

**Half-yearly Activity Report of  
RADPOL SA Capital Group  
for the period 01.01.2009-30.06.2009**

**CZŁUCHÓW, AUGUST 2009**

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The information contained in the half-yearly consolidated report of RADPOL SA Capital Group includes reporting period from 01-01-2009 for 30-06-2009 and have been prepared in accordance with the Regulation of the Minister of Finance dated 19-02-2009 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 as well as, and the accounting regulations of 29-09-1994. (OJ No. 121 pos. 591 with subsequent amendments) and the International Accounting Standards and International Financial Reporting Standards.

Any information concerning the individual management accounts are included in the following report of RADPOL SA Capital Group.

### **1. Description of the organization indicating the units to be consolidated.**

Parent company, RADPOL SA Capital Group is based on RADPOL SA based in Człuchów registered on 26-10-2001. The company is registered under the number KRS 0000057155 District Court Gdańsk - Gdansk North, VIII Economic Department of National Court Register.

The total number of shares issued by RADPOL SA is 23 951 610 Series A and B shares, whose nominal value per one share is 0.03 PLN (nominal value of all shares 718 548.30 PLN):

- series A shares - 17 651 610 ordinary bearer shares

- series B shares - 6 300 000 ordinary bearer shares

RADPOL SA produces heat-shrinkable products, cable accessories, and production of wires and power cables. It specializes in range of refined Polyethylene based on its own, unique mixtures of materials suitable for treatment of crosslinking radiation.

Subsidiary of RADPOL SA Capital Group SA is Elektroporcelana Ciechów SA that entered register of entrepreneurs on February 15, 2002, under the number KRS 0000091338 District Court for Wrocław-Fabryczna, VI Department of National Court Register.

Elektroporcelana Ciechów SA specializes in the manufacture of electrical porcelain insulators, such as insulation of medium and low voltage. In addition, the company provides electrical and lighting fixtures, including: fuse socket, porcelain holders and light fittings. Significant position in the product mix are products made at the individual customer orders.

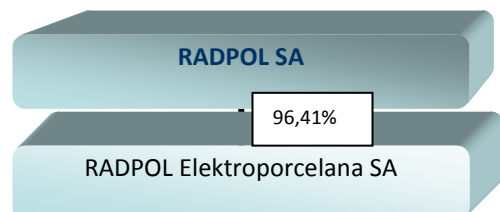
On 30.06.2009 RADPOL SA had a total of 42 286 series A and B shares with a nominal value of 50.00 PLN each, representing 96.10% of share capital and 97.48% of the votes at the AGM of RADPOL SA:

Series A shares - 18 286 ordinary shares

Series B shares - 24 000 shares of preferred stock as to voting, so that each Series B share is entitled to two votes at the general meeting of shareholders.

The issuer after June 30, bought shares of RADPOL SA and has a total of 42.422 of series A shares and series B shares (92.11% series A shares and 100% series B shares), representing 96.41% of the share capital and 97.68% of the total number of votes at the general meeting of the Company.

### **Organigramme of RADPOL SA Capital Group**



### **2. Indication of the effects of changes in the structure of the enterprise.**

On 01.06.2009, the subsidiary Company in accordance with Resolution No. 19/09 of the General Assembly of Shareholders dated 30.03.2009 for the amendment of the Company's corporate name changed its name from Elektroporcelana Ciechow SA the RADPOL Elektroporcelana SA.

There were no changes other than the above-mentioned in the structure of the enterprise.

### **3. The position of the Board on the feasibility of the results previously published forecasts for the year.**

RADPOL SA has not published the forecasts of results for 2009.

### **4. Indication of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of**

**votes at a general meeting of the issuer, together with an indication of the number of shares held, percentage of share capital, the number of votes resulting from, and their percentage of the total number of votes at the general meeting. The shareholding structure as at 30-06-2009:**

Name / name of Shareholder	Number of shares	Share capital (%)	Number of votes at AGM	Share in the total number of votes at AGM (%)
*Tar Heel Capital R LLC	5 465 935	22,82	5 465 935	22,82
Grzegorz Bielowski	3 031 572	12,66	3 031 572	12,66
Marcin Wysocki	3 031 572	12,66	3 031 572	12,66
*BZ WBK AIB AM, w tym BZ WBK AIB TFI	2 300 425	9,60	2 300 425	9,60
ING Nationale-Nederlanden OFE	1 814 854	7,58	1 814 854	7,58
*Aviva Investors Poland S.A. (former Commercial Union Investment Management (Poland) S.A.)	1 340 649	5,60	1 340 649	5,60
*Commercial Union Specjalistyczny Fundusz Inwestycyjny Otwarty	1 298 858	5,42	1 298 858	5,42

