

Radpol SA
ul. Batorego 14
77-300 Człuchów

**Financial statements for the financial year
ended 31 December 2009 along with an opinion
of auditor and report of examination.**

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OPINION OF INDEPENDENT AUDITOR FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2009

To the General Meeting, the Supervisory Board and Board of RADPOL SA

We have audited the accompanying consolidated financial statements of RADPOL SA, based in Człuchów, ul. Batorego 14, prepared in accordance with International Accounting Standards / International Financial Reporting Standards, including:

- statement of financial position as at 31 December 2009, total assets and liabilities in the amount of 72 705 thousand PLN
- profit and loss account for the financial year from 1 January 2009 to 31 December 2009 showing a net profit of 3 776 thousand PLN
- statement of comprehensive income for the period from 1 January 2009 to 31 December 2009 showing a total income of 3 776 thousand PLN
- statement of changes in equity for the financial year from 1 January 2009 to December 31, 2009 showing an increase in equity by the amount of 421 thousand PLN
- statement of cash flows for the financial year from 1 January 2009 to 31 December 2009 showing a decrease in cash during the financial year by an amount of 1 860 thousand PLN
- explanatory notes to consolidated financial statements

For reliability, accuracy and clarity of the attached financial statements, as well as the accuracy of the documentation, the Board of RADPOL SA is responsible.

Our task was to examine the attached financial statements and the expression on the basis of the study, opinions about whether the statement of financial position, in all material respects, properly, accurately and fairly present the financial position and profit or loss of the Company.

Study of the attached financial statements was conducted pursuant to the following provisions:

- provisions of the Act 7 of 29 September 1994 on Accounting (Journal of Laws of 2009, No. 152, item. 1223, as amended)
- knowledge and experience with the standards of auditing issued by the National Council of Statutory Auditors during their period of validity
- international auditing standards in areas not covered in the above-mentioned provisions

This study was planned and conducted in such a way as to obtain reasonable assurance whether the financial statements are free of material misstatement. In particular, the study included validation used by entities related to the rules (policy) of accounting and verification - largely at random - the grounds, giving rise to the number and the information contained in the consolidated financial statements and the overall evaluation of this report.

We believe that our audit provided a reasonable basis to express an authoritative opinion.

The Company with effect from 1 January 2009 changed the rules for valuation of work in progress. Description of the changes made in the valuation of stock-in-progress is set out in the additional explanatory note 20 to the financial statements together with the results for the financial statements. In accordance with IAS 8, a change in accounting policy shall be applied retrospectively by adjusting the opening balance of each component of equity, where the change concerns, and reveals other comparative data for each period as if the amended accounting policy always been applied. Executive Board of did not correct the financial statements and did not disclose the comparative data for each period. Taking into account the fact that changes in valuation would increase the value of stocks as at 1 January 2008 by the amount of 213 thousand PLN, as at 31 December 2008 by an amount of 982 thousand PLN. An adjustment would increase the financial results of previous years including deferred tax on the amount of 795 thousand PLN and would cause a decrease in the net result is the same amount in the current period. The above mentioned adjustments do not affect the value of equity at 31 December 2009. Management of the Board indicated that a change in policy for accounting for changes in valuation principles of work in progress was made in order to standardize the methods of valuation in the capital group.

In our opinion, the attached financial statements, including figures and verbal explanations, in all material respects fairly and properly presents information required to examine financial situation of the Capital Group as at 31 December 2009, as well as its financial results for the fiscal year from 1 January 2009 to 31 December 2009 and has been prepared correctly:

- based on properly maintained accounting records,
- in form and substance to the requirements of International Financial Reporting Standards (IFRS) and related interpretations published in the form of regulations of the European Commission, and in the absence of the Standards - in accordance with the requirements of the Act of 29 September 1994 on Accounting and under the implementing rules respectively
- in form and content of the law and the provisions of the Statute of Company,
- in accordance with accounting principles specified in the Company's accounting policy, while maintaining their continuity.

