

**Report of the Supervisory Board
of RADPOL S.A. based in Człuchów
for the General Meeting of Shareholders
for the period from 01.01.2008 to
31.12.2008**

Pursuant to the provisions of Article 382 § 3 of the Code of Commercial Companies, the Supervisory Board of RADPOL S.A. submits to the General Assembly of RADPOL S.A. a report on its activities in 2008

1. Composition of the Supervisory Board

The Supervisory Board in 2008 to acted in the following composition:

1. Grzegorz Jan Bielowicki:
President of the Supervisory Board from 01-01-2008 to 31-12-2008
2. Zbigniew Janas:
Vice-President of the Supervisory Board from 01-01-2008 to 31-12-2008
3. Tomasz Firczyk
The Secretary of the Supervisory Board from 01-01-2008 to 31-12-2008
4. Tomasz Kapliński
Supervisory Board Member from 01-01-2008 to 24-04-2008
5. Krzysztof Wachowski
Supervisory Board Member from 01-01-2008 to 21-04-2008
6. Krzysztof Kurowski
Supervisory Board Member from 01-01-2008 to 31-12-2008
7. Marcin Kowalczyk
Supervisory Board Member from 21-04-2008 to 31-12-2008

2. Meetings of the Supervisory Board

In accordance with Chapter 2 Section 1 Rules of Procedure of the Supervisory Board of the Company, the Council met at least once a quarter. In past years the meetings were held on:

- March 27 2008,
- 21 April 2008
- 18 June 2008,
- 31 July 2008,
- 7 October 2008,
- 4 November 2008,
- 11 December 2008

In 2008, the Council has taken 23 resolutions and worked on positions covered by the agenda. Protocols from the meetings of the Board have been drawn up and are kept on the premises of the Company.

3. Information on the execution of duties related to the General Assembly of RADPOL S.A.

In 2008, a general meeting (21 April 2008) took place and in accordance with good practices for members of the supervisory boards, the Council gave an opinion on the matters to be discussed on this meeting, and above all:

- approval of the report of the Supervisory Board of RADPOL S.A. for general assembly of shareholders of RADPOL S.A. for 2007
- approval of the financial report of the Company for 2007
- approval of the report concerning activities of the Company for 2007 drawn up by the Board of Directors
- granting an exoneration to all members of the board for completion of their duties in 2007,
- appointment of members of the board of the company for a new term,
- authorizing the board of the company to acquire its own shares for their redemption,
- distribution of profit for 2007.

4. Assessment of the situation of RADPOL S.A. and the Capital Group

a) The economic-financial results for 2008

RADPOL SA.

In 2008, the Company has achieved the following results:

- net profit of 6,808 thousand PLN
- net income for the sale of products, goods and materials amounting to 36,653 thousand PLN

CAPITAL GROUP RADPOL S.A.

In 2008, the Company has achieved the following results:

- net profit of 8,615 thousand PLN
- net income for the sale of products, goods and materials amounting to 45.056 thousand PLN

The Supervisory Board has exercised constant supervision over the activities and the work of the Board by:

- analysis of materials delivered by the Board at the request of the Council,
- obtaining information and clarifications from the Board Members and employees of RADPOL S.A.
- activities of the auditor, who was elected by the Council to review and test financial and accounting records and financial statements made on its basis.

b) The assessment of internal control and risk management system vital to the Company

The system of internal control is implemented in RADPOL S.A. through the examination of the accounts by the external auditors and risk management which system is significant for the Company and is being carried out on the level of the Board of Directors and the Supervisory Board in accordance with current statutory documents.

To the meeting of the Council, the Management Board, which provides information on the situation of the Company is invited

In addition, the Company has implemented an integrated management system (in accordance with ISO 9001:2000 and ISO 14001:2004), which defines competence and responsibilities of RADPOL S.A. staff.

