ZŁOMREX S.A.

Consolidated Financial Statements
as at and for the year ended 31 December 2010

Consolidated statement of financial position

As at 31 December

in PLN thousand	*Note*	2010	2009	2008
Assets				
Property, plant and equipment	*14*	377 959	667 965	796 412
Intangible assets	*15*	20 487	42 175	46 267
Investment property	*16*	1 320	603	11 385
Investments in associates	*17*	-	5 050	11 913
Other investments	*18*	2 844	8 391	18 174
Other receivables	*22*	241	3 295	1 533
Prepaid perpetual usufruct of land	*19*	19 419	46 023	59 301
Deferred income tax assets	*20*	41 006	57 198	31 334
Total non-current assets		**463 276**	**830 700**	**976 319**
Inventories	*21*	182 640	256 901	565 726
Other investments	*18*	10	5 536	4 646
Current income tax receivable	*13*	863	3 103	7 351
Trade and other receivables	*22*	143 857	205 453	357 363
Cash and cash equivalents	*23*	9 337	32 496	99 505
Total current assets		**336 707**	**503 489**	**1 034 591**
Assets classified as held for sale	*24*	103 733	43 039	5 703
Assets of disposal groups and discontinued operations	*25*	544 534	196 014	250 720
Total assets		**1 448 250**	**1 573 242**	**2 267 333**

The consolidated statement of financial position should be read in conjunction with the explanatory notes constituting part of the consolidated financial statements

Consolidated statement of financial position- continued

As at 31 December

in PLN thousand

	Note	**2010**	**2009**	**2008**
Equity				
Issued share capital	*26*	47 691	47 691	47 691
Reserves	*26*	203 624	224 959	221 752
Foreign currency translation reserve		18 185	27 313	32 689
Retained earnings		(250 714)	(140 917)	91 259
Total equity attributable to equity holders of the parent		**18 786**	**159 046**	**393 391**
Minority interest in equity		79 574	91 952	145 188
Total equity		**98 360**	**250 998**	**538 579**
Liabilities				
Interest-bearing loans and borrowings	*28*	503 222	534 267	699 379
Employee benefits obligation	*29*	12 121	39 057	50 505
Other payables	*31*	-	115	37 246
Deferred government grants and other deferred income		1 399	2 409	3 557
Deferred income tax liabilities	*20*	8 539	16 195	35 513
Total non-current liabilities		**525 281**	**592 043**	**826 200**
Bank overdraft	*23*	86 782	129 543	115 888
Interest-bearing loans and borrowings	*28*	107 376	170 056	242 788
Other financial liabilities		-	-	5 257
Employee benefits obligation	*29*	4 735	2 338	3 039
Current income tax payable	*13*	-	323	3 591
Provisions for payables	*30*	403	834	171
Trade and other payables	*31*	253 205	271 030	381 299
Deferred government grants and other deferred income		1 007	1 145	1 195
Total current liabilities		**453 508**	**575 269**	**753 228**
Liabilities of disposal group classified as held for sale	*25*	371 101	154 932	149 326
Total liabilities		**1 349 890**	**1 322 244**	**1 728 754**
Total equity and liabilities		**1 448 250**	**1 573 242**	**2 267 333**

The consolidated statement of financial position should be read in conjunction with the explanatory notes constituting part of the consolidated financial statements

Consolidated statement of comprehensive income

For the years ended 31 December

in PLN thousand	*Note*	**2010**	**2009 restated***	**2008 restated***
Continuing operations				
Revenue	*6*	994 465	799 375	1 739 254
Cost of sales	*7*	(927 510)	(823 168)	(1 498 580)
Gross profit/(loss)		**66 955**	**(23 793)**	**240 674**
Other income	*8*	9 583	10 131	8 891
Distribution expenses	*7*	(33 029)	(27 063)	(35 007)
Administrative expenses	*7*	(53 661)	(48 100)	(87 397)
Other gains / (losses) – net	*9*	10 301	1 125	(1 907)
Other expenses	*10*	(18 359)	(28 752)	(15 501)
Operating profit/(loss) before financing costs		**(18 210)**	**(116 452)**	**109 753**
Other financial income	*11*	14 442	59 758	29 588
Other financial expenses	*11*	(66 121)	(77 160)	(152 328)
Net financing costs		**(51 679)**	**(17 402)**	**(122 740)**
Share of profits of associates		-	-	-
Excess of the interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired over cost		-	-	-
Loss before tax		**(69 889)**	**(133 854)**	**(12 987)**
Income tax expense	*12*	(8 970)	23 456	(6 397)
Loss for the period from continuing operations		**(78 859)**	**(110 398)**	**(19 384)**
Discontinued operations				
Loss for the period from discontinued operations	*25*	(88 118)	(178 842)	(180 404)
Loss for the period		**(166 977)**	**(289 240)**	**(199 788)**
Attributable to:				
Equity holders of the parent		(129 461)	(259 155)	(190 160)
Minority interest		(37 516)	(30 085)	(9 628)
Loss for the period		**(166 977)**	**(289 240)**	**(199 788)**
Other comprehensive income/(loss)				
Currency translation differences		(9 014)	(3 304)	52 926
Total comprehensive loss for the year		**(175 991)**	**(292 544)**	**(146 862)**
Attributable to:				
Equity holders of the parent		(138 589)	(264 531)	(140 831)
Minority interest		(37 402)	(28 013)	(6 031)
Total comprehensive loss for the year		**(175 991)**	**(292 544)**	**(146 862)**
Basic earnings per share (PLN) attributable to the shareholders of the Parent Company	*27*	**(2.71)**	**(5.43)**	**(4.19)**
- from continuing operations		(1.04)	(4.17)	(0.13)
- from discontinued operations		(1.67)	(1.26)	(4.06)
Basic comprehensive loss per share (PLN)		**(2.91)**	**(5.55)**	**(2.95)**

Diluted earnings per share and diluted comprehensive income/loss per share are equal to basic ratios.

* please see note 3

The consolidated statement of comprehensive income should be read in conjunction with the explanatory notes constituting part of the consolidated financial statement

Consolidated statement of cash flows

For the years ended 31 December

in PLN thousand	*Note*	**2010**	**2009**	**2008**
Continuing operations				
Profit/(loss) before tax from continuing operations		**(69 889)**	**(133 854)**	**(12 987)**
Adjustments				
Depreciation	*14*	41 385	47 049	50 957
Amortization	*15*	4 963	3 866	5 155
Impairment losses and valuation allowances		6 534	18 319	30 667
Foreign exchange (gains)/losses		(14 237)	(4 903)	65 689
Net (gains)/losses on investment activities		-	(64 895)	(27 221)
Net (gains)/losses on disposal of property, plant and equipment		(8 359)	(2 180)	69
Interest, commissions and dividends, net		56 584	63 747	70 007
Change in receivables		18 697	57 578	47 681
Change in inventories		(22 981)	102 306	85 440
Change in trade and other payables		38 688	(91 540)	29 271
Change in provisions		(253)	656	-
Change in employee benefits		673	(5 453)	1 737
Change in deferred government grants and other deferred income		(1 117)	(1 746)	2 044
Other adjustments		-	4 600	2 203
Cash generated from continuing operations		**50 688**	**(6 450)**	**350 712**
Discontinuing operations				
Operating loss from discontinuing operations	*25*	**(86 870)**	**(178 842)**	**(180 404)**
Adjustments				
Depreciation	*14*	13 189	19 995	21 747
Amortization	*15*	-	1 719	1 714
Impairment losses and valuation allowances		20 895	38 237	156 852
Foreign exchange (gains)/losses		9 147	(11 846)	7 943
Net (gains)/losses on investment activities		485	(17 940)	(13 033)
Net (gains)/losses on disposal of property, plant and equipment		3 900	(4 371)	(372)
Interest, commissions and dividends, net		3 984	7 150	14 180
Change in receivables		(25 983)	131 484	102 089
Change in inventories		7 333	200 741	24 215
Change in trade and other payables		59 221	(40 066)	(72 686)
Change in provisions		(3 066)	644	(7 166)
Change in employee benefits		3 548	(1 891)	1 853
Change in deferred government grants and other deferred income		(36)	548	(461)
Other adjustments		2 065	803	40 012
Cash generated from discontinuing operations		**7 812**	**146 365**	**96 483**
Cash generated from operations		**58 500**	**139 915**	**447 195**
Income tax paid		188	(9 169)	(36 011)
Net cash from operating activities		**58 688**	**130 746**	**411 184**

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Consolidated statement of cash flows – continued

For the years ended 31 December

	Note	2010	2009	2008
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		16 823	10 989	2 913
Proceeds from sale of intangible assets		736	5 170	52
Interest received		282	754	274
Dividends received		-	267	-
Disposal of subsidiaries		-	-	-
Repayment of loans granted		-	5 731	-
Other inflows from investing activities		-	-	-
Acquisitions of subsidiaries, net of cash acquired		-	-	-
Acquisition of property, plant and equipment		(8 822)	(21 094)	(41 216)
Acquisition of intangible assets		(787)	(1 609)	(5 280)
Acquisition of investment property		-	-	-
Prepaid perpetual usufruct of land		-	-	-
Acquisition of other investments		-	1 037	(151 163)
Cash outflows from continuing operations		**8 232**	**1 245**	**(194 420)**
Cash outflows from discontinuing operations		34 097	10 631	(58 380)
Net cash from investing activities		**42 329**	**11 876**	**(252 800)**
Cash flows from financing activities				
Net cash receipts from share issue		-	-	-
Proceeds from transactions with minority interests		23 353	16 705	-
Proceeds from interest-bearing loans and borrowings		2 471	-	70 776
Payments/Proceeds relating to derivative financial instruments		-	1 350	(3 858)
Repayment of interest-bearing loans and borrowings		(7 984)	(6 358)	(198 870)
Payment of finance lease liabilities		(13 070)	(16 578)	(17 794)
Dividends paid		-	-	(11 256)
Interest and commissions paid		(56 866)	(57 762)	(80 087)
Advances to shareholders		-	-	-
Cash generated/(outflows) from continuing operations		**(52 096)**	**(62 643)**	**(241 089)**
Cash generated from discontinuing operations		(19 496)	(162 101)	(35 337)
Net cash from financing activities		**(71 592)**	**(224 744)**	**(276 426)**
Net increase / (decrease) in cash and cash equivalents		29 425	(82 122)	(118 042)
Cash and cash equivalents net of bank overdraft, at 1 January		(99 244)	(18 582)	118 406
Effect of exchange rate fluctuations on cash held		(726)	1 460	(18 946)
Cash and cash equivalents net of bank overdraft, at 31 December	*23*	**(70 545)**	**(99 244)**	**(18 582)**
including cash restricted for use		-	-	-

The consolidated statement of cash flows should be read in conjunction with the explanatory notes constituting part of the consolidated financial statements

Consolidated statement of changes in equity

For the years ended 31 December

in PLN thousand	Attributable to equity holders of the parent					
	Issued share capital	Reserves	Retained earnings	**Total**	Minority interest	**Total equity**
Equity as at 1 January 2008	**47 691**	**149 403**	**343 221**	**540 315**	**158 280**	**698 595**
Total comprehensive income/(loss)	-	49 329	(190 160)	**(140 831)**	(6 031)	**(146 862)**
Dividends paid	-	(10 000)		**(10 000)**	(2 967)	**(12 967)**
Transfer of profit	-	65 709	(65 709)	**-**	-	**-**
Change in minority interest	**-**	-	3 907	**3 907**	(4 094)	**(187)**
Equity as at 31 December 2008	**47 691**	**254 441**	**91 259**	**393 391**	**145 188**	**538 579**
Total comprehensive loss	-	(5 376)	(259 155)	**(264 531)**	(28 013)	**(292 544)**
Transfer of profit	-	3 207	(3 207)	**-**	-	**-**
Change in minority interest	-	-	30 186	**30 186**	(25 223)	**4 963**
Equity as at 31 December 2009	**47 691**	**252 272**	**(140 917)**	**159 046**	**91 952**	**250 998**
Total comprehensive loss	-	(9 128)	(129 461)	**(138 589)**	(37 402)	**(175 991)**
Transfer of profit	-	(21 335)	21 335	**-**	-	**-**
Change in minority interest	-	-	(1 671)	**(1 671)**	25 024	**23 353**
Equity as at 31 December 2010	**47 691**	**221 809**	**(250 714)**	**18 786**	**79 574**	**98 360**

The consolidated statement of changes in equity should be read in conjunction with the explanatory notes constituting part of the consolidated financial statements

(in PLN thousand, unless stated otherwise)

1. Group overview

a) Background

Złomrex S.A. ("Złomrex", "the Company", "the Parent") with its seat in Poraj, Zielona 26 Street, Poland, is the parent Company of the Group. The Company was established as a result of the transformation of a limited liability company Złomrex Sp. z o.o. into a joint-stock company Złomrex S.A. on June 14, 2004.

