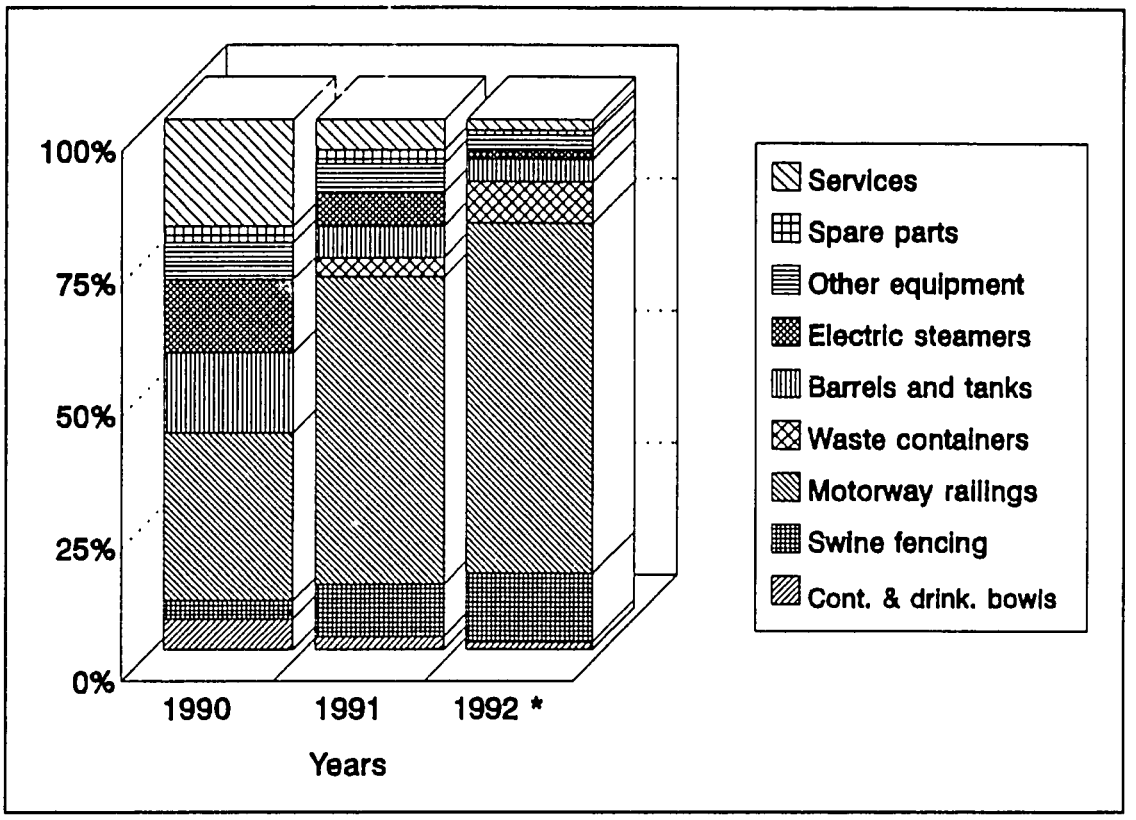
Chart 4 shows the sales structure in terms of value by products in 1990, 1991, 1992 (January - September).

Chart 4. Sales structure in terms of value by products



The Company sells its products mostly directly to end users. Intermediaries are used on the domestic market only. According to data for the period of January - September, 1992 sales through intermediaries accounted for 7.79% of the total sales and 81% of the domestic sales.

*/ refers to sales in the period of January - September, 1992

VII. RAW MATERIALS

The main raw materials used for the production include:

— bar stocks
— line pipes
— steel straps
— steel sheets
— zinc

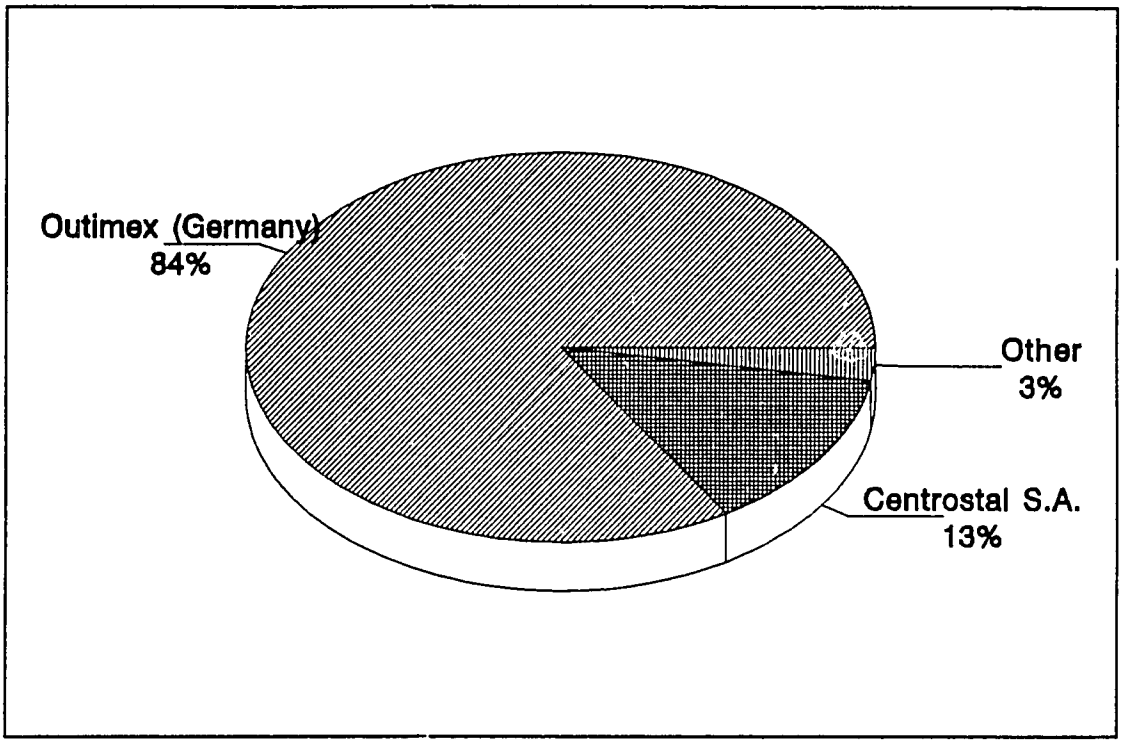
Additionally, a number of auxiliary raw materials are utilized in the manufacturing process including carbon dioxide, argon, oxygen, hydrochloric acid, solvent undercoating, CO_2 welding wire, rubber elements, gaskets and other.

The Company purchases raw materials both from domestic and foreign suppliers, which include:

- "Outimex", Germany (steel straps, zinc)
- Centrostal S.A., Bydgoszcz (steel sheets, pipes)
- Gedber Steel Works, Sosnowiec (welding wire)
- Metalzby, Toruń (screws)
- Janikowskie Zakłady Sodowe, Janikowo (carbon dioxide)
- Polgaz, Bydgoszcz (argon, oxygen)
- Zachem, Bydgoszcz (hydrochloric acid)
- Polchem, Toruń (hydrochloric acid)
- Odlewnia Żeliwa Ciągłego, Drawski Młyn (moulds)
- Stomil, Łabiszyn (rubbers)
- Polifarb, Włocławek (paints)
- Stomil, Dębica (tires)
- Fabryka Automatów Tokarskich, Bydgoszcz (moulds)
- Zakład Wulkanizacyjny, Białe Błota near Bydgoszcz (rubbers)
- Fabryka Urządzeń Technicznych, Kłodzko (valves)

The major supplies as a percentage of total supplies are presented in Chart 5.

Chart 5. Supply structure in terms of value by suppliers (as at 30th September, 1992)



VIII. ORGANIZATIONAL STRUCTURE OF THE COMPANY

The Company's current organizational structure was introduced on 1st June, 1991. The organizational structure chart is presented in Appendix 3.

The curricula vitae of the members of the Board of Directors are shown in Appendix 4.

The employment structure and the average remuneration as at 30th September, 1992 are presented in Table 3.

Table 3.

	Employment level No of people	Average remuneration in zlotys	Fluctuation ratio*
Total	1,056	2,595,446	
Production staff	437	2,747,889	7%
Support staff	430	2,389,223	8%
Administration	187	2,685,514	23%
Management	2	8,750,000	33%**

There are two trade unions operating within the Company:

— "Metalowcy" Trade Union of the "Inofama" S.A. employees — 581 members,

— NSZZ *** "Solidarność" — 175 members.

*/ fluctuation ratio is calculated as following: the number of dismissed plus the number of newly employed divided by the total number of employees at the end of the period

**/ one of the Board member on an unpaid leave (member of the Parliament)

***/ NSZZ = Independent Autonomous Workers Union

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IX. COMPANY ASSETS

The structure of fixed assets used by the Company is presented in the tables below.

Table 4.

Type of assets	Area in ha	Form of ownership or use	Remarks
Land			
Boiler house	0.3039	Company property	1 plot
Production area	1.9430	perpetual leasehold	5 plots
Cultural centre	0.3210	perpetual leasehold	1 plot
Holiday centre	2.0600	perpetual leasehold	1 plot
Main production plant	17,1164	under administration	without the voivode decision on the perpetual leasehold
Support production plant	6.1728	under administration	see above
Plot of land	1.2065	under administration	see above
Housing block	0.3747	under administration	see above

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Table 5.

Type of assets	Area in m²	Location	Age (years)	Type of ownership or use
PRODUCTION BUILDINGS				
Production buildings				
	39,768	Inowrocław Metalowców 7, Street	16 -30	administration
	2,606	Inowrocław Marcinkowskiego Street	5 -16	administration
	5,236	Inowrocław Libelta Street	22 -44	Company property
Social buildings				
	3,652	Inowrocław Metalowców 7, Street	16 -30	administration
	1,380	Inowrocław Marcinkowskiego, Street	16	administration
	484	Inowrocław Libelta, Street	80	Company property
Warehouses				
	5,444	Inowrocław Metalowców 7, Street	16 -80	administration
	2,016	Inowrocław Marcinkowskiego, Street	16	administration
	823	Inowrocław Libelta, Street	20 -44	Company property
Transportation buildings				
	492	Inowrocław Metalowców 7, Street	20	administration
	360	Inowrocław Marcinkowskiego, Street	16	administration
	55	Inowrocław Dworcowa, Street	44	Company property
Administration buildings				
	4,291	Inowrocław Metalowców 7, Street	16 -30	administration
	43	Inowrocław Marcinkowskiego, Street	16	administration
	910	Inowrocław Libelta, Street	13	Company property
Company health centre	352	Inowrocław Metalowców 7, Street	16	administration

Table 6.

Type of assets	Area in m²	Location	Age (years)	Form of ownership or use
NON-PRODUCTION BUILDINGS				
Culture Centre	1,294	Inowrocław Dworcowa 52/54, Street	44 -80	Company ownership
Housing blocks				
	591	Inowrocław Dworcowa 52/54, Street	11 -80	Company ownership
	1,964	Inowrocław Cegielna 20, Street	13	administration
Holiday centre				
	1,624	Rowy near Ustka Słupsk voivodship	3 - 8	Company ownership
	2,302	Przyjezierze near Jeziora Wlk.	13	Company ownership

X. FINANCIAL DATA

INCOME STATEMENT FOR THE PERIOD

	Note	01.01-30.09 1992 '000,000 zl	01.05-31.12 1991 '000,000 zl	01.01-30.04 1991* '000,000 zl	01.01-31.12 1990 '000,000 zl
Sales	1	209,189	145,144	45,666	145,957
Turnover tax		-108	0	-5	-174
Net sales		**209,081**	**145,144**	**45,661**	**145,783**
Operating expenses	2	-193,991	-142,082	-49,469	-129,654
Change in inventories		12,848	4,267	4,585	2,548
Other income	3	2,536	3,528	1,750	7,545
Interest and similar income	4	267	1,182	95	1,229
Interest and similar charges	5	-4,817	-5,293	-1,648	0
Operating income		**25,924**	**6,766**	**974**	**27,451**
Unusual gains		515	4,872	182	3,385
Unusual losses		-3,143	-11,812	-4,769	-3,825
Net unusual gains/(losses)		-2,628	-6,940	-4,587	-440
Income before taxes		**23,296**	**-174**	**-3,613**	**27,011**
Income taxes		-9,365	-99	0	-11,204
Excess wages tax and dividends paid to the State Treasury		-5,262	-2,415	-2,186	-4,611
Net income/(loss) for the period		**8,669**	**-2,688**	**-5,799**	**11,196**

(*) Financial statements have been prepared as at the month end following the date of commercialisation.

US$ exchange rates as at:
31.12.1990 - 1 US$ = 9,500 zł
30.04.1991 - 1 US$ = 9,500 zł
31.12.1991 - 1 US$ = 10,957 zł
30.09.1992 - 1 US$ = 13,839 zł

BALANCE SHEET AS AT

	Note	30.09.1992 '000,000 zl	31.12.1991 '000,000 zl	30.04.1991 '000,000 zl	31.12.1990 '000,000 zl
ASSETS					
FIXED ASSETS					
Tangible fixed assets	6	0	142,148	149,760	152,069
Intangible assets		0	0	4	6
Investments	7	0	28	28	28
		0	142,176	149,792	152,103
CURRENT ASSETS					
Inventories	8	0	40,633	29,746	25,245
Receivables	9	0	20,442	36,154	31,731
Cash	10	0	5,766	2,302	4,700
Other assets		0	5,800	0	11,196
		0	72,641	68,202	72,872
TOTAL ASSETS		0	214,817	217,994	224,975
CAPITAL AND LIABILITIES					
CAPITAL					
Fouding fund	11	0	0	0	28,674
Company fund	11	0	0	0	142,719
Share capital	11	0	125,000	125,000	0
Reserve capital	11	0	45,885	45,151	0
Unallocated net income from previous periods		0	184	136	136
		0	171,069	170,287	171,529
LONG-TERM LIABILITIES		0	550	0	0
CURRENT LIABILITIES	12	0	45,886	53,643	42,248
NET INCOME/(LOSS) FOR THE PERIOD		8,669	-2,688	-5,799	11,196
TOTAL CAPITAL AND LIABILITIES		8,669	214,817	218,131	224,973

NOTES TO FINANCIAL STATEMENTS

	01.01-30.09 1992 '000,000 zl	01.05-31.12 1991 '000,000 zl	01.01-30.04 1991* '000,000 zl	01.01-31.12 1990 '000,000 zl
1) SALES				
Sales of finished products - domestic	20,235	19,610	20,953	72,586
Sales of finished products - export	185,625	122,575	23,074	73,124
Services rendered - domestic	3,329	2,959	1,639	247
	209,189	145,144	45,666	145,957
2) OPERATING EXPENSES				
Depreciation	9,956	7,051	4,018	4,290
Materials	133,867	92,609	24,239	80,223
Energy	0	5,861	2,455	0
External services	9,474	7,476	2,276	7,167
Wages and salaries	36,543	19,545	11,263	28,974
Social security	0	6,472	3,862	0
Transfer to employees' funds	0	512	256	0
Other	4,151	2,536	1,100	9,000
	193,991	142,062	49,469	129,654
3) OTHER INCOME				
Retail sales	130	338	95	0
Other sales	2,406	3,190	1,655	7,545
	2,536	3,528	1,750	7,545
4) INTEREST AND SIMILAR INCOME				
Interest	0	1,182	0	0
Other	267	0	95	1,229
	267	1,182	95	1,229
5) INTEREST AND SIMILAR CHARGES				
Loan interest	4,817	5,293	1,648	0

NOTES TO FINANCIAL STATEMENTS

	30.09.1992 '000,000 zl	31.12.1991 '000,000 zl	30.04.1991 '000,000 zl	31.12.1990 '000,000 zl
6) TANGIBLE FIXED ASSETS				
Net book value:				
Land	0	4	976	5
Buildings and fixtures	0	117,966	123,166	125,563
Technical equipment	0	19,578	22,772	23,222
Transportation equipment	0	1,435	1,467	2,312
Assets under construction	0	1,675	556	548
Fixtures and fittings	0	1,164	556	55
Other fixed assets	0	326	267	364
	0	142,146	149,760	152,069
7) INVESTMENTS				
Shares in other companies	0	28	28	28
8) INVENTORIES				
Materials	0	26,757	20,160	20,176
Work in progress	0	10,229	5,455	2,507
Finished goods	0	3,598	4,103	2,467
Items held for resale	0	49	28	95
	0	40,633	29,746	25,245
9) RECEIVABLES				
Trade receivables	0	16,412	33,861	31,522
Amounts due from the State Treasury	0	1,375	1,082	3
Receivables in court	0	1,823	0	0
Prepayments in respect of assets under construction	0	0	3	48
Other	0	832	1,208	158
	0	20,442	36,154	31,731
10) CASH				
Cash on hand	0	120	110	146
Cash at bank	0	5,646	2,192	4,554
Other	0	0	0	0
	0	5,766	2,302	4,700

NOTES TO FINANCIAL STATEMENTS

	30.09.1992 '000,000 zl	31.12.1991 '000,000 zl	30.04.1991 '000,000 zl	31.12.1990 '000,000 zl
11) CAPITAL				
Fouding fund:				
Opening balance	0	0	0	0
Revaluation of fixed assets	0	0	0	0
Transfer to reserve capital (a)	0	0	0	0
Closing balance	0	0	0	28,674
Company fund:				
Opening balance	0	0	0	0
Revaluation of fixed assets	0	0	0	0
Transfer from net income	0	0	0	0
Amortisation of employees' homes	0	0	0	0
Transfer to share capital (a)	0	0	0	0
Transfer to reserve capital (a)	0	0	0	0
Other	0	0	0	0
Closing balance	0	0	0	142,719
Share capital:				
Opening balance	0	125,000	0	0
Transfer from company fund (a)	0	0	0	0
Closing balance	0	125,000	125,000	0
Reserve capital:				
Opening balance	0	0	0	0
Transfer from company fund (a)	0	0	0	0
Transfer from fouding fund (a)	0	0	0	0
Transfer from net income	0	0	0	0
Depreciation of employees' homes	0	0	0	0
Amounts allocated for social activities	0	0	0	0
Closing balance	0	45,885	45,151	0

(a) Financial statements have been prepared as at the month end following the date of commercialisation.

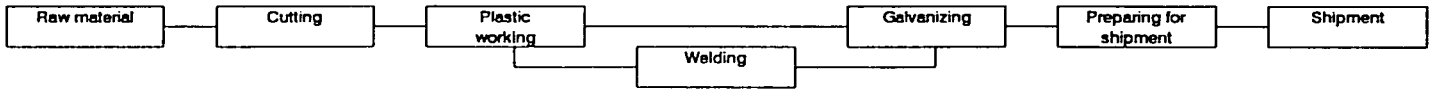
11) CURRENT LIABILITIES				
Bank loans	0	10,000	10,000	10,000
Trade payables	0	28,257	33,406	24,717
Employees' funds	0	491	1,041	1,431
Reserves and other liabilities	0	1,920	0	0
Amounts due to the State Treasury	0	1,588	814	2,353
Deferred income	0	1,133	3,538	0
Wages payable	0	1,123	1,325	1,867
Other	0	1,374	3,519	1,880
	0	45,886	53,643	42,248

APPENDICES

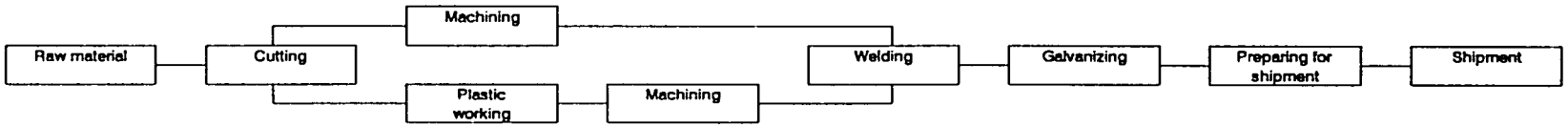
APPENDIX 1.

