

RADPOL SA Capital Group  
Condensed half- yearly consolidated financial statements for the period from 1 January 2009 to 30 June 2009  
together with  
condensed unitary half-yearly consolidated financial statements for the period from 1 January 2009 to 30 June 2009  
Figures in thousands PLN

## **RADPOL SA Capital Group**

**Condensed half- yearly consolidated financial  
statements for the period from 1 January 2009 to 30 June  
2009  
together with condensed unitary half-yearly consolidated  
financial statements for the period from 1 January 2009 to  
30 June 2009**

**Prepared in accordance with International Financial  
Reporting Standards**

Człuchów, 20 August 2009

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**I. Condensed half-yearly consolidated financial statements**

**Selected data of the condensed half-yearly consolidated financial statements**

| TITLE   | Thousand PLN                  |                               | Thousand EUR                  |                               |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | 01.01.2009<br>-<br>30.06.2009 | 01.01.2008<br>-<br>30.06.2008 | 01.01.2009<br>-<br>30.06.2009 | 01.01.2008<br>-<br>30.06.2008 |
| I. Net revenues from sales of products, goods and materials | 25 938                        | 19 129                        | 5 741                         | 5 501                         |
| II. Profit (loss) from operation activity                   | 3 676                         | 3 586                         | 814                           | 1 031                         |
| III. Profit (loss) - gross                                  | 3 579                         | 4 105                         | 792                           | 1 180                         |
| IV. Profit (loss) - net                                     | 2 734                         | 3 238                         | 605                           | 931                           |
| V. Net cash flows from operating activities                 | (1 062)                       | (2 602)                       | (235)                         | (748)                         |
| VI. Net cash flows from investing activities                | (2 992)                       | (18 450)                      | (662)                         | (5 305)                       |
| VII. Net cash flows from financing activities               | (2 729)                       | 2 259                         | (604)                         | 650                           |
| VIII. Net cash flow, together                               | (6 783)                       | (18 793)                      | (1 501)                       | (5 404)                       |
| IX. Total assets  | 83 230                        | 69 836                        | 18 621                        | 20 082                        |
| X. Liabilities and reserves for liabilities                 | 25 366                        | 14 333                        | 5 675                         | 4 122                         |
| XI. Long-term liabilities and reserves                      | 7 566                         | 3 089                         | 1 693                         | 888                           |
| XII. Current liabilities                                    | 17 800                        | 11 244                        | 3 982                         | 3 233                         |
| XIII. Equity  | 57 864                        | 55 503                        | 12 946                        | 15 960                        |
| XIV. Share capital  | 719                           | 719                           | 161                           | 207                           |
| XV. Number of shares  | 23 561 587                    | 23 951 610                    | 23 561 587                    | 23 951 610                    |
| XVI. Profit (loss) per ordinary share (in PLN / EUR)        | 0,12                          | 0,14                          | 0,03                          | 0,04                          |
| XVII. Book value per share (in PLN / EUR)                   | 2,46                          | 2,32                          | 0,55                          | 0,67                          |

Method of conversion into euro:

- In order to convert the balance sheet items by financial data, average exchange rate of NBP on the last day of the year was applied,
- Items in the income statement and cash flow are converted using the arithmetic mean of exchange prevailing on the last day of each month during the period.

|                       |                   |                   |
|-----------------------|-------------------|-------------------|
|                       | 01.01.-30.06.2009 | 01.01.-30.06.2008 |
| rate at end of period | 4.4696            | 3.3542            |
| average exchange rate | 4.5184            | 3.4776            |

20 August 2009

date      signature of the person responsible for conducting the accounts      the signature of the director of the unit

**Condensed consolidated statements of on 30 June 2009**

| Assets   | Balance sheet on<br>2009-06-30 | Balance sheet on<br>2008-12-31 | Balance sheet on<br>30.06.2008 | Opening balance<br>2008-01-01 |
|--|--------------------------------|--------------------------------|--------------------------------|-------------------------------|
| <b>Assets</b>  | <b>56 205</b>                  | <b>55 560</b>                  | <b>39 092</b>                  | <b>21 674</b>                 |
| Tangible assets  | 53 767                         | 52 922                         | 37 805                         | 20 526                        |
| Investment properties                                  | -                              | -                              | -                              | -                             |
| Intangible assets                                      | 1 152                          | 1 306                          | 643                            | 573                           |
| Goodwill   | 59                             | 59                             | -                              | -                             |
| Shares   | 4                              | 4                              | 4                              | 4                             |
| - Including investments accounted for using the equity | -                              | -                              | -                              | -                             |

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|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| method                                     |               |               |               |               |
| Long-term receivables                      | -             | -             | -             | -             |
| Other long-term financial assets           | -             | -             | -             | -             |
| Deferred tax liabilities                   | 556           | 782           | 523           | 560           |
| Other assets                               | 667           | 487           | 117           | 11            |
| <b>Assets</b>                              | <b>27 025</b> | <b>30 232</b> | <b>30 744</b> | <b>45 317</b> |
| Stocks                                     | 12 446        | 12 462        | 7 053         | 7 705         |
| Claims for supplies and services           | 13 306        | 9 402         | 10 578        | 7 886         |
| Claims arising from the current income tax | -             | 78            | -             | 179           |
| Other receivables                          | 333           | 647           | 1 918         | 1 193         |
| Other financial assets                     | 14            | 35            | 62            | -             |
| Cash and cash equivalents                  | 670           | 7 443         | 9 517         | 28 305        |
| Accruals                                   | 256           | 165           | 1 616         | 49            |
| <b>Assets classified as held for sale</b>  | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      |
| Tangible fixed assets held for sale        | -             | -             | -             | -             |
| Other assets classified as held for sale   | -             | -             | -             | -             |
| <b>Total assets :</b>                      | <b>83 230</b> | <b>85 792</b> | <b>69 836</b> | <b>66 991</b> |

| Liabilities   | Balance sheet<br>on<br>2009-06-30 | Balance<br>sheet on<br>2008-12-31 | Balance<br>sheet on<br>30.06.2008 | Opening<br>balance<br>2008-01-01 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|----------------------------------|
| <b>Total capital (fund)</b>   | <b>57 864</b>                     | <b>59 221</b>                     | <b>55 503</b>                     | <b>55 558</b>                    |
| Equity attributable to holders of the parent company                            | 57 472                            | 58 606                            | 55 503                            | 55 558                           |
| Core capital  | 719                               | 719                               | 719                               | 719                              |
| Unpaid share capital and own shares   | (2 373)                           | (1 859)                           | -                                 | -                                |
| Reserve capital from share issue  | 40 831                            | 40 831                            | 40 831                            | 40 831                           |
| Capital reserve from retained earnings  | 634                               | 171                               | 171                               | 171                              |
| Reserves  | 14 417                            | 9 905                             | 9 905                             | 6 722                            |
| Revaluation   | -                                 | -                                 | -                                 | -                                |
| Capital for hedge accounting  | -                                 | -                                 | -                                 | -                                |
| Exchange differences on translation of related units                            | -                                 | -                                 | -                                 | -                                |
| Participation in other income of associates                                     | -                                 | -                                 | -                                 | -                                |
| Accumulated results from previous years and other income                        | 510                               | 866                               | 639                               | 7 115                            |
| Profit (loss) for the year attributable to equity holders of the parent company | 2 734                             | 7 973                             | 3 238                             | -                                |
| Equity of shareholders and minority shareholders                                | <b>392</b>                        | <b>616</b>                        |                                   | <b>-</b>                         |
| <b>Liabilities and reserves</b>   | <b>7 566</b>                      | <b>4 474</b>                      | <b>3 089</b>                      | <b>858</b>                       |
| Deferred tax liabilities  | 1 645                             | 1 523                             | 328                               | 312                              |
| Provision for retirement and similar  | 652                               | 629                               | 328                               | 429                              |
| - Including long-term   | 469                               | 469                               | 242                               | 242                              |
| Other reserves  | -                                 | -                                 | -                                 | -                                |
| - Including long-term   | -                                 | -                                 | -                                 | -                                |
| Interest-bearing loans  | 5 269                             | 2 322                             | 2 433                             | 117                              |
| Other financial liabilities   | -                                 | -                                 | -                                 | -                                |
| Other non-current liabilities   | -                                 | -                                 | -                                 | -                                |
| <b>Short-term liabilities</b>   | <b>17 800</b>                     | <b>22 097</b>                     | <b>11 244</b>                     | <b>10 575</b>                    |
| Loans and advances  | 2 201                             | 3 658                             | 494                               | 551                              |
| Other financial liabilities   | 31                                | 44                                | -                                 | -                                |
| Trade payables and services   | 6 392                             | 9 468                             | 3 927                             | 7 095                            |

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|   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| Liabilities arising from the current income tax | 313           | 92            | 221           | 82            |
| Other liabilities                               | 2 881         | 2 517         | 5 702         | 1 802         |
| Deferred income                                 | 5 982         | 6 318         | 900           | 1 045         |
| <b>Classified as for sale</b>                   | -             | -             | -             | -             |
| <b>Liabilities total :</b>                      | <b>83 230</b> | <b>85 792</b> | <b>69 836</b> | <b>66 991</b> |

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**Condensed consolidated profit and loss account from the period from 1 January to 30 June 2009**

| Details  | RZiS for:<br>01.01.2009 -<br>30.06.2009 | RZiS for:<br>01.01.2008 -<br>31.12.2008 | RZiS for:<br>01.01.2008 -<br>30.06.2008 |
|--|---|---|---|
| Revenues from sales of products, goods and materials             | 25 938                                  | 44 415                                  | 19 129                                  |
| Cost of products, goods and materials sold                       | (15 454)                                | (25 845)                                | (11 754)                                |
| <b>PROFIT (LOSS) FROM THE GROSS SALES</b>                        | <b>10 484</b>                           | <b>18 570</b>                           | <b>7 375</b>                            |
| Cost of sales  | (1 799)                                 | (3 549)                                 | (1 431)                                 |
| General and administrative expenses                              | (5 023)                                 | (7 252)                                 | (2 513)                                 |
| <b>PROFIT (LOSS) FROM SALE</b>                                   | <b>3 662</b>                            | <b>7 769</b>                            | <b>3 431</b>                            |
| Other operating income   | 935                                     | 2 161                                   | 258                                     |
| Other operating expenses   | (921)                                   | (590)                                   | (103)                                   |
| Profit / loss on sale of all or part of the subordinated units   | -                                       | -                                       | -                                       |
| <b>PROFIT (LOSS) FOR OPERATING ACTIVITIES</b>                    | <b>3 676</b>                            | <b>9 340</b>                            | <b>3 586</b>                            |
| Financial income   | 156                                     | 773                                     | 522                                     |
| Financial expenses   | (253)                                   | (209)                                   | (3)                                     |
| Share in profits and losses of units using equity method         | -                                       | -                                       | -                                       |
| <b>PROFIT (LOSS) BEFORE TAX</b>                                  | <b>3 579</b>                            | <b>9 904</b>                            | <b>4 105</b>                            |
| Income tax   | (780)                                   | (1 808)                                 | (867)                                   |
| Other tax reduction  | -                                       | -                                       | -                                       |
| <b>PROFIT / (LOSS) FROM CONTINUING OPERATIONS</b>                | <b>2 799</b>                            | <b>8 096</b>                            | <b>3 238</b>                            |
| Profit (loss) from discontinued operations                       | -                                       | -                                       | -                                       |
| Profit (loss) from sold operations                               | -                                       | -                                       | -                                       |
| <b>PROFIT (LOSS) NET</b>   | <b>2 799</b>                            | <b>8 096</b>                            | <b>3 238</b>                            |
| Including profit of minorities                                   | 65                                      | 123                                     | -                                       |
| <b>Profit attributable to shareholders of the parent company</b> | <b>2 734</b>                            | <b>7 973</b>                            | <b>3 238</b>                            |

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**Condensed consolidated half-yearly income report from the period 1 January - 30 June 2009**

| Details  | SCD for:<br>01.04.2009 -<br>30.06.2009 | RZiS for:<br>01.01.2008 -<br>31.12.2008 | RZiS for:<br>01.01.2008 -<br>30.06.2008 |
|--|--|---|---|
| <b>PROFIT (LOSS) NET</b>                                     | <b>2 799</b>                           | <b>8 096</b>                            | <b>3 238</b>                            |
| Revaluation of financial assets held for sale                | -                                      | -                                       | -                                       |
| Revaluation of fixed assets and WNiP                         | -                                      | -                                       | -                                       |
| Cash flow hedges   | -                                      | -                                       | -                                       |
| Differences on translation of business activity              | -                                      | -                                       | -                                       |
| Participation in other income of associates                  | -                                      | -                                       | -                                       |
| Effects of incentive program                                 | -                                      | -                                       | -                                       |
| Revenue from the acquisition / disposal of minority interest | -                                      | -                                       | -                                       |
| Effects of changes in accounting policies                    | -                                      | -                                       | -                                       |
| Errors from previous years                                   | (58)                                   | -                                       | -                                       |
| <b>TOTAL OTHER REVENUE</b>                                   | <b>(58)</b>                            | <b>-</b>                                | <b>-</b>                                |
| Income tax on other income in total                          | (11)                                   | -                                       | -                                       |
| <b>TOTAL OTHER INCOME AFTER TRANSACTIONS</b>                 | <b>(69)</b>                            | <b>-</b>                                | <b>-</b>                                |
| <b>TOTAL REVENUE</b>   | <b>2 730</b>                           | <b>8 096</b>                            | <b>3 238</b>                            |
| Including attributable to the holders of the parent company  | 2 693                                  | 8 096                                   | 3 238                                   |
| Including directed at minorities                             | 37                                     | -                                       | -                                       |

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**Condensed consolidated half-yearly report on changes in equity for the period 1 January - 30 June 2009**

| Details   | SZwKW for:<br>01.01.2009 -<br>30.06.2009 | SZwKW for:<br>01.01.2008 -<br>31.12.2008 | SZwKW for:<br>01.01.2008 -<br>30.06.2008 |
|---|--|--|--|
| <b>EQUITY AT BEGINNING OF PERIOD</b>                        | <b>59 221</b>                            | <b>55 558</b>                            | <b>55 558</b>                            |
| Capital at the beginning of the period                      | 719                                      | 719                                      | 719                                      |
| Capital at the end of the period                            | 719                                      | 719                                      | 719                                      |
| Unpaid share capital, own shares at beginning of period     | (1 859)                                  | -  | -  |
| Acquired own shares   | (514)                                    | (1 859)                                  | -  |
| Unpaid share capital, own shares at end of period           | (2 373)                                  | (1 859)                                  | -  |
| Capital reserve from issue of shares at beginning of period | 40 831                                   | 40 831                                   | 40 831                                   |
| Capital reserve from issue of shares at end of period       | 40 831                                   | 40 831                                   | 40 831                                   |
| Capital reserve to retained earnings at beginning of period | 171                                      | 171                                      | 171                                      |
| Division of financial results                               | 463                                      | -  | -  |
| Capital reserve to retained earnings at end of period       | 634                                      | 171                                      | 171                                      |
| Reserves at beginning of period                             | 10 444                                   | 6 722                                    | 6 722                                    |
| Division of financial results                               | 3 973                                    | 3 183                                    | 3 183                                    |
| Reserves at end of period                                   | 14 417                                   | 9 905                                    | 9 905                                    |

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|---|---------------|---------------|---------------|
| Undivided profit or loss from previous years and other income at beginning of period      | <b>8 364</b>  | <b>7 172</b>  | <b>7 115</b>  |
| Effects of changes in accounting policies   | 113           | (5)           | 300           |
| Effects of errors   | 58            | -             | -             |
| Dividends paid  | (3 530)       | (3 593)       | (3 593)       |
| Transfer to other equity items  | (4 495)       | (3 183)       | (3 183)       |
| Undivided profit or loss from previous years and other income at end of period            | <b>510</b>    | <b>391</b>    | <b>639</b>    |
| The net result of the financial year attributable to equity holders of the parent company | <b>2 734</b>  | <b>8 449</b>  | <b>3 238</b>  |
| Minority equity at the beginning of year  | <b>616</b>    | -             | -             |
| Result of the financial year for minority   | 65            | 123           | -             |
| Other capital (fund) for minority   | (289)         | 492           | -             |
| Minority equity at the end of year  | <b>392</b>    | <b>616</b>    | -             |
| <b>EQUITY AT END OF PERIOD</b>  | <b>57 864</b> | <b>59 221</b> | <b>55 503</b> |

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**Condensed consolidated half-yearly cash flows report for the period 1 January - 30 June 2009**

| Details   | SPP for:<br>01.01.2009 -<br>30.06.2009 | SPP for:<br>01.01.2008 -<br>31.12.2008 | SPP for:<br>01.01.2008 -<br>30.06.2008 |
|---|--|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>         |  |  |  |
| Profit (loss) net                                   | 2 799                                  | 7 973                                  | 3 238                                  |
| Total adjustments                                   | (3 861)                                | 719                                    | (5 840)                                |
| Minority equity                                     | 65                                     | 123                                    | -                                      |
| Depreciation  | 2 156                                  | 2 852                                  | 1 107                                  |
| Gains (losses) due to exchange differences          | (1)                                    | (35)                                   | (8)                                    |
| Interest and participation in profits (dividends)   | 225                                    | 168                                    | -                                      |
| Profit (loss) from investment activities            | (3)                                    | (32)                                   | (68)                                   |
| Change in reserves                                  | 145                                    | 222                                    | (86)                                   |
| Change in stocks                                    | 16                                     | (1 738)                                | 652                                    |
| Change in receivables                               | (3 511)                                | 1 679                                  | (3 237)                                |
| Change in liabilities                               | (3 178)                                | (1 092)                                | (3 308)                                |
| Change in accruals                                  | (380)                                  | (2 179)                                | (1 781)                                |
| Income tax on profit before tax                     | 780                                    | 1 808                                  | 867                                    |
| Income tax paid                                     | (201)                                  | (1 537)                                | (281)                                  |
| Other corrections                                   | 26                                     | 480                                    | 303                                    |
| <b>Net cash flows from operating activities</b>     | <b>(1 062)</b>                         | <b>8 692</b>                           | <b>(2 602)</b>                         |
| <b>CASH FLOWS FROM INVESTING</b>                    |  |  |  |
| Expenditure on acquisition of intangible assets     | -                                      | (973)                                  | (160)                                  |
| Expenditure on acquisition of tangible fixed assets | (2 845)                                | (25 562)                               | (18 326)                               |
| Proceeds from the sale of tangible fixed assets     | 5                                      | 105                                    | 97                                     |
| Expenditure on acquisition of assets                | (173)                                  | (1 143)                                | -                                      |
| Expenditures  | -                                      | (5 648)                                | -                                      |
| Loans granted                                       | -                                      | (65)                                   | (65)                                   |
| Repayment of loans obtained                         | 21                                     | 30                                     | 4                                      |

