CAPITAL GROUP OF ZAKŁADY AZOTOWE W TARNOWIE-MOŚCICACH S.A.

Consolidated Financial Statements
for the period of 12 months ended on December 31, 2008
prepared in keeping with the International Financial Reporting Standards

Tarnów, 31 March 2009

I. Table of contents

STATEMENT OF THE MANAGEMENT

The Management Board of the Company Zakłady Azotowe w Tarnowie-Mościcach S.A. presents the consolidated annual financial statements for the period of 12 months ended on DECEMBER 31, 2008, consisting of:
Consolidated Profit and Loss Account for the period from 01.01.-31.12.2008,
Consolidated Balance Sheet prepared as at 31.12.2008,
Consolidated Statement of Changes in Equity for the period from 01.01.-31.12.2008,
Consolidated Cash Flow Statement for the period from 01.01.-31.12.2008,
Explanatory Notes.
The consolidated annual financial statements have been prepared in keeping with the requirements of International Accounting Standards adopted by the European Union, and provide a fair and clear view of the financial and asset position of the Group as well as the financial result.

Signatures of the members of the Management Board

Jerzy Marciniak
President of the Management Board

Witold Szczypiński
Vice President of the Management Board

Andrzej Skolmowski
Vice President of the Management Board

Franciszek Bernat
Member of the Management Board

Ewa Gładysz
Person responsible for bookkeeping

Tarnów, 31 March 2009

SELECTED FINANCIAL DATA translated into EURO

	PLN '000		EUR'000	
Selected financial data regarding the consolidated statements	For period 01.01-31.12.2008	For period 01.01 -31.12.2007	For period 01.01-31.12.2008	For period 01.01 -31.12.2007
Sales revenue	1 352 156	1 293 500	382 819	342 486
Operating profit (loss)	89 135	72 969	25 236	19 320
Profit (loss) before tax	87 900	75 027	24 886	19 865
Net profit (loss)	74 657	56 023	21 137	14 833
Number of shares	39 116 421	24 000 000	39 116 421	24 000 000
Net profit per ordinary share	2.31	2.32	0.65	0.61
Net cash flow from operating activities	62 174	101 116	17 603	26 773
Net cash flow from investing activities	(380 990)	(95 762)	(107 865)	(25 355)
Net cash flow from financing activities	309 736	3 871	87 692	1 025
Total net cash flow	9 080	9 225	(2 571)	2 443
Cash and cash equivalents at the beginning of the period	54 413	45 188	15 405	11 965
Cash and cash equivalents at the end of the period	45 333	54 413	12 835	14 407
	Balance as at 31.12.2008	Balance as at 31.12.2007	Balance as at 31.12.2007	Balance as at 31.12.2007
Fixed assets	1 047 354	927 859	251 020	259 034
Current assets	556 892	328 660	133 470	91 753
Long-term liabilities	224 365	235 387	53 774	65 714

Short-term liabilities	222 550	213 021	53 339	59 470
Equity	1 157 331	808 111	277 378	225 603
Share capital	195 582	120 000	46 875	33 501
Minority interest	1 698	1 390	407	388

Selected items of the balance sheet, the profit and loss account and the cash flow statement have been translated into euro in accordance with the indicated, applicable translation method:

- assets and liabilities for each presented balance sheet have been translated at the closing rate on the date of that balance sheet:
  exchange rate on 31.12.2007 was 1 EUR = 3.5820 PLN (exchange rates table No. 252/A/NBP/2007) exchange rate on 31.12.2008 was 1 EUR = 4.1724 PLN (exchange rates table No. 254/A/NBP/2008)
- individual items in the profit and loss account and the cash flow statement have been translated at the exchange rate being the arithmetic mean of exchange rates announced by the National Bank of Poland (NBP) for euro at the last day of each month in the relevant reporting period:
  average exchange rate in the period between 01.01.2007 - 31.12.2007 was 1 EUR = 3.7768 PLN
  average exchange rate in the period between 01.01.2008 - 31.12.2008 was 1 EUR = 3.5321 PLN

The translation has been carried out at the abovementioned exchange rates by dividing the values expressed in thousands of Polish zlotys by the exchange rate.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the period ended on December 31, 2008
(in PLN '000)

Continued activity	Note	For period from 01-01-2008 to 31-12-2008	For period from 01-01-2007 to 31-12-2007
Revenue	2	1 352 156	1 293 500
Cost of goods sold	3	(1 108 307)	(1 067 456)
Gross profit on sales		243 849	226 044
Selling cost	3	(61 054)	(60 233)
Administrative expenses	3	(97 418)	(80 369)
Other operating revenue	4	25 691	22 896
Other operating expenses	5	(21 933)	(35 369)
Operating profit		89 135	72 969
Financial revenue	7	22 474	8 103
Financial expenses	7	(23 802)	(6 158)
Net financial revenue / (expenses)		(1 328)	1 945
Profit on shares in subsidiaries valued according to the equity method	8	93	113
Profit before tax		87 900	75 027
Income tax		(13 243)	(19 004)
Net profit (loss) on continued activity		74 657	56 023
Discontinued operations			
Net profit (loss) on discontinued operations		-	-
Net profit (loss)		74 657	56 023
including attributable to: Shareholders of the parent company		74 232	55 741
Minority shareholders		425	282
Earnings per share:			
Basic (in PLN)	18	2.31	2.32
Diluted (in PLN)	18	2.31	2.32

*) taking into account changes described in Note No. 35

CONSOLIDATED BALANCE SHEET

at December 31, 2008
(in PLN ‘000)

Assets	Note	31.12.2008	31.12.2007
Fixed assets			
Tangible fixed assets	9	924 836	864 249
Investment real estate	10	6 100	6 444
Intangible assets	11	16 728	16 865
Investments in subsidiaries	12.1	280	260
Assets available for sale	12.2	12 592	10 702
Other long-term financial assets	12.3	50 000	-
Long-term receivables	14	594	2
Deferred income tax assets	8	35 924	29 337
Other assets	15	300	-
Total fixed assets		**1 047 354**	**927 859**
Current assets			
Inventories	13	136 791	119 198
Other financials assets	12.3	202 466	189
Income tax receivables	8	4 107	1 487
Trade and other receivables	14	162 554	146 396
Cash and cash equivalents	16	45 333	54 413
Other assets	15	5 634	6 970
Fixed assets for sale		7	7
Total current assets		**556 892**	**328 660**
Total assets		**1 604 246**	**1 256 519**

*) taking into account changes described in Note No. 3

CONSOLIDATED BALANCE SHEET
at December 31, 2008

(in PLN ‘000)

	Note	31.12.2008	31.12.2007
Equity and liabilities			
Equity			
Share capital	17	195 582	120 000
Issue of shares above book value	17	209 990	-
Capital from hedge accounting	17	(7 870)	
Retained earnings, including:	17	757 931	686 721
Net earnings for current period		74 232	55 741
Equity of shareholders of the parent company		1 155 633	806 721
Minority interest		1 698	1 390
Total equity		1 157 331	808 111
Liabilities			
Credits, loans and other financial liabilities	19	48 889	29 252
Provisions for employee benefits	20	46 601	43 430
Other long-term liabilities	24	893	29 537
Government subsidies	22	244	600
Other provisions	21	21 520	23 608
Deferred income tax provisions	8	104 884	108 137
Other financial liabilities	24	1 334	823
Total long term liabilities		224 365	235 387
Credits, loans and other financial liabilities	19	21 174	5 837
Provisions for employee benefits	21	8 005	4 506
Income tax liabilities	8	694	323
Trade payables and other liabilities	23	161 296	196 604
Government subsidies	22	352	372
Other provisions	21	4 797	4 939
Other financial liabilities	24	26 232	440
Total short-term liabilities		222 550	213 021
Total liabilities		446 915	448 408
Total equity and liabilities		1 604 246	1 256 519

*) taking into account changes described in Note No. 36

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended on December 31, 2008
(in PLN '000)

	Share capital	Issue of shares above book value	Capital from hedge accounting	Retained earnings	Total equity of the shareholders of parent company	Minority interest	Total equity
Balance as at January 1, 2007	120 000	-	-	674 903	794 903	1 108	796 011
Adjustments	-	-	-	(33 856)	(33 856)	-	(33 856)
Balance as at January 1, 2007 after adjustments	120 000	-	-	641 047	761 047	1108	762 155
Other	-	-	-	4 857	4 857	-	4 857
Dividends paid, profit sharing	-	-	-	(14 924)	(14 924)	-	(14 924)
Net profit				55 741	55 741	828	56 023
Balance as at December 31, 2007	120 000	-	-	686 721	806 721	1 390	808 111
Balance as at January 1, 2008	120 000	-	-	744 628	864 628	1 390	866 018
Adjustments	-	-	-	(57 907)	(57 907)	-	(57 907)
Balance as at January 1, 2008 after adjustments	120 000	-	-	686 721	806 721	1 390	808 111
Net profit	-	-	-	74 232	74 232	425	74 657
Share issue	75 582	219 188	-	-	294 770	-	294 770
Cost of share issue	-	(9 198)	-	-	(9 198)	-	(9 198)
Valuation of hedging	-	-	(7 870)	-	(7 870)	-	(7 870)
Other	-	-	-	(3 022)	(3 022)	(117)	(3 139)
Balance as at December	195 582	209 990	(7 870)	757 931	1 155 633	1 698	1 157 331

31, 2008							

CONSOLIDATED CASH FLOW STATEMENT

(in PLN '000)

	For the period from 01-01-2008 to 31-12-2008	For the period from 01-01-2007 to 31-12-2007
Gross profit	87 900	75 027
Adjustments	77 524	73 122
Depreciation	72 887	76 948
Write-downs created / (reversed)	1 191	930
(Profit) / loss on sales of fixed assets and investing activities	(8 051)	1 417
(Profit)/ loss on fair value estimate of financial assets	18 935	(6 046)
Shares in profit of associates	(93)	(113)
Interest	(7 047)	49
Dividends received	(298)	(63)
Operating profit before changes in working capital	**165 424**	**148 149**
Increase (decrease) in trade and other receivables	18 965	23 137
Increase (decrease) in inventories	(17 592)	1 080
Increase (decrease) in trade payables and other liabilities	(85 036)	(46 695)
Increase (decrease) in provisions, accruals & deferrals, and subsidies	6360	(4435)
Other adjustments	(4 048)	1 603
Cash generated from operating activities	**84 073**	**122 839**
Interest paid	-	-
Tax paid	(21 899)	(21 723)
Net cash from operating activities	**62 174**	**101 116**

	For the period from 01-01-2008 to 31-12-2008	For the period from 01-01-2007 to 31-12-2007
Cash flow from investing activities		
Sales of intangible and tangible assets	8 199	2 998
Acquisition of intangible and tangible assets	(145 812)	(99 318)
Dividends received	1 247	528
Acquisition of financial assets	(268 000)	-
Interest received	366	13
Repayment of loans	10	17
Sales of financial assets	23 000	-
Net cash from investing activities	(380 990)	(95 762)
Cash flow from financing activities		
Net cash on share issue	285 571	-
Dividends paid	(1 000)	(14 731)
Credits and loans	36 943	26 528
Expenses to repay credits and loans	(7 651)	(7 101)
Interest paid	(3 128)	(237)
Payments of liabilities arising from financial lease contracts	(999)	(588)
Net cash from financing activities	309 736	3 871
Total net cash flow	(9 080)	9 225
Balance-sheet increase (decrease) in cash, including:	(9 080)	9 225
Cash at the beginning of the period	54 413	54 188
Cash at the end of the period	45 333	54 413

NOTES TO FINANCIAL STATEMENTS

I. Information about the Capital Group

The Capital Group of Zakłady Azotowe w Tarnowie - Mościcach S.A. based in Tarnów (hereinafter referred to as the Group) consists of: the Company Zakłady Azotowe w Tarnowie - Mościcach S.A. and its subsidiaries as well as an associated company.
The parent company of the Capital Group is Nafta Polska S.A.
The principal object of activity of the parent company is defined in item 20.1 of the Polish Classification of Business Activities (PKD)
These Consolidated Financial Statements have been approved by the Management Board of the Company on March 31, 2009.
The Consolidated Financial Statements of the Capital Group cover the year 2008 and comparable data for the year 2007.
The duration of the parent company and the entities being members of the Capital Group is indefinite.

COMPOSITION OF THE GROUP

Members of the Capital Group of Zakłady Azotowe w Tarnowie - Mościcach S.A. are the following subsidiaries and the associated company:

Name of entity	Registered office	Scope of activity	Competent court or other registering body	Method of consolidation	Percentage share of the Group in capital	
					31.12.2008	31.12.2007
"Automatyka" spółka z o.o.	Tarnów	Manufacture of industrial process control equipment, designing and installation of systems, activity connected with mechanical engineering and hardware consulting. PKD 3313Z.	District Court for Kraków - Śródmieście, 12th Commercial Division	full	69.7%	69.7%
Biuro Projektów Zakładów	Tarnów	Activity connected with designing,	District Court for Kraków - Śródmieście,	full	100%	100%

Azotowych "Biprozat"- Tamów spółka z o.o.		preparation of documentation, organisation of supply of equipment and devices, conducting of commercial, consulting activities as well as the activity connected with information technology and new technologies. PKD 7420A.	12th Commercial Division			
Zakład Remontów Elektrycznych oraz Instalatorstwo Elektryczne" Elzat"spółka z o.o.	Tarnów	Installation of electrical wiring, manufacturing of mechanical devices and tools, metal tooling, sale of waste and scrap metal, technical research and analyses, finishing operations. PKD 3110.	District Court for Kraków - Śródmieście, 12th Commercial Division	full	100%	100%
Jednostka Ratownictwa Chemicznego spółka z o.o.	Tarnów	Service activity including: sewage neutralisation, recycling, recovery and disposal; elimination of breakdown effects; water, air and sewage analyses; training; transport of hazardous materials; food testing.	District Court for Kraków - Śródmieście, 12th Commercial Division	full	100%	100%

		Manufacture and sale of chemical products. PKD 9001Z.				
Przedsiębiorstwo Transportu Kolejowego" Koltar" spółka z o.o.	Tarnów	Freight forwarding including dispatch and receipt of rail freight, loading and unloading services, cleaning of tanks and carriages and their maintenance, conducting of commercial activity, maintenance of railway lines connected with the operation of the factory railway depot. PKD 6010Z.	District Court for Kraków - Śródmieście, 12th Commercial Division	full	100%	100%
"Oknotar" spółka z o.o.	Tarnów	Manufacture of builders' ware of plastic, manufacture of builders' carpentry and joinery, manufacture of metal parts of builders' joinery, goods warehousing and storage, builders' joinery installation. PKD 2523.	District Court for Kraków - Śródmieście, 12th Commercial Division	full	100%	100%
PROReM spółka z o.o.	Tarnów	Manufacture and services: construction, assembly, sanitary, industrial,	District Court for Kraków - Śródmieście, 12th Commercial Division	full	100%	100%

		electrical, measuring, teletechnical systems etc., specialist renovations and modernisations of buildings. PKD 2924B.				
Tarnowskie Przedsiębiorstwo Produkcyjno Usługowe "Wiezat" spółka z o.o.	Tarnów	Provision of renovation, modernisation and construction investment services, conducting of commercial activity. PKD 4532Z.	District Court for Kraków - Śródmieście, 12th Commercial Division	full	100%	100%
Zakład Budowy Aparatury Chemicznej „ZBACH" spółka z o.o.	Tarnów	Manufacture of industrial equipment, provision of industrial services, export and import of goods, trade, preparation of construction work package documentation. PKD 2821Z.	District Court for Kraków - Śródmieście, 12th Commercial Division	full	100%	100%
ZWRI spółka z o.o.	Tarnów	Manufacture and services: construction and assembly of sanitary, industrial, electrical, measuring and teletechnical systems. PKD 4521.	District Court for Kraków - Śródmieście, 12th Commercial Division	full	100%	100%
Navitrans spółka z o.o	Gdynia	Freight forwarding services. PKD 6340C.	District Court Gdansk, 8th Commercial Division	equity method	26.4%	25%

Capital Group organisational structure chart

Parent Company **Zakłady Azotowe w Tarnowie- Mościcach Spółka Akcyjna**
"Automatyka" Sp. z o.o. Share 69.7%
"Biprozat "-Tarnów sp. z o.o. Share 100%
"Elzat" Sp. z o.o. Share 100%
JRCH Sp. z o.o. Share 100%
Przedsiębiorstwo Transportu Kolejowego" Koltar"sp. z o.o. Share 100%
"Oknotar "sp. z o.o. Share 100%
PROReM Sp. z o.o. Share 100%
TPPU "Wiezat "sp. z o. o. Share 100%
"ZBACH" Sp. z o.o. Share 100%
ZWRI Sp. z o.o. Share 100%
Navitrans Sp. z o.o. Share 26.4%

At 31.12.2008, the share in the overall number of votes held by the Group in subsidiaries equals the Group's share in capitals of the entities.

COMPOSITION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF PARENT COMPANY

The composition of the Management Board of the Parent Company at December 31, 2008 was as follows:

Jerzy Marciniak - President of the Management Board appointed by the Resolution of the Supervisory Board No. 80/VII/2008 of June 11, 2008.

Witold Szczypiński – Vice President of the Management Board appointed by the Resolution of the Supervisory Board No. 81/VII/2008 of June 11, 2008.

Monika Hap – Member of the Management Board appointed by the Resolution of the Supervisory Board No. 82/VII/2008 of June 11, 2008.

Franciszek Bernat – Member of the Management Board appointed by the Resolution of the Supervisory Board No. 84/VII/2008 of June 11, 2008.

In the reporting period, the following changes in the composition of the Management Board took place :

Dismissal of the President of the Management Board Jarosław Wita by the Resolution of the Supervisory Board No. 33/VII/2008 of February 15, 2008,

Dismissal of the Member of the Management Board Irena Baranek by the Resolution of the Supervisory Board No. 34/VII/2008 of February 15, 2008,

Delegation of the Member of the Supervisory Board Jan Wais to perform temporarily the function of a Member of the Management Board within the period from February 15, 2008 to March 14, 2008,

Entrusting Witold Szczypiński with the function of acting President of the Management Board until a decision following the selection procedure is made, i.e. from February 22, 2008 to March 14, 2008.

On July 15, 2008, Mr Witold Golemo tendered his resignation from the position.

As a result of the selection procedure, the Management Board of the Company was appointed in the following composition:

- Jerzy Marciniak - President of the Board (Resolution of the Supervisory Board No. 48/VII/2008 of March 11, 2008),
- Monika Hap – Member of the Board responsible for commercial matters (Resolution of the Supervisory Board No. 49/VII/2008 of March 11, 2008),
- Witold Golemo – Member of the Board responsible for economic and financial matters (Resolution of the Supervisory Board No. 50/VII/2008 of March 11, 2008),
- Witold Szczypiński – Vice President of the Board responsible for engineering, development and manufacturing matters (Resolution of the Supervisory Board No. 50/VII/2008 of March 11, 2008).
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On June 11, 2008, the Supervisory Board appointed the Management Board of the Company of the 7th term. The composition of the Management Board of Zakłady Azotowe w Tarnowie-Mościcach S.A. was as follows:

- Jerzy Marciniak – President of the Board (appointed by Resolution No. 80/VII/2008),
- Witold Szczypiński – Vice President of the Board (appointed by Resolution No. 81/VII/2008),
- Monika Hap – Member of the Board (appointed by Resolution No. 82/VII/2008),

- Witold Golemo – Member of the Board (appointed by Resolution No. 83/VII/2008),
- Franciszek Bernat – Member of the Board elected by the employees of the Company (appointed by Resolution No. 84/VII/2008).