The main activities of the Group comprise of: scarp collection, scrap processing into steel billets and steel products as well as distribution of steel products produced internally and purchased from third parties.

The Group has gone through extremely difficult market conditions during 2010, 2009 and part of 2008. In those times the steel business worldwide reported very poor figures with negative net results or even losses at EBITDA level. Unprofitable operations raised numerous challenges for continuity of operations especially that the Group entered the crisis times with relatively high indebtedness.

Złomrex has undertaken several measures to improve its financial position. Those measures included both provisional and structural ones. The Group's management decided to sell part of its business in order to reduce indebtedness and support the remaining activities. In Q4 2010 Złomrex entered into the agreements pursuant to which it agreed to sell both its Polish and international distribution operations as described in notes 24, 25 and 36 of these financial statements. On the 31st of January 2011 transaction on international distribution was closed and closing of the domestic transaction is expected by the end of April 2011.

The undertaken actions have already brought positive effects and Złomrex is now able to benefit from the recovering market. Finalization of sale of Polish distribution assets will further reduce the Group's indebtedness and definitively restructure its balance sheet. Therefore, the management of Zlomrex Capital Group believe that there is no threat with respect to going concern risk and so the financial statements have been prepared on going concern basis. There are no indications that the Zlomrex Capital Group will not be able to continue as the going concern.

The consolidated financial statements as at and for the year ended 31 December 2010 comprise the parent Company and its subsidiaries ("the Group"). The basic information about the subsidiaries, that comprise the Group as at 31 December 2010, is presented in the table below.

Name of the entity	Seat of entity	Core activities	Ownership interest and voting rights	Date of obtaining control
FERROSTAL-ŁABĘDY Sp. z o.o.	Poland	Manufacture of metal products	92.4%	2004-02-19
ZW-WALCOWNIA BRUZDOWA Sp. z o.o.	Poland	Manufacture of metal products	100.0%	2005-01-13
ODLEWNIA METALI SZOPIENICE Sp. z o.o.	Poland	Manufacture of non-ferrous metal alloy products	100.0%	2004-07-31
HSW - HUTA STALI JAKOŚCIOWYCH S.A.	Poland	Manufacture of metal products	100.0%	2006-01-27
HSW – TLENOWNIA Sp. z o.o.	Poland	Production and delivery of technical gas	100.0%	2007-10-30
NOWA JAKOŚĆ – Organizacja Odzysku S.A.	Poland	Purchasing, packaging, reselling of paper and plastic waste for further production	100.0%	2004-06-13
KAPITAŁ Sp. z o.o.	Poland	Financial services	100.0%	2006-01-04
ZŁOMREX CHINA LIMITED	China	Trade in metal products	100.0%	2006-03-01
ZŁOMREX INTERNATIONAL FINANCE SA	France	Financial services, Bond issuer	100.0%	2006-10-23
CKM WŁÓKNIARZ S.A.	Poland	Speedway club	82,4%	2006-10-23
CENTROSTAL Sp. z o.o. w Szczecinie	Poland	Trade in metal products	100.0%	2007-01-26
ZŁOMREX METAL Sp. z o.o.	Poland	Purchasing and processing of iron scrap	100.0%	2007-04-02

(in PLN thousand, unless stated otherwise)

ZŁOMREX – FINANS Sp. z o.o.	Poland	Financial services	100.0%	2003-09-16
AB STAHL AG	Germany	Trade in metal products	100.0%	2006-08-03
STEELCO Sp. z o.o.	Poland	Holding company	100.0%	2006-08-07
COGNOR S.A. Capital Group				
COGNOR S.A.	Poland	Trade in metal products	64,4%	2006-08-07
COGNOR BLACHY DACHOWE S.A.	Poland	Manufacture and trade in roofing materials	77.4%	2007-08-01
STALEXPORT-METALZBYT BIAŁYSTOK SP. Z O.O.	Poland	Trade in metal products	98.8%	2007-10-01
BUSINESS SUPPORT SERVICES Sp. z o.o.	Poland	Processing of metal products and production of construction metal products	100.0%	2006-05-15*
ZŁOMREX CENTRUM Sp. z o.o.	Poland	Purchasing and processing of iron scrap	100.0%	2006-03-29*
Held for sale				
ZELJEZARA SPLIT d.d.	Croatia	Manufacture of metal products	95.9%	2007-12-29
COGNOR Stahlhandel GmbH Capital Group				
COGNOR STAHLHANDEL GMBH	Austria	Trade in metal products	100.0%	2007-03-28
NEPTUN STAHLHANDEL GMBH	Austria	Trade in metal products	100.0%	2007-03-28
STAHLHANDEL BETEILIGUNGS HOLDING GMBH	Austria	Trade in metal products	100.0%	2007-03-28
COGNOR VETING D.O.O. (HR)	Croatia	Trade in metal products	100.0%	2007-03-28
COGNOR STAHLHANDEL POLSKA Sp. z o.o.	Poland	Trade in metal products	100.0%	2007-03-28
COGNOR STAHLHANDEL SPOL.SR.O	Czech Rep.	Trade in metal products	100.0%	2007-03-28
COGNOR AMBIENT STAHLHANDEL SRL	Romania	Trade in metal products	51.0%	2007-03-28
VEREINIGTE BIEGEGESELLSCHAFT GMBH	Austria	Trade in metal products	67.0%	2007-03-28
ZIMMERMANN STAHLHANDEL GMBH	Austria	Trade in metal products	99.8%	2007-03-28
COGNOR GMBH MUNCHEN	Germany	Trade in metal products	100.0%	2007-03-28
COGNOR VETING STAHLHANDEL D.O.O.	Bosnia	Trade in metal products	100.0%	2007-03-28
COGNOR STAHLHANDEL D.O.O.	Slovenia	Trade in metal products	100.0%	2007-03-28
COGNOR STAHLHANDEL BUDAPESZT KFT.	Hungary	Trade in metal products	100.0%	2007-03-28
COGNOR STAHLHANDEL SLOWAKEI S.R.O.	Slovakia	Trade in metal products	100.0%	2007-03-28
VASTAD EDELSTAHL HANDEL GMBH	Austria	Trade in metal products	50.0% (associate)	2007-03-28
BWS BEWEHRUNGSSTAHL GMBH	Austria	Trade in metal products	36.0% (associate)	2007-03-28

* date of obtaining control in Zlomrex Capital Group

During 2010 the following changes occurred in Zlomrex S.A. Capital Group:

- on March 4, 2010 Stalexport S.A. has merged with Stalexport Serwis Centrum Bełchatów S.A.
- on September 1, 2010 Cognor S.A. has merged with Stalexport S.A.

b) Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU").

The consolidated financial statements are presented in Polish zloty, being the functional currency and presentation currency of the parent Company, rounded to the nearest thousand, unless otherwise stated. The consolidated financial statements have been prepared on the historical cost basis with the exception of financial instruments classified as available for sale and financial instruments measured at fair value through profit or loss.

These consolidated financial statements were approved by the Board of Directors on 28 April 2011.

These consolidated financial statements are not intended for statutory filing purposes.

IFRS EU contain all International Accounting Standards, International Financial Reporting Standards as well as related Interpretations except for the below listed Standards and Interpretations which are awaiting approval of the European Union as well as those Standards and Interpretations which have been approved by the European Union but are not yet effective.

The Group did not early adopt new Standards and Interpretations which have been published and approved by the European Union and which will come into effect after the balance sheet date. Moreover, at the balance sheet date the Group had not completed the process of assessing the impact of the new standards and interpretations, which will come into effect after the balance sheet date, on the consolidated financial statements of the Group for the period in which they will be applied for the first time.

Standards and interpretations
Standards and interpretations effective in 2010 and adopted by the Group
Revised IFRS 3: *Business Combinations* The revised IFRS 3 was published by IAS Board on 10 January 2008 and is effective for business combinations for which the acquisition date is on or after 1 July 2009. The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group applied the revised IFRS 3 from 1 January 2010. Revised IFRS 3 will influence settlements of business combinations if such transactions occur.
Improvements to IFRS (issued in April 2009) The IAS Board published the Improvements to IFRS that have changed 11 standards. The improvements consist of a mixture of substantive changes and clarifications in standards and interpretations. Part of improvements are effective for the annual periods beginning on January 1, 2009, the rest is effective for annual periods beginning on January 1, 2010. The Group applied the changed standards according to the transition regulations.

IAS 27: *Consolidated and Separate Financial Statements*

The revised IAS 27 is effective for annual periods beginning on or after 1 July 2009. The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value.

The Group applied IAS 27 from 1 January 2010.

The change in the standard had no significant influence on the Group's consolidated financial statements.

Standards and interpretations effective in 2010 but not relevant to the Group

Amendments to IFRS 2: *Share-based Payment*

Amendment was published on 17 January 2008 and is effective for annual periods beginning on or after 1 January 2009. The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard.

The amendment has no impact on the Group's financial statements, because the Group did not run share-based payments.

Amendment to IAS 32: *Puttable Financial Instruments and Obligations Arising on Liquidation* and to IAS 1 *Presentation of financial statements*

The amendments were published by IAS Board on 14 February 2008 and are effective for annual periods beginning on or after 1 January 2009. The amendments require classification as equity of some financial instruments that meet the definition of financial liabilities. According to the amendment, financial instruments such as financial instruments with put option and instruments that impose an obligation to pay a share in net assets in the case of company's liquidation, are presented as the part of equity if certain conditions are met.

The amendment has no impact on the Group's financial statements, because the Group does not posses the financial instruments with put option.

IFRIC 13: *Customer Loyalty Programmes*

The interpretation IFRIC 13 was published by the IFRS Committee on June 27, 2007 and is effective for the annual periods beginning on or after January 1, 2008.

IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

IFRIS 13 has no impact on the Group's financial statements, because the Group does not run customer loyalty programmes.

IFRIC 17: *Distribution of Non-Cash Assets to Owners*

IFRIC 17 was published by IFRS Board on 27 November 2008 and is effective for annual periods beginning after 31 November 2009, with early adoption permitted. The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable.

IFRIC 17 is not relevant to the Group's operations because it does not distribute non-cash assets to owners.

Amendment to IAS 32: *Financial Instruments: Presentation - Classification of Rights Issues* Amendment is effective for annual periods beginning on or after 1 February 2010. The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The amendment has no impact on the Group's financial statements.
Amendment to IAS 39: *Financial Instruments: Recognition and Measurement - Eligible Hedged Items* Amendment is effective with retrospective application for annual periods beginning on or after 1 July 2009. The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment has no impact on the Group's financial statements.
Amendments to IFRIC 9 and IAS 39*: Embedded Derivatives* Amendments to IFRIC 9 and IAS 39 were published by IAS Board on 12 March 2009 and are effective for annual periods beginning after 31 December 2009, with early adoption permitted). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendment has no impact on the Group's financial statements.
IFRIC 12: *Service concession agreements* The interpretation IFRIC 12 was published by the IFRS Committee on November 30, 2006 and is effective for the annual periods beginning on or after January 1, 2008. The interpretation contain the guidelines of adoption the existing standards by the companies being the part in the service concession agreements between public and private sector. IFRIC 12 concerns the agreements that the ordering party controls the range, price and beneficiaries of services providing with using the infrastructure. IFRIC 12 has no impact on the Group's financial statements.
IFRIC 15: *Agreements for the Construction of Real Estate* IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009, with early adoption permitted. The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. IFRIC 15 has no impact on the Group's financial statements.
IFRIC 16: *Hedges of a Net Investment in a Foreign Operation* IFRIC 16 was published by IFRS Committee on 3 July 2008 as adopted by the EU is effective for annual periods beginning after 30 June 2009, with early adoption permitted. The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the gain or loss recycled from the currency translation reserve to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities will apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 has no impact on the Group's financial statements.

IFRIC 18: *Transfers of Assets from Customers*

IFRIC 18 was published by IFRS Committee on 29 January 2009 and is effective for annual periods beginning after 31 October 2009, with early adoption permitted. The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers.

IFRIC 18 has no impact on the Group's financial statements.

Standards and interpretations not yet effective and relevant to the Group

IFRS 9: *Financial Instruments*

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

• financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

• an instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

• all equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

At the day of preparing these consolidated financial statements the impact of IFRS 9 is not possible to assess reliable.

At the day of preparing these consolidated financial statements IFRS 9 was not approved by UE.

The Group will apply IFRS 9 after approving it by UE.

Improvements to IFRS (approved in May 2010)

The IAS Board published the Improvements to IFRS that have changed 6 standards. The improvements consist of a mixture of substantive changes and clarifications in standards and interpretations.

The Group does not expect the amendments to have any material effect on its financial statements.

The Group will apply improvements to IFRS from 1 January 2011.

IAS 24: *Related Party Disclosures*

IAS 24 is effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU. IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

At the day of preparing these consolidated financial statements the impact of IAS 24 is not possible to assess reliably.

At the day of preparing these consolidated financial statements IAS 24 was not approved by UE.

The Group will apply IAS 24 from 1 January 2011.

