

M2 HLM Audit

**Report supplementing the opinion
of the examination of the financial
statements for the period
01.01.2008-31.12.2008**

RADPOL S.A.

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I. GENERAL PART

I.1 The identity of the examined unit

The full name of the unit:	RADPOL joint stock company
Legal form:	joint stock company
Street:	Stefana Batorego 14
City:	Człuchów
Postal Code:	77-300
Mail:	Człuchów
Phone:	59 83 82 271
Fax:	59 83 42 551
E-mail:	radpol@radpol.com.pl
Web Address:	radpol.com.pl
The court registry:	The court Gdańsk-North, VIII District KRS
Date of entry in the registry:	26.10.2001
Registration number:	57155
REGON (Polish National Business Registry Number):	770807479
NIP (Taxpayer identification):	843-00-00-202
Object of the activity, according EKD:	PKD 2524Z
Share capital	719 thousand PLN
Equity	56 601 thousand PLN
Units of Authority	General Meeting, the Supervisory Board, the Executive Board

I.1.1. The essential subject of the Company's operations during the period, submitted to Registry:

I.1.1.1. 2524Z Manufacture of other plastic products.

I.1.2. The owners of the Company at the beginning of the year (to the knowledge of the Board of RADPOL S.A.):

I.1.2.1 Tar Heel R Capital LLC - 22.55% share in the capital and votes at the Meeting of Shareholders;

I.1.2.2 Grzegorz Bielowicki - 12.66% share in the capital and votes at the Meeting of Shareholders;

I.1.2.3 Marcin Wysocki - 12.66% share in the capital and votes at the Meeting of Shareholders;

I.1.2.4 ING Nationale-Nederlanden OFE - 7.58% share in the capital and votes at the Meeting of Shareholders;

I.1.2.5 IM Commercial Union (Poland) - 5.89% of the capital and votes at the Meeting of Shareholders;

I.1.2.6 BZ WBK AIB AM, including BZ WBK AIB TFI - 5.49% of the capital and votes at the Meeting of Shareholders;

I.1.2.7 the other shareholders - 33.17 in the capital and votes at the Meeting of Shareholders;

I.1.3. The owners of the Company on the balance sheet date (to the knowledge of the Board of RADPOL S.A.):

I.1.3.1 Tar Heel R Capital LLC - 22.57% share in the capital and votes at the Meeting of Shareholders;

I.1.3.2 Grzegorz Bielowicki - 12.66% share in the capital and votes at the Meeting of Shareholders;

I.1.3.3 Marcin Wysocki - 12.66% share in the capital and votes at the Meeting of Shareholders;

I.1.3.4 ING Nationale-Nederlanden OFE - 7.58% of the capital and votes at the Meeting of Shareholders;

I.1.3.5 Aviva Investors Poland SA. - 6.42% of the capital and votes at the Meeting of Shareholders;

I.1.3.6 BZ WBK AIB AM, including BZ WBK AIB TFI - 5.49% of the capital and votes at the Meeting of Shareholders;

I.1.3.7 Commercial Union Investment Funds Specialist Open - 5.13% of the capital and votes at the Meeting of Shareholders;

I.1.3.8 RADPOL SA (bought own shares in order of remission) - 1.46% of the capital of the Company

I.1.3.9 the other shareholders - 26.03% stake in the company's capital and votes at the Meeting of Shareholders.

I.1.4. Management of the Company on the date of preparation:

I.1.4.1 Andrzej Sielski - President of the Board;

I.1.4.2 Grzegorz Malczyk – Vice-President of the Board

I.1.5. During the examined period, and until the completion of the examination, there was no change in the Executive Board of the Unit.

I.2. The identity of the auditor

I.2.1. The examination was conducted by an audit firm HLB M2 Audyt Sp z o.o. (No. 3149 on the list of entities entitled to audit the financial statements). On behalf of the entity entitled to audit the financial statements, directed an auditor Maciej Czapiewski No 10326/7604).

I.2.2. HLB M2 Audyt Sp z o.o., based in Bydgoszcz, Leszczyna Street 12A,

was chosen to carry out an audit of the financial statements according to the Resolution No.

40/05/2008 of the Supervisory Board of 18 June 2008. The examination was carried out

under contract No 014/C/2008 concluded on 28 July 2008 examined unit and M2 HLB Audyt Sp. z o.o. (formerly: M2 Audyt Sp. o.o.),

I.2.3 The entity authorized to audit the financial statements states that it meets the requirements set out in Article.