Manufacturing process

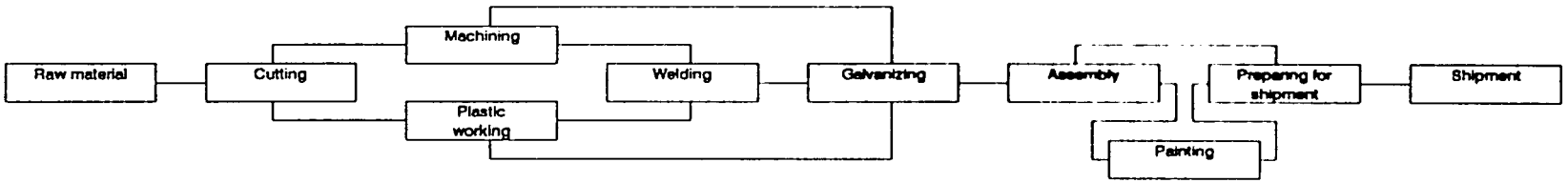
Motorway railings



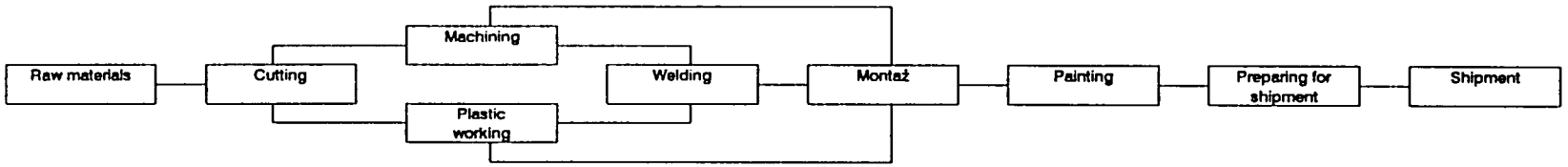
Swine fencing



Waste containers



Electric steamers



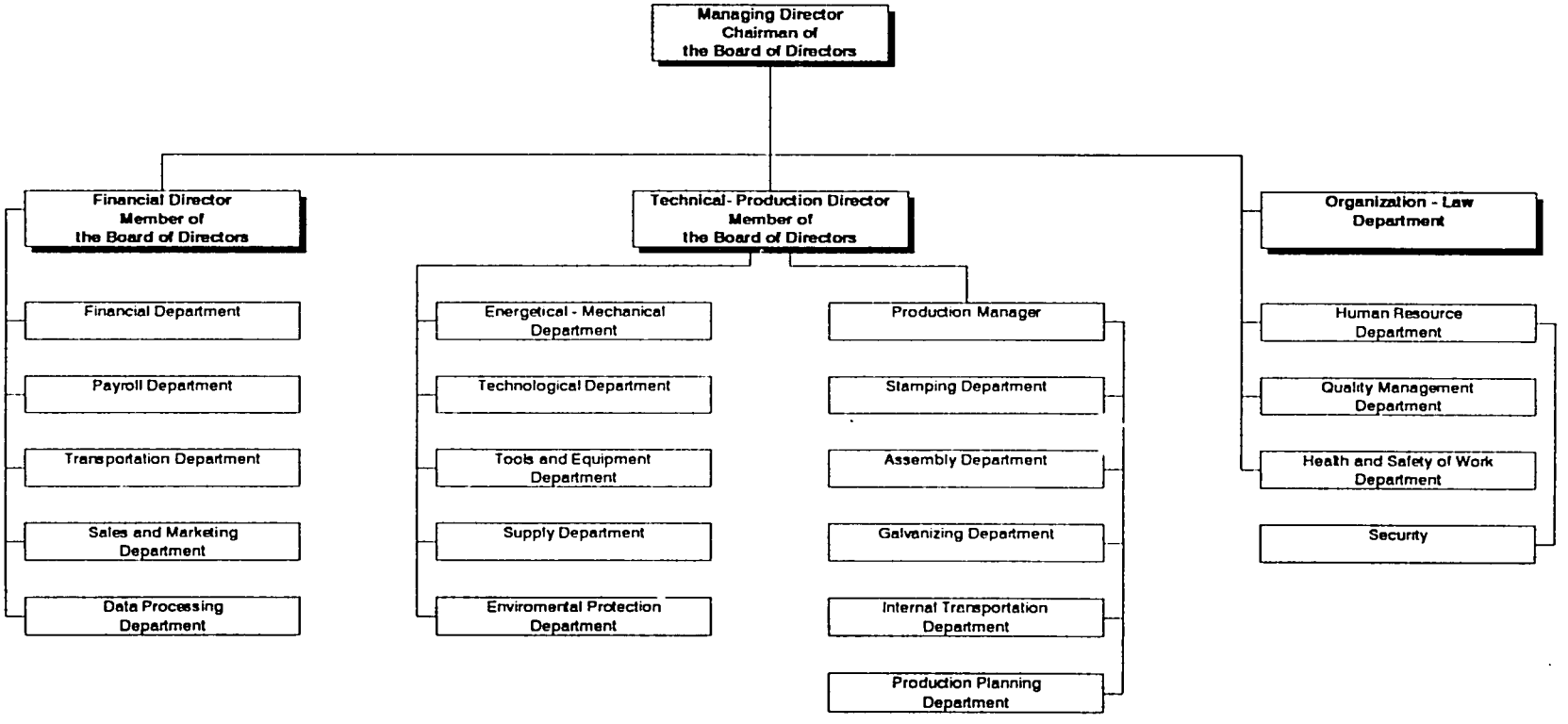
APPENDIX 2.

Main machines and equipment

Machines and Equipment	Number of pieces	Use
Boilers	5	boiler house
Turning lathes	45	machining
Press machines	51	plastic working
Drillers	40	machining
Millers	25	machining
Grinders	26	machining
Shears	19	cutting
Tool grinders	3	grinding
Saws	8	cutting
Semi-automatic welders	81	welding
Automatic welders	2	welding
Contour band saws	2	cutting
Coiling machines	5	sheet coiling
Rollers	5	
Heat sealers	34	sealing
Planers	6	planing
Grooving machines	11	cutting
Welders	7	welding
Compressors	12	
Broaching machines	1	plastic working
Screwing machines	1	machining
Bending machines	2	cutting
Cutting-off machines	5	cutting
Slotting machines	3	machining
Casting cleaning machines	1	
Straightening machines	1	plastic working
Turning lathes	1	machining
Girder cranes	34	transportation
Devits	7	transportation

APPENDIX 3.

Organizational structure



APPENDIX 4.

Curricula vitae of the members of the Board of Directors

EDWARD KRAJEWSKI born 23th Oct.,1937	-	1991	Chairman - Managing Director "Inofama" S.A.
	-	1978 - 1991	"Agromet - Inofama" FMR Inowrocław Managing Director
	-	1972 - 1978	Research Department Director
	-	1970 - 1972	Vice Technical Director
	-	1965 - 1970	Chief Constructor
	-	1963 - 1965	Deputy Production Manager
	-	1962 - 1963	Przedsiębiorstwo Robót Zmechanizowanych "Dźwig" - Rzeszów
	-	1961 - 1962	Sanocka Fabryka Autobusów - Sanok
	-	1960	M.A. Technical University in Cracow
WACŁAW MIEDZIŃSKI born 16th Feb., 1936	-	1991	Member of the Board of Directors at "Inofama" S.A Technical Production Director
	-	1977 - 1991	"Agromet - Inofama" FMR Inowrocław Vice Technical Director
	-	1973 - 1977	Chief Engineer
	-	1963 - 1973	Tool and Equipment Department Manager
	-	1961 - 1963	Fabryka Wagonów "Świdnica" in Świdnica Section Manager
	-	1961	Technical University in Poznań, Machinery Construction Department

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TECHMA - BYDGOSZCZ S.A.

Bydgoszcz, December 1992

BUSINESS PROFILE

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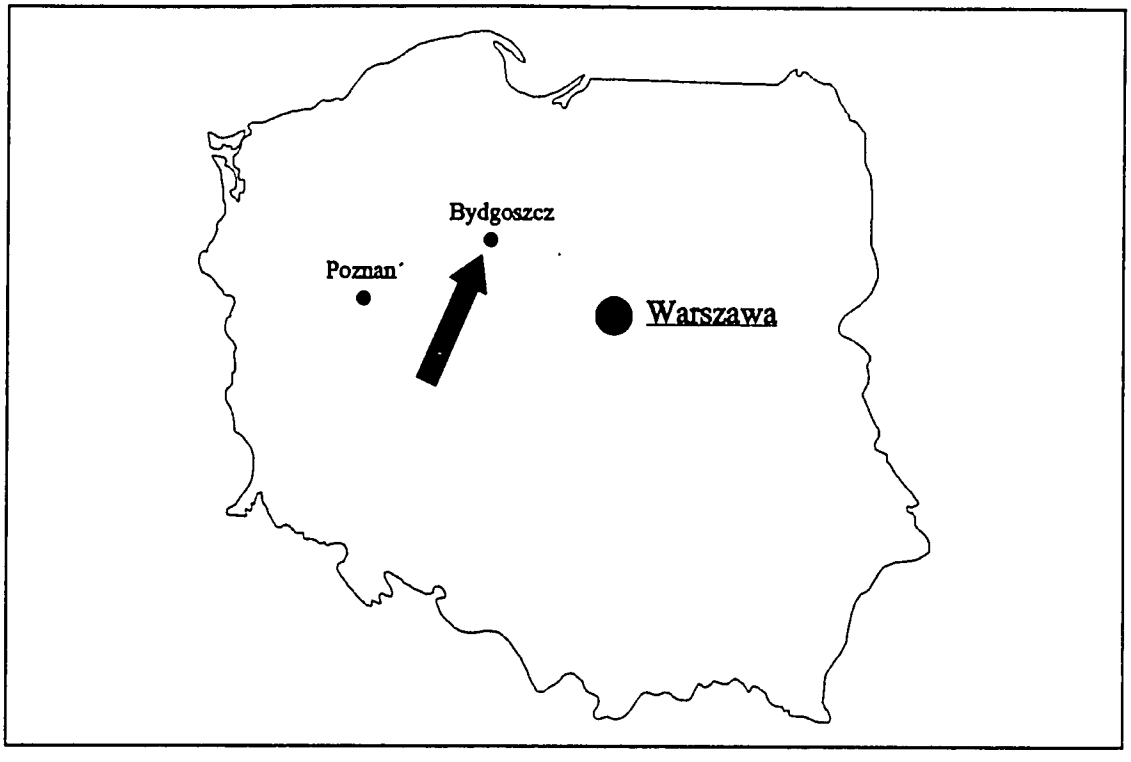
I. BASIC DATA ABOUT THE COMPANY



Address:	Ołowiana Street 10 85-461 Bydgoszcz
Telephone no:	722 - 221
Fax no:	722 - 031
Industry:	steel constructions
Main products and services:	- parts and units for fork-lift trucks, - containers, - steel constructions for the construction industry and mechanical engineering, - fork lift trucks, - repairs and maintenance of fork lift trucks.

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Turnover in the period of Jan. - Sept. 1992:	19,122 m zl / US$ 1.38 m *
Financial result as at 30th Sept. 1992:	(13) m zl / US$ (939) *
Number of employees as at 30th Sept. 1992:	194
Principal customers:	Foreign companies (parts and units for fork lift trucks, containers) and domestic ones (fork lift trucks, repair and maintenance services). Domestic customers include two groups: wholesalers and individual buyers purchasing directly from the Company.

*/ the dollar zloty exchange rate as at 30th Sept. 1992: US$ 1 = 13,839 zl

II. HISTORY OF THE COMPANY

1968	-	Establishment of the Construction Machinery Enterprise (Przedsiębiorstwo Maszyn Budowlanych) "REDBUD" in Działoszyn, Łódź voivodship.
1969	-	Moving the seat of the enterprise from Bydgoszcz; changing the name of the enterprise into Przedsiębiorstwo Remontowe Przemysłu Maszynowego "BUDOMASZ". The range of the enterprise activities included construction, assembly, repair and modification work to be conducted in the following voivodships: Bydgoszcz, Gdańsk, Koszalin, Olsztyn, Poznań and Szczecin.
1979	-	Renaming the enterprise into "Techma-Bydgoszcz".
1982	-	Initiation of changes in the enterprise's business profile - starting repairs of fork-lift trucks.
1984	-	Signing an agreement with the Yugoslavian company "INDOS" (fork lift truck manufacturer) for rendering guarantee services for a spare-parts consignment warehouse within the whole country. Starting the cooperation with foreign trade enterprise CHZ "METALEXPORT" in exports of steel constructions.
1985/1986	-	Initiation of works on launching the production of a fork lift truck based on the Company's design.
01.02.1988	-	Establishing, together with the Institute of Warehouse Management in Poznań, a limited liability company named "Techmag" Spółka z o.o.
01.10.1988	-	Creation of the private company "Techmabud"; liquidation of the building division in "Techma-Bydgoszcz".
1989	-	Launching the production of the fork-lift truck based on the Company design.
17.05.1991	-	Transforming the enterprise into a joint stock company of the State Treasury named "Techma-Bydgoszcz" S.A.

III. PRODUCTS AND SERVICES

The business activities of "Techma-Bydgoszcz" S.A. include the production of units and parts for fork lift trucks as well as providing fork lift truck repair and maintenance services. Additionally the Company renders machining, plastic working and transportation services.

The product mix includes the following products:

1. **Steel containers** for loose materials, industrial and human wastes, of cubic capacity from 2.7 to 40 m^3;

2. **Fork-lift truck units**, including fork-lift frames in 5 types, containers, roofs, to be assembled by a customer;

3. **Manual fork-lift truck TBR** for loading and unloading works, adjusted for cooperation with trucks without a loading platform, manufactured in two versions: TBR-800 and TBR-801, with the following parameters:

   - lifting capacity - 8(800) KN(kg);
   - height - 1,950 mm;
   - width - 780 mm;
   - length - 1,580 mm; 1,235 mm;
   - weight - 221 kg, 217 kg;
   - lifting height - 1,550 mm.

4. **Fork-lift truck TB** for loading and unloading works, adjusted for cooperation wit trucks without a loading platform, TB-801 version with the following parameters:

   - lifting capacity - 8(800)KN(kg);
   - batteries - 24/350 V/Ah;
   - weight - 950 kg;
   - lifting height - 1,850 mm.

5. **Series of types lift trucks TBU**, manufactured in three versions: TBU-100 (weight - 32kg), TBU-110 (weight - 24kg), TBU-120 (weight - 24kg);

6. **Fork-lift truck with manual and electrical lifting TBR** for loading and unloading works, adjusted for the cooperation with truck without a loading platform, manufactured in two versions: TBR 800 and TBR 801, with the following parameters:

   - lifting capacity - 8(800)KN(kg);
   - height - 1,950 mm;
   - width - 780 mm;
   - length - 1,580 mm, 1,235 mm;
   - weight - 221 kg, 217 kg;
   - installation voltage - 220/24 V;
   - batteries - 2x12/45 Ah.
   - lifting height - 1,650 mm;

7. **Manual fork-lift truck for transporting pallets TBP**, with the following parameters:

   - lifting capacity - 20(2,000)KN(kg);
   - length - 1,550 mm;
   - height - 1,235 mm;
   - fork spacing - 520mm;
   - weight - 82 kg.

The Company's basic activities include, apart from manufacturing, providing fork lift truck repair and maintenance services. Their share in total sales amounted to 14.04% in the period of January - September 1992. Additional activities including machining, plastic working and transportation services, constituted 9.42% of total sales as recorded in the period January - September 1992.

IV. DESCRIPTION OF THE MANUFACTURING PROCESS

The manufacturing process is presented in Appendix 1.

The manufacturing process consists of the following stages:

1. Cutting

Cutting is performed on gate shear type CNTA-3150/16, , CNTA-3150/25A, NTC 4/2500.

2. Plastic working

Plastic working is performed on the following equipment:

- burning machine "Perun" YC8-2500
- bending brakes CTO-250
- multiradial drilling machines 2H-125.

3. Machining

Machining is performed on the following equipment:

- horizontal boring machines HWC-110
- turning lathes TWRS x 2000, TUR 63, T725
- milling machines FND-32ATE, FUW-315 x 800.

4. Assembly

Assembling is performed by the use of special tools. The assembly shop is equipped with davits of the lifting capacity from 0.8 to 1 ton to facilitate assembling. The mechanical part is assembled by a team of fitters and the electric part by a team of electricians and electronic engineers.

5. Welding

Welding is performed on semi-automatic welding machines of the following types: Magpol 630, Magpol 630D, DEP 401, ME 401, ME 401 DWN and ESAB PC 400W.

6. Sand blasting

Sand blasting is a preparation stage for painting. It is performed on a sand blasting machine type APR 600. Compressed air is delivered to the machine from the central compressor house. Sand blasting is performed on an unroofed area with a railway subgrade and trucks for transportation.

6. Painting

Painting is performed by spraying and hydrodynamic methods with the use of special equipment "Adal" in special rooms equipped with compressed air and internal ventilation systems.

8. Shipment

Preparing for shipment and packaging are performed by a team of workers who performed the last phase of the production process. The products are shipped by motor or rail transport. There is a railway siding on the premises of the plant.

The average production capacity utilization in subsequent production stages is presented on the table No1.

Table 1.

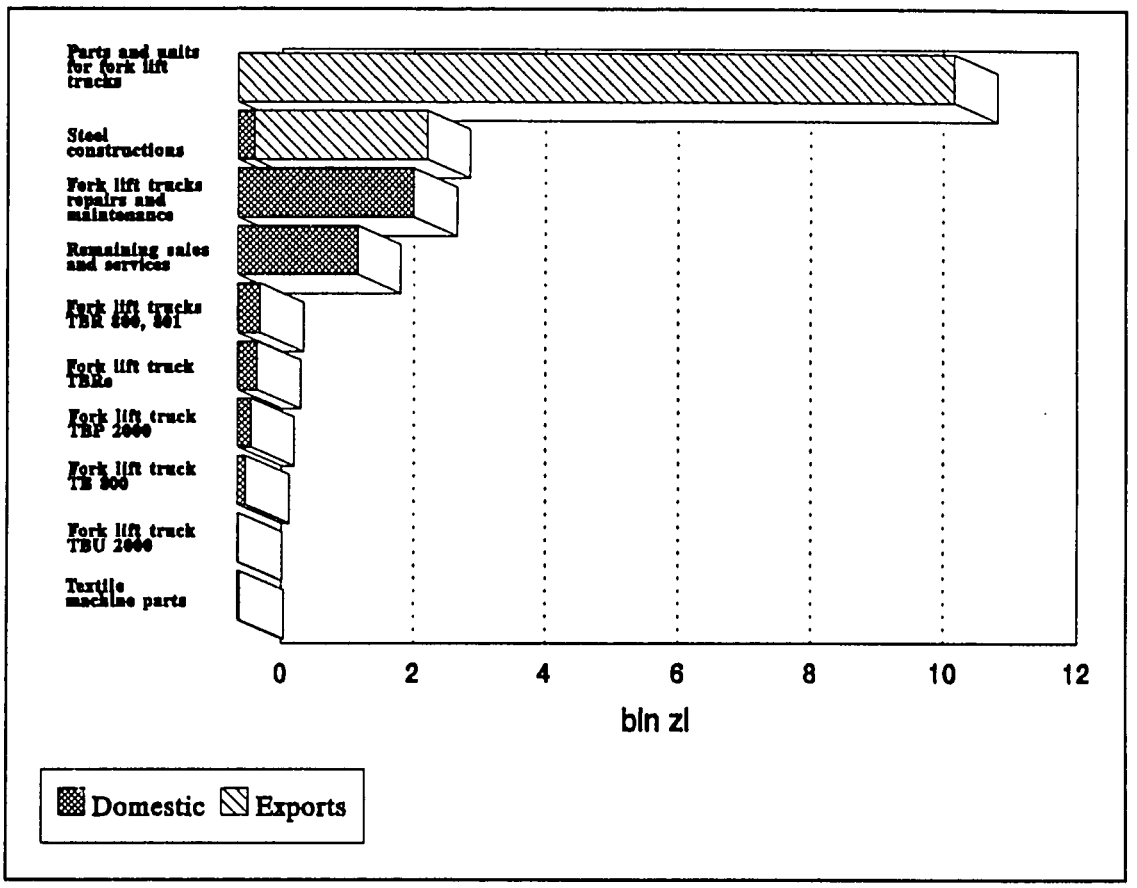
Cutting	Machining	Plastic working	Assembly	Welding	Sand Blasting	Lacquering
70%	90%	100%	80%	90%	80%	50%

Basic machines and equipment utilized in the manufacturing process are specified in Appendix 2.