Amendment to IFRIC 14*: Prepayments of a Minimum Funding Requirement* Amendment is effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU. This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. At the day of preparing this consolidated financial statements the impact of IFRIC 14 is not possible to assess reliable. The Group will apply IFRIC 14 from 1 January 2011.
IFRIC 19: *Extinguishing Financial Liabilities with Equity Instruments* IFRIC 19 is effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU. This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. At the day of preparing these consolidated financial statements the impact of IFRIC 19 is not possible to assess reliable. The Group will apply IFRIC 19 from 1 January 2011.
Standards and interpretations not yet effective and not relevant to the Group
Amendments to IFRS 1: *First-time Adoption of IFRS* Amendment is effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU. The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments will not have any impact on the Group's financial statements. At the day of preparing these consolidated financial statements IFRS 1 was not approved by UE.
Amendment to IFRS 1: Limited exemption from comparative IFRS 7 disclosures for first-time adopters Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7*, Financial Instruments: Disclosures*. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendments will not have any impact on the Group's financial statements.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS EU requires that the Management Board of the Parent Company makes judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, equity and liabilities, income and expenses with respect to the Group. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and the results of which form a basis for professional judgment on carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgments and estimates made by the Management Board of the parent Company while applying IFRS EU are discussed in the following notes:

- Note 15 – measurement of the recoverable amounts of cash-generating units containing goodwill
- Note 20 – deferred tax assets and liabilities and utilization of tax losses
- Note 25 – assets of disposal group and discontinued operations
- Note 29 – measurement of employee benefit obligations.

- Note 30 and 34 – provisions and contingencies
- Note 32 – valuation of financial instruments

2. Summary of significant accounting policies

The accounting principles set out below have been applied consistently to all periods presented in the consolidated financial statements and have been applied consistently by Group entities.
The impact of changes in accounting policies is presented in the note 3.

a) Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the parent Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates
Associates are those entities for which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Transactions eliminated on consolidation
Intragroup balances and transactions, and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Purchases of minority interests
The Company recognizes directly in equity increases (or decreases) in the parent shareholders' interest, so long as the parent controls the subsidiary. Accordingly any premiums or discounts on subsequent purchases of equity instruments from (or sales of equity instruments to) minority interests is recognized directly in the parent shareholders' equity.

b) Foreign currencies transactions

Foreign currency translation
Transactions in foreign currencies are translated into respective functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at the exchange rate at that date. Foreign exchange differences are recognized in the profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to functional currency at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the exchange rate ruling at the date the fair value was determined.
Foreign exchange gains and losses that relate to loans and borrowings and lease liabilities are presented in the profit and loss within "finance income or cost". All other foreign exchange gains and losses are presented in the profit and loss within "other gains/(losses) net".

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition are translated to Polish zloty (presentation currency) at an average NPB (National Polish Bank) rate at the reporting date. The income and expenses of foreign operations are translated to Polish zloty at average NPB rates at the dates of the transactions. Foreign currency differences are recognized as the part of other comprehensive income and included in equity as the part of reserve capital. When a foreign operation is disposed of, in part or in full, the relevant amount of foreign currency differences in the reserve capital is transferred to profit or loss on sales of this transaction. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

c) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the purchase price of the assets (i.e. the amount due to a seller less deductible VAT and excise tax), taxes and charges (in case of import) and costs directly related to the purchase and completion of the asset, so that it can be available for use, including transport, loading, unloading and storing costs. Rebates, discounts and other similar reductions decrease cost. The construction cost of property, plant and equipment or assets under construction includes total cost incurred by the entity in the period of their construction, assembly, adjustment and modernization till the date of their bringing into use (or up to the balance sheet date, if the asset was not brought into use before this date), including non-deductible VAT and excise tax. The construction cost also includes cost of dismantling and removing the components of tangible fixed assets and restoration cost. In respect of borrowing costs relating to qualifying assets for which the beginning date for capitalization was in 2009 or later, the Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent expenditures

The Group recognizes in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that future economic benefits embodied with the item will flow to the Group and the cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other expenditures are recognized in the profit and loss as an expense as incurred.

Depreciation

Depreciation is recognized in the profit and loss on a straight-line basis over the estimated useful lives of each component of property, plant and equipment, considering residual values. Land is not depreciated. The estimated useful lives are as follows:

- Buildings from 10 to 40 years
- Machinery and equipment from 2 to 28 years
- Vehicles from 5 to 22 years
- Fixtures and fittings from 1 to 3 years

The useful lives, depreciation methods and residual values are reassessed annually.

d) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognized on the Group's balance sheet. Investment property held under an operating lease is recognized on the Group's balance sheet at its fair value.

The Group classifies perpetual usufruct of land as operating lease. Prepayments for perpetual usufruct of land are disclosed separately on the face of the balance sheet. Prepayments for perpetual usufruct are expensed to the profit and loss during the period of the lease. Perpetual usufruct of land acquired in a business combination represent identifiable asset initially recognized based on its fair value.

e) Intangible assets

Goodwill

All business combinations, excluding businesses which are under common control, are accounted for by applying the purchase method. The goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Subsequent to initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortized but tested annually for impairment.

In respect of acquisition where the surplus of the net identifiable assets on the acquisition cost is identified, this amount is directly recognized in the profit and loss.

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the profit and loss as an expense as incurred.

Expenditures on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if the product or process is technically feasible, economically justified and the Group has sufficient resources to complete development. The capitalized expenditures include: the cost of materials, direct labour and an overheads that are directly attributable to preparing the assets for its intended use.

Other development expenditures are recognized in the profit and loss as incurred. Capitalized development expenditures are recognized as intangible assets at cost less accumulated amortization (see below) and impairment losses.

Emission rights

Emission rights received from the state are measured at cost less impairment losses. The cost in case of emission rights which were acquired in a business combination is their fair value. The liability arising in an emission rights scheme from producing pollution are measured based on the carrying amount of allowances held (emission rights), to the extent that the Group holds sufficient allowances to satisfy its current obligations.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses.

Subsequent expenditures

Subsequent expenditures on capitalized intangible assets are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in the profit and loss as incurred.

Amortization

Amortization is charged to the profit and loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortized from the date they are available for use. The estimated useful lives are as follows:

- ERP licenses 8 years
- Capitalized development costs 5 years
- Other 2 years

f) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost. Depreciation is recognized in the profit and loss on a straight-line basis over the estimated useful lives of investment property considering residual values. Land is not depreciated. The estimated useful lives are the same as in the tangible assets presented in point c) above.

Rental income from investment property is accounted for as described in the accounting policies for revenue.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value. Lease payments are accounted for as described in the accounting policies for costs.

g) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable, they are immediately available for sale and the Management is committed to plan to sale. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

h) Financial assets

Financial instruments

Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus except for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below.

A financial instrument is recognized if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Group's obligations specified in the contract expire or are discharged or cancelled.

Held-to-maturity financial assets
Held-to-maturity financial assets include assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are measured at amortized cost calculated using the effective interest rate method.
Assets in this category are recognized as non-current assets, if the realization date exceeds 12 months from the balance sheet date.

Financial assets measured at fair value through profit or loss
Financial assets acquired for the purpose of generating a profit from short-term price fluctuations are classified as financial assets measured at fair value through profit or loss. They are measured at fair value, without transaction costs, and considering the market value as at balance sheet date. Changes in fair value are recognized in the profit and loss within "other gains/(losses) net". Assets in this category are classified as current assets, if the management of the Group has the positive intention to realize them within 12 months of the balance sheet date.

Loans granted
Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than 12 months after the balance sheet date. Loans granted are measured at amortized cost less any impairment loss.

Trade and other receivables
Trade and other receivables are non-derivative financial assets and financial assets not quoted in an active market with fixed or determinable payments. They are initially recognized at fair value and are subsequently measured at amortized cost less impairment losses. The fair value of trade and other receivables is valuated as the current value of future cash flows, discounted with market percentage rate as at the balance sheet day.

Available-for-sale financial assets
All other financial assets that are not loans or receivables are classified as available-for-sale financial assets and measured at fair value with gains and losses recognised in other comprehensive income.
Available-for-sale financial assets are valued at fair value without transaction costs, considering the market value as at balance sheet date. If the financial assets are not listed on a stock exchange and if there are no alternative ways to verify their fair value, available-for-sale financial assets are valued at cost less any impairment loss.
Gains or losses, except for impairment losses, calculated as the difference between the fair value and the cost, if there is a market price established by the regulated market or for which the fair value may be established in a reliable way, are recognized directly in equity net of deferred tax. A decline in the value of the available-for-sale financial assets resulting from impairment loss is recognized in profit or loss as a other gain or loss net.

Fair value of financial assets

Investments in debt and equity securities

The fair value of financial assets measured at fair value through profit or loss, investments held till the maturity date and financial assets available for sale , is evaluated on the basis of the market value as at balance sheet day (if the market value is available). The fair value of the investments held till the maturity date is evaluated only for disclosure purposes.

The fair value of listed investments results form their current purchase price. If a market of a given item of financial assets is not active (and for not-listed securities) the Group measures the fair value with applying the evaluation techniques. These techniques contain using of arm's length transactions, that took place close to balance sheet day, reference to instruments, that are substantially the same, analysis of discounted cash flows, option pricing models, making maximum use of market inputs and relying as little as possible on entities specific input.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivative financial instruments are accounted for as trading instruments and are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are valued at fair value and changes therein are recognized immediately in the profit and loss. The fair value of forward exchange contracts is the quoted market price at the balance sheet date, being the present value of the forward quoted price.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A significant or prolonged decline in the fair value of the instrument is considered as an indicator for impairment.

The recoverable amount of the Group's investments in held to maturity securities and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Short-term receivables are not discounted. Impairment loss for available for sale financial asset is estimated through reference to its current fair value at the balance sheet date.

The carrying amount of the Group's financial assets with significant value is reviewed at each balance sheet date to determine whether there is any indication of impairment. The rest of financial assets are valued for impairment in groups that contain the similar level of credit risk.

The impairment losses are recognized in the profit and loss. When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is recognized in the profit and loss even though the financial asset has not been derecognized.

An impairment loss are reversed through profit or loss if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the profit and loss, the impairment loss shall be reversed, with the amount of the reversal recognized in the profit and loss.

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the profit and loss.

i) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

The cost of inventories is determined based on the detailed identification method if possible, or first in, first out method. The costs include expenditure incurred in acquiring the inventories. In the case of finished goods and work in progress, costs include an appropriate share of overheads based on normal operating capacity.

The impairment losses of inventories are recognized/reversed through the profit and loss as part of costs of goods, commodities or raw materials sold. Identified surpluses or shortages in inventory are recognized in profit or loss in the same position.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

k) Impairment of non financial assets

The carrying amount of the Group's assets, other than inventories and of deferred tax assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life tangible and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.
An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses recognized in respect of a cash-generating unit (or a group of units) are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of units) and then, to reduce the carrying amount of the other assets in the unit (or a group of units) on a pro rata basis. Impairment losses are recognized in the profit and loss.
The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset which does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.
An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

l) Equity

Issued share capital
The share capital of the parent Company constitutes the share capital of the Group. Ordinary share capital is stated at the nominal value of shares issued according to the statute and registered in the National Court Register (KRS).

Reserve capitals
Reserves include supplementary and other reserves. Supplementary capital is allocated from net profit according to the Company's Code. Other reserves are allocated from net profit for future dividends payments.

Dividends
Dividends are recognized as a liability in the period in which they are declared.

m) Interest bearing loans and borrowings

Interest–bearing loans and borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between proceeds and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest basis.

Fair value, evaluated for disclosure purposes, is calculated on the basis of current value of future cash flows from capital and interest returns discounted with market percentage rate at the balance sheet day. In the case of financial lease, the market percentage risk is evaluated on the basis of percentage rate of similar lease agreements. In case of bonds, the fair value is evaluated on the basis of market transactions of bond purchase issued by Zlomrex International Finance in the period closed to the balance sheet day.

n) Employee benefits

Defined benefits plan – retirement awards

The Group recognizes provisions for retirement and pension benefits (employee benefits) based on the actuarial valuation as at the balance sheet date prepared by an independent actuary. The basis for the calculation of the provisions for the employee benefits is set by the Group's internal regulations, Collective Labor Agreement for the Group's employees or other legal regulations in force.

Provisions for employee benefits are determined with the use of actuary techniques and assumptions in conformity with the requirements of IFRS EU and in particular IAS 19 "Employee Benefits". Provisions are measured on the basis of the present value of the Group's future obligations with regard to employee benefits. Provisions are calculated using an individual method, separately for each employee. The basis for the calculation of the provision for an employee is the projected amount of the benefit that the Group will have to pay upon retirement pursuant to the regulations described above. The projected amount of the benefit is calculated till it is vested with an employee, considering the projected amount of the basis of the benefit, projected increase in the benefit and the length of service of a given employee. The calculated amount is discounted to the balance sheet date.