66 paragraph 2 on the accounting, concerning the impartiality and independence from the audited units.

I.2.4. The auditor / audit leader declares that they meet the requirements set out in Articles 66 paragraph 2 on the accounting for the impartiality and independence from the examined units.

I.2.5. The study was conducted over the period from 29 July 2008 to 30 March 2009. The specific study was conducted in the premises of the Company during the period from 2 to 13 February 2009.

I.3. Legal basis of the examination

I.3.1. The financial statements were audited on the basis of:

I.3.1.1. Provisions of the Act of 29 September 1994 on Accounting (consolidated text Journal of Laws of 2002 No 76, position 694 with subsequent amendments),

I.3.1.2 Standard practices of the auditor determined by the National Council of Chartered Accountants.

I.4. The scope of responsibility and purpose of the examination

I.4.1. The purpose of the examination was to express an opinion, together with a written report whether the financial statements are accurate and fair and whether they clearly depict the financial position and financial results of the examined Unit.

I.4.2. The financial statement has been signed by all members of the Executive Board of the Company. This means that the Board of Directors took responsibility for the accuracy of accounting, as well as for a statement that the Company has properly applied the principles of accounting, providing accurate and clear representation of economic and financial situation and financial results. The obligation of signing the financial statements by all the members of the Executive Board of the Company's results from the provisions of the accounting.

I.4.3. Board of the Company made a statement about the completeness, accuracy and correctness of the financial statements submitted and about the fact that there were no events between the balance sheet date and the date of completion of the examination that could affect the financial position and the Company's assets, which were not included in the audited financial statements.

I.4.4. The management of the examined units provided requested data, information, explanations and statements necessary to formal-legal and substantive evaluation of the financial statements for 2008. There were no limitations on the scope of the study.

I.4.5. In an examination of individual items in the financial statements and accounting records we made use of the auditing samples on the basis of which we deducted the accuracy of the test items. Examination limited to selected samples was also used in connection to the public-private settlement, so there may be differences between the findings contained in this report and the results of the inspections carried out by full method.

I.4.6. The determination and explanation of events that could give rise to criminal proceedings by reference to the authorities was not a subject of the examination. Other irregularities that may have occurred outside the accounting units were also not examined.

I.4.7. During the examination, we did not identify any phenomena in the accounting system that could pose a breach of law or regulations of the Company.

I.5. Information on the financial statements for the preceding year.

I.5.1. The basis for the opening of the accounts for the considered year was the financial statements for 2007

I.5.2. The financial statements for 2007 have been tested by the auditor. The study was conducted by Maciej Czapiewski, auditor No 10326/7604, acting on behalf of M2 Audyt Sp. z o.o., the entity entitled to audit the financial statements No 3149. There were no reservations or explanatory notes on the examined financial statements for 2007.

I.5.3. The financial statements for 2007 was approved by the General Assembly of RADPOL S.A.. according to Resolution No. 2 of 21 April 2008.

I.5.4. Financial results from previous years was cleared in the accounts in accordance with Resolution No. 4 of the General Meeting of RADPOL S.A. of 21 April 2008, providing a profit for 2007 for:

- dividends for shareholders 3 619 218.90 PLN
- reserves 3 183 036.80 PLN.

I.5.5. The Unit has presented the financial statements for 2007 to the District Court in Gdańsk - Gdansk in the north, VIII Commercial Division of the National Court Register on 24 April 2008

I.5.6. The financial statements for 2007, together with the auditor's opinion of the Company, was published by the Company in Monitor Polski B No 1084 of 13 August 2008.

I.6. Information on the audited financial statements.

I.6.1. The audited financial statements consist of:

I.6.1.1. Introduction to the financial statements,

I.6.1.2. Balance sheet drawn up as at 31 December 2008, showing the assets and liabilities of the sum of: 75 009 thousand PLN (in words: seventy five million nine hundred thousand),

I.6.1.3. Profit and loss account for the period from 1 January 2008 to 31 December 2008 showing a net profit of 6 808 thousand PLN (in words: six million eight hundred eight thousand),

I.6.1.4. Cash flow statement for the period from 1 January 2008 to 31 December 2008, indicating a decrease in the amount of cash of 21 435 thousand PLN (in words: twenty one million four hundred thirty five thousand),

I.6.1.5. Statements of changes in equity for the period from 1 January 2008 to 31 December 2008, indicating an increase in equity amounting to 1 356 thousand PLN (in words: one million three hundred

fifty six thousand),

I.6.1.6. Further information and explanations

I.6.2. The Unit has drawn up a report on its activities in the financial year, which was added to the financial statements.