V. MARKET DESCRIPTION

The Company sells its products to about 350 customers. Exports constitutes over 70% of total sales. Foreign customers of "Techma-Bydgoszcz" include companies from Great Britain, Sweden and Germany. The geographical sales structure (domestic and export) by products is presented on Chart No 1.

Chart 1. Geographical sales mix by products (in the period of January - September 1992).

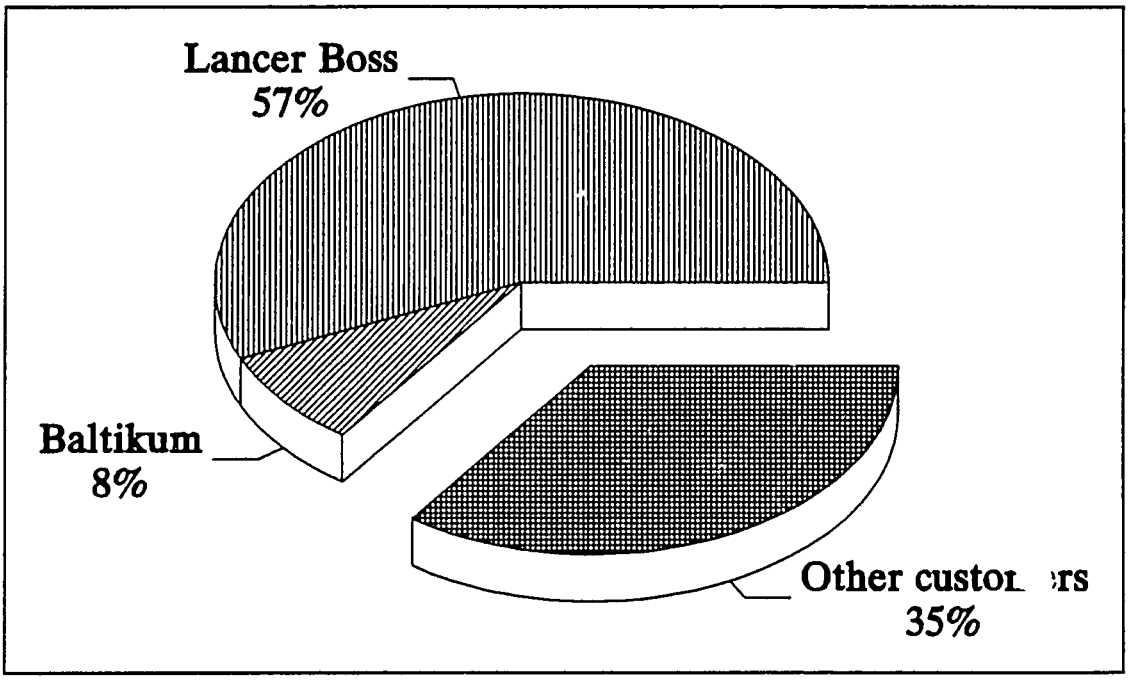


Two main customers can be distinguished among "Techma-Bydgoszcz" customers. Their share in the Company's total sales amounted to 65% (as recorded in the period of January - September 1992). These are foreign companies, which purchase parts and units for fork lift trucks (Lancers Boss from Great Britain - 57%) and containers (Baltikum from Sweden - 8%). Among the remaining ones, the biggest customers are:

- Techmazbyt from Warsaw (1.17% of total sales),
- HOLC from Toruń (0.73%),
- PROMAG from Poznań (0.44%),
- Techmadex from Warsaw (0.09%),
- Bispomasz from Bydgoszcz (0.04%).

The Company's sales structure by main customers is presented on Chart No 2.

Chart 2. Sales structure by customers.



Domestic customers include mainly companies "Techma-Bydgoszcz" has been selling to for one or two years. "Techmazbyt" from Warsaw a wholesaler (fork lift trucks) is an exception, as in this case the relationship started 10 years ago. In the case of foreign customers, the commercial relationships dates from 1984.

The company perceives terms of delivery (timing), price and product quality as the key factors influencing a customer decision on buying a product.

VI. MARKET SHARE

"Techma - Bydgoszcz" market share in the domestic market by products is presented in Table No 2.

Table 2.

Product	Market share (% of sales)
Fork lift truck TB 800	40%
Fork lift truck TBR 800, 801	30%
Fork lift truck TBP	1%
Fork lift truck TBU	100%
Fork lift truck TBRe	30%
Fork lift truck repairs and maintenance	8%

Main competitors of "Techma-Bydgoszcz" and their market share are shown in Table No 3.

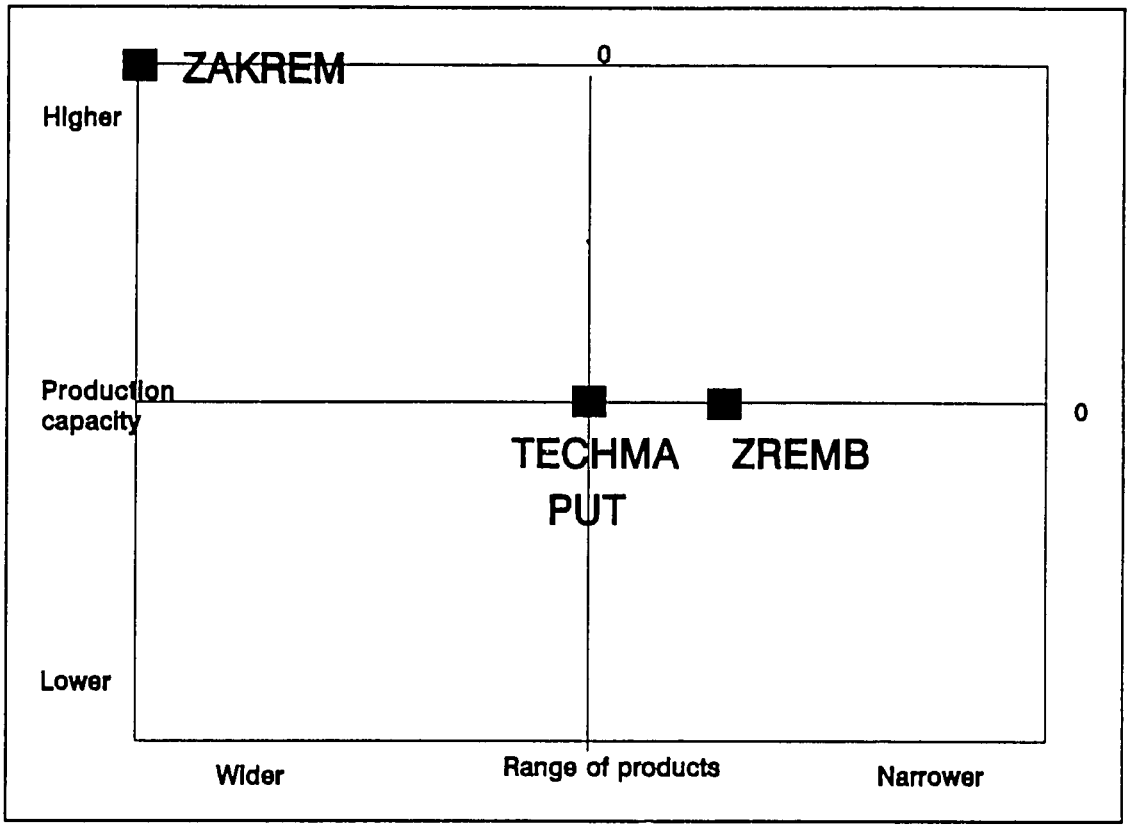
Table 3.

Competitor	Product	Market share (% of sales)
"Zakrem" Grajewo	pallet fork lift truck	50%
PUT Suchedniów	fork lift truck repairs and maintenance	15%
ZREMB Gliwice	fork lift truck repairs and maintenance	15%

As far as technical parameters, price, quality and services rendered, all domestic producers are similar. "Techma-Bydgoszcz" enjoys a competitive advantage in terms of the range of manufactured products and capacity for fork lift truck repairs.

The Company's market position against its competitors, based on a product range and production capacity in shown on Chart No 3.

Chart 3. Market position.

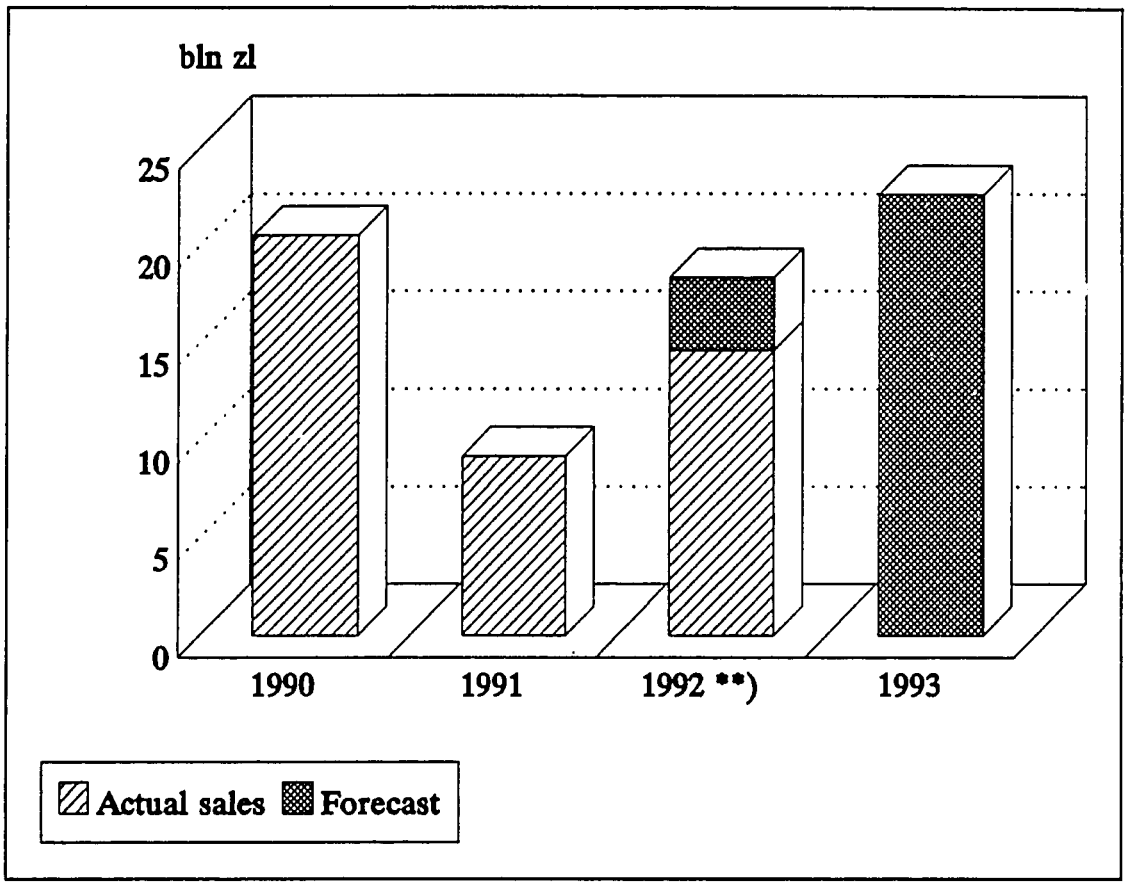


VII. SALES AND MARKETING

The Company total sales for the period of January - September 1992 amounted to 19,122 m zl (US$ 1.38 m).

Chart No 4 shows the sales value (excluding services) according to constant prices (average prices in the period Jan. -Sept. 1992) effected in 1990, 1991, 1992 (January - September) and forecast for 1992 and 1993.

Chart 4. Sales (in fixed prices) in 1990, 1991, 1992 (Jan. - Sept) and management forecast for 1992 and 1993.

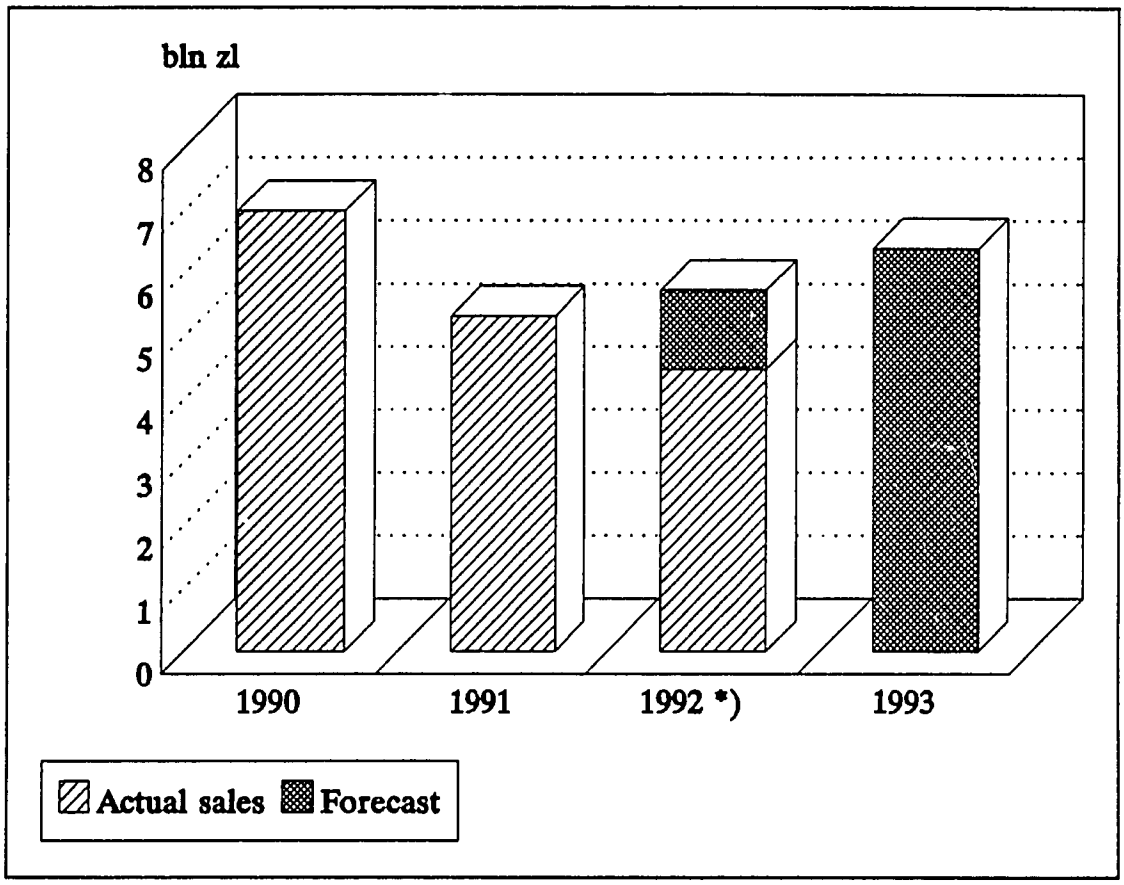


*/ the dollar zloty exchange rate as at 30th September 1992: US$ 1 = 13,839 zl

**/ effected sales refer to the period of January - September

Chart No 5 shows the value of services sold in according to current prices in 1990, 1991, 1992 (January - September) and forecast for 1992 and 1993.

Chart 5. Sales of services (constant prices) in 1990, 1991 1992 (Jan. - Sept.) and forecast for 1992 and 1993.



*/ services sold refer to the services sold within the period of January - September 1992

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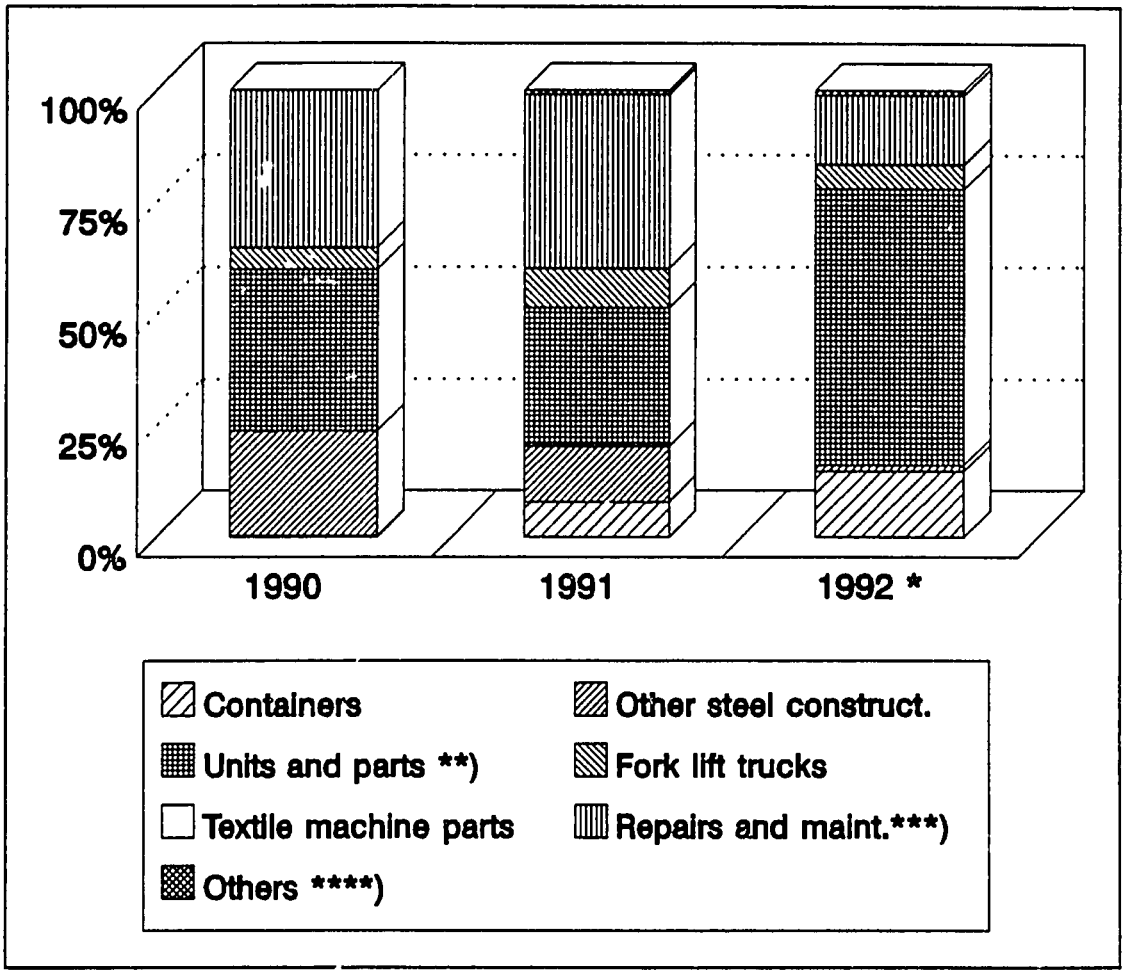
Chart No 6 shows the sales structure in terms of value by products in 1990, 1991 and 1992 (January - September).