Short-term employee benefits

Short-term employee benefits liabilities are evaluated without taking into consideration the discount and are recognized as costs at the moment of benefit realization.

Provision is recognized in costs in the amount of future payments for employees' short-term bonuses, if the company is legally or traditionally obliged to these payments on the basis of services rendered by employees in the past, and this liability could be reliably evaluated.

o) Provisions

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

p) Trade and other payables

Trade and other payables are stated initially at fair value and subsequently measured at amortized cost. Current liabilities are not discounted.

q) Deferred government grants and other deferred income

Government grants are recognized initially as deferred income when there is reasonable certainty that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as revenue in the profit and loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized in the profit and loss as other income on a systematic basis over the useful life of the asset.

r) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

Sale of goods

Revenue from the sale of goods is recognized in the profit and loss when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is not recognized until the risks of obsoletes and loss have been transferred to the buyer and either the buyer has accepted the products in accordance to the sale contract the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

Rendering of services

Revenue from services rendered is recognized in the profit and loss in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or continuing management involvement with the goods.

s) Lease

Operating lease payments

Payments made under operating leases are recognized in the profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognized in the profit and loss as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

t) Other income and expenses

Interest income is recognized in the profit and loss as it accrues, using the amortised cost method. Dividend income is recognized in the profit and loss on the date the entity's right to receive payments is established. The interest expense on trade and other non-financial liabilities is recognized in the profit and loss using the amprtised cost method.

u) Current and deferred income tax

The tax expense, as presented in the profit and loss, comprises current and deferred tax. Income tax is recognized in the profit and loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, based on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes. The following temporary differences are not included in the calculation of deferred tax: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they are not likely to reverse in the foreseeable future. Deferred tax recognized in the balance sheet is based on the expectation as to the realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Changes in comparatives

The Group Management has made a decision to qualify material part of assets as assets held for sale. In addition to the non-core or non-operational assets which have been put on sale previously a significant group of other assets which relate to the Group's distribution operations in Poland has been included (note 24). Moreover, the Group conducted a preliminary sale contract with respect to Cognor Stahlhandel GmbH (Austria) subgroup, which was concluded in February 2011 (note 25). Due to these decisions the business performed in distribution divisions are presented as discontinued operations in statement of comprehensive income. The comparative data was changed as follows:

For the period ended 31 December 2009 *in PLN thousand*	2009 as per approved consolidated financial statements	Restatements	2009 restated
Revenue	1 969 813	(1 170 438)	799 375
Cost of sales	(1 933 190)	1 110 022	(823 168)
Gross profit/(loss)	**36 623**	**(60 416)**	**(23 793)**
Other income	24 186	(14 055)	10 131
Distribution expenses	(161 392)	134 329	(27 063)
Administrative expenses	(112 398)	64 298	(48 100)
Other gains / (losses) – net	(21 465)	22 590	1 125
Other expenses	(44 000)	15 248	(28 752)
Operating loss before financing costs	**(278 446)**	**161 994**	**(116 452)**
Other financial income	100 722	(40 964)	59 758
Other financial expenses	(84 891)	7 731	(77 160)
Net financing costs	**15 831**	**(33 233)**	**(17 402)**
Share of profits of associates	(2 170)	2 170	-
Loss before tax	**(264 785)**	**130 931**	**(133 854)**
Income tax expense	35 723	(12 267)	23 456
Loss for the period	**(229 062)**	**118 664**	**(110 398)**
Discontinued operations			
Loss for the period from discontinued operations	(60 178)	(118 664)	(178 842)
Loss for the period	**(289 240)**	**-**	**(289 240)**

For the period ended 31 December 2008 *in PLN thousand*	2008 as per approved consolidated financial statements	Restatements	2008 restated
Revenue	4 027 950	(2 288 696)	1 739 254
Cost of sales	(3 542 471)	2 043 891	(1 498580)
Gross profit	**485 479**	**(244 805)**	**240 674**
Other income	17 547	(8 656)	8 891
Distribution expenses	(174 819)	139 812	(35 007)
Administrative expenses	(161 854)	74 457	(87 397)
Other gains / (losses) – net	(206)	(1 701)	(1 907)
Other expenses	(26 310)	10 809	(15 501)
Operating profit before financing costs	**139 837**	**(30 084)**	**109 753**
Other financial income	39 893	(10 305)	29 588
Other financial expenses	(177 397)	25 069	(152 328)
Net financing costs	**(137 504)**	**14 764**	**(122 740)**
Share of profits of associates	739	(739)	-

Profit/(loss) before tax	**3 072**	**(16 059)**	**(12 987)**
Income tax expense	(9 105)	2 708	(6 397)
Loss for the period	**(6 033)**	**(13 351)**	**(19 384)**
Discontinued operations			
Loss for the period from discontinued operations	(193 755)	13 351	(180 404)
Loss for the period	**(199 788)**	**-**	**(199 788)**

4. Segment reporting

Management has determined the operating segments based on the reports reviewed by Management Board of the Parent that are used to make strategic decisions.

The Management Board considers the business from both a geographic and product perspective. Geographically, management considers the performance of sale in Poland, Austria, Czech Republic and other countries.

The reportable operating segments derive their revenue primarily from the following divisions:

1. scrap division – this segment includes activities of buying, processing, refining and selling of scrap metal and non-ferrous scrap;
2. production division – this segment includes activities of processing scrap metal into steel billets, steel billets into finished products, and selling of them; and also the processing of non-ferrous scrap into finished products and selling of them;
3. distribution division – this segment includes activities of selling commodities (steel products, steel scrap, steel billets, non-ferrous scrap and products and others);
4. other – this segment includes other activities such as holding activities, financial activities, recycling materials, including plastic foils, paper and other products.

Sales between segments are carried out at arm's length. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement.

Business segments

in PLN thousand

31-12-2010	Scrap division	Production division	Distribution division	Other	Unallocated	Eliminations	Consolidated
Revenue from external customers	173 962	790 403	26 117	3 828	-		
Inter-segment revenue	219 493	43 160	2 337	2 796	-		
Total revenue	**393 455**	**833 563**	**28 454**	**6 624**	**-**	**(267 631)**	**994 465**
Cost of sales to external customers	(165 702)	(752 009)	(23 262)	(8 057)	-		
Inter-segment cost of sales	(202 412)	(43 158)	(2 246)	(1 337)	-		
Total cost of sales	**(368 114)**	**(795 167)**	**(25 508)**	**(9 394)**	**-**	**270 673**	**(927 510)**
Segment result	**25 341**	**38 396**	**2 946**	**(2 770)**	**-**	**3 042**	**66 955**
Other income	5 342	12 814	724	50 477	15 783	(75 557)	9 583
Distribution and administrative expenses	(17 460)	(45 838)	(2 915)	(702)	(14 493)	(5 282)	(86 690)
Other gain/(losses) net	757	(32 525)	386	(124)	12 056	29 751	10 301
Other expenses	(936)	(9 709)	(803)	(327)	(18 508)	11 925	(18 358)
Operating profit	**13 044**	**(36 862)**	**338**	**46 553**	**(5 162)**	**(44 282)**	**(18 210)**
Net financing costs	(5 586)	(480)	(246)	(51 791)	(45 294)	51 718	(51 679)

Share of profits of associates							-
Income tax expense							(8 970)
Loss for the period from continuing operation							**(78 859)**
Profit/(loss) form discontinuing operation	-	1 019	(89 137)	-	-	-	(88 118)
Loss for the period							**(166 977)**

in PLN thousand

31-12-2009	**Scrap division**	**Production division**	**Distribution division**	**Other**	**Unallocated**	**Eliminations**	**Consolidated**
Revenue from external customers	149 937	610 263	28 997	10 247	-	-	
Inter-segment revenue	189 616	100 893	1 873	36 322	-		
Total revenue	**339 553**	**711 156**	**30 870**	**46 568**	**-**	**(328 773)**	**799 375**
Cost of sales to external customers	(144 914)	(645 806)	(26 733)	(14 206)	-		
Inter-segment cost of sales	(178 932)	(115 790)	(1 730)	(4 075)	-		
Total cost of sales	**(323 846)**	**(761 596)**	**(28 463)**	**(18 281)**	**-**	**309 018**	**(823 168)**
Segment result	**15 707**	**(50 440)**	**2 407**	**28 288**	**-**	**(19 755)**	**(23 793)**
Other income	8 448	12 406	200	71 256	49 677	(131 856)	10 131
Distribution and administrative expenses	(19 808)	(56 182)	(2 613)	(3 567)	(1 463)	8 470	(75 163)
Other gain/(losses) net	756	1 388	18	792	(88 167)	86 338	1 125
Other expenses	(1 768)	(10 061)	(90)	1 034)	(34 517)	18 718	(28 752)
Operating profit	**3 335**	**(102 889)**	**(78)**	**95 735**	**(74 470)**	**(38 085)**	**(116 452)**
Net financing costs	(4 845)	7 504	(327)	(66 853)	(15 558)	62 677	(17 402)
Share of profits of associates							-
Income tax expense							23 456
Loss for the period from continuing operation							**(110 398)**
Loss form discontinuing operation	-	(60 178)	(118 664)	-	-	-	(178 842)
Loss for the period							**(289 240)**

in PLN thousand

31-12-2008	**Scrap division**	**Production division**	**Distribution division**	**Other**	**Unallocated**	**Eliminations**	**Consolidated**
Revenue from external customers	374 667	1 341 410	2 948	11 492	-		
Inter-segment revenue	487 477	579 508	177	39 351	-		
Total revenue	**862 144**	**1 920 918**	**3 125**	**50 843**	**-**	**(1 097 776)**	**1 739 254**
Cost of sales to external customers	(354 928)	(1 210 239)	(3 529)	(6 538)	-		
Inter-segment cost of sales	(458 121)	(536 988)	(161)	(27 672)	-		
Total cost of sales	**(813 049)**	**(1 747 227)**	**(3 690)**	**(34 210)**	-	**1 099 596**	**(1 498 580)**
Segment result	**49 095**	**173 691**	**(565)**	**16 633**	-	**1 820**	**240 674**
Other income	5 842	18 457	25	93 330	59 350	(168 113)	8 891

Distribution and administrative expenses	(27 757)	(60 451)	(1 997)	(27 836)	(371)	(3 992)	(122 404)
Other gain/(losses) net	(667)	2 991	7	(91 723)	(42 467)	129 952	(1 907)
Other expenses	(2 999)	(13 947)	(79)	(36 356)	(148)	38 028	(15 501)
Operating profit	**23 514**	**(120 741)**	**(2 609)**	**(45 952)**	**16 364**	**(2 305)**	**109 753**
Net financing costs	(10 200)	(21 423)	-	(110 419)	(59 088)	78 390	(122 740)
Share of profits of associates							-
Income tax expense							(6 397)
Loss for the period from continuing operation							**(19 384)**
Profit/(loss) form discontinuing operation	-	(193 755)	13 351	-	-	-	(180 404)
Loss for the period							**(199 788)**

in PLN thousand **31-12-2010**	Scrap division	Production division	Distribution division	Other	Unallocated	Consolidated
Segment assets	69 102	549 475	85 830	14 610	80 966	799 983
Disposal group of assets and assets held for sale	-	219 802	383 498	-	44 967	648 267
Total assets	**69 102**	**769 277**	**469 328**	**14 610**	**125 933**	**1 448 250**
Segment liabilities	45 782	110 590	37 765	7 961	776 691	978 789
Disposal group of liabilities	-	181 335	189 766	-	-	371 101
Total liabilities	**45 782**	**210 220**	**127 623**	**7 961**	**776 691**	**1 349 890**
Capital expenditure	1 333	7 427	283	261	-	9 404
Major non-cash items:						
Depreciation/amortization	(5 675)	(37 010)	(436)	(3 227)	-	(46 348)
Impairment losses and valuation allowances	110	7 220	(86)	(2 764)	(13 387)	(8 907)
Total major non-cash items	**(5 565)**	**(29 790)**	**(522)**	**(5 991)**	**(13 387)**	**(55 255)**

in PLN thousand **31-12-2009**	Scrap division	Production division	Distribution division	Other	Unallocated	Consolidated
Segment assets	58 257	591 109	482 723	493	201 607	1 334 189
Disposal group of assets and assets held for sale	-	194 698	-	43 039	1 316	239 053
Total assets	**58 257**	**785 807**	**482 723**	**43 532**	**202 923**	**1 573 242**
Segment liabilities	30 009	82 568	86 994	9 043	958 698	1 167 312
Disposal group of liabilities	-	154 932	-	-	-	154 932
Total liabilities	**30 009**	**237 500**	**86 994**	**9 043**	**958 698**	**1 322 244**