II. ANALYTICAL PART

II.1. Simplified Balance Sheet

II.1.1 Simplified Balance Sheet enables to identify key changes that have taken place during the period considered in the structure and value of balance sheet items.

Assets	2008-12-31		2007-12-31		Dynamics 2008/2007 (%)
	thousand PLN	structure (%)	thousand PLN	structure (%)	
A. FIXED ASSETS	51906	69,2%	21 647	32,3%	139,8%
1. Intangible assets	894	1,2%	573	0,9%	56,0%
2. Tangible fixed assets	43 263	57,7%	20 499	30,6%	111,1%
3. Long-term amounts due	0	0,0%	0	0,0%	0,0%
4. Long-term investments	6 843	9,1%	4	0,0%	153 999,1%
5. Long-term prepaid expenses	906	1,2%	571	0,9%	58,6%
B. ASSETS	23 103	30,8%	45 317	67,7%	-49,0%
1. Stocks	8 969	12,0%	7 705	11,5%	16,4%
2. Short-term amounts due	7 188	9,6%	9 258	13,8%	-22,4%
3. Short-term investments	6 904	9,2%	28 305	42,3%	-75,6%
4. Short-term prepaid expenses	42	0,1%	49	0,1%	-14,7%
Total assets:	75 009	100,0%	66 964	100,0%	12,0%

Liabilities	2008-12-31		2007-12-31		Dynamics 2008/2007 (%)
	thousand PLN	structure (%)	thousand PLN	structure (%)	
A. EQUITY	56 601	75,5%	55 245	82,5%	2,5%
1. Capital (fund)	719	1,0%	719	1,1%	0,0%
2. Unpaid share capital (negative value)	0	0,0%	0	0,0%	0,0%
3. Shares (negative value)	-1 859	-2,5%	0	0,0%	0,0%
4. Reserve fund (capital)	41 002	54,7%	41 002	61,2%	0,0%
5. Reserve fund (capital) from revaluation	0	0,0%	0	0,0%	0,0%
6. Other reserve funds (capital)	9 905	13,2%	6 722	10,0%	47,4%
7. Profit (loss) from previous years	26	0,0%	0	0,0%	0,0%
8. Net profit (loss)	6 808	9,1%	6 802	10,2%	0,1%
9. Copies of the net profit during the financial year	0	0,0%	0	0,0%	0,0%
B. LIABILITIES AND RESERVES FOR LIABILITIES	18 408	24,5%	11 719	17,5%	57,1%
1. Provisions for liabilities	768	1,0%	668	1,0%	15,0%
2. Long-term liabilities	2 280	3,0%	117	0,2%	1 852,9%
3. Current liabilities	8 277	11,0%	8 891	13,3%	-6,9%
4. Accruals	7 083	9,4%	2 043	3,1%	246,6%
Total liabilities:	75 009	100,0%	66 964	100,0%	12,0%

II.1.2. Balance of the company at the end of 2008 closed the year is the sum of the assets and liabilities of 75 009 thousand PLN. It was an increase of 12.0% compared to the end of the previous year
 II.1.3. As of company's assets in 2008, there was a significant change in respect of 2007 - an increase of the share of fixed assets in the balance sheet total of 36.9 percentage points (69.2% at the end of 2008).

II.1.3.1 An event causing the greatest change was the purchase described by the Unit of the Company's shares of Elektroporcelana Ciechów SA in 2008, presented in the financial statements as long-term investments.

II.1.3.2 At the end of 2008, the Company held shares representing 93.23% of the share capital of Elektroporcelana Ciechów SA., giving the right to 95.62% of votes at the General Meeting.

II.1.4. An increase in the value of property, which also affected the increase in the share of fixed assets in the structure of assets at the end of 2008, was due to completion of significant investment by the Company. In the last analyzed period, a new production halls, warehouse storage and a second accelerator were completed.

II.1.5. Change the value of equity in 2008 compared to the previous year was associated with a reference of the profit for 2007 at the capital reserve and the profit earned for the last period analyzed.

II.1.6 Increasing the value of long-term liabilities in 2008 in comparison to the previous year was due to the credit taken by the Company related to the investment in tangible fixed assets.

II.1.7 Growth of passive accruals in respect of the period in last year was connected to the fact that the Unit has received a grant to fixed assets, which accounted for at the time of the Company in accordance with the depreciation of subsidized assets.

