ZAKŁADY AZOTOWE

W TARNOWIE-MOŚCICACH S.A.

CAPITAL GROUP

Condensed Interim Consolidated Financial Statements

for the 6-month period ended 30 June 2009

drawn up according to the International Financial Reporting Standards

approved by the European Union

Tarnów, 21 August 2009

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CONSOLIDATED HIGHLIGHTS

	PLN ('000)		EUR ('000)	
	Period from 2009-01-01 to 2009-06-30	Period from 2008-01-01 to 2008-06-30	Period from 2009-01-01 to 2009-06-30	Period from 2008-01-01 to 2008-06-30
Income from sale	609 530	680 227	134 900	195 602
Operating profit	17 679	51 757	3 913	14 883
Profit before tax	25 420	52 143	5 626	14 994
Net profit	21 548	41 856	4 769	12 036
Other comprehensive income	23 122	41 856	5 117	12 036
Number of shares (pcs.)	39 116 421	39 116 421	39 116 421	39 116 421
Net profit per ordinary share	0,54	1,66	0,12	0,48
Net operating cash flows	(37 070)	18 484	(8 204)	5 315
Net investment cash flows	41 349	(53 596)	9 151	(15 412)
Net financial cash flows	27 858	12 857	6 165	3 697
Total net cash flows	32 137	(22 255)	7 112	(6 400)
Cash and cash equivalents at the beginning of period	45 333	54 413	10 033	15 647
Cash and cash equivalents at the end of period	77 470	32 158	17 145	9 247
	As at 30-06-2009	As at 31-12-2008	As at 30-06-2009	As at 31-12-2008
Fixed assets	985 633	1 047 354	220 519	251 020
Current assets	628 131	556 892	140 534	133 470
Long-term liabilities	211 899	224 365	47 409	53 774
Short-term liabilities	261 990	222 550	58 616	53 339
Equity	1 139 875	1 157 331	255 028	277 378
Share capital	195 582	195 582	43 758	46 875
Minority interest	1 928	1 698	431	407

The highlights of the balance sheet, the profit and loss account, and the cash flow statement were converted to EUR according to the indicated, applicable conversion method:

a) individual items of assets and liabilities of the balance sheet were converted according to the exchange rate applicable on the last day of the balance sheet period:
exchange rate as at 31.12.2008: EUR 1 = PLN 4.1724 (Table No. 254/A/NBP/2008);
exchange rate as at 30.06.2009: EUR 1 = PLN 4.4696 (Table No. 125/A/NBP/2009);

b) individual items of the profit and loss account and the cash flow statement were converted according to the exchange rates being an arithmetic mean of the exchange rates of EUR quoted by the National Bank of Poland applicable on the last day of each month in a given reporting period:
average exchange rate in the period from 01.01.2008 to 30.06.2008 was EUR 1 = PLN 3.4776;
average exchange rate in the period from 01.01.2009 to 30.06.2009 was EUR 1 = PLN 4.5184.

The conversion was made according to the exchange rates as indicated before through dividing the values expressed in thousands of PLN by an exchange rate.

A. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Period from 01.01 to 30.06.2008	Period from 01.01 to 30.06.2008
		unaudited	*unaudited*
Continued operations			
Income	7	609 530	680 227
Cost of sales	8	(511 994)	(554 200)
Gross profit on sales		**97 536**	**126 027**
Selling costs	8	(28 806)	(30 488)
Overheads	8	(48 403)	(44 975)
Other operating income		6 407	8 570
Other operating costs		(9 055)	(7 377)
Operating profit		**17 679**	**51 757**
Financial income	9	34 043	2 929
Financial costs	9	(26 331)	(2 600)
Net financial income / costs		**7 712**	**329**
Profit/loss on interest in associated undertakings evaluated through equity method		29	57
Profit before tax		**25 420**	**52 143**
Income tax	10	(3 872)	(10 287)
Net profit/loss on continued operations		**21 548**	**41 856**
Discontinued operations			
Net profit/loss on discontinued operations		-	-
Net profit (loss)		**21 548**	**41 856**
Items of other comprehensive income			
Valuation of hedging instruments		(4 210)	-
Settlement of hedging instruments		6 155	-
Deferred tax on items of other comprehensive income		(371)	-
Total items of other comprehensive income		**1 574**	**-**
Total comprehensive income		**23 122**	**41 856**
Net profit for:			
Shareholders of the parent undertaking		21 318	41 617
Minority shareholders		230	239
Total comprehensive income for:			
Shareholders of the parent undertaking		22 892	41 617
Minority shareholders		230	239
Profit per share:	11		
on continued and discontinued operations:			
basic (PLN)		0,54	1,66
diluted (PLN)		0,54	1,66
on continued operations:			
basic (PLN)		0,54	1,66
diluted (PLN)		0,54	1,66

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30.06.2009	As at 31.12.2008	As at * 30.06.2008
		unaudited	*audited*	*unaudited*
Assets				
Fixed assets				
Tangible assets	1	911 021	924 836	875 636
Investment properties		6 719	6 100	6 272
Intangible assets		22 785	16 728	17 962
Investments in subordinate undertakings		291	280	145
Investments available for sale		12 374	12 592	10 682
Other financial assets		168	50 000	
Long-term receivables		577	594	2
Deferred income tax assets		31 465	35 924	29 505
Other assets		233	300	14
Total fixed assets		**985 633**	**1 047 354**	**940 218**
Current assets				
Stocks		154 423	136 791	122 207
Other financial assets		202 964	202 466	1 218
Called up share capital		-	-	294 770
Receivables relative to income tax		8 262	4 107	20
Trade receivables and other receivables		179 855	162 554	170 696
Cash and cash equivalents		77 470	45 333	32 158
Other assets		4 601	5 634	7 702
Fixed assets available for sale		556	7	7
Total current assets		**628 131**	**556 892**	**628 778**
Total assets		**1 613 764**	**1 604 246**	**1 568 996**

* After considering modifications in point B X

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30.06.2009	As at 31.12.2008	As at* 30.06.2008
		unaudited	*audited*	*unaudited*
Liabilities				
Equity				
Share capital		195 582	195 582	195 582
Share premium		209 990	209 990	209 990
Hedge valuation reserve		(6 296)	(7 870)	-
Retained profits, including:		738 671	757 931	730 379
Net profit of the current period		*21 318*	*74 232*	*41 617*
Equity of shareholders of the parent company		1 137 947	1 155 633	1 135 951
Minority interest		1 928	1 698	1 590
Total equity		**1 139 875**	**1 157 331**	**1 137 541**
Liabilities				
Credits and loans	5	40 232	48 889	40 006
Reserves for employee benefits	3	46 114	46 601	42 747
Other long-term liabilities		467	886	16 349
Other reserves	4	19 386	21 520	20 543
Government subsidies		137	244	420
Income from future periods		6	7	-
Reserves for deferred income tax		103 708	104 884	106 287
Financial liabilities		1 849	1 334	-
Total long-term liabilities		**211 899**	**224 365**	**226 352**
Credits and loans	5	61 996	21 174	12 265
Reserves for employee benefits	3	6 148	8 005	3 580
Current income tax liabilities		285	694	2 879
Trade liabilities and other		177 800	161 294	181 388
Other reserves	4	8 096	4 797	4 622
Government subsidies		322	352	369
Income from future periods		594	2	-
Financial liabilities		6 749	26 232	-
Total short-term liabilities		**261 990**	**222 550**	**205 103**
Total amounts due		**473 889**	**446 915**	**431 455**
Total liabilities		**1 613 764**	**1 604 246**	**1 568 996**

CONSOLIDATED FUNDS FLOW STATEMENT

	Share capital	Share premium	Capital from hedge accounting	Retained profit	Total equity of shareholders of parent undertaking	Minority interest	Total equity
Balance as at 1 January 2008	120 000	-	-	744 628	864 628	1 390	866 018
Adjustment for errors	-	-	-	(56 995)	(56 995)	-	(56 995)
Balance as at 1 January 2008 after adjustments	120 000	-	-	687 633	807 633	1 390	809 023
Issue of shares	75 582	209 990	-	-	285 572	-	285 572
Comprehensive income for 6 months ended 30 June 2008	-	-	-	41 617	41 617	200	41 817
Other	-	-	-	1 129	1 129	-	1 129
Balance as at 30 June 2008 (unaudited)	195 582	209 990	-	730 379	1 135 951	1 590	1 137 541
Balance as at 1 January 2008	120 000	-	-	744 628	864 628	1 390	866 018
Adjustments for errors	-	-	-	(57 907)	(57 907)	-	(57 907)
Balance as at 1 January 2008 after adjustments	120 000	-	-	686 721	806 721	1 390	808 111
Issue of shares	75 582	209 990	-	-	285 572	-	285 572
Comprehensive income for 12 months ended 31 December 2008	-	-	(7 870)	74 232	66 362	308	66 670
Other	-	-	-	(3 022)	(3 022)	-	(3 022)
Balance as at 31 December 2008 (audited)	195 582	209 990	(7 870)	757 931	1 155 633	1 698	1 157 331
Balance as at 1 January 2009	195 582	209 990	(7 870)	757 931	1 155 633	1 698	1 157 331
Adjustment for errors	-	-	-	-	-	-	-
Balance as at 1 January 2009 after adjustments	195 582	209 990	(7 870)	757 931	1 155 633	1 698	1 157 331
Comprehensive income for 6 months ended 30 June 2009	-	-	1 574	21 318	22 892	230	23 122
Dividends	-	-	-	(40 022)	(40 022)	-	(40 022)
Other	-	-	-	(556)	(556)	-	(556)
Balance as at 30 June 2009 (unaudited)	195 582	209 990	(6 296)	738 671	1 137 947	1 928	1 139 875

Dividends received	(80)	
Profit/loss on change in fair value of financial assets recognized at fair value	2 254	(1 044)
Operating profit before working capital changes	***53 826***	***86 872***
Movements in trade receivables and other	1 305	(24 135)
Movements in stock	(17 293)	(3 009)
Movements in trade liabilities and other	(64 638)	(33 219)
Movements in reserves, prepayments and accruals and subsidies	(5 519)	(3 301)
Other adjustments	22	1 535
Cash generated from operating activities	**(32 297)**	**24 743**
Interest paid	9	(9)
Tax paid	(4 782)	(6 250)
Net cash from operating activities	**(37 070)**	**18 484**

CONSOLIDATED CASH FLOW STATEMENT

	Period from 01.01 to 30.06.2009	Period from 01.01 to 30.06.2008
	unaudited	*unaudited*
Investment cash flows		
Sale of intangible assets and tangible fixed assets, investments in immovable property	22 044	341
Purchase of intangible assets and tangible fixed assets, investments in immovable property	(38 605)	(54 037)
Dividends received	2 546	59
Outflows for purchase of financial assets	(12 025)	-
Inflows from sale of financial assets	67 265	-
Interest received	2 635	37
Other outflows	(2 511)	4
Net cash from investing activities	**41 349**	**(53 596)**
Financial cash flows		
Net inflows from issue of shares	-	(2 330)
Dividends paid	(2 118)	(79)
Inflows from credits and loans	45 583	20 984
Outflows for repayment of credits and loans	(13 418)	(4 212)
Interest paid	(1 701)	(1 281)
Payments under financial lease contracts	(488)	(225)
Net cash from financial activities	**27 858**	**12 857**
Total net cash flows	**32 137**	**(22 255)**
Cash and cash equivalent at the beginning of period	**45 333**	54 413
Effect of foreign currency translation	-	-
Cash and cash equivalents at the end of period	**77 470**	**32 158**

B. NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

I. Information on significant events in the 1st six months of 2009

Entering the consortium Polskie Konsorcjum Chemiczne Sp. z o.o.