Capital expenditure	-	17 477	10	1 749	-	19 236
Major non-cash items:						
Depreciation/amortization	(9 207)	(37 385)	(460)	(4 376)	-	(51 428)
Impairment losses and valuation allowances	549	(7 825)	-	4 997	(80 401)	(82 680)
Total major non-cash items	**(8 658)**	**(45 211)**	**(460)**	**621**	**(80 401)**	**(134 109)**

in PLN thousand **31-12-2008**	Scrap division	Production division	Distribution division	Other	Unallocated	Consolidated
Segment assets	115 520	748 761	777 639	39 253	330 367	2 011 540
Disposal group of assets and assets held for sale	-	249 281	-	-	6 512	255 793
Total assets	**115 520**	**998 042**	**777 639**	**39 253**	**336 879**	**2 267 333**
Segment liabilities	32 144	82 076	144 232	18 466	1 302 510	1 579 428
Disposal group of liabilities	-	149 326	-	-	-	149 326
Total liabilities	**32 144**	**231 402**	**144 232**	**18 466**	**1 302 510**	**1 728 754**
Capital expenditure	15 828	39 528	2 789	17 693	-	75 838
Major non-cash items:						
Depreciation/amortization	(12 940)	(43 624)	(85)	(2 807)	-	(59 456)
Impairment losses and valuation allowances	(166)	(4 018)	-	-	-	(4 184)
Total major non-cash items	**(13 106)**	**(47 642)**	**(85)**	**(2 807)**	**-**	**(63 640)**

Unallocated assets

in PLN thousand	2010	2009	2008
Investments	2 854	13 927	22 820
Deferred tax assets	41 006	57 198	31 334
Investment property	1 320	603	11 385
Income tax receivable	863	3 103	7 351
Cash and cash equivalents	9 337	32 496	99 505
Investments in associates	-	5 050	11 913
Other receivables (statutory receivables, receivables relating to sale of subsidiaries, etc)	25 586	46 191	145 429
	80 966	**158 568**	**329 737**

Unallocated liabilities

in PLN thousand	2010	2009	2008
Interest-bearing loans and borrowings	610 598	704 323	942 167
Bank overdraft	86 782	129 543	115 888
Deferred tax liabilities	8 539	16 195	35 513
Employee benefits	16 856	41 395	53 544
Deferred government grants and other deferred income	2 406	3 554	4 752
Other liabilities	51 510	63 688	150 646
	776 691	**958 698**	**1 302 510**

4 Segment reporting (continued)

Geographical segments

in PLN thousand

	Poland			Austria			Other countries			Unallocated			Consolidated		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Revenue from external customers	549 666	655 499	1 342 481	876	37 489	1 123	443 923	106 387	395 650	-	-	-	994 465	799 375	1 739 254
Segment assets	462 790	636 395	1 270 765	1 051	222 900	266 236	255 176	97 900	324 621	184 699	201 607	335 440	903 716	1 377 228	2 016 613
Disposal group of assets	30	-	-	164 561	-	-	334 976	194 698	249 281	44 967	1 316	1 439	544 534	196 014	250 720
Total assets	**462 820**	**636 395**	**1 270 765**	**165 612**	**222 900**	**266 236**	**590 152**	**292 598**	**573 902**	**229 666**	**202 923**	**336 879**	**1 448 250**	**1 573 242**	**2 267 333**
Capital expenditure	4 827	14 843	68 805	2	499	-	4 575	3 894	-	-	-	-	9 404	19 236	68 805

5. Acquisitions of subsidiaries

In 2010, 2009 and 2008 no acquisitions occurred.

6. Revenues from sale

in PLN thousand	2010	2009	2008
Revenues from sale of products	829 939	623 549	1 317 144
Revenues form sale of services	5 237	12 455	32 012
Revenues from sale of goods	67 422	82 182	228 449
Revenues from sale of raw materials	91 867	81 189	161 649
	994 465	**799 375**	**1 739 254**

7. Expenses by type

in PLN thousand	2010	2009	2008
Depreciation and amortisation (note 14 and 15)	(46 348)	(50 915)	(56 112)
Energy and materials consumption	(661 456)	(543 749)	(507 412)
External services	(98 275)	(91 814)	(393 518)
Taxes and charges	(8 024)	(8 602)	(8 960)
Wages and salaries	(69 860)	(81 574)	(116 815)
Compulsory social security contributions and other benefits	(14 612)	(16 384)	(24 478)
Other expenses	(3 229)	(2 859)	(4 179)
Amortization of prepaid perpetual usufruct of land	(379)	(974)	(629)
Cost of goods for resale	(142 662)	(72 064)	(475 017)
Changes in inventories and costs settled	30 645	(29 396)	(33 864)
Total expenses by type	**(1 014 200)**	**(898 331)**	**(1 620 984)**

8. Other income

in PLN thousand	2010	2009	2008
Compensations and penalties received	417	209	279
Insurance indemnities losses	527	726	227
Forgiven liabilities	196	1 082	193
Reimbursed costs of court proceedings	130	39	133
Reversal of impairment for non financial non-current assets	113	178	82
Donations	938	937	322
Interest income	3 046	3 788	5 009
Fees and commissions	218	1 119	1 647
Reversal of allowance for interest receivables	2 001	138	164
Reversal of provisions	-	846	-
Other	1 997	1 069	835
	9 583	**10 131**	**8 891**

9. Other gains / (losses) - net

in PLN thousand	2010	2009	2008
Net gain /(loss)on disposal of property, plant and equipment	7 868	2 180	(69)
Net loss on disposal of intangible assets	491	4 410	(12)
Net gain /(loss) on sales of other investments	2 784	7 971	280
Net foreign exchange gain relating to operating activities	1 279	(6 470)	5 561
Net gain/ (loss) on derivatives	-	5 856	(2 219)
Net gain/ (loss) on revaluation of investments	(2 121)	(9 035)	(2 917)
Revaluation of investments at fair value through profit and loss	-	(3 787)	(2 531)
	10 301	**1 125**	**(1 907)**

10. Other expenses

in PLN thousand	2010	2009	2008
Impairment of tangible and intangible assets	(1 336)	(9 284)	(431)
Costs of court proceedings	(671)	(236)	(135)
Contractual penalties	(323)	(1 553)	(424)
Forgiven receivables	(431)	(299)	(117)
Donations	(3)	(84)	(2 012)
Impairment loss on other receivables and interests	-	(1 137)	(668)
Interest expenses relating to non-financial liabilities	(4 579)	(3 648)	(1 930)
IPO costs	-	(35)	(3 707)
Costs of business relocation	-	(694)	(1 388)
Rental costs	-	(903)	(1 130)
Costs of properties held for sale (allowances)	-	(1 219)	(643)
Renaming process	-	-	(530)
Unused production capacities	(1 178)	(7 267)	-
Restructuring costs	(1 593)	-	-
Goodwill write-off	(5 198)	-	-
Other	(3 047)	(2 393)	(2 386)
	(18 359)	**(28 752)**	**(15 501)**

11. Net financing costs

in PLN thousand	2010	2009	2008
Financial income			
Net gain on purchase of own debt	-	54 855	29 472
Net foreign exchange gain	14 237	4 903	-
Forgiven financial liabilities	205	-	132
Financial income	**14 442**	**59 758**	**29 588**
Financial costs			
Interest expense relating to financial liabilities	(56 866)	(64 501)	(78 580)
Bank fees and commissions (settled using the effective interest rate method)	(6 622)	(12 659)	(8 027)
Net foreign exchange loss	-	-	(65 689)
Forgiven financial receivables	-	-	(32)
Other	(2 633)	-	-
Financial expenses	**(66 121)**	**(77 160)**	**(152 328)**
Net financing costs	**(51 679)**	**(17 402)**	**(122 740)**

12. Income tax expense

Recognised in the profit and loss

in PLN thousand	2010	2009	2008
Current tax expense			
Current year	(12)	(647)	(11 576)
Adjustment to prior years' income tax	-	498	(45)
	(12)	**(149)**	**(11 621)**
Deferred tax expense			
Origination and reversal of temporary differences	(7 412)	2 295	7 204
Unrecognised tax losses/write down of tax losses previously recognised	(24 987)	-	-
Recognition of tax losses which can be utilized	23 441	21 407	844
Recognition of deferred tax for temporary differences not recognized in prior years	-	(97)	(2 824)
	(8 958)	23 605	5 224
Total income tax expense in the profit and loss	**(8 970)**	**23 456**	**(6 397)**

Reconciliation of effective tax rate

in PLN thousand	2010	2010	2009	2009	2008	2008
Profit/(loss) before tax	100.0%	**(69 889)**	100.0%	**(133 854)**	100.0%	**(12 987)**
Income tax using the domestic corporation tax rate	(19.0%)	13 279	(19.0%)	25 432	(19.0%)	2 468
Effect of tax rates in foreign jurisdictions	0.5%	(343)	(0.2%)	275	0.3%	(36)
Non-deductible expenses and tax losses for which no deferred tax asset was recognised	4.3%	(3 026)	4.3%	(5 766)	62.1%	(8 067)
Non-deductible permanent costs	-	-	5.6%	(7 533)	-	-
Tax exempt income	(6.1%)	4 270	(7.8%)	10 384	(1.6%)	208
Tax incentives	(0.5%)	342	-	-	(5.9%)	765
Adjustment to prior years' income tax	0.1%	(100)	0.3%	(394)	0.3%	(45)
Write down of tax losses previously recognised	35.8%	(24 987)	0.1%	(165)	10.3%	(1 343)
Others	(2.3%)	1 595	(0.9%)	1 223	2.7%	(347)
	12.8%	**(8 970)**	(17.5%)	**23 456**	(19.7%)	**(6 397)**

13. Current tax assets and liabilities

As at 31 December 2010 amounting there was no current tax payables (2009: PLN 323 thousand; 2008: PLN 3 591 thousand).

The current tax receivable as at 31 December 2010 amounting to PLN 863 thousand (2009: PLN 3 103 thousand; 2008: PLN 7 351 thousand) represents the amount due from the tax authorities with regard to the excess prepayment of tax for the current years.

14. Property, plant and equipment

in PLN thousand	Land	Buildings	Plant and equipment	Vehicles	Fixtures and fittings	Under construction	Total
Cost							
Balance at 1 January 2008	210 675	392 285	478 722	45 361	8 587	48 608	1 184 238
Acquisitions	-	230	14 333	2 218	567	73 001	90 349
Reclassification	-	-	(11)	-	11	-	-
Transfer to assets held for sale	(148 900)	(102 737)	(95 235)	(2 241)	(3 188)	(6 642)	(358 943)
Transfer to investment properties	-	(6 931)	-	-	-	-	(6 931)
Transfer from fixed assets under construction	3 469	40 003	38 326	4 097	3 842	(89 737)	-
Disposals	(95)	(907)	(3 320)	(2 223)	(602)	(319)	(7 466)
Exchange rate differences	31 632	27 078	18 525	779	610	1 343	79 967
Balance at 31 December 2008	**96 781**	**349 021**	**451 340**	**47 991**	**9 827**	**26 254**	**981 214**
Balance at 1 January 2009	**96 781**	**349 021**	**451 340**	**47 991**	**9 827**	**26 254**	**981 214**
Acquisitions	-	-	6 592	72	21	25 109	**31 794**
Reclassification	(793)	878	(47)	(1)	(105)	68	**-**
Transfer to assets held for sale	(28 217)	(40 686)	(5 498)	(2 534)	(682)	(845)	**(78 462)**
Transfer from fixed assets under construction	-	4 590	23 545	749	783	(29 667)	**-**
Disposals	736	(5 101)	(10 264)	(6 072)	(269)	(1 599)	**(22 569)**
Exchange rate differences	1282	748	(2 206)	275	(20)	132	**211**
Balance at 31 December 2009	**69 789**	**309 450**	**463 462**	**40 480**	**9 555**	**19 452**	**912 188**
Balance at 1 January 2010	**69 789**	**309 450**	**463 462**	**40 480**	**9 555**	**19 452**	**912 188**
Acquisitions	-	-	1 075	268	2	7 222	**8 567**
Reclassification	-	-	33	-	(33)	-	**-**
Transfer to investment properties	(62)	(834)	(23)	-	-	-	**(919)**
Transfer to assets held for sale	(2 316)	(56 759)	(22 483)	(3 569)	(641)	-	**(85 768)**
Transfer to discontinued operations	(64 680)	(76 318)	(29 852)	(287)	(765)	(8 991)	**(180 893)**
Transfer from fixed assets under construction	-	6 765	8 315	395	125	(15 600)	**-**
Disposals	-	(4 484)	(9 824)	(3 446)	(223)	(422)	**(18 399)**
Exchange rate differences	(1 889)	(1 440)	(290)	(35)	(40)	152	**(3 542)**
Balance at 31 December 2010	**842**	**176 380**	**410 413**	**33 806**	**7 980**	**1 813**	**631 234**
Depreciation and impairment losses							
Balance at 1 January 2008	-	(21 278)	(76 051)	(22 376)	(2 215)	(716)	**(122 636)**
Depreciation charge for the year	-	(15 806)	(47 322)	(7 414)	(2 162)	-	**(72 704)**
Impairment loss	-	-	(208)	(34)	-	(253)	**(495)**
Reclassification	-	-	4	-	(4)	-	**-**
Transfer to assets held for sale	-	2 574	8 215	129	376	-	**11 294**