On July 15, 2008, Mr Witold Golemo tendered his resignation from the position.

At December 31, 2008, the composition of the Management Board was as follows:

- Jerzy Marciniak – President of the Board,
- Witold Szczypiński – Vice President of the Board,
- Monika Hap – Member of the Board
- Franciszek Bernat – Member of the Board.

At March 31, 2009, the composition of the Management Board is as follows:

- Jerzy Marciniak – President of the Board,
- Witold Szczypiński – Vice President of the Board,
- Andrzej Skolmowski – Vice President of the Board,
- Franciszek Bernat – Member of the Board.

On March 26, 2009, by the Resolution of the Supervisory Board No. 138/VII/2009, Ms Monika Hap was dismissed from the position of a Member of the Board and, by the Resolution of the Supervisory Board No. 139/VII/2009, Mr Andrzej Skolmowski was appointed to the position of a Vice President of the Board.

The composition of the Supervisory Board of the Company at December 31, 2008 was as follows:

- Marzena Piszczek – Chairwoman of the Supervisory Board,
- Małgorzata Rzążewską – Vice Chairwoman of the Supervisory Board,
- Jan Wais – Secretary of the Supervisory Board
- Ewa Lis – Member of the Supervisory Board,
- Katarzyna Wałęga - Member of the Supervisory Board,
- Joanna Kiełkiewicz - Member of the Supervisory Board,
- Dariusz Maciejuk - Member of the Supervisory Board,
- Armin Teske - Member of the Supervisory Board,
- Krzysztof Pieńkowski - Member of the Supervisory Board.

In the reporting period, members of the Supervisory Board were also:

- Wiesław Skwarko,
- Mariusz Obszyński,
- Marek Drac-Tatoń,
- Czesław Łączak,
- Małgorzata Poświata,
- Małgorzata Molas,
- Jarosław Wrona.

On June 30, 2008, Mr Mariusz Obszyński tendered his resignation from the membership of the Supervisory Board. By the resolutions of the Extraordinary General Meeting of 31.07.2008, Armin Teske (Resolution No. 6) and Dariusz Maciejuk (Resolution No. 7) were appointed members of the Supervisory Board. On September 15, 2008, Mr Wiesław Skwarko tendered his resignation from the membership of the Supervisory Board. On October 10, 2008, Ms Małgorzata Molas tendered her resignation from the membership of the Supervisory Board.

On October 10, 2008, Ms Małgorzata Rzążewska and Ms Joanna Kiełkiewicz were appointed as members of the Supervisory Board. On the same day, Ms Marzena Piszczek was entrusted with the function of the Chairwoman of the Supervisory Board. At the session of the Supervisory Board on November 12, 2008, Ms Małgorzata Rzążewska was entrusted with the function of Vice Chairwoman.

At the date of preparation of the Financial Statements, the Composition of the Supervisory Board is as follows:

- Marzena Piszczek – Chairwoman of the Supervisory Board,
- Małgorzata Rzążewską – Vice Chairwoman of the Supervisory Board,
- Jan Wais – Secretary of the Supervisory Board
- Ewa Lis - Member of the Supervisory Board,
- Katarzyna Wałęga - Member of the Supervisory Board,
- Joanna Kiełkiewicz - Member of the Supervisory Board,
- Dariusz Maciejuk - Member of the Supervisory Board,
- Armin Teske - Member of the Supervisory Board,
- Krzysztof Pieńkowski - Member of the Supervisory Board.

II. Description of major accounting principles applied

1. Statement of compliance

Consolidated annual Financial Statements have been prepared in compliance with the requirements of International Accounting Standards adopted by the European Union and other applicable regulations.

IFRS of the EU include all International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), except for Standards and Interpretations mentioned below pending adoption by the European Union as well as Standards and Interpretations which have been adopted by the European Union, but have not yet become effective.

The Group did not use the possibility of earlier application of new Standards and Interpretations which have been published and adopted by the European Union, but will become effective after the balance sheet date. Furthermore, as at the balance sheet date, the Group has not yet completed the process of assessment of the impact of new Standards and Interpretations which will become effective after the balance sheet date on Financial Statements of the Group for the period in which they will be applied for the first time.

Standards and Interpretations adopted by the EU	**Kind of expected amendment to accounting principles**	**Effective date in relation to periods beginning on the date and after**
IFRS 8 Operating Segments	The Standard requires the disclosure of information about segments based on the components of the entity which are monitored by the management and used in making operating decisions. Operating segments are the components of the entity for which separate financial information is available and regularly evaluated by persons making key decisions regarding the allocation of resources and assessing the activity.	January 1, 2009
Revised IAS 1	Presentation of Financial Statements The amended Standard introduces new nomenclature for the titles of the financial statements which will be used in International Financial Reporting Standards, but it is not mandatory for use in financial statements prepared by economic entities (e.g. „balance sheet" is renamed „a statement of financial position", "profit and loss account" - „a statement of comprehensive income" etc.). The other changes include: • presentation of all changes in equity not resulting from transactions with owners in one statement of comprehensive income or two statements presenting separately	January 1, 2009

	components of the financial result and other elements of income in total; these elements need no longer to be presented in a statement of changes in equity, • preparation of the financial report (balance sheet) at the beginning of the earliest comparison period, if a reclassification or adjustment of financial statements took place, • disclosure of income tax for each component of comprehensive income, • disclosure of adjustments due to reclassification for each component of comprehensive income.	
Revised IAS 23	Borrowing Costs The revised Standard will require the activation of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.	January 1, 2009
IFRIC 12 Service Concession Arrangements	The interpretation provides guidance for private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements.	January 1, 2008*
IFRIC 13 Customer Loyalty Programmes	The interpretation explains how entities that grant loyalty award credits to customers who buy goods or services should account for their obligations to provide free or discounted goods or services. Such entities shall allocate some of their sales proceeds to award credits as a liability. This portion of	July 1, 2008*

	sales proceeds is recognised as revenue only when the entity has fulfilled its obligations.	
Amendments to IFRS 2 Share-based Payments	Clarifying the issue of the impact of conditions other than conditions of acquisition of rights on the measurement of capital instruments.	January 1, 2009
Amendments to IAS 32 Financial Instruments – Presentation Amendments to IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	The amendments introduce the exemption from the rule arising from IAS 32 that relates to the classification of puttable financial instruments that allows classifying some of them as equity. According to the requirements arising from the amendments, certain financial instruments representing final (residual) shares in net assets of an entity that otherwise would be classified as liability, are classified as equity provided that both the financial instruments and the general capital structure of the entity that issued the instruments meet specific conditions.	January1, 2009
Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Amendments to IFRS 1 allow first-time adopters of IFRS, in their separate financial statements, using a deemed cost option for determining the cost (carrying value according to the Generally Accepted Accounting Principles applied earlier or fair value determined in accordance with IAS 39) for each investment separately. For first-time adopters of IFRS using deemed cost for the recognition of investments, additional disclosures in	January 1, 2009

	financial statements are provided for as well. Amendments to IAS 27 remove the definition of the „cost method" contained presently in IAS 27, and introduce the requirement that all dividends from subsidiaries, associates and jointly controlled entities are to be recognised in the revenue in separate financial statements of the investor when the right to receive a dividend is determined. Furthermore, the amendments define the method of recognition in separate financial statements of newly established entities that become a parent for another entity within the group provided that specific conditions have been met.	
Improvements to International Financial Reporting Standards 2008	Include 35 amendments and are divided into two parts: • Part I contains 24 amendments to 15 standards that involve accounting changes for presentation, recognition and measurement purposes • Part II contains 11 amendments involving terminology and editorial changes to 9 Standards which in the opinion of the International Accounting Standards Board will not influence the accounting principles or will have a minimal effect on accounting.	January 1, 2009 or – in the case of amendments to IFRS 5 Non-current Assets Held for Sale –July 1, 2009

Standards and Interpretations pending adoption by the	**Kind of expected amendment to accounting principles**	**Effective date for periods beginning on the date or after**

EU		
Revised IFRS 3 Business Combinations	In the scope of the revised standard, a part that was previously excluded from the application of the business combinations standard has been included . The definition of business has been clarified. The range of contingent liabilities to which the cost of a business combination can be allocated has been narrowed. The possibility of recognition of transaction costs in the business combination cost has been excluded. The principles of recognition of combination cost adjustments contingent on future events have been changed. The possibility of measurement of minority interest at fair value has been introduced.	July 1, 2009
Amendments to IAS 27	Consolidated and Separate Financial Statements In conjunction with the revision of IFRS 3 (above), to IAS 27 have been introduced among others the following amendments: • the change of minority interest definition; • the regulation regarding the method of recognition of transactions with minority shareholders; • the change in recognition of transactions involving the loss of control over an entity • new requirements on disclosures.	July 1, 2009
IFRIC 15 Agreements for the Construction of Real Estate	The objectives of the Interpretation are to clarify which standard (IAS 11 Construction Contracts or	January 1, 2009

	IAS 18 Revenue) should be applied to agreements for the construction of real estate, and to determine the moment of recognition of revenue.	
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	The Interpretation applies to all entities that hedge net investments in foreign operations. The Interpretation explains that this kind of hedging can be applied only if the net investments in a foreign entity are recognised in the statements of the entity.	October 1, 2009

2. Basis for preparation of the consolidated financial statements

Data in the consolidated annual financial statements are given in Polish zloty (PLN), which is the presentation and functional currency of the Capital Group, rounded to the nearest thousand. The consolidated annual financial statements have been prepared in accordance with the historical cost principle, except for assets and liabilities measured at fair value: derivative instruments and financial instruments measured at fair value through financial result.

The preparation of financial statements in line with the IFRS of the EU requires from the Management Board judgments, estimates and assumptions which influence the principles applied and the values of assets, liabilities, revenue and expenses presented. The estimates and related assumptions are based on historical experience as well as other factors which are deemed reasonable in given circumstances, and their results provide the basis for a judgment regarding the carrying value of assets and liabilities that does not arise directly from other sources. Actual value may differ from the estimated value.
The estimates and related assumptions are subject to current verification. A change in accounting estimates is recognised in the period in which the change in estimate has been made or in the current and future periods if the change in estimate made relates both to the current period and to future periods.

Judgments made by the Management Board on the basis of IFRS of the EU that have an essential effect on the consolidated annual financial statements as well as estimates burdened with a significant risk of changes in next years have been presented in Note 32.

The accounting principles presented below have been applied continually in relation to all periods presented in the consolidated financial statements. Prior year adjustments and changes in presentation have been specified in Notes 35 and 36.

3. Assumption of continuation of the business activity

The consolidated annual financial statements of the Group have been prepared on the assumption that the Group will be a going concern in the foreseeable future.

No circumstances indicating a threat to the continuation of business activity by the Group exist.

4. Consolidation rules

a) Subsidiaries

Subsidiaries are entities controlled by the Parent Company. The control exists when the Parent Company is able to conduct directly or indirectly the operating and financial policy in a given entity in order to derive benefits resulting from its activity. When assessing the degree of control, the effect of existing and potential voting rights that may be realised or be subject to conversion is taken into consideration.
Subsidiaries are subject to full consolidation from the time when the parent company has taken over control to the time when the control ceases. The term control shall be understood as the possibility of the parent company to direct the operating and financial policy in a given entity in order to derive economic benefits.

Assets, liabilities and contingent liabilities of a subsidiary at the date on which the control has been taken over and the subsidiary has been included in the consolidated financial statements are recognised at fair value. A positive difference between the takeover price and the fair value of such assets, liabilities and contingent liabilities results in a goodwill of the company which, if it arises, is recognised in a separate item of the consolidated balance sheet. A negative difference between the takeover prices and the fair value of such assets, liabilities and contingent liabilities is allocated directly to the profit and loss account.

b) Associates

Associated companies are entities whose operating and financial policy is significantly influenced by the Parent Company, but it does not have control over them. The consolidated financial statements take into account the participation of the Group in accumulated profits and losses of associated companies in line with the equity method from the moment when the significant influence has been gained until the moment when it ceases or they are reclassified to assets held for sale. If the participation of the Group in losses of the associate exceeds the carrying value of the investment, it is assumed that the participation in accumulated profits or losses of associates equals zero, and the other losses are recognised by the Group up to the value of possible liabilities incurred.

c) Consolidation adjustments

The balances of internal settlements among the entities of the Group, transactions concluded within the Group and all related unrealised profits or losses as well as revenue and expenses of the Group are removed in the course of preparation of consolidated financial statements.

5. Foreign currencies

Transaction expressed in currencies other than Polish zloty are translated into Polish zlotys (PLN) using the exchange rate applicable at the date of transaction.

At the balance sheet date, monetary items expressed in currencies other than PLN are translated into PLN at the relevant closing rate applicable at the end of the reporting period (immediate realisation, execution rate), i.e. at the exchange rate of the leading bank from the first rating on the balance sheet date.

Non-monetary balance sheet items recognised at the historical cost expressed in a foreign currency are shown at the historical rate of the date of transaction. Non-monetary balance sheet items recorded at fair value expressed in a foreign currency are measured at the exchange rate of the day on which the fair value was determined.

Exchange rate differences resulting from the translation are recognised in the financial revenue (expenses) item or, in cases defined in the accounting principles (policy), capitalised to the value of assets, with the exception of cases when they arose as a result of measurement of non-monetary assets and liabilities in case of which the changes of fair value are allocated directly to equity.

For the purposes of balance sheet measurement, the following purchase/sale rates have been adopted: :

	31.12.2008	**31.12.2007**
EUR	4.0782/4.2881	3.4926/3.7145
USD	2.9150/3.0651	2.3688/2.5188

6. Derivative financial instruments

The Capital Group uses derivative financial instruments to hedge the foreign exchange risk resulting from operating, financing or investing. According to adopted policy on financial operations, the Group does not hold or issue derivative financial instruments for sale.

However, derivative instruments not classified as hedging are booked as instruments for sale.
At the moment of initial recognition, derivative financial instruments are shown at cost price. After the initial recognition, derivative financial instruments are measured at fair value.

Profits and losses resulting from the increase/decrease in fair value are recognised directly in the profit and loss account.

7. Tangible fixed assets

a) Own tangible fixed assets

The tangible fixed assets are recognised in account books at cost price or cost of manufacture less write-downs and impairment losses. The cost price comprises the purchase price of an asset and the expenses related directly to the purchase and the adaptation of an asset to be fit for use, including transport as well as loading, unloading and storage costs. Rebates, discounts and other similar reductions and recoveries reduce the cost price of the asset. The cost of manufacture of assets and assets under construction comprises all costs incurred by the entity in the course of their construction, assembly, adaptation and improvement until the time when such asset has been put into use (or until the balance sheet date if the asset has not been put into use yet). The cost price comprises also, if required, a preliminary estimate of the costs of disassembly and removal of the tangible fixed assets as well as the restoration to the previous condition. Purchased software that is necessary for proper functioning of the relevant device is activated as a part of the device.

At the moment of their acquisition, tangible fixed assets are divided into component parts being items of significant value for which separate periods of economic utility can be assigned.

Individual items of tangible fixed assets may be removed from the balance sheet after their disposal or if no economic benefits are expected as a result of further use of such asset. Profits or losses resulting from the sale/liquidation or cessation of use of fixed assets are defined as a difference between the sales revenue and the net value of such fixed assets, and are recognised in the profit and loss account.

Fixed assets under construction refer to fixed assets being under construction or assembly, and are recognised at cost price or cost of manufacture less impairment losses. Fixed assets under construction are not depreciated until the construction is completed and the fixed assets put into use.
Items of tangible fixed assets that have been revaluated to fair value at January 1, 2005, i.e. the date on which the Group applied the IFRS of the EU for the first time, are measured on the basis of the cost assumed that constitutes the fair value at the date of revaluation, and are written down as well as written off as impairment losses.

b) Tangible fixed assets used under lease contracts

Finance lease contracts under which in principle all risks and benefits resulting from the ownership of the subject matter of lease are transferred to the Group are recognised on the balance sheet at the date of commencement of the lease at the lower of the following values: fair value of the fixed asset being the subject matter of the lease or current value of minimum lease fees. Lease fees are divided between the financing costs and the reduction in balance of the lease liability in the way allowing for obtaining the whole interest rate in relation to outstanding balance of the liability.

Tangible fixed assets used under finance lease are depreciated according to the principles applied in relation to own fixed assets. If it is not certain that after the termination of the lease contract the Group will obtain the right of ownership, the assets are depreciated in the shorter of two periods: period of lease and period of economic utility.

Lease contracts under which the lessor keeps all risks and benefits resulting from the ownership of the subject matter of lease are classified as operating lease contracts. Operating lease fees are recognised as expenses in the profit and loss account using the straight-line method within the duration of the lease.

c) Right of perpetual usufruct of land

The right of perpetual usufruct of land granted to the Group free of charge by an administrative decision is a form of operating lease. The right is excluded from the assets of the Group and is recorded on off-balance sheet accounts.

d) Expenditure incurred at a later date

Activated are costs of replaced parts of a tangible fixed asset which can be reliably measured, and it is probable that the Group will derive benefits related to the replaced tangible fixed assets. Other expenditure is recognised on an ongoing basis in the profit and loss account as expenses.

e) Depreciation

Depreciation is calculated using the straight-line method within the estimated period of use of the asset or its essential and separate component parts, respectively; the periods for individual material groups of fixed assets are:

Type	**Depreciation rate**	**Period**
Land	not depreciated	-
Buildings and structures	l%-33%	3-100 years
Machinery and equipment	2% -100%	1-50 years
Office equipment	10% -100%	1-10 years
Means of transport	7% -100%	1-7 years
Computers	25% -100%	1-4 years

Fixed assets under construction are not depreciated.

At the moment of their acquisition, fixed assets are divided into component parts as far as their cost price or cost of manufacture are significant in comparison with the cost price or cost of manufacture of the whole fixed asset, and they are depreciated within a separate period of economic utility.

The correctness of periods of use, depreciation methods and residual values of fixed assets (unless it is marginal) applied is verified by the Group annually.

8. Investment real estate

The initial value of investment real estate is determined at cost price or cost of manufacture. Investment real estate is shown on the financial statements prepared at the balance sheet date at fair value. Fair value shall be understood as the amount for which a given asset could be exchanged between interested and well informed parties to a transaction. If it is not possible to determine reliably the fair value, the Company measures real estate at cost price in line with the measurement principles for tangible fixed assets.
The Company classifies fixed assets in form of buildings and structures which are objects of contracts of lease as investment real estate.

9. Intangible assets

Intangible fixed assets acquired in a separate transaction are recognised on the balance sheet at cost price. Intangible assets acquired in a business takeover transaction are recognised on the balance sheet at fair value on the date of takeover.

After the initial recognition, intangible assets are measured at cost price or cost of manufacture less amortisation or impairment losses.

Except for the development work, intangible assets produced by the Group on its own are not recognised in assets, and the expenditures incurred for their production are recognised in expenses of the period in which they were borne.

a) Research and development

Costs of research work are recognised in the profit and loss account at the moment when they are borne.

Expenditure incurred for development work whose effects are used for the development or manufacture of a new or considerably improved product are activated if the manufacture of the new product (or process) is technically feasible and economically justified, and the Group has technical, financial and other necessary means to complete the development work.

After the initial recognition of expenditure for development work, the historical cost model is applied according to which assets are recognised at cost prices less accumulated depreciation and accumulated impairment losses. All capitalised expenditure is depreciated within the anticipated period in which proceeds from the sale of a given undertaking will be generated.