Chart 6. Sales structure in terms of value by products



The Company sells its products both directly to final users and using indirect distribution channels (wholesalers, dealers). As far as fork lift trucks are concerned, the main purchaser is "Techmazbyt" from Warsaw.

Exports are carried out by the following intermediary companies:

- P.H."REMEX",
- "Metalexport" Ltd,
- PIHZ VARIMEX,
- Polish-Swedish Company "MAZ".

*/ refers to sales in the period of January - September 1992
**/ units and parts for fork lift trucks
***/ fork lift truck repair and maintenance
****/ other sales and services

VIII. RAW MATERIALS

The Company's utilizes domestic raw materials only. The raw materials include:

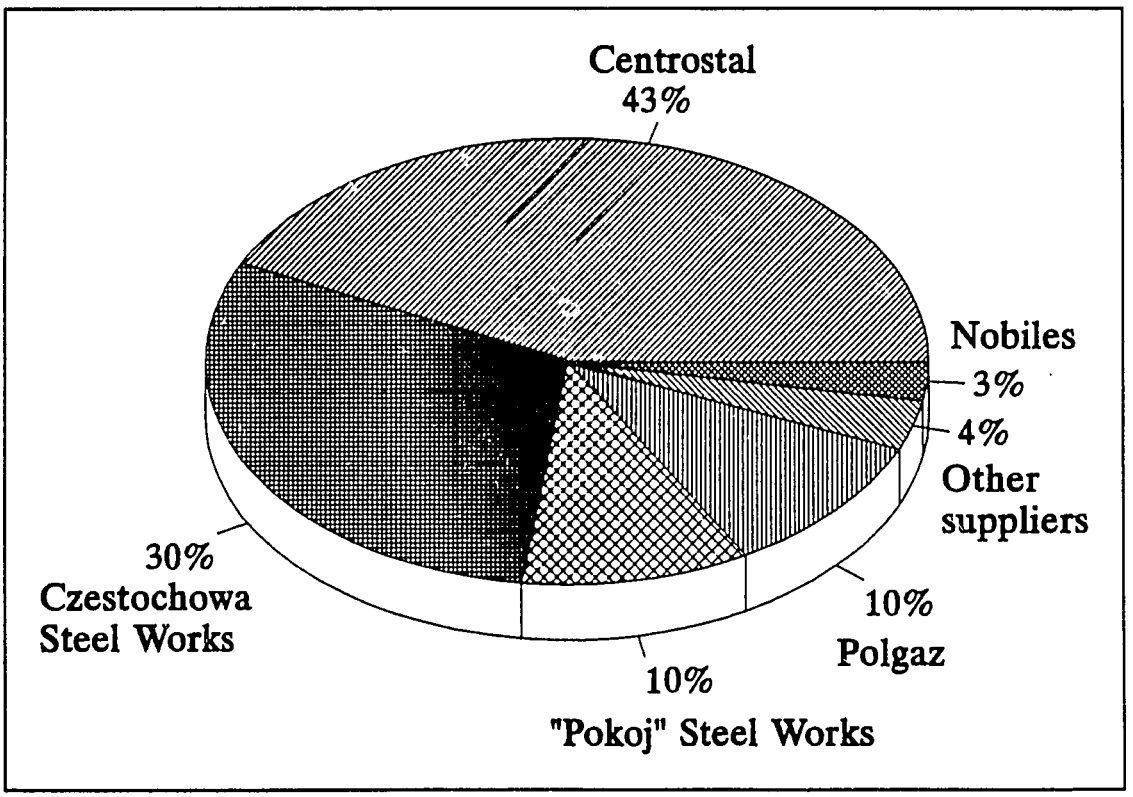
- metal sheets
- rolled bars
- pipes
- sections
- acetylene
- argon
- oxygen
- topcoat and undercoat paints

The main suppliers are:

- the Częstochowa Steel Works in Częstochowa (metal sheets);
- the Batory Steel Works in Chorzów (metal sheets);
- the Kościuszko Steel Works in Chorzów (rolled bars);
- the Zawiercie Steel Works in Zawiercie (rolled bars);
- the Pokój Steel Works in Ruda Śląska (metal sheets);
- "Nobiles" in Włocławek (topcoat and undercoat paints);
- "Polgaz" in Bydgoszcz (acetylene, argon, oxygen);
- Centrostal in Bydgoszcz (metal sheets, pipes, sections).

Each supplier's share in total supply is shown in Chart No 7.

Chart 7. Supply structure in terms of value by suppliers.



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IX. ORGANISATIONAL STRUCTURE OF THE COMPANY

The Company's current organizational structure was introduced on 2nd January 1992. The organisational structure chart is included in Appendix 3.

The curricula vitae of members of the Board of Directors are enclosed in Appendix 4..

The employment structure and average remuneration as at 30th September 1992 are presented in Table No2.

Table 4.

	Number of employees	Average remuneration	Fluctuation ratio *
Total	194	2,992,471	32.54
Production workers	118	2,968,000	34.54
Supporting staff	33	2,263,230	36.16
Administration	41	3,119,830	26.41
Board of Directors	2	8,690,250	0

There are two trade unions active in the Company:

— NSZZ** of the "Techma- Bydgoszcz" S.A. employees - 46 members,

— NSZZ "Solidarność" - 37 members.

*/ fluctuation ratio is calculated as the number of dismissed and new employed divided by the total number of employees

**/ NSZZ = Independent Autonomous Workers Union

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X. REAL ESTATE

The value of the Company's assets amounted to 39,549 m zl as at 30th September 1992, of which fixed assets were 27,755 m zl. The tables below present the real estate used by the Company.

Table 5.

Type of real estate	Area in [ha]	Type of ownership or utilization
Land		
Area for production activities	0.0039	Perpetual leasehold
Area for production activities	0.5841	Perpetual leasehold
Area for production activities	0.7369	Perpetual leasehold
Area for production activities	0.0016	Perpetual leasehold
Area for wholesale trading activities	0.1924	Perpetual leasehold
Area for wholesale trading activities	0.2289	Perpetual leasehold
Area for production activities	0.0038	Perpetual leasehold
Area for wholesale trading activities	0.3342	Perpetual leasehold
Area for wholesale trading activities	0.3238	Perpetual leasehold
Area for wholesale trading activities	0.0196	Perpetual leasehold
Area for wholesale trading activities	0.0887	Perpetual leasehold
Area for production activities	0.7733	Perpetual leasehold
Area for wholesale trading activities	0.2211	Perpetual leasehold
Area for production activities	0.8041	Perpetual leasehold
Area for wholesale trading activities	0.1002	Perpetual leasehold
Area for production activities	0.5084	Perpetual leasehold
Area for production activities	0.1042	Perpetual leasehold
Area for production activities	0.0923	Perpetual leasehold
Area for production activities	0.0976	Perpetual leasehold
Area for production activities	0.0466	Perpetual leasehold
Area for production activities	0.3698	Perpetual leasehold
Area for production activities	0.0409	Perpetual leasehold
Area for production activities	0.2067	Perpetual leasehold
Resort in Wielonek/*	3.7700	Lease (25 years)
Resort in Wielonek	2.5000	Sublease (15 years)

*/ The Company leases 6.27 ha of land. The agreement expires on the 31st March 1998. Fabryka Form Metalowych "FORMET" (Metal Form Plant) subleases 2.50 ha of the land.

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Table 6.

Type of property	Area in m²	Location	Age (years)	Type of ownership
Production buildings				
Production buildings	3,626 3,192 712 512	Bydgoszcz ul.Ołowiana	6 17 2 7	Owned by the Company
Storage buildings	1,789 162	Bydgoszcz ul.Ołowiana	17 10	Owned by the Company
Storage areas	11,620	Bydgoszcz ul.Ołowiana	15	Owned by the Company
Non-production buildings				
Administration building	887	Bydgoszcz ul.Ołowiana	17	Owned by the Company
Canteen	799	Bydgoszcz ul.Ołowiana	5	Owned by the Company
Resort - brick buildings	296	Wielonek	18	Owned by the Company
Resort - tramps	336	Wielonek	13	Owned by the Company

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XI. FINANCIAL DATA

INCOME STATEMENT FOR THE PERIOD

	Note	01.01-30.09 1992 '000,000 zł	18.05-31.12 1991 '000,000 zł	01.01-17.05 1991 (*) '000,000 zł	01.01-31.12 1990 '000,000 zł
Sales	1	19.122	8.271	5.560	19.255
Turnover tax		0	0	(25)	(156)
Net sales		**19.122**	**8.271**	**5.535**	**19.099**
Operating expenses	2	(18.938)	(11.048)	(7.424)	(15.948)
Change in inventories		(161)	229	2.343	61
Other income	3	991	803	313	378
Interest and similar income	4	490	407	13	446
Interest and similar charges	5	(981)	(855)	(413)	(1.063)
Operating income		**523**	**(2.193)**	**367**	**2.973**
Unusual gains		256	82	125	668
Unusual losses		(257)	(257)	(70)	(537)
Net unusual gains/(losses)		(1)	(175)	55	131
Income before taxes		**522**	**(2.368)**	**422**	**3.104**
Income taxes		0	0	(113)	(999)
Income/(loss) after taxes		**522**	**(2.368)**	**309**	**2.105**
Dividends paid to the State Treasury		0	0	(304)	(518)
Payments on share capital made to the State Treasury		(535)	(267)	0	0
Transfers to employees' funds during the period		0	0	0	(718)
Net income/(loss) for the period		**(13)**	**(2.635)**	**5**	**869**

(*) On 17 May, 1991 the enterprise was transformed into a joint stock company, wholly owned by the State Treasury with share capital amounting to 15,000 million zł.

US$ exchange rates as at:
31.12.90 - 1 US$ = 9,500 zł
17.05.91 - 1 US$ = 11,100 zł
31.12.91 - 1 US$ = 10,957 zł
30.09.92 - 1 US$ = 13,639 zł

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BALANCE SHEET AS AT

	Note	30.09.1992 '000,000 zl	31.12.1991 '000,000 zl	17.05.1991 '000,000 zl	31.12.1990 '000,000 zl
ASSETS					
FIXED ASSETS					
Tangible fixed assets	6	27.755	28.018	22.695	23.178
Intangible assets		20	27	33	37
Investments	7	2	126	88	88
		27.777	28.171	22.816	23.303
CURRENT ASSETS					
Inventories	8	4.121	3.983	4.343	1.936
Receivables	9	7.617	2.627	2.359	2.372
Cash	10	34	18	285	150
Other assets		0	0	0	680
		11.772	6.628	6.987	5.138
TOTAL ASSETS		39.549	34.799	29.803	28.441
CAPITAL AND LIABILITIES					
CAPITAL					
Founding fund	11	0	0	0	3.647
Company fund	11	0	0	0	20.490
Share capital		15.000	15.000	15.000	0
Reserve capital		10.105	9.314	9.324	0
Income/(loss) from previous periods		(2.630)	5	0	764
		22.475	24.319	24.324	24.901
LONG TERM LIABILITIES	12	6.029	6.172	30	30
CURRENT LIABILITIES	13	11.058	6.943	5.444	2.641
NET INCOME/(LOSS) FOR THE PERIOD		(13)	(2.635)	5	869
TOTAL CAPITAL AND LIABILITIES		39.549	34.799	29.803	28.441

NOTES TO FINANCIAL STATEMENTS

	01.01-30.09 1992 '000,000 zl	18.05-31.12 1991 '000,000 zl	01.01-17.05 1991 '000,000 zl	01.01-31.12 1990 '000,000 zl
1) SALES				
Sales of finished products - domestic	5.223	1.350	1.936	5.125
Sales of finished products - export	13.447	3.930	1.278	6.930
Services rendered - domestic	452	2.991	2.346	7.200
	19.122	8.271	5.560	19.255
2) OPERATING EXPENSES				
Depreciation	1.190	945	708	627
Materials	7.252	3.576	2.396	6.251
Energy	811	920	820	1.128
External services	3.222	923	131	466
Transfers to employees' funds	135	97	62	45
Wages and salaries	4.395	3.132	2.027	4.535
Social security	1.820	1.064	677	1.063
Other	113	391	594	1.833
	18.938	11.048	7.424	15.948
3) OTHER INCOME				
Retail sales	129	16	0	0
Other sales	862	787	313	378
	991	803	313	378
4) INTEREST AND SIMILAR INCOME				
Interest	490	15	13	446
Dividends received	0	73	0	0
Other	0	319	0	0
	490	407	13	446
5) INTEREST AND SIMILAR CHARGES				
Loan interest	915	839	413	1.063
Other	66	16	0	0
	981	855	413	1.063

NOTES TO FINANCIAL STATEMENTS

	30.09.1992 '000,000 zł	31.12.1991 '000,000 zł	17.05.1991 '000,000 zł	31.12.1990 '000,000 zł
6) TANGIBLE FIXED ASSETS				
Net book value:				
Land	5.999	5.999	0	0
Buildings and fixtures	17.971	17.592	18.028	18.299
Technical equipment	3.383	3.888	3.904	4.010
Transportation equipment	311	446	562	664
Assets under construction	88	88	65	65
Fixtures and fittings	3	5	5	3
Other fixed assets	0	0	131	137
	27.755	28.018	22.695	23.178
7) INVESTMENTS				
Shares in other companies	2	126	88	88
8) INVENTORIES				
Materials	1.679	1.301	1.900	1.830
Work in progress	1.910	1.958	1.928	106
Finished goods	459	693	515	0
Items held for resale	73	31	0	0
	4.121	3.983	4.343	1.936
9) RECEIVABLES				
Trade receivables	7.413	2.555	2.215	2.119
Amounts due from the State Treasury	0	1	12	70
Prepayments in respect of assets under construction	5	5	5	100
Deferred costs	141	20	23	33
Other	58	46	104	50
	7.617	2.627	2.359	2.372
10) CASH				
Cash on hand	33	0	1	0
Cash at bank	1	18	276	150
Other	0	0	8	0
	34	18	285	150

NOTES TO FINANCIAL STATEMENTS

	30.09.1992 '000,000 zł	31.12.1991 '000,000 zł	17.05.1991 '000,000 zł	1990 '000,000 zł
11) CAPITAL				
Founding fund:				
Opening balance	0	0	3.647	1.799
Revaluation of fixed assets	0	0	0	1.848
Transfer to share capital (a)	0	0	(3.647)	0
Closing balance	0	0	0	3.647
Company fund:				
Opening balance	0	0	20.490	1.513
Transfer from net income	0	0	305	450
Depreciation of employees' homes	0	0	(623)	(628)
Transfer to share capital (a)	0	0	(11.353)	0
Transfer to reserve capital (a)	0	0	(9.324)	0
Other decreases	0	0	(106)	(10.298)
Other increases	0	0	611	29.453
Closing balance	0	0	0	20.490
Share capital:				
Opening balance	15.000	15.000	0	0
Transfer from founding fund (a)	0	0	3.647	0
Transfer from company fund (a)	0	0	11.353	0
Closing balance	15.000	15.000	15.000	0
Reserve capital:				
Opening balance	9.314	9.324	0	0
Transfer from company fund (a)	0	0	9.324	0
Depreciation of employees' homes	(1.320)	(945)	0	0
Other decreases	(372)	0	0	0
Other increases	2.483	935	0	0
Closing balance	10.105	9.314	9.324	0

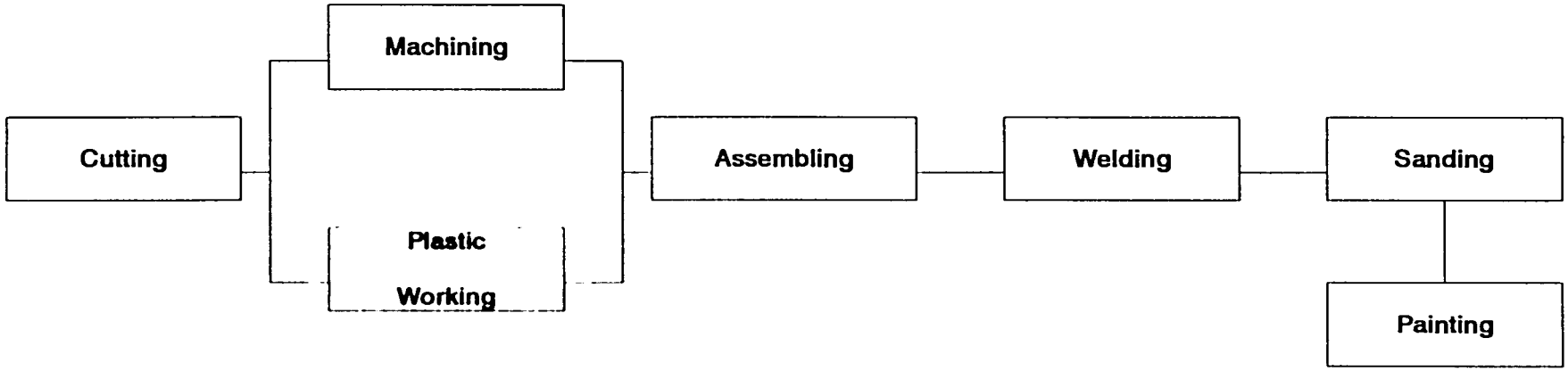
(a) On 17 May, 1991 the enterprise was transformed into a joint stock company, wholly owned by the State Treasury with share capital amounting to 15,000 million zł.

12) LONG TERM LIABILITIES				
Long term bank loans	30	30	30	30
Overdue bank loans	0	143	0	0
Due to the State Treasury in respect of the perpetual usufruct of land	5.999	5.999	0	0
	6.029	6.172	30	30
13) CURRENT LIABILITIES				
Bank loans	1.923	1.552	1.786	886
Trade payables	3.905	3.097	2.578	1.158
Employees' funds	353	354	420	62
Amounts due to the State Treasury	4.277	793	83	14
Deferred income	0	76	0	0
Amounts due to employees	340	241	195	207
Other	260	830	382	314
	11.058	6.943	5.444	2.641

APPENDICES

APPENDIX 1.