Without objections to the accuracy and reliability of these financial statements, we draw attention to the fact that the that the annexed financial statements for the period from 1 January to 31 December 2009 is the first report of Radpol SA drawn up in

accordance with International Accounting Standards / International Financial Reporting Standards (IFRS). Board of Directors ensures the comparability of data for the previous financial year, with the exception of an objection raised above, which were disclosed in the report for the first time. In the additional explanatory note No. 44 the Board presented reconciliation of financial results reported under previously applicable accounting principles by the Company in line with the Accounting Act, the equity and financial result depicted in accordance with IFRS.

Report on activities of the Company for the year ended 30 June 2009 is complete within the meaning of Article 49, Paragraph. 2 of the Law on Accounting and Regulation of the Minister of Finance on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent to the information required by the laws of a non member country dated 19 February 2009 (Journal of Laws of 2009 No. 33, item. 259), and the information contained therein, derived from the audited financial statements are consistent with them.

Joanna Mancastroppa

Certified auditor
Registration number 11429

HLB Sarnowski & Wiśniewski Sp. z oo
61-478 Poznan, ul. Bluszczowa 7

The entity authorized to audit
financial statements included on the list of entities
entitled to run by NBoA,
under registration number 2917

Poznan, 26 February 2010

COMPLEMENTARY REPORT TO AN AUDIT OPINION OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2009

To the General Meeting, the Supervisory Board and the Board of RADPOL SA

This report was prepared in connection with the audit of the financial statements of RADPOL SA, based in Człuchów, ul. Batorego 14 (hereinafter "the Company"), prepared in accordance with International Accounting Standards / International Financial Reporting Standards, including:

- statement of financial position as at 31 December 2009, total assets and liabilities in the amount of 72 705 thousand PLN
- profit and loss account for the financial year from 1 January 2009 to 31 December 2009 showing a net profit of 3 776 thousand PLN
- statement of comprehensive income for the period from 1 January 2009 to 31 December 2009 showing a total income of 3 776 thousand PLN
- statement of changes in equity for the financial year from 1 January 2009 to December 31, 2009 showing an increase in equity by the amount of 421 thousand PLN
- statement of cash flows for the financial year from 1 January 2009 to 31 December 2009 showing a decrease in cash during the financial year by an amount of 1 860 thousand PLN
- explanatory notes to consolidated financial statements

The financial statements have been annexed to the report on the activities of the Company for the year ended December 31, 2009.

The financial statements was signed on 26 February 2010 by the Board of the Company and by the person responsible for bookkeeping, which means that those entities take responsibility for information contained in financial statements. In addition, members of the Supervisory Board of RADPOL SA were obliged to ensure that the financial statements and activity report of the Company meet the requirements provided for in the Act of 29 September 1994 on Accounting (Journal of Laws of 2009, No. 152, item. 1223, as amended).

This report should be read together with the auditor's opinion for RADPOL SA of 26 February 2010 concerning the above-described financial statements. Opinion on the financial statements expresses a general conclusion of the study. This proposal does not constitute the sum of valuations of individual items of the study report or the issues, but requires individual arrangements to give appropriate weight (relevance), to take into account the reliability of recorded facts and accuracy of the financial statements.

I. GENERAL PART

1. Basic information about the activities of the Company

The Company is operating under the name RADPOL SA headquartered in Człuchow (77-300), ul. Batorego 14.

The Company operates as a limited company, established by a notarial deed dated 29 December 1995, before a notary Paweł Błaszczak (Digest No A 21557/95).

Currently, the Company is entered into the register of entrepreneurs maintained by the District Court Gdańsk-North in Gdansk, VIII Economic Department of the National Court Register under KRS (National Court Register) number 0000057155.

The Company received a tax identification number 843-00-00-202 and Statistical registration number issued by the Central Statistical Office - 770807479.

The Company operates under the provisions of the Commercial Companies Code and under the statutes of the Company.

According to the Polish Classification of Activities, Company's predominant activity is the manufacture of other plastic products and the production of ceramic insulators.

During the examined period, the Company operated primarily in the production of heat-shrinkable cable accessories and the manufacture of ceramic insulators.

Employment at the Company as at 31 December 2009 amounted to 230 people.