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|   |                |                 |                 |
|---|----------------|-----------------|-----------------|
| <b>Net cash flows from investing activities</b> | <b>(2 992)</b> | <b>(33 256)</b> | <b>(18 450)</b> |
| <b>CASH FLOWS FROM FINANCIAL ACTIVITIES</b>     |                |                 |                 |
| The net proceeds arising from issue of shares   | -              | 57              | -               |
| Purchase of own shares                          | (515)          | (1 859)         | -               |
| Proceeds from borrowing loans and advances      | 1 848          | 5 150           | 2 372           |
| Repayment of loans                              | (358)          | (357)           | (112)           |
| Repayment of obligations under finance lease    | (13)           | 80              | -               |
| Dividends paid                                  | (3 476)        | (3 593)         | -               |
| Interest paid                                   | (225)          | (189)           | (1)             |
| Grants received                                 | 10             | 5 808           | -               |
| Other financial expenses                        | -              | (1 382)         | -               |
| <b>Net cash flows from financing activities</b> | <b>(2 729)</b> | <b>3 715</b>    | <b>2 259</b>    |
| <b>Total net cash flow</b>                      | <b>(6 783)</b> | <b>(20 849)</b> | <b>(18 793)</b> |
| <b>CHANGE IN THE BALANCE SHEET</b>              | <b>(6 773)</b> | <b>(20 862)</b> | <b>(18 788)</b> |
| - including changes due to exchange differences | (2)            | (11)            | (8)             |
| CASH AT THE BEGINNING OF PERIOD                 | 7 453          | 28 302          | 28 302          |
| CASH AT THE END OF PERIOD<br>(F +/- D)          | <b>670</b>     | <b>7 453</b>    | <b>9 509</b>    |
| - Including that the reduced availability       | 226            | 156             | 87              |

20 August 2009

date      signature of the person responsible for conducting the accounts      the signature of the director of the unit

**Explanatory notes to the condensed consolidated half-yearly financial statements for the period 1 January - 30 June 2009**

**1. Basic Information**

**Name and address of the Company reporting financial statements:**

RADPOL Joint Stock Company  
ul. Batorego 14  
77-300 Człuchów

**Register court, no of record of the parent company:**

Gdańsk District Court - North Gdansk, Department of Economic VIII - Registry of the National Court Register (KRS number 0000057155).

**Duration of the Capital Group:**

Duration of the companies included in the Capital Group is not limited.

**Reporting periods presented:**

Condensed consolidated half-yearly financial statements include financial data for the period from 01 January 2009 to 30 June 2009 and comparable data for the period from 01.01.2008 to 30.06.2008, which are those of the parent company during this period (there is no group in the period for which comparable data is drawn), as well as comparable data for the period from 01 January 2008 to 31 December 2008, which are those of the parent company during this period and of the subsidiary for the second half of 2008.

**Basic activity:**

RADPOL SA produces heat-shrinkable products, electrical cables and cable accessories. It specializes in range of refined polyethylene based on its own, unique mixtures of materials suitable for treatment of crosslinking radiation. Basic activity of the parent company is: PKD 2524Z - manufacture of other plastic products

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Subsidiary RADPOL ELEKTROPORCELANA SA specializes in the manufacture of electrical porcelain insulators, such as insulation 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 and production deal with other porcelain, made at the individual customer orders. Basic activity of the subsidiary is: PKD 2342Z - manufacture of ceramic insulators and insulating

## **2. The composition of the boards of the parent company**

### **Composition of the Board at the balance sheet date:**

Andrzej Piotr Sielski - Chairman of the Board  
Grzegorz Mirosław Malczyk - Vice-Chairman of the Board

### **Composition of the Supervisory Board at the balance sheet date:**

Grzegorz Jan Bielowski - President of the Supervisory Board  
Zbigniew Piotr Janas - Deputy President of the Supervisory Board  
Tomasz Krzysztof Firczyk - Secretary of the Supervisory Board  
Thomas Kaplinski - Board Member  
Marcin Kowalczyk - Board Member  
Krzysztof Kurowski - Board Member

## **3. Entities**

RADPOL SA is the parent company to company RADPOL ELEKTROPORCELANA SA. At the date of the report, RADPOL SA had a 96.10% share capital and 97.48% of the votes at the AGM. Significant investor to RADPOL SA is Tar Heel Capital P LLC, with 22.82% of the share capital and votes at the AGM. RADPOL SA Capital Group comprises of the parent company RADPOL SA and the subsidiary RADPOL ELEKTROPORCELANA SA (formerly ELEKTROPORCELANA Ciechów S.A.). Consolidation were the following companies:

- RADPOL SA - Full method,
- RADPOL ELEKTROPORCELANA SA - Full method, included in the consolidation of 03.07.2008r

## **4. Legal basis for financial statements**

The term IFRS is meant in the present financial statements in accordance with Article. 2, paragraph. 3 of the Law on Accounting, International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of Regulations to the European Commission. In accordance with Regulation (EC) No 1606/2002 of the European Parliament and the Council of 19 July 2002 on the application of international accounting standards (OJ Urz. NFB in 2002, No 243, pos. 1) the consolidated financial statements of companies traded must be made public for periods beginning after December 31, 2004 and shall be in accordance with International Accounting Standards / International Financial Reporting Standards (hereinafter referred to as IFRS) adopted by Member States in accordance with the procedure laid down in Regulation (Article 4). The possibility for Member States to allow other companies to make separate and consolidated financial statements in accordance with IFRS was granted. The Accounting Act has regulated the reception Regulations 1606/2002 in Article. 55, paragraph. 6a-6d of the obligation to prepare consolidated financial statements of companies publicly traded in accordance with IFRS and Article. Paragraph 45. 5a-5c in the application of IFRS options by other companies. The parent company RADPOL SA (quoted on a regulated market in Poland since 10.05.2007) prepares separate financial statements in accordance with IFRS, including the Law on accounting not regulated by IFRS. From the date of acquisition of control (03.07.2008), the company RADPOL ELEKTROPORCELANA SA prepares consolidated financial statements in accordance with IFRS, including the Law on accounting not regulated by IFRS. Company's transition date to IFRS for the consolidated report is 1 January 2007. Condensed half-yearly consolidated financial statements do not include all the information and disclosures required in annual consolidated financial statements and should be read in conjunction with the consolidated financial statements for the year ending December 31, 2008.

## **5. Statement of compliance with IFRS**

These financial statements have been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of Regulations to the European Commission.

## **6. Date of approval of the financial statements for publication**

These financial statements are authorized for issue by the Board of RADPOL SA on 20.08.2009.

## **7. Functional currency and reporting currency**

The data contained in the financial statements are presented in thousands PLN. PLN is a functional currency and reporting currency of the companies covered by this financial report.

## **8. Continuing operations**

Condensed half-yearly consolidated financial statements of the Capital Group for the period from 01.01.2009 to 30.06.2009 have been prepared taking into consideration that business activity of the company will not undergo any significantly changes in the nearest future.

According to all available the report details, there is full reason to apply the rule to continue the preparation of financial statements.

## **9. Connection with other companies**

During the period, the parent entity acquired 1266 shares from small ordinary shareholders for the price of 173 thousand PLN. It increased the share capital of the Company by 2.88%.

On 30.06.2009 RADPOL SA had a 96.10% share capital and 97.48% of the votes at the AGM.

## **10. Significant accounting policies**

Accounting principles used to prepare the half-yearly condensed consolidated financial statements are consistent with those applied in preparing the consolidated financial statements for the year ending 31 December 2008, except for changes described in Note 11.

## **11. New standards, changes in standards and IFRIC interpretations**

There were some new standards, changes in standards and interpretations of the Committee on International Financial Reporting Interpretations (IFRIC) posted, which apply to periods beginning on 1 January 2008 and thereafter. Group have decided not to advance the application of these standards, amendments and interpretations of standards.

The following provides an assessment of the Group on the impact of these new standards, amendments and interpretations of standards.

### **IFRS 8 "Operating Segments"**

IFRS 8 was issued by the International Accounting Standards on 30 November 2006 and is effective for annual periods beginning on 1 January 2009 or after that date. IFRS 8 replaces IAS 14 Segment Reporting. " This standard defines new requirements for disclosures of information regarding operating segments, as well as information on products and services, geographic areas. IFRS 8 requires a "management approach" to reporting financial results by segment.

The Company will apply IFRS 8 from 1 January 2009.

### **Amendment to IAS 23 Borrowing Costs**

Amendment to IAS 23 was published by the International Accounting Standards on 29 March 2007 and is effective for annual periods beginning on 1 January 2009 or after that date. The change relates to the accounting treatment for borrowing costs directly attributable to the acquisition, construction or production of an asset that requires a significant period of time necessary to prepare it for its intended use or sale. As part of this change, the possibility of immediate identification of those costs in the profit and loss account of the period in which they are incurred was removed. According to the new requirements of the standard, these costs should be capitalized.

The company described above as used to change the Standard after its entry into force, ie from 1 January 2009

Changing the Standard did not have a significant impact on the Group's report.

### **IAS 1 (Z) "Presentation of Financial Statements"**

Amendment to IAS 1, published on 6 September 2007 and approved in the EU on 17 December 2008 applicable to the financial statements prepared for periods beginning on 1 January 2009 and later. Amendment includes changes to the naming of basic financial statements and the presentation of balance sheet, income statement and changes in equity. Revision of this standard does not affect previously reported financial results and the value of equity, but is placed only on presentation of financial statements and the titles of these reports.

The company revised IAS 1 applies from 1 January 2009

### **IFRS 3 (Z) "Business Combinations"**

The revised IFRS 3 has been published by the International Accounting Standards on 10 January 2008 and applies

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prospectively to business combinations with the date of acquisition per 1 July 2009 or after that date. The changes introduced include a choice of treatment of minority interests either at fair value or their participation in the fair value of identified net assets, revaluation of previously owned shares in the acquired entity at fair value with reference to the difference in the profit and loss account and additional guidelines for applying the purchase method, including treatment of transaction costs as an expense in the period in which it is incurred.

#### IAS 27 (Z) "Consolidated and Separate Financial Statements

The revised IAS 27 was published by the International Accounting Standards Board on 10 January 2008 and is effective for annual periods beginning on 1 July 2009 or after that date. The Standard requires that the effects of transactions with minority shareholders to be recognized directly in equity, if control is maintained by current unit of its parent company. Standard also details the way to enter in case of loss of control of a subsidiary, ie, involves the remaining shares at fair value and the recognition of the difference in the profit and loss account.

#### Amendment to IFRS 2 Share-based Payment "

Amendment to IFRS 2 was published by the International Accounting Standards on 17 January 2008 and is effective for annual periods beginning on 1 January 2009 or after that date. Amendment to the Standard deals with two issues: clarifies that vesting conditions are only a service condition and a condition related to operating units. Other features of share-based payments are not considered as vesting conditions. Standard clarifies that the accounting treatment of a cancellation by the entity or another party transactions should be the same.

Company applies the amended IFRS 2 from 1 January 2009, Standard Change does not have a significant impact on the Group's report.

#### Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements

Amendments to IAS 32 and IAS 1 have been published by the International Accounting Standards Board on 14 February 2008 and apply for annual periods beginning on 1 January 2009 or after that date. The changes relate to the accounting treatment for certain financial instruments which have a resemblance to equity, but are classified as financial liabilities. According to the new requirements of the standard financial instruments such as financial instruments puttable and instruments that impose on the company's obligation to pay contribution only in net assets in the event of liquidation, subject to certain conditions, are presented as equity.

Group applies the changes described above for the Standards since their entry into force, ie from 1 January 2009, Standard Change has an impact on the Group.

#### Amendments to IFRS 2008

International Accounting Standards Board has published "The amendments to IFRS, which would change the 20 standards. Amendments include changes in the presentation, the recognition and valuation, and include changes in terminology and editing. Most of the changes apply to annual periods beginning on 1 January 2009  
Group applies the amendments to IFRS in accordance with the transitional provisions. Standards changes have no material impact on the Group's report.

Amendments to IFRS 1 "Application of IFRS for the first time" and IAS 27 Consolidated and Separate Financial Statements. Amendments to IFRS 1 and IAS 27 were published by the International Accounting Standards Board on 22 May 2008 and apply for annual periods beginning on 1 January 2009 or after that date.

The changes allow you to use as a "deemed cost" or the fair value or carrying amount determined in accordance with current accounting policies for subsidiaries, associates and joint-venture in the separate financial statements. In addition, the definition of the method has been eliminated and replaced by the principle of cost of revenue recognition in connection with dividends received in the separate financial statements.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement "-" Criteria for the recognition of the hedged item.

Amendments to IAS 39 criteria for recognition as a hedged item "has been published by the International Accounting Standards on 31 July 2008 and apply for annual periods beginning on 1 July 2009 or after that date.

Changes include an explanation as to the specific circumstances apply rules for determining whether a security risk or a part of the cash flows meet the criteria for recognition as a hedged item. A prohibition of determination of inflation as a possible component of securing a debt instrument with a fixed interest rate. The changes also prohibit the inclusion of the time value of the hedged risk unilaterally if the option is treated as a hedging instrument.

#### IFRIC 12 'Agreements for the provision of public services "

IFRIC 12 was issued by the Committee on International Financial Reporting Interpretations on 30 November 2006 and is effective for annual periods beginning on 1 January 2008 or after that date. This interpretation provides guidance on the use of existing standards for entities participating in the concession contracts for services between the public and private sectors. IFRIC 12 applies to contracts where the controls are ordering and what services to provide the operator with the infrastructure, who provides those services and at what price.

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**IFRIC 13 'Customer Loyalty Programs "**

IFRIC 13 was issued by the Committee on International Financial Reporting Interpretations on 28 June 2007 and is effective for annual periods beginning on 1 July 2008 or after that date. This interpretation provides guidance on accounting treatment of transactions arising from implemented by the loyalty programs for its clients such as loyalty cards or points program. In particular, the IFRIC 13 states correctly recognized obligations arising from the need to provide free or reduced-priced products or services to customers pursuing their acquired "points".

Company KIMSF13 apply from 1 January 2009, the Interpretation does not affect the financial statements of the company.

**IFRIC 14 "The ceiling for the assets under a defined benefit plan, minimum funding requirements and their interactions"**

IFRIC 14 was issued by the Committee on International Financial Reporting Interpretations on 5 July 2007 and is effective for annual periods beginning on 1 January 2009 (if the report is prepared in accordance with all standards and interpretations issued by the IASB and IFRIC, this date should be: 1 January 2008), or after that date. This interpretation provides general guidelines and in accordance with IAS 19 should be an assessment ceiling for the excess fair value of assets over the present value of liabilities for defined benefit plans, which may be recognized as an asset. In addition, IFRIC 14 clarifies how the statutory or contractual requirements in respect of minimum funding may affect the amount of assets or liabilities arising from defined benefit plans.

Company applies KIMSF14 from 1 January 2009

**IFRIC 15 'Agreements in the real estate sector'**

IFRIC 15 was issued by the Committee on International Financial Reporting Interpretations on 3 July 2008 and is effective for annual periods beginning on 1 January 2009 or after that date. This interpretation sets out general guidelines for how to evaluate the service agreement contracts, to determine whether its effects should be presented in the financial statements in accordance with IAS 11 Construction Contracts or IAS 18 Revenue. In addition, IFRIC 15 indicates at which point is to recognize revenue for the service building.

**IFRIC 16 "Accounting for hedges of net investments in foreign entity"**

IFRIC 16 was issued by the Committee on International Financial Reporting Interpretations on 3 July 2008 and is effective for annual periods beginning on 1 October 2008 or after that date. This interpretation sets out general guidelines for determining whether there is a risk of exchange rate changes in the functional unit of foreign currency and presentation currency for the consolidated financial statements of the parent. In addition, IFRIC 16 clarifies that an entity in the holding company can prove a hedging instrument in a hedge of net investments in foreign entity, in particular whether the parent undertaking which holds a net investment in foreign entity must maintain the hedge. IFRIC 16 also clarifies how an enterprise should determine the amount subject to reclassification from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of an investment.

**IFRIC 17 "The distribution of assets to the owners of non-cash funds"**

IFRIC 17 was issued by the Committee on International Financial Reporting Interpretations on 27 November 2008 and is effective for annual periods beginning on 1 July 2009 or after that date. This interpretation provides guidance on the diagnosis until the dividend, the dividend valuation and recognition of the difference between the value of the dividends distributed and the carrying amount of assets. Interpretation also requires additional disclosures when the assets for distribution meet the criteria for recognition as discontinued operations.

**IFRIC 18 "The transfer of assets from clients"**

IFRIC 18 was issued by the Committee on International Financial Reporting Interpretations on 29 January 2009 and is effective for annual periods beginning on 1 July 2009 or after that date. This interpretation provides guidance on recognition of the transfer of assets from customers, namely, situations where the definition of assets is correctly implemented, identifying separately identifiable services (services provided in exchange for the transferred asset), the recognition of income and the recognition of cash received from customers.