Development work costs are evaluated in terms of possible impairment at each balance sheet date if the asset has not been put into use yet or if conditions for impairment indicating that the carrying value can be unrecoverable are identified.

b) Emission rights
The emission rights granted are recognised at cost price less write-downs and impairment losses. The cost price of emission rights in case of their acquisition by business combinations is their fair value. Obligations arising from the emission of air pollutants are measured at the amount equalling the value of emission rights held by the Group provided

that the Group has a number of emission rights sufficient to cover its obligations. If the number of emission rights held is lower than the number of emission rights anticipated to be used, then a provision in the amount of fair value of missing emission rights is recognised.

c) Other intangible assets

Other intangible assets acquired by the Group are recognised at their cost price less write-downs and impairment losses.

Expenses incurred for internally created goodwill or trademarks are recognised in the profit and loss account at the moment when they are borne.

d) Expenditure incurred at a later date

Later expenditures for existing intangible assets are activated only if they increase future economic benefits related to a given asset. Other expenditure is recognised in the profit and loss account as expenses of the period in which they were borne.

e) Amortisation

Intangible assets are amortised using the straight-line method taking into consideration the period of their use, unless it is not specified. Intangible assets with unspecified period of use as well as those which are not used yet are subject to annual verification in terms of possible impairment in relation to individual assets or at the level of the cash-generating unit. In the case of other intangible assets, an annual evaluation is carried out in order to establish whether conditions which could prove the impairment have occurred.

The correctness of periods of use, amortisation methods and residual values of intangible assets (unless it is marginal) applied is verified by the Group annually.

10. Investments in subsidiaries

The investments include shares and stocks in subsidiaries which have not been allocated by the Group to assets held for sale.

Shares and stocks of subsidiaries are measured at cost price adjusted by the impairment loss.

11. Assets held for sale

Assets held for sale include shares and stocks in other entities. Shares and stocks in such entities are measured at cost price adjusted by the impairment loss.

12. Other financial assets

Other financial instruments, not mentioned in items 10 and 11, are classified by the Group as other financial assets. Such assets are measured according to item 21.

13. Long-term receivables, short-term receivables

Long-term and short-term liabilities are financial assets that are not derivative instruments and financial assets not quoted on an active market, with specific payment amount. Initially, they are recognised at fair value. After the initial recognition, they are measured at the amortised cost less impairment losses.

In case of receivables due within 12 months from the balance sheet date, when the difference between the value according to adjusted cost price and the value in the amount of payment due is not significant, the receivables are measured at the amount of payment due less impairment losses.

Write-downs are measured at the moment when the recovery of the full amount receivable ceased to be probable. If objective evidence exists that the impairment of receivables shown at amortised cost occurred, the impairment amount is determined as a difference between the carrying value of the asset and the current value of future cash flows discounted on the basis of the effective interest rate. Impairment losses are recognised in the profit and loss account.

14. Inventories

Inventories are assets held for sale in the course of ordinary business activity, assets under production intended for sale or materials and commodities used in the production process or in the course of the provision of services.

The inventories are measured at their actual cost, purchase price or at the cost of manufacture, but not higher than their net values at which they are sellable at the balance sheet date. The cost price is the purchase price of an asset including the amount due to the seller without deductible VAT and excise tax, and in case of an import, increased by regulatory duties as well as expenses directly related to the purchase and the adaptation of the asset to usable condition or putting into circulation, including transport, loading and unloading costs, and less rebates, discounts and other similar reductions and recoveries. Obtainable net sale price is the difference between the sale price estimated in the course of economic activity less rebates and discounts and the estimated finishing costs and expenses necessary to effect the sale.

Inventories are recognised at net value (less write-downs).

Write-downs of inventories are made due to impairment of their value in order to bring the value of inventories to the level of recoverable net value. The write-downs are recognised in the profit and loss account in item „cost of goods sold". Furthermore, a reversal of the write-down of inventories is recognised as a reduction of the cost of goods sold. The write-down reduces the carrying value of inventories to which it relates.

Outgoing materials and goods are measured using the weighted average method.

Finished and semi-finished products as well as the production in progress are measured according to the actual technical cost of manufacture including the justified portion of fixed indirect costs of production calculated on assumption of the normal use of production capabilities. Outgoing finished products are measured using the weighted average method.

15. Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand deposits at banks. The balance of cash and cash equivalents shown in the consolidated cash flow statement consists of cash and cash equivalents defined above.

16. Impairment losses of non-financial assets

The carrying value of assets of the Group, except for inventories and deferred income tax assets in relation to which other rules are applicable, is analysed at each balance sheet date in order to determine whether conditions indicating their impairment exist. If such conditions occur, the Group measures the recoverable amount of individual assets or cash-generating units. Estimations of recoverable amount of the goodwill and the intangible assets that have not been put into use yet and whose period of use is not specified are made annually at the date of preparation of financial statements.

Impairment losses are recognised in each case when the carrying value of the asset or the cash-generating unit whose part it forms exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account with exception of the situation when the impairment relates to assets that were subject to revaluation and for which the revaluation capital was recognised. In such situation, the impairment loss reduces in the first place the revaluation capital in relation to a given asset, and only after its reduction is recognised in the profit and loss account.

In order to verify the balance sheet measurement, the assets are identified in form of the smallest cash-generating units among which a given asset can be classed.

a) Calculation of the recoverable amount

Recoverable amount of assets or cash-generating units is defined as the higher of the net amount obtainable from sale and their value in use. In measuring value in use, future cash inflows are discounted using the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. In case of assets that do not generate independent cash inflows, the value in use is measured for the smallest identifiable cash-generating unit whose part the asset forms.

b) Reversal of an impairment loss

Impairment losses are reversible only if a change of estimates used at the stage of calculation of the recoverable amount occurred from the moment of recognition of the last impairment loss. Impairment losses recognised in relation to goodwill are non-reversible.

Impairment loss is reversed only to the carrying amount of the asset (less depreciation) which would have been shown if the impairment had not been recognised.

17. Equity

Equity recorded in the account books is divided into types and presented in compliance with principles defined by the legal regulations and the provisions of Articles of Association of the parent company.

The share capital of the Group is shown in the amount specified as the face value of stocks issued. Stock issue costs borne in the course of incorporation of the joint-stock company or the increase of share capital reduce the supplementary capital of the entity to the amount of the surplus of issue value over the face value of stocks, and the remaining part is allocated to financing costs.

Amounts resulting from the distribution of profit, undistributed profit of previous years and the result of the current year are presented in the financial statements as retained earnings.

18. Employee benefits

Employee benefits include all forms of benefits provided by the entity in exchange for service rendered by employees. They include both the benefits paid during employment and benefits paid after the period of employment. The Group makes a provision for future obligations on account of retirement allowances and length-of-service awards in order to assign costs to periods to which they relate.

a) Defined contributions programme

The Group, as an employer, is obliged on the strength of applicable regulations to collect and pay in employee pension benefit contributions. The benefits, according to IAS 19, constitute a government programme and have the nature of a defined contributions programme. Therefore, the liability of the Group's companies is measured on the basis of amounts of contributions
which are to be paid for a given year.

b) Defined benefits programme – retirement and death allowances

Pursuant to applicable provisions of the Labour Code or the Collective Labour Agreement, the Group's companies are obliged to pay retirement and death allowances.

The liability of the Group arising from retirement allowances is calculated by estimating the amount of future remuneration of an employee in the period when such employee reaches pensionable age and by estimating the amount of the future retirement allowance. The allowances are discounted to the current amount. The discount rate is calculated based on the market rate of return from government bonds at the balance sheet date. The retirement allowance liability is recognised proportionally to the anticipated period of service of the employee.

c) Other long-term employee benefits – length-of-service awards

The employees of Group's companies are entitled to length-of-service awards whose amount depends on the length of service of the employee in the companies of the Group and on the amount of the employee's remuneration at the moment when he/she acquired the entitlement to the length-of-service award.

The obligations of the Group arising from length-of-service awards are calculated by estimating the amount of future remuneration of an employee in the period when such employee acquires the right to a particular length-of-service award and by estimating the amount of the future length-of-service award. The awards are discounted at the current value. The discount rate is calculated based on the market rate of return from government bonds at the balance sheet date.

The rotation of employees is estimated on the basis of historical data and anticipated level of employment in the future.

19. Provisions

Provisions are recorded when the following conditions are met:

- on the entity rests the existing (legal or customary) obligation arising from past events,
- it is probable that the fulfilment of the obligation will bring about an outflow of funds representing economic benefits,
- the amount of the liability can be reliably estimated.

The amount of a provision created is the most appropriate estimate of expenditure necessary to fulfil the obligation at the balance sheet date. Basis for the estimation of the provision amount is the judgment of the management supported by experience arising from similar events, and, if required, opinions of independent experts.

If the Group expects that the costs covered by the provision will be recovered for example under an insurance agreement, then such recovery is recognised as a separate item of assets, but only if such recovery is practically certain to occur.

a) Restructuring

The provision for restructuring costs is recorded if the Group accepted a detailed and official restructuring plan, and the process has been commenced or publicly announced. The provision does not cover future operating losses.

b) Land reclamation cost

In accordance with the environmental protection policy adopted by the Group and relevant legal requirements, the provision for land reclamation cost relating to polluted land or other fixed assets is recognised when the land or other fixed asset have been polluted.

c) Contracts resulting in liabilities

The provision for contracts causing liabilities is recorded when economic benefits from a contract expected by the Group are lower than unavoidable expenses for the fulfilment of contractual obligations.

d) Trade payables and other liabilities

Initially, trade payables and other liabilities are recognised at fair value. Following initial recognition, they are recognised at amortised cost. Short-term liabilities are not discounted.

If the maturity date is longer than one year from the balance sheet date, the balances of liabilities, except trade payables, are shown as long-term liabilities.

20. Interest-bearing bank credits and loans

Bank credits, loans and debt securities are initially recognised at fair value less cost of obtaining the loan.

Following initial recognition, loans, borrowings and debt securities are measured at amortised cost using the effective interest rate method.

21. Financial instruments

Each contract that results at the same time in creation of a financial asset for one of the parties and a financial obligation for the other party is qualified by the Group as financial instrument provided that from the contract concluded between two or more parties explicitly arise economic effects.

The Group classifies financial instruments as follows:

- financial assets or financial liabilities measured at fair value through profit or loss – derivative instruments as well as assets and liabilities acquired or incurred primarily with the aim to sell or redeem within a short time or form a part of a portfolio of certain financial instruments which are managed together, and for which there is a recent actual pattern of short-term profit-taking,
- held-to-maturity investments – financial assets that are non-derivative instruments, with fixed or determinable payments and fixed date of maturity that the Group intends and is able to hold to maturity,
- loans and receivables –are non-derivative financial assets, with fixed or determinable payments that are not quoted in the active market,
- available-for-sale financial assets – are non-derivative instruments designated as available for sale and are not: (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets measured at fair value through profit or loss,
- other financial liabilities.

a) Recognition and derecognition of a financial asset or financial liability

Financial asset or financial liability is recognised on the balance sheet when the Group becomes a party to the contract regarding the instrument. Standardised purchase and sale transactions regarding financial assets and liabilities are recognised at the date of conclusion of a transaction.

Financial assets are derecognised from the balance sheet if the rights of the Group to cash flows from such assets expire or if the Group transfers the rights to such assets to other entity without retaining control, i.e. not bearing the risk connected with them and not deriving benefits from them.

The Group derecognises a financial liability from the balance sheet if the liability has expired, i.e. when the obligation defined in the contract has been fulfilled, remitted or has expired.

b) Measurement of financial instruments at the date of acquisition

The Group measures financial assets and liabilities at fair value at the date of acquisition. The Group includes the costs of transaction in the initial value of measurement of all financial assets and liabilities, except the category of assets and liabilities measured at fair value through profit or loss.

c) Measurement of financial instruments at the balance sheet date

The Group measures:

- at amortised cost, taking into account the effective interest rate: investment held until the date of maturity, loans and accounts receivable as well as other financial liabilities,
- at fair value: financial assets and liabilities from the category measured at fair value through profit or loss and the category financial assets available for sale.

The effects of measurement of financial assets available for sale are recognised in equity. The effects of measurement of financial assets and liabilities qualified to other categories are recognised in profit and loss account.

d) Impairment of financial assets

The impairment loss of financial assets is recognised when objective evidence exists that events occurred that can affect negatively the value of future cash flows linked to the asset.

The impairment of financial assets measured at amortised cost is estimated as a difference between their carrying value and the current value of future cash flows discounted using the original effective interest rate. The impairment loss regarding financial assets available for sale is calculated by relating to fair value.

Carrying value of individual financial assets of a significant unit value is measured at each balance sheet date in order to determine whether evidence indicating their impairment exists. Other financial assets are tested for impairment in the aggregate, grouped according to similar level of credit risk.

Impairment losses are recognised in profit and loss account. If the reduction of fair value of financial assets available for sale was recognised directly in revaluation capital, accumulated losses that were previously recognised in revaluation capital are recognised in profit and loss account.

Impairment losses are reversed if later increase in recoverable value can be objectively attributed to an event after the date of recognition of an impairment loss. Impairment losses regarding investments in capital instruments classified as available for sale are not reversed through profit or loss. If the fair value of debt instruments classified as available for sale increases, and its increase can be objectively attributed to an event after the recognition of an impairment loss, then the impairment loss recognised before is reversed through profit and loss account.

22. Revenue

Sales revenue is recognised at the fair value of consideration received or receivable and represents amounts due for products, goods and services provided within the scope of ordinary business activity less discounts, VAT and other taxes linked to sale (excise tax). Revenue is recognised in such amount in which it is probable that the Group will derive economic benefits linked to the transaction and when the amount of revenue can be measured reliably.

a) Sales of finished products, goods and rendering of services

The sales of goods and products are recognised when the goods have been delivered and significant risks and rewards of ownership of the goods have been transferred to the buyer and the amount of revenue can be measured reliably.

The revenue from rendering of services is recognised on the basis of the degree of advancement of their performance if the result of transaction regarding rendering of the service can be measured reliably. The percentage of advancement of service performance is determined as the relation of work performed at a given date to the whole work to be performed. If the result of a transaction regarding rendering of the service cannot be measured reliably, then the revenue generated on account of the contract is recognised only to the amount of expenses incurred that the Group expects to recover.

b) Revenue from the sale of ERU and the sale of licences

Revenue from the sale of ERU and licences is recognised when it is probable that the Company will derive economic benefits from the sale, and the amount of such revenue and expenses to be incurred by the Company can be measured reliably.

c) Rental revenue

Revenue from the rental of fixed assets is recognised in profit and loss account using straight-line method within the rental period in relation to contracts concluded.

d) Financial revenue

Financial revenue includes interest receivable on account of cash invested by the Group, dividends receivable, earnings from the disposal of financial instruments available for sale, earnings due to a change in fair value of financial instruments measured through profit or loss, foreign exchange gains and earnings from hedging instruments that are recognised in the profit and loss account. The interest revenue is recognised in profit and loss account on the accrual basis using the effective interest rate method. The dividend revenue is recognised in profit and loss account when the Group acquires the right to receive the dividend.

23. Expenses

a) Cost of goods sold

The cost of goods sold includes all expenses linked to the basic business activity of the Group, except selling cost, administrative expenses, other expenses and financial expenses. The cost of manufacture of a product comprises the expenses linked directly to the product and a justified portion of overhead costs linked directly to the manufacture of the product.

b) Selling cost

Selling costs are recorded expenses linked to selling. Such expenses include, but are not limited to:

- shipment packaging,
- transport, loading and unloading expenses,
- customs duties and commissions (relate to export sales),
- and other expenses, product insurance during transport and other.

c) Administrative expenses

Administrative expenses include:

- general administrative expenses linked to the maintenance of particular units of the

Management Board,

- general manufacturing costs (linked to production not associated with individual departments) linked to the maintenance and functioning of general-purpose units.

d) Operating lease payments

Payments on account of operating lease contracts concluded by the Group are recognised in profit and loss account on a straight-line basis within the lease period. Special promotion offers received are recognised in profit and loss account together with lease costs.

e) Financing lease payments

Lease payments are divided into a portion constituting the financing cost and a portion reducing the obligation. The portion constituting the financing cost is allocated to particular periods during the life of a lease contract using the effective interest rate method.

f) Financial expenses

Financial expenses include interest payable on account of loans, reversal of discount on account of provisions, foreign exchange losses and losses due to revaluation of the fair value of financial instruments through profit or loss as well as write-downs due to impairment of financial assets. All interest expenses are determined on the basis of the effective interest rate.

The Group has chosen an alternative solution allowed by IAS 23. According to the alternative approach, borrowing costs – interest that is directly attributable to the acquisition, construction, or manufacture of an asset, are to be included in the cost price or cost of manufacture of the asset. Other borrowing costs are recognised as expenses in the period in which they were borne.

The borrowing costs that include interest on credits and loans, discounts and bonus interest, expenses linked to the conclusion of credit or loan agreements and foreign exchange differences do not increase the value of current tangible assets regardless of the degree of connection between the financing sources and the asset.

24. Income tax

Income tax recognised in profit and loss account consists of the current portion and the deferred portion. Income tax is recognised in profit and loss account, except for amounts connected with items credited directly to equity. In that case, it is recognised in equity.

Current income tax is a tax liability on account of taxable income for a given year determined using tax rates applicable at the balance sheet date as well as tax adjustments relating to prior years. Current tax burden is calculated on the basis of the taxable result (taxable base) of a given financial year. The tax profit (loss) differs from the net book profit (loss) due to the exclusion of revenue which is taxable and expenses which are tax-deductible in the following years as well as the item of expenses and revenue that will never be taxable.

Deferred tax is calculated using the balance sheet liability method on the basis of temporary differences between the amount of assets and liabilities determined for accounting purposes and their amount determined for tax purposes. Provisions are not created for the following temporary differences: initial recognition of assets or liabilities which influence neither the book profit nor the taxable income. The amount of deferred tax recognised is based on anticipation regarding the method of realisation of the carrying value of assets and liabilities using tax rates applicable or passed at balance sheet date.

Deferred income tax assets are recognised to the amount of taxable income that is probable to be generated and that will allow the realisation of temporary differences. Deferred income tax assets are reduced by the amount of taxable income sufficient for complete or partial realisation of temporary differences that is not probable to be generated. Such reductions are adjusted upward by the amount of adequate taxable income that is probable to be generated.

25. Segment reporting

A segment is a distinguishable area of business activity of the Group that deals with the distribution of products or the provision of services (business segment) or operates within a particular economic environment (geographical segment) with the operation of which is connected a risk distinctive of a given area of operation of the Group.

26. Discontinued operations and assets available for sale

The Group classifies fixed assets available for sale if their carrying value will be recovered by way of a sale transaction, and not by their further use. The condition for an asset to be classified in the group is active search for a buyer by the management of the entity and high probability of disposal of such assets within one year from the date when they have been qualified, as well as the availability of such assets for immediate sale. Such assets are measured at the lower of carrying value and fair value.