Share Capital of RADPOL SA as at 31 December 2009 amounted to 719 thousand PLN and was divided into 23 951 610 ordinary bearer shares with a nominal value of 0.03 PLN each.

As at December 31, 2009 Company's shareholders structure was as follows:

Shareholder	% of votes	Number of shares	Nominal value of 1 share (PLN)	Value of shares (thousands PLN)
TAR HEEL CAPITAL R LLC	5 470 835	5 470 835	0,03	164
Grzegorz J. Bielowicki	3 031 572	3 031 572	0,03	91
Marcin Wysocki	3 031 572	3 031 572	0,03	91
ING Nationale-Nederlanden OFE BZ WBK AIB, w tym BZ WBK AIB TFI	1 814 854	1 814 854	0,03	54
Aviva Investors Poland S.A. (former Commercial Union Investment Management (Poland) S.A.	1 340 649	1 340 649	0,03	40
BZ WBK AIB AM, w tym BZ WBK AIB TFI	2 300 425	2 300 425	0,03	69
Other shareholders	6 460 819	6 460 819	0,03	194
RADPOL S.A. (own shares)	500 884	500 884	0,03	15
Total capital	23 951 610	23 951 610		719

Fiscal year for examined financial statements includes 12 consecutive months from 1 January to 31 December 2009. The previous financial year covered the period from 1 January to 31 December 2008.

Affiliated with the Company are the entities of the Capital Group, whose parent company is RADPOL SA.

RADPOL SA Capital Group consists of the following entities:

- RADPOL SA
- RADPOL Elektroporcelana SA

Company's governing bodies are: the General Meeting of Shareholders, the Supervisory Board and the Board.

The Board of the Company at the date of the examination consisted of:

- Andrzej Sielski - Chairman of the Board,
- Grzegorz Mirosław Malczyk - Vice Chairman of the Board.

In the period considered and the period until the date of the opinion there is no change in the composition of the Board of the Company.

The Supervisory Board of the Company at the date of the examination consisted of:

- Grzegorz Bielowicki - Chairman,
- Zbigniew Janas - Vice-Chairman,
- Tomasz Firczyk - Secretary,
- Tomasz Kaplinski - Member,
- Krzysztof Kurowski - Member.

During the examined period, the following changes in the composition of the Supervisory Board of the Company were made: Mr. Marcin Michał Kowalczyk, member of the Supervisory Board, resigned from his position on 2 December 2009. On 12 January 2010 District Court Gdańsk-North in Gdańsk, VIII Economic Department of the National Court Registry, made an order to withdraw Mr. Marcin Michał Kowalczyk, from the post of a member of the Supervisory Board of RADPOL SA in the National Court Register.

Other information:

The financial statements of the Company for the financial year from 1 January to 31 December 2008 were audited by the auditor. Acting within M2 HLB Audit Sp. Ltd., an entity authorized to audit financial statements included in the list of entities entitled to run by NCSA under number 3149, the auditor Maciej Czapiewski (Registration No. 10326/7604) gave the report on 30 March 2009, an unqualified opinion.

The financial statements of the Company for the financial year from 1 January to 31 December 2008 was approved by Resolution No. 6 of RADPOL SA of 27 April 2009 and filed in the Regional Court in Gdańsk on 6 May 2009 and published in the Polish Economic Monitor B on 21 July 2009. On the basis of Resolution No. 18 of the General Meeting of Shareholders of RADPOL SA of 27 April 2009 profit of 3 593 thousand. zł earmarked for dividend payment to shareholders and profit of 3 215 zł was spent on "capital reserves to purchase its own shares."

The closing balance for the year from 1 January to 31 December 2008 was successfully introduced to the books as the opening balances for year ended December 31, 2009.

II. RESULT AND ANALYSIS OF FINANCIAL SITUATION OF THE COMPANY

In 2009, RADPOL SA has continued its business of manufacturing of heat-shrinkable accessories. Total revenues from sales in 2009 decreased by 954 thousand. PLN, while operating expenses increased by 2 102 thousand PLN, resulting in deteriorated ratio of core operational activities.