(in PLN thousand, unless stated otherwise)

Disposals	-	444	1 400	1 256	538	-	**3 638**
Exchange rate differences	-	(1 274)	(2 322)	(197)	(92)	(14)	**(3 899)**
Balance at 31 December 2008	**-**	**(35 340)**	**(116 284)**	**(28 636)**	**(3 559)**	**(983)**	**(184 802)**
Balance at 1 January 2009	**-**	**(35 340)**	**(116 284)**	**(28 636)**	**(3 559)**	**(983)**	**(184 802)**
Depreciation charge for the year	(50)	(15 163)	(43 790)	(6 522)	(1 519)	-	**(67 044)**
Impairment loss	(21 534)	(13 636)	(5 288)	34	-	(946)	**(41 370)**
Reclassification	-	(35)	78	-	(43)	-	**-**
Transfer to/from assets held for sale	18 857	13 636	(646)	1 204	75	-	**33 126**
Disposals	-	1 382	5 797	4 923	218	41	**12 361**
Exchange rate differences	143	283	2 864	122	87	7	**3 306**
Balance at 31 December 2009	**(2 584)**	**(48 873)**	**(157 269)**	**(28 875)**	**(4 741)**	**(1 881)**	**(244 223)**
Balance at 1 January 2010	**(2 584)**	**(48 873)**	**(157 269)**	**(28 875)**	**(4 741)**	**(1 881)**	**(244 223)**
Depreciation charge for the year*	(47)	(11 048)	(37 980)	(4 242)	(1 257)	-	**(54 574)**
Impairment loss	-	801	1 571	-	-	540	**2 912**
Reclassification	-	-	(45)	-	45	-	**-**
Transfer to investment properties	3	192	7	-	-	-	**202**
Transfer to assets held for sale	-	6 489	10 010	1 388	385	-	**18 272**
Transfer to discontinued operations	2 555	5 976	5 761	27	242	94	**14 655**
Disposals	-	1 181	5 102	2 557	187	-	**9 027**
Exchange rate differences	62	130	212	34	16	-	**454**
Balance at 31 December 2010	**(11)**	**(45 152)**	**(172 631)**	**(29 111)**	**(5 123)**	**(1 247)**	**(253 275)**
Carrying amounts							
At 1 January 2008	210 675	371 007	402 671	22 985	6 372	47 892	**1 061 602**
At 31 December 2008	96 781	313 681	335 056	19 355	6 268	25 271	**796 412**
At 1 January 2009	96 781	313 681	335 056	19 355	6 268	25 271	**796 412**
At 31 December 2009	67 205	260 577	306 193	11 605	4 814	17 571	**667 965**
At 1 January 2010	67 205	260 577	306 193	11 605	4 814	17 571	**667 965**
At 31 December 2010	831	131 228	237 782	4 695	2 857	566	**377 959**

* depreciation charge for the year 2010 including in continued operations amounted to PLN 42 280 thousands, and in discontinued operations amounted to PLN 12 294 thousands.

Property, plant and equipment

	2010	2009	2008
Land	831	67 205	96 781
Buildings	131 228	260 577	313 681
Plant and equipment	237 782	306 193	335 056
Vehicles	4 695	11 605	19 355
Fixtures and fittings	2 857	4 814	6 268
Under construction	566	17 571	25 271
Total	**377 959**	**667 965**	**796 412**

	2010	2009	2008
Property, plant and equipment pledged as security for liabilities	46 391	206 363	121 887

Leased plant and machinery

The Group leases certain production equipment and vehicles under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment at a beneficial price. At 31 December 2010, the net carrying amount of leased plant and machinery and vehicles was PLN 21 021 thousand (2009: PLN 37 505 thousand; 2008: PLN 71 375 thousand). The leased equipment secures lease obligations (see note 28).

Collateral

At 31 December 2010, property, plant and equipment with a carrying amount of PLN 25 370 thousand (2009: PLN 168 858 thousand, 2008: PLN 50 512 thousand) was provided as collateral for bank loans, overdrafts and as a security for guarantees granted by the Croatian State. Additionally, as described in the preceding paragraph, leased equipment secures lease obligations.

Additionally, as described in the preceding paragraph, leased equipment secures lease obligations.

Impairment loss

	2010	2009	2008
Land	-	(2 536)	-
Buildings	(2 751)	(3 674)	-
Plant and equipment	(3 974)	(5 446)	-
Vehicles	-	(1 152)	-
Fixtures and fittings	-	-	-
Under construction	(296)	(940)	(495)
Total	**(7 021)**	**(13 748)**	**(495)**

As at 31 December 2010, the Group recognized an impairment losses of PLN 7 021 thousand related mainly to unused production plant and machinery. As at 31 December 2009, the impairment loss amounted to PLN 13 748 thousand related mainly to unused production plant and machinery (2008: PLN 495 thousand and was related to discontinued projects under construction).

15. Intangible assets

in PLN thousand	Goodwill	Development costs	Software and other	CO2 emission rights	Total
Cost					
Balance at 1 January 2008	24 347	11 885	22 946	-	**59 178**
Transfer to assets held for sale	-	-	(60)	**-**	**(60)**

(in PLN thousand, unless stated otherwise)

Other acquisitions	-	3 867	1 549	65	**5 481**
Disposals	-	-	(228)	(16)	**(244)**
Exchange rate differences	1 430	-	531	-	**1 961**
Balance at 31 December 2008	**25 777**	**15 752**	**24 738**	**49**	**66 316**
Balance at 1 January 2009	25 777	15 752	24 738	49	**66 316**
Other acquisitions	-	121	2 404	18	**2 543**
Goodwill in sold subsidiary	(862)	-	-	-	**(862)**
Disposals	-	(10)	(264)	(16)	**(290)**
Exchange rate differences	-	-	(72)	-	**(72)**
Balance at 31 December 2009	**24 915**	**15 863**	**26 806**	**51**	**67 635**
Balance at 1 January 2010	**24 915**	**15 863**	**26 806**	**51**	**67 635**
Other acquisitions	-	65	753	19	**837**
Transfer to assets held for sale	-	-	(873)	-	**(873)**
Transfer to discontinued operations	(8 905)	-	(1 611)	-	**(10 516)**
Disposals	(423)	(2 312)	(367)	(16)	**(3 118)**
Exchange rate differences	(332)	-	(126)	-	**(458)**
Balance at 31 December 2010	**15 255**	**13 616**	**24 582**	**54**	**53 507**
Amortisation and impairment losses					
Balance at 1 January 2008	(1 032)	(3 809)	(8 364)	-	**(13 205)**
Amortisation for the year	-	(1 242)	(5 609)	(18)	**(6 869)**
Impairment loss	-	82	-	-	**82**
Disposals	-	-	235	5	**240**
Exchange rate differences	-	-	(297)	-	**(297)**
Balance at 31 December 2008	**(1 032)**	**(4 969)**	**(14 035)**	**(13)**	**(20 049)**
Balance at 1 January 2009	(1 032)	(4 969)	(14 035)	(13)	**(20 049)**
Amortisation for the year	-	(2 700)	(2 874)	(11)	**(5 585)**
Impairment loss	-	(187)	-	-	**(187)**
Disposals	-	-	271	-	**271**
Exchange rate differences	-	-	90	-	**90**
Balance at 31 December 2009	**(1 032)**	**(7 856)**	**(16 548)**	**(24)**	**(25 460)**
Balance at 1 January 2010	(1 032)	(7 856)	(16 548)	(24)	**(25 460)**
Amortisation for the year	-	(2 483)	(2 468)	(12)	**(4 963)**
Impairment loss	(5 198)	348	(2 066)	-	**(6 916)**
Transfer to assets held for sale	-	-	767	-	**767**
Transfer to discontinued operations	-	-	1 019	-	**1 019**
Disposals	-	2 099	341	-	**2 440**
Exchange rate differences	-	-	93	-	**93**
Balance at 31 December 2010	**(6 230)**	**(7 892)**	**(18 862)**	**(36)**	**(33 020)**
Carrying amounts					
At 1 January 2008	23 315	8 076	14 582	-	**45 973**
At 31 December 2008	24 745	10 783	10 703	36	**46 267**
At 1 January 2009	24 745	10 783	10 703	36	**46 267**

At 31 December 2009	23 883	8 007	10 258	27	**42 175**
At 1 January 2010	23 883	8 007	10 258	27	**42 175**
At 31 December 2010	9 025	5 724	5 720	18	**20 487**

Intangible assets:

in PLN thousand

	2010	**2009**	**2008**
Goodwill	9 025	23 883	24 745
Development costs	5 724	8 007	10 783
Emission rights	18	27	36
Software and other	5 720	10 258	10 703
Total	**20 487**	**42 175**	**46 267**

Impairment losses

As at 31 December 2010, the Group recognized the impairment loss of PLN 2 066 thousand (2009: recognition of PLN 187 thousand; 2008: reversal of PLN 82 thousand) excluding goodwill. Impairment losses recognized in 2010 and 2009 relates to development costs and in 2010 also to a trademark, whereas recognized in 2008 related mainly to a decrease in the market value of CO_2 emission rights as compared to their carrying value.

Leased intangible assets

The Group leases certain intangible assets under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the leased asset. At 31 December 2010, the net carrying amount of leased intangible assets was PLN 2 506 thousand (2009: PLN 3 095 thousand; 2008: PLN 3 683 thousand).

Amortisation and impairment loss charge

The amortisation and impairment loss is recognised in the following line items in the profit and loss:

in PLN thousand	**2010**	**2009**	**2008**
Cost of sales	(2 418)	(2 700)	(1 217)
Distribution expenses	(10)	(220)	(354)
Administration expenses	(2 534)	(2 665)	(5 216)
Other expenses	(1 718)	(187)	-
	(6 681)	**(5 772)**	**(6 787)**

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the group's cash-generating units (CGUs) identified according to operating segment:

in PLN thousand	**2010**	**2009**	**2008**
Scrap division	5 029	5 029	5 029
Production division	3 996	9 193	9 193
Distribution division	-	9 661	10 523
	9 025	**23 883**	**24 745**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the steel business in which the CGU operates.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the steel business in which the CGU operates.

The key assumptions used for value-in-use calculations in 2010 are as follows:

	Scrap division	Production division	Distribution division
Discount rate before tax	21.5%	17.9%	19.4%
Growth rate	2.0%	2.0%	2.0%

The key assumptions used for value-in-use calculations in 2009 are as follows:

	Scrap division	Production division	Distribution division
Discount rate before tax	21.5%	17.9%	19.4%
Growth rate	2.0%	2.0%	2.0%

The key assumptions used for value-in-use calculations in 2008 are as follows:

	Scrap division	Production division	Distribution division
Discount rate before tax	27.5%	16.0%	19.3%
Growth rate	2.0%	2.0%	2.0%

These assumptions have been used for the analysis of each CGU within the operating segment.
Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

As the result of the impairment test as at 31 December 2010, goodwill relating to production division in the amount of PLN 5 198 thousands was written down. Additionally goodwill in the distribution division in the amount of PLN 8 905 thousands was transferred to assets held for sale.

16. Investment property

in PLN thousand	2010	2009	2008
Balance at 1 January	603	11 385	603
Transfer from tangible fixed assets	717	-	6 827
Transfer from prepaid perpetual usufruct of land	-	-	4 377
Transfer to fixed assets held for sale	-	(10 360)	-
Amortization for the period	-	(422)	(422)
Balance at 31 December	**1 320**	**603**	**11 385**

In Management's assessment the balance sheet value of investment property is similar to its fair value. In 2010 the Group didn't receive revenues from renting investment properties (2009: revenues in the value of PLN 4 282 thousand; 2008: revenues in the value of PLN 3 887 thousand).

17. Investments in associates (for the period since obtaining control over Cognor Stahlhandel GmbH Group)

As at 31 December 2010 the Group has no investments in associates other that those included in disposal group.

31.12.2009 *in PLN thousand*	**Shares in associates**	**Assets**	**Payables**	**Equity**	**Revenues**	**Profit / loss for the period**	**% of shares in associates**	**Profit / loss attributable to the parent Company**
Vastad Edelstahl Handels GmbH	**5 050**	19 580	3 089	4 622	67 483	(4 340)	50%	(2 170)
Balance at 31 December 2009	**5 050**	**19 580**	**3 089**	**4 622**	**67 483**	**(4 340)**	**50%**	**(2 170)**

Arge Baustal Essen Blasy-Neptun GmbH was sold by the Group in 2009.