27. Hedge accounting

Financial instruments (including derivatives), designated as hedging instruments of which is expected that their fair value or cash flows resulting from them will compensate the changes in fair value or cash flows of the item hedged. The Group books according to the principles of hedge accounting when at least the following conditions defined in IAS 39 are met:

1. Before the commencement of hedging, the Group has the documentation comprising at least: the determination of the risk management objective and strategy, identification of the hedging instrument and the hedged items of assets or liabilities or planned transactions hedged by the instrument, the nature of the risk linked with the item or planned transaction being hedged, the period of hedging, the description of the chosen method of assessment of hedging instrument's effectiveness, the changes in fair value or cash flows of the item hedged connected with a specific type of risk

2. The hedge is highly effective in offsetting changes in fair value or cash flows. The effectiveness of the hedge is measured by comparing the change in value of the hedging instrument or the cash flows resulting from it with the change in value of the item hedged or the cash flow resulting from it. A

hedge is deemed highly effective if during the entire hedging period almost the whole amount of changes in fair value of the item hedged or cash flow linked to it is compensated by changes in fair value or cash flows of the hedging instrument, and actually achieved level of effectiveness of the hedge is within a range of 80% to 125%.

3. The effectiveness of a hedge can be reliably assessed by a reliable measurement of the fair value of item hedged or cash flows linked to it and the fair value of the hedging instrument. The effectiveness of hedging is assessed retrospectively (so-called ex-post tests), which should provide the information whether a given hedge was highly effective in the reporting periods examined, as well as prospectively (so-called ex-ante tests), which should provide the information whether in case of a given hedge still exists the expectation of high effectiveness.

4. In case of hedging of cash flows relating to a future transaction, it has to be highly probable.

Fair value hedge

A financial (including derivative) instrument hedging the fair value is the instrument which:
- is used to limit the risk of changes in the fair value of a recognised asset or liability or a previously unrecognised future commitment and its effect on the profit or loss (or its portions), and it is attributable to a particular risk connected with such item.

Profits and losses resulting from the change in fair value of a derivative instrument hedging the fair value are recognised at balance sheet date in a separate item of profit and loss account (e.g. in financial revenue or expenses).

The measurement of a loan or borrowing designated for a foreign currency hedge is also recognised in line with general accounting principles.

However, the asset/liability hedged will be measured at fair value in the amount hedged exclusively with respect to the hedged risk. Changes in fair value of the item hedged are recognised in (e.g. financial) revenue or expenses, depending on the direction of the change.

Cash flow hedge

A financial (including derivative) instrument hedging the cash flow:

- is used to limit the exposure of profit or loss to variability in cash flows and is attributable to a particular risk associated with a recognised asset or liability, firm future commitments (optionally for foreign currency risk) or a highly probable forecast transaction.

Profits and losses resulting from a change in fair value of the instrument hedging cash flows are recognised in a separate item of equity (revaluation capital) in such portion in which a given instrument is determined to be an effective hedge of the item hedged connected with it. The ineffective portion is recycled to the profit and loss account (financial expenses / revenue).

Generally, the effective result of a hedge recognised in the course of its duration in revaluation capital is recognised in profit and loss account when the item hedged affects profit or loss.

According to IAS 39, in case of non-financial assets it is possible to choose the moment of adjustment, i.e. to include it in the cost price (basis adjustment) or do adjust the profit and loss in the period when the asset affects the profit and loss account.

The adjustment of cost price is applicable in case of hedging forecast transactions that result in recognition of a non-financial or other asset or liability on the balance sheet when they become the future highly probable commitments.

In case of hedging of future forecast transactions expressed in foreign currencies at the date of cash flow resulting from them, the Group recognises items in the profit and loss account in which the item hedged is subsequently realised. In the abovementioned situation, it will be recognised both as sales revenue and, as a result of revaluation of the foreign currency receivable arising on that account, in foreign exchange gain/loss. Therefore, the effective value is allocated in corresponding portions to revenue as well as to foreign exchange gain/loss.

However, in case of hedging a future highly probable transaction, if it is determined that its execution is not possible, the effective result from the hedging transactions accumulated to date, which is recognised in revaluation capital, is to be recycled to financial revenue or expenses.
The Group ceases to book instruments as hedging if a derivative instrument expires, is sold, terminated or realised, or if the Group withdraws the designation of the instrument as hedging.

III. Explanatory Notes to separate financial statements

Note 1. Segment reporting

Segment reporting is presented in relation to business and geographical segments. The basic reporting model is the division into business segments that arises from the Group's management structure and internal reporting.

Prices used in settlements between particular segments are based on arm's length prices.

The result of a segment, its assets and liabilities include items attributable to it directly as well as relevant items used jointly which are reasonably allocable to a segment. Items not allocated to a segment include some strategic investments, debt commitments together with associated costs, the items common equity of the Group as well as income tax receivables and liabilities.

Investment expenditure within a segment is the cost incurred in the period for the acquisition of assets within a segment whose time of use is longer than one reporting period.

Business segments

The Group distinguishes the following business segments:

- plastics,
- fertilizers,
- energy.

Other areas of business activity of the Capital Group comprise other operations of the parent company, including primarily laboratory services, letting of real estate as well as other entities of the Capital Group rendering services primarily in the following industries:

- construction,
- mechanics,
- electrical engineering,
- environmental protection (wastewater treatment, waste storage and neutralisation).

Geographical segments

The Group distinguishes the following three geographical segments:

- domestic sales encompasses all types of sales (production, trade, services) of the Capital Group at home,
- inter-community deliveries encompass all types of sales of the Group to other countries of the European Union,
- export sales encompasses all types of sales of the Group outside of the European Union.

All assets of the Capital Group are located in Poland.

Business segments for the period of 12 months ended on December 31, 2008
(in PLN '000)

	Segments						Other business activity		Exclusions due to consolidation		Total	
	Plastics		Fertilizers		Energy							
	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Total revenue	**639 505**	**758 422**	**763 748**	**589 931**	**402 200**	**380 211**	**280 137**	**231 329**	**(733 434)**	**(666 393)**	**1 352 156**	**1 293 500**
External sales	632 868	753 578	595 138	447 881	15 276	14 495	280 137	228 241	(171 263)	(150 695)	1 352 156	1 293 500
Intersegment sales	6 637	4 844	168 610	142 050	386 924	365 716	-	3 088	(562 171)	(515 698)	-	-
Total expenses (-)	**(612 851)**	**(646 935)**	**(663 222)**	**(566 257)**	**(400 738)**	**(380 443)**	**(225 984)**	**(200 447)**	**733 434**	**666 393**	**(1 169 361)**	**(1 127 689)**
Segment results	26 654	111 487	100 526	23 674	1 462	(232)	54 153	30 882	-	-	182 795	165 811
Non-allocated revenue											25 691	22 896
Non-allocated expenses (-)											(119 351)	(115 738)
Operating profit											**89 135**	**72 969**
Financial revenue											22 474	8 103
Financial expenses (-)											(23 802)	(6 158)
Earnings on shares in subsidiaries measured acc. to the equity method											93	113
Profit before tax											**87 900**	**75 027**
Income tax (-)											(13 243)	(19 004)
Net profit											**74 657**	**56 023**

	Segments						**Other business activity**		**Exclusions due to consolidation**		**Total**	
	Plastics		**Fertilizers**		**Energy**							
	31.12.2008	**31.12.2007**	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**
Segment assets	**392 385**	**413 274**	**367 275**	**265 908**	**141 960**	**151 900**	**247 035**	**201 799**	**(88 370)**	**(84 917)**	**1 060 285**	**947 964**
Non-allocated assets of the entire Group											543 795	308 274
Investments in associates											166	281
Total assets	**392 385**	**413 274**	**367 275**	**265 908**	**141 960**	**151 900**	**247 035**	**201 799**	**(88 370)**	**(84 917)**	**1 604 246**	**1 256 519**
Segment liabilities	34 495	48712	45 298	52 692	9 319	9 291	149 579	160 104	(26 908)	(30 415)	211 783	240 384
Non-allocated liabilities of the entire Group											235 132	208 024
Total liabilities	**34 495**	**48712**	**45 298**	**52 692**	**9 319**	**9 291**	**149 579**	**160 104**	**(26 908)**	**(30 415)**	**446 915**	**448 408**

	Segments						**Other business activity**		**Exclusions due to consolidation**		**Total**	
	Plastics		**Fertilizers**		**Energy**							
	31.12.2008	**31.12.2007**	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**
Expenditure for tangible and intangible fixed assets	62 952	40 616	92 891	35 163	3 863	4 042	13 863	11 495	-	-	173 569	91 316
Expenditure for tangible and intangible fixed assets not allocated to segments											9 269	
Total expenditure for tangible and intangible fixed assets	**62 952**	**40 616**	**92 891**	**35 163**	**3 863**	**4 042**	**13 863**	**11 495**	**-**	**-**	**182 838**	**91 316**
Segment depreciation and amortisation	23 479	25 905	12 816	12 548	14 872	16 161	12 884	12 989	(104)	(104)	63 947	67 499
Depreciation and amortisation of non-											8 940	9 449

allocated Group's assets												
Total depreciation and amortisation	**23 479**	**25 905**	**12 816**	**12 548**	**14 872**	**16 161**	**12 884**	**12 989**	**(104)**	**(104)**	**72 887**	**76 948**

Geographical segments

	Domestic		Intra-community deliveries		Export		Total	
	31.12.2008	**21.12.2007**	**31.12.2008**	**31.12.2007**	**21.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**
Segment revenue (sales to external customers)	612 151	537 841	547 231	529 533	192 774	226 126	1 352 156	1 293 500

	Domestic		Intra-community deliveries		Export		Total	
	31.12.2008	**21.12.2007**	**31.12.2008**	**31.12.2007**	**21.12.2008**	**31.12.2007**	**31.12.2008**	**31.12.2007**
Segment expenses (sales to external customers)	487 898	451 904	498 213	455 017	183 250	220 768	1 169 361	1 127 689

Note 2. Sales revenue

Revenue from sales of goods and materials	For period from 01.01 to 31.12 2008	For period from 01.01 to 31.12.2007
Revenue from construction contracts	24 395	23 863
Revenue from sales of other services	3 648	3 696
Revenue from sales of products	68194	27 616
Total	1 255 919	1 238 325
	1 352 156	1 293 500

Note 3. Expenses by category

	For period from 01.01 to 31.12.2008	For period from 01.01to 31.12.2007
Depreciation and amortisation	72 887	76 948
Materials and energy	819 993	817 631
External services	106 882	73 012
Taxes and charges	43 759	35 903
Payroll	170 828	154 044
Social security and other benefits	39 401	36 710
Other costs by category	6 333	14 815
Expenses by category	**1 260 083**	**1 209 063**
Increase (decrease) in products	(8 344)	(13 507)
Own work capitalised	(7 253)	(11 902)
Selling cost	(61 054)	(60 233)
Administrative cost	(97 418)	(80 369)
Value of goods and materials sold	22 293	24 404
Cost of goods sold	**1 108 307**	**1 067 456**

Note 4. Other operating revenue

	For period from 01.01to 31.12.2008	For period from 01.01to 31.12.2007
Sales of licences	15 860	2177
Release of provisions	4 071	12 861
Sales of social services	315	323
Compensations received	274	2 342
Other	1005	1863
Write-downs of fixed assets	344	200
Write-downs of receivables	3 822	3130
Other operating revenue	**25 691**	**22 896**

Note 5. Other operating expenses

	For period from 01.01to 31.12.2008	For period from 01.01to 31.12.2007
Value of fixed assets sold and liquidated	6 821	3 558

Impairment of fixed assets	923	1 711
Impairment of receivables	1 823	1 925
Other	3 004	13 855
Cost of licences sold	2 858	410
Cost of elimination of breakdown effects	2 146	6 019
Cost of plant stoppages	4 358	7 891
Other operating expenses	**21 933**	**35 369**

The main item in other operating expenses is the cost connected with stoppages of plants put out of operation and the liquidation of non-financial fixed assets.
Furthermore, other expenses consist primarily of costs connected with recycling of chemicals, costs of contributions, court, enforcement, debt-collecting expenses, donations, maintenance costs of summer camps, costs connected with the lease of buildings.

Note 6. Costs of employee benefits

	For period from 01.01to 31.12.2008	For period from 01.01to 31.12.2007
Payroll	170 828	154 044
Social security	30 111	28 878
Employee Benefit Fund	5 038	4 465
Training courses	1 077	901
Other employee benefits	3 175	2 466
Provision for employee benefits	6 670	2 821
	216 899	**193 575**
Average employment	**4 388**	**4 433**

Note 7. Net financial revenue / expenses

	For period from 01.01to 31.12.2008	For period from 01.01to 31.12.2007
Interest	11 892	1 914
Dividends	335	63
Other	39	60
Revaluation of investments	6 478	6 051
Foreign exchange gains	**3 730**	**15**
Financial revenue	**22 474**	**8 103**
Interest	(1 038)	(1 194)
Loss on measurement of financial instruments		
Measured at fair value through profit or loss	(22 414)	-
Net foreign exchange losses	(79)	(4 828)
Loss on disposal of investments	(151)	
Bank commissions	(113)	(44)
Other financial expenses	(7)	(92)
Financial expenses	**(23 802)**	**(6 158)**
Net financial revenue / (expenses)	**(1328)**	**1945**

In 2008, the amount of interest capitalised to the initial value of tangible fixed assets and intangible assets was PLN 2,521,000 (in 2007, it was PLN 1,167,000).

The biggest item in financial expenses, in the amount of PLN 22,414,000 is the loss on measurement of financial instruments measured at fair value through profit or loss (foreign exchange options).

On the other hand, the amount of net foreign exchange gains in 2008 consists of:

- positive balance of foreign exchange differences at the balance sheet date due to measurement of foreign currency items of receivables and liabilities in the amount of PLN 7,032,000,

- positive balance of realised foreign exchange differences in the amount of PLN 4,216,000,
-negative balance of realised foreign currency hedge transactions in the amount of PLN (7,597,000).

Note 8. Income tax

8.1. Income tax shown in profit and loss account

	For period from 01.01to 31.12.2008	For period from 01.01to 31.12.2007
Current income tax	19 079	20 336
Current income tax liability	19 079	18 719
Adjustments relating to the current tax from prior years		1 617
Deferred income tax	(5836)	(1 332)
Accrual and reversal of temporary differences	(5836)	(1 332)
Income tax shown in profit and loss account	13243	19 004

8.2. Effective interest rate

	%	For the period from 01.01 to 31.12. 2008	%	For the period from 01.01 to 31.12 2007
Gross financial result		87900		75027
Income tax calculated according to the applicable tax rate	19.0	16701	19.0	14255
Influence of tax on permanent differences between the gross profit (loss) and the taxable base	(3.9)	(3458)	6.3	4749
Income tax shown in profit and loss account	**(15.1)**	**13243**	**25.3**	**19004**

8.3. Income tax shown in equity

	For the period from 01.01 to 31.12. 2008	For the period from 01.01 to 31.12 2007
Tax effect of the cost of stock issue	2 158	-
Measurement of hedge instruments through hedge accounting	1 846	-
Income tax shown in equity	4 004	-

Income tax receivables in the amount of PLN 4,107,000 (31 December, 2007: PLN 1,487,000) made up the amount receivable from the tax office on account of payments made for the current and prior financial year that exceeded the amount of tax due.

8.4. Deferred tax

Deferred income tax assets as well as deferred income tax liabilities have been recognised in relation to the following items of assets and liabilities:

Deferred income tax assets and provisions

	Assets		Provisions		Net value	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Tangible fixed assets	(3 043)	(4 008)	99 003	106 650	95 960	102 642
Intangible assets	-	-	516	-	516	-
Long-term investments	(2 710)	(3 042)	-	-	(2 710)	(3 042)
Inventories	(1 578)	(1 684)	1 901	-	323	(1 684)
Trade and other receivables	(626)	(1 057)	185	-	(441)	(1 057)
Short-term accruals and deferrals	(96)	-	-	395	(96)	395
Employee benefits	(14 753)	(13 113)	-	-	(14 753)	(13 113)
Provisions	(5 376)	(4 274)	-	-	(5 376)	(4 274)
Interest	(1 192)	(1 299)	1 388	3	196	(1 296)
Foreign exchange gain (loss)	(436)	(742)	928	137	492	(605)
Measurements of financial instruments measured at fair value through profit or loss	(4 820)	-	5	-	(4 815)	-
Measurement of financial instruments through hedge accounting	(1 285)	-	-	-	(1 285)	-
Other	(9)	(118)	958	952	949	834
Deferred income tax assets (-) /liabilities	**(35 924)**	**(29 337)**	**104 884**	**108 137**	**68 960**	**78 800**

Unrecognised deferred income tax assets

The Group recognises all deferred income tax assets for temporary differences:
Increase (decrease) in temporary differences in the period

		Increase (decrease) in temporary differences recognised in		
	Balance as at 01.01.2008	**Profit and loss account**	**Equity**	**Balance as at 31.12.2008**
Tangible fixed assets	102 642	(6 682)	-	95 960
Intangible assets	-	516	-	516
Long-term investments	(3 042)	332	-	(2 710)
Inventories	(1 684)	2 007	-	323
Trade and other receivables	(1 057)	616	-	(441)
Short-term accruals and deferrals	395	1 667	(2 158)	(96)
Employee benefits	(13 113)	(1 640)	-	(14 753)
Provisions	(4 274)	(1 102)	-	(5 376)
Interest	(1 296)	1 492	-	196
Foreign exchange gain (loss)	(605)	1097	-	492
Valuations of financial instruments measured at fair value through profit or loss	-	(4 254)	(561)	(4 815)
Measurement of financial instruments through hedge accounting	-	-	(1 285)	(1 285)
Other	834	115	-	949
	78 800	**(5 836)**	**(4 004)**	**68 960**

Increase (decrease) in temporary differences in the period

	Balance as at 01.01.2007	Increase (decrease) in temporary differences recognised in: Profit and loss account	Increase (decrease) in temporary differences recognised in: Equity	Balance as at 31.12.2007
Tangible fixed assets	104 524	(1 882)	-	102 642
Intangible assets	-	-	-	-
Long-term investments	(4 223)	1 181	-	(3 042)
Inventories	(1 451)	(233)	-	(1 684)
Trade and other receivables	(1 501)	444	-	(1 057)
Short-term accruals and deferrals	-	395	-	395
Employee benefits	(10 781)	(2 332)	-	(13 113)
Provisions	(4 352)	78	-	(4 274)
Interest	(1 408)	112	-	(1 296)
Foreign exchange gain (loss)	(616)	11	-	(605)
Valuations of financial instruments measured at fair value through profit or loss	-	-	-	-
Measurement of financial instruments through hedge accounting	-	-	-	-
Other	(60)	894	-	834
	80 132	**(1 332)**	**-**	**78 800**

Note 9. Tangible fixed assets

Net statement of tangible fixed assets

	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Net value as at 31.12.2007	**6 213**	**263 834**	**402 241**	**70 054**	**6 934**	**114 973**	**864 249**
Net value as at 31.12.2008	**6 266**	**242 266**	**444 681**	**75 881**	**8 088**	**147 654**	**924 836**

Net statement of tangible fixed assets

	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Net value as at 01.01.2007	**6 230**	**282 719**	**439 033**	**70 547**	**7 250**	**67 577**	**873 356**
Increases	10	14 566	25 781	1 779	3 615	99 318	145 069
Sale and liquidation (-)	(10)	(4 718)	(17 843)	(268)	(1 629)	(51 879)	(76347)
Impairment losses (-)	-	(3 744)	(1 452)	-	(224)	(43)	(5 463)
Revaluation increases or decreases	-	(2 063)	(320)	(671)	-	-	(3 054)
Reversal of impairment losses	-	-	198	1	-	-	199
Depreciation	(17)	(25 040)	(42 605)	(4 814)	(2 113)	-	(74 589)
Other increases (decreases)	-	2 114	(551)	3 480	35	-	5 078
Net value as at 31.12.2007	**6 213**	**263 834**	**402 241**	**70 054**	**6 934**	**114 973**	**864 249**
Increases	-	2 783	81 529	2 360	3 515	145 812	235 999
Sale and liquidation (-)	(1)	(1 268)	(1 975)	(267)	(87)	(111 380)	(114 978)
Impairment losses (-)	-	-	1 817	(37)	-	-	1 780