Profitability ratios

Profitability ratios show the relationship of financial results achieved by the various economic categories. These are basic measures of informing about the speed of recovery of assets and equity. The profitability indicators inform the effectiveness of management in the company illustrate the ability to create profits through the sale and shareholders' equity.

Indicator name	Formula	Required value	2009	2008
Profitability of sales	profits from the sales / revenues from sales	Max	11,9%	20,1%
Profitability of gross sales	gross profit / net sales	Max	13,7%	22,3%
Profitability of net sales	Net profit / net sales	Max	10,8%	17,6%
Return on equity	Net profit / equity without financial result this year	Max	7,2%	12,5%
Profitability of assets	Net profit / total assets	Max	5,2%	8,4%

In 2009 compared to 2008, the overall rate of profitability of sales in August fell by 8.2 percentage points, reaching a value of 11,9%. Fall was due to the deterioration rate relationship of basic operations.

Value ratios of gross and net sales decreased in 2009 compared with 2008 and amounted to 13.7% and 10.8%. Decrease in the values of indicators of profitability of sales, compared to the previous year was mainly a consequence of decline resulting from the sale of the Company.

ROE in its test level was 7,2% and was 5,3 percentage points lower than in the previous year. Fall was in the value of this index in the test compared to the previous year due to the achievement of lower net profit, while the increase in value of equity (without the financial results of the current year) by 4.2%.

The value of return on assets in 2009 amounted to 5.2% and was lower compared to the previous year by 3,2 percentage points. This means that, in 2009, every 100 PLN of assets of Company generated an average net profit of 5,2 PLN.

Indicators of efficiency of resource use

Efficiency is the ability to efficiently use the available resources within the existing external considerations. Performance indicators determine the speed with which inventory, receivables and total assets is rotated and the average period after which the Capital Group pays its obligations.

Indicator name	Formula	Required value	2009	2008
Turnover rate of property	net sales / total assets	max	0,48	0,48
Index trading of tangible fixed assets	net sales / tangible assets	max	0,81	0,82
Turnover rotation rate in days	(charges for supplies and services revenue / sales revenue) * 360	min	72	72
Stocks rotation rate in days	(stocks / operating costs) * 360	min	92	104

Charges rotation rate in days	(obligations in respect of supplies and services / own costs of sale) * 360	min	84	123
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In 2009 the assets of the Company's ability to generate revenue has stabilized in comparison to the previous year and amounted to 0,48. This means that 1 PLN of assets of the Capital Group generated average sales of 48 groszy.

The value of the turnover index of tangible assets was comparable to the previous year and 2009 and was 0.81.

In 2009 the value of the receivables turnover ratio was 72 days. This means that in 2009, charges were transferred to the Company on average after 72 days.

The value of inventory turnover ratio in 2009 was 92 days and was 12 days shorter than the previous year.

In 2009, regulating the trade commitments of Capital Group was about 39 days shorter compared to the previous year - 84 days.

Cash conversion cycle in 2009 amounted to 80 days and was about 27 days longer than the previous year. This means that in 2009 the Capital Group had to finance the activities of foreign funds during an average of 80 days.

Debt / financing

Indicators define the structure of the debt financing of the Capital Group. Their analysis allows the assessment of financial policy and in turn inform on the Capital Group's capacity for timely repayment of obligations.

Indicator name	Formula	Required value	2009	2008
Debt ratio	foreign capital / total capital	0,3 - 0,5	0,22	0,24
Cover the debt by equity	equity / liabilities with reserves	>1	3,5	3,1
Coverage of fixed assets with equity	equity / assets	>1	1,1	1,1
Sustainability of funding structure	Equity / Total liabilities	max	0,78	0,76

The value of the debt ratio in 2009 was comparable with 2008 and amounted to 0.22. Analyzed value of index means that the structure of financing of the Company is dominated by equity. At 31 December 2009 and equity accounted for 78% of total liabilities.

In 2009, the debt coverage ratio value of equity capital was 3,5, which means that equity covered the whole foreign capital.

Throughout the period fixed assets, ie assets with the lowest degree of liquidity have been financed by equity. Coverage ratio of fixed assets with own capital stood at above unity level.