Production process



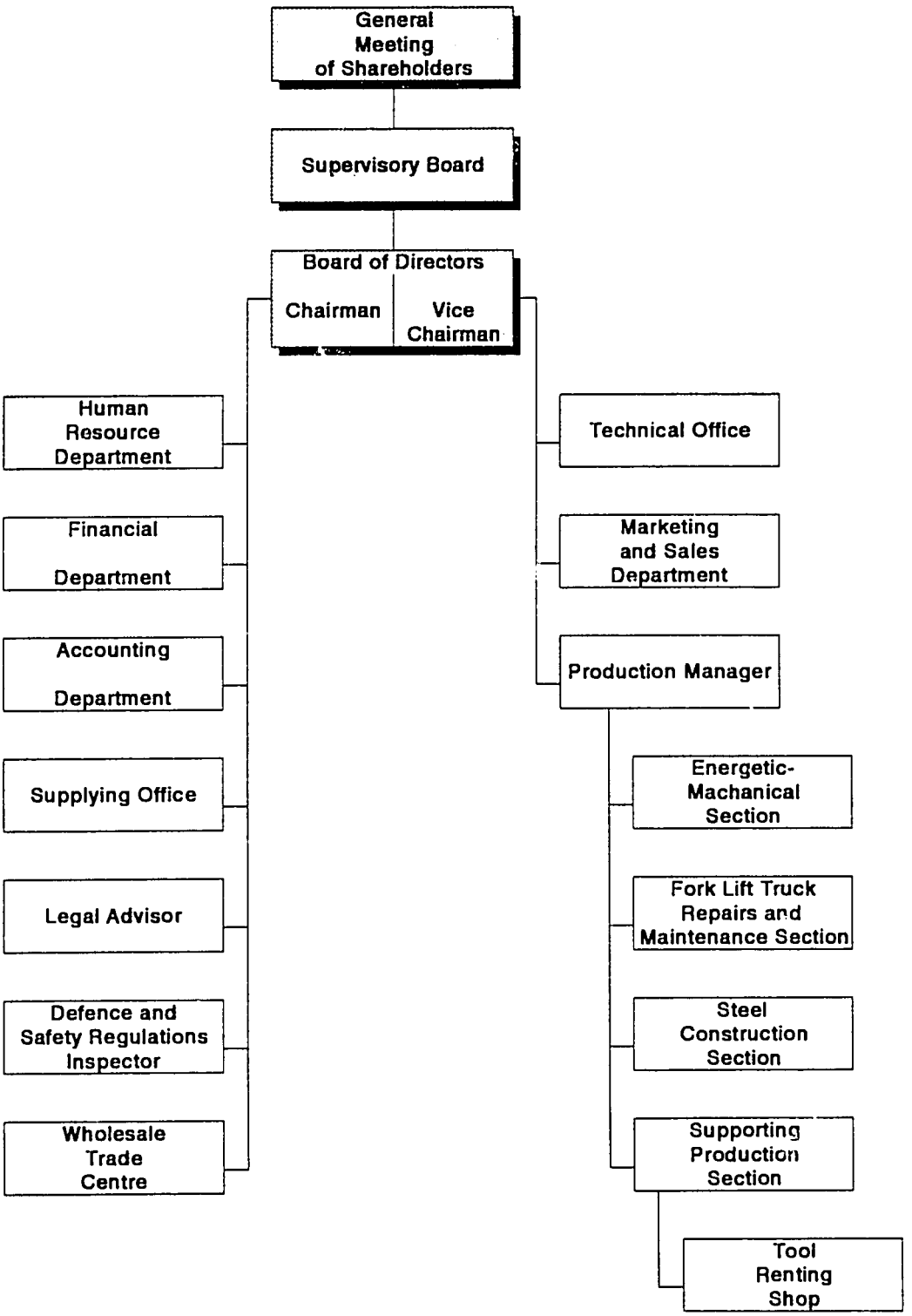
APPENDIX 2.

Machines and equipment

Machines and Equipment	# of pieces	Przeznaczenie	Age (years)	Production capacity utilization Jan. - Sept. 1992
Gate shear CNTA-3150/16	1	sheet metal cutting	4	70%
Gate shear CNTA-3150/25A, NTC4/2500	2	sheet metal cutting	3	70%
Burning equipment "Perun" YC8-2500		sheet metal burning		90%
Bending brake CTO-250	1	sheet metal bending	3	100%
Multiradial drilling machine 2H-125	2	drilling	4	90%
Horizontal boring machine HWC-110, 2620B	2	machining	4	90%
Turning lathe 16-325	1	machining	3	80%
Turning lathe TUR58 2000	1	machining	5	80%
Turning lathe TUR63	1	machining	6	80%
Turning lathe TVM-25	1	machining	8	80%
Turning lathe FND-32 DTE	1	machining	17	80%
Turning lathe FVW315-800	1	machining	21	80%
Milling machine Magpol 630	1	machining	1	80%
Milling machine Magpol 630	1	machining	3	80%
Milling machine Magpol 630	3	machining	4	80%
Milling machine Magpol 630	1	machining	7	80%
Milling machine Magpol 630	1	machining	20	80%
Semi-automatic welder Magpol 630	1	welding	16	90%
Semi-automatic welder DEP 401	1	welding	15	90%
Semi-automatic welder ME 401	2	welding	9	90%
Semi-automatic welder Magpol 630D	2	welding	8	90%
Semi-automatic welder Magpol 630D	2	welding	7	90%
Semi-automatic welder DEP 401	7	welding	6	90%
Semi-automatic welder ME 401 DWN	3	welding	5	90%
Semi-automatic welder ME 401 DWN	6	welding	4	90%
Semi-automatic welder Me 401 DWN	2	welding	2	90%
Semi-automatic welder ESAB PC 400W	2	welding	1	90%

Appendix 3.

Organizational Structure



APPENDIX 4.

Board of Directors Curicula Vitae

ADAM SZUMLAS born: 26th July 1959	-	1991	"Techma-Bydgoszcz" S.A. Chairman of the Board of Directors
	-	1990 - 1991	Machine Industry Modernizing Enterprise "Techma-Bydgoszcz"; performing duties of the Managing Director
	-	1988 - 1991	Financial Director - Chief Accountant
	-	1986 - 1988	Chief Economist
	-	1984 - 1986	ZUD "Polon" - Bydgoszcz; Financial Department Manager
	-	1982 - 1984	ZT "Telkom-Telfa" - Bygdoszcz; economist
	-	1982	Mikołaj Kopernik University in Toruń, Department of Economics
JAN KARAŚ born: 20th January 1949	-	1991	"Techma-Bydgoszcz" S.A. Vice Chairman of the Board of Directors
		1990 - 1991	Machine Industry Modernizing Enterprise "Techma-Bydgoszcz"; Technical and Operations Deputy Director
		1989 - 1990	Production Manager
		1985 - 1988	Steel Construction Department Manager
		1981 - 1985	Industrial Production Department Manager
		1980 - 1981	Steel Construction Work Manager
		1976 - 1980	Supplying Production Department Manager
		1972 - 1976	Electric Equipment Production Enterprise "Ema-Apator" - Bydgoszcz; production engineer
		1986	Akademia Techniczno - Rolnicza, Wydział Mechaniczny
		1972	High School of Engineering in Bydgoszcz, Mechanical Department

OPTEX - OPOCZNO S.A.

Opoczno, November 1992

BUSINESS PROFILE

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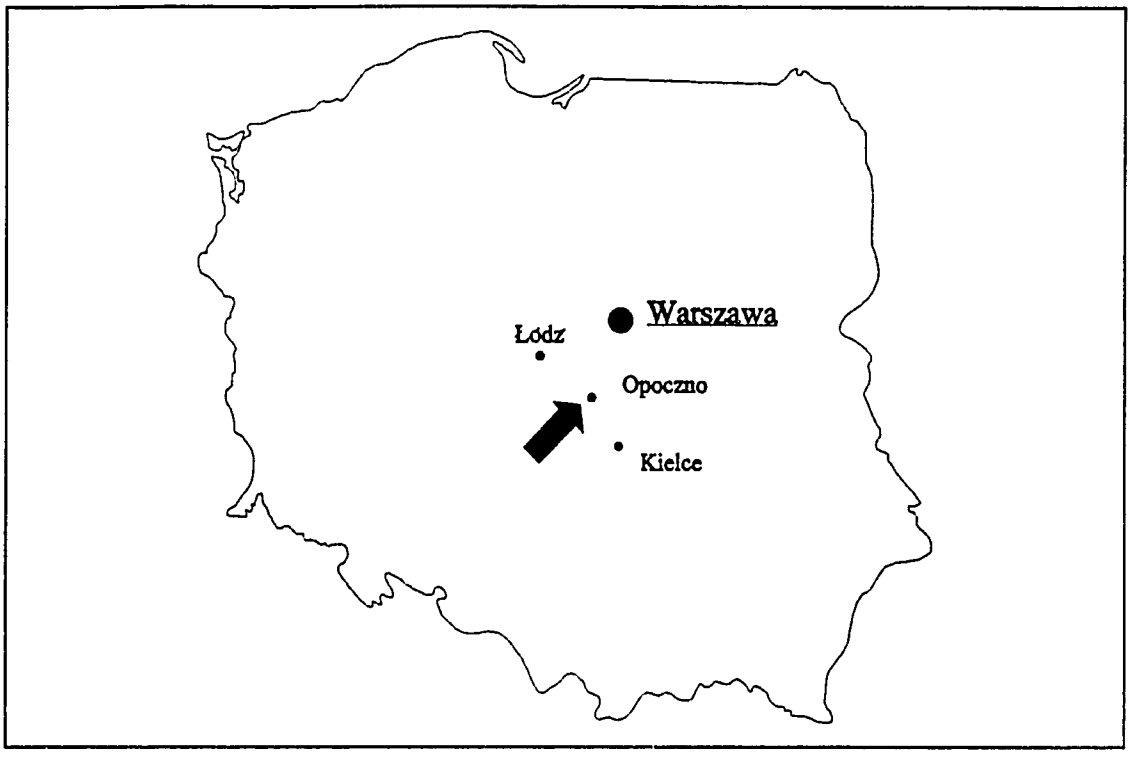
ANNEX 20

I. BASIC DATA ABOUT THE COMPANY



Address:	Kolberga Street 2 26-300 Opoczno
Phone nr:	28 - 41
Fax nr:	33 - 72
Industry:	Textile
Main products and services:	Polyester fabrics manufactured from textured, regular, thinned and profiled yarns. The product mix comprises clothing, ornamental, special purpose and coated fabrics as well as ready—made clothing.
Number of employees as at 30.09.92:	1,222
Turnover in the period 1 Jan - 30 Sept '92:	166,984 million zl (US$ 12.1 million)*/
Financial result as at 30 Sept '92:	5,995 million zl (US$ 0.43 million)*/
Principal customers:	"Optex" products are predominantly purchased by clothing manufacturers and private trade companies dealing with wholesale and retail sale.

*/ The exchange rate of the US dollar to the Polish złoty as at 30 Sept 1992: 13,839 zl = 1 US$

II. HISTORY OF THE COMPANY

1973	—	Launching of the "Opoczno" Wool Industry Works in Opoczno.
1985	—	Purchase of a "THIES" dyeing machine.
1985	—	Initiation of the employment rationalisation process, which by 1991 resulted in the reduction in the number of employees by 12.5%.
1988	—	Purchase of a "HEMMER" coating machine — broadening the product range (impregnated fabrics).
1989	—	Purchase of an additional "HEMMER" full width scouring machine — eliminating bottlenecks in the manufacturing process.
1991	—	Extension of the computer network which encompasses stock and manufactured product management.
	—	Purchase of two dyeing machines — "HERIKSEN" and "THIES".
	—	Purchase of twenty "PICANOL GTM" new generation looms.
1992	—	Testing of pneumatic looms as prospective tools for the modernisation of production in the weaving mill, and of modern "LONGCLOSE" and "VENTURA RAPID" dyeing machines.
1991.07.12	—	Transformation of the enterprise into a joint - stock company of the State Treasury, renamed OPTEX - OPOCZNO S.A.

All investments made by the company since its establishment were directed towards modernization of particular production stages to improve product quality and to increase production capacity.

III. PRODUCTS AND SERVICES

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The "Optex" company manufactures polyester fabrics from textured, regular, thinned and profiled yarns.

The product mix includes the following product groups:

1. **Suit fabrics** manufactured from two types of yarn:

   - yarn — 100% regular textured polyester, the weight of the running meter (wrm) ranging from 210 to 340 g/m,

   - yarn — 100% thinned textured polyester and pontella, wrm — from 240 to 330 g/m.

2. **Dress fabrics** manufactured from two types of yarn:

   - yarn — 100% regular textured polyester, wrm — from 150 to 220 g/m,
   - yarn — 100% thinned textured polyester.

3. **Ornamental fabrics** manufactured from regular textured polyester, wrm — from 220 to 310 g/m.

4. **Laundry bags** manufactured from polyester, wrm — 120 g/m.

5. **Upholstery fabrics** manufactured from mixed yarn, 60% regular textured polyester, 20% wool/polyester tops, 20% polyester/viscose tops, wrm — 545 g/m.

6. **Tent fabrics** manufactured from textured polyester, wrm — 280 g/m.

7. **Impregnated table cloth fabrics, waterproof and stainproof** manufactured from textured polyester, wrm — from 260 to 330 g/m.

8. **Impregnated table cloth fabrics, waterproof** manufactured from textured polyester, wrm — from 250 to 300 g/m.

The company employs a team of textile designers who are responsible for designing patterns for the manufactured products. "Optex" also manufactures cloth fabrics according to patterns provided by customers. Small barches are also manufactured.

Apart from the basic business — fabric manufacturing — the company provides industrial and non—material services (utilization of the machines and facilities for commissioned services, other than those encompassed by the basic business). The share of these services in total sales is 0.8%.

IV. DESCRIPTION OF THE MANUFACTURING PROCESS

The manufacturing process for the company's products consists of the following stages:

1. Texturing

Texturing polyester yarns according to the "false twist" method with bistabilization. The textured yarn is twisted and processed by weft. As a result of the texturing and bistabilization process the yarn acquires greater flexibility.

2. Twisting

Further twisting the textured yarn so as to achieve a value of 100 or 150 twists per meter. The finally twisted yarn is directed to the rewinding stage, while another portion, which is earmarked for weaving in colour, is sent for dyeing.

3. Rewinding

The yarn is rewound from cylinder and spring beams onto conic and cruciform beams which are more suitable for the ensuing stages of the manufacturing process.

4. Warping

The warp beams are prepared on sectional warping machines.

5. Weaving

Weaving is performed on dobby and Jacquard looms.

6. Scouring

The process of removing from the fabrics preparatory agents, which are spread on the yarn during the texturing and rewinding stage, and wax spread during the warping stage, as well as removing any other stains, which may have occurred during the weaving stage.

7. Yarn and fabric dyeing

Yarns and fabrics are dyed in autoclaves completely filled with dye liquor.

8. Drying and stabilization

Drying fabrics weaved in colour after scouring and fabrics dyed in one piece. The stabilization process includes: ensuring the correct appearance of the fabric, fixation of the fabric width as well as ensuring the appropriate hand — softness or stiffness — depending on the future function of the fabric.

9. Impregnation

The fabric is padded with assistant agents in order to improve particular properties of the fabrics. Special—purpose coatings — e.g. stain protection — are spread onto the fabric.

10. Printing

Printing with a transfer cloth printing machine.

11. Final operations

The fabrics are prepared for sale. They are sorted, measured, labelled and packed.

The manufacturing process is presented on Chart 1.

The level of the utilization of the production capacity for particular production stages depends on types of semi-products and goods manufactured.

100% of the products manufactured by the company are subject to quality control. The quality control system includes three stages:

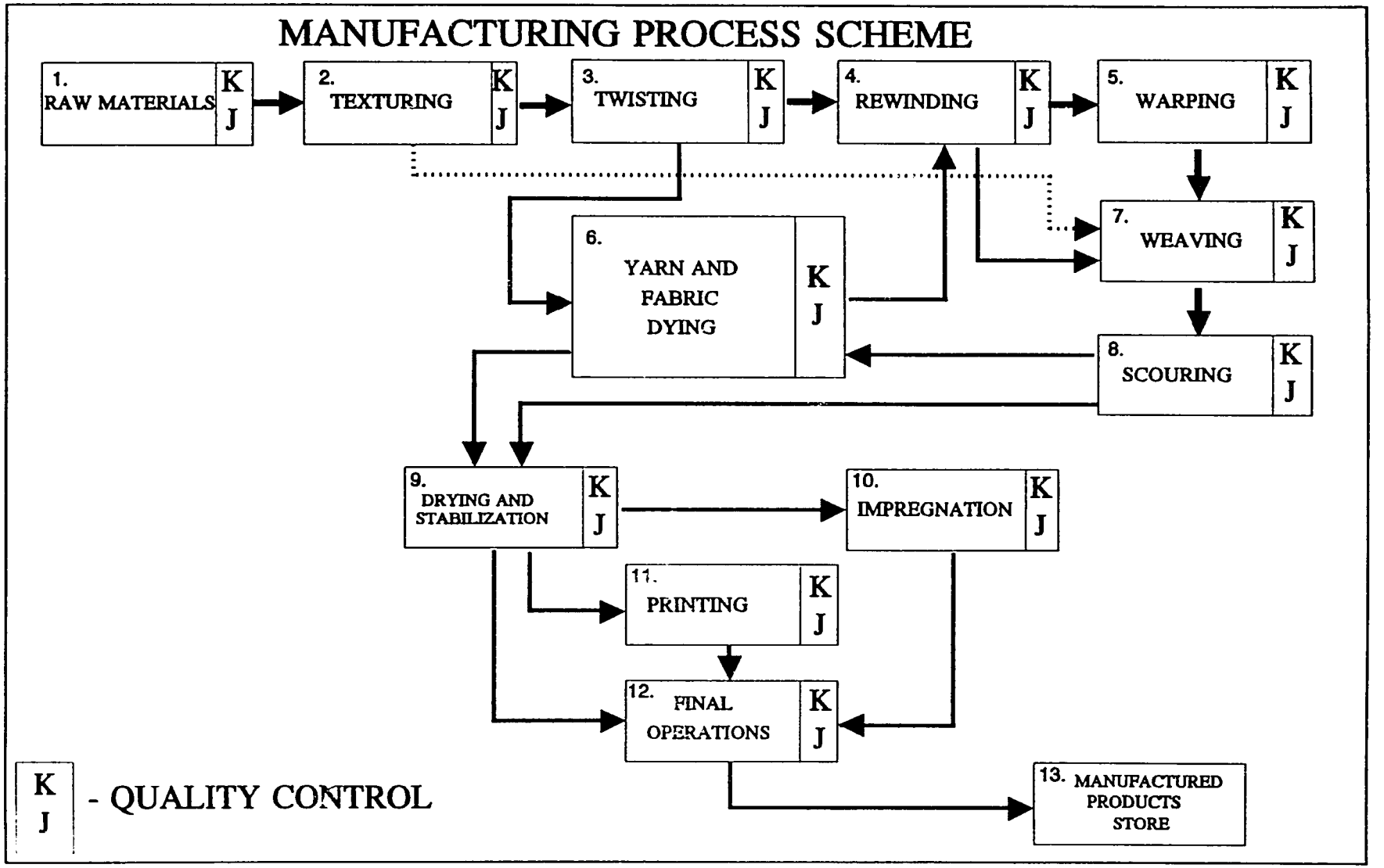
— raw materials control,

— intermittent product control (after terminating each production stage),

— final product control.

Machines and facilities employed in the manufacturing process are listed in Appendix 1.

Chart 1.