## **12. Changes in estimates**

Estimates of the Executive Board of the Company affecting the value of the financial statements, include:

- anticipated period of economic life of fixed assets and intangible assets,
- write-downs of assets
- discount, the anticipated increase in salaries and actuarial assumptions used in calculating the reserve for retirement allowance
- future tax results, taken into account in determining the assets of the deferred tax
- discount rate and estimated future cash flows in relation to carrying out the test for goodwill impairment,
- the fair value of assets and liabilities acquired of Companies

The methodology used to estimate is based on the best knowledge of the Board and is compatible with the requirements of IFRS.

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Changes of impairment are shown in the accompanying explanatory notes to individual items of assets.

### 13. Changes in presentation

Groups has changed the way of presentation of the profit and loss of grants related to assets and cash bonuses awarded to recipients.

Grants related to assets previously recognized as deferred income and accounted for in other operating income in proportion to the value of assets subsidized the cost. After changes, the cleared portion of the grant is presented as income from its core business which is at the same level of profit and loss account, which represents the cost of the subsidized assets.

Benefits depend on the volume of sales (bonuses), have been previously recognized as expenses of sale, after changing the presentation of earnings deducted from the period concerned.

As a result, individual items have changed the profit and loss amounts:

| Details   | RZiS for:<br>01.01.2009 -<br>30.06.2009 | RZiS for:<br>01.01.2008 -<br>31.12.2008 | RZiS for:<br>01.01.2008 -<br>30.06.2008 |
|---|---|---|---|
| Revenues from sales of products, goods and materials                | -221                                    | -641                                    | -456                                    |
| Cost of sold products, goods and materials                          | -                                       | -                                       | -                                       |
| <b>PROFIT (LOSS) FROM THE GROSS SALES</b>                           | <b>-221</b>                             | <b>-641</b>                             | <b>-456</b>                             |
| Cost of sales   | 560                                     | 1189                                    | 602                                     |
| General and administrative expenses                                 | -                                       | -                                       | -                                       |
| <b>PROFIT (LOSS) FROM SALE</b>                                      | <b>339</b>                              | <b>548</b>                              | <b>146</b>                              |
| Other operating income  | -339                                    | -548                                    | -146                                    |
| Other operating expenses  | -                                       | -                                       | -                                       |
| Profit / loss from the sale of all or part interest in a subsidiary | -                                       | -                                       | -                                       |
| <b>PROFIT (LOSS) FOR OPERATING ACTIVITIES</b>                       | <b>-</b>                                | <b>-</b>                                | <b>-</b>                                |

### 14. Seasonality or cyclicity of the business of the Capital Group

The Capital Group is due to the seasonal nature of activities carried out by customers. Constant extension of product offerings has a positive effect on reducing this phenomenon. In the first half of 2009, due to the extended winter period, which affects the execution of external work associated with installation and heating grids, there has been some shift of monthly cycle compared to the previous year.

### 15. Information about operating segments

Primary reporting format-sharing groups is based on industry segments and geographical segments. Organization and management of the Group takes place in the segment, taking into account the nature of the offered products and services. Each segment represents a strategic business unit that offers different products and services.

For reporting, the company divided the activities in 4 segments:

- cable accessories,
- heat-shrinkable equipment,
- power cables,
- electrical porcelain

| Trade segments - income and costs        | Cable accessories | Heat-shrinkable equipment | Power cables | Electrical porcelain | Others     | Total      |
|--|-------------------|---------------------------|--------------|----------------------|------------|------------|
|  | 01.01.2009        | 01.01.2009                | 01.01.2009   | 01.01.2009           | 01.01.2009 | 01.01.2009 |
|  | -                 | -                         | -            | -                    | -          | -          |
|  | 30.06.2009        | 30.06.2009                | 30.06.2009   | 30.06.2009           | 30.06.2009 | 30.06.2009 |
| External revenue                         | 3 296             | 9 831                     | 2 831        | 9 337                | 643        | 25 938     |
| Including:                               |                   |                           |              |                      |            |            |
| - Revenues from sales of products, goods | 3 464             | 10 133                    | 2 912        | 9 346                | 304        | 26 159     |

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|                                       |         |         |         |         |         |          |
|---------------------------------------|---------|---------|---------|---------|---------|----------|
| - commercial bonuses                  | (168)   | (302)   | (81)    | (9)     | -       | (560)    |
| - Grants                              | -       | -       | -       | -       | 339     | 339      |
| Cost of products and materials sold   | (2 365) | (4 814) | (2 946) | (5 131) | (198)   | (15 454) |
| <b>Segment results in gross sales</b> | 931     | 5 017   | (115)   | 4 206   | 445     | 10 484   |
| Cost of sales                         | -       | -       | -       | -       | (1 799) | (1 799)  |
| General and administrative expenses   | -       | -       | -       | -       | (5 023) | (5 023)  |
| <b>Profit from sales</b>              | 931     | 5 017   | (115)   | 4 206   | (6 377) | 3 662    |
| Other operating income                | -       | -       | -       | -       | 935     | 935      |
| Other operating expenses              | -       | -       | -       | -       | (921)   | (921)    |
| <b>Profit from operations</b>         | 931     | 5 017   | (115)   | 4 206   | (6 363) | 3 676    |
| Financial income                      | -       | -       | -       | -       | 156     | 156      |
| Financial expenses                    | -       | -       | -       | -       | (253)   | (253)    |
| Profit before tax                     | 931     | 5 017   | (115)   | 4 206   | (6 460) | 3 579    |
| Corporate income tax                  | -       | -       | -       | -       | (780)   | (780)    |
| Net profit                            | 931     | 5 017   | (115)   | 4 206   | (7 240) | 2 799    |

| Trade segments - income and costs        | Cable accessories | Heat-shrinkable equipment | Power cables | Electrical porcelain | Others     | Total      |
|--|-------------------|---------------------------|--------------|----------------------|------------|------------|
|  | 01.01.2008        | 01.01.2008                | 01.01.2008   | 01.01.2008           | 01.01.2008 | 01.01.2008 |
|  | 31.12.2008        | 31.12.2008                | 31.12.2008   | 31.12.2008           | 31.12.2008 | 31.12.2008 |
| External revenue                         | 8 163             | 19 056                    | 7 661        | 8 353                | 1 182      | 44 415     |
| Including:                               |                   |                           |              |                      |            |            |
| - Revenues from sales of products, goods | 8 553             | 19 635                    | 7 881        | 8 353                | 634        | 45 056     |
| - commercial bonuses                     | (390)             | (579)                     | (220)        | -                    | -          | (1 189)    |
| - Grants                                 | -                 | -                         | -            | -                    | 548        | 548        |
| Cost of products and materials sold      | (5 144)           | (8 942)                   | (6 527)      | (4 838)              | (394)      | (25 845)   |
| <b>Segment results in gross sales</b>    | 3 019             | 10 114                    | 1 134        | 3 515                | 788        | 18 570     |
| Cost of sales                            | -                 | -                         | -            | -                    | (3 549)    | (3 549)    |
| General and administrative expenses      | -                 | -                         | -            | -                    | (7 252)    | (7 252)    |
| <b>Profit from sales</b>                 | 3 019             | 10 114                    | 1 134        | 3 515                | (10 013)   | 7 769      |
| Other operating income                   | -                 | -                         | -            | -                    | 2 161      | 2 161      |
| Other operating expenses                 | -                 | -                         | -            | -                    | (590)      | (590)      |
| <b>Profit from operations</b>            | 3 019             | 10 114                    | 1 134        | 3 515                | (8 442)    | 9 340      |
| Financial income                         | -                 | -                         | -            | -                    | 773        | 773        |
| Financial expenses                       | -                 | -                         | -            | -                    | (209)      | (209)      |
| Profit before tax                        | 3 019             | 10 114                    | 1 134        | 3 515                | (7 878)    | 9 904      |
| Corporate income tax                     | -                 | -                         | -            | -                    | (1 808)    | (1 808)    |
| Net profit                               | 3 019             | 10 114                    | 1 134        | 3 515                | (9 686)    | 8 096      |

| Trade segments - income and costs        | Cable accessories | Heat-shrinkable equipment | Power cables | Electrical porcelain | Others     | Total      |
|--|-------------------|---------------------------|--------------|----------------------|------------|------------|
|  | 01.01.2008        | 01.01.2008                | 01.01.2008   | 01.01.2008           | 01.01.2008 | 01.01.2008 |
|  | 30.06.2008        | 30.06.2008                | 30.06.2008   | 30.06.2008           | 30.06.2008 | 30.06.2008 |
| External revenue                         | 4 255             | 9 693                     | 4 733        | -                    | 448        | 19 129     |
| Including:                               |                   |                           |              |                      |            |            |
| - Revenues from sales of products, goods | 4 445             | 9 968                     | 4 870        | -                    | 302        | 19 585     |

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|                                       |         |         |         |   |         |          |
|---------------------------------------|---------|---------|---------|---|---------|----------|
| - commercial bonuses                  | (190)   | (275)   | (137)   | - | -       | (602)    |
| - Grants                              | -       | -       | -       | - | 146     | 146      |
| Cost of products and materials sold   | (2 617) | (5 025) | (3 931) | - | (181)   | (11 754) |
| <b>Segment results in gross sales</b> | 1 638   | 4 668   | 802     | - | 267     | 7 375    |
| Cost of sales                         | -       | -       | -       | - | (1 431) | (1 431)  |
| General and administrative expenses   | -       | -       | -       | - | (2 513) | (2 513)  |
| <b>Profit from sales</b>              | 1 638   | 4 668   | 802     | - | (3 677) | 3 431    |
| Other operating income                | -       | -       | -       | - | 258     | 258      |
| Other operating expenses              | -       | -       | -       | - | (103)   | (103)    |
| <b>Profit from operations</b>         | 1 638   | 4 668   | 802     | - | (3 522) | 3 586    |
| Financial income                      | -       | -       | -       | - | 522     | 522      |
| Financial expenses                    | -       | -       | -       | - | (3)     | (3)      |
| Profit before tax                     | 1 638   | 4 668   | 802     | - | (3 003) | 4 105    |
| Corporate income tax                  | -       | -       | -       | - | (867)   | (867)    |
| Net profit                            | 1 638   | 4 668   | 802     | - | (3 870) | 3 238    |

| Trade segments - other information | Cable accessories | Heat-shrinkable equipment | Power cables | Electrical porcelain | Others     | Total      |
|------------------------------------|-------------------|---------------------------|--------------|----------------------|------------|------------|
|                                    | 30.06.2009        | 30.06.2009                | 30.06.2009   | 30.06.2009           | 30.06.2009 | 30.06.2009 |
| Segment assets                     | 7 104             | 38 475                    | 2 199        | 13 515               | 21 937     | 83 230     |
| Liabilities and reserves           | -                 | -                         | -            | -                    | 25 366     | 25 366     |
| Expenditure on tangible assets     | 15                | 3 749                     | 1            | 188                  | 660        | 4 613      |
| Depreciation                       | 161               | 1 173                     | 140          | 328                  | 354        | 2 156      |
| Impairment                         | 348               | 507                       | 80           | 364                  | 1 251      | 2 550      |
| Reversal of impairment             | 206               | 248                       | 3            | -                    | -          | 457        |

| Trade segments - other information | Cable accessories | Heat-shrinkable equipment | Power cables | Electrical porcelain | Others     | Total      |
|------------------------------------|-------------------|---------------------------|--------------|----------------------|------------|------------|
|                                    | 31.12.2008        | 31.12.2008                | 31.12.2008   | 31.12.2008           | 31.12.2008 | 31.12.2008 |
| Segment assets                     | 6 545             | 37 512                    | 3 274        | 13 584               | 24 877     | 85 792     |
| Liabilities and reserves           | -                 | -                         | -            | -                    | 26 571     | 26 571     |
| Expenditure on tangible assets     | -                 | 1 934                     | -            | 180                  | 227        | 2 341      |
| Depreciation                       | 160               | 1 527                     | 235          | 281                  | 649        | 2 852      |
| Impairment                         | 238               | 456                       | 42           | 799                  | 763        | 2 298      |
| Reversal of impairment             | -                 | 22                        | -            | -                    | 22         | 44         |

| Trade segments - other information | Cable accessories | Heat-shrinkable equipment | Power cables | Electrical porcelain | Others     | Total      |
|------------------------------------|-------------------|---------------------------|--------------|----------------------|------------|------------|
|                                    | 30.06.2008        | 30.06.2008                | 30.06.2008   | 30.06.2008           | 30.06.2008 | 30.06.2008 |
| Segment assets                     | 5 879             | 31 336                    | 2 484        | -                    | 30 137     | 69 836     |
| Liabilities and reserves           | -                 | -                         | -            | -                    | 14 333     | 14 333     |
| Expenditure on tangible assets     | 1 779             | 13 265                    | 57           | -                    | 541        | 15 642     |
| Depreciation                       | 54                | 614                       | 127          | -                    | 312        | 1 107      |
| Impairment                         | 305               | 399                       | 20           | -                    | 787        | 1 511      |

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|                        |   |    |   |   |   |    |
|------------------------|---|----|---|---|---|----|
| Reversal of impairment | - | 10 | - | - | 2 | 12 |
|------------------------|---|----|---|---|---|----|

Division by geographical segments is carried out based on the geographical location of customers. A distribution of geographical segments by achieved revenue from domestic customers and the revenues from customers located outside the country is the key mechanics of choice.

| Geographical segments - criteria for clients' localization | Segment Income          |                         |                         |
|--|-------------------------|-------------------------|-------------------------|
|  | 01.01.2009 - 30.06.2009 | 01.01.2008 - 31.12.2008 | 01.01.2008 - 30.06.2008 |
| Domestic sales   | 18 701                  | 36 714                  | 16 516                  |
| Export sales   | 7 237                   | 7 701                   | 2 613                   |
| <b>Total</b>   | <b>25 938</b>           | <b>44 415</b>           | <b>19 129</b>           |

#### 16. Recognition of the incentive program for employees

On February 13, 2007 Board of RADPOL SA, pursuant to resolutions of the General Meeting of Shareholders No 11/II/2007 dated 13 February 2007, agreed on the following conditions of incentive scheme for employees of the Company:

1. The incentive scheme was included in the Issuer's Management Board members, ie Andrzej Sielski entitled to purchase 264.774 Subscription Warrants and Grzegorz Malczyk entitled to purchase 264. Subscription Warrants,
  2. Incentive program will be continued over the next 3 years
  3. condition of acquiring the right to receive shares of the Company is acting as a member of the board of the Issuer for a period of at least 6 months in the last 12 months before determining entitlement to series C shares
  4. on the right to determine the C shares will be a day for 1 year after the first quotation of the Company on the Stock Exchange SA in the first year of the Incentive Scheme and 2 or 3 years after the first quotation of the Company on the Stock Exchange SA in the second and third year of the incentive scheme,
  5. the above-mentioned day of establishing the right of series C shares will be calculated on the number of C shares to cover the program - the number will be multiplied by the number of complete months served on the board in the last twelve months before the right to determine the number of shares and 7354 - if a participant of the program will perform the function for the full twelve months, they will be entitled to subscribe for 88.258 shares series C
  6. Series C shares will be placed at an issue price equal to the issue price of Series B shares, not less than 5.67 PLN.
- In accordance with IFRS 2 Share-based Payment 'own' the fair value of equity instruments granted (in this case the Subscription Warrants) shall be valued at grant date (ie, days binding determine the conditions of the program - in this case, February 13, 2007) and gradually during the vesting period (in this case over 3 years) by authorized persons (in this case members of the Board) increase the value of equity and simultaneously charged to pay.
- In this report, the Capital Group recognized an increase in equity and burden costs for launched incentive program.

#### 17. Information on purchase of own shares

On 21 April 2008, the General Assembly of the parent company passed a resolution authorizing the Board of RADPOL SA to acquire its own shares for redemption. The content of this resolution was amended by the AGM on 21.04.2009.

Under the buyback program the Company will acquire not more than 2,371,209 shares for a total amount not exceeding 14,227,254.00 PLN. Acquired own shares will give the right to do no more than 9.90% of total votes at the general meeting. Implementation of the share buyback program will be completed no later than on 31 December 2011 or until depletion of resources allocated for their purchase.

Until 30.06.2009 RADPOL SA acquired a total of 436.936 shares, representing 1.82% of the share capital and conferring the right to 436.936 votes at a general meeting of RADPOL SA (1.82% of total votes).

#### 18. Dividends paid and proposed to pay

On 27 April 2009 Ordinary General Meeting of RADPOL SA passed a resolution No. 18 on the distribution of profit for the fiscal year 2008. According to the resolution, the net income was allocated to:

- The amount of 3,592,741.50 PLN for the dividend to shareholders, which is 0.15 PLN per share,
- The amount of 3,214,875.86 PLN on the "reserve capital to purchase its own shares.

Day of determining entitlement to a dividend is set at 18 May 2009, the date of dividend payment on June 3, 2009

A total of 23,951,610 shares was paid in respect of 23,533,768 shares, 417.842 shares were treasury shares acquired for the purpose of redemption in respect of which no dividend has been paid and has been related as the reserve capital of the Company.

Subsidiary RADPOL ELEKTROPORCELANA in 2008 did not pay dividends nor declared its payment.

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**19. Lawsuits**

On 30 June 2009 there were no lawsuits initiated before a court or public administration authorities concerning obligations or receivables of RADPOL SA and its subsidiary companies.

**20. Changes in accounting policy and errors found in previous years and their impact on financial results and equity**

From 01.01.2009 parent company valued stocks in progress at cost, which consists of costs directly associated with the product and reasonable share of the costs indirectly related to the product (variable indirect costs of production and fixed indirect costs of production under the assumption of normal capacity utilization). So far, the valuation of stocks in the course of production was based on the costs directly associated with the product.

For purposes of calculating the comparable data for 2008, a valuation of stocks and the cost of products sold by the new rules was implemented.