\* Marked changes in the ownership structure

After 30 June 2009 the Company received information about the acquisition by "TAR HEEL CAPITAL R, LLC" - entity closely related to a member of the Supervisory Board - of 4.900 shares of the Issuer, representing 0.02% of the share capital RADPOL SA and an entitlement to 4 900 votes (0.02% of the total number of votes) at a general meeting of the Company (RB No. 31/2009).

A shareholder has a total of 5 470 835 shares of RADPOL SA, representing 22.84% of share capital and entitling the Issuer to 5 470 835 votes (22.84% of the total number of votes) at a general meeting of the Company.

**The ownership structure of major holdings of RADPOL SA at the date of the issue of report for the first quarter of 2009 (11-05-2009):**

Name / name of Shareholder	Number of shares	Share capital (%)	Number of votes at AGM	Share in the total number of votes at AGM (%)
Tar Heel Capital R LLC	5 449 885	22,75	5 449 885	22,75
Grzegorz Bielowski	3 031 572	12,66	3 031 572	12,66
Marcin Wysocki	3 031 572	12,66	3 031 572	12,66
ING Nationale-Nederlanden OFE	1 814 854	7,58	1 814 854	7,58
BZ WBK AIB AM, w tym BZ WBK AIB TFI	1 550 000	6,47	1 550 000	6,47
Aviva Investors Poland S.A. (former Commercial Union Investment Management (Poland) S.A.)	1 536 936	6,42	1 536 936	6,42
Commercial Union Specjalistyczny Fundusz Inwestycyjny Otwarty	1 228 528	5,13	1 228 528	5,13

## 5. Pledge of ownership of shares of the Issuer, or rights to them by managers and supervisors of the Issuer.

### RADPOL SA Człuchów

Name	Number of shares	Nominal value (0,03 PLN per share)	Share capital (%)	Number of votes at AGM	Share in the total number of votes at AGM (%)
<b>The Supervisory Board:</b>					
Grzegorz Bielowicki	3 031 572	90 947,16	12,66	3 031 572	12,66
Tomasz Firczyk	1 000	30,00	0,004	1 000	0,004
<b>Board of Directors:</b>					
Andrzej Sielski	182 203	5 466,09	0,76	182 203	0,76
Grzegorz Malczyk	182 203	5 466,09	0,76	182 203	0,76

Following the submission of the report for the first quarter of 2009 (ie from 11-05-2009), there were no changes in ownership of the issuer's shares or rights to them by managers and supervisors.

### RADPOL SA Elektroporcelana Ciechow

On 02.03.2009, there was a contract of sale-purchase of shares of RADPOL Elektroporcelana SA, by which member of the Board of RADPOL Elektroporcelana SA sold all of the shares of RADPOL Elektroporcelana SA for RADPOL SA

## 6. Indication of the proceedings pending before the court for arbitration or public authority.

Such proceedings were not conducted.

## 7. Information about the conclusion by the Issuer or a subsidiary body of the one or more transactions with related parties, if individually or collectively they are significant and have been included on other terms than the market.

Not applicable.

## 8. Information about the awarding by the issuer or by a subsidiary of the credit or loan guarantees, or to guarantee - including one company or subsidiary of such entity, if the total value of the existing deposit or guarantee is equivalent to at least 10% of equity of the issuer

No sureties and guarantees to the mentioned value were not granted.

## 9. Other information that in the issuer's opinion is important to assess its staffing situation, property, financial, financial results and their changes, and information that are relevant to assessing the possibility of fulfillment of obligations by the issuer.

In the longer term, the Company assumes the achievement of additional benefits and an increase in gains from the increase in production capacity. In 2008 RADPOL SA officially launched a new electron accelerator more than 2-fold powerful than the first one, serving the Company for over 25 years.

Element associated with the startup of the new accelerator are the lines for the crosslinking system of pipes in a continuous and segmental design. To the execution of a continuous line system, RADPOL signed an agreement with the Swiss company MAILLEFER on the amount of 635 thousand CHF (1,352 thousand PLN) and the Polish firm Mechanics Industrial Machinery and Equipment for the line item with a value of 350 thousand PLN. The machines were delivered to the Company at the end of 2008. Installation and commissioning of equipment took place in the first quarter of 2009. From the second quarter, production tests were completed and production was started. Accelerator works at its full capacity now.