II.2. Simplified profit and loss account

II.2.1. Simplified profit and loss account allows for a comparison of the rapid changes in the value of revenues, costs, and their participation as a result of the financial year between the examined period and the preceding period.

Description	01.01.2008 -31.12.2008		01.01.2007 -31.12.2007		Dynamics 2008/2007 (%)
	Thousand PLN	Structure (%)	Thousand PLN	Structure (%)	
1. Revenues of net sales	36 653	100,0%	35 821	100,0%	2,3%
2. Operating expenses	29 488	80,5%	28 430	79,4%	3,7%
3. Profit (loss) from sales	7 165	19,5%	7 391	20,6%	-3,1%
4. Other operating income	1 125	3,1%	521	1,5%	115,8%
5. Other operating income	432	1,2%	633	1,8%	-31,9%
6. Profit (loss) from operations	4 858	13,3%	7 279	20,3%	-33,3%
7. Financial income	653	1,8%	1022	2,9%	-36,1%
8. Financial expenses	5	0,0%	260	0,7%	-98,1%
- including interest	5	0,0%	214	0,6%	-97,7%
9. Profit (loss) from business activities	8 506	23,2%	8 041	22,4%	5,8%
10. The result of extraordinary events	0	0,0%	0	0,0%	0,0%
- Extraordinary gains	0	0,0%	0	0,0%	0,0%
- Extraordinary losses	0	0,0%	0	0,0%	0,0%
11. Gross profit (loss)	8 506	23,2%	8 041	22,4%	5,8%
12. Income tax	1 698	4,6%	1 239	3,5%	37,1%
12. Other mandatory reduction in profit (increase, losses)	0	0,0%	0	0,0%	0,0%
14. Net income / loss	6 808	18,6%	6 802	19,0%	0,1%

II.2.2. In 2008, the Company managed to increase the value of net sales by 2.3% in comparison to the previous year, however, the dynamics of higher operating costs during the same period resulted in a reduced gain from the sales by 3.1%.

II 2.2.1. On the deterioration of the profitability of sales the biggest impact had an increase in sales by 20.2%. during the mentioned period

II.2.3 There has been a increase in other operating income in of more than two-fold in 2008 in comparison to the previous year and was caused, in large part, by grants of fixed assets received by the Company in the last analyzed period.

II.2.4. The decrease in last year's revenues of the financial analysis results from the use of funds by the Unit at the end of 2007 for investments in tangible fixed assets, which significantly reduced the revenues achieved by the Company in respect of the interest.

II.2.5. Throughout the analyzed period, the Company has had no extraordinary events.

II.2.6. Income tax calculated by the Company for 2008 of 20.0% gross profit formed the net income for the last analyzed period at the level of 18.6% of net sales. The share of net income from the sale of the revenue decreased in 2008 in comparison to the previous period by 1.4 percentage points.

II.3. Simplified cash flow statement

II.3.1. Simplified cash flow statement allows for quick identification of cash flows of the Unit during the analyzed year and its relation to the preceding period

Description	01.01.2008 -31.12.2008		01.01.2007 -31.12.2007		Dynamics 2008/2007 (%)
	Thousand PLN	Structure (%)	Thousand PLN	Structure (%)	
1. Financial results	6 808	100,0%	6 802	100,0%	0,1%
2. Total adjustments	1 638	24,1%	571	8,4%	186,9%
3. The flows from operating activities	8 445	124,1%	7 373	108,4%	14,5%
4. Proceeds from investing activities	135	2,0%	103	1,5%	32,0%
5. Expenditure on investment activities	-32 592	-478,8%	-14 338	-210,8%	127,3%
6. The flows from investing	-32 457	-476,8%	-14 235	-209,3%	128,0%

activities					
7. Proceeds from financing activities	8 358	122,8%	43 564	640,4%	-80,8%
8. Expenditure on financing activities	-5 781	-84,9%	-9 263	-136,2%	-37,6%
9. The flows from financing activities	2 577	37,9%	34 301	504,3%	-92,5%
10. Total net cash flow	-21 435	-314,9%	27 439	403,4%	-178,1%

II.3.2. In 2008, the Group recorded a significant expenditures of cash for investing activities - gained in previous year from the issuance of shares was invested mainly in fixed assets and the acquisition of a subsidiary.

II.3.3. The group received positive flows from operating activities, however the flow in 2008 was higher by 14.5% of the flow recorded in 2007.

II.3.4. Impact on financial activity was reported in 2008 by incurring loans and a significant amount of given grants.

II.4. Profitability

II.4.1. The indicators allow to assess the viability of effectiveness of the Unit and its changes as measured by the results of the relationship to other values that describe finances of the Unit.