Changes in inventory alters the stock values on 01.01.2008 by 213 thousand PLN and at 31.12.2008 by amount of 982 thousand PLN, yet reducing cost of products sold in the period 01.01-30.06.2008 by 658 thousand PLN, as a final result increasing the financial result by 240 thousand PLN in the first half of 2008.

Change in inventory valuation method was dictated by the need to standardize the accounting policy for all companies included in the group.

**21. Tangible assets**

In 2008, the fair value of tangible assets acquired by the Capital Group in the acquisition of control over RADPOL ELEKTROPORCELANA SA was fixed temporarily. Properties have been valued based on a valuation prepared by independent valuers in November 2007.

In 2009, a new valuation of assets of the subsidiary in order to ultimately determine its fair value was made.

| Tangible assets                         | Statu<br>s on     | Statu<br>s on     | Statu<br>s on     | Statu<br>s on     |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 30.06<br>.2009    | 31.12<br>.2008    | 30.06<br>.2008    | 01.01<br>.2008    |
| Land                                    | -                 | -                 | -                 | -                 |
| The right to perpetual usufruct of land | 1 773             | 1 773             | 385               | 385               |
| Buildings and structures                | 20<br>914         | 20<br>987         | 2 498             | 2 544             |
| Plant and machinery                     | 22<br>606         | 23<br>774         | 15<br>972         | 5 743             |
| Means of transport                      | 1 328             | 1 423             | 822               | 492               |
| Other fixed assets                      | 2 533             | 2 624             | 2 486             | 193               |
| Fixed assets under construction         | 4 613             | 2 341             | 15<br>642         | 11<br>169         |
| <b>TANGIBLE FIXED ASSETS TOTAL:</b>     | <b>53<br/>767</b> | <b>52<br/>922</b> | <b>37<br/>805</b> | <b>20<br/>526</b> |

| Tangible fixed assets (acquisitions and disposals)         | Status on<br>30.06.2009 | Status on<br>31.12.2008 | Status on<br>30.06.2008 |
|--|-------------------------|-------------------------|-------------------------|
| Purchase of tangible fixed assets                          | (2 845)                 | (25 562)                | (18 326)                |
| Sale of tangible fixed assets                              | 5                       | 105                     | 97                      |
| Net value of property sold and liquidated assets           | (2)                     | (73)                    | (29)                    |
| <b>RESULT OF THE SALE OF PROPERTY, PLANT AND EQUIPMENT</b> | <b>3</b>                | <b>32</b>               | <b>68</b>               |

**22. Intangible assets**

| Intangible assets    | Status on<br>30.06.2009 | Status on<br>31.12.2008 | Status on<br>30.06.2008 | Status on<br>01.01.2008 |
|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Goodwill             | -                       | -                       | -                       | -                       |
| Patents and licenses | 501                     | 571                     | 223                     | 96                      |
| Development costs    | 628                     | 702                     | 420                     | 477                     |

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|                           |              |              |            |            |
|---------------------------|--------------|--------------|------------|------------|
| Other intangible assets   | 23           | 33           | -          | -          |
| <b>INTANGIBLE ASSETS:</b> | <b>1 152</b> | <b>1 306</b> | <b>643</b> | <b>573</b> |

### 23. Goodwill

| Goodwill                     | 30.06.2009 |            |                | 31.12.2008 |            |                | 30.06.2008 |            |                | 01.01.2008 |            |                |
|------------------------------|------------|------------|----------------|------------|------------|----------------|------------|------------|----------------|------------|------------|----------------|
|                              | Value      | Impairment | Carrying value | Value      | Impairment | Carrying value | Value      | Impairment | Carrying value | Value      | Impairment | Carrying value |
| RADPOL Elektroporcelana S.A. | 59         | -          | 59             | 59         | -          | 59             | -          | -          | -              | -          | -          | -              |
|                              | -          | -          | -              | -          | -          | -              | -          | -          | -              | -          | -          | -              |
|                              | -          | -          | -              | -          | -          | -              | -          | -          | -              | -          | -          | -              |
|                              | -          | -          | -              | -          | -          | -              | -          | -          | -              | -          | -          | -              |
| <b>TOTAL:</b>                | <b>59</b>  | <b>-</b>   | <b>59</b>      | <b>59</b>  | <b>-</b>   | <b>59</b>      | <b>-</b>   | <b>-</b>   | <b>-</b>       | <b>-</b>   | <b>-</b>   | <b>-</b>       |

Goodwill in the previous year has been established provisionally in accordance with the regulations of pairs. 61-62 IFRS 3 For the purposes of the temporary settlement of real estate valuations were used in November 2007. The company has carried out another valuation in 2009 and re-established goodwill.

### 24. Stocks

| Stocks                                      | 30.06.2009    |                |                | 31.12.2008    |                |                |
|---|---------------|----------------|----------------|---------------|----------------|----------------|
|   | Value         | Impairment     | Carrying value | Value         | Impairment     | Carrying value |
| Materials                                   | 2 359         | (458)          | 1 901          | 2 425         | (394)          | 2 031          |
| Semi-finished products and work in progress | 3 421         | (7)            | 3 414          | 3 618         | (38)           | 3 580          |
| Goods                                       | 6 264         | (646)          | 5 618          | 5 657         | (441)          | 5 216          |
| Wares                                       | 1 695         | (184)          | 1 511          | 1 538         | (216)          | 1 322          |
| Advances in delivery                        | 2             | -              | 2              | 313           | -              | 313            |
| <b>Stocks together:</b>                     | <b>13 741</b> | <b>(1 295)</b> | <b>12 446</b>  | <b>13 551</b> | <b>(1 089)</b> | <b>12 462</b>  |

| Stocks                                      | 30.06.2008   |              |                | 01.01.2008   |              |                |
|---|--------------|--------------|----------------|--------------|--------------|----------------|
|   | Value        | Impairment   | Carrying value | Value        | Impairment   | Carrying value |
| Materials                                   | 2 197        | (241)        | 1 956          | 2 990        | (212)        | 2 778          |
| Semi-finished products and work in progress | 1 491        | (26)         | 1 465          | 1 584        | (20)         | 1 564          |
| Goods                                       | 2 674        | (172)        | 2 502          | 2 273        | (157)        | 2 116          |
| Wares                                       | 1 356        | (277)        | 1 079          | 1 121        | (46)         | 1 075          |
| Advances in delivery                        | 51           | -            | 51             | 172          | -            | 172            |
| <b>Stocks together:</b>                     | <b>7 769</b> | <b>(716)</b> | <b>7 053</b>   | <b>8 140</b> | <b>(435)</b> | <b>7 705</b>   |

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**25. Claims**

| Claims  | 30.06.2009    |              |                | 31.12.2008    |              |                |
|---|---------------|--------------|----------------|---------------|--------------|----------------|
|   | Value         | Impairment   | Carrying value | Value         | Impairment   | Carrying value |
| Claims for supplies and services                          | 14 231        | (925)        | 13 306         | 10 290        | (887)        | 9 403          |
| Claims arising from the current income tax                | -             | -            | -              | -             | -            | -              |
| Receivables from other taxes, customs and social security | 36            | -            | 36             | 422           | -            | 422            |
| Other receivables   | 363           | (66)         | 297            | 358           | (56)         | 302            |
| <b>Claims together:</b>                                   | <b>14 630</b> | <b>(991)</b> | <b>13 639</b>  | <b>11 070</b> | <b>(943)</b> | <b>10 127</b>  |

| Claims  | 30.06.2008    |              |                | 01.01.2008   |              |                |
|---|---------------|--------------|----------------|--------------|--------------|----------------|
|   | Value         | Impairment   | Carrying value | Value        | Impairment   | Carrying value |
| Claims for supplies and services                          | 11 042        | (464)        | 10 578         | 8 373        | (487)        | 7 886          |
| Claims arising from the current income tax                | -             | -            | -              | 179          | -            | 179            |
| Receivables from other taxes, customs and social security | 165           | -            | 165            | 993          | -            | 993            |
| Other receivables   | 1 818         | (65)         | 1 753          | 275          | (75)         | 200            |
| <b>Claims together:</b>                                   | <b>13 025</b> | <b>(529)</b> | <b>12 496</b>  | <b>9 820</b> | <b>(562)</b> | <b>9 258</b>   |

| Impairment charges                       | Status on 30.06.2009 | Status on 31.12.2008 | Status on 30.06.2008 | Status on 01.01.2008 |
|--|----------------------|----------------------|----------------------|----------------------|
| Write-downs at beginning of period       | 943                  | 1 017                | 562                  | 562                  |
| Establishment                            | 66                   | 35                   | 9                    | -                    |
| Solution                                 | (3)                  | (58)                 | (2)                  | -                    |
| Use                                      | (15)                 | (51)                 | (40)                 | -                    |
| <b>Net charges at the end of period:</b> | <b>991</b>           | <b>943</b>           | <b>529</b>           | <b>562</b>           |

**26. Other short-term financial assets**

| Other short-term financial assets                    | 30.06.2009 |            |                | 31.12.2008 |            |                |
|--|------------|------------|----------------|------------|------------|----------------|
|  | Value      | Impairment | Carrying value | Value      | Impairment | Carrying value |
| Loans granted  | 14         | -          | 14             | 35         | -          | 35             |
| Assets held to maturity                              | -          | -          | -              | -          | -          | -              |
| Assets available for sale                            | -          | -          | -              | -          | -          | -              |
| Assets at fair value through profit and loss account | -          | -          | -              | -          | -          | -              |

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|--|----|---|----|----|---|----|
| TOTAL OTHER SHORT-TERM FINANCIAL ASSETS: | 14 | - | 14 | 35 | - | 35 |
|--|----|---|----|----|---|----|

| Other short-term financial assets                    | 30.06.2008 |            |                | 01.01.2008 |            |                |
|--|------------|------------|----------------|------------|------------|----------------|
|  | Value      | Impairment | Carrying value | Value      | Impairment | Carrying value |
| Loans granted  | 62         | -          | 62             | -          | -          | -              |
| Assets held to maturity                              | -          | -          | -              | -          | -          | -              |
| Assets available for sale                            | -          | -          | -              | -          | -          | -              |
| Assets at fair value through profit and loss account | -          | -          | -              | -          | -          | -              |
| TOTAL OTHER SHORT-TERM FINANCIAL ASSETS:             | 62         | -          | 62             | -          | -          | -              |

#### 27. Cash and cash equivalents

| Cash and cash equivalents                | Status on  | Status on    | Status on    | Status on     |
|--|------------|--------------|--------------|---------------|
|  | 30.06.2009 | 31.12.2008   | 30.06.2008   | 01.01.2008    |
| Cash                                     | 20         | 8            | 9            | 5             |
| Cash at bank                             | 650        | 7 435        | 9 508        | 28 300        |
| Other cash and cash equivalents          | -          | -            | -            | -             |
| <b>TOTAL CASH:</b>                       | <b>670</b> | <b>7 443</b> | <b>9 517</b> | <b>28 305</b> |
| - Including cash of reduced availability | 226        | 156          | 87           | 25            |

#### 28. Equity

| Major shareholders   | Number of shares  | Number of votes   | Shares nominal values | Share in equity |
|--|-------------------|-------------------|-----------------------|-----------------|
| Tar Heel Capital R LLC   | 5 465 935         | 5 465 935         | 163 978               | 22,82%          |
| Grzegorz J. Bielowicki   | 3 031 572         | 3 031 572         | 90 947                | 12,66%          |
| Marcin Wysocki   | 3 031 572         | 3 031 572         | 90 947                | 12,66%          |
| ING Nationale Nederlanden OFE  | 1 814 854         | 1 814 854         | 54 446                | 7,58%           |
| Aviva Investors Poland S.A. (former Commercial Union Investment Management Polska S.A.), including Commercial Union Specjalistyczny Fundusz Inwestycyjny Otwarty 1.298.858 shares and votes (share in equity 5,42%) at nominal value of 38.966 PLN | 1 340 649         | 1 340 649         | 40 219                | 5,60%           |
| BZ WBK AIB AM, w tym BZ WBK AIB TFI  | 2 300 425         | 2 300 425         | 69 013                | 9,60%           |
| Other shareholders   | 6 529 667         | 6 529 667         | 195 890               | 27,26%          |
| Radpol S.A. (own shares)   | 436 936           | 436 936           | 13 108                | 1,82%           |
| <b>Total:</b>  | <b>23 951 610</b> | <b>23 951 610</b> | <b>718 548</b>        | <b>100,00%</b>  |

| Earnings per share and diluted earnings per share | Status on  | Status on  | Status on  |
|---|------------|------------|------------|
|   | 30.06.2009 | 31.12.2008 | 30.06.2008 |
|   |            |            |            |

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|   |            |            |            |
|---|------------|------------|------------|
| Net profit for the year (in PLN)                        | 2 734      | 7 973      | 3 238      |
| Weighted average number of ordinary shares              | 23 561 587 | 23 879 751 | 23 951 610 |
| Earnings per share (in PLN)                             | 0,12       | 0,33       | 0,14       |
| The weighted average expected number of ordinary shares | 23 561 587 | 23 879 751 | 23 951 610 |
| Diluted earnings per ordinary share (in PLN)            | 0,12       | 0,33       | 0,14       |

Earnings per share are determined by dividing the earnings attributable to shareholders of the parent company and the weighted average number of ordinary shares determined in accordance with IAS 33. The difference between the value of existing ordinary shares at the end of the period and the weighted average number of shares is due to the purchase of own shares for redemption.

The parent company in the incentive scheme is required to issue warrants, entitling to subscribe for shares at a price of 6.80 PLN. Since the warrants exercise higher price than the average market price of shares of Radpol SA in 2008, the warrants are anti-dilutive effect and are not included in the calculation of diluted earnings per share.

| Book value per share and diluted book value per share   | Status on  | Status on  | Status on  |
|---|------------|------------|------------|
|   | 30.06.2009 | 31.12.2008 | 30.06.2008 |
| Book value (in PLN)                                     | 57 472     | 58 606     | 55 503     |
| Weighted average number of ordinary shares              | 23 561 587 | 23 879 751 | 23 951 610 |
| Book value per share (in PLN)                           | 2,44       | 2,45       | 2,32       |
| The weighted average expected number of ordinary shares | 23 561 587 | 23 879 751 | 23 951 610 |
| Diluted book value per ordinary share (in PLN)          | 2,44       | 2,45       | 2,32       |

Book value per share is determined by dividing the falling equity holders of the parent and the number of ordinary shares existing at the end of the period taking into account the own shares purchased for redemption.

### 29. Minority equity

| Minority equity              | Status on  | Status on  | Status on  | Status on  |
|------------------------------|------------|------------|------------|------------|
|                              | 30.06.2009 | 31.12.2008 | 30.06.2008 | 01.01.2008 |
| RADPOL Elektroporcelana S.A. | 392        | 616        | -          | -          |
| <b>Total:</b>                | <b>392</b> | <b>616</b> | <b>-</b>   | <b>-</b>   |

Minority corresponds to 3.90% of shareholders in equity of RADPOL ELEKTROPORCELANA SA.

### 30. Loans and advances

| Loans and advances at the end of the reporting period | Loan value   | Balance      | Currency | Interest rate              | Date of repayment |
|---|--------------|--------------|----------|----------------------------|-------------------|
| <b>Long-term</b>                                      |              |              |          |                            |                   |
| Technological load W BGK                              | 6 676        | 3 546        | PLN      | WIBOR 3M + margin 2,2 p.p. | 30.09.2013        |
| Deutsche Bank   | 1 500        | 1 000        | PLN      | WIBOR1m+2,5pkt             | 02-07-2012        |
| Deutsche Bank   | 1 000        | 291          | PLN      | WIBOR1m+1,5pkt             | 31-01-2011        |
| Bank Spółdzielczy                                     | 500          | 415          | PLN      | 9                          | 27-01-2011        |
| Bank Spółdzielczy                                     | 100          | 17           | PLN      | 9                          | 15-10-2010        |
| <b>Loans and advances total</b>                       | <b>9 776</b> | <b>5 269</b> | <b>-</b> | <b>18</b>                  | <b>-</b>          |
| <b>Short-term</b>                                     |              |              |          |                            |                   |
| Technological load W BGK                              | 6 676        | 1 091        | PLN      | WIBOR 3M + margin 2,2 p.p. | 30.06.2010        |
| Deutsche Bank   | 1 500        | 500          | PLN      | WIBOR1m+2,5pkt             | 30.06.2010        |
| Deutsche Bank   | 1 000        | 500          | PLN      | WIBOR1m+1,5pkt             | 30.06.2010        |
| Bank Spółdzielczy                                     | 500          | 60           | PLN      | 9                          | 30.06.2010        |
| Bank Spółdzielczy                                     | 100          | 50           | PLN      | 9                          | 15-10-2010        |

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|   |              |              |          |           |          |
|---|--------------|--------------|----------|-----------|----------|
| <b>Razem kredyty i pożyczki krótkoterminowe</b> | <b>9 776</b> | <b>2 201</b> | <b>-</b> | <b>18</b> | <b>-</b> |
|---|--------------|--------------|----------|-----------|----------|

**31. Other financial liabilities**

| Other financial liabilities     | Balance on | Balance on | Balance on | Balance on |
|---------------------------------|------------|------------|------------|------------|
|                                 | 30.06.2009 | 31.12.2008 | 30.06.2008 | 01.01.2008 |
| <b>Long-term</b>                | -          | -          | -          | -          |
| Liabilities from finance leases | -          | -          | -          | -          |
| <b>Short-term</b>               | <b>31</b>  | <b>44</b>  | -          | -          |
| Liabilities from finance leases | 31         | 44         | -          | -          |

| Name                                    | Financing aim | Number of contract | Data of contract | Date of repayment | Value of unit |
|---|---------------|--------------------|------------------|-------------------|---------------|
| Europejski Fundusz Leasingowy o/Wrocław | Lathe         | 27824/Wr/06        | 30.11.2006       | 30.09.2009        | 35            |
| Deutsche Leasing Polska S.A.            | Forklift      | 104148             | 30.01.2007       | 15.12.2009        | 66            |