After the execution of the letter of intent on 9 October 2008 on buying the controlling shareholding in the company Anwil, on 5 January 2009 Azoty Tarnów entered the consortium Polskie Konsorcjum Chemiczne Sp. z o.o. (hereinafter referred to as "PKCh Sp. z o.o.") and subscribed for 25 % of shares in the increased share capital of PKCh Sp. z o.o. which entitle to 25 % of votes at the Meeting of Shareholders of PKCh Sp. z o.o.
Announcements of entering PKCh Sp. z o.o. and subscribing for the increased share capital thereof were prepared and certified by a notary public. The value of the shares in PKCh Sp. z o.o. subscribed for is PLN 25,000.
On 19 February 2009 the District Court of the Capital City of Warsaw, 13th Commercial Division of the National Court Register registered Polskie Konsorcjum Chemiczne Sp. z o.o. under the number KRS 0000319998. The President of the Management Board of Azoty Tarnów, Mr Jerzy Marciniak, was appointed a Member of the Management Board of PKCh Sp. z o.o.
PKCh Sp. z o.o. with its registered office in Warsaw is a special-purpose vehicle created by Ciech S.A. which Azoty Tarnów and Zakłady Azotowe Kędzierzyn S.A entered on 5 January 2009 according to the Shareholders' Agreement governing the principles of cooperation in the process of the future purchase of the controlling shareholding in Anwil S.A.).

Sale of shares in "OKNOTAR" Sp. z o.o.

After the approval of the terms and conditions of the sale of shares in the "OKNOTAR" company given by the Supervisory Board of Zakłady Azotowe w Tarnowie-Mościcach S.A. through Resolution No. 131/VII/2009 of 2 March 2009, Azoty Tarnów disposed of 100% of the shares in the subsidiary company "OKNOTAR" Sp. z o.o. in favour of 14 natural persons. The subject of the transaction included 5,000 equal and indivisible shares of a nominal value of PLN 500 and a total nominal value of PLN 2,500. The selling price of the said shares is PLN 53 per share, which translates to a total of PLN 265,000 being the carrying value of the shares held.

Multilateral agreement

On 18 March 2009 Nafta Polska S.A. with its registered office in Warsaw (hereinafter referred to as "Nafta Polska") and Ciech S.A. with its registered office in Warsaw (hereinafter referred to as "Ciech"), Azoty Tarnów i Zakłady Azotowe Kędzierzyn S.A. with its registered office in Kędzierzyn – Koźle (hereinafter referred to as "ZAK"), financial adviser of Nafta Polska S.A., Raiffeisen Investment AG with its registered office in Vienna and Raiffeisen Investment Polska Sp. z o.o. with its registered office in Warsaw and legal adviser of Nafta Polska S.A., Radzikowski, Szubielska i Wspólnicy Spółka Komandytowa with its registered office in Warsaw concluded a multilateral agreement in order to complete the procedure of finding and selecting an investor or investors which would purchase shares of Azoty Tarnów, ZAK and Ciech and which might simultaneously subscribe for the shares in the increased capital of the aforementioned companies (hereinafter referred to as the "Agreement", "Procedure").
The financial advisers of Nafta Polska and Azoty Tarnów are: Raiffeisen Investment AG with its registered office in Vienna, Raiffeisen Investment Polska Sp. z o.o. with its registered office in Warsaw, and also their subcontractors, i.e. Lazard & Co. Limited with its registered office in the UK and Bank Zachodni WBK S.A. with its registered office in Wrocław.
The Procedure includes especially the preparatory stage, announcement of an invitation to negotiate on the sale of shares of Azotów Tarnów, ZAK and Ciech owned by the Treasury and Nafta Polska, and negotiations with selected potential investors carried out by Nafta Polska.
According to the Agreement each company authorized Nafta Polska to perform all the activities aiming at the selection of one or more investors which would be interested in purchasing the shares of the Companies and support the companies financially so that they could buy the shares of Anwil S.A. or carry out other investment objectives.

All and any analyses and source documents shall be made available by the companies according to the regulations which apply to providing access to confidential information in the meaning of the Public Offer Act. The Agreement came into force upon signature and may be terminated at any time by Nafta Polska upon 14 days' notice. The Agreement shall be automatically terminated within 15 months of signature, unless the parties to the Agreement agree in writing to extend its term.
Nafta Polska may transfer the rights and obligations under the Agreement upon the Treasury.

Redundancy

In the reporting period, considering the change in the environment of Azoty Tarnów, especially the change in the economic situation on the capital markets which accelerated some of the contemplated activities in Azoty Tarnów, one of the significant activities carried out by the Company is the restructuring process expected to result in the improvement of effectiveness and efficiency of work and rationalization of employment in the Company. On 22 January 2009 the employer and trade unions of the work establishment concluded an agreement concerning the voluntary redundancy scheme. The scheme provides for the payment of financial incentives to employees entitled to pension, pre-pension benefit and other employees with no such entitlements if they make a voluntary redundancy declaration. 177 employees joined the scheme, 92 of which left in the first quarter of 2009. The total amount which will be spent for the financial incentives, including retirement and pension bonuses (as per the Collective Agreement) and additional incentives resulting from the voluntary redundancy scheme is more than PLN 6,200,000. Consequently, the Company will achieve its intended objectives, i.e. lowering the employment costs, improvement of the effectiveness of activities and implementation of new management principles.
A new organizational structure was prepared. It anticipates that as at the end of 2009 the planned employment will be 2 090, i.e. 370 employees will be made redundant and around 250 will be hired.

Significant agreement on reduction of the emission of nitrogen suboxide from a nitric acid plant for the years 2008 – 2012

On 1 June 2009, the Management Board of Azoty Tarnów was informed by the Mitsubishi Corporation of Japan (hereinafter referred to as the "MC") that an agreement on sale of ERUs ("ERPA") had been concluded by and between the MC and a final purchaser. The sale related terms and conditions laid down in the said agreement were approved by Azoty Tarnów.
The agreement entered into force as of 1 June 2009. According to the ERPA under consideration, Azoty Tarnów together with the Mitsubishi Corporation will sell the whole ERU volume generated in 2008-2012. An estimated income of Azoty Tarnów from that transaction should amount to about PLN 135,000,000 as at the date of signature.

II. Note on principles adopted to prepare the condensed interim consolidated financial statements of the 1st six months of 2009

1. Statement of compliance and general principles of the preparation of financial statements

These condensed interim consolidated financial statements were prepared according to the requirements of IAS 34 „Interim Financial Reporting" and the Ordinance of the Minister of Finance of 19 February 2009 on current and interim information provided by issuers of securities and the conditions for recognizing as equivalent information required by the laws of a non-member state (Journal of Law No. 33, item. 259) hereinafter referred to as the ordinance, and present the financial position of the Group as at 30 June 2009 and 31 December 2008, results of its activity for the 6 months' period ended 30 June 2009 and 30 June 2008 and cash flows for the 6 months' period ended 30 June 2009 and 30 June 2008.
These Condensed Interim Consolidated Financial Statements must be taken into account together with the audited Consolidated Financial Statements of the Group Zakłady Azotowe w Tarnowie – Mościcach S.A. prepared according to the International Financial Reporting Standards ("IFRS") inclusive of notes for the year ended 31 December 2008.

According to § 83 item 3 of the Ordinance, these financial statements include interim financial information of the Parent Company with a separate statement of comprehensive income, separate statement of financial position, separate funds flow statement, separate cash flow statement.

The financial statements were prepared with the assumption that the Capital Group will continue as a going concern in the foreseeable future.

In these condensed interim consolidated financial statements thousands of PLN were applied.

2. Accounting principles (policy) and principles of calculation methods.

a) Amendments to the International Financial Reporting Standards

The following standards, amendments to the standards in force and interpretations (adopted or being adopted by the European Union) apply as at 1 January 2009:

- IFRS 8 "Operating Segments";
- Revised IAS 23 "Borrowing Costs";
- Revised IAS 1 "Presentation of Financial Statements";
- Amendment to IFRS 2 "Share-based Payment – Vesting Conditions and Cancellations";
- Amendments to IAS 32 "Financial Instruments: Presentation" and to IAS 1 "Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation";
- Improvements to the International Financial Reporting Standards – a collection of amendments to the International Financial Reporting Standards, the amendments are effective, in most cases, for annual periods beginning on or after 1 January 2009;
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and to IAS 27 "Consolidated and Separate Financial Statements - Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate";
- IFRIC 15 "Agreements for the Construction of Real Estate". This interpretation has not been endorsed by the European Union;
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" applicable to financial years beginning on or after 1 October 2008.

Except for IFRS 8 and revised IAS 1, the adoption of the standards and interpretations presented above did not result in any significant changes to the Company's accounting policies and to the presentation of the financial statements.

Adoption of revised IAS 1

- The Group presented the statements of comprehensive income as per the requirements of IAS 1 – Presentation of Financial Statements;

Adoption of IFRS 8

- The Group presented information concerning operating and geographical segments according to IFRS 8 – Operating Segments, see detailed description in B. III. Segment Data.

Standards and interpretations issued but not yet adopted

The Management Board has not opted for early application of the following standards and interpretations (adopted or being adopted by the European Union):

- Revised IFRS 3 "Business Combinations" applicable to annual periods beginning on and after 1 July 2009;

- Revised IAS 27 "Consolidated and Separate Financial Statements" applicable to annual periods beginning on and after 1 July 2009;
- Amendments to IAS 39 "Financial Instruments: Eligible Hedged Items" applicable to annual periods beginning on and after 1 July 2009. These amendments have not been endorsed by the European Union;
- Revised IFRS 1 "First-time Adoption of International Financial Reporting Standards" applicable to annual periods beginning on or after 1 July 2009. This standard has not been endorsed by the European Union;
- IFRIC 17 "Distribution of Non-cash Assets to Owners" applicable to financial annual periods beginning on or after 1 July 2009. This interpretation has not been endorsed by the European Union;
- IFRIC 18 "Transfers of Assets from Customers" applicable prospectively to assets received from customers on or after 1 July 2009. This interpretation has not been endorsed by the European Union;
- Improvements to International Financial Reporting Standards – a collection of amendments to the International Financial Reporting Standards, the amendments are effective, in most cases, for annual periods beginning on or after 1 January 2010. These amendments have not been endorsed by the European;
- IFRS for Small and Medium-sized Entities. The standard applies upon issuance (9 July 2009). This standard has not been endorsed by the European Union;
- Amendments to MSSF 1 "First-time Adoption of International Financial Reporting Standards" applicable to annual periods beginning on or after 1 January 2010. These amendments have not been endorsed by the European Union.

The aforementioned amendments to the standards would have no material effect on the undertaking's accounting policy if they were applied as at the balance-sheet date."

3. Functional and reporting currency and conversion principles

a) Functional and reporting currency

The functional and reporting currency of these condensed financial statements and the interim financial information of the Parent Company shall be PLN.

b) Conversion principles

Selected items of the balance sheet, the profit and loss account and the cash flow statement were converted to EUR according to the indicated, applicable conversion method:

c) individual items of assets and liabilities of the balance sheet were converted according to the exchange rate applicable on the last day of the balance sheet period:
exchange rate as at 31.12.2008: EUR 1 = PLN 4.1724 (Table No. 254/A/NBP/2008),
exchange rate as at 30.06.2009: EUR 1 = PLN 4.4696 (Table No. 125/A/NBP/2009);

d) individual items of the profit and loss account and the cash flow statement were converted according to the exchange rates being an arithmetic mean of the exchange rates of EUR quoted by the National Bank of Poland applicable on the last day of each month in a given reporting period:
average exchange rate in the period from 01.01.2008 to 30.06.2008 was EUR 1 = PLN 3.4776;
average exchange rate in the period from 01.01.2009 to 30.06.2009 was EUR 1 = PLN 4.5184.

The conversion was made according to the exchange rates as indicated before through dividing the values expressed in thousands of PLN by an exchange rate.