II.4.2. The average values in the analysis was calculated as the average of the values at the beginning and end of the year.

Index	Formula index	Recommended	2008	2007	2006
Profitability of sales	Net sales / Income from sales	max	19,5%	20,6%	20,4%
The profitability of gross sales	Gross sales / Income from sales	max	23,2%	22,4%	18,3%
The profitability of net sales	Net result / Income from sales	max	18,6%	19,0%	14,8%
The profitability of net assets	Net result / average value of total assets	max	9,6%	15,4%	23,8%
The profitability of net equity	Net result / average equity value of no return	max	13,0%	24,4%	109,3%

II.4.3. In 2008, the Company recorded a slight fall in the value of the index of profitability of sales, however, improved result on other operating income led to improved profitability of gross sales ratio.

II.4.4. The slight deterioration in the value of net return on sales is due to increase of the share of income tax in gross results in recent years.

II.4.5. The deterioration of the profitability rate of net at the end of 2008 in comparison to the previous year is due to the systematically increasing balance sheet of the Company in the entire analyzed period, and lesser growth of net income.

II.5. Cash flow

II.5.1. Liquidity ratios help to assess the financial ability of the Unit to timely discharge liabilities. The following values are indicative values, which may be modified depending on the industry, in which the entity operates.

II.5.1.1 The low value of indices of liquidity may mean the risk of difficulties in regulating the commitments on time. The risk is reduced by the possibility of any additional borrowing commitments of the Unit (such as current loans);

II.5.1.2 The high value of the index can provide the liquidity measures to freeze assets in a rotary, which may reduce the profitability of equity.

Index	Formula index	Recommended	2008	2007	2006
Current Liquidity	(Stocks + short-term measures + cash accruals of cash-generating revenue) / (current liabilities + accruals accounting for expenses)	1,4-2,0	2,52	4,50	1,67
Fast liquidity	(Short-term + short-term financial assets + accruals generate receipts) / (current liabilities + accruals accounting for expenses)	0,8-1,0	1,56	3,80	1,22
Covering commercial liabilities by claims	(Claims for supplies and services / payable in respect of the supplies and services)	>1,0	1,04	1,"	2,99
Working capital	Assets Turnover - liabilities - passive accruals	max	7 743,9	34 382,3	5 042,9
The share of working capital in the assets	(Assets Turnover - liabilities - passive accruals) / Total assets	max	10,3%	51,3%	7,5%
The average duration of	(Average value of claims for supplies and	-	59,2	62,3	60,7

claims repayment in days	services * 365) / (+ Sales Tax on goods and services due)				
The average duration of commitments for supplies and services in days	(Average value of liabilities for the supply of services, 1 * 365) / (Operating expenses- Depreciation - The cost of labor - Taxes and fees + tax on goods and services charged for purchases)	-	118,3	76,1	42,8

II.5.2 The indicators that describe the Company's liquidity in 2008 were at satisfactory levels.

They did not point to the existence of risks associated with the loss of liquidity by the Company.

II.5.3 The current liquidity ratio decreased in 2008 in comparison to the previous year, despite the reduction, however, developed at a level higher than considered desirable.

II.5.3.1. Exceptionally high levels of the indicators of liquidity and a rapid current to the end of 2007 was due to funds held by the Company in this period, raised from the issue of shares, and which in 2008 were intended for investments in tangible fixed assets.

II.5.4. Trade throughout the period of analysis covered trade payables, which means low risk of problems with the repayment of obligations of the Company

II.5.5 The reduction in working capital over the last year was due to the use of funds held at the end of 2007, however, a working capital in assets in excess of 10% is a satisfactory level.

II.5.6. The average duration of the obligations of the Company has significantly increased over the past two years, which means that the Unit is credited by their suppliers much longer. Simultaneously, small changes in an average period of run-off charges may indicate that the Company in the last period of the analysis uses more trade credit to finance its activities.

II.6. Efficiency of resources

II.6.1. Indicators of efficiency of resources enable to assess the effectiveness of the use of property of the Unit and their changes.

II.6.1.1. Indicators of assets and tangible fixed assets determine the ability to generate revenues by assets, increasing values mean improving performance of management means, although it may also indicate the difficulties in restoring fixed assets

II.6.1.2 Indicators of stocks rotation determine the period over which the average stock is held between their purchase and consumption or sale. Shortening the period of rotation represents an improvement of property marketing.