Revaluation increases or decreases	-	(311)	(412)	-	(103)	-	(826)
Reversal of impairment losses	54	-	-	-	-	(1 751)	(1 697)
Reversal of write-downs	-	42	293	-	9	-	344
Depreciation	-	(22893)	(39 547)	(4 894)	(2 217)	-	(69 551)
Other increases (decreases)	-	79	735	8 665	37	-	9 516
Net value as at 31.12.2008	**6 266**	**242 266**	**444 681**	**75 881**	**8 088**	**147 654**	**924 836**

Gross value, accumulated depreciation and impairment losses of tangible fixed assets

	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
January 1, 2008							
Gross value	6 266	643 785	1 289 536	109 316	36 290	162 173	2 247 366
Total depreciation and impairment losses (-)	(53)	(379 951)	(887 295)	(39 262)	(29 356)	(47 200)	(1 383 17)
Net value	**6 213**	**263 834**	**402 241**	**70 054**	**6 934**	**114 973**	**864 249**
December 31, 2008							
Gross value	6 266	629 419	1 339 630	119 563	37 646	196 588	2 329 112
Total depreciation and impairment losses (-)	-	(387 153)	(894 949)	(43 682)	(29 558)	(48 934)	(1 404 276)
Net value	**6 266**	**242 266**	**444 681**	**75 881**	**8 088**	**147 654**	**924 836**

Impairment losses and their use

	Land	Buildings and structures	Machinery and equipment	Means of transport	Other fixed assets	Fixed assets under construction	Total
Impairment losses as at 01.01.2007		**7 364**	**29 860**	**9**	**100**		**37 333**
Impairment losses recognised within the period in the P & L account		3 744	1 452	-	224	43	5 463
Reversal of impairment losses recognised within the period in the P & L account (-)			(198)	(1)	-		(199)
Impairment losses as at 31.12.2007		**11 108**	**31 114**	**8**	**324**	**43**	**42 597**

Impairment losses as at 01.01.2008		**11 108**	**31 114**	**8**	**324**	**43**	**42 597**
Impairment losses recognised within the period in the P & L account		311	412	-	103	-	826
Reversal of impairment losses recognised within the period in the P & L account	(53)	(42)	(293)	-	(9)	-	(397)
Impairment losses as at 31.12.2008	**(53)**	**11 377**	**31 233**	**8**	**418**	**43**	**43 026**

In the reporting period, the Group has written down the impairment of fixed assets charged to the P & L account in the amount of PLN 698,000. The principal items are the write-downs of fixed assets connected with the Mercury Electrolysis Plant in the amount of PLN 671,000.
The release of write-downs relates to fixed assets that were sold or liquidated

Impairment test

At December 31, 2008, the Group has carried out a test for impairment of tangible fixed assets. The analyses prepared have revealed a lower carrying amount of assets than their current recoverable amount that was determined in terms of the ability to generate cash flows. In consequence of the analyses, appropriate impairments have been entered.

Fixed assets under construction

At December 31, 2008, the net value of fixed assets under construction was PLN 146,556,000 (December 31, 2007: PLN 112,141,000).
At December 31, 2008, the amount of write-downs of fixed assets under construction is PLN 50,032,000. In 2008, the Group did not make any changes concerning write-downs of fixed assets.
Among the biggest investment expenditures making up fixed assets under construction are:

	December 31, 2008	December 31, 2007
Mechanical system for nitrate fertiliser granulation	90 949	28 769
Heat metering system	1 401	-
Expansion of SHA storage capacity	2 807	2 263
Modernization of the air compression system and the filtration system of ammonia mixture for the Ammonium Nitrite Plant	–	1 663
Modernization of the station for packing and shipping fertilizers	16 173	422
Implementation of the Integrated Management System (ERP)	7 570	3 394
Intensification of the Polyamide Plant	-	55 769
Modernization of the air compression system for the needs of the Cyclohexanone Oxidation Plant	3 966	868
Modernization of the Dolomite Milling Plant	7 075	1794
Modernization of the compressor unit	1689	-

Fixed assets under lease

The Group uses some manufacturing machines, technical equipment and means of transport under financing lease contracts. Under all contracts, after the end of the lease period the Group has the option to buy at a reduced price under the market value. At the end of the reporting period, the carrying value of machinery, equipment and means of transport leased was PLN 1,937,000 (at December 31, 2007 – PLN 950,000).

Until the repayment of the financing lease liabilities, the machinery constitutes the security for lease payments. Moreover, the Group uses some manufacturing machines, means of transport and technical equipment under operating lease. At the end of the reporting period, the value of items under operating lease was PLN 384,000 (at December 31, 2007 – PLN 313,000).

Securities

At December 31, 2008, the net carrying value of buildings and structures as well as machinery and equipment used as securities for bank loans amounted to PLN 216,206,000 (at December 31, 2007: PLN **217,028,000** PLN).

Liability title / restraints on disposal	December 31, 2008	December 31, 2007
Investment credit at BOŚ/ordinary and cap mortgage (Azoty)	5 718	5 053
Investment credit at RBPL/ordinary mortgage (Azoty)	4 773	5 753
Investment credit at BGŻ/registered pledge (Azoty)	12 980	14 009
Debt limit at RBPL/registered pledge (Azoty)	26	58
Investment loan MC/registered pledge (Azoty)	858	743
Bank credit subject to an arrangement at ING BSK (Azoty)	69 127	70 392
Bank credit I subject to an arrangement at PEKAO SA (Azoty)	24 117	28 003
Bank credit II subject to an arrangement at PEKAO SA (Azoty)	23 348	24 725
Bank credit/registered pledge (Elzat Sp. z o.o.)	312	260
Bank credit/registered pledge (Koltar Sp. z o.o.)	58 562	54 539
Bank credit/registered pledge (Oknotar Sp. z o.o.)	144	144
Loans from WFOŚ/ mortgages (JRCH Sp. z o.o.)	16 240	13314
Bank credit/registered pledge (ZBACH Sp. z o.o.	-	35
Carrying value of tangible fixed assets subject to restraint on disposal or used as security	**216 206**	**217 028**

Liability title / restraints on disposal	December 31, 2008	December 31, 2007
Bank credits/mortgages	26 731	24 120
Bank credits/registered pledges	72 882	69 788
Bank credits/ownership transfers	116 593	123 120
Carrying value of tangible fixed assets subject to restraint on disposal or used as security	**216 206**	**217 028**

Fiscal liabilities for the transfer of ownership of real estate

The Group does not have any fiscal liabilities for the transfer of ownership of real estate.

Note 10. Investment real estate

Itemization	December 31, 2008	December 31, 2007
Net value at the beginning of period	**6 444**	**6 788**
Acquisition of real estate as a result of business combinations		
Increases in balance due to acquisition of real estate		
Increases due to capitalised later expenditure		
Decreases in balance due to disposal (-)		

Reclassification from or to another category of assets		
Depreciation (-)	(344)	(344)
Impairment losses of assets written down within the period (-)		
Reversal of write-downs		
Net foreign exchange gains (losses) from the translation of financial statements into the presentation currency		
Net value at the end of period	**6 100**	**6 444**
Gross carrying value	6 788	6 788
Total depreciation and write-downs to date (-)	(688)	(344)
Net carrying value	**6 100**	**6 444**

The depreciation methods applicable to tangible fixed assets apply to investment real estate as well. The fair value of investment real estate was determined at the moment when the Group changed to IAS.

Note 11. Intangible assets

Increase (decrease) in intangible assets

	Patents and licences	**Computer software**	**Cost of development work**	**Other intangible assets**	**Total**
Net value at 01.01.2007	**13 664**	**433**	**2 996**	**-**	**17 093**
Increases	519	661	607	-	1 787
Amortisation	(1 697)	(318)	-	-	(2 015)
Net value at 31.12.2007	**12 486**	**776**	**3 603**	**-**	**16 865**
Increases	1 928	927	-	-	2 855
Amortisation	(2 209)	(429)	(354)	-	(2 992)
Net value at 31.12.2008	**12 205**	**1 274**	**3 249**	**-**	**16 728**

Gross value, accumulated amortisation and impairment losses of intangible assets

	Patents and licences	**Computer software**	**Cost of development work**	**Other intangible assets**	**Total**
January 1, 2008					
Gross value	**22 466**	**5 055**	**5 000**	**16**	**32 537**

Total amortisation and impairment losses	(9 980)	(4 279)	(1 397)	(16)	(15 672)
Net value	**12 486**	**776**	**3 603**	**-**	**16 865**
December 31, 2008					
Gross value	**24 395**	**5 924**	**5 000**	**-**	**35 319**
Total amortisation and impairment losses	(12 190)	(4 650)	(1 751)	-	(18 591)
Net value	**12 205**	**1 274**	**3 249**	**-**	**16 728**

At the balance sheet date, intangible assets have made up primarily licences (among others polytrioxane licence) and know-how. The remaining period of use of the licences is about 10 years.

Research and development work encompasses primarily work due to the implementation of targeted projects by the Company Jednostka Ratownictwa Chemicznego. The Group amortises the work when its period of use can be determined, otherwise it is not amortised. Intangible assets whose period of use is not defined have been tested for impairment at the end of the year; however, the test has not proven the necessity to recognise impairment.

The Group did not write down any impairment losses; moreover, no intangible assets are subject to restraints on legal title or are used as security for liabilities.

Amortisation of intangible assets is shown in the item Administrative expenses.

Note 12. Investments

12.1. Investments in subsidiaries

	December 31, 2008	**December 31, 2007**
Investments in subsidiaries	280	260
Total financial assets	**280**	**260**
- long-term	280	260
- short-term	280	260

At December 31, 2008, the shares of the subsidiary Jednostka Ratownictwa Chemicznego sp. z o.o. in Eko Technologies have been recognised in investments in subsidiaries.

Shares in subsidiaries

Eko Technologies	% of shares held	Carrying value of shares	Assets	Liabilities	Equity	Revenue	Profit/loss for the period
31.12.2007	60%	260	242	51	191	-	(79)
31.12.2008	60%	260	388	252	129	194	(80)

The Parent Company has not included Eko Technologies in consolidation with regard to insignificance.

12.2. Assets available for sale

	December 31, 2008	December 31, 2007
Shares, stocks in associates	166	281
Shares in affiliates that are not subject to consolidation	130	130
Shares, stocks in other entities	12 296	10 291
Total assets available for sale	**12 592**	**10 702**
- long-term	12 592	10 702
- short-term	-	-

Financial assets available for sale include primarily the minority interest in the company Tarnowskie Wodociągi Sp. z o.o. with the carrying value (equal their fair value measured) of PLN 12,027,000 (December 31, 2007: PLN 10,027,000). In view of the lack of an active market of the instrument, the fair value of the assets was determined using the discounted cash flow method.
Other shares in associates are also recognised in the group of financial assets available for sale.
At December 31, 2008, the Group has released (reduced) the write-down for shares for the amount of PLN 2,000,000.

Shares in affiliates that are not subject to consolidation

Name of company	% of shares held	Carrying value of shares	Assets	Liabilities	Equity	Revenue	Profit/ loss for the period
December 31, 2007							
Tarplast Sp. z o.o.	40%	-	46	46	-	-	(2)
Unirol Sp. z o.o.	51%	26	147	251	(104)	404	(29)
S+R Gazy Sp. z o.o.	30%	15	565	466	99	1 324	76
PIW UNISIL Sp. z o.o.	24%	54	482	52	430	623	20
Petrolia Sp. z o.o.	24%	12	121	48	73	498	(9)
Tarchem Sp. z o.o.	25%	23	359	166	193	1 432	45
		130	1720	1029	691	4281	101

Name of company	% of shares held	Carrying value of shares	Assets	Liabilities	Equity	Revenue	Profit/loss for the period
December 31, 2008							
Tarplast Sp z o.o.*	40%	-	-	-	-	-	-
Unirol Sp. z o.o.	51%	26	651	351	300	2 469	400
S+R Gazy Sp. z o.o.	30%	15	515	397	126	1 324	76
PIW UNISIL Sp. z o.o.	24%	54	354	43	254	672	(21)
Petrolia Sp. z o.o.	24%	12	129	102	26	140	(47)
Tarchem Sp. z o.o.	25%	23	332	84	226	1 160	33
		130	**1 981**	**977**	**932**	**5 765**	**441**

* Company in liquidation (no data for 2008 available)

12.3. Other financial assets

	December 31, 2008	December 31, 2007
Time deposits of cash from share issue	252 268	-
Other financial assets	198	189
- **Total other financial assets**	**252 466**	**189**
- long	50 000	-
- short	202 466	189

Note 13. Inventories

	December 31, 2008	December 31, 2007
Materials	49 850	56 493
Semi-finished products	21 798	26 881
Finished products	54 226	34 461
Goods	347	927
Advance payments for deliveries	560	
- ERU	10 010	436
	136 791	**119 198**
- *including:*		
- Inventories with restraint on disposal	33 141	24 251
- Inventories measured at fair value less selling cost	43 944	23 055

Inventories are presented in net amounts less revaluations and reductions in the amount of PLN 7,227,000. Write-downs of inventories recognised in 2008 relate to finished and semi-finished products, materials whose own cost of manufacture was higher than the net sale price or their period of lying in the warehouse was longer than a year. Increases (decreases) in write-downs result from the sale, use or liquidation of the relevant assortment items and are recognised in profit and loss account in item cost of goods sold.

The amount of write-downs of inventories recognised in profit and loss account in 2008 was PLN 8,346,000. In the current year, write-downs in the amount of PLN 7,998,000 have been released in connection with the sale of products or the use of semi-finished products; the amount reduced the cost of goods sold.

Note 14. Trade and other receivables

	December 31, 2008	December 31, 2007
Trade and other receivables from affiliates	690	12
Trade and other receivables from other entities	118 868	94 364
Other short-term receivables from affiliates	426	130
Receivables from other taxes apart from income tax	39 839	46 963
Advance payments received	1 831	1 315
Other receivables	1 494	3 614
	163 148	**146 398**
- long term	594	2
- short term	162 554	146 396

Trade and receivables are presented in net amounts less write-downs in the amount of PLN 25,242,000 (December 31, 2007: PLN 30,117,000). The receivables were written down when it was substantiated that they were irrecoverable. Increases (decreases) in write-downs of trade receivables have been recognised in profit and loss account in item other operating revenue and expenses.

At December 31, 2008, the Group had receivables due to retained earnings in the amount of PLN 777,000, and at December 31, 2007 the Group did not have such receivables.

Both trade receivables and other tax receivables bear no interest.

The established period of payment of receivables in the Parent Company connected with the ordinary course of sales is between 10 and 30 days, depending on the business segment.
Average period of payment of receivables in other entities of the Group is between 30 and 74 days.

Note 15. Other assets

	December 31, 2008	December 31, 2007
Insurances	3 493	3605
Subscriptions	181	165
Cost of non-completed development work	336	336
Cost of public offering of shares	-	2080
Other	1624	784
	5634	6970

Note 16. Cash

	December 31, 2008	December 31, 2007
Cash in hand	51	35
Cash in bank accounts (PLN)	15 019	15 479
Cash at bank in currency accounts (translated into PLN)	36	1 390
Bank deposits	30 227	37 509
Cash and cash equivalents, amount shown on balance sheet	**45 333**	**54 413**
Cash and cash equivalents, amount shown in cash flow statement	**45 333**	**54 413**

The Group held cash subject to a restraint on disposal neither at December 31, 2008 nor at December 31, 2007.

The fair value of cash equals its carrying value.

Note 17. Equity

Value of share capital

	December 31, 2008	December 31, 2007
Face value of share issue - Series AA	120 000	120 000
Face value of share issue - Series B	75 582	
	195 582	**120 000**

Number of shares

	December 31, 2008	December 31, 2007
Number of shares at the beginning of period	2 400 000	2 400 000
Division of shares 1:10	21 600 000	-
Share issue	15 116 421	-

Number of shares at the end of period	**39 116 421**	**2 400 000**
Face value of 1 share (PLN / share)	5	50

Holders of common shares are entitled to receive dividends passed and have the right to one vote per share at the General Meeting of Shareholders of the Parent Company. All shares entitle equally to the assets of the Parent Company in case of assets distribution.

Distribution of shares of the Parent Company

On February 25, 2008, the Extraordinary General Meeting of Shareholders of the Parent Company passed the resolution on the change of the previous number of shares of Parent Company by way of division of their face value in proportion 1:10 in such a way that the previous face value of each share in the amount of PLN 50 was reduced to the amount of PLN 5. In consequence of the change, each issued Series A share of the value of PLN 50 was exchanged for 10 shares of corresponding Series AA with identical rights as the shares before the division, with the face value of PLN 5. In consequence of the division, the number of shares amounted to 24,000,000.

Share issue

On February 25, 2008, the Extraordinary General Meeting of Shareholders of the Parent Company passed the resolution of an increase of share capital of Parent Company from the amount of 120,000,000 to the amount not lower than 168,000,000 and not higher than 200,000,000, i.e. by the amount not lower than 48,000,000 and not higher than 80,000,000 – by Public Offering comprising not less than 9,600,000 and no more than 16,000,000 new common bearer Series B shares with the face value of PLN 5 each. Public Offering of Series B shares of Zakłady Azotowe w Tarnowie-Mościcach S.A. was launched on June 5, 2008 and ended on June 17, 2008. Within the Public Offering were offered 16,000,000 new issue Series B shares, and, in the course of the Public Offering, the Management Board of Zakłady Azotowe w Tarnowie-Mościcach S.A. allotted 15,116,421 Series B shares. On June 18, 2008, the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. in Warsaw pursuant to the Resolution No. 364/08 granted the Parent Company the status of a participant of the National Depository for Securities in the type Issuer, and registered it in the National Depository for Securities. The shares have been introduced on the market on June 30, 2008. The face value of shares was PLN 75,582,105, and the issue value was PLN 294,770,209.5. On July 22, 2008, the issue has been registered in the National Court Register.

Structure of the share capital

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
December 31, 2007				
Nafta Polska S.A.	1 920 000	80.0%	1 920 000	80.0%
Treasury	138 537	5.8%	138 537	5.8%

Employees of the Parent Company	341 463	14.2%	341 463	14.2%
	2 400 000	**100.0%**	**2 400 000**	**100.0%**
December 31, 2008				
Treasury	1 359 600	3.5%	1 359 600	3.5%
Nafta Polska S.A.	19 200 000	49.1%	19 200 000	49.1%
CIECH	2 560 000	6.5%	2 560 000	6.5%
PGNiG	4 000 001	10.2%	4 000 001	10.2%
Other	11 996 820	30.7%	11 996 820	30.7%
	39 116 421	**100.0%**	**39 116 421**	**100.0%**

Capital from share issue over face value

The capital originates from the share issue carried out in 2008 (see above). The value of the capital at December 31, 2008 amounted to PLN 209,990,000.

Capital from the measurement of hedge transactions

As at December 31, 2008, the Parent Company recognised in revaluation capital the so-called effective portion of the hedge determined pursuant to the criteria of hedge accounting (introduced in the Parent Company on October 01, 2008 in accordance with IAS 39), resulting from:
- concluded derivative transactions in USD in the amount of PLN (2,955,000)
- currency credits and loans in EUR in the amount of PLN (6,761,000)

Taking into account the tax effect in the amount of PLN 1,846,000, the capital at December 31, 2008 amounts to PLN (7,870,000).