**32. Corporate income tax**

| Corporate income tax     | For finished period | For finished period | For finished period |
|--------------------------|---------------------|---------------------|---------------------|
|                          | 30.06.2009          | 31.12.2008          | 30.06.2008          |
| Current income tax       | 431                 | 1 592               | 814                 |
| Deferred tax             | 349                 | 216                 | 53                  |
| <b>Income tax total:</b> | <b>780</b>          | <b>1 808</b>        | <b>867</b>          |

**33. Related party transactions**

| Transactions and balances with related entities not consolidated for the year | Consolidated |            |                | Not consolidated |            |                |
|---|--------------|------------|----------------|------------------|------------|----------------|
|   | Dependent    | Associated | Interdependent | Dependent        | Associated | Interdependent |
| Net sales (without PTiU)  | 8            | -          | -              | -                | -          | -              |
| Net purchases (excluding PTiU)  | 121          | -          | -              | -                | -          | -              |
| Short-term receivables  | 2            | -          | -              | -                | -          | -              |
| Current liabilities   | 145          | -          | -              | -                | -          | -              |

**34. Receivables and contingent liabilities (contingent)**

| Receivables and contingent liabilities                    | For 30.06.2009 | For 31.12.2008 | For 30.06.2008 | For 01.01.2008 |
|---|----------------|----------------|----------------|----------------|
| <b>To related</b>   | -              | <b>950</b>     | -              | -              |
| warranties and guarantees repayment of loans and advances | -              | 950            | -              | -              |
| guarantees for the proper implementation of contracts     | -              | -              | -              | -              |
| <b>To others</b>  | <b>6 996</b>   | <b>6 996</b>   | <b>7 120</b>   | <b>6 308</b>   |
| warranties and guarantees repayment of loans and advances | -              | -              | -              | -              |

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|   |              |              |              |              |
|---|--------------|--------------|--------------|--------------|
| guarantees for the proper implementation of contracts | 6 996        | 6 996        | 6 996        | 6 196        |
| Other guarantees and commitments                      | -            | -            | 124          | 112          |
| <b>TOTAL AND SURETY GUARANTEES GRANTED</b>            | <b>6 996</b> | <b>7 946</b> | <b>7 120</b> | <b>6 308</b> |

Under the heading "guarantees for the proper performance of contracts" entered promissory notes provided to secure the implementation of the grant agreements.

| <b>Guarantees and sureties received</b>                   | <b>For<br/>30.06.2009</b> | <b>For<br/>31.12.2008</b> | <b>For<br/>30.06.2008</b> | <b>For<br/>01.01.2008</b> |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>To related</b>   | -                         | <b>950</b>                | -                         | -                         |
| warranties and guarantees repayment of loans and advances | -                         | 950                       | -                         | -                         |
| guarantees for the proper implementation of contracts     | -                         | -                         | -                         | -                         |
| <b>To others</b>  | -                         | -                         | -                         | -                         |
| warranties and guarantees repayment of loans and advances | -                         | -                         | -                         | -                         |
| guarantees for the proper implementation of contracts     | -                         | -                         | -                         | -                         |
| Other guarantees and commitments                          | -                         | -                         | -                         | -                         |
| <b>TOTAL AND SURETY GUARANTEES GRANTED</b>                | -                         | <b>950</b>                | -                         | -                         |

### 35. Financial Instruments

| <b>Financial instruments by category</b>         | <b>For<br/>30.06.2009</b> | <b>For<br/>31.12.2008</b> | <b>For<br/>30.06.2008</b> | <b>For<br/>01.01.2008</b> |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>Financial assets</b>                          | <b>14 323</b>             | <b>17 605</b>             | <b>22 075</b>             | <b>37 563</b>             |
| Assets at fair value through profit or loss      | -                         | -                         | -                         | -                         |
| Loans and receivables measured at amortized cost | 14                        | 35                        | 62                        | -                         |
| Receivables valued at face value                 | 13 639                    | 10 127                    | 12 496                    | 9 258                     |
| Assets held to maturity                          | -                         | -                         | -                         | -                         |
| Assets available for sale                        | -                         | -                         | -                         | -                         |
| Cash and cash equivalents                        | 670                       | 7 443                     | 9 517                     | 28 305                    |
| <b>Financial liabilities</b>                     | <b>17 087</b>             | <b>18 101</b>             | <b>12 777</b>             | <b>9 647</b>              |
| Liabilities at fair value through profit or loss | -                         | -                         | -                         | -                         |
| Liabilities measured at amortized cost           | 7 501                     | 6 024                     | 2 927                     | 668                       |
| Trade commitments valued at face value           | 9 586                     | 12 077                    | 9 850                     | 8 979                     |

### 36. The differences between the information disclosed in the financial statements, previously drawn up and published financial reports

| <b>Differences between the information presented in the financial statements and previously published financial data</b> | <b>31.12.2008</b> |               | <b>30.06.2008</b> |               |
|--|-------------------|---------------|-------------------|---------------|
|  | <b>Net income</b> | <b>Equity</b> | <b>Net income</b> | <b>Equity</b> |
| Values arising from published reports  | <b>8 615</b>      | <b>59 167</b> | <b>3 539</b>      | <b>55 191</b> |
| Division   | -                 | -             | -                 | 357           |
| Remission  | -                 | -             | 2                 | 29            |
| Cancellation   | -                 | (11)          | -                 | (74)          |
| Incentive program  | (480)             | -             | (303)             | -             |
| Depreciation of revalued units   | (39)              | (39)          | -                 | -             |
| Change of minority capital   | -                 | 104           | -                 | -             |
| The values shown in this report  | <b>8 096</b>      | <b>59 221</b> | <b>3 238</b>      | <b>55 503</b> |

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**37. Events after the balance sheet**

In accordance with IAS 10, the events after the balance sheet date include all events that occurred after the balance sheet until the financial statements publication.

After the balance sheet date there were no significant events that should be included in the consolidated financial statements.

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**II.CONDENSED UNITARY HALF-YEARLY FINANCIAL REPORT**

**Selected data of condensed unitary half-yearly financial report**

| Title   | Thousand PLN                  |                               | Thousand EUR                  |                            |
|---|-------------------------------|-------------------------------|-------------------------------|----------------------------|
|   | 01.01.2009<br>-<br>30.06.2009 | 01.01.2008<br>-<br>30.06.2008 | 01.01.2009<br>-<br>30.06.2009 | 01.01.2008 -<br>30.06.2008 |
| I. Net revenues from sales of products, goods and materials | 16 672                        | 19 129                        | 3 690                         | 5 501                      |
| II. Profit (loss) from operation activity                   | 2 305                         | 3 586                         | 510                           | 1 031                      |
| III. Profit (loss) - gross                                  | 2 319                         | 4 105                         | 513                           | 1 180                      |
| IV. Profit (loss) - net                                     | 1 772                         | 3 238                         | 392                           | 931                        |
| V. Net cash flows from operating activities                 | (1 111)                       | (2 602)                       | (246)                         | (748)                      |
| VI. Net cash flows from investing activities                | (2 935)                       | (18 450)                      | (650)                         | (5 305)                    |
| VII. Net cash flows from financing activities               | (2 328)                       | 2 259                         | (515)                         | 650                        |
| VIII. Net cash flow, together                               | (6 374)                       | (18 793)                      | (1 411)                       | (5 404)                    |
| IX. Total assets  | 73 113                        | 69 836                        | 16 358                        | 15 625                     |
| X. Liabilities and reserves for liabilities                 | 18 320                        | 14 333                        | 4 099                         | 4 273                      |
| XI. Long-term liabilities and reserves                      | 4 478                         | 3 089                         | 1 002                         | 921                        |
| XII. Current liabilities                                    | 13 842                        | 11 244                        | 3 097                         | 3 352                      |
| XIII. Equity  | 54 793                        | 55 503                        | 12 259                        | 16 547                     |
| XIV. Share capital  | 719                           | 719                           | 161                           | 214                        |
| XV. Number of shares  | 23 561 587                    | 23 879 751                    | 23 561 587                    | 23 879 751                 |
| XVI. Profit (loss) per ordinary share (in PLN / EUR)        | 0,08                          | 0,14                          | 0,02                          | 0,04                       |
| XVII. Book value per share (in PLN / EUR)                   | 2,33                          | 2,32                          | 0,52                          | 0,69                       |

Method of conversion into euro:

- In order to convert the balance sheet items by financial data, average exchange rate of NBP on the last day of the year was applied,
- Items in the income statement and cash flow are converted using the arithmetic mean of exchange prevailing on the last day of each month during the period.

|                       |                   |                   |
|-----------------------|-------------------|-------------------|
|                       | 01.01.-30.06.2009 | 01.01.-30.06.2008 |
| rate at end of period | 4.4696            | 3.3542            |
| average exchange rate | 4.5184            | 3.4776            |

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**Condensed unitary consolidated statements of on 30 June 2009**

| Assets  | Balance on<br>2009-06-30 | Balance on<br>2008-12-31 | Balance on<br>30.06.2008 | Balance on<br>2008-01-01 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>Assets</b>   | <b>53 220</b>            | <b>51 937</b>            | <b>39 092</b>            | <b>21 674</b>            |
| Tangible assets   | 44 358                   | 43 294                   | 37 805                   | 20 526                   |
| Investment properties   | -                        | -                        | -                        | -                        |
| Intangible assets   | 789                      | 894                      | 643                      | 573                      |
| Goodwill  | -                        | -                        | -                        | -                        |
| Shares  | 7 016                    | 6 843                    | 4                        | 4                        |
| - Including investments accounted for using the equity method | -                        | -                        | -                        | -                        |
| Long-term receivables   | -                        | -                        | -                        | -                        |

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|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| Other long-term financial assets           | -             | -             | -             | -             |
| Deferred tax liabilities                   | 422           | 549           | 523           | 560           |
| Other assets                               | 635           | 357           | 117           | 11            |
| <b>Assets</b>                              | <b>19 893</b> | <b>23 103</b> | <b>30 744</b> | <b>45 317</b> |
| Stocks                                     | 8 740         | 8 969         | 7 053         | 7 705         |
| Claims for supplies and services           | 10 226        | 6 613         | 10 578        | 7 886         |
| Claims arising from the current income tax | -             | -             | -             | 179           |
| Other receivables                          | 277           | 575           | 1 918         | 1 193         |
| Other financial assets                     | 14            | 35            | 62            | -             |
| Cash and cash equivalents                  | 494           | 6 869         | 9 517         | 28 305        |
| Accruals                                   | 142           | 42            | 1 616         | 49            |
| <b>Assets classified as held for sale</b>  | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      |
| Tangible fixed assets held for sale        | -             | -             | -             | -             |
| Other assets classified as held for sale   | -             | -             | -             | -             |
| <b>Total assets :</b>                      | <b>73 113</b> | <b>75 040</b> | <b>69 836</b> | <b>66 991</b> |

| Liabilities  | Balance on<br>2009-06-30 | Balance on<br>2008-12-31 | Balance on<br>30.06.2008 | Balance on<br>2008-01-01 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>Total capital (fund)</b>                              | <b>54 793</b>            | <b>56 914</b>            | <b>55 503</b>            | <b>55 558</b>            |
| Basic capital  | 719                      | 719                      | 719                      | 719                      |
| Unpaid share capital and own shares                      | (2 373)                  | (1 859)                  | -                        | -                        |
| Reserve capital from share issue                         | 40 831                   | 40 831                   | 40 831                   | 40 831                   |
| Capital reserve from retained earnings                   | 234                      | 171                      | 171                      | 171                      |
| Reserves   | 13 119                   | 9 905                    | 9 905                    | 6 722                    |
| Revaluation  | -                        | -                        | -                        | -                        |
| Capital for hedge accounting                             | -                        | -                        | -                        | -                        |
| Exchange differences on translation of related           | -                        | -                        | -                        | -                        |
| Participation in other income of associates              | -                        | -                        | -                        | -                        |
| Accumulated results from previous years and other income | 491                      | 815                      | 639                      | 7 115                    |
| Profit (loss) for year                                   | 1 772                    | 6 332                    | 3 238                    |                          |
| <b>LIABILITIES AND RESERVES</b>                          | <b>4 478</b>             | <b>3 121</b>             | <b>3 089</b>             | <b>858</b>               |
| Deferred tax liabilities                                 | 595                      | 453                      | 328                      | 312                      |
| Provision for retirement and similar                     | 337                      | 388                      | 328                      | 429                      |
| - Including long-term                                    | 269                      | 269                      | 242                      | 242                      |
| Other reserves   | -                        | -                        | -                        | -                        |
| - Including long-term                                    | -                        | -                        | -                        | -                        |
| Interest-bearing loans                                   | 3 546                    | 2 280                    | 2 433                    | 117                      |
| Other financial liabilities                              | -                        | -                        | -                        | -                        |
| Other non-current liabilities                            | -                        | -                        | -                        | -                        |
| <b>LIABILITIES</b>                                       | <b>13 842</b>            | <b>15 005</b>            | <b>11 244</b>            | <b>10 575</b>            |
| Loans and advances                                       | 1 091                    | 608                      | 494                      | 551                      |
| Other financial liabilities                              | -                        | -                        | -                        | -                        |
| Trade payables and services                              | 4 471                    | 6 336                    | 3 927                    | 7 095                    |
| Liabilities arising from the current income tax          | 251                      | 82                       | 221                      | 82                       |
| Other liabilities  | 2 053                    | 1 674                    | 5 702                    | 1 802                    |
| Deferred income  | 5 976                    | 6 305                    | 900                      | 1 045                    |

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|   |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| CLASSIFICATION AS A COMMITMENT FOR SALE | -             | -             | -             | -             |
| <b>Total liabilities:</b>               | <b>73 113</b> | <b>75 040</b> | <b>69 836</b> | <b>66 991</b> |

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**Condensed unitary consolidated profit and loss account from the period 1 January to 30 June 2009**

| Details  | RZiS for:<br>01.01.2009 -<br>30.06.2009 | RZiS for:<br>01.01.2008 -<br>31.12.2008 | RZiS for:<br>01.01.2008 -<br>30.06.2008 |
|--|---|---|---|
| Revenues from sales of products, goods and materials           | 16 672                                  | 36 012                                  | 19 129                                  |
| Cost of products, goods and materials sold                     | (10 388)                                | (20 953)                                | (11 754)                                |
| <b>PROFIT (LOSS) FROM THE GROSS SALES</b>                      | <b>6 284</b>                            | <b>15 059</b>                           | <b>7 375</b>                            |
| Cost of sales  | (1 280)                                 | (2 948)                                 | (1 431)                                 |
| General and administrative expenses                            | (2 592)                                 | (4 874)                                 | (2 513)                                 |
| <b>PROFIT (LOSS) FROM SALE</b>                                 | <b>2 412</b>                            | <b>7 237</b>                            | <b>3 431</b>                            |
| Other operating income   | 639                                     | 577                                     | 258                                     |
| Other operating expenses                                       | (746)                                   | (432)                                   | (103)                                   |
| Profit / loss on sale of all or part of the subordinated units | -                                       | -                                       | -                                       |
| <b>PROFIT (LOSS) FOR OPERATING ACTIVITIES</b>                  | <b>2 305</b>                            | <b>7 382</b>                            | <b>3 586</b>                            |
| Financial income   | 119                                     | 653                                     | 522                                     |
| Financial expenses   | (105)                                   | (5)                                     | (3)                                     |
| Share in profits and losses of units using equity method       | -                                       | -                                       | -                                       |
| <b>PROFIT (LOSS) BEFORE TAX</b>                                | <b>2 319</b>                            | <b>8 030</b>                            | <b>4 105</b>                            |
| Income tax   | (547)                                   | (1 698)                                 | (867)                                   |
| Other tax reduction  | -                                       | -                                       | -                                       |
| <b>PROFIT / (LOSS) FROM CONTINUING OPERATIONS</b>              | <b>1 772</b>                            | <b>6 332</b>                            | <b>3 238</b>                            |
| Profit (loss) from discontinued operations                     | -                                       | -                                       | -                                       |
| Profit (loss) from sold operations                             | -                                       | -                                       | -                                       |
| <b>PROFIT (LOSS) NET</b>                                       | <b>1 772</b>                            | <b>6 332</b>                            | <b>3 238</b>                            |

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**Condensed unitary consolidated half-yearly income report from the period 1 January - 30 June 2009**

| Details | SCD for:<br>01.01.2009 -<br>30.06.2009 | SCD for:<br>01.01.2008 -<br>31.12.2008 | SCD for:<br>01.01.2008 -<br>30.06.2008 |
|---------|--|--|--|
|         |  |  |  |

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|  |              |              |              |
|--|--------------|--------------|--------------|
| <b>PROFIT (LOSS) NET</b>                                     | <b>1 772</b> | <b>6 332</b> | <b>3 238</b> |
| Revaluation of financial assets held for sale                | -            | -            | -            |
| Revaluation of fixed assets and WNiP                         | -            | -            | -            |
| Cash flow hedges   | -            | -            | -            |
| Differences on translation of business activity              | -            | -            | -            |
| Participation in other income of associates                  | -            | -            | -            |
| Effects of incentive program                                 | -            | -            | -            |
| Revenue from the acquisition / disposal of minority interest | -            | -            | -            |
| Effects of changes in accounting policies                    | -            | -            | -            |
| Errors from previous years                                   | -            | -            | -            |
| TOTAL OTHER REVENUE  | -            | -            | -            |
| Income tax on other income in total                          | -            | -            | -            |
| TOTAL OTHER INCOME AFTER TRANSACTIONS                        | -            | -            | -            |
| <b>TOTAL REVENUE</b>   | <b>1 772</b> | <b>6 332</b> | <b>3 238</b> |