31.12.2008 *in PLN thousand*	**Shares in associates**	**Assets**	**Payables**	**Equity**	**Revenues**	**Profit / loss for the period**	**% of shares in associates**	**Profit / loss attributable to the parent Company**
Vastad Edelstahl Handel GmbH	**7 215**	23 274	4 757	7 364	89 683	(706)	50%	(353)
Arge Baustal Essen Blasy-Neptun GmbH	**4 698**	36 037	31 447	4 590	195 833	1 996	50%	998
Balance at 31 December 2008	**11 913**	**59 311**	**36 204**	**11 954**	**285 516**	**1 290**	**50%**	**645**

18. Other investments

in PLN thousand	**2010**	**2009**	**2008**
Non-current investments			
Loans granted	39	-	6 000
Shares in non-consolidated entities	2 805	8 124	12 120
Other	-	267	54
	2 844	**8 391**	**18 174**
Current investments			
Loans granted	-	592	323
Shares in non-consolidated entities	10	4 250	-
Financial instruments	-	-	3 618
Other	-	694	705
	10	**5 536**	**4 646**

An impairment loss amounting to PLN 13 846 thousand (with respect to current loans granted PLN 685 thousand and to shares in non-consolidated entities PLN 13 161 thousand) was recognised on 31 December 2010 due to financial difficulties of the borrowers and situation of entities. In previous years an impairment loss was recognized only with respect of loans (2009: PLN 2 780 thousand; 2008: PLN 107 thousand).

As at 31 December 2010, 2009 and 2008 shares in consolidated subsidiaries:
- Zlomrex International Finance SA,
- Ferrostal Łabędy Sp. z o.o,
- ZW-Walcownia Bruzdowa Sp. z o.o.,
- Odlewnia Metali Szopienice Sp. z o.o.,
- HSW-HSJ S.A.,
- Business Support Services Sp. z o.o.,

are pledged as security for High Yield Bonds listed on the Luxembourg Stock Exchange.
During 2008 and 2009 and till December 2010 shares in Cognor Stahlhandel GmbH were also pledged as security, but taking into consideration the plan of these shares sale after acceptance of bondholders, the pledge was removed. In 2010

shares in Złomrex Metal Sp. z o.o. (also subsidiary) were pledged as security for High Yield Bonds on Luxembourg Stock Exchange.

19. Perpetual usufruct of land

in PLN thousand	2010	2009	2008
Balance at 1 January	46 023	59 301	64 129
Acquisition	755	365	491
Transfer to investment property	-	-	(4 377)
Transfer to fixed assets held for sale	(26 889)	(7 852)	-
Disposal	-	(4 436)	-
Amortization for the period	(470)	(1 355)	(942)
Balance at 31 December	**19 419**	**46 023**	**59 301**

20. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

in PLN thousand

	Assets			Liabilities			Net		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Property, plant and equipment	-	-	419	(19 806)	(27 842)	(31 899)	**(19 806)**	**(28 122)**	**(31 480)**
Intangible assets	1 547	2 588	2 873	(122)	(734)	(870)	**1 425**	**2 134**	**2 003**
Investment property	75	75	75	-	-	-	**75**	**75**	**75**
Other investments	4 481	9 858	-	(2 705)	(2 487)	(254)	**1 776**	**7 371**	**(254)**
Prepaid perpetual usufruct of land	2 154	2 383	1 667	(1 305)	(4 146)	(1 828)	**849**	**(1 763)**	**(161)**
Inventories	2 478	5 239	4 977	(176)	-	(3 017)	**2 302**	**5 239**	**1 960**
Trade and other receivables	929	1 099	1 979	(3 958)	(4 486)	(4 965)	**(3 029)**	**(3 387)**	**(2 986)**
Interest bearing loans and borrowings	6 341	6 238	4 752	(104)	600	(1 653)	**6 237**	**6 838**	**3 099**
Employee benefits	3 506	5 781	7 272	-	-	-	**3 506**	**5 781**	**7 272**
Provisions	69	72	138	-	-	-	**69**	**72**	**138**
Trade and other payables	6 829	5 545	6 274	-	-	-	**6 829**	**5 545**	**6 274**
Other items	-	257	1 094	(1 451)	(5 867)	(7 001)	**(1 451)**	**(5 610)**	**(5 907)**
Tax value of loss carry-forwards recognised	33 685	46 830	15 788	-	-	-	**33 685**	**46 830**	**15 788**
Tax assets/(liabilities)	**62 094**	**85 965**	**47 308**	**(29 627)**	**(44 962)**	**(51 487)**	**32 467**	**41 003**	**(4 179)**
- to be recovered after more than 12 months	44 700	75 750	36 882	(27 086)	(40 644)	(34 329)	-	-	-
- to be recovered within 12 months	17 394	10 215	10 426	(2 541)	(4 318)	(17 158)	-	-	-
Set off of tax assets/liabilities	(21 088)	(28 767)	(15 974)	21 088	28 767	15 974	-	-	-
Net deferred tax assets/liabilities	**41 006**	**57 198**	**31 334**	**(8 539)**	**(16 195)**	**(35 513)**	**-**	**-**	**-**

Movement in temporary differences during the year

in PLN thousand	Balance 1 Jan 2010	Recognised in income and in foreign currency translation	Recognised through business combinations	Balance 31 Dec 2010
Property, plant and equipment	(28 122)	8 316	-	(19 806)
Intangible assets	2 134	(709)	-	1 425
Investment property	75	-	-	75
Other investments	7 371	(5 595)	-	1 776
Prepaid perpetual usufruct of land	(1 763)	2 612	-	849
Inventories	5 239	(2 937)	-	2 302
Trade and other receivables	(3 387)	358	-	(3 029)
Interest-bearing loans and borrowings	6 838	(601)	-	6 237
Employee benefits	5 781	(2 275)	-	3 506
Provisions	72	(3)	-	69
Trade and other payables	5 545	1 284	-	6 829
Other items	(5 610)	4 159	-	(1 451)
Tax value of loss carry-forwards expected to be utilised	46 830	(13 145)	-	33 685
	41 003	**(8 536)**	**-**	**32 467**
Transfer of deferred tax to disposal group of assets	**-**	(450)	**-**	**-**
Foreign exchange rate differences		28		
Recognised in the profit and loss	**-**	**(8 958)**	**-**	**-**
	41 003	**(8 536)**	**-**	**32 467**

	Balance 1 Jan 2009	Recognised in income	Recognised through business combinations	Balance 31 Dec 2009
Property, plant and equipment	(31 480)	3 358	-	(28 122)
Intangible assets	2 003	131	-	2 134
Investment property	75	-	-	75
Other investments	(254)	7 625	-	7 371
Prepaid perpetual usufruct of land	(161)	(1 602)	-	(1 763)
Inventories	1 960	3 279	-	5 239
Trade and other receivables	(2 986)	(401)	-	(3 387)
Interest-bearing loans and borrowings	3 099	3 739	-	6 838
Employee benefits	7 272	(1 491)	-	5 781
Deferred government grants	-	-	-	-
Provisions	138	(66)	-	72
Trade and other payables	6 274	(729)	-	5 545
Other items	(5 907)	297	-	(5 610)
Tax value of loss carry-forwards expected to be utilised	15 788	31 042	-	46 830
	(4 179)	**45 182**	**-**	**41 003**
Transfer of deferred tax to disposal group of assets		(21 915)		
Foreign exchange rate differences	**-**	338	**-**	**-**
Recognised in the profit and loss	**-**	**23 605**	**-**	**-**
	(4 179)	**45 182**	**-**	**41 003**

	Balance 1 Jan 2008	Recognised in income	Recognised through business combinations	Balance 31 Dec 2008
Property, plant and equipment	(65 337)	33 857	-	(31 480)
Intangible assets	2 490	(487)	-	2 003
Investment property	38	37	-	75
Other investments	499	(753)	-	(254)
Prepaid perpetual usufruct of land	(602)	441	-	(161)
Inventories	1 647	313	-	1 960
Trade and other receivables	(4 930)	1 944	-	(2 986)
Interest-bearing loans and borrowings	8 591	(5 492)	-	3 099
Employee benefits	6 894	378	-	7 272
Deferred government grants	676	(676)	-	-
Provisions	523	(385)	-	138
Trade and other payables	3 459	2 815	-	6 274
Other items	(4 540)	(1 367)	-	(5 907)
Tax value of loss carry-forwards expected to be utilised	4 770	11 018	-	15 788
	(45 822)	**41 643**	**-**	**(4 179)**
Transfer of deferred tax to disposal group of assets	**-**	(30 368)	**-**	**-**
Foreign exchange rate differences	**-**	(6 051)	**-**	**-**
Recognised in the profit and loss	**-**	**5 224**	**-**	**-**
	(45 822)	**41 643**	**-**	**(4 179)**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

in PLN thousand

	2010	2009	2008
Tax losses	26 997	35 785	15 679
Other	-	9 470	-
Total	**26 997**	**45 255**	**15 679**

The tax losses presented in the aforementioned table expire in 2013 (PLN 5 414 thousand), in 2014 (PLN 12 497 thousand) and in 2015 (PLN 9 086 thousand). Deferred tax assets have not been recognized in respect of these items due to uncertainty that future taxable profit will be available against which the benefits can be utilized.

21. Inventories

in PLN thousand

	2010	2009	2008
Raw materials	39 051	33 413	68 672
Semi-finished goods and work in progress	46 688	24 678	56 873
Finished goods	40 287	65 293	130 503
Goods for resale	56 614	133 517	309 678
	182 640	**256 901**	**565 726**

Movements in allowances for inventories

	2010	2009	2008
Opening balance	**(30 202)**	**(44 726)**	**(3 137)**
Recognition	**(5 830)**	**(63 252)**	**(41 589)**
Utilization	**2 350**	**19 517**	**-**
Realisation	**8 358**	**58 428**	**-**
Transfer to discontinued operations	**13 783**	**-**	**-**
Exchange rate differences	**-**	**(169)**	**-**
Closing balance	**(11 541)**	**(30 202)**	**(44 726)**

Inventories are presented net of allowances amounting to PLN 11 541 thousand (2009: PLN 30 202 thousands; 2008: PLN 44 726 thousands). Allowances related mainly to goods for resale and finished goods with a net realisable value below cost. The write-down and reversal are recognized in cost of sales.

As at 31 December 2010, inventories with a carrying value of PLN 120 837 thousand (2009: PLN 130 543 thousand; 2008: PLN 110 822 thousand) were subject to pledges as collateral for bank loans and overdrafts.

22. Trade and other receivables

Short-term receivables

in PLN thousand	**2010**	**2009**	**2008**
Trade receivables	111 967	171 025	294 540
Interest receivables	521	318	686
Bills of exchange	2 062	3 215	2 428
Statutory receivables excluding income tax	24 861	11 851	19 883
Prepayments for services, inventories and fixed assets under construction	818	9 444	8 681
Dividends receivable	-	2 282	2 549
Other receivables	3 628	7 318	28 596
	143 857	**205 453**	**357 363**

Long-term receivables

in PLN thousand	**2010**	**2009**	**2008**
Trade receivables	-	1 226	1 171
Other receivables	241	2 069	362
	241	**3 295**	**1 533**

As at 31 December 2010, trade and other receivables are presented net of impairment allowances amounting to PLN 22 462 thousand (2009: PLN 38 580 thousand; 2008: PLN 24 511 thousand). The allowances were recognised due to expected difficulties in the collection of amounts due.

At 31 December 2010, receivables with a carrying value of PLN 84 676 thousand (2009: PLN 70 373 thousand; 2008: PLN 80 855 thousand) were provided as collateral for bank loans and overdrafts. Factoring receivables secures factoring liabilities (see note 28).

23. Cash and cash equivalents

in PLN thousand	2010	2009	2008
Cash in bank	8 815	31 849	92 445
Cash in bank restricted in use	63	-	-
Cash in hand	239	420	731
Short-term bank deposits	-	-	6 104
Other	220	227	225
Cash and cash equivalents	**9 337**	**32 496**	**99 505**
Bank overdrafts	(86 782)	(129 543)	(115 888)
Cash and cash equivalents presented as assets of disposal group	6 900	(2 197)	(2 199)
Cash and cash equivalents in the statement of cash flows	**(70 545)**	**(99 244)**	**(18 582)**

At 31 December 2010, cash and cash equivalents in the amount of PLN 27 949 thousand (2009: PLN 1 506 thousand; 2008: PLN 820 thousand) was pledged as security for liabilities.

24. Assets classified as held for sale

in PLN thousand	2010	2009	2008
Balance at 1 January	43 039	5 703	5 996
Acquisition	104	-	-
Transfer from tangible fixed assets	67 496	45 336	-
Transfer from intangible assets	106	-	-
Transfer from prepaid perpetual usufruct of land	26 889	7 852	-
Transfer from investment property	-	10 360	-
Disposal	(33 055)	(23 763)	-
Amortization for the period	(2 065)	-	-
Impairment loss	1 219	(1 219)	(293)
Exchange rate differences	-	(1 230)	-
Balance at 31 December	**103 733**	**43 039**	**5 703**

On 26th of November 2010, Cognor S.A. (subsidiary of Złomrex S.A.) entered into conditional asset sale agreement with ArcelorMittal Distribution Poland Sp. z o.o. and ArcelorMittal Distribution Solutions Poland Sp. z o.o. Anticipated scope of this transaction relates to Cognor's distribution operations in Poland in particular to:

- sell 11 warehouses,
- lease and sub lease transfer pertaining to 2 warehouses,
- sell movable assets located in the above sites,
- sell inventories located in the above sites,
- transfer certain IT licenses.