Liquidity ratios

Cash flow is the ability to make timely settlement of liabilities, and its maintenance is the main task of operating the financial management of each company. Liquidity ratios - measure the ability to meet the short-term obligations.

Indicator name	Formula	Required value	2009	2008
Quick ratio	(short-term investments + short-term receivables) / liabilities	0,8 - 1,2	2,4	1,6
Current ratio	(current assets - short-term accruals) / liabilities	1,5 - 2,0	3,7	2,7
Commitments covered by receivables	(current assets - short-term accruals) / liabilities	>1	3,3	1,0

Net working capital (thousand PLN)	current assets - current liabilities	-	14 444,2	14 403,0
The share of working capital in the total assets	working capital / total assets	max	19,9%	19,2%

In 2009, the value of all liquidity ratios improved compared to the previous year. Favorable changes in liquidity resulted, inter alia, with the decrease in liabilities, mainly trade commitments with 6 336 thousand PLN on December 31, 2008 to 2 244 thousand PLN at the end of the test.

Liquidity index rose fast in 2009 as compared to the previous year and amounted to 2,4.

The value of the current liquidity ratio was formed in 2009 at 3,7. In 2009, the value of the current liquidity ratio adopted values higher than the level regarded as desirable.

At 31 December 2009 the value of trade receivables accounted for 330% of the value of trade commitments.

In the years considered assets of the Company were higher than current liabilities. The result is a positive value of net working capital, which in 2009 reached 14 444,2 thousand PLN. The share of working capital in the total assets amounted to 19,9%.

Rationale for the continuation of established business

During our audit we noted the existence of no significant factors that could cause our belief that the Company would not be able to continue the business activity as a result of deliberate or involuntary omissions or significantly reduce their current activities.

III. ACCOUNTING SYSTEM EVALUATION

The accounting system

The Company has adopted documentation describing its rules (policies) of accounting, and in particular on: the definition of financial year and included in the composition of reporting periods, method of valuation of assets, liabilities, and determining the financial result, the way of bookkeeping, data protection, and their collections. Documentation of accounting policy has been prepared in accordance with International Accounting Standards / International Financial Reporting Standards and approved for use by the Management of the entity.

As part of determining how to keep accounts, the Company has developed and implemented:

- A chart of accounts, setting out a list of general ledger accounts, adopted rules for the classification of events, the principle of keeping support books, and their links with the general ledger accounts,
- A list of the books, and books for computer operations using the data sets making up the list of accounts on computer storage defining their structure, interconnections and functions,
- A description of a data processing system and for the accounts carried out using the computer description system.

During the study year a computerized system for accounting records Symfonia Forte was used in the company, thanks to which accounting of all economic events occurring in the Company is carried out.

Computer systems have password security against unauthorized access and functional limitations. Description of the system meets the requirements of Article 10. Paragraph. 1 point 3. c) of the Accounting Act.

Ledgers meet the requirements of Article 13 and Article 14 Paragraph. 4 of the Act.

Proof of business operations, accounts and accounting records complies with the requirements of Paragraph 2 of the Act.

The accounts of the Company are held in accordance with Paragraph 8 of the Law on Accounting.

IV. DETAILED INFORMATION

Audited the financial statements was conducted under a contract dated 28 May 2009, concluded between RADPOL SA and HLB Sarnowski & Wiśniewski Sp. z.o.o. based in Poznań, ul. Bluszczowa 7, entered the list of entities authorized to audit financial statements under No. 2917, the National Chamber of Chartered Accountants.

Audit of the financial statements was carried out under the supervision of the auditor Joanna Mancastropa (Registration No. 11429), acting on behalf of the person entitled, from 24 November 2009 to 26 February 2010.

The selection of the entity authorized to audit financial statements, was made by the Supervisory Board by Resolution No. 06/03/2009 dated 25 May 2009.