- **The choice of an auditor to audit the financial statements of the Company**

In order to comply with obligations set out in article 382 § 3 of the Code of Commercial Companies and Article 17.2 paragraph 1 of the Statute of the Company, the Supervisory Board by Resolution No. 4O/0512008, to examine the financial statements for 2008, chose the company M2 Audit Sp. z o.o. based in Bydgoszcz included in the list of entities entitled to audit the financial statements under the number 3149, which acted on behalf of the auditor Mr. Maciej Czapiewski, inscribed on the List of Auditors under number 10326/7604.

- **Examination of the financial statements for 2008**

Issues subject to examination:

1) Separate financial report of RADPOL S.A. including:

- a) the balance sheet drawn up on 31.12.2008, which shows the sum of 75,009 thousand PLN (in words: seventy five million nine hundred thousand) of total assets and liabilities
 - b) profit and loss account for the period of 01.01.2008 - 31.12.2008 showing a net profit of 6,808 thousand PLN (in words: eight hundred six million eight hundred thousand).
 - c) cash flow for the period from 01.01.2008 to 31.12.2008, showing a decrease in net cash flows amounting to 21,435 thousand PLN (in words: twenty one million four hundred thirty five thousand).
 - d) a statement of changes in equity for the period 01.01.2008 - 31.12.2008 showing an increase in shareholders' equity amounting to 1,356 thousand PLN (in words: one million three hundred fifty six thousand).
 - e) additional information, including introduction to the financial statements and additional notes and explanations.
- 2) Report of the Executive Board of the Company for the period 01.01.2008 - 31.12.2008 "
- 3) The consolidated financial statements of the Capital Group RADPOL S.A. includes:
- a) balance sheet drawn up on 31.12.2008, with total assets and liabilities showing the sum of 85,373 thousand PLN (in words: eighty five million three hundred seventy three thousand).
 - b) profit and loss for the period 01.01.2008 - 31.12.2008 onwards showing a net profit of 8.615 thousand PLN (in words: eight million six hundred fifteen thousand).
 - c) cash flow for the period from 01.01.2008 to 31.12.2008 showing a decrease in net cash flows amounting to 20,850 thousand PLN (in words: twenty million eight hundred fifty thousand).
 - d) a statement of changes in equity for the period 01.01.2008 - 31.12.2008 showing an increase in shareholders' equity amounting to 3,604 thousand PLN (in words: three million six hundred four thousand).
 - e) additional information, including an introduction to the financial statements and additional notes and explanations.
- 4) Report of the Board concerning activity of Capital Group RADPOL S.A. for the period 01.01.2008 - 31.12.2008 "

The Supervisory Board considered:

- Feedback of an unbiased auditor and reports supplementing opinions of unitary and consolidated financial statements for the period 01.01.2008-31.12.2008,
- Unitary and Consolidated Financial Statements drawn up on 31.12.2008,
- Reports of the Executive Board of the Company and the Capital Group for the period 01.01.2008 - 31.12.2008.

- **Result of examination and evaluation**

The unitary and consolidated financial statements were conducted pursuant to the provisions of the Act of 29.09.1994 on the accounting (Journal of Laws of 2002 No 76, item 694, as amended) and the standard practices of the auditor, issued by the National Council of Chartered Accountants.

According to the auditor, the financial statements:

- Present truly and fairly all information relevant to the assessment of property and financial situation of the Company and the Capital Group of RADPOL SA, so the financial results for the year 2008,

- Have been prepared in all vital respects, in accordance with the rules (policies) accounting of IAS, IFRS and related interpretations published in the form of regulations of the European Commission, and in the absence these Standards - the application of the requirements of the accounting and issued on its under the provisions of regulations,
- Presenting data in accordance with the requirements of the Minister of Finance of 19.02.2009, in the experts 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 States (Journal of Laws of 2009 No 33, item 259),
- Are consistent with the provisions of the law influencing the content of the financial statements

The auditor does not object to the accuracy and reliability of audited financial statements, takes notes on the following issues:

- Consolidated financial statement of Capital Group RADPOL S.A. is the first annual consolidated financial statement prepared by RADPOL S.A. and is the first annual report of financial statements in accordance with IFRS. The comparatives include the results of the main unit calculated for the past year. The date of acquisition under IFRS I, "Application of IFRS for the first time" is 1 January 2007,
- In 2008, RADPOL S.A. took control over Elektroporcelana Ciechów SA. Takeover was cleared in the consolidated financial statements by the method of acquisition. Allocated purchase price to acquired assets and liabilities and the determination of company's value is provisional. The provisional bill is in line with the IFRS 3, however, the final settlement of the acquisition is likely to affect the fair values of assets and liabilities and company's value.

According to the auditor, reports from the activity of the Company and of Capital Group RADPOL S.A. for 2008 meet the relevant requirements of Article. Paragraph 49. 2 of the Accounting Act and the provisions of the Decree of the Minister of Finance of 19.02.2009 on current and periodic information submitted by the Issuers of securities and the conditions for recognition as an equivalent to information required by law of a non-Member State, and information included in them are consistent with the audited financial statements.

The Supervisory Board, after hearing the opinions and reports of the auditor, accepted those statements.

The Supervisory Board has examined the reports of the Board concerning activity of the Company and the Capital Group in 2008 and judged them as properly describing the activity of the Company and the Capital Group at present.

The Supervisory Board gives unitary and consolidated financial statements for 2008, Report of the Board concerning the activity of the Company for 2008 and the Report of the Board concerning the activity of the Capital Group for 2008 a positive feedback.

The Supervisory Board does not support the proposal the Board on the distribution of profit for 2008 and believes that the 15 GR per share, ie 3 592 741.50 PLN (about 53%) of profit should be earmarked for dividend and the remainder for capital reserve for the purchase of own shares.

With reference to all these points, the Supervisory Board unanimously adopted:

- The financial statements for 2008, together with the Report and Opinion of the auditor testing them,
- Report of the Executive Board of the Company for 2008,
- Consolidated financial statements for 2008, together with the Report and the Opinion of the auditor testing them,
- Report of the Board concerning the activity of the Capital Group for 2008

The Supervisory Board also adopted the present report for submission to the General Meeting of Shareholders and presents below its conclusions addressed to the General Assembly of Shareholders on those reports and the exoneration to the members of the Board.

5. The rules of work of the Supervisory Board in 2008

In order to comply with its obligations, the Supervisory Board has been receiving any information and clarification from the Executive Board of the Company on the situation of the Company and the investment work. Meetings of the Board took place in accordance with the Rules of Procedure of the Supervisory Board, which is defined by the convening and holding of meetings and voting rules.

Minutes of the meetings were prepared in accordance with the principles of drawing up the minutes of the meetings of the Board of RADPOL S.A.", which was adopted for use according to Resolution 33/05/2008 of 27 March 2008 (Terms and

conditions are available on the website of RADPOL SA: www.radpol.com.pl).

6. Conclusions to the General Meeting of Shareholders

Taking into account all circumstances, the opinion of the auditor and the results of the examination, the Supervisory Board has taken resolutions implementing into the General Assembly of Shareholders the following:

- 1) Approval of the financial statements of RADPOL S.A. for 2008.
- 2) Approval of the report of the Executive Board of the Company for a period of 01.01.2008-31. 12.2008
- 3) Distribution of profit for 2008
- 4) Approval of the consolidated financial statements of Capital Group RADPOL S.A. for 2008
- 5) Approval of the report of the Executive Board of the Group for the period 01.01.2008-31.1 2.2008
- 6) The granting of exoneration to all Members of the Executive Board for completion of their duties in 2008
- 7) Approval of the report of the Supervisory Board of RADPOL S.A. based in Człuchów for the General Assembly of Shareholders for the period 01.01.2008-31. 12.2008