MANUFACTURING PROCESS SCHEME
1. RAW MATERIALS
K J
2. TEXTURING
K J
3. TWISTING
K J
4. REWINDING
K J
5. WARPING
K J
6. YARN AND FABRIC DYING
K J
7. WEAVING
K J
8. SCOURING
K J
9. DRYING AND STABILIZATION
K J
10. IMPREGNATION
K J
11. PRINTING
K J
12. FINAL OPERATIONS
K J
13. MANUFACTURED PRODUCTS STORE
K J - QUALITY CONTROL

V. MARKET SHARE

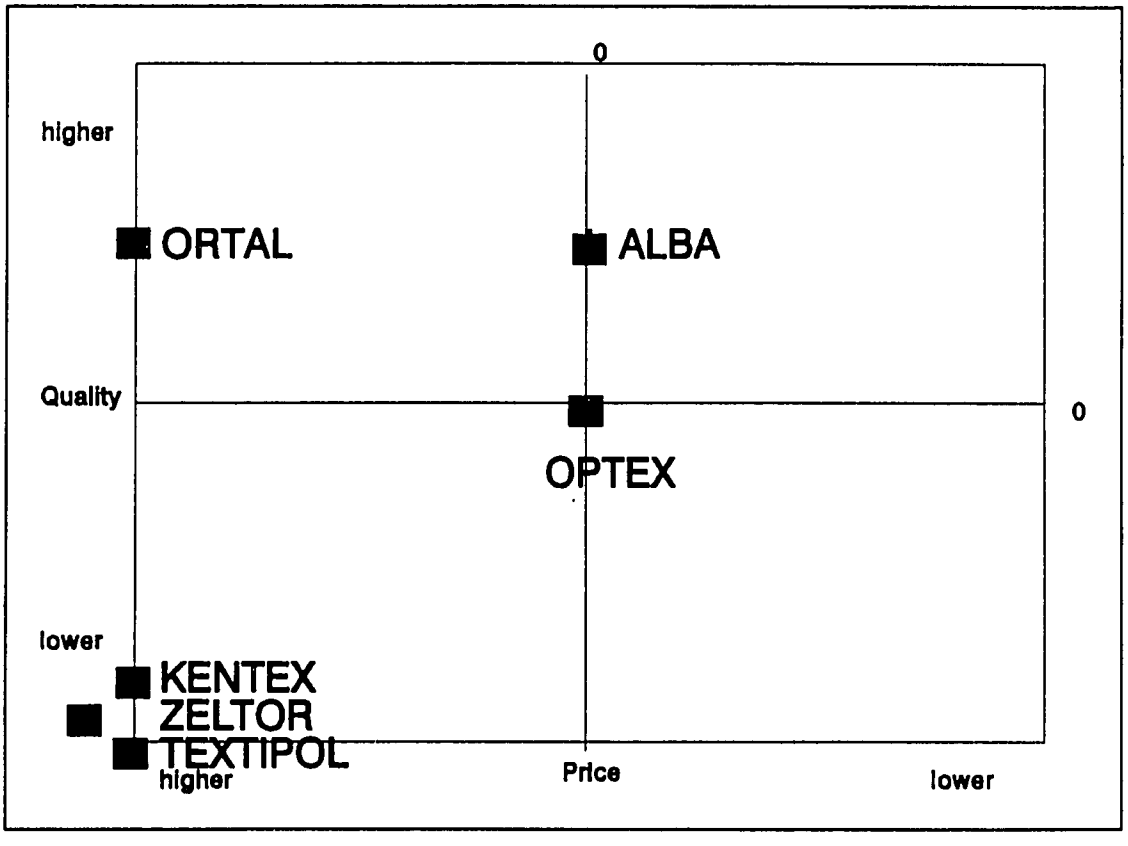
The Company market share is estimated to be 60% of total domestic market. The main domestic competitors of the company are: Kenter, Zeltor, Textilpol, Oral and Alba.

As far as range of products and their utilization are concerned, all of the domestic producers are at the same level.

"Optex" is more competitive in terms of designing, advertising and terms of delivery.

The relative position of the company versus main competitors, based on product quality and price, is presented in the chart below.

Chart 2.



VI. MARKET DESCRIPTION

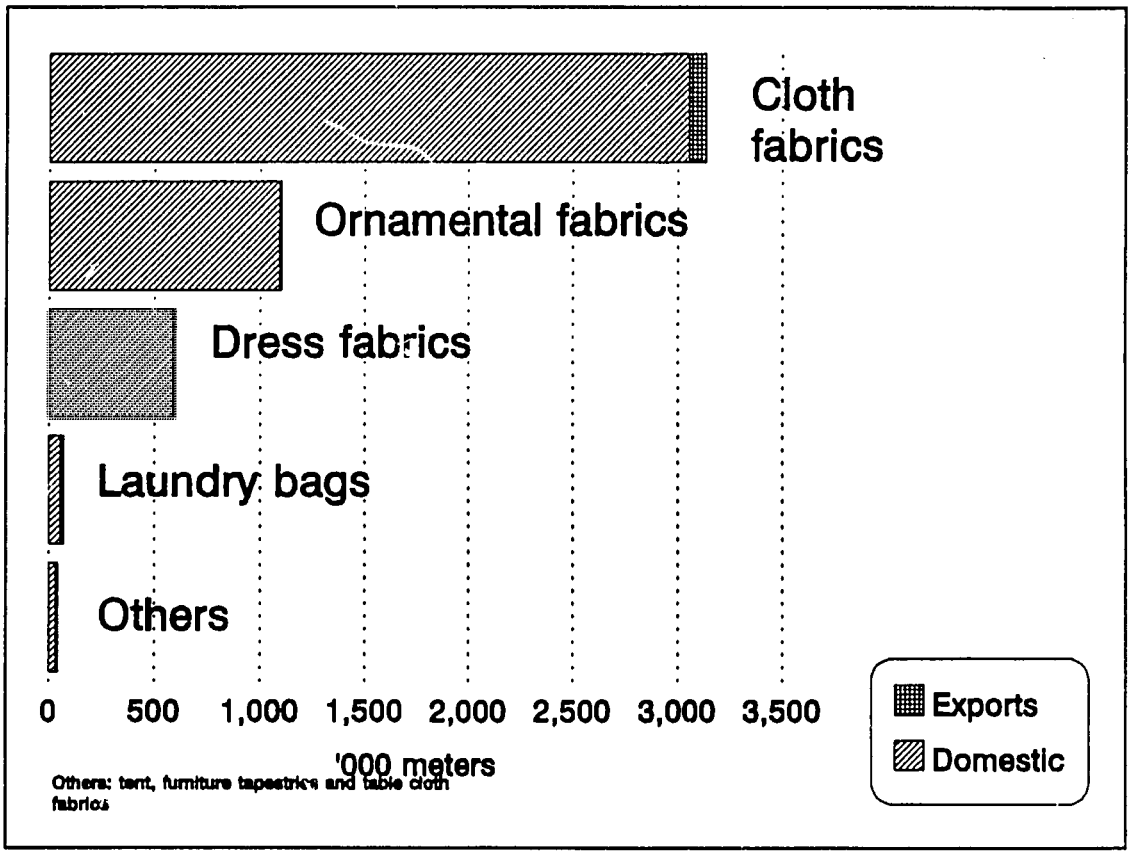
The company sells its products to about 2,000 customers. Most of the companies are Polish and operate either in the clothing or trade business.

The group of customers involved in manufacturing include both state-owned and private companies. The majority of the trade companies are middle—sized wholesale companies which have been purchasing from "Optex" for the past 2 - 3 years.

The company supplies customers in 49 voivodships. The majority of the customers are situated in the Łódź, Piotrków and Warsaw voivodships. From January to September 1992 there was no customer whose share in the total sales exceeded 5%.

The geographical structure of the company's sales by product groups from January to September 1992 is presented in Chart 3.

Chart 3.



The company exports its products to France, Dubai, Ireland, Canada, Sweden, Jordan, Denmark, Belgium and Lithuania. Exports share of total sales amounted to 2% in the period from January to September 1992.

The company perceives price and technical design as the key factors which are considered by a customer when buying a product.

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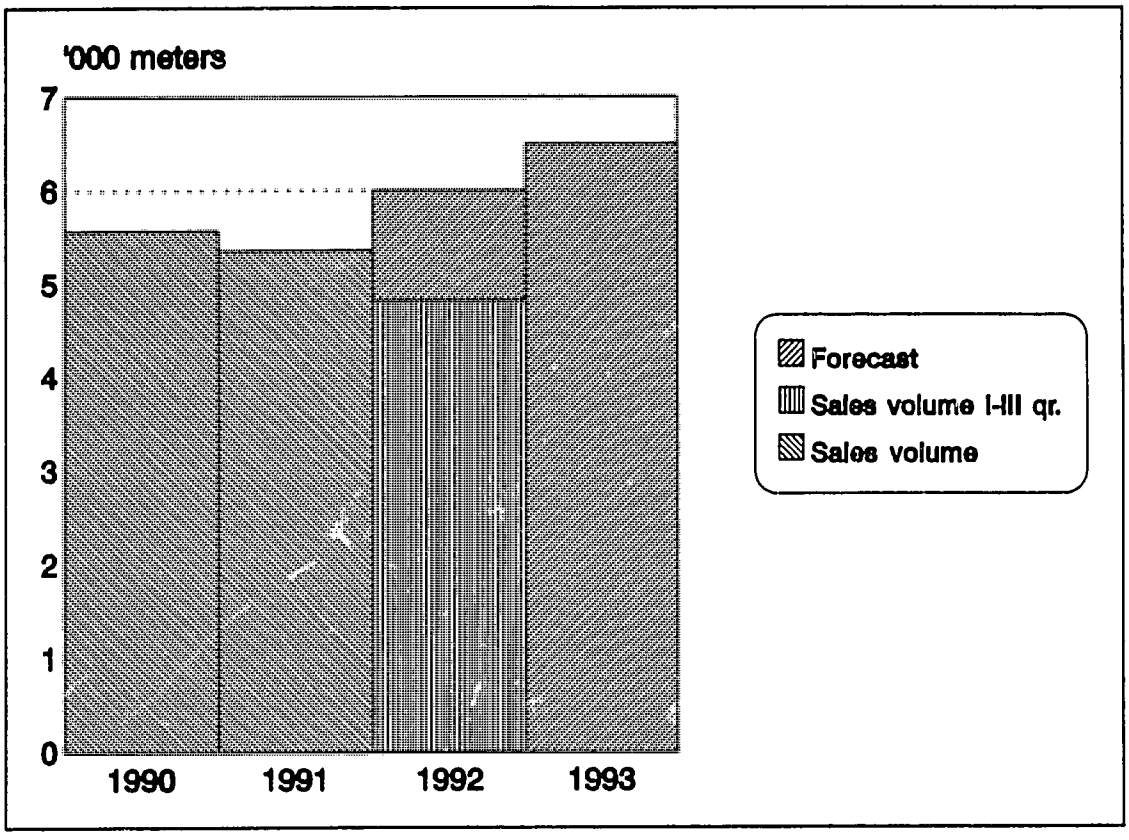
VII. SALES AND MARKETING

The chart below presents the sales volume of "Optex" in 1990, 1991 and 1992 (January - September) and the forecast for the whole year of 1992 and 1993.

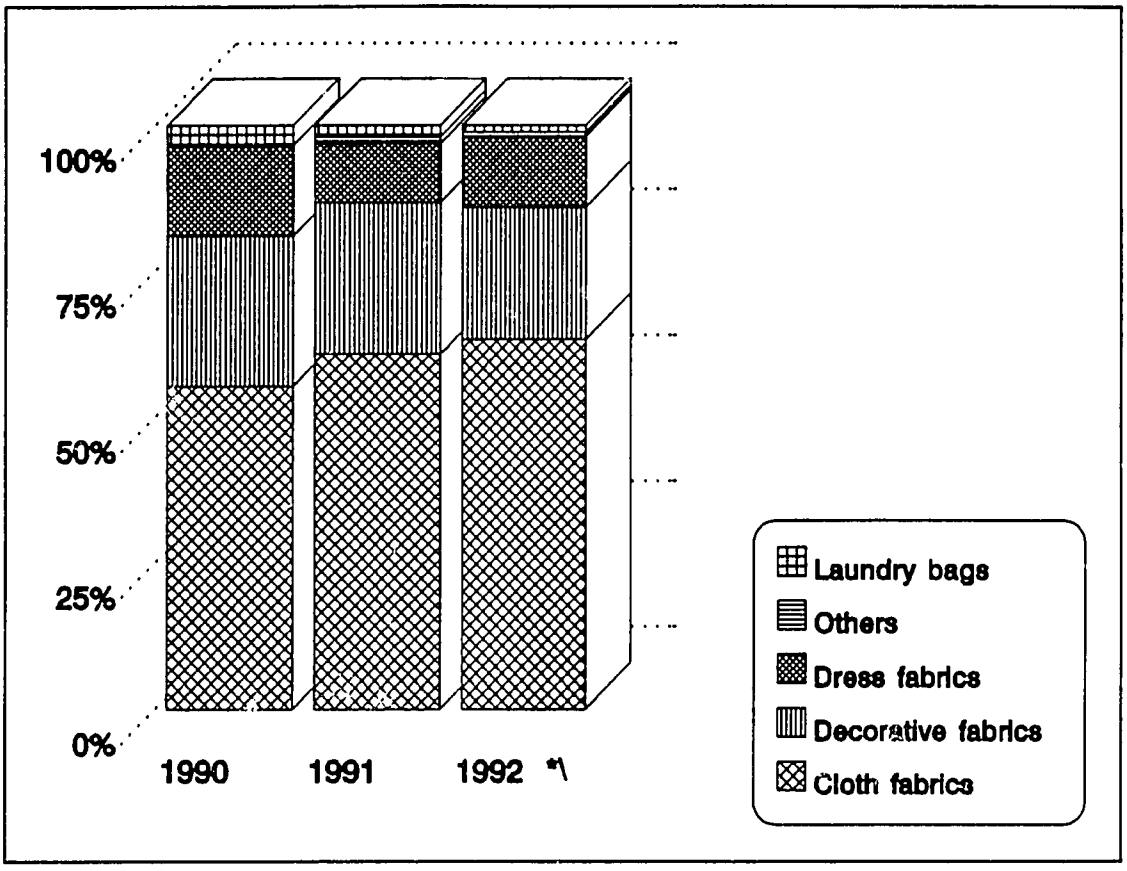
Chart 4.



From January to September 1992 the sales amounted to 166,984 million zl (US$ 12.1 million).

The sales structure by product groups in 1990, 1991 and 1992 (January - September) is shown in Chart 5.

Chart 5.



Distribution channels used by the company are presented in Table 1.

Table 1.

Distribution channel	Share in total sales
Salesmen	6%
Direct sales to wholesale and retail buyers	80%
Direct sales to industrial customers	6%
Own wholesale network	8%

*\ Based on 3 quarters sales data.

VIII. RAW MATERIALS

The company utilizes the following raw materials:

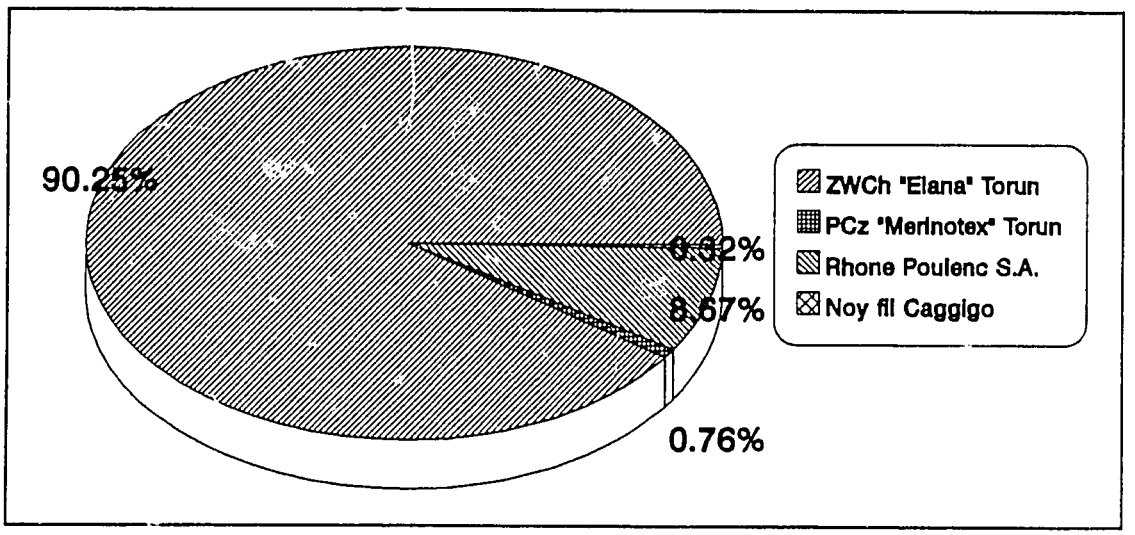
- yarn for fabrics manufacturing,

  - polyester (inc. torlen)
  - tops

- components (pigments, wax, etc.).

Yarn constitutes 85% of the total raw materials consumed and is delivered by four suppliers. Their share of raw materials supplied to the Company is shown in the below chart.

Chart 6.



Domestic manufactures constitute the majority of suppliers. From January to September 1992, supply imports amounted to 19.3% of the value of total supply and included products not manufactured in Poland in sufficient quantity and satisfactionery quality.

IX. ORGANIZATIONAL STRUCTURE OF THE COMPANY

The current organizational structure introduced in October 1991 is presented in Appendix 2.

CVs of the members of the Board of Directors are presented in Appendix 3.

The structure of employment and average remuneration as at 30 September 1992 are shown in Table 2.

Table 2.

	Number of employees	Average remuneration	Fluctuation ratio (dismissed plus new employed/total employment)
Total	1,222	2,485,131	3.5
Production workers	822	2,412,578	3.1
Supportig staff	262	2,447,038	4.2
Administration	134	2,646,985	2.2
Board of Directors	4	15,866,525	0.0

There are two trade unions in the company:

— NSZZ** of the "Optex" Opoczno S.A. employees — 370 members,

— NSZZ "Solidarność" — 231 members.

** NSZZ = Independent Autonomous Worker's Union

X. REAL ESTATE

The value of the company's assets amounted to 209,034 million zl as at 30 September 1992, of which 161,273 m zl are fixed assets. The company owns all buildings and other facilities utilized for the purposes of its operations. Tables below present the list of real estate used by the company.

Table 3.

Type of real estate	Area in [ha]	Location
Land		
Plant site	13.7084	Opoczno, Kolberga 2
Water intake site	0.3088	Opoczno, Kolberga 2
The plant's own shop site	0.0961	Opoczno, Kopernika 1
The plant's housing estate	2.0412	Opoczno, Partyzantów 38

Table 4.

Type of real estate	Area in [m²]	Location	Age in [yrs.]
Production buildings			
Production building	32,967.4	Opoczno, Kolberga 2	19
Boiler building	1,731.5	Opoczno, Kolberga 2	19
Non—production buildings			
Office building	2,432.5	Opoczno, Kolberga 2	20
Gate—house	655.0	Opoczno, Kolberga 2	20
Technical store building	289.0	Opoczno, Kolberga 2	19
Oils and lubricants store	253.7	Opoczno, Kolberga 2	19
Lime store	169.0	Opoczno, Kolberga 2	19
Gas cylinder store	31.7	Opoczno, Kolberga 2	19
The plant's own shop	275.5	Opoczno, Kopernika 1C	4
Segmented steel umbrella roofs	822.0	Opoczno, Kolberga 2	19
Culture house	1,455.1	Opoczno, Kolberga 2	17
Hotel	1,257.0	Opoczno, Kolberga	8
Apartment buildings	6,516.0	Opoczno, Partyzantów 38	19
Garages	57.3	Opoczno, Kolberga 2	22

XI. FINANCIAL DATA

BALANCE SHEET AS AT

	Note	30.09.1992 '000,000 zl	31.12.1991 '000,000 zl	11.07.1991 '000,000 zl	31.12.1990 '000,000 zl
ASSETS					
FIXED ASSETS					
Tangible fixed assets	6	161,273	114,461	118,537	105,761
Intangible assets		122	0	118	0
Investments	7	8	9	24	168
		161,403	114,470	118,679	105,929
CURRENT ASSETS					
Inventories	8	31,962	27,148	26,617	18,561
Receivables	9	10,386	4,855	4,110	4,061
Cash	10	5,283	1,938	1,059	3,110
		47,631	33,941	31,786	25,732
TOTAL ASSETS		209,034	148,411	150,465	131,661
CAPITAL AND LIABILITIES					
CAPITAL					
Founding fund	11	0	0	0	32,678
Company fund	11	0	0	0	75,810
Share capital	11	80,000	80,000	80,000	0
Reserve capital	11	80,683	35,449	35,557	0
Loss from previous periods		-2,365	-469	0	0
		158,318	114,980	115,557	108,488
LONG TERM LIABILITIES		16,801	12,833	12,536	760
CURRENT LIABILITIES	12	27,920	22,494	22,841	13,864
NET INCOME/(LOSS) FOR THE PERIOD		5,995	-1,896	-469	8,549
TOTAL CAPITAL AND LIABILITIES		209,034	148,411	150,465	131,661

INCOME STATEMENT FOR THE PERIOD

	Note	01.01-30.09 1992 '000,000 zl	12.07-31.12 1991 '000,000 zl	01.01-11.07 1991 (*) '000,000 zl	01.01-31.12 1990 '000,000 zl
Sales	1	166,984	58,066	66,831	97,683
Turnover tax		-32,503	-10,850	-12,664	-11,430
Net sales		**134,481**	**47,216**	**54,167**	**86,253**
Operating expenses	2	-107,643	-45,928	-51,942	-71,724
Change in inventories		-299	3,261	7,369	9,723
Other income	3	1,077	588	940	1,137
Interest and similar income	4	351	84	143	0
Interest and similar charges	5	-9,738	-4,512	-3,181	0
Operating income		**18,229**	**709**	**7,496**	**25,309**
Unusual gains		192	32	0	3,249
Unusual losses		-1,136	-497	-360	-1,486
Net unusual gains/(losses)		-944	-465	-360	1,763
Income before taxes		**17,285**	**244**	**7,136**	**27,152**
Income taxes		-6,915	-179	-2,861	-11,026
Excess wages tax		0	0	-1,196	-1,714
Income after taxes		**10,370**	**65**	**3,079**	**14,412**
Dividends paid to the State Treasury		0	0	-3,522	-4,383
Payments on share capital made to the State Treasury		-3,600	-1,600	0	0
Payment to the State Fund for the Disabled		-775	-361	-26	0
Other items		0	0	0	-1,480
Net income/(loss) for the period		**5,995**	**-1,896**	**-469**	**8,549**

(*) On 11 July, 1991 Zakłady Przemysłu Wełnianego "Opoczno" was transformed into a joint stock company, wholly owned by the State Treasury.

