

SUPPLEMENTARY REPORT OF THE INDEPENDENT AUDITOR'S TEST OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST, 2010

1. GENERAL PART

1.1. Basic information about the activities of the Group

Parent Entity of the Group is RADPOL SA (hereinafter referred to as "Parent Company"). Parent Company's headquarters is located in Człuchów, ul. Batory 14.

Parent Company operates as a joint stock company incorporated by a notarial act on 29 December 1995 before a notary Paweł Błaszczak (Repertory A No. 21557/95). The duration of the Parent Company and subordinated units is unlimited.

Currently, the Parent Company is registered in the register of the National Court Register kept by the District Court Gdańsk-Gdańsk North, VIII Division of the National Court Register under KRS 0000057155.

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

The Parent Company is based on the Commercial Companies Code and the Articles of the Company.

According to the Polish Classification of Activities, predominant activity of the Parent Company is the manufacture of other plastic products.

During the period, the Parent Company was active in the field of heat-shrinkable cable accessories.

Subordinate unit operates in the area coinciding with the activities of the Parent Company.

Employment at the end of the reporting period of the Parent Company amounted to 340 people. Average employment in the Parent Company amounted to 365 people.

Parent Company's share capital as at 31 December 2010 amounted to 772 thousand zł and was divided into 25 190 204 ordinary shares with a nominal value of 0.03 each. Equity of the Capital Group at that date amounted to 84 862 thousand zł.

According to the note No. 36.3 to consolidated financial statements, the structure of the shareholders of the Parent Company as at 31 December 2010 was as follows:

Shareholder	Number of votes (thousands)	Number of shares (thousands)	Nominal value of shares (thousands)	Share in equity (%)
Marcin Wysocki	3 031,6	3 031,6	90,9	12,03
BZ WBK AIB AM S.A., including Arka	2 325,7	2 325,7	69,8	9,23
BZ WBK FIO	2 086,6	2 086,6	62,9	8,28
Aviva OFE Aviva BZ WBK	1 938,8	1 938,8	58,2	7,70
Aviva Investors Poland S.A., including Aviva Inwestors Specjalistyczny Fundusz Inwestycyjny Otwarty Subfundusz Akcyjny	1 814,9	1 814,9	54,4	7,20
ING Nationale Nederlanden OFE	1 775,1	1 775,1	53,3	7,05
GJB Assets Management Limited	1 452,7	1 452,7	43,6	5,77
PKO TFI S.A.	1 285,6	1 285,6	38,6	5,10
Grzegorz J. Bielowicki	9 479,3	9 479,3	284,4	37,64
Other shareholders	25 190,2	25 190,2	755,7	100,00
Total capital	25 190,2	25 190,2	755,7	100,00

On 11 February 2011 Series C shares falling under the Incentive Scheme are registered in the securities depository, and introduced to exchange trading.

In connection with the settlement of the balance of the Incentive Scheme of the Parent Company's share capital at the balance sheet, it has been increased by a total nominal value of 529 548 Series C shares, ie by 15.9 thousand. zł. Parent Company received on 16 February 2011 a notice of change in the total number of votes. According to this statement Grzegorz Bielowicki has less than 5% of the shares of RADPOL SA. The number of shares held jointly by Grzegorz Bielowicki and Gabriel Wroblewski and GJB Assets Management Limited, amounts to 12.74% of the share capital of the Parent Company. Shares held by shareholders of the Parent Company have no such privilege.

The financial year for which consolidated financial statements are audited includes 12 consecutive months from 1 January to 31 December 2010. The previous financial year covered the period from 1 January to 31 December 2009.

Parent Company authorities are: the General Meeting of Shareholders, the Supervisory Board and the Board.

The Board of the Parent Company at the date of the opinion consisted of:

- Andrzej Sielski - President of the Board,
- Grzegorz Malczyk - Vice President of the Board.

In the period from January 1, 2010 to the date of the opinion there is no change in the composition of the Parent Company.

The Supervisory Board of the Parent Company at the date of the opinion consisted of:

- Grzegorz Jan Bielowicki - President of the Supervisory Board,
- Zbigniew Piotr Janas - Vice President of the Supervisory Board,
- Tomasz Krzysztof Firczyk - Secretary of the Supervisory Board,
- Tomasz Kapliński - Member of the Supervisory Board,
- Krzysztof Kurowski - Member of the Supervisory Board,
- Leszek Iwaniec - Member of the Supervisory Board.

In the period from January 1, 2010 to the date of the opinion, a change in the composition of the Supervisory Board of the Parent Company occurred. On 20 April 2010 by Resolution No. 18 of the Annual General Meeting of RADPOL SA to the Supervisory Board Leszek Iwaniec was appointed.