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**Condensed unitary consolidated half-yearly report on changes in equity for the period 1 January - 30 June 2009**

| Details  | SZwKW for:<br>01.01.2009 -<br>30.06.2009 | SZwKW for:<br>01.01.2008 -<br>31.12.2008 | SZwKW for:<br>01.01.2008 -<br>30.06.2008 |
|--|--|--|--|
| EQUITY AT BEGINNING OF PERIOD  | 56 914                                   | 55 558                                   | 55 558                                   |
| Capital at the beginning of the period   | 719                                      | 719                                      | 719                                      |
| Capital at the end of the period   | 719                                      | 719                                      | 719                                      |
| Unpaid share capital, own shares at beginning of period                              | (1 859)                                  | -  | -  |
| Acquired own shares  | (514)                                    | (1 859)                                  | -  |
| Unpaid share capital, own shares at end of period                                    | (2 373)                                  | (1 859)                                  | -  |
| Capital reserve from issue of shares at beginning of period                          | 40 831                                   | 40 831                                   | 40 831                                   |
| Capital reserve from issue of shares at end of period                                | 40 831                                   | 40 831                                   | 40 831                                   |
| Capital reserve to retained earnings at beginning of period                          | 171                                      | 171                                      | 171                                      |
| Division of financial results  | 63                                       | -  | -  |
| Capital reserve to retained earnings at end of period                                | 234                                      | 171                                      | 171                                      |
| Reserves at beginning of period  | 9 905                                    | 6 722                                    | 6 722                                    |
| Division of financial results  | 3 214                                    | 3 183                                    | 3 183                                    |
| Reserves at end of period  | 13 119                                   | 9 905                                    | 9 905                                    |
| Undivided profit or loss from previous years and other income at beginning of period | 7 147                                    | 7 115                                    | 7 115                                    |
| Effects of changes in accounting policies  | 152                                      | 476                                      | 300                                      |
| Dividends paid   | (3 530)                                  | (3 593)                                  | (3 593)                                  |
| Transfer to other equity items   | (3 278)                                  | (3 183)                                  | (3 183)                                  |

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|--|---------------|---------------|---------------|
| Undivided profit or loss from previous years and other income at end of period | <b>491</b>    | <b>815</b>    | <b>639</b>    |
| The net result of the financial year   | <b>1 772</b>  | <b>6 332</b>  | <b>3 238</b>  |
| <b>EQUITY AT END OF PERIOD</b>   | <b>54 793</b> | <b>56 914</b> | <b>55 503</b> |

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date      signature of the person responsible for conducting the accounts      the signature of the director of the unit

**Condensed unitary consolidated half-yearly cash flows report for the period 1 January - 30 June 2009**

| Details   | SPP for:<br>01.01.2009 -<br>30.06.2009 | SPP for:<br>01.01.2008 -<br>31.12.2008 | SPP for:<br>01.01.2008 -<br>30.06.2008 |
|---|--|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>             |  |  |  |
| Profit (loss) net                                       | 1 772                                  | 6 332                                  | 3 238                                  |
| Total adjustments                                       | (2 883)                                | 2 118                                  | (5 840)                                |
| Depreciation  | 1 828                                  | 2 571                                  | 1 107                                  |
| Gains (losses) from exchange differences                | -                                      |  | (8)                                    |
| Interest and participation in profits (dividends)       | 95                                     | 1                                      | -                                      |
| Profit (loss) from investment activities                | (3)                                    | (77)                                   | (68)                                   |
| Change in reserves                                      | 91                                     | 100                                    | (86)                                   |
| Change in stocks  | 229                                    | (1 264)                                | 652                                    |
| Change in receivables                                   | (3 314)                                | 2 070                                  | (3 237)                                |
| Change in liabilities                                   | (1 808)                                | (1 148)                                | (3 308)                                |
| Change in accruals                                      | (580)                                  | (876)                                  | (1 781)                                |
| Income tax on profit before tax                         | 547                                    | 1 698                                  | 867                                    |
| Income tax paid   | (110)                                  | (1 437)                                | (281)                                  |
| Other adjustments                                       | 142                                    | 480                                    | 303                                    |
| Net cash flows from operating activities                | <b>(1 111)</b>                         | <b>8 450</b>                           | <b>(2 602)</b>                         |
| <b>CASH FLOWS FROM INVESTING ACTIVITY</b>               |  |  |  |
| Expenditure on acquisition of intangible assets         | -                                      | (540)                                  | (160)                                  |
| Expenditure on acquisition of tangible fixed assets     | (2 788)                                | (25 149)                               | (18 326)                               |
| Proceeds from the sale of tangible fixed assets         | 5                                      | 105                                    | 97                                     |
| Expenditure on acquisition of assets available for sale | (173)                                  | (6 838)                                |  |
| Loans granted   | -                                      | (65)                                   | (65)                                   |
| Repayment of loans obtained                             | 21                                     | 30                                     | 4                                      |
| Net cash flows from investing activities                | <b>(2 935)</b>                         | <b>(32 457)</b>                        | <b>(18 450)</b>                        |
| <b>CASH FLOWS FROM FINANCIAL ACTIVITY</b>               |  |  |  |
| Purchase of own shares                                  | (515)                                  | (1 859)                                |  |
| Proceeds from borrowing loans and advances              | 1 848                                  | 2 550                                  | 2 372                                  |
| Repayment of loans                                      | (100)                                  | (328)                                  | (112)                                  |
| Dividends paid  | (3 476)                                | (3 593)                                |  |
| Interest paid   | (95)                                   | (1)                                    | (1)                                    |
| Grants received   | 10                                     | 5 808                                  |  |
| Net cash flows from financing activities                | <b>(2 328)</b>                         | <b>2 577</b>                           | <b>2 259</b>                           |
| <b>Total net cash flow</b>                              | <b>(6 374)</b>                         | <b>(21 430)</b>                        | <b>(18 793)</b>                        |
| <b>BALANCE SHEET MOVEMENTS IN CASH</b>                  | <b>(6 375)</b>                         | <b>(21 436)</b>                        | <b>(18 788)</b>                        |
| - Including changes of equity due to exchange rate      | (1)                                    |  | (8)                                    |

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|   |            |              |              |
|---|------------|--------------|--------------|
| <b>CASH AT BEGINNING OF PERIOD</b>        | 6 867      | 28 302       | 28 302       |
| <b>CASH AT END OF PERIOD (F / - D)</b>    | <b>493</b> | <b>6 872</b> | <b>9 509</b> |
| - including those of reduced availability | 165        | 137          | 87           |

20 August 2009

date      signature of the person responsible for conducting the accounts      the signature of the director of the unit

**Explanatory notes to the condensed consolidated half-yearly financial statements for the period 1 January - 30 June 2009**

**1. Basic Information**

**Name and address of the Company reporting financial statements:**

RADPOL Joint Stock Company  
 ul. Batorego 14  
 77-300 Człuchów

**Register court, no of record of the parent company:**

Gdańsk District Court - North Gdansk, Department of Economic VIII - Registry of the National Court Register (KRS number 0000057155).

**Basic activity:**

RADPOL SA produces heat-shrinkable products, electrical cables and cable accessories. It specializes in range of refined polyethylene based on its own, unique mixtures of materials suitable for treatment of crosslinking radiation. Basic activity of the parent is: PKD 2524Z - manufacture of other plastic products.

**The composition of the boards of the parent company**

**Composition of the Board at the balance sheet date:**

Andrzej Piotr Sielski - Chairman of the Board  
 Grzegorz Mirosław Malczyk - Vice-Chairman of the Board

**Composition of the Supervisory Board at the balance sheet date:**

Grzegorz Jan Bielowicki - President of the Supervisory Board  
 Zbigniew Piotr Janas - Deputy President of the Supervisory Board  
 Tomasz Krzysztof Firczyk - Secretary of the Supervisory Board  
 Thomas Kaplinski - Board Member  
 Marcin Kowalczyk - Board Member  
 Krzysztof Kurowski - Board Member

**41. Legal basis for financial statements**

The term IFRS is meant in the present financial statements in accordance with Article. 2, paragraph. 3 of the Law on Accounting International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of Regulations to the European Commission.

These half-yearly condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in particular in accordance with International Accounting Standard 34 and IFRS adopted by the EU. At the date of approval of this report for publication, the ongoing process of implementation of EU standards and IFRS and activities conducted by the Company was taken into account, the Company applied the accounting rules there is no difference between the IFRS, which entered into force, and IFRS adopted by the EU .

Half-yearly financial statements does not include all the information and disclosures required in annual financial statements and should be read in conjunction with the unitary accounts for the year ending 31 December 2008.

**42. Statement of compliance with IFRS**

These financial statements have been prepared in accordance with International Accounting Standards, International

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Financial Reporting Standards and related interpretations announced in the form of Regulations to the European Commission.

#### **43. Date of approval of the financial statements for publication**

These financial statements are authorized for issue by the Board of RADPOL SA on 20.08.2009.

#### **44. Functional currency and reporting currency**

The data contained in the financial statements are presented in thousands of PLN. PLN a functional currency and reporting currency in these financial statements.

#### **45. Continuing operations**

Condensed half-yearly consolidated financial statements of the Capital Group for the period from 01.01.2009 to 30.06.2009 have been prepared taking into consideration that business activity of the company will not undergo any significant changes in the nearest future.

According to all available report details, there is full reason to apply the rule to continue the preparation of financial statements.

#### **46. Significant accounting policies**

Accounting principles used to prepare the half-yearly condensed financial statements are consistent with those applied in preparing the consolidated financial statements for the year ending 31 December 2008; except for changes described in Note 42.

There were some new standards, changes in standards and interpretations of the Committee on International Financial Reporting Interpretations (IFRIC) posted, which apply to periods beginning on 1 January 2008 and thereafter. Group have decided not to advance the application of these standards, amendments and interpretations of standards. The following provides an assessment of the Group on the impact of these new standards, amendments and interpretations of standards.

##### **IFRS 8 "Operating Segments"**

IFRS 8 was issued by the International Accounting Standards on 30 November 2006 and is effective for annual periods beginning on 1 January 2009 or after that date. IFRS 8 replaces IAS 14 Segment Reporting. " This standard defines new requirements for disclosures of information regarding operating segments, as well as information on products and services, geographic areas in which business and major customers. IFRS 8 requires a "management approach" to reporting financial results by segment.

The Company will apply IFRS 8 from 1 January 2009.

##### **Amendment to IAS 23 Borrowing Costs**

Amendment to IAS 23 was published by the International Accounting Standards 29 March 2007 and is effective for annual periods beginning on 1 January 2009 or after that date. The change relates to the accounting treatment for borrowing costs directly attributable to the acquisition, construction or production of an asset that requires a significant period of time necessary to prepare it for its intended use or sale. As part of this change, the possibility of immediate identification of those costs in the profit and loss account of the period in which they are incurred was removed. According to the new requirements of the standard, these costs should be capitalized.

The company described above as used to change the Standard after its entry into force, ie from 1 January 2009 Changing the Standard did not have a significant impact on the company's report.

##### **IAS 1 (Z) "Presentation of Financial Statements**

Amendment to IAS 1, published on 6 September 2007 and approved in the EU on 17 December 2008 applicable to the financial statements prepared for periods beginning on 1 January 2009 and later. Amendment includes changes to the naming of basic financial statements and the presentation of balance sheet, income statement and changes in equity. Revision of this standard does not affect previously reported financial results and the value of equity, but is placed only on presentation of financial statements and the titles of these reports.

The company revised IAS 1 applies from 1 January 2009

##### **IFRS 3 (Z) "Business Combinations"**

The revised IFRS 3 has been published by the International Accounting Standards on 10 January 2008 and applies prospectively to business combinations with the date of acquisition per 1 July 2009 or after that date. The changes introduced include a choice of treatment of minority interests either at fair value or their participation in the fair value of identified net assets, revaluation of previously owned shares in the acquired entity at fair value with reference to the difference in the profit and loss account and additional guidelines for applying the purchase method, including treatment of transaction costs as an

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expense in the period in which it is incurred.

#### IAS 27 (Z) "Consolidated and Separate Financial Statements

The revised IAS 27 was published by the International Accounting Standards Board on 10 January 2008 and is effective for annual periods beginning on 1 July 2009 or after that date. The Standard requires that the effects of transactions with minority shareholders to be recognized directly in equity, if control is maintained by current unit of its parent company. Standard also details the way to enter in case of loss of control of a subsidiary, ie, involves the remaining shares at fair value and the recognition of the difference in the profit and loss account.

#### Amendment to IFRS 2 Share-based Payment "

Amendment to IFRS 2 was published by the International Accounting Standards on 17 January 2008 and is effective for annual periods beginning on 1 January 2009 or after that date. Amendment to the Standard deals with two issues: clarifies that vesting conditions are only a service condition and a condition related to operating units. Other features of share-based payments are not considered as vesting conditions. Standard clarifies that the accounting treatment of a cancellation by the entity or another party transactions should be the same.

Company applies the amended IFRS 2 from 1 January 2009, Standard Change does not have a significant impact on the Company's report.

#### Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements

Amendments to IAS 32 and IAS 1 have been published by the International Accounting Standards Board on 14 February 2008 and apply for annual periods beginning on 1 January 2009 or after that date. The changes relate to the accounting treatment for certain financial instruments which have a resemblance to equity, but are classified as financial liabilities. According to the new requirements of the standard for financial instruments such as financial instruments puttable and instruments that impose on the company's obligation to pay contribution only in net assets in the event of liquidation, are subject to certain conditions and are presented as equity.

The company applies the changes described above, the Standards Board since its entry into force, ie from 1 January 2009, Standard Change has an impact on the Company.

#### Amendments to IFRS 2008

Ds Council International Accounting Standards Board has published "The amendments to IFRS, which would change the 20 standards. Amendments include changes in the presentation, the recognition and valuation, and include changes in terminology and editing. Most of the changes applies to annual periods beginning on 1 January 2009  
Group applies the amendments to IFRS in accordance with the transitional provisions. Standards changes have no material impact on the Company's report.

Amendments to IFRS 1 "Application of IFRS for the first time" and IAS 27 Consolidated and Separate Financial Statements. Amendments to IFRS 1 and IAS 27 were published by the International Accounting Standards Board on 22 May 2008 and apply for annual periods beginning on 1 January 2009 or after that date.

The changes allow you to use as a "deemed cost" or the fair value or carrying amount determined in accordance with current accounting policies for subsidiaries, associates and joint-venture in the separate financial statements. In addition, the definition of the method has been eliminated and replaced by the principle of cost of revenue recognition in connection with dividends received in the separate financial statements.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement "-" Criteria for the recognition of the hedged item.

Amendments to IAS 39 criteria for recognition as a hedged item "has been published by the International Accounting Standards on 31 July 2008 and apply for annual periods beginning on 1 July 2009 or after that date.

Changes include an explanation as to the specific circumstances apply rules for determining whether a security risk or a part of the cash flows meet the criteria for recognition as a hedged item. A prohibition determination of inflation as a possible component of securing a debt instrument with a fixed interest rate. The changes also prohibit the inclusion of the time value of the hedged risk unilaterally if the option is treated as a hedging instrument.

#### IFRIC 12 'Agreements for the provision of public services "

IFRIC 12 was issued by the Committee on International Financial Reporting Interpretations on 30 November 2006 and is effective for annual periods beginning on 1 January 2008 or after that date. This interpretation provides guidance on the use of existing standards for entities participating in the concession contracts for services between the public and private sectors. IFRIC 12 applies to contracts where the controls are ordering and what services to provide the operator with the infrastructure, who provides those services and at what price.

#### IFRIC 13 'Customer Loyalty Programs "

IFRIC 13 was issued by the Committee on International Financial Reporting Interpretations on 28 June 2007 and is effective for annual periods beginning on 1 July 2008 or after that date. This interpretation provides guidance on accounting treatment of transactions arising from implemented by the loyalty programs for its clients such as loyalty cards or points program. In particular, the IFRIC 13 states correctly recognized obligations arising from the need to provide free or reduced-priced

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products or services to customers pursuing their acquired "points".

Company KIMSF13 apply from 1 January 2009, the Interpretation does not affect the financial statements of the Company.

**IFRIC 14 "The ceiling for the assets under a defined benefit plan, minimum funding requirements and their interactions"**

IFRIC 14 was issued by the Committee on International Financial Reporting Interpretations on 5 July 2007 and is effective for annual periods beginning on 1 January 2009 (if the report is prepared in accordance with all standards and interpretations issued by the IASB and IFRIC, this date should be: 1 January 2008), or after that date. This interpretation provides general guidelines and in accordance with IAS 19 should be an assessment ceiling for the excess fair value of assets over the present value of liabilities for defined benefit plans, which may be recognized as an asset. In addition, IFRIC 14 clarifies how the statutory or contractual requirements in respect of minimum funding may affect the amount of assets or liabilities arising from defined benefit plans.

Company KIMSF14 apply from 1 January 2009

**IFRIC 15 'Agreements in the real estate sector'**

IFRIC 15 was issued by the Committee on International Financial Reporting Interpretations on 3 July 2008 and is effective for annual periods beginning on 1 January 2009 or after that date. This interpretation sets out general guidelines for how to evaluate the service agreement contracts, to determine whether its effects should be presented in the financial statements in accordance with IAS 11 Construction Contracts or IAS 18 Revenue. In addition, IFRIC 15 indicates at which point is to recognize revenue for the service building.

**IFRIC 16 "Accounting for hedges of net investments in foreign entity"**

IFRIC 16 was issued by the Committee on International Financial Reporting Interpretations on 3 July 2008 and is effective for annual periods beginning on 1 October 2008 or after that date. This interpretation sets out general guidelines for determining whether there is a risk of exchange rate changes in the functional unit of foreign currency and presentation of currency for the consolidated financial statements of the parent company. In addition, IFRIC 16 clarifies that an entity in the holding company can prove a hedging instrument in a hedge of net investments in foreign entity, in particular whether the parent undertaking which holds a net investment in foreign entity must maintain the hedge. IFRIC 16 also clarifies how an enterprise should determine the amount subject to reclassification from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of an investment.