US$ exchange rates as at:
31.12.1990 - 1 US$ = 9,500 zł
11.07.1991 - 1 US$ = 11,556 zł
31.12.1991 - 1 US$ = 10,957 zł
30.09.1992 - 1 US$ = 13,839 zł

NOTES TO FINANCIAL STATEMENTS

	01.01-30.09 1992 '000,000 zl	12.07-31.12 1991 '000,000 zl	01.01-11.07 1991 '000,000 zl	01.01-31.12 1990 '000,000 zl
1) SALES				
Sales of finished products - domestic	161,942	54,836	63,935	58,881
Sales of finished products - export	3,258	2,651	2,447	36,212
Services rendered - domestic	1,784	579	449	2,590
	166,984	58,066	66,831	97,683
2) OPERATING EXPENSES				
Depreciation	9,648	4,377	3,001	2,039
Materials	52,099	20,280	27,192	35,451
Energy	5,314	2,543	2,799	4,184
External services	3,321	1,763	1,413	2,916
Wages and salaries	22,993	11,864	11,794	16,048
Social security	9,982	4,104	4,139	5,475
Trasfer to employees' funds	1,020	362	411	207
Other	3,266	635	1,193	5,404
	107,643	45,928	51,942	71,724
3) OTHER INCOME				
Retail sales	741	506	811	802
Other sales	336	82	129	335
	1,077	588	940	1,137
4) INTEREST AND SIMILAR INCOME				
Interest	203	45	116	0
Dividends received	1	32	2	0
Other	147	7	25	0
	351	84	143	0
5) INTEREST AND SIMILAR CHARGES				
Loan interest	3,200	3,107	3,158	0
Other	6,538	1,405	23	0
	9,738	4,512	3,181	0

NOTES TO FINANCIAL STATEMENTS

	30.09.1992 '000,000 zl	31.12.1991 '000,000 zl	11.07.1991 '000,000 zl	31.12.1990 '000,000 zl
6) TANGIBLE FIXED ASSETS				
Net book value:				
Land	3,283	0	0	0
Buildings and fixtures	127,186	92,206	93,754	95,227
Technical equipment	28,607	20,404	23,026	8,667
Transportation equipment	1,482	660	729	618
Assets under construction	358	933	727	917
Fixtures and fittings	0	0	0	0
Other fixed assets	357	258	301	332
	161,273	114,461	118,537	105,761
7) INVESTMENTS				
Shares in other companies	0	0	14	15
Other investments	0	0	0	153
Long term debt securities	8	9	10	0
	8	9	24	168
8) INVENTORIES				
Materials	10,103	5,434	8,141	7,334
Work in progress	9,394	7,385	7,950	5,090
Finished goods	11,451	13,758	9,901	5,649
Items held for resale	1,014	571	625	488
	31,962	27,148	26,617	18,561
9) RECEIVABLES				
Trade receivables	5,438	3,114	1,565	1,557
Amounts due from the State Treasury	0	657	1,460	8
Prepayments in respect of assets under construction	2,830	316	251	2,427
Deferred costs	45	0	257	0
Prepayments in respect of inventories	679	339	328	0
Other	1,394	429	249	69
	10,386	4,855	4,110	4,061
10) CASH				
Cash on hand	657	198	448	410
Cash at bank	4,626	1,739	580	2,466
Other	0	1	31	234
	5,283	1,938	1,059	3,110

NOTES TO FINANCIAL STATEMENTS

	30.09.1992 '000,000 zł	31.12.1991 '000,000 zł	11.07.1991 '000,000 zł	31.12.1990 '000,000 zł
11) CAPITAL				
Founding fund:				
Opening balance	0	0	32,678	1,451
Revaluation of fixed assets	0	0	-2,540	31,227
Transfer to share capital (a)	0	0	-30,138	0
Closing balance	0	0	0	32,678
Company fund:				
Opening balance	0	0	75,810	2,326
Revaluation of fixed assets	0	0	2,540	72,440
Transfer from net income	0	0	7,026	1,039
Depreciation of employees' homes	0	0	-127	-110
Transfer to share capital (a)	0	0	-49,862	0
Transfer to reserve capital (a)	0	0	-35,557	0
Other	0	0	170	115
Closing balance	0	0	0	75,810
Share capital:				
Opening balance	80,000	80,000	0	0
Transfer from company fund (a)	0	0	30,138	0
Transfer from founding fund (a)	0	0	49,862	0
Closing balance	80,000	80,000	80,000	0
Reserve capital:				
Opening balance	35,449	35,557	0	0
Transfer from company fund (a)	0	0	35,557	0
Revaluation of fixed assets	45,489	0	0	0
Depreciation of employees' homes	-255	-108	0	0
Closing balance	80,683	35,449	35,557	0

(a) On 11 July, 1991 the company was transformed into joint stock company, wholly owned by the State Treasury.

12) CURRENT LIABILITIES				
Bank loans	10,000	8,000	8,000	8,000
Trade payables	5,629	10,052	10,608	2,259
Employees' funds	787	472	60	279
Amounts due to the State Treasury	6,068	2,291	2,013	2,604
Deferred income	48	124	4	51
Amounts due to employees	1,647	581	882	518
Other	3,741	974	1,274	153
	27,920	22,494	22,841	13,864

(a) As at 30 September, 1992 the company had two loans comprising:

(1) A revolving credit facility in the amount of 8 billion zł from the "Powszechny Bank Gospodarczy" in Łódź, Opoczno branch. The facility expires on 31 December, 1992 and is secured on the company's buildings and by way of a promissory note. The facility bears an annual rate of interest of 51%.

(2) A loan for the purchase of a machine from the "Bank Rozwoju Eksportu" in Łódź in the amount of 2 billion zł. The loan is repayable on 26 February, 1993 and is secured on certain of the company's machines and by way of an insurance policy and a promissory note. The loan bears an annual rate of interest of 50%.

ANNEX

APPENDIX 1

Machines and equipment

Machines and equipment	Number of units	Function	Age in [yrs]	Production capacity utilization in the period 1 Jan - 30 Sept 92
SCRAGG texturing machine, SDA-2 type	2	yarn texturing	15	68%
BERLINER texturing machine, STD 140 type	7	yarn texturing	19	68%
BERLINER texturing machine, STD D 140 type	1	yarn texturing	19	68%
BERLINER double-twisting twister, SDD-T 280	21	yarn twisting	19	95%
GLIBOS yarn winder, RCN 40 type	1	yarn winding	18	100%
ALUCOLOR cross winder, K230F type	23	yarn winding	19	90%
MAJEO cross winder, RY23 type	2	yarn winding	10	90%
SAHM winder, Bikomat type	3	yarn winding	19	43%
HACOBA sectional warping machine, AS-4/24 type	1	warping	19	68%
BENINGER sectional warping machine, ZAS-2200 type	2	warping	17	100%
SACM MAV JC-180 rapier loom	2	fabric production	19	65%
SACM rapier harness loom, MAV RPC 180 type	224	fabric production	19	80%
SACM rapier loom with jacquard machine, MAV JC-180 type	46	fabric production	19	71%
SACM rapier loom, SRPC-185 type	1	fabric production	6	65%
PICANOL rapier loom, GTM type	20	fabric production	1	87%
Warp hangers, WOJ-393 type	6	warp storage	1	-
Warp hangers, WOJ-393 type	15	warp storage	18	-
TEXTIMA warp hangers, AWA 2 type	8	warp twisting-in	12	82%
BRUCNER skein expander	1	expansion of fabric	19	95%
Yarn press	1	yarn pressing	19	70%
KUSTERS continuous washer, 24741 22001 type	1	fabric washing	19	95%
HEMMER continuous washer, HMS 200 type	1	fabric washing	11	45%

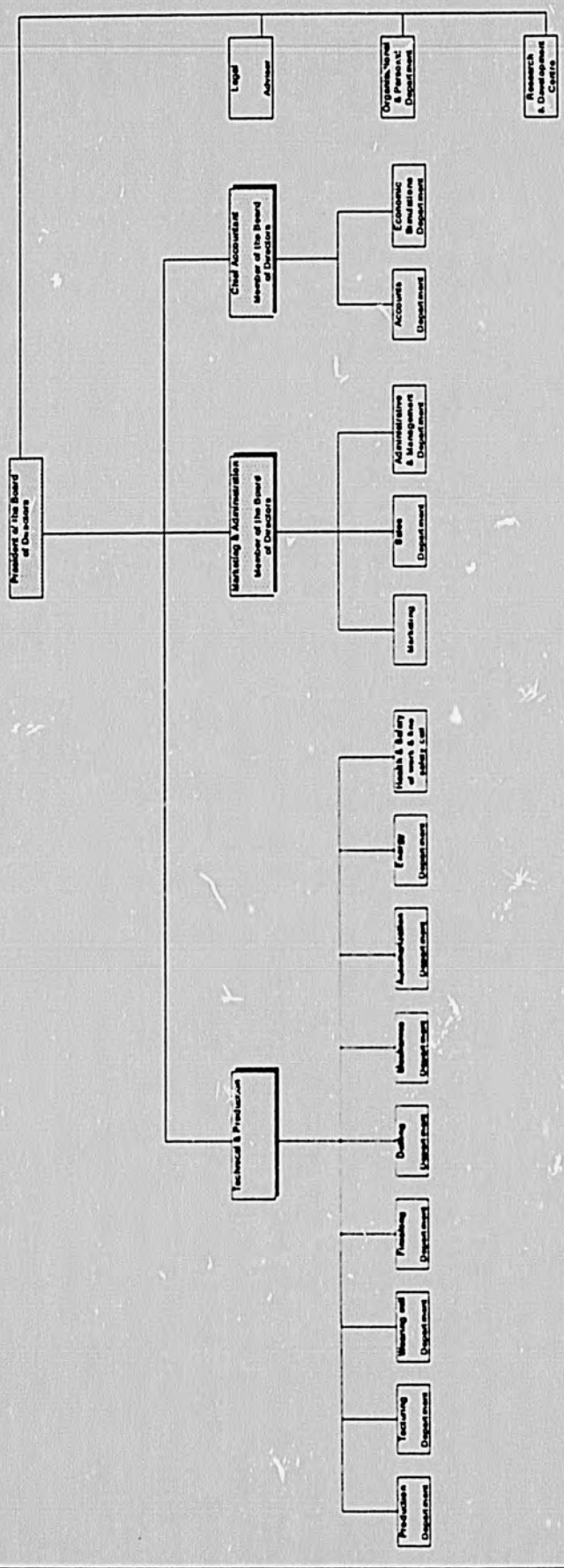
APPENDIX 1 (CTD)

Machines and equipment

Machines and equipment	Number of units	Function	Age in [yrs.]	Production capacity utilization in the period 1 Jan - 30 Sept 92
Dyeing machine - HERIKSEN model VH Jet 80-2k-XL	1	Dyeing fabrics	1	100%
Dyeing machine - TURBOSTAT T10/II	1	Dyeing yarns	19	50%
Dyeing machine - model 6/20	1	Dyeing yarns	19	60%
Dyeing machine - THIES model Jumbo Jet II/2/26	4	Dyeing fabrics	20	80%
Dyeing machine - THIES model Soft Sterdm 140/3	1	Dyeing fabrics	6	95%
Dyeing machine - THIES model TRD 140/3	1	Dyeing fabrics	1	95%
Dyeing machine - OBERMAIER model Turbostat T13/II	2	Dyeing yarns	19	45%
Yarn dryer - OBERMAIER model ALTD 1400	1	Drying yarns	19	50%
Horizontal Dryer - FAMATEX	1	Drying fabrics	19	95%
Fabric stabilizer - FAMATEX	1	Drying fabrics	19	95%
Shrinker - DRABERT	1	Shrinking fabrics	19	0%
Mangle - DECK	1	Calendering fabrics	16	20%
Coating head - STORK	1	Coating fabrics	4	20%
Transfer printer - LEMAIERE model HP-471	1	Printing on fabrics	18	0%
Yarn weft winder - SACOBA	1	Yarn spooling on selvages	19	100%
Knitting machine - model DRA	4	Sleeve manufacturing	15	-
Cloth looking machine - MAJED model DK-6	3	Looking through fabrics	19	80%
Cloth looking machine - MAGG model CT40015	6	Looking through fabrics	19	80%
Joint pieces sewing machine - model 70 D3B	1	Sewing fabrics	3	90%
Joint pieces sewing machine - model 70	1	Sewing fabrics	3	25%
Folding and measuring machine - MESCHNER	2	Folding and measuring fabrics	19	50%

APPENDIX 2

Diagram of the Organisational Structure



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APPENDIX 3

Curriculum vitae of the member of the Board of Directors

TOMASZ MAJDAN
born: 4th of April 1942

- 1991 Chairman of the Board of Directors, the "Opoczno" Wool Industry Plants
- 1974 Head of the production department at the "Niedzielski" Wool Industry in Łódź
- 1971 Assistant director for technical and production affairs at the "Welur" the Decorative Textile Plants in Kietrz
- 1967 The Technical University of Łódź,
  A hall foreman and then branch head at the Zgierz Industrial Plants.

MIECZYSŁAW LIGOCKI
born: 16th of April, 1943

- 1991 Member of the Board of Directors, the "Opoczno" Wool Industry
- 1972 The "Opoczno" Wool Industry Plants at the following posts in turn:
  - technologist,
  - senior technologist,
  - head of department,
  - assistant department manager,
  - head of department and assistant director for economic and commercial affairs
- 1968 Technical University in Łódź.

ROBERT CECHERZ
born: 7th of June, 1945

- 1991 Member of the Board of Directors, the "Opoczno" Wool Industry Plants
- 1972 The "Opoczno" Wool Industry Plants at the following posts in turn:
  - senior technologist,
  - head of department,
  - assistant director for production affairs
- 1970 The "Odra" Oder River Linen Industry Plants in Nowa Sól at the following posts in turn:
  - foreman,
  - shift chief and production department manager
- 1970 Technical University in Łódź.

DOBIESŁAW KACZUBA born: 12th of October, 1956	-	1991	Member of the Board of Directors, the "Opoczno" Wool Industry Plant
	-	1982	The "Opoczno" Wool Industry Plants at the following posts in turn: - independent employee, - specialist, - manager of the planning and analysis department, - manager of the finance and accounting department, - Chief Accountant.

ATTACHMENT 8

MANAGEMENT AGREEMENT
FOR
PRIVATIZATION THROUGH RESTRUCTURING

[DRAFT 1.12.92 VERSION FOR JOINT STOCK COMPANIES]

PART I
AGREEMENT OF THE PARTIES

THIS AGREEMENT is made by and between:

The Office of the Polish Minister for Ownership Transformations

_____

_____

_____

(the "Ministry of Privatization" or "MOP"),

[Name of Management Group Company]

_____

_____

_____

(the "Management Group" or "MG"), and

The Supervisory Board ("Rada Nadzorcza")
of the [Name of Polish Company]

_____

_____

_____

(the "Supervisors"), executed below on this _____ day of _____, 199__.

MOP, MG and Supervisors are sometimes jointly or individually referred to as "Parties" or the "Party". **[Name of company]** is sometimes referred to as "the Company" or "Company".

The undersigned individuals declare that they are duly authorized to represent their respective Parties, as evidenced by the certifications attached here, and that they wish to execute the following agreement concerning the management and restructuring of the Company (the "Agreement") in the names of and on behalf of the Parties represented by them:

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Section 1
Background and Purpose

THE PARTIES declare that:

1.1 Former State Enterprise. **[Name of enterprise]** formerly was a state enterprise managed by the Ministry of _____;

1.2 Commercialization. The former state enterprise was commercialized and organized as a company under the Polish Commercial Code, with all shares of the Company owned by the State Treasury;

1.3 Privatization. The Parties wish to complete the privatization of the Company by restructuring its activities and transferring a majority of its shares to private owners;

1.4 Restructuring and Management. The purpose of this agreement is to provide a plan for restructuring, to engage the Management Group to complete the restructuring, and to engage the Management Group to complete the sale of shares in the Company to private owners, in accordance with the State Enterprises' Privatization Act (the "Privatization Act").

Section 2
Engagement of the Management Group

2.1 Engagement. MOP hereby engages MG to manage the operations of the Company and complete the sale of shares of the Company, according to the plan for restructuring the Company attached here as Exhibit ___ (the "Restructuring Plan"). MG accepts this engagement from MOP.

2.2 Term. This Agreement shall have a term of two (2) years beginning the _____ day of _____, 199___ (the "Start Date"), and terminating on the _____ day of _____, 199___ (the "End Date").

2.3 Management Fee. In consideration of the management services to be performed by MG, MOP agrees to pay to MG a fee (the "Management Fee") according to the following schedule:

First year of Agreement: _____ annual total zł
Second year of Agreement: _____ annual total zł

2.4 Fee Payment Schedule. Payment of the Management Fee shall be made in four (4) equal instalments, to be paid on the last day of the month of each calendar quarter.

2.5 Profit Participation. In consideration of the restructuring to be performed by MG, Supervisors agree to pay to MG ____% (_____ percent) of the Company's annual net profit (the "Profit Participation"), to be paid not later than thirty (30) days following the completion of the Company's annual audit.

2.6 Calculation of Net Profits. Net profits for purpose of calculating the Profit Participation means the earnings of Company net of all expenses, including but not limited to operating expenses, interest and taxes, as determined in the Company's annual balance sheet after audit.

Section 3
Stock Participation Right

3.1 Stock Participation Right. MOP sells and hereby assign to MG a right to receive certain Company shares upon termination of this Agreement (the "Stock Participation Right"). MG accepts such sale and assignment.

3.2 Payment of Financial Deposit. The purchase price of the Stock Participation Right shall be the amount of _____ zloty (in words:_____) (the "Financial Deposit").

3.3 Calculation of the Financial Deposit. The Parties agree that the Financial Deposit is equal to ____% of the total value of the Company as of the Start Date (the total value hereafter "Initial Company Value"). The Parties further agree that the Financial Deposit shall be paid into the Company during the term of this Agreement, for the purpose of working capital to achieve the restructuring contemplated here.

3.4 Payment of Deposit. The Financial Deposit shall be paid not later than ten (10) working days from the Start Date to the account of the Company at _____ Bank.

3.5 Calculation of Stock Participation Right. The number of shares to be received by MG under the Stock Participation Right shall be determined according to the following:

> ___% (_____ percent) of the total number of Company shares [outstanding] as of the End Date or earlier date of termination of this Agreement.

3.6 Receipt of Shares. MG shall receive shares due under the Stock Participation Right within thirty (30) days following the End Date or earlier date of termination of this Agreement.