Retained earnings

	December 31, 2008	December 31, 2007
Opening balance	744 628	674 903
Adjustments of prior year errors	***(57 907)***	***(33 856)***
Opening balance after adjustments	**686 721**	**641 047**
Increases	74 232	60 598
Net result of the current year	*74 232*	*55 741*
Other	-	*4 857*
Decreases	(3 022)	(14 924)

Dividend payments	-	(14 924)
Other	*(3 022)*	-
Closing balance	**757 931**	**686 721**

Capital revaluation connected with hyperinflation

Capital item	Face value of shares issued and taken up	**Effect of revaluation of share capital recognised in item retained earnings**	**Revaluated share capital**
Share capital	120 000	547 467	667 467

IAS 29, Financial Reporting in Hyperinflationary Economies requires that an entity operating its business during hyperinflation restates its equity items by applying a general price index. Effects of the restatement should be presented with a minus in balance sheet item retained earnings. The adjustment has to reflect the effects of hyperinflation on the profit or loss for the reporting period. The restatement is to be made for the years 1990-1996. The adjustment changes neither the value of equity presented on the balance sheet nor the value of net assets falling to one share. In view of the requirement described above, the Parent Company has shown the effect of hyperinflation on the share capital in a note to financial statements only. Consumer Price Indices of goods and services stated by the Central Statistical Office (GUS) for the years 1992-1996 have been applied for capital revaluation (the company was established on December 31, 1991).

The Group has presented the face value of shares issued and taken up on the balance sheet as share capital. The revaluation connected with the application of IAS 29 in the amount of PLN 547,467,000 is not recognised in item retained earnings; the effect of revaluation has been recognised in notes to financial statements only.

Note 18. Earnings per share

Basic earnings per share

The calculation of the basic earnings per one share was made on the basis of net profit of the Capital Group and the weighted average number of shares at the date of preparation of financial statements. The amounts have been determined in the following way:

	December 31, 2008	**December 31, 2007**
Net profit	74 232	55 741
Number of shares at the beginning of period	2 400 000	2 400 000
Division of shares in proportion 1:10 in 2008	21 600 000	21 600 000
Effect of share issue in June 2008	8 136 434	-
Weighted average number of shares at the end of period	**32 136 434**	**24 000 000**
Earnings per share*		
Basic (PLN)	2.31	2.32
Diluted (PLN)	2.31	2.32

* In connection with the division of shares (see note 18), earnings per share in 2007 in the amount of PLN 23.23, taken into account changes described in Note 35, have been restated in order to ensure data comparability.

Diluted earnings per share
No circumstances causing the dilution of earnings per share have occurred.

Note 19. Credit and loan liabilities

	December 31, 2008	December 31, 2007
Long-term liabilities		
Credits	44 262	24 705
Loan	4 627	4 547
	48 889	**29 252**
Short-term liabilities		
Credits	19 200	4 908
Loans	1 974	929
	21 174	**5 837**

Maturity of credits and loans

	December 31, 2008	December 31, 2007
Short-term credits and loans	21 174	5 837
Long-term credits and loans	48 889	29 252
- between 1 and 2 years	17 224	16 559
- between 2 and 5 years	31 362	11756
- over 5 years	303	937
	70 063	**35 089**

Repayment schedule of credits and loans at December 31, 2008

	Currency	Interest rate	Total	under 1 year	1-2 years	2-5 years	> 5 years
Investment credit at BOŚ SA	EURO	EURIBOR 3 M+ 1.5%	7 462	5 162	2 300	-	-
Investment credit at BGŻ SA	EURO	EURIBOR 3 M+ 1.5%	27 447	6 864	6 861	13 722	-
Investment credit at RBPL	PLN	WIBOR	27 000	6 750	6 750	13 500	-

S.A.		1M+0.8%					
Investment loan I at MC	EURO	Fixed rate 4%	858	858	-	-	-
Investment loan II at MC	EURO	LIBOR 3M+0.5%	1 196	-	-	1 196	-
RCI Bank Polska SA	PLN	0%	13	13	-	-	-
Loan from WFOŚ (Regional Fund for Environmental Protection)	PLN	4%	610	366	244	-	-
Loan from WFOŚ	PLN	4%	3 937	750	750	2 250	187
Investment credit at PKO	PLN	1M+ 0.75% WIBOR	1 273	231	232	694	116
BOŚ BANK	PLN		1	1	-	-	-
Bank Gospodarstwa Krajowego	PLN	8.31%	192	105	87	-	-
Bank Ochrony Środowiska	PLN	5.95%	74	74	-	-	-
			70 063	**21 174**	**17 224**	**31 362**	**303**

Repayment schedule of credits and loans at December 31, 2007

	Currency	**Interest rate**	**Total**	**under 1 year**	**1-2 years**	**2-5 years**	**> 5 years**
Investment credit at BOŚ SA	EURO	EURIBOR 3 M+ 1.5%	10 642	4 530	4 368	1 744	-
Investment credit at BGŻ SA	EURO	EURIBOR 3 M+ 1.5%	13 463	2	5 943	7 518	-
Investment credit at RBPL S.A.	PLN	WIBOR 1M+0.8%	5 045	-	5 045	-	-
Loan from WFOŚiGW (Regional Fund for Environmental Protection)	PLN	4%	976	366	366	244	-
Loan from WFOŚiGW	PLN	4%	4 500	563	750	2 250	937
Bank credit for investments	PLN	0% EURIBOR	35	22	13	-	-
Bank credit for investments	PLN	12.9%	17	16	1	-	-
Bank credit for investments	PLN	5.95% WIBOR	173	100	73	-	-
Current account credit	PLN	1M+1.6%	224	224	-	-	-
Bank credit for investments	PLN	16%	14	14	-	-	-
			35 089	**5 837**	**16 559**	**11 756**	**937**

Note 20. Provisions for employee benefits

	December 31, 2008	December 31, 2007
Long-term provisions for employee benefits		
Retirement allowance liabilities	7 489	5 871
Length-of-service award liabilities	36 448	35 110
Other provisions	2 664	2 449
	46 601	43 430
Short-term provisions for employee benefits		
Retirement allowance liabilities	164	788
Length-of-service award liabilities	3 153	3 072
Other provisions	4 688	646
	8 005	4 506

Increases (decreases) in employee benefit liabilities

Employee benefit liabilities at the beginning of period	47 936	45 115
Creation of a provision	11 795	5 284
Payment of retirement allowances and length-of-service awards	(4 724)	(405)
Other	(401)	(2 058)
	54 606	**47 936**

Basic actuarial estimates of the Parent Company		
Discount rate	5.5%	5.5%
Future rise in wages and salaries	3.0%	3.0%

The calculations of provisions for employee benefits have been prepared by an independent actuary.

By applying the principle of conservative valuation, the Parent Company recognised in the financial statements the provision for the Voluntary Redundancy Scheme that was announced. The provision amounts to PLN 4,145,000. The amount is a security for the payments of „encouragements" in the first quarter of 2009.

Creation of a higher provision in financial statements for 2008 is not justified in view of the fact that the Voluntary Redundancy Scheme was announced to employees of the Parent Company, in accordance with IAS 37, in January 2009.

Note 21. Provisions

	Provisions for lawsuits	Provisions for environmental protection	Provision for the disposal of chlorine of the Mercury Electrolysis Plant	Other provisions	Total
Provisions as at 01.01.2007	119	17 363	6 315	14 826	38 623
Provisions created	-	160	-	1 455	1 615
Increase in provisions	-	-	-	647	647
Provisions used	-	-	-	(442)	(442)
Provisions released	(119)	-	-	(11 777)	(11 896)
Provisions as at 31.12.2007, including:	**-**	**17 523**	**6 315**	**4 709**	**28 547**
- short-term provisions	-	750	-	4 189	4 939
- long-term provisions	-	16 773	6 315	520	23 608
Provisions as at 01.01.2008	**-**	**17 523**	**6 315**	**4 709**	**28 547**
Provisions created	17	611	-	1 578	2 206
Increase in provisions	-	-	-	520	520
Provisions used	-	(186)	-	(809)	(995)
Provisions released	-	(3 225)	-	(736)	(3 961)
Provisions as at 31.12.2008, including:	**17**	**14 723**	**6 315**	**5 262**	**26 317**
- short-term provisions	17	-	-	4 780	4 797
- long-term provisions	-	14 723	6 315	482	21 520

Provisions for environmental protection

Provisions for environmental protection, including:

Reclamation of land polluted with chemical substances

In connection with the pollution of land owned by the Group with chemical substances, which was found as a result of conducted tests, a provision for reclamation of the land was created. The value of the provision measured at balance sheet date amounts to PLN 6,716,000.

The value of the provision created was measured at the amount of direct cost of excavation of polluted soil, transport to a landfill and environmental charges for dumping of the waste. The estimates were made taking into account the size of polluted land, the depth of pollution and the estimated degree of soil pollution.

When estimating the amount of provision for reclamation of land polluted with chemical substances, it was assumed that the land reclamation work will be carried out in the years 2010-2015.

Within the year 2008, the Group has not incurred any expenses connected with the reclamation of polluted land.

Cleaning of mercury-polluted shop floors of the Electrolysis Department

In connection with the pollution of two factory buildings of the Electrolysis Department with mercury, which was found as a result of conducted tests, a provision for the cost of reduction of mercury content in the walls of the buildings to the height allowing their further use was created. Estimated cost of work to be carried out amounts to PLN 2,622,000

The estimates have been made taking into account the degree of pollution of the buildings on the assumption that the chemical demercuration method will be used.

When estimating the amount of provision for reclamation of mercury-polluted buildings, it was assumed that the work will be carried out in the years 2009-2015.

Within the year 2008, the Group has not incurred any expenses connected with the cleaning of polluted buildings.

Reclamation of landfills

Obligations regarding the reclamation of landfills arise directly from the Waste Management Act of April 27, 2001 (Dz.U. *[Polish Journal of Laws]* No. 62/2001 item 628 as amended and the Order of the Environment Minister of March 24, 2003 (Dz.U. No. 61/2003 item 549) on detailed requirements concerning the location, construction, management and closing that are to be met by particular types of landfills.
Chapter 7 of the Waste Management Act together with articles from 50 to 62 contains provisions concerning the obligations imposed on the entity managing the landfill regarding landfill management and reclamation. Pursuant to article 59 par. l item 3 of the Waste Management Act *„an entity managing a landfill shall be obliged among other things to reclaim and redevelop the area of the waste"*. A landfill shall be closed by way of a decision on request of the entity managing the landfill (article 54 of the Act).
Detailed regulations concerning the landfill closing method and the land reclamation are included in articles from 17 to 20 of the Order of the Environment Minister. From the abovementioned regulations arises that a subsidiary of the Capital Group (JRCh Sp. z o.o.), as the owner and the entity managing a landfill, is obliged to its reclamation. At the balance sheet date, the provision created by JRCH Sp. z o.o. amounts to PLN 3,640,000.

Removal of asbestos-containing materials

Pursuant to the Order of the Minister of Economy, Labour and Welfare Policy, the Group is obliged to remove and neutralize all asbestos-containing materials by December 31, 2032. In connection with the obligation, at December 31, 2008 the Group has shown a provision in the amount of PLN 1,450,000 for the cost of demolition of asbestos-containing buildings and dumping of waste generated as a result of the demolition work.

The estimates have been made taking into account the number of buildings constructed using asbestos-containing materials as well as the degree of difficulty in dismantling such buildings.

In 2008, the Group changed the estimates regarding the anticipated cost of removal of asbestos-containing materials, and in consequence released the provision in the amount of PLN 1,776,000. The change in estimates resulted from the update of unit rates in connection with the experience gained when performing the demolition work.

Provision for the liquidation of the Mercury Electrolysis Plant

The Parent Company created a provision in the amount of PLN 6,315,000 for expenses connected with the future liquidation of the Mercury Electrolysis Plant. The provision includes primarily the costs of demolition of building and structures.

Other provisions

Other provisions include primarily claims of third parties against the Group.

Note 22. Government subsidies

In 2008, the Capital Group received government subsidies in the amount of PLN 20,000.
In 2008, the balance of subsidies in the subsidiary JRCH Sp. z o.o. was reduced as a result of the settlement of fixed assets depreciation.

	December 31, 2008	December 31, 2007
Government subsidies	596	972
	596	972
- long-term	244	600
- short-term	352	372

Note 23. Trade payables and other liabilities

Other long-term liabilities		
Other liabilities	886	29 528
Accruals and deferrals	7	9
	893	**29 537**
Trade payables and other liabilities		
Trade payables to affiliates	348	369
Trade payables to other entities	61 104	81 829
Liabilities in composition proceedings	28 049	27 287
Tax and insurance liabilities apart from income tax	25 704	22 607
Payroll liabilities	8 250	7 374
Liabilities for the purchase of fixed assets	5 514	17 645
Special funds	445	541
Advance payments for deliveries	8 271	16 110
Other liabilities	8 461	8 084
Provision for annual bonus	8 801	7 340
Provision for costs linked to the sale of licences	1 694	-
Provision for unused leave payment	2 775	3 216

Provision for renewable energy	710	485
Other	1 170	3 717
Total	**161 296**	**196 604**

Note 24. Other financial liabilities

Other liabilities

	December 31, 2008	**December 31, 2007**
Long-term liabilities		
Financing lease liabilities	1 195	620
Other	139	203
	1 334	**823**
Short-term liabilities		
Short-term portion of financing lease liabilities	742	440
Other financial liabilities	25 490	-
	26 232	**440**

Repayment schedule of financing lease liabilities

	Minimum lease payments	**Interest**	**Capital**	**Minimum lease payments**	**Interest**	**Capital**
	December 31, 2008			*December 31, 2007*		
Under 1 year	804	62	742	517	77	440
1 to 5 years	1 305	110	1 195	719	99	620
	2 109	**172**	**1 937**	**1 236**	**176**	**1 060**

Note 25. Financial instruments

a. Classification of financial instruments

	December 31, 2008		
	Long-term	**Short-term**	**Total**
Financial assets measured at fair value through	-	24	24

profit or loss			
Financial instruments held to maturity	50 000	202 466	252 466
Shares and stocks in other entities	12 872	-	12 872
Loans and receivables	594	167 670	168 264
Cash and cash equivalents	-	45 333	45 333
Financial liabilities measured using amortised cost method	(51 109)	(168 901)	(220 010)
Financial liabilities measured at fair value through profit or loss	-	(25 369)	(25 369)
Total financial instruments	**12 357**	**221 223**	**233 580**

	December 31, 2007		
	Long-term	**Short-term**	**Total**
Financial assets measured at fair value through profit or loss	-	-	-
Financial instruments held to maturity	-	189	189
Shares in subsidiaries and associates	10 962	-	10 962
Loans and receivables	2	147 883	147 885
Cash and cash equivalents	-	54 413	54 413
Financial liabilities measured using amortised cost method	(59 612)	(188 446)	(248 058)
Financial liabilities measured at fair value through profit or loss	-	-	-
Total financial instruments	**(48 648)**	**14 039**	**(34 609)**

Profit/loss pertaining to particular categories

	For the period from 01.01.2008 to 31.12.2008		
	Measurement of instruments recognised in profit or loss	Profit or loss realised	Total profit or loss measured through financial result
Financial assets measured at fair value through profit or loss	24	3 200	3 224
Financial instruments held to maturity	-	7 516	7 516
Shares and stocks in other entities	-	298	298
Loans and receivables	-	529	529
Cash and cash equivalents	-	3 911	3 911
Financial liabilities measured using amortised cost method	-	273	273
Financial liabilities measured at fair value through profit or loss	(22 415)	(10 797)	(33 212)
Total financial instruments	**(22 391)**	**4 930**	**(17 461)**

In addition to financial data from the Parent Company, we inform that:

- the Parent Company does not hold financial assets presented on the balance sheet at 31.12.2008 whose conditions were renegotiated,
- apart from write-downs of receivables and those described in Note 14, the Treasurer's Office did not record any write-offs,
- in 2008, in the Parent Company did not occur reclassifications of financial assets,
- no differences in values between the data presented on the balance sheet of the Parent Company and in Note 25 sub-item a „classification of financial instruments" occur; no exclusions from the balance sheet were made to this effect,
- in 2008, the Parent Company did not issue any instruments comprising a liability component and an equity component as well as including the features of incorporated derivative instruments whose values are interdependent,
- in 2008, the Parent Company did not take possession of any security granted for its benefit.

b. Financial risk management

Credit, liquidity and market risks (including primarily the currency risk and the interest rate risk) arise in the course of ordinary operations of the Group. The objective of financial risk management in the Group is to minimize the influence of market factors, such as foreign exchange and interest rates, on basic financial parameters approved in the Group's budget for a given year (financial result, cash flow) using natural hedging and derivative instruments.

Credit risk

Credit risk is the risk for the Group to suffer financial loss as a result of non-performance of contractual obligations by a customer or contracting party being a party to the financial instrument. The credit risk is connected primarily with the receivables of the Group from customers as well as with financial investments.

The table below shows the maximal exposure of the Group to credit risk:

	December 31, 2008	December 31, 2007
Financial assets measured at fair value held for trading	24	-
Financial instruments held to maturity	252 466	189
Loans and receivables	167 255	147 885
Cash and cash equivalents	45 333	54 413
Total	**465 078**	**202 487**

Trade receivables

The structure of the credit risk regarding trade receivables according to product groups in the Group is shown in the table below.

	Total	Plastics Segment	Fertilizers Segment	Energy	Other
31.12.2008	119 558	58 059	33 113	1 443	26 943
31.12.2007	94 376	67 646	13 222	1 403	12 105

The credit risk in the Group concerns primarily trade receivables and time deposits at banks. With the exception of deposits held at banks of high financial credibility and taking into account the procedures applicable in the Group as well as the diversified portfolio of customers, we asses that the concentration of credit risk is not significant.

The Parent Company assesses the creditworthiness of customers on an ongoing basis, using the reports of credit reference agencies together with ongoing monitoring, and, if justified, demands appropriate securities.

Moreover, trade receivables of the Parent Company making up 71% of total trade receivables of the Parent are covered by the insurance policy for trade credit issued by Towarzystwo Ubezpieczeń Euler Hermes S.A., and in addition by the policy issued by Korporacja Ubezpieczeń Kredytów Eksportowych S.A.; the abovementioned policies limit the credit risk to the level of the excess (5% to 15% of the value of receivables insured). The policies provide an ongoing monitoring of the financial standing of contracting parties as well as debt recovery, if justified, and when actual or legal insolvency of the contracting party is declared, the payment of compensation in the amount of 85-95% of receivables covered by the insurance. Furthermore, 16% of trade receivables of the Parent Company are secured by letters of credit and bank guarantees, and are automatically excluded from the insurance.

Contracting parties that are not able to present a positive cooperation history with the Parent Company or are occasional buyers, and it is not possible to obtain an insured credit limit for them, make purchases on advance payment. Moreover, trade credit limit is granted to customers based in the first place on a decision of the insurance company and additionally based on positive cooperation history and creditworthiness determined on the basis of reports of credit reference agencies, financial statements and payment history of the customer.

The exposure to credit risk is defined as all outstanding receivables that are monitored on an ongoing basis by internal financial services of the Parent Company (individually in relation to each customer), and in case of receivables covered by an insurance, at the same time by credit risk analysts of the insurance companies.
About 55% of trade receivables of the Parent Company are related to customers based outside of Poland, and the remaining 45% are receivables from domestic buyers.

The turnover of the Group concentrates in two main segments connected with the business profile of the Parent Company and other connected for the most part with subsidiaries.