4. Information on the Capital Group

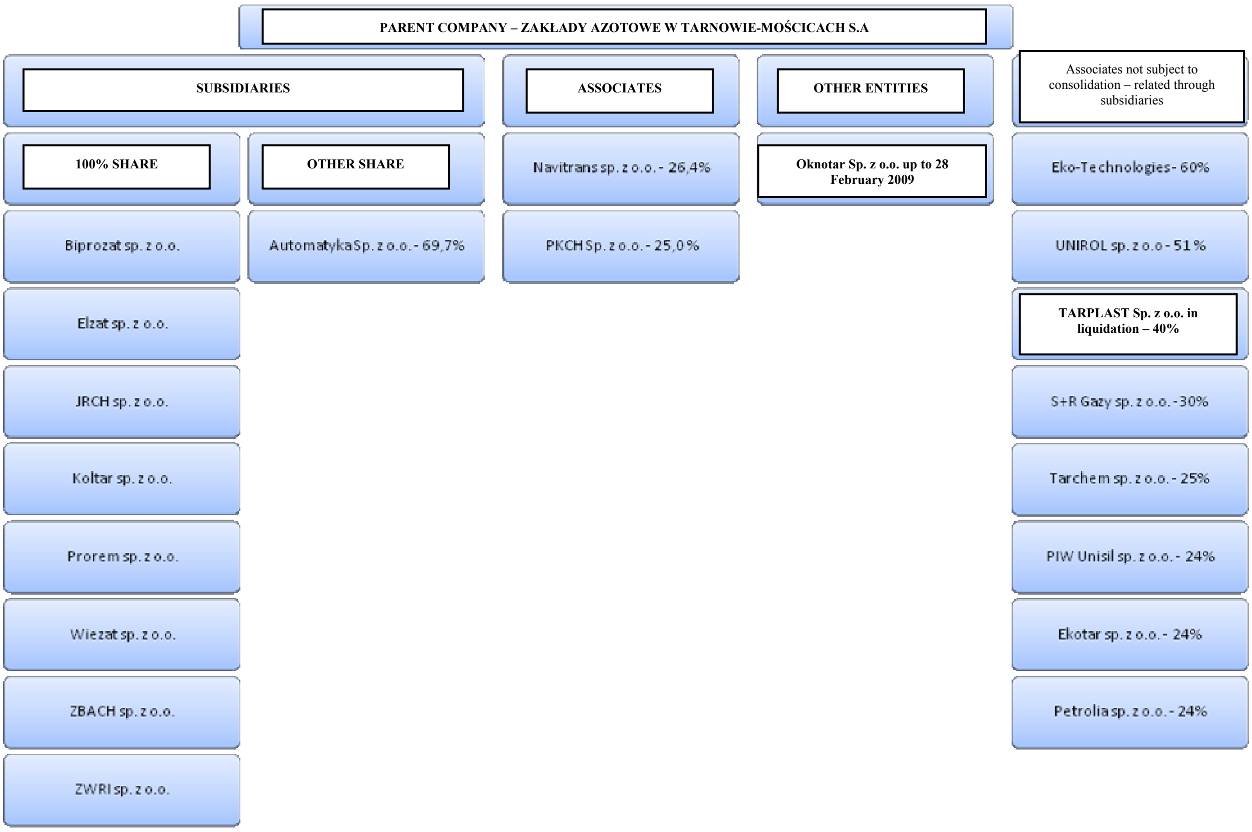
As at 30 June 2009 the Zakłady Azotowe w Tarnowie –Mościcach S.A. Capital Group comprises Zakłady Azotowe w Tarnowie-Mościcach S.A. – the Parent Company and:

9 subsidiary companies (with over 50% share in the capital),
2 associated companies (with 20% - 50% share in the capital)

In the 1st six-month period the following changes were made within the Capital Group:

- on 2 March 2009 Zakłady Azotowe w Tarnowie-Mościcach S.A. disposed of 100% of the shares of the subsidiary company "Oknotar" Sp. z o.o. in favour of 14 natural persons;
- on 5 January 2009 Zakłady Azotowe w Tarnowie-Mościcach S.A, through entering the consortium Polskie Konsorcjum Chemiczne Sp. z o.o., subscribed for 25% of the shares in the increased share capital of PKCh, which entitle to 25 % of votes at the Meeting of Shareholders.

Chart of the Capital Group with undertakings subject to consolidation and others:



The companies not under consolidation are related through subsidiary companies, being not subject to consolidation due to irrelevance.

III. Selected notes to the financial statements

1. *Tangible assets*

Carrying amount

	As at 30.06.2009	As at 31.12.2008
Land	5 717	6 266
Buildings and premises	269 513	242 266
Plant and machinery	471 729	444 681
Means of transport	75 266	75 881
Other fixed assets	8 564	8 088
	830 789	**777 182**
Tangible assets under construction	80 030	147 523
Advances for tangible assets	202	131
	911 021	**924 836**

Tangible assets, gross

	Land	Buildings and premises	Plant and machinery	Means of transport	Other fixed assets	Fixed assets under construction	Total
Balance as at 01.01.2009							
Gross carrying amount	6 266	635 689	1 338 485	119 241	37 549	197 686	2 334 916
Accumulated amortization (-)	-	(382 094)	(862 651)	(43 352)	(29 043)	-	(1 317 140)
Impairment write-offs (-)	-	(11 329)	(31 153)	(8)	(418)	(50 032)	(92 940)
Net carrying amount as at 31.12.2008	**6 266**	**242 266**	**444 681**	**75 881**	**8 088**	**147 654**	**924 836**
Balance as at 30.06.2009							
Gross carrying amount	5 717	660 411	1 358 808	121 314	38 067	130 264	2 314 581
Accumulated amortization (-)	-	(379 066)	(861 025)	(46 047)	(29 059)	-	(1 315 197)
Impairment write-offs (-)	-	(11 832)	(26 054)	(1)	(444)	(50 032)	(88 363)
Net carrying amount as at 30.06.2009	**5 717**	**269 513**	**471 729**	**75 266**	**8 564**	**80 232**	**911 021**

In the 1st six months of 2009 the movements in the balance of tangible assets breaks down as follows:

Amortization and depreciation	-	(22 893)	(39 547)	(4 894)	(2 217)	-	**(69 551)**
Decreases as a result of disposal	-	(61)	(55)	(250)	(50)	-	**(416)**
Decreases as a result of liquidation	(1)	(1 207)	(1 920)	(17)	(37)	-	**(3 182)**
Decreases as a result of putting for operation	-	-	-	-	-	(111 380)	**(111 380)**
Decreases as a result of creation of revaluation write-	-	(311)	(412)	-	(103)	(1 751)	**(2 577)**
Decreases as a result of reassessment	-	-	-	(37)	-	-	**(37)**
Net carrying amount as at 31.12.2008	**6 266**	**242 266**	**444 681**	**75 881**	**8 088**	**147 654**	*924 836*
Net carrying amount as at 01.01.2009	**6 266**	**242 266**	**444 681**	**75 881**	**8 088**	**147 654**	***924 836***
Increases, including:	*-*	*39 655*	*59 356*	*2 487*	*1 619*	*33 387*	***136 504***
Increases as a result of acquisition, manufacture	-	39 540	51 538	573	1 511	33 387	**126 549**
Increases as a result of lease contracts	-	-	-	1 303	-	-	**1 303**
Increases as a result of reversal of revaluation write-offs	-	60	6 148	7	58	-	**6 273**
Other increases	-	55	1 670	604	50	-	**2 379**
Decreases, including: (-)	*(549)*	*(12 408)*	*(32 308)*	*(3 102)*	*(1 143)*	*(100 809)*	***(150 319)***
Amortization and depreciation	-	(10 595)	(22 705)	(2 389)	(980)	-	**(36 669)**
Decreases as a result of disposal	-	-	(1 814)	(111)	(30)	-	**(1 955)**
Decreases as a result of liquidation	-	(433)	(6 799)	(26)	(75)	-	**(7 333)**
Decreases as a result of putting for operation	- -		-	-	-	(100 809)	**(100 809)**
Decreases as a result of creation of revaluation write-	-	(563)	(1 049)	-	(84)	-	**(1 696)**
Other decreases	(549)	(817)	59	(576)	26	-	**(1 857)**
Net carrying amount as at 30.06.2009	**5 717**	**269 513**	**471 729**	**75 266**	**8 564**	**80 232**	**911 021**

2. *Creation of revaluation write-offs relative to assets and reversal thereof*

Tangible assets

	Period from 01.01 to 30.06.2009	Period from 01.01. to 31.12.2008	Period from 01.01. to 30.06.2008
Balance as at the beginning of period	**92 940**	**92 586**	**92 586**
Creation	1 696	698	-
Release (-)	(6 273)	(344)	-
Use (-)	-	-	-
Balance as at the end of period	**88 363**	**92 940**	**92 586**

The Group created a revaluation write-off relative to tangible assets which as at 30 June 2009 are not used and which are intended for liquidation. The reversal of revaluation write-offs relates to the liquidated tangible assets for which a revaluation write-off has been created.

Stock

	Period from 01.01 to 30.06.2009	Period from 01.01. to 31.12.2008	Period from 01.01. to 30.06.2008
Balance as at the beginning of period	**7 227**	**6 879**	**6 879**
Creation	2 589	8 346	2 737
Release (-)	(6 919)	(7 874)	(4 936)
Use (-)	-	(124)	-
Balance as at the end of period	**2 897**	**7 227**	**4 680**

The Group created revaluation write-offs relative to stock, whose cost of manufacture was higher than the net selling price. Changes in the value of revaluation write-offs are a result of the sale, use or liquidation of particular stock items and recognized in the profit and loss account under cost of goods sold.

Receivables

	Period from 01.01 to 30.06.2009	Period from 01.01. to 31.12.2008	Period from 01.01. to 30.06.2008
Balance as at the beginning of period	25 242	30 117	30 117
Creation	838	2 467	485
Release (-)	(1 418)	(5 096)	(2 543)
Use (-)	(1 025)	(2 246)	(1 884)
Balance as at the end of period	23 637	25 242	26 175

The Group creates revaluation write-offs relative to receivables as a result of a high probability of them being unrecoverable. The reversal of revaluation write-offs was performed in connection with the payment of receivables. Changes in the value of revaluation write-offs relative to receivables are recognized in the profit and loss account.

3. Reserves for employee benefits

	As at 30.06.2009	As at 31.12.2008
Liabilities relative to pension benefits	11 179	7 653
Liabilities relative to anniversary awards	36 176	39 601
Other reserves	4 907	7 352
	52 262	**54 606**
Maturity:		
Long-term	46 114	46 601
Short-term	6 148	8 005
	52 262	**54 606**

Movements in liabilities relative to employee benefits

	As at 30.06.2009	As at 31.12.2008
Balance as at the beginning of period	**54 606**	47 936
Increases, including:	***4 578***	***11 795***
Increases as a result establishment	4 571	11 795
Other increases	7	-
Decreases, including: (-)	***(6 922)***	***(5 125)***
Decreases as a result of use, release	(6 922)	(5 125)
Balance as at the end of period	**52 262**	**54 606**

Basic actuarial calculations concerning reserves for anniversary awards and pension and retirement benefits are as follows:

- discount rate – 5.5%;
- average salary increase – 3.0%.

Additionally, under a voluntary redundancy scheme the Group has a reserve for "incentives" amounting to PLN 1,546,000. This amount is sufficient for the payment of bonuses to be made by the end of 2009.
The reserve established in 2008 amounting to PLN 4,145,000 was used in the 1st six months of 2009 in an amount of PLN 3,609,000.
On 22 June 2009 an agreement on voluntary redundancy scheme – 2nd stage was signed.