PART II
RESTRUCTURING THE COMPANY

Section 4
Company Articles

4.1 Company Articles. MOP agrees to adopt those amendments to the Company's articles in the attached Schedule ____.

[This provision is to allow the MG to suggest changes during negotiation, and to reserve a place for those changes to be put into the management contract. To be valid under Polish statutes, company articles must be registered in the commercial register and adopted by resolution of the shareholders. (Art. 431)]

Section 5
Supervisory Board

5.1 Supervisory Board. MOP agrees to adopt the following amendment to the Company's articles:

> The Supervisory Board shall consist of six (6) members, two (2) of whom shall be elected by the Company's employees, and four (4) of whom shall be elected by the Ministry.

5.2 Election. MOP agrees to elect two (2) members of the Supervisory Board from a list of candidates proposed by MG within thirty (30) days following the Start Date. MG shall propose a list of at least four (4) candidates.

Section 6
Board of Directors

6.1 Board of Directors. MOP, with the understanding and consent of Supervisors, hereby appoints to the board of directors ("Zarzad") of the Company those persons identified in the attached Schedule ____. MOP agrees to appoint or remove other members of the board of directors only with prior written approval of MG.

Section 7
Restructuring Plan

7.1 Restructuring Plan. MG agrees to restructure the operations of the Company according to the plan attached here as Schedule ____ and incorporated by reference into this Agreement (the "Restructuring Plan").

7.2 Quarterly Meetings. MG agrees to meet with Supervisors not less than once each calendar quarter during the term of this Agreement in order to review progress with the Restructuring Plan. Supervisors may suggest improvements, but shall have no authority to make any change to the Restructuring Plan.

7.3 Changes. MG agrees to change the Restructuring Plan only with written approval from MOP.

Section 8
Supervision and Daily Management

8.1 Supervision. Supervisors hereby delegate to MG the authority to supervise the restructuring, including but not limited to: permanent supervision over the activity of the Company in all branches of the enterprise; examination of the balance sheet and the profit and loss account in respect of both their compatibility with the books and documents and the actual state of affairs, and; examination of the report of the board of directors.

8.2 Inspections. Supervisors hereby delegate to MG the authority to: inspect every field of the company's activity; require the board of directors and the Company's employees to present reports and provide explanations; make inspections of the assets and examine books and documents.

8.3 Directors. Supervisors hereby delegate to MG the authority to suspend, for important reasons, individual or all members of the board of directors in their functions and to assign employees of the MG to perform temporarily the duties of members of the board of directors.

8.4 Employees. MOP hereby delegates to MG the authority to hire, suspend and fire employees of the Company. MG understands and agrees to abide by the provisions of employment contracts of the Company, and all applicable Polish labour laws.

8.5 Subsidiaries and Joint Agreements. MG agrees to obtain prior written approval from Supervisors to form subsidiary companies, enter into joint ventures with foreign controlled companies, or enter into joint ventures if the value of the Company's capital contributions would exceed _____ zlotys.

8.6 Other Authority from Supervisors. Supervisors hereby grant to MG all other authority reasonably required to restructure the Company according to the Restructuring Plan.

8.7 Privatization Authority. MOP hereby grants to MG all authority reasonably required to restructure the Company according to the Restructuring Plan, and to negotiate for the sale of Company shares. MG agrees to obtain prior written approval of MOP for the following:

8.7.1 Transfer of Company Assets. The sale, lease or other transfer of the Company's assets, and;

8.7.2 Long Term Contracts. Agreements to purchase supplies for the Company of more than two (2) years, and agreements to make sales from the Company of a value exceeding _____ zlotys.

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Section 9
Labour Relations

9.1 Labour Relations. MOP understands and agree to be liable for obligations resulting from employment relations which resulted prior to transformation of the previously existing state enterprise into the Company.

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PART III
PRIVATIZATION OF THE COMPANY

Section 10
Right to Purchase Shares

10.1 First Right to Purchase Shares. MOP hereby sells and assigns to MG a first right to purchase shares of the Company from the State Treasury, in consideration for the services to be provided here. MG accepts such sale and assignment.

10.2 Exercise of Purchase Right. MOP agrees to immediately inform MG of any offers received to purchase shares of the Company from any party. Within thirty (30) days of receipt of such notice, MG may exercise its right by offering in writing to purchase shares for at least an equal value. Equal value means the number of shares factored by the price per share.

10.3 MOP Reply. MOP shall either accept or reject the offer from MG within thirty (30) days. Rejection of the offer shall be accompanied by a written explanation, including reasons for rejection, together with an estimate by MOP of the then current value of the Company.

10.4 Sale of Shares. MOP shall not accept any offer of lesser value than the offer of the MG. If MG fails to submit an offer, or makes an offer of lessor value, then MOP may at its option sell shares to the first party offering to purchase shares. If MOP accepts the offer from MG, the sale of shares shall be completed within thirty (30) days of acceptance.

Section 11
Request to Conduct an Offering of Shares

11.1 Request for Offering of Shares. At any time MG may request that shares of the Company be made available to other parties, including the public, employees or other prospective investors (an "Offering"). A request for an Offering shall be made in writing to the MOP.

11.2 Specifications. Each request for an Offering shall specify whether fresh shares are to be registered, the proposed price for the shares, and the proposed method for sale.

11.3 Required Reply. The MOP shall grant the request within thirty (30) days, unless the MOP shows written cause for denial of the request for an Offering.

11.4 Failure to Reply. Failure to respond to the request for an Offering within the above time shall be taken as constructive approval of the request. MOP agrees that its approval of a request for an Offering shall serve as a resolution of the general meeting of the shareholders pursuant to the Polish Commercial Code, Art. 432, Sec. 1 et seq.

Section 12
Offering of Shares

12.1 Offering of Shares. MG shall conduct an Offering only after receipt of approval (either express or constructive) from the MOP. MG shall offer shares in the Company owned by the State Treasury for sale in any of the following methods:

(a) by tender;
(b) by an offer for sale advertised in public;
(c) as a result of negotiations entered into through public invitation, or;
(d) by any combination of the above.

12.2 Offering Memorandum. MG shall prepare an offering memorandum for use by prospective purchasers of shares. The offering memorandum shall include a complete explanation of the number of shares to be transferred other than by sale, including those shares to be offered to Employees, and paid to MG and Supervisors under Sections ____ and ____ below.

12.3 Ministry Disclaimer of Liability for Offering. Documents describing the Offering, including advertisements, announcements and the offering memorandum shall include the following notation:

> "The Ministry of Privatization is not responsible for the accuracy or completeness of the information in this memorandum. Prospective investors are encouraged to make their own investigation of the information presented here."

12.4 Application of Polish Securities Law. MG agrees to meet the requirements of the Securities Act when conducting all Offerings.

Section 13
Approval of Sales

13.1 Ministry Approval. MOP reserves the right to accept or reject any proposed sale of shares in any Offering.

Section 14
Reservation of Shares for Employees

14.1 Employees' Right to Shares. MG understands and agrees that Employees of the Company have a vested right to purchase, on preferential terms, up to twenty percent (20%) of the total number of the Company's shares owned by the State Treasury. MG further understands and agrees that the employees may purchase additional shares of the Company offered to the public, on general principles.

14.2 Reservation of Shares for Employees. MG shall make available shares to be offered to Employees at the same time as an Offering. For each Offering, MG shall reserve a number of shares for sale to the Employees equal to twenty percent (20%) of the total shares then owned by the Polish State Treasury.

14.3 Price of Shares to Employees. The price of shares offered to the Employees shall be set at fifty percent (50%) of the sales price of the shares actually sold in the Offering.

14.4 Purchase of Shares by Employees. Employees may, at their option, chose to purchase any number of those shares offered to them on preferential terms, up to the full 20% of the shares owned by the Polish State Treasury at the start of the Offering. Any shares not purchased by the Employees may be sold to other parties, in accordance with the Polish Privatization Act, Art. 24.

PART IV

COMPLETION OF AGREEMENT AND PAYMENT OF COMMISSIONS

Section 15
Completion of Restructuring

15.1 Transfer of A Majority of Shares. Upon transfer of fifty-one percent (51%) or more of Company shares to Private Owners MG may, at its sole discretion, terminate of this Agreement. In any event this Agreement shall terminate upon transfer of one hundred percent (100%) of Company shares to Private Owners.

15.2 Calculation of Share Transfers. For purposes of this Part, transfers includes sales and transfers other than at sale, including but not limited to preferential sales to Employees, transfers of shares due to MG and Supervisors as commissions on sales, and transfers due to MG under the Stock Participation Right.

Section 16
Completion of Privatization

16.1 Completion Offering. Unless this Agreement has been earlier terminated or extended, MG shall conduct an Offering not later than thirty (30) days prior to the Expiration Date of this Agreement.

16.2 Agreement to Sale. MOP expressly accepts and agrees to the sales of shares under this Section if the Offering is conducted as a public tender.

16.3 Remaining Shares of the State Treasury. Any shares remaining in the State Treasury after the above Offering, or upon termination of this Agreement, will be the responsibility of the State Treasury, and MG will have no obligation to complete the sale of those remaining shares.

Section 17
Commission for Sale of Majority of Shares

17.1 Management Group Commission. MOP agrees to pay MG a commission for the sale of company shares. The commission shall be equal to 70% of the "Real Capital Gain" in the value of the shares sold, as defined below.

17.2 Calculation of Real Capital Gain. The Real Capital Gain shall be determined as:

(a) the value of the shares sold at the time of sale; less

(b) the initial value of the shares sold (determined by their relative portion of the Initial Company Value); plus

(c) a partial adjustment for inflation. The partial adjustment for inflation shall be determined as equal to 80% of:

(i) the initial value of the shares sold; factored by

(ii) the difference between the monthly inflation index (published by _____) as of the Start date and the amount of that index as of the sale date; divided by one hundred (100).

17.3 Sale of Shares. Sale of Company shares for the meaning of this section shall not include transfer of shares for payment of commissions under this Section, or transfer of shares under the Stock Participation Right in Section ___.

17.4 Due Date. The commission shall be due only upon the transfer of at least fifty-one percent (51%) of the shares of the Company. The meaning of transfers for this Subsection shall be the same as in Section 15.2 above.

17.5 Form of Payment. The commission shall be payable in the form of Company shares having a market value equal to the amount of the commission, payable on the End Date or earlier date of termination.

Section 18
Supervisors and Employees Commission

18.1 Commission. MOP agrees to pay Supervisors and Employees a commission for the sale of Company shares. The commission shall be equal to thirty percent (30%) of the Real Capital Gain, as determined in Section 17.2 above.

18.2 Sale of Shares. Sale of Company shares for the meaning of this section shall include, but not be limited to, sales to the public, sales to private investors, preferential sales to Employees, as well as sales to MG. Sale of Company shares does not mean transfer of shares to MG, Supervisors or Employees for payment of commissions, or the Stock Participation Right.

18.3 Due Date. The commission shall be calculated and due only upon the transfer of at least fifty-one (51%) of the shares of the Company. The meaning of transfers for this subsection shall be the same as for Section 15.2 above.

18.4 Form of Payment. The commission shall be payable in the form of Company shares having a market value equal to the amount of the commission.

18.5 Division of Commission with Employees. MOP, at their discretion, shall divide the commission with individual Employees, but in no event shall the commission of Supervisors exceed ten percent (10%) of the Real Capital Gain, as determined in Section 17.

PART V
DEFAULT AND EARLY TERMINATION

Section 19
Default

19.1 Declaration of Default by Management Group. MG shall have the right to declare MOP in default of this Agreement if one of the following occurs:

19.1.1 Failure to Perform. MOP or Supervisors fail to perform any of their obligations under this Agreement in a manner that causes MG to be unable to perform its obligations under this Agreement within a period of _____ months;

19.1.2 False Information. The information provided about the Company by MOP or Supervisors proves to be false to such an extent that the Restructuring Plan is materially disrupted, or the market price of Company shares is reduced.

19.2 Declaration of Default by the Ministry. MOP shall have the right to declare MG in default of this Agreement if:

19.2.1 Failure to Perform. MG fails to perform any of its obligations under this Agreement;

19.2.2 Failure to Use Best Efforts. MG fails to use its best efforts to achieve the purposes of this Agreement.

Section 20
Early Termination

20.1 Early Termination. The Party declaring a default shall immediately notify the other Parties of the default. Thirty (30) days after that notice, the Party declaring the default may terminate this Agreement if the default is continuing, or seek compensation for damages through the arbitration proceedings required under section 26 point 26.6.

20.2 Force Majeure. No Party shall be held responsible if the fulfilment of this Agreement is delayed or prevented by any cause outside the control of the Party whose performance is impaired, and which the impaired Party is unable to prevent by exercising reasonable diligence. Such causes include but are not limited to revolutions or other disorders, wars, acts of enemies, fires, floods and acts of God. Strikes shall not be included as such a cause.

Section 21
Financial Deposit

21.1 Return of Financial Deposit. If this Agreement is terminated by the Management Group, MOP shall immediately return the Financial Deposit, together with interest thereon calculated at the rate of ___% compounded annually over the period from the Start Date to the date of termination.

21.2 Loss of Financial Deposit. If this Agreement is terminated by the Ministry of Privatization, MG shall forfeit the Financial Deposit, the right to receipt of any further Profit Participation and the Stock Participation Right.

Section 22
Asset Stripping

22.1 Asset Stripping. The Parties agree that the fees and commissions to be paid to MG under this Agreement were determined on the joint expectation and assumption that MG will manage and restructure the Company according to the Restructuring Plan in Schedule ___ and only for the purposes contained in that plan. MG agrees to not commit any act relating to the Company's property which would constitute a case of Asset Stripping (as defined below), and MG agrees to forfeit the Financial Deposit if the above joint expectation and assumption of the Parties shall not **come true** for any reason.

22.2 Definition. Asset Stripping within the meaning of this Section shall be:

(a) the sale, lease, granting of use to any other party, disposal or cessation of utilization of the Company's property not **[provided]** contemplated within the Restructuring Plan;

(b) the sale or transfer by the MG of its Profit Participation, or its rights to manage or restructure the Company or any part of the Company, to any third party not affiliated to MG for the purpose of carrying out the Restructuring Plan; or

(c) any other transaction having essentially the same economic result of (a) or (b).

22.3 Contractual Penalty. MG agrees to notify MOP in writing of an occurrence of Asset Stripping and to fully inform MOP of all relevant facts and details. MG's failure to do so shall cause a contractual penalty of zl _____, which shall be in addition to loss of the Financial Deposit.

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PART VI
WARRANTIES AND REPRESENTATIONS

Section 23
Ministry of Privatization
Representations and Warranties

23.1 Ministry of Privatization. MOP represents and warrants as of the Start Date of this Agreement:

23.1.1 Existence of Company. Company exists with legal effect and **[is not subject to any bankruptcy proceedings] [MOP has not been officially notified or otherwise been made aware of bankruptcy proceedings against the Company]**.

23.1.2 Legal Ownership of Shares. The Polish State Treasury is the legal owner of and has good title to 100% of the shares in the Company and those shares are not subject to any pledge, lien, assignment as a security, option, right of usufruct or restrictions under a bankruptcy proceeding or similar proceeding.

23.1.3 Environmental Liability. MOP accepts and agrees to hold harmless MG for any damages arising out of environmental pollution related to activities or assets of the Company and its predecessor Polish State enterprise prior to the Effective Date.

23.1.4 Restitution. MOP accepts and agrees to hold harmless MG for any damages arising out of a claim for restitution by previous owners of the Company's shares or assets. MG shall not be liable for any claim of restitution, unless that claim was known to MG prior to the Start Date of this Agreement.

23.1.5 Exclusive Representations and Warranties. It is understood and agreed by the Parties that MOP's representations and warranties are strictly limited to the explicit representations and warranties contained in this Agreement and that any and all legal or implied representations and warranties are expressly excluded. MOP shall not be liable for any other representations or warranties with respect to the Supervisors, shares of the Company, assets of the Company, the size of the Company's real property, state of repair or defects of buildings or equipment belonging to the Company, or any disadvantageous environmental conditions of the soil, buildings, waters, the ground water, air or nature belonging to or adjacent to the Company's real property, with regard to legal relations of the Company or any other circumstance related to the Company.

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Section 24
Supervisors Representations and Warranties

24.1 Board of Supervisors. Supervisors represent and warrant as of the Start Date of this Agreement:

24.1.1 Assets of the Company. The Company is legal owner and has good title to the Company's real property, equipment and other assets as disclosed in the **[Company profile]** and the Company's real property is not subject to any security interest or other mortgage;

24.1.2 Outstanding Contracts. Except for the agreements listed on Schedule ---, Supervisors have not concluded any contracts concerning the transfer of title to any part of the Company's real property. MG shall be obliged to induce Supervisors to fulfil the agreements listed on Schedule ---.

Section 25
Management Group Representations and Warranties

25.1 Management Group. MG represents and warrants as of the Start Date of this Agreement:

25.1.1 Company Existence. The Management Group is a _____ company registered in the commercial register maintained by the Commercial Court for _____, under evidentiary number _____. A current copy of its statute and excerpt from the commercial register has been delivered previously to the MOP.

25.1.2 Due Diligence Review MG has made a diligent investigation of the Company, including a visit to the Company's assets, and a diligent review of information about the Company provided by the other Parties. MG has entered into this Agreement in reliance upon its own diligent review, and not in reliance upon the accuracy or completeness of information provided by the other Parties. MG agrees that its only remedy for receipt of false information from the other Parties is termination provided under Section 20.

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PART VII
MISCELLANEOUS AND FINAL PROVISIONS

Section 26
Final Provisions

26.1 Economic and Financial Analysis. Execution of this Agreement shall meet the requirements of economic and financial analysis of the Company's enterprise according to the Polish Privatization Act, Arts. 20 and 21.

26.2 Extension. At any time the Parties may agree to extend the term of this Agreement, for an additional term of not more than two (2) years. An extension shall only be in writing.

26.3 Entire Agreement. This Agreement and all attachments, exhibits, schedules, appendixes and annexes, if applicable, contain the entire agreement of the Parties with respect to the transactions contemplated here, and supersede all prior understandings and agreements of the parties with respect to the subject matter of this Agreement. Changes and amendments to this Agreement, and in particular to this subsection, shall be invalid unless made in writing, except in so far as stricter requirements are mandatory under Polish law, in which case such stricter requirements must be satisfied.

26.4 Headings. The descriptive headings in this Agreement are inserted for the convenience of the Parties only and do not constitute part of the Agreement.

26.5 Severability. In the event that any of the provisions of this Agreement is or becomes invalid or impracticable, the validity of the other provisions of this Agreement shall not be affected by the invalid or impracticable provision. In such case, the invalid or impracticable provision shall be deemed replaced by an interpretation which comes as close as possible to the economic effect of the invalid or impracticable provision.

26.6 Arbitration. The Parties agree to use their best efforts to resolve any disagreement or dispute through discussion and mutual agreement. Any controversy or claim arising out of or relating to this Agreement, or the breach of this Agreement, shall be settled by arbitration in accordance with the Arbitration Regulations of the Court of Arbitration at the Polish Chamber of Economics in Warsaw, and judgement upon the award rendered by the Arbitration Court may be entered in any court having jurisdiction.

26.7 Governing Law, Venue. This Agreement shall be governed by and construed in accordance with the laws of the Republic of Poland.

26.8 Costs, Fees, Taxes. All costs, fees, taxes arising from the conclusion and performance of the Agreement, in particular without limitation, notarial fees, register fees, real property transfer taxes, shall be born by Management Group. Any party shall bear the costs of its legal or other consultants.

AGREED AND ACCEPTED this _____ day of _____, 199___,

Privatization Ministry
Name: _____
Title: _____

Supervisory Board
Name: _____
Title: _____

Management Group
Name: _____
Title: _____