The biggest group make up buyers of the plastics segment – the receivables from them make up nearly 49% of total trade receivables. Foreign buyers who purchase with deferred payment within insured credit limits predominate in this customer group.

The second significant group make up buyers of the fertilizers segment – the receivables from them make up nearly 28% of all trade receivables of the Group. Domestic buyers who purchase on advance payments and in case of contracting parties with checked creditworthiness - with deferred payment within insured credit limits, predominate in this customer group.

	December 31, 2008	**December 31, 2007**
Overdue net trade receivables		
under 1 month	17 758	12 958
-above 1 month to 6 months	9 447	9 893
-above 6 months to 1 year	1 406	160
-over 1 year	951	1 806
	29 562	**24 817**

The balance of write-downs of receivables altogether changed as follows:

	December 31, 2008	December 31, 2007
Balance at January 1	**30 117**	**35 154**
Creation	2 468	2 141
Use	(3 619)	(3 180)
Release	(3 724)	(3 998)
Balance at December 31	**25 242**	**30 117**

Cash and deposits

Cash and cash equivalents are deposited in financial institutions of high financial credibility whose solvency ratios are kept on a secure level.

Liquidity risk

A risk of losing financial liquidity is the risk of occurrence of inability to repayment of financial liabilities by the Group when they are due. Activities aiming at the limitation of the abovementioned risk include proper management of financial liquidity accomplished by correct assessment of the level of cash resources on the basis of cash flow plans in various time horizons.

In consequence of the share issue and the receipt of financial means resulting from it after the balance sheet date, the Parent Company has considerable financial surplus, therefore, the liquidity risk is very low. In 2008, no violations of the terms of payment or other conditions of liabilities occurred that could result in the demand of an early repayment of such liabilities.

December 31, 2008

Financial liabilities	**Current value**	**under 1 year**	**1 to 5 years**
Financial liabilities for derivative instruments	25 369	25 369	-
Other financial liabilities			
Bank credits and loans	71 397	21 174	50 223
Trade payables and other liabilities (except for accruals and deferrals)	14 032	146 146	886
	243 798	**192 689**	**51 109**

December 31, 2007

Financial liabilities except for	**Current value**	**under 1 year**	**1 to 5 years**

derivative instruments			
Financing lease liabilities	24	24	--
Other financial liabilities			
Bank credits and loans	35 912	5 837	30 075
Trade payables and other liabilities			
(except for accruals and deferrals)	211 374	181 846	29 528
	247 310	**187 707**	**59 603**

Market risk

Interest rate risk

The exposure of the Group to interest rate changes concerns primarily cash, cash equivalents, financial assets as well as bank loans and credits based on floating interest rate based on WIBOR + mark-up and EURIBOR + mark-up in case of credits in EURO, respectively. The effect of interest rate changes on Group's debt is not secured against the risk of interest rate changes.

The table below shows the susceptibility profile (maximal exposure) of the Parent Company to the interest rate change risk by presenting the financial instruments divided according to floating and fixed interest rates:

	Current value December 31, 2008	Current value December 31, 2007
Instruments with fixed interest rate		
Financial assets	245 000	-
Financial liabilities	(858)	
	244 142	**-**
Instruments with floating interest rate		
Financial assets	23 893	35 063
Financial liabilities	(63 105)	(29 174)
	(39 212)	**5 889**

The interest rate change risk is insignificant in view of low exposure of other entities in the Group.

Activities concerning the limitation of the interest rate change risk include ongoing monitoring of the situation on the money market. A considerable portion of Parent Company's financial means surplus is held on time deposits at banks bearing market interest rates based on market quotations of WIBID of the date of their conclusion. At the balance sheet date, the quotations of market interest rates at banks have not changed significantly in relation to the date on which the deposits were concluded. Financial liabilities with fixed interest rate relate to a foreign loan whose interest rate at the balance sheet date was at the level of market interest rates of EURIBOR.

The Parent Company carried out an analysis of the sensitivity of financial instruments with floating interest rate and hedging derivative instruments to the changes of market interest rates. The table below presents the effect which an increase and a reduction of the interest rate by 100 bp would have on the financial result and on equity. The analysis has been carried out on the assumption that all other variables, as for example the foreign exchange rate, remain unchanged. The analysis has been carried out for the period of the current year and for a comparable period.

	Profit and loss account		Equity	
	increases 100bp	reductions 100 bp	increases 100bp	reductions 100 bp
December 31, 2008	**(392)**	**+392**	**(392)**	**+392**
December 31, 2007	**59**	**(59)**	**59**	**(59)**

Foreign exchange risk

Foreign exchange risk in the Capital Group concerns practically entirely the Parent Company.

It is connected with transactions settled by the Parent Company in foreign currencies that account for about 2/3 of the revenue and about 1/3 of its expenses. Exchange rate fluctuations influence the volume of sales revenue and the purchase costs of raw materials. Strengthening of the domestic currency has a negative effect on export profitability and domestic sales denominated in foreign currencies, and weakening of the domestic currency has a positive effect on the abovementioned profitability. Changes in revenue from export and from domestic sales measured on the basis of exchange rates are in part compensated by changes in costs of raw material import, which reduces to a great extent the exposure of the Parent Company to changes in foreign exchange rates.

The Parent Company limits the existing risk arising from net currency exposure by using selected instruments and activities connected with currency risk hedging based on current and planned net currency exposure. For the purpose of hedging the currency item, the Parent Company used among others such instruments and activities as forward transactions, cost-free option strategies and natural hedging.

The table below shows the susceptibility profile of the Parent Company to the risk of change in foreign exchange rates by presenting financial instruments (except for derivative instruments) divided according to currencies in which they are denominated:

December 31, 2008	**EUR**	**USD**	**CHF**
Trade and other receivables	10 574	7 875	8
Trade payables and other liabilities	(2 395)	(1 449)	
Credit and loan liabilities	(8 620)		
Balance-sheet exposure to the foreign exchange risk	**(441)**	**6 426**	**5 985**

December 31, 2007	EUR	USD	CHF
Trade and other receivables	13 742	4 177	-
Trade payables and other liabilities	(3 245)	(276)	
Credit and loan liabilities	(6 489)		
Balance-sheet exposure to the foreign exchange risk	**4 008**	**3 901**	**-**

The Parent Company carried out an analysis of the sensitivity of financial instruments denominated in foreign currencies (except for derivative instruments) to the changes in exchange rates of such currencies. The table below presents what effect would have the strengthening or weakening of Polish zloty at the balance sheet date by 5% in relation to all currencies on the financial result and on equity in connection with the measurement of such instruments. The analysis has been carried out on the assumption that all other variables, as for example interest rates, remain unchanged.

	Profit and loss account		**Equity**	
	rise in foreign currency rates by 5%	fall in foreign currency rates by 5%	rise in foreign currency rates by 5%	fall in foreign currency rates by 5%
2008	2 557	(2 557)	704	(704)
2007	1 414	(1 414)	1 414	(1 414)

Currency derivatives

As at December 31, 2008, the face value of unrealised currency derivatives (optionally structures) amounted in total to USD 10 million, with maturity from January to June 2009 as well as EUR 18.2 million, with maturity from January to August 2009, and they occurred in the Parent Company only.
The Parent Company measures derivative instruments at fair value based on information received from banks it cooperates with as well as using data originating from electronic news services. The transactions are concluded with credible banks only, within the scope of framework agreements. All transactions concluded are reflected in physical transactions resulting from foreign currency cash flows. Forward and derivative transactions concluded correspond with the net currency exposure of the Parent Company and aim at the limitation of the influence of currency exchange rates on the financial result.

Since October 1, 2008, the Parent Company applies hedge accounting based on the International Accounting Standard No. 39 in order to hedge future cash flows from which results the exposure to foreign exchange risk.

The Parent Company applies the abovementioned principles of hedge accounting in relation to a portion of currency derivative transactions concluded as well as currency credits and loans taken up that meet the criteria defined in IAS 39 by calculating the effective value of the hedge and its allocation to revaluation capital.

Fair value of instruments hedged

As at December 31, 2008, the Parent Company recognised in the revaluation capital the so-called effective portion of the hedge determined pursuant to the hedge accounting criteria according to IAS 39, resulting from:
- derivative transactions concluded in USD in the amount of PLN (2,955,000)
- currency credits and loans in EUR in the amount of PLN (6,761,000)

Ineffectiveness of hedging of the Parent Company
At December 31, 2008, the fair value of currency derivatives for which no hedging links were designated amounted to PLN (22,390,000). The measurement of fair value of derivative instruments was recognised in the profit and loss account in items financial expenses in the amount of PLN 22,414,000 and financial revenue in the amount of PLN 24,000, respectively.
The fair value of the ineffective portion of securities designated as hedging instruments amounts to PLN (5,101,000), while the fair value of financial instruments for which no hedging links were designated amounts to PLN (17,289,000).

Total fair value of derivative instruments of the Parent Company for which hedging links were designated as well as other instruments makes up financial liabilities in the amount of PLN 25,369,000.
The fair value of derivative instruments designated for hedge accounting amounts to PLN (8,056,000).
The fair value of credits and loans for which hedging links were designated amounts to PLN (38,088,000).

The table below shows the susceptibility profile of the Parent Company as at December 31, 2008 to the risk of changes in foreign exchange rates by presenting the exposure resulting from unrealised derivative instruments, divided according to currencies in which they are denominated:

	Total value	Instruments for which no links were designated	Instruments for which links were designated
Exposure due to open derivative instruments in EUR	€18 000	€18 000	
Exposure due to open derivative instruments in USD	$10 000	$5 000	$5 000

Itemisation	**Profit and loss account**		**Equity**	
	positive	**negative**	**positive**	**negative**

Measurement of derivative instruments in USD	24	(5102)	-	(2 955)
Measurement of derivative instruments in EUR	-	(17312)		
Total measurement of derivative instruments	**24**	**(22414)**	-	**(2 955)**

On the balance sheet at December 31, 2007, the Group did not present the measurement of derivative instruments in view of its insignificance for the financial result.

The Parent Company has carried out an analysis of the sensitivity of derivative instruments in foreign currencies to the changes in exchange rates of the currencies. The table below presents what effect would have the strengthening or weakening of Polish zloty at the balance sheet date by 5% in relation to all currencies on the financial result and on equity linked to the measurement of such instruments. The analysis has been carried out on the assumption that all other variables, as for example interest rates, remain unchanged.

	Profit and loss account		**Equity**	
	Rise in exchange rates of foreign currencies by 5%	Fall in exchange rates of foreign currencies by 5%	Rise in exchange rates of foreign currencies by 5%	Fall in exchange rates of foreign currencies by 5%
2008	(4 496)	4 496	(5 236)	5 236

Risk of changes in prices of raw materials, products and services

In order to reduce the risk to this extent, measures are taken that aim at the inclusion in sale contracts of the main products of „symmetrical" provisions to those included in supply contracts (e.g. provisions referring to ICIS-LOR pricing).

c. Fair value of financial instruments

Details concerning fair values of measurable financial instruments are shown below:

- Cash and cash equivalents, short-term bank deposits and short-term bank credits. The carrying value of the abovementioned instruments is similar to their fair value due to quick maturity of such instruments;
- Trade receivables, other receivables, trade liabilities. The carrying value of the abovementioned instruments is similar to their fair value due to their short-term nature;
- Long-term bank loans and credits. The carrying value of the abovementioned instruments is similar to their fair value due to the floating nature of their interest rates;
- Currency derivatives. The carrying value of the abovementioned instruments equals their fair value being the quoted market price.

In 2008, the Group did not hold instruments for which the initial value from the transaction would differ from its fair value at a given date using the applicable measurement method.

d. Capital management

The principal assumption of the policy of the Capital Group regarding capital management is to maintain a strong capital base constituting a basis for trust on the part of investors, lenders and the market that will ensure the future development of the Group. The Group monitors changes in shareholding, capital profitability ratios as well as the debt to equity ratios.

The objective of the Group is to achieve a level of capital profitability ratio that is satisfactory for the shareholders.

The Parent Company, as a joint-stock company, is subject to the regulation arising from article 396. § 1 of the Code of Commercial Partnerships and Companies that requires the allocation to equity of a joint-stock company of at least 8% of profit for a given financial year, until the equity reaches at least one third of the share capital.

Note 26. Operating lease

Operating lease contracts in which the Group is the lessor

	December 31, 2008	December 31, 2007
Due within 1 year	1 564	1 281
Due within a period from 1 to 5 years	2 118	1 670
Due over 5 years	2 488	1 983
	6 170	**4 934**

Operating lease contracts in which the Group is the lessee

	December 31, 2008	December 31, 2007
Due within 1 year	228	106
Due within a period from 1 to 5 years	230	167
	458	**273**

Note 27. Investment liabilities

In the period ended on December 31, 2008, the Capital Group (primarily the Parent Company) signed a number of contracts concerning the continuation of commenced investment projects. The contracts concluded for the performance of such projects include primarily construction, mechanical, electrical and designing services as well as project supervision.

	Estimated value
Intensification of the Modified Plastics Plant – 1st stage	1 196
System for mechanical granulation of fertilizers	2 166
Modernization of the cooling system A1	402
Modernization of the Dolomite Milling Plant	461
Modernization of the station for packing and shipping fertilizers	4 285
Modernization of selective phenol hydrogenation supported by Pd-catalyst	623
Modernization of the Benfield process station at the plant in V RM	370
Modernization of Tarnamid warehouse	283

Modernization of the air compression station	548
Other	50
	10 384

Note 28. Contingent liabilities, sureties and guarantees

Contingent liabilities constituting securities for the obligations of the Company:

Ser. No.	Type of liability	As at 31.12.2008 amount	As at 31.12.2007 amount
1	**Total contingent liabilities for:**	**47**	**466**
	guarantees	47	294
	other	-	172*

* Contingent liabilities of JRCH Sp. z o.o. to Urząd Marszałkowski (Province Board)

Guarantees/sureties granted:

Type	Guarantee/surety for	Title	Currency	December 31, 2008	December 31, 2007
Bank guarantee	PTU Uniqua	Security	PLN	-	35
Bank guarantee	OB-R Sprzętu Mechanicznego Sp. z o.o.	Security	PLN	-	259
Bank guarantee	Prochem S.A.	Security	PLN	47	-
				47	**294**

For the liabilities of the Parent Company were granted the following bank guarantees that were opened to the debit of credit limits:

Type	Guarantee/surety for	Title	Currency	December 31, 2008	December 31, 2007
Bank guarantee	Head of the Customs Office in Nowy Sącz	Security for excise tax liabilities	PLN	3 500	3 500
Bank guarantee	Head of the Customs Chamber in Cracow	Security for customs duties	PLN	1 600	1 600
Bank guarantee	GATX	Security for the payment of rental charges	PLN	80	80
Bank guarantee	Yunitanhua UC Co. Ltd.	Security for the return of advance payment	USD	2 446	-
Total in PLN				**12 738**	**5 180**

*) The value of guarantees in the amount of USD 2,466,200.00 was translated into PLN at the selling rate of the leading bank at 31.12.2008 amounting to: 3.065; in January 2009, the guarantees have been reduced by 2/3 of the amount.

Claim of the bank Polska Kasa Opieki S.A., Grupa Pekao S.A. in Warsaw

On December 6, 2007, the bank Polska Kasa Opieki S.A., Grupa Pekao S.A. in Warsaw („Bank") brought before the Circuit Court in Tarnów 5th Commercial Department the action for the payment of damages in the amount of PLN 10,136,000 together with statutory interest calculated from March 29, 2007 to the date of payment. In April 2008, the Bank reduced its claim by PLN 1,014,000. At present, the Bank claims the payment of the amount of PLN 8,108,000 as principal claim. The Circuit Court in Tarnów dismissed the action of the Bank with the judgment of May 20, 2008. The Bank lodged in this case an appeal to the court of second instance. On September 19, 2008 a court session took place that resulted in the decision to remand the case to the court of first instance.

In opinion of the Management Board of the Parent Company, the claim of the Bank is unfounded, and the risk of losing the dispute and paying the abovementioned damages has been assessed as small.

Note 29. Transactions with affiliates

	Revenue from sales of goods and services	Receivables	Purchasing of goods and services	Liabilities
As at 31.12.2007	1 591	12	24 061	369
As at 31.12.2008	19 391	2 199	305 643	49 928

Note 30. Remuneration of the members of the Management Board and the Supervisory Board for the performance of functions in the Capital Group

Remuneration of the members of the Management Board and the Supervisory Board for the performance of functions in the Parent Company in 2008

	Basic remuneration	Other benefits	Total
Remuneration of the members of the Management Board			
Jerzy Marciniak	119	-	119
Monika Hap	116	-	116
Witold	142		142
Franciszek Bernat	74	-	74
Witold Golemo	49	-	49
Jarosław Wita	65		65
Irena Baranek	18	-	18
Jan Wais	12	-	12
	595		**595**
Remuneration of members of the Supervisory Board			
Marek Drac Tatoń	7		7
Joanna Kiełkiewicz	5	-	5
Ewa Lis	37	3	40
Czesław Łączak	7	-	7

Dariusz Maciejuk	13	1	14
Małgorzata Molas	24	2	26
Mariusz Obszyński	20	-	20
Krzysztof Pieńkowski	33	-	33
Marzena Piszczek	29	2	31
Małgorzata Poświata	7		7
Małgorzata Rżążewska	5	-	5
Wiesław Skwarko	22	-	22
Armin Teske	13	1	14
Jan Wais	34	-	34
Katarzyna Wałęga	37	-	37
Jarosław Wrona	7	-	7
	300	**9**	**309**

Remuneration of the members of the Management Board and the Supervisory Board for the performance of functions in the Parent Company in 2007

	Basic remuneratio	Other benefits	Total
Remuneration of the members of the Management Board			
Jarosław Wita	135	22	157
Mirosław Grzyb	46	13	59
Witold Szczypiński between 29.08.-	45		45
Marek Gróbarczyk	73	-	73
Jarosław Żołędowski	64	36	100
Irena Baranek	114	-	114
	477	**71**	**548**
Remuneration of the members of the Supervisory Board			
Irena Baranek	28	-	28
Marek Drac- Tatoń	34	3	37
Magdalena Grabarczyk	17	-	17
Bogdan Gurgul	17	-	17
Ewa Lis	11	1	11
Czesław Łączak	34	1	35
Krzysztof Pieńkowski	17	-	17
Małgorzata Poświata	34	1	35
Jan Wais	34	-	34
Katarzyna Wałęga	11	1	12
Jarosław Wrona	34	3	37
	271	10	281

Remuneration of the members of the Management Board and the Supervisory Board for the performance of functions in subsidiaries and associates in 2008

	Basic remuneration	**Other benefits**	**Total**
Remuneration of the members of the Management Board			
Babiarz Piotr	77	-	77
Boryczka Piotr	37	1	38
Buczek Robert	47	9	56
Ciuruś Andrzej	48	1	49
Gacoń Józef	23	-	23

Gancarczyk Lucyna	102	-	102
Gancarz Tadeusz	45	13	58
Golemo Piotr	112	15	127
Handzelewicz Dominik	35	-	35
Iwaniec Janusz	92	40	132
Kokoszka Leszek	115	-	115
Koziara Jerzy	53	-	53
Leja Józef	34	-	34
Lipiński Jarosław	116	4	120
Łabuz Władysław	95	4	99
Maciejczyk Artur	149	13	162
Oczkowicz Stanisław	8	-	8
Sosin Jerzy	77	36	113
Wiśniewski Andrzej	47	-	47
Włodarczyk Aleksander	93	15	108
Woliński Jerzy	46	2	48
Zelek Marek	112	15	127
	1 563	**168**	**1 731**