Index	Formula index	Recommended	2008	2007	2006
Rotation of assets	Proceeds from sales / Average total assets value	max	0,5	0,8	1,6
Rotation of tangible fixed assets	Proceeds from sales / average value of tangible fixed assets	max	1,1	2,5	4,2
Rotation of stocks of materials in days	(Average value of material * 365) / (Cost of materials + value of sales materials)	min	56,6	47,9	24,7
Rotation of stocks and production of intermediates in days	Rotation of stocks and production of intermediates in days (average value of intermediate products and work in progress * 365) / Operating expenses	min	38,9	24,9	20,1
Rotation of finished products in days	(The average value of finished products * 365) / Operating expenses	min	58,3	32,4	23,6
Rotation of stocks in days	(Average value of the goods * 365) / The value of goods sold	min	184,6	155,9	166,7
Profitability of employee in thousands PLN	Proceeds from sales / Average number of employees in post	max	153,4	160,6	157,5

II.6.2. The values of indicators depicting rotation of tangible assets, and fixed assets decreased slightly in 2008 in comparison to previous years, as related to the Company's investments in tangible fixed assets and the increase of the total amount.

11.6.2.1. With changes in value of the index of rotation of tangible fixed assets, it is showed that the in revenue generated by the Company at the turn of the last two years for every PLN committed in tangible fixed assets it fell by 3.1 PLN on the average.

II.6.3. Increasing the value of rotation of stocks in 2008 in comparison to the previous year is due to the maintenance of higher inventory, which is intended by the Company's policy to accelerate the execution of orders and improving customer relationship.

II.6.4. Increase of an employee profitability rate in the last year of analysis compared to the previous year is due to a better and more efficient machinery park.

II.7. Financing of business activity

II.7.1. Debt indicators help to assess risk, which the Unit in connection with the structure of liabilities and the relationship between liability maturity (the date on which the obligation should be addressed) and the maturity of assets (the date that the asset will generate economic benefits) is burdened.

II.7.1.1 The indicator of financing equity and to cover the obligations by the equity can assess the commitment to the owners in financing the funds of the Company. From a point of view of security of financial source structure, maximizing its value is the best way. On the other hand, an excessive share of equity means that the unit does not fully exploit the available leverage.

II.7.1.2 The indicator of covering long-term capital assets by own funds determines the degree of fulfillment of the basic principles of a balanced balance sheet, indicating that the capital on maturity of more than one year should fully cover the value of assets with maturity over one year.

Index	Formula index	Recommended	2008	2007	2006
Funding of equity	Equity / Total liabilities	>30%	75,5%	82,5%	35,0%
Equity commitments	Equity / Liabilities and reserves for liabilities	>45%	307,5%	471,4%	53,9%
Coverage of long-term assets with long-term capital	Long-term liabilities (current assets + Claims of due pow. 12M.)	>100%	126,4%	264,0%	161,1%
Sustainability of funding	Long-term liabilities / Total liabilities	max	87,4%	85,3%	69,7%

II.7.2 The indicators depicting the Company's financing activities were at the end of 2008 at a very safe levels.

II.7.3 The Company was financed in more than 75% of equity at the end of 2008, which is a very safe situation.

II.7.4 Equity value of the Company and its non-current liabilities at the end of 2008 exceeded the long-term value of the assets involved, which means that there is no risk of non-current assets to cover liabilities.

II.8. An assessment of the continuation of business activity

II.8.1. As a result of our audit of the financial statements, including analysis of financial position of the Unit, no threat to continue business activities in the following year after the examination, as a result of intentional or involuntary omissions, or significantly reduce the current activity, was found.

III. DETAILED PART

III.1 assessment of the correctness of accounting system.

III.1.1. The Unit has a file describing the current policy (policy) of accounts approved by the Board of Directors.

III.1.1.1 The study indicated the documentation showed that it satisfies the requirements of the accounting as to the completeness and accuracy.

III.1.1.2 Principles (policy) of accounting is conducted in a reasonable and continuous way.

III.1.1.3 Management Unit has provided the essential aspects of the comparability of financial data for all periods presented in the financial statements,

III.1.2. The accounts shall be carried out using a computer system of Symphony Forte as of journal, books and to the trial balance and subsidiary accounts.

III.1.3. The accounts are conducted in a fair, verifiable way and their records are properly related to the evidence and financial accounting.

III.1.4. The operating business documentation is correct and meets the requirements of the Accounting Act.

III.1.5. The method of securing access to the data and system processing data using computer are sufficient to ensure their safety.

III.1.6. The accounting records, accounts and financial statements are sufficiently protected.