4. *Reserves for liabilities*

	As at 30.06.2009	As at 31.12.2008
Reserves for legal actions	17	17
Reserves for protection of environment	12 223	14 723
Reserves for demolition of mercury electrolysis plant	6 315	6 315
Reserves for guarantees and warranties	1 446	-
Reserves for bonuses	4 850	-
Other reserves	2 631	5 262
	27 482	**26 317**
Maturity:		
Long-term	19 386	21 520
Short-term	8 096	4 797
	27 482	**26 317**

Movements in reserves

	Reserves - legal actions	Reserves - protection of environment	Reserves - demolition of Mercury Electrolysis	Reserves bonuses	Reserves - guarantees	Other reserves	Total
Balance as at 01.01.2008	-	17 523	6 315	-	-	4 709	**28 547**
Increases , including:	***17***	***611***	***-***	***803***	***-***	***1 295***	***2 726***
Increases as a result of establishment	17	611	-	803	-	775	**2 206**
Other increases	-	-	-	-	-	520	**520**
Decreases, including: (-)	***-***	***(3 411)***	***-***	***-***	***-***	***(1 545)***	***(4 956)***
Decreases as a result of use	-	(186)	-	-	-	(809)	**(995)**
Decreases as a result of release	-	(3 225)	-	-	-	(736)	**(3 961)**
Balance as at 31.12.2008	**17**	**14 723**	**6 315**	**803**	**-**	**4 459**	**26 317**
Balance as at 01.01.2009	**17**	**14 723**	**6 315**	**803**	**-**	**4 459**	**26 317**
Increases, including:	***-***	***-***	***-***	***4 850***	***1 446***	***33***	***6 329***
Increases as a result of establishment	-	-	-	4 850	113	31	**4 994**
Other increases	-	-	-	-	1 333	2	**1 335**
Decreases, including: (-)	***-***	***(2 500)***	***-***	***(803)***	***-***	***(1 861)***	***(5 164)***
Decreases as a result of use	-	-	-	(803)	-	(1 564)	**(2 367)**
Other decreases	-	(2 500)	-	-	-	(297)	**(2 797)**
Balance as at 30.06.2009	**17**	**12 223**	**6 315**	**4 850**	**1 446**	**2 631**	**27 482**

Principles and estimates regarding the reserves for protection of the environment and reserves for demolition of the Mercury Electrolysis did not change in relation to the data for 2008. Those reserves are described in detail on pages 66 and 67 of the consolidated financial statement for 2008.
Reserves for bonuses, discounts amounting to PLN 4,850,000 is a significant item of the movements in reserves. Other reserves concern mainly third parties' claims against the Group.

5. *Credits and loans*

	As at 30.06.2009	As at 31.12.2008
Credits	82 895	63 462
Overdraft credits	12 318	-
Loans	7 015	6 601
	102 228	**70 063**
Maturity:		
Long-term	40 232	48 889
Short-term	61 996	21 174
	102 228	**70 063**

Maturity of credits and loans

	As at 30.06.2009	As at 31.12.2008
Short-term credits and loans:	61 996	21 174
Long-term credits and loans, with a maturity of:	40 232	48 889
from 1 up to 2 years	14 179	17 224
from 2 up to 5 years	26 053	31 362
over 5 years	-	303
	102 228	**70 063**

Currency breakdown

	As at 30.06.2009	As at 31.12.2008
PLN	68 800	33 100
EUR converted to PLN	33 428	36 963
	102 228	**70 063**

An increase in the credits and loans as at 30 June 2009 was due to the Parent Company's overdraft credit and open-ended revolving credit.

6. *Financial instruments*

Capital risk management

The basic assumption of the policy of the Group as regards the capital management is maintaining a strong capital base which investors, creditors and the market may trust and which will ensure the future growth of the Group. The Group is monitoring any changes in the shareholding, return on equity indices and debt to equity indices.

The Group manages its capital to ensure that it is able to continue as a going concern and maximize returns for shareholders through the optimization of debt to equity index.

The Parent Company, as a joint-stock company, is subject to Art. 396. § 1 of the Commercial Companies Code, which requires at least 8% of the profits for a given financial year be transferred to the supplementary capital of the joint-stock company until such capital reaches at least a third of the share capital.

Significant accounting policy

A detailed description of the accounting policy and valuation methods applied, including the basis for valuation and showing income and costs in relation to individual categories of financial assets, financial liabilities and capital instruments is presented in point 21 of the consolidated financial statements for 2008.

Categories of financial instruments

Financial assets

Valued at fair value through profit or loss	-	24
held for trading	-	-
held-to-maturity investments	203 132	252 442
Derivatives under a hedging relationship	-	-
Loans and receivables	188 694	167 255
Cash and cash equivalents	77 470	45 333
Financial assets available for sale	12 374	12 592
Other financial assets	291	280
	481 961	**477 926**
Recognized in the statement of financial position as:		
Investments in subsidiary undertakings	291	280
Investments available for sale	12 374	12 592
Trade receivables and other	188 694	167 255
Cash and cash equivalents	77 470	45 333
Other assets	203 132	252 466
	481 961	**477 926**

Financial liabilities

	As at 30.06.2009	As at 31.12.2008
Long-term liabilities relative to credits and loans	40 232	48 889
Short-term liabilities relative to credits and loans	61 996	21 174
Trade liabilities and other	168 064	147 916
Other financial liabilities	8 598	27 400
	278 890	**245 379**

	Period from 01.01 to 30.06.2009	Period from 01.01 to 30.06.2008
Financial assets		
Valued at fair value through profit or loss	569	2 719
Held for trading	-	-
Held-to-maturity investments	8 073	-
Derivatives under a hedging relationship	-	-
Loans and receivables	192	126
Cash and cash equivalents	859	1 501
Financial assets available for sale	24	-
Other financial assets	4 380	1 173
Financial liabilities		
Valued at fair value through profit or loss	(7 295)	(143)
Held for trading	-	-
Derivatives under a hedging relationship	(4 611)	-
Valued at amortized cost method	(673)	(221)
	1 518	**5 155**

To supplement the financial data, we herby disclose as follows:

- The Group holds no financial assets presented in the balance sheet as at 30.06.2009, the terms and conditions of which were renegotiated;
- Except for the revaluation write-offs relative to the liabilities, the Group did not create any other write-offs;
- There was no reclassification of financial assets in the Group in the 1st six months of 2009;
- There are no differences in the values of data presented in the balance sheet of the Group, and there were no related derecognitions in the balance sheet statement;
- In the 1st six months of 2009 the Group did not issue an instrument with a liability and an equity component including also multiple embedded derivatives whose values are interdependent;
- In the 1st six months of 2009 the Group did not take possession of collateral it holds as security.

Financial risk management

Credit risk

The risk the Group is exposed to includes credit risk, liquidity risk and market risk (comprising in particular currency risk and interest rate risk) which arise during the ordinary course of activity of the Group. The objective of the financial risk management of the Group is to minimize the effect of such market factors as exchange rates and interest rates on the basic financial parameters authorized in the Group's budget for a given year (financial result, amount of cash flows) through natural hedging and derivatives.

A credit risk is a risk of the Group incurring financial loss as a result of a customer's or contractor's default, the customer or contractor being a party to a financial instrument. Such risk is mainly connected with the Group's receivables due from its customers and with financial investments.

The below table shows the Group's maximum exposure to a credit risk:

	As at 30.06.2009	As at 31.12.2008
Assets valued at fair value through profit or loss	-	24
Assets held for trading	-	-
Held-to-maturity investments	203 132	252 442
Derivatives under a hedging relationship	-	-
Loans and receivables	188 694	167 255
Cash and cash equivalents	77 470	45 333
Financial assets available for sale	-	-
Other financial assets	-	-
	469 296	**465 054**

Trade receivables

Credit risk breakdown relative to trade liabilities by Company product groups is presented in the table below:

	As at 30.06.2009	As at 31.12.2008
Plastics segment	81 097	58 059
Fertilizers segment	33 955	33 113
Power engineering	2 176	1 443
Other	17 926	25 934
	135 154	**118 549**

The Group's credit risk concerns mainly trade receivables and term deposits with banks. Except for deposits held with banks of high financial credibility and considering the procedures applicable in the Group and a diversified account portfolio, the concentration of credit risk is not significant.

The Group examines the current creditworthiness of customers using reports of commercial inquiry offices and on-going monitoring, and in duly justified cases, the Group requires appropriate collaterals be provided.
Additionally, the Group's trade receivables, constituting 71% of total trade receivables of the Company, are insured under a merchant credit insurance policy contract concluded with Towarzystwo Ubezpieczeń Euler Hermes S.A., and supplementary insurance policy contract concluded with Korporacja Ubezpieczeń Kredytów Eksportowych S.A., which limit credit risk down to the co-insurance amount (5% up to 15% of the value of the assets insured). Thanks to such policies, the on-going monitoring of the financial position of contractors and recovery of debts is possible, in duly justified cases, and in the case of factual or legal insolvency of the contractor, damages amounting to 85-95% of the receivables insured will be paid out. Moreover, 20% of the Group's trade receivables is secured by banker's letters of credit and guarantees which are automatically excluded from the insurance policy.
Those contractors whose history of co-operation recorded by the Group is not positive, or to whom sale transactions are occasional, and it is not possible to obtain an insured credit facility, make their purchases upon prepayments. Whereas, a merchant credit facility is extended to customers in the first place on the basis of a decision of an insurance company and additionally on the basis of a positive history of co-operation and creditworthiness determined through reports of commercial inquiry offices, financial statements and payment record of a given customer. Credit risk exposure is defined as a total of unsettled receivables monitored on an on-going basis by the accounts office of the Group (individually with relation to each customer), and in the case of insured receivables, simultaneously by credit risk specialists of insurance companies.
Approximately 68% of the balance of the Group's trade receivables pertains to the customers with registered offices outside Poland, whereas the remaining 32% are receivables due from domestic customers.

The turnover of the Group is focused within two main segments connected with the business profile.

Customers of the plastics segment constitute the biggest group. The receivables due from them amount to almost 67% of total trade receivables. The majority of the customers within the group are foreign customers to whom sale transactions are executed on deferred payment terms under insured credit facilities.
Another significant group includes the customers of the fertilizers segment. The receivables due from them amount to almost 28% of total trade receivables of the Group. The majority of the customers within the group are domestic customers to whom sale transactions are mainly executed on prepayment, whereas as regards customers with proved creditworthiness, sale transactions are executed on deferred payment terms under insured credit facilities.

Overdue net trade receivables

	As at 30.06.2009	As at 31.12.2008
Overdue up to do 60 days	16 484	17 758
Overdue from 60-180 days	3 989	9 447
Overdue from 180-360 days	7 005	1 406
Overdue over 360 days	816	951
	28 294	**29 562**

Cash and deposits

Cash and cash equivalents are deposited with financial institutions with high financial credibility whose solvency ratios are maintained at a safe level.

Liquidity risk

Financial liquidity risk concerns the case in which the Group is unable to satisfy its financial obligations upon maturity. Activities intended to limit the risk under consideration include the proper financial liquidity management carried out through a correct assessment of the level of funds on the basis of the contemplated cash flows at different time horizons. As a result of the issuance of shares executed in the previous reporting period, the Group reports significant financial surpluses, therefore the liquidity risk is very low. In the 1st six months of 2009 the Group did not record any violation of payment terms or other conditions which could result in a demand of early satisfaction of related obligations.