Unpaid share capital and own shares	-2 753	-1 859	-
Reserve capital from share issue	40 831	40 831	40 831
Capital reserve from retained earnings	234	171	171
Reserves	13 120	9 905	6 722
Revaluation	-	-	-
Capital for hedge accounting	-	-	-
Exchange differences on translation of related units	-	-	-
Participation in other income of associates	-	-	-
Accumulated results from previous years and other income	566	815	7 115
Net profit (loss) from the financial year	3 776	6 332	
Long-term liabilities and reserves	4 782	3 121	858
Deferred tax liabilities	744	453	312
Provision for retirement and similar	426	388	429
- Including long-term	306	269	242
Other reserves	-	-	-
- Including long-term	-	-	-
Interest-bearing loans	3 612	2 280	117
Other financial liabilities	-	-	-
Other non-current liabilities	-	-	-
Current liabilities	11 430	15 005	10 575
Loans and advances	1 113	608	551
Other financial liabilities	-	-	-
Trade payables and services	2 244	6 336	7 095
Liabilities arising from the current income tax	156	82	82
Other liabilities	1 777	1 674	1 802
Deferred income	6 140	6 305	1 045
Liabilities classified as held for sale	-	-	-
Total liabilities:	72 705	75 040	66 991

Assets and liabilities of RADPOL SA were properly brought together on substantive issues in respect of all financial statements. The structure of the individual assets and liabilities are presented in the explanatory notes to financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the financial year from 1 January to 31 December 2009

	PaLA for the period:	PaLA for the period:	Dynamics
	01.01.2009-31.12.2009	01.01.2008-31.12.2008	%
	Thousand PLN	Thousand PLN	
Revenues from sales of products, goods and materials	35 058	36 012	-2,6%
Cost of products sold goods and materials	-22 834	-20 953	9,0%
Profit (Loss) on sales - gross	12 224	15 059	-18,8%
Cost of sales	-2 732	-2 948	-7,3%
General and administrative expenses	-5 008	-4 874	2,7%
Acquisition costs	-303		-
Profit (Loss) on sale	4 181	7 237	-42,2%
Other operating income	1 400	577	142,6%
Other operating expenses	-632	-432	46,3%

Profit / loss from the sale of all or part interest in a subsidiary	-	-	-
Profit (Loss) from operating activities	4 949	7 382	-33,0%
Financial income	108	653	-83,5%
Financial expenses	-270	-5	5300,0%
Share of profits and losses using equity method	-	-	-
Gain (Loss) before tax	4 787	8 030	-40,4%
Income tax	-1 011	-1 698	-40,5%
The remaining reduction in profit	-	-	-
Profit (loss), net from continuing operations	3 776	6 332	-40,4%
Profit (loss) from discontinued operations	-	-	-
Profit (loss) from sold operations	-	-	-
	-		-
Profit (loss), net	3 776	6 332	-40,4%

CONSOLIDATED STATEMENT OF TOTAL INCOME for the financial year from 1 January to 31 December 2009

	SoTI for::	SoTI for:	Dynamics
	01.01.2009-31.12.2009	01.01.2008-31.12.2008	
	Thousand PLN	Thousand PLN	%
Profit (loss), net	3 776	6 332	-40,4%
Revaluation of financial assets held for sale	-	-	-
Revaluation of fixed assets	-	-	-
Cash flow hedges	-	-	-
Differences on translation of foreign	-	-	-
Participation in other income of associates	-	-	-
Revenue from the acquisition / disposal of minority interest	-		-
Effects of changes in accounting policies	-	-	-
Errors from previous years	-	-	-
Total other income	-	-	-
Income tax on other income in total	-	-	-
Total other income after tax	-	-	-
Total Revenue	3 776	6 332	-40,4%

Items influencing the financial result, with the exception of an objection raised, the Company depicted completely and correctly on the substantive issues in respect of all accounts. Structure of operating costs and revenue, other operating income and operating costs, revenues and financial costs are presented in the notes to the financial statements.

Stocktaking

The company conducted an annual inventory of each group of assets and liabilities in accordance with the rules and time limits set out in the Accounting Act.

Valuation

The valuation principles used by the Company of are described in the introduction of explanatory notes to the financial statements and comply with the requirements of International Accounting Standards / International Financial Reporting Standard.

Adopted by the Company's accounting policies have been properly selected and applied by it properly and continuously, except for inventory valuation, as described in the opinion of the attached financial statements.