III.1.7. The unit made an inventory of assets and liabilities in accordance with the provisions of the Act on accounting and correctly cleared the results of the inventory in the books.

III.2 An assessment of the internal audit activities

III.2.1. Head of the Unit is responsible for establishing and applying the principles and procedures of internal control and maintenance of a system of internal control.

III.2.2. In order to improve selection procedures, a sample survey was carried out in order to review the operating system of internal control. It was not our goal to disclose all irregularities and weaknesses of the system, or to test the efficiency of its operations.

III.2.3. The system of internal control of the Unit is a system based on both the formal rules as well as on informal, verbal commands of the management of Unit.

III.2.4. During the study no significant anomalies of the system of internal control were found.

III.3. Evaluation and characterization of the main balance sheet and profit and loss account items

III.3.1. The items shown in the balance sheet and profit and loss account arise from the books of accounts and are in important respects, valued, classified and presented in accordance with the requirements of the accounting.

III.3.2 On the basis of the test procedures carried out in a test sample, we assessed balance shown in the balance

sheet in all important respects as real, and income and expenses as in material respects in accordance with the principle of proportionality and accrual.

III.3.3 Characteristics of selected items in the balance sheet and profit and loss account.

III.3.3.1. Tangible fixed assets

III.3.3.1.1 The Company correctly determines the initial value of the acquired assets.

III.3.3.1.2 Fixed assets are depreciated to the estimated period of economic utility (separately determined the amount of depreciation for the balance sheet and tax). Depreciation rates were revised during the year under consideration. No need to change the amortization period used for fixed assets

III.3.3.1.3. Assets under construction consist mainly of machinery and equipment investment. No cancelled investments were found. The company plans to complete the effort and cast their fixed assets for use in 2008.

III.3.3.1.4 The existence of machines not in use or such which for other reasons should be included in the write-down were not found.

III.3.3.2 Long-term investments

III.3.3.2.1. It covers mainly the value of the shares in a subsidiary of ELEKTROPORCELANA CIECHÓW SA. Shares valued by purchase cost. The existence of the copy submitted for updating the value of the shares was not found

III.3.3.3 Long-term accruals.

III.3.3.3.1 Deferred tax income was estimated correctly. The main titles for the creation of assets for the deferred income taxes represent the provision for employee benefits, not paid wages, salaries, social security, created accounts updating value of write-offs and stocks.

III.3.3.4 Stocks.

III.3.3.4.1 Stocks have been subjected to a census by nature as at the balance sheet date. We participated in the selected censuses by nature. The observed censuses are assessed as valid. Cleared inventory differences were found in the books.

III.3.3.4.2. The company sets the value of the initial components of the acquired stock in a proper way.

III.3.3.4.3. For all components of inventories, an analysis of the outstanding stock was made. As a result of the procedure and received explanations, no need to make significant write-downs because of the value of outstanding stocks was identified.

III.3.3.4.4 We did not state, that relevant stock items have been disposed after the balance sheet date for less than their valuation of balance sheet.

III.3.3.5 Claims for supplies and services

III.3.3.5.1 Claims for supplies and services was listed as at 31 November 2008 by the Company and obtained support for the balance of 65.0% with the counterparties. Inventory differences were cleared.

III.3.3.5.2 The Company's accounts receivable write-offs according to our assessment, sufficiently safeguards the credit risk of the Company.

III.3.3.5.3 Claims in foreign currency were properly valued at the exchange rates of the average balance sheet date of National Bank of Poland.

III.3.3.5.4 As part of the sample, we independently confirmed 12.5% of the outstanding balance of debts owed by unrelated individuals, confirming that the claims are fully disclosed and in appropriate amount

III.3.3.6 Cash and cash equivalents.

III.3.3.6.1 The balance of cash in banks was confirmed by the banks on the balance sheet date. The balance of cash on hand was covered by the census of the balance sheet date. Cash in the currency was valued at the average exchange rate at the balance sheet date.

III.3.3.7 Prepaid expenses.

III.3.3.7.1. We recognize settlement at the time of the notes referred to in title 10 of the notes as a reasonable. Reasonable period of settlement was adopted.

III.3.3.8 Equity.

III.3.3.8.1 financial result for 2007 has been, in accordance with a resolution of the Assembly of Shareholders, assigned for the dividend to shareholders and increase of the capital reserve. Changes in equity are presented correctly in the statement of changes in equity.

III.3.3.8.2 No errors or changes in accounting policy so important as to require recognition directly in equity, excluding the results of the period, were found.