30 June 2009

Financial liabilities	**Present value**	**up to 1 year**	**1 up to 5 years**
Valued at fair value through proft or loss	5 929	5 929	-
Held for trading	-	-	-
Derivatives under a hedge relationship	-	-	-
Valued at amortized cost method	272 961	235 491	37 470
	278 890	**241 420**	**37 470**

31 December 2008

Financial liabilities	**Present value**	**up to 1 year**	**1 up to 5 years**
Valued at fair value through profit or loss	22 414	22 414	-
Held for trading	-	-	-
Derivatives under a hedge relationship	2 955	2 955	-
Valued at amortized cost method	220 010	175 300	44 710
	245 379	**200 669**	**44 710**

Market risk

Interest rate risk

The Group's exposure to interest rate changes pertains mainly to cash and cash equivalents, financial assets, bank loans and credits, and lease contracts based on a floating rate connected with WIBOR + margin and, respectively, EURIBOR or LIBOR + margin for credits and loans extended in EUR. The Group does not apply any hedging against interest rate risk.

The below table shows the Group's vulnerability profile (maximum exposure) regarding interest rate risk and presents financial instruments broken down by floating rates and fixed interest rates:

	Present value 30 June 2009	Present value 31 December 2008
Fixed-interest-rate instruments		
Financial assets	190 608	245 611
Financial liabilities (-)	(4 876)	(5 454)
	185 732	**240 157**
Float-rate instruments		
Financial assets	77 470	45 333
Financial liabilities (-)	(99 135)	(65 565)
	(21 665)	**(20 232)**

Activities intended to limit the interest rate risk include the monitoring of the money market situation on an on-going basis. A significant part of the financial surplus of the Group were term deposited with banks according to market rates, on the basis of market quotations as at the date of the transactions. Despite the decrease in WIBID during the reporting period, the rates of the bank deposits offered to the Group as at the balance sheet date did not change materially in relation to the date on which the deposits had been made.

The fixed-interest rate financial liabilities are with rates higher than the present market rates, and apply only to a foreign loan of insignificant value with a maturity in September of this year.

The Group analyzed the vulnerability of the float-interest financial instruments to changes in market interest rates. The below table shows the effect which would be exerted on the financial result and equity by increases and decreases in interest rates by 100 bp. The analysis was carried out with the assumption of all other variables, e.g. exchange rates, remaining unchanged.

Vulnerability analysis: (+/-)

	Profit and loss account		**Equity**	
	increases 100bp	decreases 100bp	increases 100bp	decreases 100bp
30 June 2009	(217)	217	(217)	217
31 December 2008	(392)	392	(392)	392

Exchange rate risk

The Group's exchange rate risk pertains to the transactions which the Group settles in foreign currencies. They include about 2/3 of the Group's income and about 1/3 of its costs. Currency fluctuations affect the amount of income from sales and costs of purchase of raw materials. Strengthening of the domestic currency negatively affects the profitability of export and domestic sales denominated in foreign currencies, whereas weakening of the domestic currency positively affects the said profitability. Changes in income from export and domestic sales, valued against market quotations, caused by currency fluctuations are partially compensated by changes in the costs of import of raw materials, consequently lowering, to a great extent, the Group's exposure to exchange rate risk.

The Group limits the existing risk arising from the net currency exposure by applying selected instruments and activities connected with hedging against currency risk on the basis of the present and contemplated net currency exposure. The Group used in the first place natural hedging to protect the net foreign-exchange position in the 1st six months of this year, and additionally forward transactions. Moreover, the Group made settlements through provisions of currency, hedging strategies using options, made in the previous reporting period.

The below table shows the Group's vulnerability profile regarding exchange rate risk and presents financial instruments (except for derivatives) broken down by currencies in which the instruments are denominated:

30 June 2009	**EUR**	**USD**	**CHF**
Trade receivables and others	12 589	8 796	8
Trade liabilities and others (-)	(3 088)	(678)	-
Liabilities relative to credits and loans (-)	(7 407)	-	-
Liabilities under lease contracts (-)	-	-	-
	2 094	**8 118**	**8**

31 December 2008	**EUR**	**USD**	**CHF**
Trade receivables and others	10 696	7 875	8
Trade liabilities and others (-)	(2 395)	(1 366)	-
Liabilities relative to credits and loans (-)	(8 620)	-	-
Liabilities under lease contracts (-)	-	-	-
	(319)	**6 509**	**8**

The Group analyzed the vulnerability of the financial instruments denominated in foreign currencies (including derivatives) to exchange rate fluctuations relative to the said currencies. The below table shows the effect which would be exerted by PLN strengthening or weakening by 5% in relation to all currencies on the financial result and equity connected with the valuation of the instruments. The analysis was carried out with the assumption of all other variables, e.g. exchange rates, remaining unchanged

	Profit and loss account (+/-)		**Equity (+/-)**	
	increase in foreign currency exchange rates 5%	decrease in foreign currency exchange rates 5%	increase in foreign currency exchange rates 5%	decrease in foreign currency exchange rates 5%
30 June 2009	2 594	(2 594)	908	(908)
31 December 2008	(1 744)	1 744	(4 338)	4 338

Risk relative to prices of raw materials, goods and services

In order to limit such risk, there are actions undertaken with a view to include in sales contracts "symetric" provisions (e.g. provisions referring to ICIS-LOR quotations).

Fair value of financial instruments

Below are presented details concerning the fair values of financial instruments for which they are are possible to estimate:

- Cash and cash equivalents, short-term bank deposits and short-term bank credits. The carrying amount of the aforementioned instruments approximates their fair value due to a short maturity for those instruments;

- Trade receivables, other receivables, trade liabilities. The carrying amount of the aforementioned instruments approximates their fair value due to a short maturity for those instruments;
- Long-term bank loans and credits. The carrying amount of the aforementioned instruments approximates their fair value due to the floating rate of those instruments. However, considering changes in the market conditions regarding market interest rate developments, the Group estimated the fair value of long-term bank credits on the basis of their adjusted purchase price applying an effective interest rate.
- FX derivatives. The carrying amount of the aforementioned instruments equals their fair value being a quoted market price.

In the 1st six months of 2009, the Group did not record any instruments for which the initial value under transaction was different than its fair value as at a given date with a use of an appropriate valuation technique.

Derivatives

FX derivatives

As at 30 June 2009 the nominal value of unrealized FX derivatives (option structures) of the Group was EUR 3.8 million in total, with a maturity in July and August 2009.

The Group measures derivatives at fair value using information obtained from banks with which it co-operates and date from digital news services. Transactions are concluded under master agreements with credible banks only. All transactions concluded are reflected in physical transactions resulting from foreign currency cash flows. Foreign currency forward transactions and derivatives are concluded according to the Group’s net foreign currency exposure and are to limit the effect on the financial result, exchange rate fluctuations.

From 1 October 2008 the Group was applying hedge accounting on the basis of IAS 39 in order to secure future cash flows from which foreign currency risk arises.

In the 1st six months of 2009, the Group applied the aforementioned hedge accounting principles relative to a selection of FX derivative transactions concluded in USD, for which it had ended settlements of hedge relationships and foreign currency credit and loans contracted which satisfy the criteria laid down in IAS 39, through the calculation of the hedge effectiveness value and charging it to revaluation reserve.

As a result of settling hedge relationships relative to foreign exchange derivative transactions in USD, in the 1st six months of 2009 income from sales was decreased by PLN 4,610,000 through revaluation reserve, whereas as regards settling hedge relationships relative to foreign exchange credits and loans income from sales was decreased by PLN PLN 1,694,000.

Fair value of hedging instruments

As at 30 June 2009, the Group recognized the so-called effective portion of hedging resulting from foreign exchange credits and loans in EUR amounting to PLN (7,772,000) in revaluation reserve, the portion being determined on the basis of hedge accounting criteria as per IAS 39.

The unrealized hedging transactions measured as at 30 June 2009 amounted to PLN (4,690,000) which was the total fair value of derivative recognized in financial liabilities. No hedge relationships were designated for those transaction.

The below table shows the Group’s vulnerability profile, as at 30.06.2009, regarding exchange rate risk and presents the exposure resulting from unrealized derivatives in EUR in which they are denominated.

	Total	Instruments with no hedge relationship	Instruments with hedge relationship
Exposure relative to open-ended option structures in EUR	3 800 €	3 800 €	-

	Profit and loss account		Equity	
	positive	negative	positive	negative
Valuation of derivatives in EUR	-	(4 690)	-	-

7. *Income from sales*

Breakdown of sales in the 1st six months of 2009 is as follows:

	Period from 01.01 to 30.06.2009	Period from 01.01 to 30.06.2008
Income from sale of products	545 422	637 614
Income from sale of other services	26 213	26 521
Income from sale of construction service contracts	625	3 404
Income from sale of goods and materials	11 839	12 688
Income from sale of ERUs	16 607	-
Income from sale of licences	8 808	-
Other income from sale	16	-
	609 530	**680 227**

The highest item of income from sales is income from sale of products which amounted to PLN 545,422,000.

8. *Cost by category*

	Period from 01.01. to 30.06.2009	Period from 01.01 to 30.06.2008
Depreciation and amortization	38 518	35 927
Consumption of materials and energy	347 278	415 724
Outsourcing	29 802	45 649
Taxes and other charges	21 138	22 543
Wages and salaries	84 557	76 320
Social insurance and other benefits	21 008	19 899
Other costs	7 326	4 985
Cost by category	**549 627**	**621 047**
Change in stocks of products (+/-)	29 782	3 874
Costs of work performed by the undertaking for its own purposes (-)	(1 720)	(4 198)
Selling costs (-)	(28 806)	(30 488)
Overheads (-)	(48 403)	(44 975)
Value of goods and materials sold	11 514	8 940
	511 994	**554 200**

9. *Financial income and costs*

Financial income

	Period from 01.01. to 30.06.2009	Period from 01.01. to 30.06.2008
Interest income:		
Bank deposits	8 928	1 486
Other loans and receivables	101	155
Other	34	20
	9 063	**1 661**
Profits on sale of financial investments:		
Profit on sale of financial investments	-	-
Other	-	-
	-	**-**
Profits on valuation of financial assets and liabilities:		
Profits on valuation of financial assets measured at fair value through profit and loss as per fair value	21 227	1 044
	21 227	**1 044**
Other financial income:		
Profit on FX differences	12	-
Dividends received	80	224
Discount of reserves, credits	3 422	-
Other financial income:	239	-
	3 753	**224**
	34 043	**2 929**

The highest item of financial income amounts to PLN 21,227,000 and pertains to profits on valuation and settlement of derivatives (FX options).

Financial costs

	Period from 01.01 to 30.06.2009	Period from 01.01 to 30.06.2008
Interest costs:		
Interest on credits and overdraft credits	636	204
Interest on liabilities under financial lease contracts	127	7
Interest on trade liabilities	11	1
Interest on obligations towards budget	60	25
Other interest costs	31	8
	865	**245**
Other financial costs:		
Loss on FX differences	25 414	2 244
Other financial costs	52	111
	25 466	**2 355**
	26 331	**2 600**

The highest of financial costs is loss on FX differences which comprises:

- negative balance of FX differences as at the balance sheet date amounting to PLN (5,493,000);
- positive balance of FX differences realized in an amount of PLN 8,239,000;
- negative balance of realized hedging transactions in an amount of PLN (27,895,000);
- other negative balance amounting to PLN (265,000).