1.2. Entities included in the Capital Group under consolidation

At 31 December 2010, a subsidiary was a part of the Capital Group:

No.	Name	Method of consolidation	Type of opinion on the financial statements	Authorized entity	Date
1	RURGAZ Sp. z o.o.	Full consolidation	Without remarks	HLB Sarnowski & Wiśniewski Sp. z o.o.	31.12.2010

Compared with last year, the following changes have been made in consolidated entities:

- In accordance with agreement concluded on 16 November 2009 "share purchase agreement" and addendum to the agreement concluded on 12 January 2010, the Parent Company acquired 138 shares of RURGAZ Sp. z o. o. representing 100% of its share capital, the acquisition has been recorded by the National Court Registry on 9 March 2010;
- on 20 April 2010 General Meeting of Shareholders of RADPOL SA with Resolution No. 17 has taken the decision on the merger of the Parent Company with a subsidiary RADPOL Elektroporcelana SA; the connection has been registered in National Court Register on 1 June 2010. The settlement of merger is presented in the notes to the financial statements of the Company RADPOL SA.

These changes in the consolidated entities have been made public, reported in the series of current reports: 39/2009, 1 / 2010 and 28/2010.

Parent Company consolidated its subsidiary.

1.3. Deviations from the principles of consolidation

When preparing the consolidated financial statements, there were no exceptions to the rules of consolidation.

1.4. Information on the consolidated financial statements for the previous year

The consolidated financial statements of the Group for the year ended 31 December 2009 were audited by the auditor. Acting on behalf of HLB Sarnowski & Wisniewski Sp. Ltd., an entity authorized to audit with the registration number 2917, the auditor of the Group, Joanna Mancestroppa, registration No. 11429, issued this statement on 26 February 2010 with the opinion of the subject and with the accompanying explanation, with the following terms:

"The Parent 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 of work in progress was included in an additional explanatory note 21 to the consolidated 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 new accounting policy had always been applied. Parent Company's Board failed to correct the position of financial statements and failed to disclose comparative information for each period. Taking account of the revaluation would increase the value of stocks 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 earnings of previous years including deferred tax amounting to 795 thousand. zł and reduced net earnings by the same amount in the current period. The above mentioned adjustments do not affect the value of equity at 31 December 2009. Parent Company's Board has indicated that a change in accounting policy in changing the rules of valuation of in the course was introduced to standardize the methods of valuation of the group.

Without qualifying the accuracy and reliability of the accompanying financial statements, we draw attention to the fact that the Board of the subsidiary Radpol Elektroporcelana in the additional explanatory note 14 to the consolidated financial statements presented as a test for impairment of licenses, forms and tests on the production of special insulators. The test showed that the carrying amount of forms and certificates concerning the manufacture of polymeric insulators exceeds their recoverable value, which represents the utility value, calculated using discounted cash flows based on assumptions. We point out that it is not certain whether the assumptions adopted in the calculations will be realized in the future. "

The consolidated financial statements of the Group for the year ended 31 December 2009 was approved by Resolution No. 6 of the Annual General Meeting of RADPOL SA dated 20 April 2010.

The consolidated financial statements of the Group for the year ended 31 December 2009 together with the auditor's opinion, the resolution approving the consolidated financial statements and report on the activities of the Group have been deposited in the National Court Register on 1 June 2010.

Consolidated statement of financial position, consolidated profit and loss account, consolidated statement of comprehensive income, statement of changes in equity, consolidated statement of cash flows for the year ended 31 December 2009 and notes to consolidated financial statements as at 31 December 2009, together with the auditor's opinion and the resolution approving the consolidated financial statements have been published in the Polish Monitor B No. 1356 on 9 August 2010.

1.5. Information on the body and the external auditor to eligible groups, the key external auditor

HLB Sarnowski & Wiśniewski Sp. z o. o. based in Poznań, ul. Bluszczowa 7 is an entity authorized to audit financial statements, registered under number 2917 on the list of the National Council of Certified Accountants. On behalf of HLB Sarnowski & Wiśniewski Sp. z o. o. examination of the consolidated financial statements was led the group auditor - Dariusz Sarnowski registration No 10200.

Appointment of the entity was made by the Supervisory Board of the Group with Resolution 22/06.2010 on 6 April 2010.

The audit was conducted under contract dated 26 April 2010, concluded between the Board of the Parent Company and the company HLB Sarnowski & Wiśniewski Sp. z o. o. based in Poznań, ul. Bluszczowa 7.