**IFRIC 17 "The distribution of assets to the owners of non-cash"**

IFRIC 17 was issued by the Committee on International Financial Reporting Interpretations on 27 November 2008 and is effective for annual periods beginning on 1 July 2009 or after that date. This interpretation provides guidance on the diagnosis until the dividend, the dividend valuation and recognition of the difference between the value of the dividends distributed and the carrying amount of assets. Interpretation also requires additional disclosures when the assets for distribution meet the criteria for recognition as discontinued operations.

**IFRIC 18 "The transfer of assets from clients"**

IFRIC 18 was issued by the Committee on International Financial Reporting Interpretations on 29 January 2009 and is effective for annual periods beginning on 1 July 2009 or after that date. This interpretation provides guidance on recognition of the transfer of assets from customers, namely, situations where the definition of assets is completed, identifying separately identifiable services (services provided in exchange for the transferred asset), the recognition of income and the recognition of cash received from customers.

#### **48. Changes in estimates**

Estimates of the Executive Board of the Company affecting the value of the financial statements, include:

- anticipated period of economic life of fixed assets and intangible assets,
- write-downs of assets
- discount, the anticipated increase in salaries and actuarial assumptions used in calculating the reserve for retirement allowance
- future tax results, taken into account in determining the assets of the deferred tax
- discount rate and estimated future cash flows in relation to carrying out the test for goodwill impairment,
- the fair value of assets and liabilities acquired by Companies.

The methodology used to estimate is based on the best knowledge of the Board and is compatible with the requirements of IFRS.

Changes of impairment are shown in the accompanying explanatory notes to individual items of assets.

#### **49. Changes in presentation**

The company has changed the way of presentation in the profit and loss of grants related to assets and cash bonuses awarded to recipients.

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Grants related to assets previously recognized as deferred income and accounted for in other operating income in proportion to the value of assets subsidized the cost. After changes, the cleared portion of the grant is presented as income from its core business which is at the same level of profit and loss account, which represents the cost of the subsidized assets.

Benefits depend on the volume of sales (bonuses), have been previously recognized as expenses of sale, after changing the presentation of earnings deducted from the period concerned.

As a result, individual items have changed the profit and loss amounts:

| Details   | RZiS for:<br>01.01.2009 -<br>30.06.2009 | RZiS for:<br>01.01.2008 -<br>31.12.2008 | RZiS for:<br>01.01.2008 -<br>30.06.2008 |
|---|---|---|---|
| Revenues from sales of products, goods and materials                | -221                                    | -641                                    | -456                                    |
| Cost of products, goods and materials sold                          | -                                       | -                                       | -                                       |
| <b>PROFIT (LOSS) FROM THE GROSS SALES</b>                           | <b>-221</b>                             | <b>-641</b>                             | <b>-456</b>                             |
| Cost of sales   | 560                                     | 1189                                    | 602                                     |
| General and administrative expenses                                 | -                                       | -                                       | -                                       |
| <b>PROFIT (LOSS) FROM SALE</b>                                      | <b>339</b>                              | <b>548</b>                              | <b>146</b>                              |
| Other operating income  | -339                                    | -548                                    | -146                                    |
| Other operating expenses  | -                                       | -                                       | -                                       |
| Profit / loss from the sale of all or part interest in a subsidiary | -                                       | -                                       | -                                       |
| <b>PROFIT (LOSS) FOR OPERATING ACTIVITIES</b>                       | <b>-</b>                                | <b>-</b>                                | <b>-</b>                                |

#### 50. Seasonality or cyclicity of the business of the Capital Group

The Company is due to the seasonal nature of activities carried out by customers. Constant extension of product offerings has a positive effect on reducing this phenomenon. In the first half of 2009, due to the extended winter period, which affects the execution of external work associated with installation and heating grids, there has been some shift of monthly cycle compared to the previous year.

#### 51. Information about operating segments

Primary reporting format-sharing groups is based on industry segments and geographical segments. Organization and management of the Group takes place in the segment, taking into account the nature of the offered products and services. Each segment represents a strategic business unit that offers different products and services.

For reporting, the company divided the activities in 4 segments:

- cable accessories,
- heat-shrinkable equipment,
- power cables,
- electrical porcelain

| Trade segments - income and costs        | Cable accessories | Heat-shrinkable equipment | Power cables | Electrical porcelain | Others     | Total      |
|--|-------------------|---------------------------|--------------|----------------------|------------|------------|
|  | 01.01.2009        | 01.01.2009                | 01.01.2009   | 01.01.2009           | 01.01.2009 | 01.01.2009 |
|  | -                 | -                         | -            | -                    | -          | -          |
|  | 30.06.2009        | 30.06.2009                | 30.06.2009   | 30.06.2009           | 30.06.2009 | 30.06.2009 |
| External revenue                         | 3 296             | 9 831                     | 2 831        | 174                  | 540        | 16 672     |
| Including:                               |                   |                           |              |                      |            |            |
| - Revenues from sales of products, goods | 3 464             | 10 133                    | 2 912        | 183                  | 201        | 16 893     |
| - commercial bonuses                     | (168)             | (302)                     | (81)         | (9)                  | -          | (560)      |
| - Grants                                 | -                 | -                         | -            | -                    | 339        | 339        |
| Cost of products and materials sold      | (2 365)           | (4 814)                   | (2 946)      | (139)                | (124)      | (10 388)   |

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|                                       |     |       |       |    |         |         |
|---------------------------------------|-----|-------|-------|----|---------|---------|
| <b>Segment results in gross sales</b> | 931 | 5 017 | (115) | 35 | 416     | 6 284   |
| Cost of sales                         | -   | -     | -     | -  | (1 280) | (1 280) |
| General and administrative expenses   | -   | -     | -     | -  | (2 592) | (2 592) |
| <b>Profit from sales</b>              | 931 | 5 017 | (115) | 35 | (3 456) | 2 412   |
| Other operating income                | -   | -     | -     | -  | 639     | 639     |
| Other operating expenses              | -   | -     | -     | -  | (746)   | (746)   |
| <b>Profit from operations</b>         | 931 | 5 017 | (115) | 35 | (3 563) | 2 305   |
| Financial income                      | -   | -     | -     | -  | 119     | 119     |
| Financial expenses                    | -   | -     | -     | -  | (105)   | (105)   |
| Profit before tax                     | 931 | 5 017 | (115) | 35 | (3 549) | 2 319   |
| Corporate income tax                  | -   | -     | -     | -  | (547)   | (547)   |
| Net profit                            | 931 | 5 017 | (115) | 35 | (4 096) | 1 772   |

| Trade segments - income and costs        | Cable accessories | Heat-shrinkable equipment | Power cables | Electrical porcelain | Others     | Total      |
|--|-------------------|---------------------------|--------------|----------------------|------------|------------|
|  | 01.01.2008        | 01.01.2008                | 01.01.2008   | 01.01.2008           | 01.01.2008 | 01.01.2008 |
|  | 31.12.2008        | 31.12.2008                | 31.12.2008   | 31.12.2008           | 31.12.2008 | 31.12.2008 |
| External revenue                         | 8 163             | 19 056                    | 7 661        | 35                   | 1 097      | 36 012     |
| Including:                               |                   |                           |              |                      |            |            |
| - Revenues from sales of products, goods | 8 553             | 19 635                    | 7 881        | 35                   | 549        | 36 653     |
| - commercial bonuses                     | (390)             | (579)                     | (220)        | -                    | -          | (1 189)    |
| - Grants                                 | -                 | -                         | -            | -                    | 548        | 548        |
| Cost of products and materials sold      | (5 144)           | (8 942)                   | (6 527)      | (25)                 | (315)      | (20 953)   |
| <b>Segment results in gross sales</b>    | 3 019             | 10 114                    | 1 134        | 10                   | 782        | 15 059     |
| Cost of sales                            | -                 | -                         | -            | -                    | (2 948)    | (2 948)    |
| General and administrative expenses      | -                 | -                         | -            | -                    | (4 874)    | (4 874)    |
| <b>Profit from sales</b>                 | 3 019             | 10 114                    | 1 134        | 10                   | (7 040)    | 7 237      |
| Other operating income                   | -                 | -                         | -            | -                    | 577        | 577        |
| Other operating expenses                 | -                 | -                         | -            | -                    | (432)      | (432)      |
| <b>Profit from operations</b>            | 3 019             | 10 114                    | 1 134        | 10                   | (6 895)    | 7 382      |
| Financial income                         | -                 | -                         | -            | -                    | 653        | 653        |
| Financial expenses                       | -                 | -                         | -            | -                    | (5)        | (5)        |
| Profit before tax                        | 3 019             | 10 114                    | 1 134        | 10                   | (6 247)    | 8 030      |
| Corporate income tax                     | -                 | -                         | -            | -                    | (1 698)    | (1 698)    |
| Net profit                               | 3 019             | 10 114                    | 1 134        | 10                   | (7 945)    | 6 332      |

| Trade segments - income and costs        | Cable accessories | Heat-shrinkable equipment | Power cables | Electrical porcelain | Others     | Total      |
|--|-------------------|---------------------------|--------------|----------------------|------------|------------|
|  | 01.01.2008        | 01.01.2008                | 01.01.2008   | 01.01.2008           | 01.01.2008 | 01.01.2008 |
|  | 30.06.2008        | 30.06.2008                | 30.06.2008   | 30.06.2008           | 30.06.2008 | 30.06.2008 |
| External revenue                         | 4 255             | 9 693                     | 4 733        | -                    | 448        | 19 129     |
| Including:                               |                   |                           |              |                      |            |            |
| - Revenues from sales of products, goods | 4 445             | 9 968                     | 4 870        | -                    | 302        | 19 585     |
| - commercial bonuses                     | (190)             | (275)                     | (137)        | -                    | -          | (602)      |
| - Grants                                 | -                 | -                         | -            | -                    | 146        | 146        |
| Cost of products and materials sold      | (2 617)           | (5 025)                   | (3 931)      | -                    | (181)      | (11 754)   |

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|                                       |       |       |     |   |         |         |
|---------------------------------------|-------|-------|-----|---|---------|---------|
| <b>Segment results in gross sales</b> | 1 638 | 4 668 | 802 | - | 267     | 7 375   |
| Cost of sales                         | -     | -     | -   | - | (1 431) | (1 431) |
| General and administrative expenses   | -     | -     | -   | - | (2 513) | (2 513) |
| <b>Profit from sales</b>              | 1 638 | 4 668 | 802 | - | (3 677) | 3 431   |
| Other operating income                | -     | -     | -   | - | 258     | 258     |
| Other operating expenses              | -     | -     | -   | - | (103)   | (103)   |
| <b>Profit from operations</b>         | 1 638 | 4 668 | 802 | - | (3 522) | 3 586   |
| Financial income                      | -     | -     | -   | - | 522     | 522     |
| Financial expenses                    | -     | -     | -   | - | (3)     | (3)     |
| Profit before tax                     | 1 638 | 4 668 | 802 | - | (3 003) | 4 105   |
| Corporate income tax                  | -     | -     | -   | - | (867)   | (867)   |
| Net profit                            | 1 638 | 4 668 | 802 | - | (3 870) | 3 238   |

| Trade segments - other information | Cable accessories | Heat-shrinkable equipment | Power cables | Electrical porcelain | Others     | Total      |
|------------------------------------|-------------------|---------------------------|--------------|----------------------|------------|------------|
|                                    | 30.06.2009        | 30.06.2009                | 30.06.2009   | 30.06.2009           | 30.06.2009 | 30.06.2009 |
| Segment assets                     | 7 104             | 38 475                    | 2 199        | 37                   | 25 298     | 73 113     |
| Liabilities and reserves           | -                 | -                         | -            | -                    | 18 320     | 18 320     |
| Expenditure on tangible assets     | 15                | 3 749                     | 1            | -                    | 660        | 4 425      |
| Depreciation                       | 161               | 1 173                     | 140          | -                    | 354        | 1 828      |
| Impairment                         | 348               | 507                       | 80           | 3                    | 801        | 1 739      |
| Reversal of impairment             | 206               | 248                       | 3            | -                    | -          | 457        |

| Trade segments - other information | Cable accessories | Heat-shrinkable equipment | Power cables | Electrical porcelain | Others     | Total      |
|------------------------------------|-------------------|---------------------------|--------------|----------------------|------------|------------|
|                                    | 31.12.2008        | 31.12.2008                | 31.12.2008   | 31.12.2008           | 31.12.2008 | 31.12.2008 |
| Segment assets                     | 6 545             | 37 512                    | 3 274        | 51                   | 27 658     | 75 040     |
| Liabilities and reserves           | -                 | -                         | -            | -                    | 18 126     | 18 126     |
| Expenditure on tangible assets     | -                 | 1 934                     | -            | -                    | 227        | 2 161      |
| Depreciation                       | 160               | 1 527                     | 235          | -                    | 649        | 2 571      |
| Impairment                         | 238               | 456                       | 42           | -                    | 763        | 1 499      |
| Reversal of impairment             | -                 | 22                        | -            | -                    | 22         | 44         |

| Trade segments - other information | Cable accessories | Heat-shrinkable equipment | Power cables | Electrical porcelain | Others     | Total      |
|------------------------------------|-------------------|---------------------------|--------------|----------------------|------------|------------|
|                                    | 30.06.2008        | 30.06.2008                | 30.06.2008   | 30.06.2008           | 30.06.2008 | 30.06.2008 |
| Segment assets                     | 5 879             | 31 336                    | 2 484        | -                    | 30 292     | 69 991     |
| Liabilities and reserves           | -                 | -                         | -            | -                    | 14 333     | 14 333     |
| Expenditure on tangible assets     | 1 779             | 13 265                    | 57           | -                    | 541        | 15 642     |
| Depreciation                       | 54                | 614                       | 127          | -                    | 312        | 1 107      |
| Impairment                         | 305               | 399                       | 20           | -                    | 787        | 1 511      |
| Reversal of impairment             | -                 | 10                        | -            | -                    | 2          | 12         |

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Division by geographical segments is carried out based on the geographical location of customers. A distribution of geographical segments by achieved revenue from domestic customers and the revenues from customers located outside the country is the key mechanics of choice.

| Geographical segments - criteria for clients' localization | Segment income          |                         |                         |
|--|-------------------------|-------------------------|-------------------------|
|  | 01.01.2009 - 30.06.2009 | 01.01.2008 - 31.12.2008 | 01.01.2008 - 30.06.2008 |
| Domestic sales   | 13 411                  | 31 219                  | 16 516                  |
| Export sales   | 3 261                   | 4 793                   | 2 613                   |
| <b>Total</b>   | <b>16 672</b>           | <b>36 012</b>           | <b>19 129</b>           |

## 52. Recognition of incentive program for employees

On February 13, 2007 Board of RADPOL SA, pursuant to resolutions of the General Meeting of Shareholders No 11/II/2007 dated 13 February 2007, agreed on the following conditions of incentive scheme for employees of the Company:

1. The incentive scheme was included in the Issuer's Management Board members, ie Andrzej Sielski entitled to purchase 264.774 Subscription Warrants and Grzegorz Malczyk entitled to purchase 264. Subscription Warrants,
  2. Incentive program will be continued over the next 3 years
  3. condition of acquiring the right to receive shares of the Company is acting as a member of the board of the Issuer for a period of at least 6 months in the last 12 months before determining entitlement to series C shares
  4. on the right to determine the C shares will be a day for 1 year after the first quotation of the Company on the Stock Exchange SA in the first year of the Incentive Scheme and 2 or 3 years after the first quotation of the Company on the Stock Exchange SA in the second and third year of the incentive scheme,
  5. the above-mentioned day of establishing the right of series C shares will be calculated on the number of C shares to cover the program - the number will be multiplied by the number of complete months served on the board in the last twelve months before the right to determine the number of shares and 7354 - if a participant of the program will perform the function for the full twelve months, they will be entitled to subscribe for 88.258 shares series C
  6. Series C shares will be placed at an issue price equal to the issue price of Series B shares, not less than 5.67 PLN.
- In accordance with IFRS 2 Share-based Payment 'own' the fair value of equity instruments granted (in this case the Subscription Warrants) shall be valued at grant date (ie, days binding determine the conditions of the program - in this case, February 13, 2007) and gradually during the vesting period (in this case over 3 years) by authorized persons (in this case members of the Board) increase the value of equity and simultaneously charged to pay.

In this report, the Capital Group recognized an increase in equity and burden costs for launched incentive program.

## 53. Information on purchase of own shares

On 21 April 2008, the General Assembly passed a resolution authorizing the Board of RADPOL SA to acquire its own shares for redemption. The content of this resolution was amended by the AGM on 21.04.2009.

Under the buyback program the Company will acquire not more than 2,371,209 own shares for a total amount not exceeding 14,227,254.00 PLN. Acquired own shares will give the right to do no more than 9.90% of total votes at the meeting. Implementation of the share buyback program will be completed no later than on 31 December 2011 or depletion of resources allocated for their purchase.

Until 30.06.2009 RADPOL SA acquired a total of 436.936 own shares, representing 1.82% of the share capital and conferring the right to 436.936 votes at a general meeting RADPOL SA (1.82% of total votes).

## 54. Dividends paid and proposed to pay

On 27 April 2009 Ordinary General Meeting of RADPOL SA passed a resolution No. 18 on the distribution of profit for the fiscal year 2008. According to the resolution of the net income was allocated to:

- The amount of 3,592,741.50 PLN for the dividend to shareholders, which is 0.15 PLN per share,
- The amount of 3,214,875.86 PLN on the "reserve capital to purchase own shares.

Day of determining entitlement to a dividend is at 18 May 2009, the date of dividend payment on June 3, 2009.

A total of 23,951,610 shares dividend was paid in respect of 23,533,768 shares, 417.842 shares were treasury shares acquired for the purpose of redemption in respect of which no dividend has been paid and has been related as the reserve capital of the Company.