10. Income tax

Settlement of income tax for the 1st six months 2009 is as follows:

Income tax recognized in profit and loss account

	Period from 01.01 to 30.06.2009	**Period from 01.01 to 30.06.2008**
Current income tax:		
Current income tax burden	1 177	10 141
Adjustments of current tax brought forward	(308)	(7)
	869	**10 134**
Deferred income tax:		
Deferred income tax relative to creation and reversal of temporary differences	3 003	153
	3 003	**153**
Income tax recognized in profit and loss account	**3 872**	**10 287**

Effective tax rate

	Period from 01.01 to 30.06.2009	**Period from 01.01 to 30.06.2008**
Gross financial result	25 420	52 143
Tax as per applicable tax rate	4 830	9 907
Tax result of income being no income as per tax regulations (+/-)	(927)	-
Tax result of costs being no tax deductible business costs as per tax regulations (+/-)	2 109	380
Tax result of tax losses (+/-)	(2 140)	-
Income tax recognized in profit and loss account	**3 872**	**10 287**
	15,2	**19,7**

Income tax recognized in equity

	Period from 01.01 to 30.06.2009	**Period from 01.01 to 30.06.2008**
Tax effect of share issue costs (+/-)	-	(2 158)
Valuation of hedging instruments through hedge accounting (+/-)	(371)	-
Other (+/-)	70	34
Income tax recognized in equity	**(301)**	**(2 124)**

11. Profit per share

The basic profit per share was measured on the basis of the Group's net profit and an average number of shares as at the day of preparing the financial statements. The amounts were determined in the manner presented below:

	As at 30.06.2009	As at 30.06.2008
Net profit	**21 318**	**41 617**
Number of shares at the beginning of period	39 116 421	2 400 000
Split of shares 1:10 in 2008	-	21 600 000
Result of issue of shares in June 2008	-	1 079 744
Weighted average number of shares at the end of period	39 116 421	25 079 744
Profit per share:		
On continued and discontinued operations:		
Basic (PLN)	0,54	1,66
Diluted (PLN)	0,54	1,66
On continued operations:		
Basic (PLN)	0,54	1,66
Diluted (PLN)	0,54	1,66

IV. Segment data

Changes in the principles of presenting information concerning operating and geographic segments.

Since 1 January 2009 the Group has applied IFRS 8 "Operating Segments." According to the requirements of IFRS 8, operating segments must be identified on the basis of internal reports regarding those components of the Group which are regularly verified by persons deciding whether a given segment is to obtain resources and assessing the financial results thereof. In comparison, according to the provisions of the previous, applicable IAS 14, the undertaking was obliged to identify two sets of segments (industry and geographic segments) applying the criteria of risk and benefits, but the internal financial reporting system was only used by the key management as a starting point in identifying such segments.

Operating segments

The Group has not made any changes in the categorizing of industry segments. The Group, similarly to the previous reporting periods, presents the following industry segments:

- plastics;
- fertilizers;
- power engineering;
- other covering the remaining activities, including mainly laboratory services, letting of premises and other activities impossible to classify under particular segments.

However, the presentation of overheads, other income and operating costs was changed. They were classified under particular segments.
Financial income and costs and income tax are presented as before.
The segments' results are assessed on the basis of income from sales, EBIT, EBITDA.

Geographic segments

Thus far the Group has been identifying the following geographic segments:

- domestic sales;
- sales under intra-community delivery of goods;
- export sales.

As of 1 January 2009 the Group applied a new division of geographic segments laid down in IFRS 8. It is as follows:

- Poland
- Germany
- Other European Union states
- Asia
- Other.

Operating segments

	Plastics	Fertilizers	Power engineering	Other operations	Consolidation eliminations(+/-)	Total
Income from external sales	239 331	319 490	9 867	116 433	(75 591)	**609 530**
Income from sales between segments	55 016	53 505	201 904	-	(310 425)	**-**
Total income from sales	294 347	372 995	211 771	116 433	(386 016)	**609 530**
Operating costs, of which: (-)	(297 394)	(346 671)	(212 118)	(119 088)	386 068	**(589 203)**
selling costs (-)	(10 791)	(17 957)	(10)	(48)	-	***(28 806)***
overheads (-)	(13 972)	(19 920)	(812)	(13 699)	-	***(48 403)***
Other operating income	-	-	-	6 565	(158)	**6 407**
Other operating costs (-)	-	-	-	(9 213)	158	**(9 055)**
Segment operations result EBIT	**(3 047)**	**26 324**	**(347)**	**(5 303)**	**52**	**17 679**
Financial income	-	-	-	-	-	**34 043**
Financial costs (-)	-	-	-	-	-	**(26 331)**
Profit/loss on interest in asoociated undertakings evaluated through equity method	-	-	-	-	-	**29**
Profit before tax (continued operations)	**-**	**-**	**-**	**-**	**-**	**25 420**
Profit before tax (discontinued operations)	**-**	**-**	**-**	**-**	**-**	**-**
Income tax (continued and discontinued operations)	-	-	-	-	-	**(3 872)**
Net profit (continued and discontinued operations)	-	-	-	-	-	**21 548**
Amortization and depreciation	13 103	6 872	7 902	10 693	(52)	**38 518**
EBITDA	**10 056**	**33 196**	**7 555**	**5 390**	**-**	**56 197**

Financial income, costs and result broken down by operating segments for six-month period ended 30 June 2008

	Plastics	Fertilizers	Power engineering	Other operations	Consolidation eliminations (+/-)	Total
Income from external sales	357 122	267 534	7 845	47 726	-	**680 227**
Income from sales between segments	1 096	80 441	189 464	76 387	(347 388)	**-**
Total income from sales	358 218	347 975	197 309	124 113	(347 388)	**680 227**
Operating costs, of which: (-)	(342 326)	(317 334)	(198 439)	(118 952)	347 388	**(629 663)**
selling costs (-)	*(9 151)*	*(21 286)*	*(22)*	*(29)*	-	***(30 488)***
overheads (-)	*(19 061)*	*(13 434)*	*(1 398)*	*(11 092)*	-	***(44 985)***
Other operating income	-	-	-	8 570	-	**8 570**
Other operating costs (-)	-	-	-	(7 377)	-	**(7 377)**
Segment operations result EBIT	**15 892**	**30 641**	**(1 130)**	**6 354**	**-**	**51 757**
Financial income	-	-	-	-	-	**2 929**
Financial costs (-)	-	-	-	-	-	**(2 600)**
Profit/loss on interest in associated undertakings evaluated through equity method	-	-	-	-	-	**57**
Profit before tax (continued operations)	**-**	**-**	**-**	**-**	**-**	**52 143**
Profit before tax (discontinued operations)	**-**	**-**	**-**	**-**	**-**	**-**
Income tax (continued and discontinued operations)	-	-	-	-	-	(10 287)
Net profit (continued and discontinued operations)	-	-	-	-	-	**41 856**
Amortization and depreciation	11 241	6 587	7 006	11 093	-	**35 927**
EBITDA	**27 133**	**37 228**	**5 876**	**17 447**	**-**	**87 684**

Other data concerning segments for the period ended 30 June 2009

	Plastics	Fertilizers	Power engineering	Other operations	Consolidation eliminations (+/-)	Total
Outlays on tangible assets	16 218	10 813	2 442	3 914	-	**33 387**
Outlays on investment immovable property	-	-	-	-	-	**-**
Outlays on intangible assets	-	-	3	836	-	**839**
Total outlays	**16 218**	**10 813**	**2 445**	**4 750**	**-**	**34 226**
Segment depreciation	13 103	6 872	7 902	6 624	(52)	**34 449**
Unassigned depreciation	-	-	-	4 069	-	**4 069**
Total liabilities	**13 103**	**6 872**	**7 902**	**10 693**	**(52)**	**38 518**

Other data concerning segments for the period ended 30 June 2008

	Plastics	Fertilizers	Power engineering	Other operations	Consolidation eliminations (+/-)	Total
Outlays on tangible assets	52 653	37 433	1 524	3 542	-	**95 152**
Outlays on investment immovable property	-	-	-	-	-	**-**
Outlays on intangible assets	-	-	-	2 169	-	**2 169**
Total outlays	**52 653**	**37 433**	**1 524**	**5 711**	**-**	**97 321**
Segment depreciation	11 241	6 587	7 006	6 394	-	**31 228**
Unassigned depreciation	-	-	-	4 699	-	**4 699**
Total liabilities	**11 241**	**6 587**	**7 006**	**11 093**	**-**	**35 927**

Assets and liabilities of segments as at 30 June 2009

	Plastics	Fertilizers	Power engineering	Other operations	Consolidation eliminations (+/-)	Total
Segment's assets	419 344	392 053	138 338	234 636	(92 192)	**1 092 179**
Unallocated assets	-	-	-	521 585	-	**521 585**
Investments in associated undertakings	-	-	-	-	-	**-**
Total assets	**419 344**	**392 053**	**138 338**	**756 221**	**(92 192)**	**1 613 764**
Segment's liabilities	31 706	26 467	4 868	128 138	(30 041)	**161 138**
Unallocated liabilities	-	-	-	312 751	-	**312 751**
Total liabilities	**31 706**	**26 467**	**4 868**	**440 889**	**(30 041)**	**473 889**

Assets and liabilities of segments as at 31 December 2008

	Plastics	Fertilizers	Power engineering	Other operations	Consolidation eliminations (+/-)	Total
Segment's assets	392 385	367 275	141 960	247 035	(88 370)	**1 060 285**
Unallocated assets	-	-	-	543 795	-	**543 795**
Investments in affiliated undertakings	-	-	-	166	-	**166**
Total assets	**392 385**	**367 275**	**141 960**	**790 996**	**(88 370)**	**1 604 246**
Segment's liabilities	34 495	45 298	9 319	149 579	(26 908)	**211 783**
Unallocated liabilities	-	-	-	235 132	-	**235 132**
Total liabilities	**34 495**	**45 298**	**9 319**	**384 711**	**(26 908)**	**446 915**

Geographic segments for the 6-month period ended 30 June 2009

	Income		Costs
Poland	318 251	Poland	313 767
Germany	67 280	Germany	68 412
Other EU states	81 903	Other EU states	76 203
Asia	121 399	Asia	101 486
Other	20 697	Other	29 335
Total	**609 530**	**Total**	**589 203**

Geographic segments for the 6-month period ended 30 June 2008

	Income		Costs
Poland	282 795	Poland	238 745
Germany	132 862	Germany	129 156
Other EU states	160 945	Other EU states	157 573
Asia	47 170	Asia	46 437
Other	56 455	Other	57 752
Total	**680 227**	**Total**	**629 663**

V. Contingent assets and contingent liabilities

The Group does not regard blank bills of exchange as a contingent liability issued by the Group as collateral for liabilities recognized in the balance sheet, nor guarantees issued by banks upon request of the Group as collateral for liabilities also recognized in the balance sheet.

The Group does not recognize in contingent liabilities claims of the Bank Pekao S.A. in Warsaw in an amount of 7,095,000 with statutory interest accrued since 29 March 2007 resulting from the litigation for damages, because in the opinion of the Group the claim is groundless. The Group filed a motion to dismiss the claim altogether. The court of first instance dismissed the claim of the Bank on 20 May 2008. On 10 July 2008 Bank Pekao S.A. appealed against that decision. On 19 September 2008 the Court of Appeal in Cracow overruled the decision of the court of first instance and ordered its review. After Azoty Tarnów had paid another three arrangement instalments, the Bank withdrew the action partially. In the course of the proceedings the plaintiff maintained the action a regards an amount of PLN 7,095,000. Having reviewed the case on 6 April 2009, the District Court dismissed the Bank's action altogether. On 13 May 2009 the Bank appealed against that decision. The appealing trial was scheduled for August 2009.

Contingent liabilities

Type	As at 30 June 2009	As at 31 December 2008
Bank guarantee as collateral for claims during the term of the guarantee for works performed (Prochem S.A.).	47	-
Bank guarantee as collateral for claims during the term of the guarantee for works performed (Emerson Process Management Power and Water Solutions sp. z o.o.)	-	68
Performance guarantee (Zakład Budowy Aparatury APAKOR – ROKITA Sp. z o.o. Brzeg Dolny).	178	178
Performance guarantee (POLIMEX – MOSTOSTAL S.A. Warsaw)	-	248

VI. Information on related undertakings

Information concerning significant transactions with related undertakings.

a) Information concerning significant transactions concluded by the Group with related undertakings on other than market terms;

In the 6-month period ended 30 June 2009 the Group did not record any transactions concluded with related undertakings on other than market terms.

b) Transactions with members of the Management Board and the Supervisory Board, their spouses, siblings, ascendants, successors or their relatives or close friends.