1.6. Scope and date of research

The aim of our study was to express a written opinion, together with a report about whether the consolidated financial statements comply with the principles (policy) of the accounts of the Group and whether it fairly and clearly depicts the financial position as well as the financial results of the Group. In a study of individual items in the consolidated financial statements and consolidation documentation we used the appropriate tests and trials to auditing. Based on the results of these tests and trials examined inferred about the correctness of the position. Our procedures did not include any additional information that does not affect our audited consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2010 was conducted from 31 January to 28 February 2011, including in the Company's headquarters from 31 January to 10 February 2011.

1.7. Declaration of independence

HLB Sarnowski & Wiśniewski Sp. z oo, board members, the group auditor, the key auditor and other persons participating in the study confirm that they meet the conditions placed in Article. Paragraph 56. 3 and 4 of the Act of 7 May 2009 on statutory auditors and their self-government, entities authorized to audit financial statements and public

supervision, to an impartial and independent opinion on the consolidated financial statements of the Group RADPOL SA, done for the year ended 31 December 2010.

1.8. Representations received and the availability of data

Board of the Parent Company in a written statement of 28 February 2011 confirmed its responsibility for the accuracy and fairness of the consolidated financial statements and stated on the information included and the disclosure of all contingent liabilities in the accompanying consolidated financial statements and disclosure of all material events that occurred after balance sheet date to the date of the statement and could have an impact on the accompanying consolidated financial statements. Board of the Parent Company also stated that it has provided us during the test with all the accounts of the of companies subject to consolidation ,consolidation documentation and other required documents as well as all necessary information and explanations.

2. BASIC DATA AND FINANCIAL RATIOS

2.1. Consolidated Statement of Financial Position

	31.12.2010 Thousand PLN	31.12.2009 Thousand PLN
ASSETS		
Fixed assets	81 362	54 764
Tangible fixed assets	78 518	51 815
Intangible assets	778	1 018
Goodwill	59	59
Shares	4	281
Deferred income tax	892	587
Other fixed assets	1 111	1 004
Current assets	62 054	26 689
Stocks	16 276	10 833
Claims for supplies and services	27 766	9 852
Claims arising from the current income tax	16	-
Other receivables	5 783	359
Other financial assets	4 286	-
Cash and cash equivalents	7 712	5 530
Accruals	215	135
Assets classified as held for sale	-	348
Tangible fixed assets held for sale	-	348
Assets total	143 416	81 801

	31.12.2010 Thousand PLN	31.12.2009 Thousand PLN
LIABILITIES		
Equity	84 862	59 765
Core capital	772	719
Share capital and treasury shares	-	(2 753)
Reserve capital from share issue	52 359	40 831
Supplementary capital from retained earnings	493	634
Reserve	13 120	14 418
Revaluation reserve	3 372	-
Retained earnings from previous years and other income	622	585
Profit (loss) year	14 124	5 331
Long-term liabilities	23 159	7 228
Deferred income tax	4 392	1 797
Provision for pensions and similar	792	642
Other reserves	292	-
Interest-bearing loans and borrowings	17 645	4 789
Other financial liabilities	38	-

Current liabilities	35 396	14 808
Loans and advances	5 180	2 215
Other financial liabilities	13	13
Liabilities from deliveries and services	18 966	3 733
Liabilities for current income tax	159	195
Other liabilities	2 837	2 513
Deferred income tax	8 241	6 139
Liabilities total	143 416	81 801

2.2. Consolidated profit and loss account

	01.01.2010 – 31.12.2010	01.01.2009 – 31.12.2009
	Thousand PLN	Thousand PLN
<i>Continuing operations</i>		
Net revenues from sales of goods and materials	112 394	52 532
Costs of sold products, goods and materials	(83 267)	(33 346)
Gross profit / loss on sales	29 127	19 186
Cost of sales	(6 208)	(3 746)
General and administrative expenses	(9 587)	(8 750)
Acquisition costs	(72)	(303)
Gain / Loss on sale	13 260	6 387
Other operating income	5 916	2 150
Other operating expenses	(1 683)	(1 235)
Profit / Loss from operations	17 494	7 302
Financial income	882	116
Financial expenses	(1 532)	(548)
Profit / Loss before tax	16 844	6 870
Income tax	(2 720)	(1 444)
Profit / loss from continuing operations	14 124	5 426
Net profit / loss	14 124	5 426
Profit attributable to non-controlling shareholders	-	95
Profit attributable to shareholders of the Parent Company	14 124	5 331