III.3.3.9 Provisions for liabilities.

III.3.3.9.1 The company estimated reserve for deferred income taxes in the correct amount. The main title of a provision for deferred income tax is the difference between the tax base (lower) and sheet (higher) of fixed assets. The difference is due to balance sheet and to faster clearance of the cost of the tax cost of fixed assets in the accounts of the lease. In addition, a reserve was created for the transition relation of positive exchange rate differences.

III.3.3.9.2 Provisions for retirement bonuses were estimated by the actuary. The company has calculated and has included a provision for unused leave correctly.

III.3.3.9.3 The existence of litigation requiring the provision was not found.

III.3.3.10 Financial liabilities.

III.3.3.10.1 Commitments in respect of loans have been confirmed to date by the banks. Interest for 2008 was calculated and recorded in the corresponding period.

III.3.3.10.2 Balance obligations leases shown under "Other liabilities" includes part of capital and is in

accordance with signed agreements.

III.3.3.10.3 Division of financial liabilities on the part of long-and short-term is correct.

III.3.3.11 Financial of supplies and services.

III.3.3.11.1 The Company has confirmed their obligations to counterparties not independently. We have a procedure for independent confirmation of selected liabilities balances as at 31.12.2008. Therefore, we have confirmed the commitment of 54,4% of the carrying value of commitments for supplies and services. Examined sample confirmed that the commitments are in important respects complete and made public in the correct amount, except for liabilities to foreign contractor Maillefer in the amount of 178 thousand PLN. Commitments concerned the delivery of machinery and equipment made in 2008, which have been disclosed in the balance sheet at low values. As the undisclosed liability does not affect the financial results, following the principle of materiality we did not put a reservation in the opinion of the auditor.

III.3.3.11.2 Liabilities of tax, customs and social security are due to the complex tax returns and have been properly inventoried.

III.3.3.12 Revenues and costs.

III.3.3.12.1 Random review confirmed in vital respects that the presentation and valuation of costs and revenues reported in the profit and loss account was complete and appropriate.

III.3.3.12.2 Titles of other operating income and expenses are presented in notes 22 and 23.

III.3.3.12.3 Titles of income and expense accounts were presented in notes 24 and 25.

III.4 Assessment of additional information

III.4.1. Additional information consisting of the introduction to the financial statements and supplementary information includes complete explanations of the data in accordance with the requirements of the accounting and in accordance with the facts.

III.5 Evaluation of cash flow statement.

III.5.1 The cash flow statement has been properly prepared in accordance with the provisions of the Act on Accounting.

III.5.2 Data shown in the cash flow is in line with balance sheet and profit and loss account and the cash flows have been classified to the respective line item.

III.6 Assessment of statement of changes in equity

III.6.1 Summary of changes in equity have been prepared properly in accordance with the provisions of the Act on Accounting.

III.6.2 Data shown in the statement of changes in equity is consistent with the balance sheet and profit and loss account and the amount of changes in equity have been classified in the appropriate line item.

III.7 Assessment of report on unit's activity

III.7.1. Report on the activities of the unit for the period from 1 January 2008 to 31 December 2008 meets the relevant requirements of Article 49 paragraph 2 of the accounting and the provisions of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information submitted by issuers of securities and the terms Recognition as equivalent to the information required by the law of a non-Member State (Journal of Laws of 2008 No 33, item 259), and the information derived from audited financial statements.

III.8. Information of auditor's opinion

III.8.1. In our opinion, the audited financial statements, including figures and explanations:

III.8.1.1 truly and fairly presents all information relevant to the assessment of the property and the Company's financial statements at 31 December 2008, as well as its financial results for the financial year from 1 January 2008 to 31 December 2008,

III.8.1.2 was prepared, in all vital respects, in accordance with established principles of law (policy) on the basis of accounting and on the accounts properly conducted,

III.8.1.3 presents data in accordance with the provisions of the accounting and the requirements of the Minister of Finance dated 19 February 2009 on current and periodic information submitted by issuers of securities and the conditions for recognition as equivalent to the information required by the law of a non-Member State (Journal of Laws of 2009 No 33, item 259),

III.8.1.4 is consistent with the contents of the financial laws and the provisions of the Company's Statute.

Maciej Czapiewski

Marek Dobek

Auditor No 10326/7604

Auditor No 10294/7580

Vice President of M2 HLB Audit Sp. z o.o. Entity entitled to audit the financial statements, included on the list of entities eligible for examination under number 3149

Bydgoszcz, 30 March 2009

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