In the 6-month period ended 30 June 2009 the Group did not extend any advances, loans, credits, guarantees and securities to managers and supervisors and their relatives or close friends and no contracts for providing services to the Group were concluded with such persons.

c) Transactions with related undertakings in the period from 1 January till 30 June 2009 and the balance of settlements as at 30 June 2009.

	Income from sales	Receivables	Purchase of goods, products, services, fixed assets	Liabilities
As at 30 June 2009				
Subsidiaries of ZAT Group	1 342	1 003	654	5 306
Related companies of Nafta Polska	376	11	7 798	27
Other related companies	107	11	61	19
	1 825	**1 025**	**8 513**	**5 352**

VII. Post-balance sheet events that may have a material effect on the future financial results

After the announcement of the Ministry of Treasury on 27 July 2009 concerning the auction to sell 590 shares in the Regionalne Laboratorium Oceny Mleka sp. z o.o. in Tarnów, JRCH sp. z o. o. bought the shareholding under auction. On 29 July 2009 the Company signed a purchase-sale contract with the Ministry of Treasury No. MSP/SPA/00416/00/2009. The purchase price of the 590 shares of RLOM sp. z o.o. in Tarnów amounts to PLN 312,228,000 (PLN 529.20 per share). The purchase of the shares resulted in JRCH sp. z o. o. becoming the principal shareholder of RLOM sp. z o.o. The shares held constitute 91.33% of the share capital of RLOM sp. z o.o. which amounts to PLN 646,000,000 and comprises 646 shares, PLN 1,000 each. For 2 years JRCH sp. z o. o. has been conducting a business activity connected with assessment of milk and leases a facility and laboratory equipment from RLOM sp. z o.o. The purchase of the shares will result in an increase in the financial assets of the Company.

VIII. Dividends

In the 1st six-months of 2009, the Issuer did not pay out dividends.
On 26 June 2009 the Ordinary General Meeting of Shareholders adopted a resolution on paying a dividend from the profit for 2008 in an amount of PLN 1.02 zł per share. The dividend applies to all the Company's shares, and the date of establishing the right to the dividend was 26 June 2009. Additionally, the dividend was decided to be paid out in two instalments:
- 31 August 2009 PLN 0.34 per share;
- 6 November 2009 roku 0.68 per share.

IX. Seasonality

Seasonality of sales pertaining to the Group concerns mainly artificial fertilizers, and especially saltpetre fertilizers such as nitro-chalk and ammonium sulphate. Demand for them results from agro-technical works and vegetation of plants. The highest domestic sale is recorded in the first quarter (depending on the weather conditions, the peak of sales occurs in February and March). At the end of a calendar year – turn of 3rd and 4th quarter – an increase in demand is again observed, but it is weaker than that of spring and result also from stocking fertilizers by farmers and distributors before spring. In summer, when demand for fertilizers of the final customers (farmers) decreases, technical inspections, maintenance and upgrading of systems are carried out.
As regards ZAT's production of fertilizers, such a strict dependency is not present, because in order to minimize seasonality, sales transaction are concluded on the basis of contracts which oblige dealers to collect fertilizers throughout the whole year so as to encourage them - through advantageous prices - to stock fertilizers before another season.

Market of fertilizers in the 1st six months of 2009

In the period under analysis, the market situation concerning sales of saltpetre fertilizers must be divided into stages. In the first part of January, the market recorded trade stagnation (long holiday period affected the effective working time of distributors, adverse weather conditions extended the period in which final customers showed no interest in buying fertilizers), subsequent periods are characteristic of smooth sale of nitrogen fertilizers, which allows to complete and even go beyond contemplated tasks. As regards sales in individual months of the 2nd quarter, April is characteristic of smooth sale of fertilizers, from the beginning of May onwards the interest in buying fertilizers is limited, in June demand is significantly low or there is a total lack of it. What is also important for the result of domestic sales of saltpetre fertilizers is direct payments to agricultural production the making of which is planned by the Agency for Restructuring and Modernization of Agriculture and significant exchange rate changes resulting in lowering the attractiveness of import to the Polish customs area.
In the 1st six months of 2009, the commercial activity on the domestic market of nitrogen fertilizers recorded high dynamics of changes. Signs of crisis which appeared in the 4th quarter of 2008 spread great uncertainty among distributors of fertilizers and final customers. An uncertain situation on the market of purchases of agricultural products limited the purchase decisions of farmers, which resulted in distributors' postponing, at the beginning of this year, stockpiling before spring. The spring itself was a season of smooth distribution of nitrogen fertilizers, which

made it possible for stocks accumulated for months to be sold on the market. With the vegetation period going on (May, June) limiting the application of nitrogen fertilizers, and still low purchase prices of basic agricultural products, the market of distributors showed signs of stagnation due to high prices. Additionally, very competitive offers coming from external markets (Germany, Lithuania, Ukraine) resulted in a reduction of prices of nitrogen fertilizers of all domestic producers in June. In order to maintain continuity in production in the period before the reduction of prices of fertilizers on the market, the Centre of Fertilizers made a selling offer with a longer maturity of up to 45 days (from 15 till 31 May) with a guarantee for the customers to adjust invoices down to the lowest prices in the case of a reduction of prices of the products purchased in the set period. Due to commercial difficulties, sector competitors started warehousing products at distributors' sites, carrying out mainly production activities from the end of April. The Centre of Fertilizers maintained sales level with high seasonal prices till middle May with no adjustments to the sales realized. The off-season reduction of nitrogen fertilizers, typical of that market, aiming at a later increase in the price on a monthly basis until the very spring season of this year, may be disturbed due to the uncertainty connected with the crisis in the world economy and external suppliers' intention to use the attractive agricultural market as a place for selling their own products. Attractive offers from abroad appearing before the harvest period may result in a further decrease in prices of fertilizers of domestic producers. Those farmers who remember the significant decrease in purchase prices of grain after the harvest period will mostly postpone their decisions concerning purchases, which may result in a price war among producers and importers. Such a situation is a threat to the production continuity and the maintenance of positive financial results from business operations.

X. Comparable data

As a result of adjustments for errors in the previous years, which were recognized in the financial statements for 2008, we have shown below how those adjustments relate to the previously published financial statements for the 1st six months of 2008.

Consolidated statement of comprehensive income

	Adjustment	Period from 01.01. to 30.06.2008	Difference	Period from 01.01. to 30.06.2008
Continued operations				
Income		680 227	-	680 227
Cost of sale (-)	1,3	(554 000)	(200)	(554 200)
Gross profit on sales		**126 227**	**(200)**	**126 027**
Selling costs (-)		(30 488)	-	(30 488)
Overheads (-)		(44 975)	-	(44 975)
Other operating income		8 570	-	8 570
Other operating costs (-)		(7 377)	-	(7 377)
Profit on operating activities		**51 957**	**(200)**	**51 757**
Financial income		2 929	-	2 929
Financial costs (-)		(2 600)	-	(2 600)
Net financial income / costs		**329**	**-**	**329**
Profit on interest in subordinated undertakings evaluated through equity method		**57**	**-**	**57**
Profit before tax		**52 343**	**(200)**	**52 143**
Income tax	1,3	(10 325)	38	(10 287)

Net profit/loss on continued operations	**42 018**	**(162)**	**41 856**
Discontinued operations			
Net profit/loss on discontinued operations	-	-	-
Net profit (loss)	42 018	(162)	41 856

Consolidated statement of financial position

	Adjustment	As at 30.06.2008	Difference	As at 30.06.2008
Assets				
Fixed assets				
Tangible fixed assets	1,3,5	887 064	(11 428)	875 636
Investment properties	5	-	6 272	6 272
Intangible assets		17 962	-	17 962
Investments in subordinate undertakings		-	145-	145
Investments available for sale	6	-	10 682	10 682
Other financial assets	6	10 827	(10 827)	-
Long-term liabilities		2	-	2
Deferred income tax assets	1,4	27 226	2 279	29 505
Other assets		14	-	14
Total fixed assets		**943 095**	**(2 877)**	**940 218**
Current assets				
Stocks		122 207	-	122 207
Other financial assets		1 218	-	1 218
Receivables relative to income tax		20	-	20
Trade receivables and other		170 696	-	170 696
Called up share capital		294 770	-	294 770
Cash and cash equivalents		32 158	-	32 158
Other assets		7 702	-	7 702
Fixed assets available for sale		7	-	7
Total current assets		**628 778**	**-**	**628 778**
Total assets		**1 571 873**	**(2 877)**	**1 568 996**

	Adjustment	As at 30.06.2008	Difference	As at 30.06.2008
Liabilities				
Equity				
Share capital		195 582	-	195 582

Share premium		209 990	-	209 990
Hedge valuation reserve			-	-
Retained profits, including:	1,2,3,4	731 275	(896)	730 379
Net profit of the current period	*1,3*	*(41 779)*	(162)	(41 617)
Equity of shareholders of the parent company		1 136 847	(896)	1 135 951
Minority interests		*1 590*	-	*1 590*
Total equity		**1 138 437**	**(896)**	**1 137 541**
Liabilities				
Credits and loans		40 006	-	40 006
Reserves for employee benefits		42 747	-	42 747
Other long-term liabilities		16 349	-	16 349
Other reserves		14 228	6 315	20 543
Government subsidies		420	-	420
Reserves for deferred income tax	1,2,3	114 583	(8 296)	106 287
Financial liabilities		-	-	-
Total long-term liabilities		**228 333**	**(1 981)**	**226 352**
Liabilities relative to credits and loans		12 265	-	12 265
Reserves for employee benefits		3 580	-	3 580
Current income tax liabilities		2 879	-	2 879
Trade liabilities and other	8	154 943	26 445	181 388
Other reserves		4 622	-	4 622
Government subsidies		369	-	369
Accruals	8	26 445	(26 445)	-
Total short-term liabilities		**205 103**	**-**	**205 103**
Total amounts due		**433 436**	**(1 981)**	**431 455**
Total liabilities		**1 571 873**	**(2 877)**	**1 568 996**

No.	Description of adjustments
1	Creation of write-offs of tangible fixed assets impairment: - decrease in net value of fixed assets by PLN 4,956,000; - creation of deferred income tax asset of PLN 1,080,000; - decrease in profits retained by PLN 3,582,000; - decrease in depreciation and amortization by PLN 363,000; - increase in income tax charged to profit and loss account / increase in deferred income tax reserves by PLN 69,000.
2	Release of income tax relative to derecognition of perpetual usufruct in the balance sheet - decrease in deferred tax reserve / increase in retained profits of PLN 8,334,000;
3	Separation of components: - increase in depreciation and amortization/ decrease in tangible fixed assets by PLN 563,000;

	- decrease in income tax recognized in the profit and loss account / decrease in deferred tax reserves by PLN 107,000;
4	Establishment of reserves for demolition of the Chlorine Factory: - increase in other long-term reserves by PLN 6,315,000; - decrease in retained profits by PLN 5,116,000; - increase in deferred tax assets by PLN 1,199,000;
5	Investment properties; - decrease in tangible fixed assets by PLN 6,272,000; - increase in investment properties by 6,272,000;
6	Assets available for sale: - decrease in long-term investments by PLN 10,827,000; - increase in assets available for sale by PLN 10,682,000; - increase in assets in subordinated undertakings by PLN 145,000;
7	Accruals, change of name into other assets
8	Combination of short-term prepayments and accruals with trade liabilities and other

In addition to the above adjustments, the following adjustments were made in relation to the separate financial statements:

1	Release of reserves for landfill remediation: - decrease in other long-term reserves by PLN 3,157,000; - increase in retained profit by PLN 2,557,000; - decrease in deferred tax assets by PLN 600,000;
2	Investments in subordinated undertakings: - decrease in long-term investments by PLN 57,872,000; - increase in investments in subordinated undertakings by PLN 57,872,000