2.3. Consolidated statement of comprehensive income

	01.01.2010 – 31.12.2010	01.01.2009 – 31.12.2009
	Thousand PLN	Thousand PLN
Net profit / loss	14 124	5 426
Revaluation of financial assets held for sale	-	-
Revaluation of fixed assets	3 372	-
Cash flow hedges	-	-
Differences from translation of foreign operations	-	-
Participation in other comprehensive income of associates	-	-
Income from the purchase and sale of minority interests	-	-
The effects of changes in accounting policies	-	-
Errors from previous years	-	-
Other Income Total	3 372	-
Income tax on other income in total	(641)	-
Other income after tax time	2 731	-
Total income	16 855	5 426
attributable to the equity in the non-controlling shareholders	16 855	5 331
attributable to equity shareholders of the Parent Company	-	95

2.4. Financial ratios

The following are some indicators of the financial situation of the Group in the years 2010, 2009 and 2008, calculated on the basis of financial data contained in the consolidated financial statements for the years ended December 31, 2010, 31 December 2009 and December 31, 2008.

Name of indicator	Formula	Value	2010	2009	2008
Revenues from sales (thousand zł)			112 394	52 532	44 415
Total assets (thousand zł)			143 416	81 801	85 792
Equity capital (thousand zł)			84 862	59 765	59 221
Total income for the period (thousand zł)			16 855	5 426	8 096
Profitability of sales	profit (loss) on sales / revenues	max	11,8%	12,2%	17,5%
Profitability of sales (gross)	profit (loss) on sales / revenues	max	15,0%	13,1%	22,3%
Return on sales	profit (loss) on sales / revenues	max	12,6%	10,3%	18,2%
Return on equity	profit (loss) / equity without financial result this year	max	20,0%	10,0%	16,0%
Return on assets	profit (loss) / total assets	max	9,8%	6,6%	9,4%
Assets turnover ratio	net sales / total assets	max	0,8	0,6	0,5
Turnover ratio of tangible assets	Net revenues from sales / tangible assets	max	1,4	1,0	0,8
Receivables turnover in days	(the state of trade receivables and service / sales) * 360	min	89	68	76
Inventory turnover in days	(inventories / cost of products sold, goods, materials) * 360	min	70	117	174
Liabilities turnover in days	(as trade creditors and service / cost of products sold, goods, materials) * 360	min	82	40	132
Debt ratio	foreign capital / total capital	0,3 - 0,5	0,4	0,3	0,3
Cover the debt of equity capital	equity / foreign capital	>1	1,4	2,7	2,2
The degree of coverage by equity assets	The equity / assets	>1	1,0	1,1	1,1
Sustainability of financing	equity / total liabilities	max	0,6	0,7	0,7

Name of indicator	Formula	Value	2010	2009	2008
Quick ratio	(short-term investments + accounts receivable) / current liabilities	0,8 - 1,2	1,3	1,1	0,8
Current ratio	(current assets - prepayments) / current liabilities	1,5 - 2,0	1,7	1,8	1,4
Cover liabilities with receivables	Trade Receivables / trade payables	>1	1,5	2,6	1,0
Net working capital (in thous. zł)	current assets - current liabilities	-	26 658	11 881	8 135
The share of working capital in total assets	working capital / total assets	max	18,6%	14,5%	9,5%

The main categories of the consolidated financial statements of the Group as at 31 December 2010, such as: total assets, the balance of equity and achieved sales revenue in the year were considered to increase compared to last year after the merger with its subsidiary RADPOL Elektroporcelana SA and the acquisition of 100% stake in the company RURGAZ Sp. z o. o.

Indicators of profitability of sales, equity and assets have increased due to higher growth in gross profit and net non-turn: income from sales, equity and total assets.

Turnover rates of trade receivables and payables have extended. Rotation of trade receivables was increased in 2010 by 21 days, while the turnover in trade payables increased by 42 days. At the end of 2010, the Capital Group RADPOL SA paid off their obligations about 7 days faster than expected.

At the end of 2010 inventory turnover has improved, which fell by 47 days compared with last year.

Debt (finance), developed in the test at a level deemed desirable.

Fast and current liquidity ratios in 2010 were at a desirable level.

The value of net working capital at the balance sheet date, has increased compared to the previous balance sheet date of 14 777 thousand. zł.

3. JUSTIFICATION FOR CONTINUATION OF OPERATIONS

As a result of the consolidated financial statements of the Group for the year ended December 31, 2010, including analysis of financial condition, there was nothing of significance to our attention which would cause us to believe that the Parent Company is unable to continue its business activity for at least 12 months from 31 December 2010 as a result of intentional or forced abandonment, or significantly reduce its activities.