In the first quarter of 2009 a contract was signed with the company SYSTEM EUROPE to execute the crosslinking system of pipes in installments. The contract value amounted to 240 thousand euro. For the implementation of automation and control system ANIRO was responsible - a company, with which a contract in the fourth quarter of 2008 was signed at the value of 460 thousand PLN. The machines were delivered and installed in May 2009. In June 2009 testing was completed and operation of boot production began.

Last year, RADPOL SA Capital Group purchased: license rights, technology, certifications and approvals, and production line for ceramic insulators with polymer from the company Enecco Głogów. Polymer ceramic insulators used in overhead power transmission networks is a unique product because of its physical properties and its production process is much more efficient than the one of traditional products. Based on acquired technology, RADPOL SA plans to further extend the offer

through its own research and development that will enable the Company to introduce innovative solutions to the world market of the energy.

Market analysis shows the existence of new segments, such as radiation processing, crosslinking of polymeric pipes for hot water and sterilization of raw materials for the manufacture of pharmaceuticals, which RADPOL SA has a chance to step in with its offer, expanding the portfolio of existing customers. An important factor in the Company's sales growth will also be exploration of new market segments for use in gas shrink products, lignite mines, copper mines, and automotive electronics.

The company is actively seeking acquisitions that may substantially affect the performance of its financial results both at the level of consolidation and marketable-product synergy. The Company intends to finance the acquisition, both from its own resources and bank credit.

#### **10. Indication of the factors that in the assessment of the issuer will have an impact on the results achieved by them**

The priority of the Board of RADPOL SA are primarily investments in new technologies aimed at extending the range of the Company's portfolio, and thus improving the competitiveness on Polish and foreign markets. The company has two industrial accelerators, which are the only such facilities in Poland.

Board of RADPOL SA is convinced of the innovative products and solutions, thus actively applies for funds for projects and intends to continue to invest in rapidly developing technology and fixed assets to improve the market position of the Company.

In July 2009 the Company has already signed an agreement for funding under the No UDA-POIG.06.01.00-22-003/09-00 Action 6.1 "Passport to Export" by which it is possible to seek the resources to carry out the tasks contained in the "Passport to export" associated with the expansion of foreign markets and the introduction of new products and their certification. The prospects for the development of export activities by RADPOL SA demonstrates extension of economic cooperation in the markets: f.e. in Germany, in March 2009 and on the Italian market in May 2009 by maintaining direct contact of our representatives with customers by taking a business trip for a few months.

RADPOL SA wants to be closer to the customer, know the people and the peculiarities of this market. Western European markets are very attractive, but airtight. Only constant and direct contact and understanding the expectations of customers can bring the expected results.

The primary area of activity of representatives is Germany and other German-speaking countries such as Austria and Switzerland, Italy, the Netherlands, Belgium.

Further investments are planned in plant upgrades, designed to reduce electricity consumption. Since most manufacturing processes require heating, the main upgrade will involve the production of heating systems, which help to reduce the costs of business. The solutions also increase the efficiency of the production of heating.

#### **11. Description of the main threats and risks associated with the remaining months of the financial year**

The main threats and risks faced by the Companies of RADPOL SA Capital Group:

- 1) The collapse of the market of repairing-building industry.
- 2) Operation on the market where competitors are major international corporations with a global scale of business activity.
- 3) Not very advantageous location (distance from large customers, the region of low business activity).
- 4) Lack of access to highly qualified and specialized personnel (causing difficulties in supplementing the staff, the persons graduating from technical universities avoid returning in such small l in which there are production plants of Companies of RADPOL SA Capital Group are located).
- 5) Lack of long-term contracts with customers, a small variation of customers.
- 6) Growing competition of large manufacturers throughout the industry (prices, discounts, payment terms, and complexity of supply, rapid growth in capacity, rapid promotion of products).
- 7) Foreign competition (China). Overcapacity of foreign producers.
- 8) Lack of software to support production planning.
- 9) Foreign exchange risk in connection with the occurrence of assets and liabilities denominated in foreign currencies but it is restricted to a large extent by using the so-called natural hedging consisting of import purchases in currencies in which export sales are carried out.

Vice-Chairman of the Board  
Grzegorz Malczyk

Chairman of the Board  
Andrzej Sielski

Człuchów, 2009-08-20