Presentation and comparability

The company has done the correct presentation of individual assets and liabilities, revenues and costs in the financial statements. Statement of financial position, profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows together with additional notes, information and explanations, which are an integral part of the financial statements contain all the disclosures in the financial statements that are required by International Accounting Standards / International Financial Reporting Standards.

Board of the audited entity has ensured the comparability of financial data presented in financial statements for all financial years presented, except for notified objections in the opinion.

Information about selected items of the financial statements

Tangible assets

At 31 December 2009 the value of tangible fixed assets amounted to 43 153, representing a 59.4% total assets. Last tangible fixed assets check was carried out as at 1 December 2006. The company has fixed assets whose purchase was financed by the grant. Grants received are accounted for in proportion to the depreciation of assets, in accordance with IAS 20.

In 2008, the Company obtained investment credit for the purchase of fixed assets. After fulfilling the conditions described in the loan agreement, it is to be remitted regularly. In December 2009 the cancellation of loan installments in the amount of 529 thousand zł. has been implemented. Redemption of loan should be settled the same way as a subsidy to the fixed assets. The Company has included one-time income from redemption of loan. If the revenue was settled in accordance with IAS 20, gross profit would be about 529 thousand zł lower.

Shares

On 31 December 2009, the Company owned shares with a value of 7 669 thousand zł, which accounted for 10.5% of total assets.

The dominant position of the Company's shares were Elektroporcelana SA shares with a value of 7 388 thousand zł. There were no indications of the need to make deductions from losses.

Claims for supplies and services

At 31 December 2009 the value of trade receivables and services amounted to 7 504 thousand zł, representing 10.3% of total assets. At the end of 2009 compared to the end of 2008, trade receivables and services increased by 891 thousand. zł, ie by 13.5%.

On the balance sheet date, the Company created an impairment of 538 thousand. zł. Analysis of trade receivables did not indicate the need for additional write-downs.

Selected fourteen recipients of the balance due on 31 December 2009 of 3 109 thousand. zł, which accounted for 41.4% of total trade receivables. For those contractors confirmation sent by the company was verified - all were compatible.

Stocks

At 31 December 2009 the value of inventories amounted to 6 878 thousand. zł, which accounted for 9.5% of total assets. Compared to the previous day's balance sheet value of stocks decreased by 2 091 thousand. zł, ie by 23.3%. The company made an inventory of stocks of materials as at 31 December 2009. Differences were properly accounted for in the books of the Company.

Created write-down of inventories amounting to 989 thousand. zł of which 30.57% related to obsolete inventory of over two years, 38.81% of the stock in a range of one to two years, and 30.62% of the stock past six to twelve months. There was no need for the creation of additional write-downs of inventories.

Company with effect from 1 January 2009 changed the rules for valuation of work in progress. Description of the changes made in the valuation of stocks in progress was included in a supplementary explanatory memorandum No. 20 together with the results for the financial statements. In accordance with IAS 8, a change in accounting policy shall be applied retrospectively by adjusting the opening balance of each component of equity, where the change concerns, and reveals other comparative data for each period, as if the amended accounting policy always been applied. Management has not changed position and the financial statements did not disclose comparative information for each period. Taking into account the revaluation results in an increase of inventories as at 1 January 2008 amounting to 213 thousand. zł, as at 31 December 2008 amounting to 982 thousand. zł. An adjustment would increase the financial result of previous years including deferred tax amounting to 795 thousand. zł and a reduction of net financial result is the same amount during the current period. The above-mentioned adjustments do not affect the value of equity at 31 December 2009. Board of Directors indicated that a change in accounting policy - changing the rules for valuation of work in progress - was made to standardize the methods of valuation in the capital group. Reservation of this fact was reported in the opinion.

Cash

The carrying value of cash in bank accounts at the end of 2009 has decreased by 1 855 thousand zł and the balance sheet date amounted to 5 014 thousand zł, which accounted for 6.9% of total assets. Cash has been inventoried as of 31 December 2009, there were no differences in inventory. Cash in bank accounts have been confirmed by the banks as at 31 December 2009.