Remuneration of the members of the Supervisory Board

Aspadarec Waldemar	1		1
Bączek Miłosz	15		15
Bednarczyk Rafał	6		6
Bernat Franciszek	6		6
Czerny Tomasz	14		14
Ćwikła Paweł	7		*7*
Drwiła Andrzej	8		8
Dziewit Paweł	1		1
Erazmus Robert	7		7
Fikas Agata	8		8
Gawron Stanisław	13		13
Gębarowski Józef	8		8
Gładysz Ewa	7		7
Golemo Witold	6		6
Górka Anna	5		5
Grajdura Józef	13		13
Hap Monika	7		7
Januszewski Ludwik	3		3
Jaworska Barbara	9		9
Juszkiewicz Grażyna	8		8
Koziara Jerzy	7		7
Kozioł Wiesław	8		8
Kucharski Józef	13		13
Kupiniak Jacek	13		13
Kuźma Andrzej	7		7
Kwaśniak Jan	13		13
Lach Wiesław	19		19
Marciniak Jerzy	5		5
Mikołajek Dariusz	11		11
Paprocki Zbigniew	12		12
Paprocki Zbigniew	1		1
Skóra Andrzej	16		16
Skóra Piotr	12		12
Smoła Rafał	8		8

Strojny Mariusz	13	13
Szatko Jan	8	8
Szczypiński Witold	7	7
Trojanowska Anna	8	8
Wadach Zbigniew	3	3
Wawrzynek Wojciech	8	8
Winczura Joanna	6	6
Wita Jarosław	11	11
Wrona Jarosław	15	15
Zabawa Janusz	13	13
	389	**389**

Remuneration of the members of the Management Board and the Supervisory Board for the performance of functions in subsidiaries and associates in 2007

Itemisation	Basic remuneration	Other benefits	Total
Remuneration of the members of the Management Board			
Babiarz Piotr	66	-	66
Drozd Stanisław	59	37	96
Gancarczyk Lucyna	91	2	93
Gancarz Tadeusz	86	5	91
Golemo Piotr	125	4	129
Grubarczyk Marek	7	-	7
Handzelewicz Dominik	70	21	91
Iwaniec Janusz	129	43	172
Kokoszka Leszek	101	-	101
Koziara Jerzy	126	-	126
Lipiński Jarosław	120	4	124
Łabuz Władysław	97	4	101
Maciejczyk Artur	107	21	128
Prymuszewski Andrzej	22	34	56
Sosin Jerzy	102	1	103
Wiśniewski Andrzej	85	-	85
Włodarczyk Aleksander	85	3	88
Zelek Marek	110	2	112
	1 588	**181**	**1 769**
Remuneration of the members of the Supervisory Board			
Aspadarec Waldemar	15		15
Bączek Miłosz	18		18
Bednarczyk Eugeniusz	1		1
Binkowski Paweł	6		6
Chrabąszcz Krzysztof	1		1
Czerny Tomasz	15		15
Dąbrowski Stanisław	7		7
Dziewit Paweł	14		14
Fikas Agata	7		7
Gajdura Józef	16		16
Gawron Stanisław	16		16
Górka Anna	14		14
Grzyb Mirosław	7		7
Jacyna-Witt Małgorzata	8		8
Januszewski Ludwik	1		1

Jaworska Barbara	2		2
Juszkiewicz Grażyna	1		1
Kucharski Józef	15		15
Kulikowski Tomasz	2		2
Kulikowski Tomasz	13	2	15
Kupiniak Jacek	16		16
Kuźma Andrzej	16		16
Lach Wiesław	16		16
Łętka Tadeusz	2		2
Mikołajek Dariusz	9		9
Oracz Beata	3		3
Paprocki Zbigniew	15		15
Paszkiewicz Małgorzata	14		14
Pawlicki Marcin	19		19
Piotr Skóra	16		16
Skóra Andrzej	18		18
Smoła Rafał	8		8
Smoła Rafał	8		8
Strojny Mariusz	10		10
Szatko Jan	15		15
Trojanowska Anna	16		16
Wawrzynek Wojciech	2		2
Winczura Joanna	2		2
Wita Jarosław	*75*		75
Witusik Barbara	5		5
Woyciechowski Piotr	9		9
Wrona Jarosław	15		15
Wyroba Piotr	1		1
Zabawa Janusz	15		15
Zawadzki Piotr	2		2
Żołędowski Jarosław	5		5
	511	**2**	**513**

Note 31. Events after the balance sheet date

Disposal of shares in a subsidiary

On March 2, 2009 have been concluded agreements on disposal of 100% of shares of the Company OKNOTAR Sp. z o.o. (100% subsidiary) to natural persons. Sale price of the abovementioned shares amounts to PLN 53 for one share, which gives a total amount of PLN 265,000.

Contribution of shares

On March 24, 2009 was increased the share capital of Jednostka Ratownictwa Chemicznego in the amount of PLN 1,925,000. The capital increase was effected by contribution in kind of the Parent Company in form of fixed assets and specialty materials.

Change in the Management Board of the Parent Company

On March 26, 2009, by the Resolution of the Supervisory Board No. 138/VII/2009 Ms Monika Hap was dismissed from the function of a member of the Management Board of the Parent Company, and by the Resolution of the Supervisory Board No. 139/VII/2009 Mr Andrzej Skolmowski was appointed Vice President of the Management Board of the Parent Company.

Takeover of shares in PKCh

On January 5, 2009, by joining Polskie Konsorcjum Chemiczne Sp. z o.o., the Parent Company took over 25% of shares in increased share capital of PKCh that entitle to 25% of votes at the Shareholders Meeting.

Note 32. Accounting estimates and assumptions

Main accounting estimates and assumptions are presented in corresponding explanatory notes to financial statements:

- estimates and assumption regarding the periods of economic utility of tangible fixed assets and intangible assets are presented in Notes 9 and 11,
- estimates regarding write-downs of tangible fixed assets are presented in Note 9,
- estimates regarding write-downs of inventories are presented in Note 13,
- estimates and assumptions regarding write-downs of receivables are presented in Note 14,
- estimates regarding employee benefits are presented in Note 20,
- estimates regarding created provisions for liabilities are presented in Note 21.

Note 33. Information about the remuneration of the auditor authorized to examine the financial statements

Contract with Deloitte Audyt Sp. z o. o. concluded on 28.11.2008 for the performance of audit of separate and consolidated financial statements as well as the consolidation package and examination, using the full consolidation method, of documents for the period of 12 months ended on December 31, 2008. The amount of remuneration –PLN 175,000.

Note 34. Contracts and agreements not reflected in the balance sheet that influence the assessment of financial and asset position as well as the financial result of the entity

The Group has not concluded any such contracts or agreements.

Note 35. Prior year adjustments and changes in presentation of comparable data for the period ended on December 31, 2007

Profit and loss account	Adjustment	31.12.2007 before adjustments	Differences	31.12.2007 after adjustments
Sales revenue	3 1,3,4,5,7,12,13	1 294 672	(1 172)	1 293 500
Cost of goods sold	14	(1 061 177)	(6 279)	(1 067 456)

Gross profit from sales		**233 495**	**(7 451)**	**226 044**
Selling cost		(60 233)	-	(60 233)
Administrative expenses	2	(79 942)	(427)	(80 369)
Other operating revenue	10	26 539	(3 643)	22 896
Other operating expenses	10,14	(36 062)	693	(35 369)
Operating profit		**83 797**	**(10 828)**	**72 969**
Financial revenue		8 103	_	8 103
Financial expenses		(6 158)	-	(6 158)
Net financial revenue (expenses)		**1 945**	**-**	**1 945**
Profit on shares in subsidiaries measured using the equity method		113	-	113
Profit before tax		**85 855**	**(10 828)**	**75 027**
Income tax	1,2,3,4,5,6,7,8, 9,11,12,13	(22 029)	3 025	(19 004)
Net profit for the period		**63 826**	**7 803**	**56 023**

No.	Description of adjustment
1	Created impairment loss of revalued tangible fixed assets, including: - depreciation reduced by PLN 2,514,000 - income tax in profit and loss account increased by PLN 478,000
2	Derecognition capitalized cost of SAP system, including: - administrative cost increased by PLN 427,000 - income tax in profit and loss account reduced by PLN 81,000
3	Adjustment of the date of recognition of income from sales owing to Incoterms, including: - income from sales recued by PLN 1,172,000 - cost of sales reduced by PLN 1,035,000
4	Created provision for energy certification cost, including: - cost of sales increased by PLN 210,000 - income tax in profit and loss account reduced by PLN 40,000
5	Created provisions for payment of annual bonus for 2007, including: - cost of employee benefits increased by PLN 7,340,000 - income tax in profit and loss account reduced by PLN 1,395,000
6	Adjustment in assets from deferred income tax on account of provisions for employee benefits, including: - income tax in profit and loss account reduced by PLN 145,000
7	Adjustment of accounting period for the cost of platinum loss, including: - cost of sales increased by PLN 1,020,000 - income tax in profit and loss account reduced by PLN 194,000
8	Accounting for the cost of emissions – tax effect at December 31, 2007, including:

9	Adjustment in deferred tax provision due to fixed assets covered by investment allowance, including:
10	Recognition of impairment loss of revalued fixed assets through profit or loss for 2007, including:
11	Reversed assets from deferred income tax on impairment loss of shares in subsidiaries (consolidated), including: - income tax in profit and loss account for 2007 reduced by PLN 1,150,000
12	Created impairment loss of revalued tangible fixed assets, including: - depreciation reduced by PLN 727,000 - income tax in profit and loss account increased by PLN 138,000
13	Disclosure of components, including: - depreciation increased by PLN 1,054,000 - income tax in profit and loss account reduced by PLN 201,000
14	Presentation of impairment loss in inventory: - other operating revenue reduced by PLN 3,643,000 - other operating expenses reduced by PLN 4,574,000 - cost of manufacture of goods sold reduced by PLN 300,000 - value of goods and materials sold increased by PLN 1,231,000

Note 36. Prior year adjustments and changes in presentation of comparable data for the period ended on December 31, 2007

Balance sheet	Adjustment	31 12 2007 before adjustments	Differences	31 12.2007 after adjustments
Assets				
Fixed assets				
Tangible fixed assets	1,2,3,4,18,20,22	941 608	(77 359)	864 249
Intangible assets		16 865	-	16 865
Real estate investments	24	-	6 444	6 444
Long-term investments	16,25,26	21 704	(21 704)	-
Investments in subsidiaries	25	-	260	260
Assets available for sale		-	10 702	10 702
Investments in associates	26	281	281	-
Long-term investments		2	-	2
Deferred income tax assets	2,5,6,7,8,14,16, 18,19,20,23	21 262	8 075	29 337
Total fixed assets		**1 001 722**	**(73 863)**	**927 859**
Current assets				
Short-term investments		189	-	189
Inventories	5	118 163	1 035	119 198
Income tax receivables	3,9	1 212	275	1 487
Trade and other receivables	4,5,10	145 925	471	146 396
Cash and cash equivalents		54 413	-	54 413
Short-term accruals and deferrals	9,10	9 049	(2 079)	6 970

Fixed assets held for trading		7	-	7
Total current assets		**328 958**	**(298)**	**328 660**
Total assets		**1 330 680**	**(74 161)**	**1 256 519**

Balance sheet	Adjustment	31 12 2007 before adjustments	Differences	31 12.2007 after adjustments
Equity and liabilities				
Equity				
Share capital		120 000		120 000
Retained earnings, including:	1,2,3,5,6,7,8,9,11, 12,13,14,16,17,18, 19,20,21,22,23,	744 628	(57 907)	686 721
net earnings of the current period	*2,3,5,6,7,8,9,12,13, 17,19,20,22*	*63 544*	*(7 803)*	*55 741*
Equity of shareholders of the Parent Company		**864 628**	**(57 907)**	**806 721**
Minority interest		1 390	-	1 390
Total equity		**866 018**	**(57 907)**	**808 111**
Liabilities				
Liabilities for credits, loans and other debt instruments		30 075	-	30 075
Provisions for employee benefits		43 430	-	43 430
Other long-term liabilities		29 528	-	29 528
Prepaid expenses, subsidies	11	20 737	(20 128)	609
Other provisions	14,23	14 185	9423	23 608
Deferred income tax provision	12,13,20,21,22	101 383	6754	108 137
Total long-term liabilities		**239 338**	**(3 951)**	**235 387**
Current account credit		224	-	224
Liabilities for credits, loans and other debt instruments		6 053	-	6 053
Provisions for employee benefits		4 506	-	4 506
Income tax liabilities		323	-	323
Trade payables and other liabilities	15,28	174 588	7 385	181 973
Prepaid expenses, subsidies	6,7,11,15,28	34 691	(19 688)	15 003
Other provisions		4 939	-	4 939
Total short-term		**225 324**	**(12 303)**	**213 021**

liabilities			
Total liabilities	**464 662**	**(16 254)**	**448 408**
Total equity and liabilities	**1 330 680**	**(74 161)**	**1 256 519**

No.	Description of adjustment
1	Derecognition of perpetual right to land use obtained free of charge: - tangible fixed assets/retained earnings reduced by PLN 54,794,000
2	Created impairment loss of revalued tangible assets: - net value of fixed assets reduced by PLN 3,900,000 - created deferred income tax assets valued PLN 741,000 - retained earnings reduced by PLN 5,195,000 - depreciation for 2007 reduced by PLN 2,514,000 - income tax in profit and loss account for 2007 increased by PLN 478,000
3	Derecognition of capitalized cost of SAP system: - fixed assets under construction reduced/administrative cost for 2007 increased by PLN 427,000 - income tax receivables increased / income tax in profit and loss account for 2007 reduced by PLN 81,000
4	Adjustment in presentation of prepayments for fixed assets under construction: - fixed assets under construction reduced/other receivables increased by PLN 584,000
5	Adjustment of the date of recognition of income from sales owing to Incoterms: - income from sales in 2007 /trade receivables reduced by PLN 1,172,000 - cost of sales for 2007 reduced /inventories increased by PLN 1,035,000 - created deferred income tax assets/income tax in profit and loss account for 2007 reduced by PLN 26,000
6	Created provisions on energy certification cost: - prepaid expenses increased by PLN 485,000 - cost of sales for 2007 increased by PLN 210,000 - retained earnings reduced by PLN 223,000 - created deferred income tax assets valued PLN 92,000 - income tax in profit and loss account for 2007 reduced by PLN 40,000
7	Created provisions for payment of annual bonus for 2007: - prepaid expenses increased/cost of employee benefits for 2007 increased by PLN 7,340,000 - created deferred income tax assets/income tax in profit and loss account for 2007 reduced by PLN 1,395,000
8	Adjustment in deferred income tax assets on account of provisions for employee benefits: - created deferred income tax assets valued PLN 2,760,000 - retained earnings increased by PLN 2,614,000 - income tax in profit and loss account for 2007 reduced by PLN 145,000
9	Adjustment of accounting period for the cost of platinum loss: - cost of sales for 2007 increased /short-term prepaid expenses reduced by PLN 1,020,000 - income tax receivables increased/income tax in profit and loss account for 2007 reduced by PLN 194,000

10	Adjustment of presentation of prepaid expenses: - short-term prepaid expenses reduced /trade and other receivables increased by PLN 1,059,000
11	Derecognition of remitted part of liabilities from recovery proceedings: - long-term prepaid expenses in revenues reduced by PLN 20,128,000 - short-term prepaid expenses in revenues reduced by PLN 20,128,000 - retained earnings increased by PLN 40,256,000
12	Accounting for the cost of emissions – tax effect at December 31, 2007: - created deferred income tax provision/income tax in profit and loss account for 2007 increased by PLN 395,000
13	Adjustment of deferred tax provisions on account of fixed assets covered by investment allowance: - created deferred income tax provision valued PLN 14,756,000 - retained earnings reduced by PLN 15,559,000 - income tax in profit and loss account for 2007 reduced by PLN 803,000
14	Revaluation of provisions from reclamation of landfills and areas polluted with mercury and asbestos: - other long-term provisions increased by PLN 3,111,000 - created deferred income tax assets valued PLN 591,000 - retained earnings reduced by PLN 2,520,000
15	Adjustment in presentation of prepayments for deliveries: - prepaid expenses reduced/trade payables and other liabilities increased by PLN 7,385,000
16	Created impairment loss of revalued shares in Wodociagi Tarnowskie: - net value of long-term investments reduced by PLN 11,023,000 - created deferred income tax assets valued PLN 2,094,000 - retained earnings reduced by PLN 8,929,000
17	Recognition of impairment loss of revalued fixed assets through profit or loss for 2007: - retained earnings reduced /other operating costs for 2007 increased by PLN 3,881,000
18	Created impairment loss of a revalued fixed assets in the polytrioxane system: - net value of tangible fixed assets reduced by PLN 5,200,000 - created deferred income tax assets valued PLN 988,000 - retained earnings reduced by PLN 4,212,000
19	Reversal of deferred income tax assets due to impairment loss of shares in subsidiaries (consolidated): - deferred income tax assets reduced by PLN 2,891,000 - retained earnings reduced by PLN 4,041,000 - income tax in profit and loss account for 2007 reduced by PLN 1,150,000
20	Created impairment loss of revalued tangible fixed assets: - net value of fixed assets reduced by PLN 4,956,000 - created deferred income tax assets valued PLN 1,080,000 - retained earnings reduced by PLN 4,603,000 - depreciation reduced by PLN 727,000 - income tax in profit and loss account increased/ deferred income tax provisions increased by PLN 138,000
21	Released deferred income tax due to the removal of the perpetual use right from the balance sheet

	- deferred income tax provisions reduced/retained earnings increased by PLN 8,334,000
22	Disclosure of components: - depreciation increased/tangible fixed assets reduced by PLN 1,054,000 - income tax in profit and loss account reduced/ deferred income tax provision reduced by PLN 201,000
23	Created provisions for demolition of the Chlorine Plant: - other long-term provisions increased by PLN 6,315,000 - retained earnings reduced by PLN 5,116,000 - deferred income tax assets increased by PLN 1,199,000
24	Presentation of investment real estate - tangible fixed assets reduced by PLN 6,444,000 - investment real estate increased by PLN 6,444,000
25	Presentation of investments in subsidiaries - long-term investments reduced by PLN 260,000 - investments in subsidiaries increased by PLN 260,000
26	Presentation of assets available for sale - long-term investments reduced by PLN 10,702,000 - assets available for sale increased by PLN 10,983,000 - investments in associates reduced by PLN 261,000
27	Prepaid expenses renamed to other assets
28	Short-term prepaid expenses combined with trade payables and other liabilities

Note 37. Presentation adjustment – provisions for employee benefits and other provisions

In prior years, the Group recognised provisions for employee benefits and unused leave payments in other operating expenses and revenue, and not in the operating activities to which the provisions were related. In view of the fact that the error does not affect the profit and loss account, a presentation adjustment was shown

Provisions	Amount	For period from 01.01 to 31.12 2007 Is	For period from 01.01 to 31.12 2007 Should be
Employee benefit provision	5 264	Other operating expenses	Principal operating activities
Provision for unused leave payments	463	Other operating expenses	Principal operating activities
Other provisions	387	Other operating expenses	Principal operating activities
	6 114		
Employee benefit provision	1062	Other operating revenue	Principal operating activities

Deferred income	Amount	For period from 01.01. to 31.12 2007 Is	For period from 01.01 to 31.12 2007 Should be
Provision for unused leave payments			

227	Other operating expenses	Principal operating activities