C. CONDENSED INTERIM SEPARATE FINANCIAL STATEMENTS

SEPARATE HIGHLIGHTS

	PLN ('000)		EUR ('000)	
	Period from 2009-01-01 to 2009-06-30	Period from 2008-01-01 to 2008-06-30	Period from 2009-01-01 to 2009-06-30	Period from 2008-01-01 to 2008-06-30
Income from sale	578 146	649 115	127 954	186 656
Operating profit	12 373	45 476	2 738	13 077
Profit before tax	22 495	46 889	4 979	13 483
Net profit	19 896	37 470	4 403	10 775
Other comprehensive income	21 470	37 470	4 752	10 775
Number of shares (pcs.)	39 116 421	39 116 421	39 116 421	39 116 421
Net profit per ordinary share	0,51	1,49	0,11	0,43
Net operating cash flows	(43 851)	11 769	(9 705)	3 384
Net investment cash flows	45 126	(46 284)	9 987	(13 309)
Net financial cash flows	31 306	12 718	6 929	3 657
Total net cash flows	32 581	(21 797)	7 211	(6 268)
Cash and cash equivalents at the beginning of period	23 893	35 063	5 288	10 083
Cash and cash equivalents at the end of period	56 474	13 266	12 499	3 815
	As at 30-06-2009	As at 31-12-2008	As at 30-06-2009	As at 31-12-2008
Fixed assets	916 538	974 677	205 060	233 601
Current assets	582 788	510 280	130 389	122 299
Long-term liabilities	169 160	181 232	37 847	43 436
Short-term liabilities	242 570	197 701	54 271	47 383
Equity	1 087 596	1 106 024	243 332	265 081
Share capital	195 582	195 582	43 758	46 875

The highlights of the balance sheet, the profit and loss account, and the cash flow statement were converted to EUR according to the indicated, applicable conversion method:

e) individual items of assets and liabilities of the balance sheet were converted according to the exchange rate applicable on the last day of the balance sheet period:
exchange rate as at 31.12.2008: EUR 1 = PLN 4.1724 (Table No. 254/A/NBP/2008);
exchange rate as at 30.06.2009: EUR 1 = PLN 4.4696 (Table No. 125/A/NBP/2009);

f) individual items of the profit and loss account and the cash flow statement were converted according to the exchange rates being an arithmetic mean of the exchange rates of EUR quoted by the National Bank of Poland applicable on the last day of each month in a given reporting period:
average exchange rate in the period from 01.01.2008 to 30.06.2008 was EUR 1 = PLN 3.4776;
average exchange rate in the period from 01.01.2009 to 30.06.2009 was EUR 1 = PLN 4.5184.

The conversion was made according to the exchange rates as indicated before through dividing the values expressed in thousands of PLN by an exchange rate.

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SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Period from 01.01 to 30.06.2009	Period from 01.01 to 30.06.2008
	unaudited	*unaudited*
Continued operations		
Income	578 146	649 115
Cost of sales	(497 811)	(536 682)
Gross profit on sales	**80 335**	**112 433**
Selling costs	(28 805)	(30 475)
Overheads	(35 486)	(33 893)
Other operating income	4 644	6 053
Other operating costs	(8 315)	(8 642)
Operating profit	**12 373**	**45 476**
Financial income	36 026	3 655
Financial costs	(25 904)	(2 242)
Net financial income / costs	**10 122**	**1 413**
Profit before tax	**22 495**	**46 889**
Income tax	(2 599)	(9 419)
Net profit/loss on continued operations	**19 896**	**37 470**
Discontinued operations		
Net profit/loss on discontinued operations	-	-
Net profit (loss)	**19 896**	**37 470**
Items of other comprehensive income		
Valuation of hedging instruments	(4 210)	-
Settlement of hedging instruments	6 155	-
Deferred tax on items of other comprehensive income	(371)	-
Total items of other comprehensive income	**1 574**	**-**
Total comprehensive income	**21 470**	**37 470**
Profit per share:		
on continued and discontinued operations:		
Basic (PLN)	0,51	1,49
Diluted (PLN)	0,51	1,49
on continued and operations:		
Basic (PLN)	0,51	1,49
Diluted (PLN)	0,51	1,49

SEPARATE STATEMENT OF FINANCIAL POSITION

	As at 30.06.2009	As at 31.12.2008	As at 30.06.2008
	unaudited	*audited*	*unaudited*
Assets			
Fixed assets			
Tangible fixed assets	787 669	799 969	759 630
Investment properties	6 719	6 100	6 272
Intangible assets	18 718	12 317	13 488
Investments in subordinate undertakings	51 685	49 827	57 872
Investments available for sale	24 451	24 717	10 237
Other financial assets	-	50 000	-
Long-term receivables	22	55	88
Deferred income tax assets	27 274	31 692	26 788
Other assets	-	-	-
Total fixed assets	**916 538**	**974 677**	**874 375**
Current assets			
Stocks	146 132	127 803	107 738
Other financial assets	202 779	202 292	1 044
Called up share capital	-	-	294 770
Receivables relative to income tax	8 008	3 845	-
Trade receivables and other	164 873	148 633	155 100
Cash and cash equivalents	56 474	23 893	13 266
Other assets	3 973	3 814	5 192
Fixed assets available for sale	549	-	-
Total current assets	**582 788**	**510 280**	**577 110**
Total assets	**1 499 326**	**1 484 957**	**1 451 485**

SEPARATE STATEMENT OF FINANCIAL POSITION

	As at 30.06.2009	As at 31.12.2008	As at 30.06.2008
	unaudited	*audited*	*unaudited*
Liabilities			
Equity			
Share capital	195 582	195 582	195 582
Share premium	209 990	209 990	209 990
Hedge valuation reserve	(6 296)	(7 870)	-
Retained profits, including:	688 320	708 322	684 771
Net profit of the current period	*19 896*	*61 935*	*37 470*
Equity of shareholders of the parent company	1 087 596	1 106 024	1 090 343
Minority interest	-	-	-
Total equity	**1 087 596**	**1 106 024**	**1 090 343**
Liabilities			
Credits and loans	36 458	44 329	34 086
Reserves for employee benefits	26 112	27 424	24 712
Other long-term liabilities	-	-	15 096
Other reserves	14 601	17 103	16 353
Government subsidies	-	-	-
Deferred income	-	-	-
Reserves for deferred income tax	91 236	92 376	93 541
Financial liabilities	753	-	-
Total long-term liabilities	**169 160**	**181 232**	**183 788**
Credits and loans	60 518	19 634	10 372
Reserves for employee benefits	4 078	6 275	2 196
Liabilities relative to current income tax	-	-	2 613
Trade liabilities and other	164 274	142 918	138 425
Other reserves	7 554	3 505	3 681
Government subsidies	56	-	-
Income for future periods	-	-	20 067
Financial liabilities	6 090	25 369	-
Total short-term liabilities	**242 570**	**197 701**	**177 354**
Total amounts due	**411 730**	**378 933**	**361 142**
Total liabilities	**1 499 326**	**1 484 957**	**1 451 485**

SEPARATE FUNDS FLOW STATEMENT

	Share capital	Share premium	Capital from hedge accounting	Retained profit	Total equity
Balance as at 1 January 2008	**120 000**	**-**	**-**	**698 848**	**818 848**
Adjustments for errors				(51 550)	**(51 550)**
Balance as at 1 January 2008 after adjustments	**120 000**	**-**	**-**	**647 298**	**767 298**
Issue of shares	75 582	209 990	-	-	**285 572**
Comprehensive income for 6 months ended 30 June 2008	-	-	-	37 470	**37 470**
Other	-	-	-	-	**-**
Balance as at 30 June 2008 **(unaudited)**	**195 582**	**209 990**	**-**	**684 768**	**1 090 340**
Balance as at 1 January 2008	**120 000**	**-**	**-**	**698 848**	**818 848**
Adjustments for errors	-	-	-	(52 461)	**(52 461)**
Balance as at 1 January 2008 after adjustments	**120 000**	**-**	**-**	**646 387**	**766 387**
Issue of shares	75 582	209 990	-	-	**285 572**
Comprehensive income for 12 months ended 31 December 2008	-	-	(7 870)	61 935	**54 065**
Other	-	-	-	-	**-**
Balance as at 31 December 2008 **(audited)**	**195 582**	**209 990**	**(7 870)**	**708 322**	**1 106 024**
Balance as at 1 January 2009	**195 582**	**209 990**	**(7 870)**	**708 322**	**1 106 024**
Adjustments for errors	-	-	-	-	**-**
Balance as at 1 January 2009 after adjustments	**195 582**	**209 990**	**(7 870)**	**708 322**	**1 106 024**
Issue of shares	-	-	-	-	**-**
Comprehensive income for 6 months ended 30 June 2009	-	-	1 574	19 896	**21 470**
Dividends	-	-	-	(39 898)	**(39 898)**
Balance as at 30 June 2009 **(unaudited)**	**195 582**	**209 990**	**(6 296)**	**688 320**	**1 087 596**

SEPARATE CASH FLOW STATEMENT

	Period from 01.01 to 30.06.2009	Period from 01.01 to 30.06.2008
	unaudited	*unaudited*
Operating cash flows		
Gross profit	**22 495**	**46 889**
Adjustments	*19 488*	*30 929*
Depreciation and amortization	32 668	30 154
Creation / reversal of revaluation write-offs	(4 577)	-
Profit/loss on investment	(828)	3 805
Profit/loss on disposal of financial assets	-	-
Profit/loss on interest in affiliated undertakings evaluated through equity method	-	-
Interest, FX differences	(7 481)	(813)
Dividends received	(2 548)	(1 173)
Profit/loss on change in fair value of financial assets recognized at fair value	2 254	(1 044)
Operating profit before working capital changes	***41 983***	***77 818***
Movements in trade receivables and other	(25 609)	(20 691)
Movements in stock	(17 329)	5 838
Movements in trade liabilities and other	(32 607)	(41 242)
Movements in reserves, prepayments and accruals and subsidies	(6 974)	(4 982)
Other adjustments	111	448
Cash generated from operating activities	**(40 425)**	**17 189**
Interest paid	-	-
Tax paid	(3 426)	(5 420)
Net cash from operating activities	**(43 851)**	**11 769**

SEPARATE CASH FLOW STATEMENT

	Period from 01.01 to 30.06.2009 *unaudited*	Period from 01.01 to 30.06.2008 *unaudited*
Investment cash flows		
Sale of intangible assets and tangible fixed assets, investments in immovable property	21 906	387
Purchase of intangible assets and tangible fixed assets, investments in immovable property	(34 638)	(43 563)
Dividends received	2 546	60
Outflows for purchase of financial assets	(12 025)	-
Inflows from sale of financial assets	67 265	-
Interest received	2 586	-
Subsidies	57	-
Other outflows	(2 571)	(3 168)
Repayment of loans	-	-
Net cash from investing activities	**45 126**	**(46 284)**
Financial cash flows		
Net inflows from issue of shares	-	(2 330)
Dividends paid	(1)	(13)
Inflows from credits and loans	45 583	19 648
Outflows for repayment of credits and loans	(12 570)	(3 487)
Interest paid	(1 534)	(1 076)
Payments under financial lease contracts	(172)	(24)
Net cash from financial activities	**31 306**	**12 718**
Total net cash flows	**32 581**	**(21 797)**
Cash and cash equivalents at the beginning of period	**23 893**	**35 063**
Effect of foreign currency translation	-	-
Cash and cash equivalents at the end of period	**56 474**	**13 266**

D. NOTE NO. 1

All data concerning the separate financial statement is included in the consolidated financial statements.

SIGNATURES

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
Responsible for bookkeeping

Tarnów, 21 August 2009