Equity

At 31 December 2009 the value of the Company's equity amounted to 56 493 thousand zł, which accounted for 77.7% of total assets in general. Compared to the previous year's equity value has decreased by 0.7%.

At 31 December 2009 the Company had its own shares with a value of 2 753 thousand zł. Own shares were valued at cost. Number of shares held their own has been confirmed by the brokerage house, as at 31 December 2009.

Result for the year 2008 of 6 808 thousand zł has been divided in accordance with Resolution No. 18 of the AGM of 27 April 2009, as follows:

- 3 593 thousand. zł was earmarked for dividend payment to shareholders,
- 3 215 thousand. zł was earmarked for the establishment of reserves to purchase its own shares.

Deferred income

At 31 December 2009 deferred income amounted to 6 140 thousand. zł, which accounted for 8.4% of total assets. The main item deferred income at 31 December 2009 were subsidies for fixed assets of 5 647 thousand. zł. The grants are properly accounted for in time in accordance with IAS 20.

Revenues from sales and operating expenses

Revenues from sales of goods and materials during the period from 1 January 2009 to 31 December 2009 amounted to 058 thousand in 1935. zł and were 2.6% lower compared to the previous year.

Operating expenses amounted to 877 thousand in 1930. zł and were 7.3% higher compared to the same period the previous year.

The deterioration in gross profit from sales was due primarily from an increase in depreciation costs associated with putting into operation a number of new assets.

Statement of changes in equity

Statement of changes in equity shows a decrease in equity during the period amounting to 421 thousand. zł.

Cash flow statement

Cash flow statement shows a decrease in cash of 1 860 thousand zł, which consists of:

- Positive net cash flow from operating activities of 4 478 thousand. zł,
- Negative net cash flows from investing activities of 4 076 thousand. zł,
- Net cash outflows from financing activities of 2 262 thousand. zł

and their positions are correctly associated with a report on the financial position, profit and loss account, statement of comprehensive income and accounting records.

Additional information and explanations of the financial statements

The additional explanatory notes the company has confirmed the validity of the principle of continuous activity in preparing the financial statements. Principles of valuation of assets and liabilities, measurement of result and the financial statements have been properly and completely described in these notes.

The company drew up additional information and explanations in the form of notes to the items on the tabular statement of financial position, profit and loss account, statement of comprehensive income and verbal descriptions.

Additional information and explanations to the financial statements for the year ending 31 December 2009 have been prepared in all material respects in accordance with the rules (policy) of accounting under International Financial Reporting Standards and related interpretations announced in the form of European Commission, and in other cases - in accordance with the requirements of the Act of 29 September 1994 and issued in the accounting basis of its implementing rules.

Activity Report

We have read the report of the Board of the Company on the activities of the Company for the year ended December 31, 2009. The information contained in this report on the activities derived from our audited financial statements for the year ended December 31, 2009 complied with it and the report of the Board contains the provisions of Decree of the Minister of Finance dated 19 February 2009 on current and periodic information disclosed by issuers of securities and the conditions for recognition as equivalent to the information required by law non-member country (Journal of Laws of 2009, No. 33, item. 259).

Compliance with the law

Statements by the Board

An auditor has received from the Board of the Company a written statement in which the Board stated that the Company has complied with the law.

Statement by auditor

HLB Sarnowski & Wiśniewski Sp. z oo and below signed auditor are stating that they are entitled to audit financial statements and that they meet the conditions of Article. 56, paragraph. 3 and 4 of the Act of 7 May 2009 on the auditors and their self-government, entities authorized to audit the financial statements and the supervision of the public, to give an impartial and independent opinion on the financial statements of RADPOL SA for the financial year ended December 31, 2009.

Auditing the financial statements was conducted in accordance with the law and environmental standards.

Joanna Mancastroppa

An auditor

The registration number 11,429

HLB Sarnowski & Wiśniewski Sp. z oo

61-478 Poznan, ul. Bluszczowa 7

The entity authorized to audit financial statements included on the list of entities entitled to run by KIBR,

under registration number 2917

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Poznan, 26 February 2010