In the note number 8 of notes to the consolidated financial statements of the Parent Company, the Board informed that the financial statements of the Parent Company and the financial statements of subsidiaries, giving rise to the consolidated financial statements have been prepared on a going concern by those companies in the foreseeable future and that there are circumstances indicating a threat to the continuation of operations by these units.

4. DETAILED INFORMATION

4.1. Completeness and correctness of the consolidation documentation

During the test, we found no irregularities in the documentation of the consolidation, which may have a significant impact on the audited consolidated financial statements. Documentation of consolidation is, in all material respects, complete and

correct and meets the relevant conditions, which should correspond to documentation consolidation. In particular, the exemptions for consolidation adjustments.

4.2. Fiscal year

The financial statements underlying the consolidated financial statements of all entities comprising the Group have been prepared as at 31 December 2010 and includes data compiled for the reporting period from 1 January 2010 to December 31, 2010.

4.3. Policies of accounting

The Parent Company has valid documentation, describing the applicable rules of the Group (policy) on accounting adopted by the Board of the Parent Company. Policies of the Group's accounting are set out in section 10 of the notes to the consolidated financial statements of the Group for the year ended 31 December 2010. Adopted by the Parent Company accounting policies have been properly selected and applied by it in the correct manner and continuously with the exception of the effects of reservations referred to in the auditor's opinion.

Entities included in the Group apply the accounting principles with the rules applied by the Parent Company.

4.4. Structure of assets and liabilities of the consolidated balance sheet

Structure of assets and liabilities of the Group is presented in the consolidated financial statements for the year ended 31 December 2010. The data disclosed in the consolidated financial statements are consistent with the documentation of consolidation.

4.5. Equity, including non-controlling interest

Shown in the consolidated financial statements as at 31 December 2010, shareholders' equity is consistent with the documentation of the consolidation. As at 31 December 2010, the Parent Company did not show the balance of non-controlling interests. Financial data relating to its capital in section 36 - the number of explanatory notes to the consolidated financial statements.

4.6. Goodwill

Parent Company at 31 December 2010 did not show the balance of goodwill. Fixed gain from a bargain purchase of the shares of the subsidiary as at 31 December 2010 is consistent with documentation for consolidation. Information regarding the gain from a bargain purchase of shares of the subsidiary are presented in section No. 46 of the notes to consolidated financial statements of the Group for the year ended 31 December 2010.

4.7. Consolidation

Mutual exclusion and settlement of internal transactions was made to the exclusion of mutual balances (assets and liabilities) and the internal turnover (revenues and expenses) of consolidated entities shall comply with the documentation for consolidation. The report showed only consolidated revenues and expenses that have been achieved (incurred) as a result of transactions with external entities.

4.8. Effects of the sale of shares (shares) in subsidiaries

In the period from 1 January to 31 December 2010 RADPOL SA did not sell the shares (stocks) in subordinates.

4.9. Items influencing the financial result of the Group

Characteristics of items affecting the financial results of the Group's activities was presented in the audited consolidated financial statements for the year ended December 31, 2010. The data disclosed in the consolidated financial statements are consistent with the documentation for consolidation.

4.10. Notes to the consolidated financial statements

Notes to the consolidated financial statements, including information derived the accompanying consolidated financial statements are consistent with them. Explanatory notes to the financial (policy), accounting and other explanatory notes to consolidated financial statements as at 31 December 2010 have been prepared, in all material respects in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations, published in the form European Commission, in the absence of these standards - according to the requirements of the Accounting Act and issued on the basis of implementing legislation.

4.11. Report on the activities of the Group

We have read the report of the Board of the Parent Company of the Group's activities for the year ended December 31, 2010. The information contained in this report on the activities, derived from our audited consolidated financial statements for the year ended December 31, 2010, are compatible with it. Report on the activities of the Group in important respects meets the requirements of Article 49. Paragraph 2 of the Accounting Act.

The information contained in the report of the Group's activities take into account the relevant provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information disclosed by issuers of securities and the consideration of information required by the laws of a non-member state (Journal of Laws No. 33, pos. 259 with subsequent amendments).

4.12. Compliance with the law

The group auditor, the auditor received from the Board of the Parent Company a written statement in which the Board found that the best of his knowledge, no laws have been violated, and the provisions of the Statute of the Parent Company and subsidiary agreements, ie, units of the Group, having an impact on the consolidated financial statements.

Dariusz Sarnowski

Certified Auditor No. 10200

The group auditor, the key auditor conducting the audit on behalf of
HLB Sarnowski & Wiśniewski Sp. z o. o.

61-478 Poznań, ul. Bluszczowa 7

Entity authorized to audit

financial statements

registration number 2917

This report contains 9 pages.

Poznań, 28 February 2011