## 55. Lawsuits

On 30 June 2009 there were no lawsuits initiated before a court or public administration authorities concerning obligations or receivables of RADPOL SA.

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**56. Changes in accounting policy and errors found in previous years and their impact on financial results and equity**

From 01.01.2009 the company valued stocks in progress at cost, which consists of costs directly associated with the product and reasonable share of the costs indirectly related to the product (variable indirect costs of production and fixed indirect costs of production under the assumption of normal capacity utilization). So far, the valuation of stocks in the course of production was based on the costs directly associated with the product.

For purposes of calculating the comparable data for 2008, a valuation of stocks and the cost of products sold by the new rules was implemented.

Changes in inventory alters the stock values on 01.01.2008 by 213 thousand PLN and at 31.12.2008 by amount of 982 thousand PLN, yet reducing cost of products sold in the period 01.01-30.06.2008 by 658 thousand PLN, as a final result increasing the financial result by 240 thousand PLN in the first half of 2008.

Change in inventory valuation method was dictated by the need to standardize the accounting policy for all companies included in the group.

**57. Tangible assets**

| Tangible assets                         | Status on         | Status on         | Status on         | Status on         |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 30.06.2009        | 31.12.2008        | 30.06.2008        | 01.01.2008        |
| Land                                    | -                 | -                 | -                 | -                 |
| The right to perpetual usufruct of land | 385               | 385               | 385               | 385               |
| Buildings and structures                | 14<br>761         | 14<br>796         | 2 498             | 2 544             |
| Plant and machinery                     | 21<br>159         | 22<br>175         | 15<br>972         | 5 743             |
| Means of transport                      | 1 096             | 1 155             | 822               | 492               |
| Other fixed assets                      | 2 532             | 2 622             | 2 486             | 193               |
| Fixed assets under construction         | 4 425             | 2 161             | 15<br>642         | 11<br>169         |
| <b>TANGIBLE FIXED ASSETS TOTAL:</b>     | <b>44<br/>358</b> | <b>43<br/>294</b> | <b>37<br/>805</b> | <b>20<br/>526</b> |

**58. Intangible assets**

| Intangible assets               | Status on<br>30.06.2009 | Status on<br>31.12.2008 | Status on<br>30.06.2008 | Status on<br>01.01.2008 |
|---------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Goodwill                        | -                       | -                       | -                       | -                       |
| Patents and licenses            | 161                     | 192                     | 223                     | 96                      |
| Development costs               | 628                     | 702                     | 420                     | 477                     |
| Other intangible assets         | -                       | -                       | -                       | -                       |
| <b>Intangible assets total:</b> | <b>789</b>              | <b>894</b>              | <b>643</b>              | <b>573</b>              |

**59. Stocks**

| Stocks                                      | 30.06.2009 |            |                | 31.12.2008 |            |                |
|---|------------|------------|----------------|------------|------------|----------------|
|   | Value      | Impairment | Carrying value | Value      | Impairment | Carrying value |
| Materials                                   | 1 491      | (273)      | 1 218          | 1 487      | (224)      | 1 263          |
| Semi-finished products and work in progress | 2 080      | (7)        | 2 073          | 2 373      | (38)       | 2 335          |
| Manufactured goods                          | 4 466      | (471)      | 3 995          | 3 979      | (250)      | 3 729          |
| Goods                                       | 1 633      | (181)      | 1 452          | 1 545      | (216)      | 1 329          |
| Advances in delivery                        | 2          | -          | 2              | 313        | -          | 313            |

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|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Stocks total:</b> | <b>9 672</b> | <b>(932)</b> | <b>8 740</b> | <b>9 697</b> | <b>(728)</b> | <b>8 969</b> |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|

| Stocks                                      | 30.06.2008   |              |                | 01.01.2008   |              |                |
|---|--------------|--------------|----------------|--------------|--------------|----------------|
|   | Value        | Impairment   | Carrying value | Value        | Impairment   | Carrying value |
| Materials                                   | 2 197        | (241)        | 1 956          | 2 990        | (212)        | 2 778          |
| Semi-finished products and work in progress | 1 491        | (26)         | 1 465          | 1 584        | (20)         | 1 564          |
| Manufactured goods                          | 2 674        | (172)        | 2 502          | 2 273        | (157)        | 2 116          |
| Goods                                       | 1 356        | (277)        | 1 079          | 1 121        | (46)         | 1 075          |
| Advances in delivery                        | 51           | -            | 51             | 172          | -            | 172            |
| <b>Stocks total:</b>                        | <b>7 769</b> | <b>(716)</b> | <b>7 053</b>   | <b>8 140</b> | <b>(435)</b> | <b>7 705</b>   |

#### 60. Claims

| Claims  | 30.06.2009    |              |                | 31.12.2008   |              |                |
|---|---------------|--------------|----------------|--------------|--------------|----------------|
|   | Value         | Impairment   | Carrying value | Value        | Impairment   | Carrying value |
| Claims for supplies and services                          | 10 701        | (475)        | 10 226         | 7 063        | (449)        | 6 614          |
| Claims arising from the current income tax                | -             | -            | -              | -            | -            | -              |
| Receivables from other taxes, customs and social security | 36            | -            | 36             | 344          | -            | 344            |
| Other receivables   | 307           | (66)         | 241            | 286          | (56)         | 230            |
| <b>Total claims:</b>                                      | <b>11 044</b> | <b>(541)</b> | <b>10 503</b>  | <b>7 693</b> | <b>(505)</b> | <b>7 188</b>   |

| Claims  | 30.06.2008    |              |                | 01.01.2008   |              |                |
|---|---------------|--------------|----------------|--------------|--------------|----------------|
|   | Value         | Impairment   | Carrying value | Value        | Impairment   | Carrying value |
| Claims for supplies and services                          | 11 042        | (464)        | 10 578         | 8 373        | (487)        | 7 886          |
| Claims arising from the current income tax                | -             | -            | -              | 179          | -            | 179            |
| Receivables from other taxes, customs and social security | 165           | -            | 165            | 993          | -            | 993            |
| Other receivables   | 1 818         | (65)         | 1 753          | 275          | (75)         | 200            |
| <b>Total claims:</b>                                      | <b>13 025</b> | <b>(529)</b> | <b>12 496</b>  | <b>9 820</b> | <b>(562)</b> | <b>9 258</b>   |

| Impairment charges                       | Status on 30.06.2009 | Status on 31.12.2008 | Status on 30.06.2008 | Status on 01.01.2008 |
|--|----------------------|----------------------|----------------------|----------------------|
| Write-downs at beginning of period       | 505                  | 562                  | 562                  | 562                  |
| Establishment                            | 51                   | 35                   | 9                    | -                    |
| Solution                                 | -                    | (41)                 | (2)                  | -                    |
| Use                                      | (15)                 | (51)                 | (40)                 | -                    |
| <b>CHARGES AT THE END OF THE PERIOD:</b> | <b>541</b>           | <b>505</b>           | <b>529</b>           | <b>562</b>           |

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**61. Other short-term financial assets**

| Other short-term financial assets<br><br>Specification | 30.06.2009 |            |                | 31.12.2008 |            |                |
|--|------------|------------|----------------|------------|------------|----------------|
|  | Value      | Impairment | Carrying value | Value      | Impairment | Carrying value |
| Loans granted  | 14         | -          | 14             | 35         | -          | 35             |
| Assets held to maturity                                | -          | -          | -              | -          | -          | -              |
| Assets available for sale                              | -          | -          | -              | -          | -          | -              |
| Assets at fair value through profit and loss account   | -          | -          | -              | -          | -          | -              |
| <b>TOTAL OTHER SHORT-TERM FINANCIAL ASSETS:</b>        | <b>14</b>  | <b>-</b>   | <b>14</b>      | <b>35</b>  | <b>-</b>   | <b>35</b>      |

| Other short-term financial assets<br><br>Specification | 30.06.2008 |            |                | 01.01.2008 |            |                |
|--|------------|------------|----------------|------------|------------|----------------|
|  | Value      | Impairment | Carrying value | Value      | Impairment | Carrying value |
| Loans granted  | 62         | -          | 62             | -          | -          | -              |
| Assets held to maturity                                | -          | -          | -              | -          | -          | -              |
| Assets available for sale                              | -          | -          | -              | -          | -          | -              |
| Assets at fair value through profit and loss account   | -          | -          | -              | -          | -          | -              |
| <b>TOTAL OTHER SHORT-TERM FINANCIAL ASSETS:</b>        | <b>62</b>  | <b>-</b>   | <b>62</b>      | <b>-</b>   | <b>-</b>   | <b>-</b>       |

**62. Cash and cash equivalents**

| Cash                                     | Status on<br>30.06.2009 | Status on<br>31.12.2008 | Status on<br>30.06.2008 | Status on<br>01.01.2008 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Cash                                     | 13                      | 5                       | 9                       | 5                       |
| Cash at bank                             | 481                     | 6 864                   | 9 508                   | 28 300                  |
| Other cash and cash equivalents          | -                       | -                       | -                       | -                       |
| <b>TOTAL CASH:</b>                       | <b>494</b>              | <b>6 869</b>            | <b>9 517</b>            | <b>28 305</b>           |
| - Including cash of reduced availability | 165                     | 137                     | 87                      | 25                      |

**63. Equity**

| Major shareholders     | Number of shares | Number of votes | Nominal value of shares | Share in capital |
|------------------------|------------------|-----------------|-------------------------|------------------|
| Tar Heel Capital R LLC | 5 465 935        | 5 465 935       | 163 978                 | 22,82%           |
| Grzegorz J. Bielowicki | 3 031 572        | 3 031 572       | 90 947                  | 12,66%           |
| Marcin Wysocki         | 3 031 572        | 3 031 572       | 90 947                  | 12,66%           |

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|   |                   |                   |                |                |
|---|-------------------|-------------------|----------------|----------------|
| ING Nationale Nederlanden OFE   | 1 814 854         | 1 814 854         | 54 446         | 7,58%          |
| Aviva Investors Poland S.A. (former Commercial Union Investment Management Polska S.A.), including Commercial Union Specjalistyczny Fundusz Inwestycyjny Otwarty 1.298.858 shares and votes (share in capital 5,42%) at the nominal value of 38.966 pln | 1 340 649         | 1 340 649         | 40 219         | 5,60%          |
| BZ WBK AIB AM, w tym BZ WBK AIB TFI   | 2 300 425         | 2 300 425         | 69 013         | 9,60%          |
| Other shareholders  | 6 529 667         | 6 529 667         | 195 890        | 27,26%         |
| Radpol S.A. (own shares)  | 436 936           | 436 936           | 13 108         | 1,82%          |
| <b>Total:</b>   | <b>23 951 610</b> | <b>23 951 610</b> | <b>718 548</b> | <b>100,00%</b> |

| Earnings per share and diluted earnings per share       | Status on<br>30.06.2009 | Status on<br>31.12.2008 | Status on<br>30.06.2008 |
|---|-------------------------|-------------------------|-------------------------|
| Net profit for the year (in PLN)                        | 1 772                   | 6 332                   | 3 238                   |
| Weighted average number of ordinary shares              | 23 561 587              | 23 879 751              | 23 951 610              |
| Earnings per share (in PLN)                             | 0,08                    | 0,27                    | 0,14                    |
| The weighted average expected number of ordinary shares | 23 561 587              | 23 879 751              | 23 951 610              |
| Diluted earnings per ordinary share (in PLN)            | 0,08                    | 0,27                    | 0,14                    |

Earnings per share are determined by dividing the profit and the weighted average number of ordinary shares in accordance with IAS 33. The difference between the value of existing ordinary shares at the end of the period and the weighted average number of shares results from the purchase of own shares for redemption.

Company under the incentive scheme is required to issue warrants, entitling to subscribe for shares at a price of 6.80 PLN. Since the warrants exercise higher price than the average market price of shares of Radpol SA in 2008, the warrants are with anti-dilutive effect and are not included in the calculation of diluted earnings per share.

| Book value per share and diluted book value per share   | Status on<br>30.06.2009 | Status on<br>31.12.2008 | Status on<br>30.06.2008 |
|---|-------------------------|-------------------------|-------------------------|
| Book value  | 54 793                  | 56 914                  | 55 503                  |
| Weighted average number of ordinary shares              | 23 561 587              | 23 879 751              | 23 951 610              |
| Book value per share (in PLN)                           | 2,33                    | 2,38                    | 2,32                    |
| The weighted average expected number of ordinary shares | 23 561 587              | 23 879 751              | 23 951 610              |
| Diluted book value per ordinary share (in PLN)          | 2,33                    | 2,38                    | 2,32                    |

Book value per share are determined as the ratio of equity and the number of ordinary shares existing at the end of the period taking into account the own shares purchased to redemption.

#### 64. Loans and advances

| Loans and advances at the end of the reporting period | The value of credit | Balance      | Currency | Interest rate              | Date of repayment |
|---|---------------------|--------------|----------|----------------------------|-------------------|
| <b>Long-term</b>                                      |                     |              |          |                            |                   |
| Technological credit W BGK                            | 6 676               | 3 546        | PLN      | WIBOR 3M + margin 2,2 p.p. | 30.09.2013        |
| Total long-term loans                                 | <b>6 676</b>        | <b>3 546</b> | -        | -                          | -                 |
| <b>Short-term</b>                                     |                     |              |          |                            |                   |
| Technological credit W BGK                            | 6 676               | 1 091        | PLN      | WIBOR 3M + margin 2,2 p.p. | 30.06.2010        |
| Total short-term loans                                | <b>6 676</b>        | <b>1 091</b> | -        | -                          | -                 |

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**65. Corporate income tax**

| Income tax              | For finished period | For finished period | For finished period |
|-------------------------|---------------------|---------------------|---------------------|
|                         | 30.06.2009          | 31.12.2008          | 30.06.2008          |
| Current income tax      | 278                 | 1 546               | 814                 |
| Deferred tax            | 269                 | 152                 | 53                  |
| <b>TOTAL INCOME TAX</b> | <b>547</b>          | <b>1 698</b>        | <b>867</b>          |

**66. Related party transactions**

| Transactions and balances with related entities - not consolidated | Consolidated |            |                | Not consolidated |            |                |
|--|--------------|------------|----------------|------------------|------------|----------------|
|  | Dependent    | Associated | Interdependent | Dependent        | Associated | Interdependent |
| Net sales (without PTiU)   | 8            | -          | -              | -                | -          | -              |
| Net purchases (excluding PTiU)                                     | 121          | -          | -              | -                | -          | -              |
| Short-term receivables   | 2            | -          | -              | -                | -          | -              |
| Current liabilities  | 145          | -          | -              | -                | -          | -              |

**67. Receivables and contingent liabilities (contingent)**

| Guarantees and sureties granted                              | For 30.06.2009 | For 31.12.2008 | For 30.06.2008 | For 01.01.2008 |
|--|----------------|----------------|----------------|----------------|
| <b>To related</b>  | -              | 950            | -              | -              |
| warranties and guarantees repayment of loans and advances    |                | 950            | -              | -              |
| guarantees for the proper implementation of contracts        | -              | -              | -              | -              |
| <b>To other</b>  | 6 996          | 6 996          | 7 120          | 6 308          |
| warranties and guarantees of repayment of loans and advances | -              | -              | -              | -              |
| guarantees for the proper implementation of contracts        | 6 996          | 6 996          | 6 996          | 6 196          |
| Other guarantees and commitments                             | -              | -              | 124            | 112            |
| <b>TOTAL SURETY AND GUARANTEES GRANTED</b>                   | <b>6 996</b>   | <b>7 946</b>   | <b>7 120</b>   | <b>6 308</b>   |

Under the heading "guarantees for the proper performance of contracts" promissory notes were provided to secure the implementation of the grant agreements.

**68. Financial Instruments**

| Financial Instruments                            | For 30.06.2009 | For 31.12.2008 | For 30.06.2008 | For 01.01.2008 |
|--|----------------|----------------|----------------|----------------|
| Financial assets                                 | 11 011         | 14 092         | 22 075         | 37 563         |
| Assets at fair value through profit or loss      | -              | -              | -              | -              |
| Loans and receivables measured at amortized cost | 14             | 35             | 62             | -              |
| Receivables valued at face value                 | 10 503         | 7 188          | 12 496         | 9 258          |
| Assets held to maturity                          | -              | -              | -              | -              |
| Assets available for sale                        | -              | -              | -              | -              |
| Cash and cash equivalents                        | 494            | 6 869          | 9 517          | 28 305         |
| Financial liabilities                            | 11 412         | 10 980         | 12 777         | 9 647          |
| Liabilities at fair value through profit or loss | -              | -              | -              | -              |

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|---|-------|-------|-------|-------|
| Liabilities at amortized cost wyceniene | 4 637 | 2 888 | 2 927 | 668   |
| Trade commitments valued at face value  | 6 775 | 8 092 | 9 850 | 8 979 |

**69. The differences between the information disclosed in the financial statements, previously drawn up and published in financial reports**

| Differences between presented in the financial statements and previously published financial data | 31.12.2008   |               | 30.06.2008   |               |
|---|--------------|---------------|--------------|---------------|
|   | Net income   | Own capital   | Net income   | Own capital   |
| Values arising from published reports   | <b>6 808</b> | <b>56 601</b> | <b>3 539</b> | <b>55 191</b> |
| Division  | -            | 355           | -            | 357           |
| Remission   | 4            | 32            | 2            | 29            |
| Reserves  |              | (74)          |              | (74)          |
| Incentive program   | (480)        |               | (303)        |               |
| The values shown in this report   | <b>6 332</b> | <b>56 914</b> | <b>3 238</b> | <b>55 503</b> |

**70. Events after the balance sheet**

In accordance with IAS 10, the events after the balance sheet date include all events that occurred after the balance sheet until the financial statements publication.

After the balance sheet date there were no significant events that should be included in the separate financial statements.

20 August 2009

date      signature of the person responsible for conducting the accounts      the signature of the director of the unit