In connection with this agreement the tangible and intangible assets which will be sold were transferred to assets held for sale. The total price agreed amounts to PLN 149 million, excluding inventory.

25. Assets of disposal group and discontinued operations

The assets and liabilities related to company Zeljezara Split (Croatia) have been presented as held for sale following the decision of Board Members of Parent Company to sell this subsidiary. In the end of 2008, first meetings with potential investors took place. In 2009 an agreement was concluded between Croatian Privatisation Fund and Zlomrex SA relating to the sale of shares and loans granted to Zeljezara Split. The sale of shares in Zeljezara Split was not finalized in course of 2009 and 2010 as additional conditions were imposed on Złomrex S.A. to complete the sale. The Management has taken all necessary steps to address the change of conditions and the transaction is expected to be finalized within 2011.

The assets and liabilities related to Zeljezara Split (Croatia) have been presented as held for sale following the decision of Board Members of Parent Company to sell this subsidiary at the end of 2008. In 2009 an agreement was concluded between Croatian Government and Zlomrex SA relating to the sale of all shares together with all claims against Zeljezara Split. The sale of shares in Zeljezara Split was not finalized in the course of 2009 and 2010 at the request of the Croatian side to postpone the closing for a limited period of time. Then the Croatian Government refused to fulfill the agreement at all and proposed other terms which are not acceptable to Złomrex. At present Złomrex has undertaken all necessary actions to enforce its rights.

Moreover, the sale of Cognor Stahlhandel GmbH (Austria) subgroup was decided by Group Management and preliminary contract were signed before year-end date. As a result of the above, all assets and liabilities of Cognor Stahlhandel GmbH was classified as a disposal group. At the date of reclassification, the net assets of the Cognor Stahlhandel GmbH subgroup was valued at the amount which will be recovered through sale. The sale transaction was concluded on the 4th February 2011. For details please refer to note 36.

in PLN thousand	2010	2009	2008
Operating cash flows	7 812	146 365	96 483
Investing cash flows	34 097	10 631	(58 380)
Financing cash flows	(19 496)	(162 101)	(35 338)
Total cash flows	**22 413**	**(5 105)**	**2 765**

Assets of disposal group classified as held for sale

in PLN thousand	2010	2009	2008
Property, plan and equipment	335 320	180 084	195 752
Intangible assets	592	62	63
Investments	15 156	1 261	1 377
Deferred tax assets	9 488	-	-
Inventories	92 925	9 281	17 112
Trade and other receivables	70 730	5 271	36 354
Cash and cash equivalents	20 323	55	62
	544 534	**196 014**	**250 720**

Liabilities of disposal group classified as held for sale

in PLN thousand	2010	2009	2008
Interest-bearing loans and borrowings	88 903	23 622	36 049
Employee benefits	29 717	2 711	2 099
Deferred tax liabilities	48 014	41 834	42 517
Bank overdraft	13 423	2 252	2 261
Provisions for payables	1 453	1 341	1 348
Trade and other payables	189 488	83 064	64 944
Deferred government grants and other deferred income	103	108	108
	371 101	**154 932**	**149 326**

Analysis of the result of discontinued operations, and the result recognized on the remeasurement of disposal group, is as follows:

in PLN thousand	2010	2009	2008
Revenue	1 166 099	1 248 515	2 516 792
Expenses	(1 214 920)	(1 428 236)	(2 542 591)
Loss before tax of discontinued operations	(48 821)	(179 721)	(25 799)
Tax	1 248	12 267	(2 708)
Loss after tax of discontinued operations	(47 573)	(167 454)	(28 507)
Impairment loss	(40 545)	(11 388)	(151 897)
Loss for the year from discontinued operations	**(88 118)**	**(178 842)**	**(180 404)**

26. Equity

Issued share capital

At 31 December 2010, the parent Company's share capital comprised 47 691 000 ordinary shares (2009: 47 691 000; 2008: 47 691 000) with a nominal value of PLN 1 each.
At 31 December 2010, 31 December 2009 and 31 December 2008 the parent Company was wholly-owned by Mr. Przemysław Sztuczkowski.
In accordance with the High Yield Bonds agreement the Group is allowed to make payment of dividend only up to the limit of EUR 5 million.

Reserves

in PLN thousand	Supplementary reserves	Other reserves	Total
Equity as at 1 January 2008	**161 043**	**5 000**	**166 043**
Transfer of profit	45 709	20 000	**65 709**
Dividends paid	-	(10 000)	**(10 000)**
Equity as at December 2008	**206 752**	**15 000**	**221 752**
Equity as at 1 January 2009	**206 752**	**15 000**	**221 752**
Transfer of profit	3 207	-	**3 207**
Equity as at December 2009	**209 959**	**15 000**	**224 959**
Equity as at 1 January 2010	**209 959**	**15 000**	**224 959**
Transfer of profit	(21 335)	-	**(21 335)**
Equity as at December 2010	**188 624**	**15 000**	**203 624**

As at 31 December 2010, 31 December 2009 and 31 December 2008 the distributable profit equals to PLN 129 236 thousand.

27. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2010 was based on the loss attributable to ordinary shareholders of PLN 129 461 thousand (2009: loss PLN 259 155 thousand; 2008: loss PLN 190 160 thousand,) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2010 of 47 691 000 (2009: 47 691 000, 2008: 47 691 000).
As at 31 December 2010, 31 December 2009 and 31 December 2008 there were no factors that would result in dilution of earnings per share.

28. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 32.

in PLN thousand

	2010	2009	2008
Non-current liabilities			
Secured bank loans	125	7 573	45 569
Secured fixed interest debt	494 063	507 691	625 635
Finance lease liabilities	9 034	19 003	28 175
	503 222	**534 267**	**699 379**
Current liabilities			
Current portion of secured bank loans	34 389	101 787	118 937
Current portion of secured fixed interest debt	17 813	18 479	22 998
Current portion of finance lease liabilities	10 731	14 101	22 591
Factoring and bill of exchange liabilities	13 325	5 417	60 062
Reverse factoring	22 989	22 007	-
Other borrowings	8 129	8 265	18 200
	107 376	**170 056**	**242 788**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2010 (excluding lease liabilities)

in PLN thousand	Total	Less than one year	Between one and three years	Between three and five years	More than five years
Secured bank loans	34 514	34 389	125	-	-
Secured debt securities with fixed interest	511 876	17 813	-	494 063	-
Factoring and bill of exchange liabilities	13 325	13 325	-	-	-
Reverse factoring	22 989	22 989	-	-	-
Other borrowings	8 129	8 129	-	-	-
	590 833	**96 645**	**125**	**494 063**	**-**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2009 (excl. lease liabilities)

in PLN thousand	Total	Less than one year	Between one and three years	Between three and five years	More than five years
Secured bank loans	109 360	101 787	3 923	3 650	-
Secured debt securities with fixed interest	526 170	18 479	-	507 691	-
Factoring and bill of exchange liabilities	5 417	5 417	-	-	-
Reverse factoring	22 007	22 007	-	-	-
Other borrowings	8 265	8 265	-	-	-
	671 219	**155 955**	**3 923**	**511 341**	**-**

Repayment schedule of secured bank loans and other borrowings as at 31 December 2008 (excl. lease liabilities)

in PLN thousand	Total	Less than one year	Between one and three years	Between three and five years	More than five years
Secured bank loans	164 506	118 937	39 544	3 709	2 316
Secured debt securities with fixed interest	648 633	22 998	-	-	625 635
Factoring and bill of exchange liabilities	60 062	60 062	-	-	-
Other borrowings	18 200	18 200	-	-	-

	891 401	**220 197**	**39 544**	**3 709**	**627 951**

Finance lease liabilities

in PLN thousand	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	2010	**2010**	**2010**	**2009**	**2009**	**2009**	**2008**	**2008**	**2008**
Less than one year	11 740	1 009	10 731	15 685	1 584	14 101	26 461	3 870	22 591
Between one and five years	9 852	818	9 034	20 330	1 327	19 003	33 055	4 880	28 175
	21 592	**1 827**	**19 765**	**36 015**	**2 911**	**33 104**	**59 516**	**8 750**	**50 766**

There are no contingent rental payables under the terms of the lease agreements.

Explanatory notes to the historical consolidated financial information
(in PLN thousand, unless stated otherwise)

Analysis of bank overdraft:

Financial institution	Current limit	Balance as at 31 December 2010	Type of liability	Date of granting	Repayment date	Interest	Security
Bank PEKAO S.A.	23 000	22 870	Bank overdraft	2007-11-12/ 2008-04-02	2011-03-31	WIBOR 1M+margin	- proxy to the bank account, -blank promissory note guaranteed by ZŁOMREX S.A., - statement of enforcement, - registered pledge on inventories, - assignment of receivables, - bank bill of exchange, - registered pledge on properties.
Bank Polska Kasa Opieki S.A.	19 700	18 574	Bank overdraft	2007-11-16/ 2009-06-22	2011-03-31	WIBOR 1M+margin	- proxy to the bank account, -blank promissory note guaranteed by ZŁOMREX S.A., - statement of enforcement, - registered pledge on inventory with reassignment of insurance rights, - registered pledge on properties.
BRE Bank S.A.	41 000	39 095	Bank overdraft	2007-10-03/ 2008-09-01	2011-03-31	WIBOR 1M+margin; WIBOR O/N+margin	- proxy to the bank account, - blank bill of exchange guaranteed by ZŁOMREX S.A., - assignment of receivables of the customers, - registered pledge on inventory, - statement of enforcement.
ING Bank Śląski S.A.	3 500	3 368	Bank overdraft	2009-10-27	2011-03-31	WIBOR 1M+margin	- blank bill of exchange, - registered pledge on inventories, - registered pledge on property in Opole with reassignment of insurance rights.
Bank Gospodarki Żywnościowej S.A.	4 000	2 875	Bank overdraft	2010-08-25	2011-08-24	WIBOR 1M+margin	- registered pledge on properties with reassignment of insurance rights, - registered pledge on inventory with reassignment of insurance rights, - proxy to the bank account.
Total:	**91 200**	**86 782**					

Explanatory notes to the historical consolidated financial information
(in PLN thousand, unless stated otherwise)

Analysis of secured and non-secured bank loans and borrowings:

Financial institution	Non-current portion of liability	Current portion of liability	Type of liability	Date of granting	Repayment date	Interest	Security
Agencja Rozwoju Przemysłu S.A.	125	75	loan	2009-08-28	2013-08-31	WIBOR 1M+margin	- registered pledge on inventories, - blank bill of exchange, - proxy to the bank account.
BRE S.A.	-	34 200	Current credit	2009-02-26/ 2010-04-03	2011-03-31	WIBOR 1M + margin,	- blank bill of exchange guaranteed by ZŁOMREX S.A., - assignment of receivables from customers, - registered pledge on the borrower's inventories, - registered pledge on securities of Cognor S.A.,
Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej w Rzeszowie	-	44	loan	2005-08-18	2011-06-30	70% of bill rediscount (not less than 4.0%)	- bank guarantee, - registered pledge on fixed assets.
Bank BPH S.A.	-	70	Current credit	2010-10-14	2011-10-07	WIBOR 1M+margin	None
Total:	**125**	**34 389**					

Analysis of lease agreements:

Name of financial institution	Non-current portion of liabilities	Current portion of liabilities	Type of liability	Date of granting	Repayment date	Interest	Security / Pledge
BPH Leasing S.A.	-	83	lease	2006-08-11	2011-07-11	Fixed interest rate	- blank bill of exchange, - leased equipment.
BRE Leasing Sp. z o.o.	1 117	622	lease	2005-01-07 /2007-12-23	2010-11-30/ 2013-12-28	WIBOR 1M + margin LIBOR 1M + margin	- blank bill of exchange, - leased equipment.
ECS International Polska Sp.z o.o.	-	2 230	lease	2006-07-01	2011-02-28	LIBOR 3M + margin	- blank bill of exchange.
Europejski Fundusz Leasingowy S.A.	-	158	lease	2007-09-01/ 2007-09-07	2010-08-07/ 2011-08-01	WIBOR 3M + margin Fixed interest rate	- blank bill of exchange, - leased equipment.

(in PLN thousand, unless stated otherwise)

Name of financial institution	Non-current portion of liabilities	Current portion of liabilities	Type of liability	Date of granting	Repayment date	Interest	Security / Pledge
Fortis Lease Polska Sp. z o.o.	2 795	2 081	lease	2006-07-12/ 2008-01-08	2011-08-13/ 2013-03-31	WIBOR 1M + margin LIBOR 1M + margin	- blank bill of exchange, - leased equipment.
IBM Polska Sp. z o.o.	-	131	lease	2008-12-29	2011-12-31	Fixed interest rate	- blank bill of exchange, - leased equipment.
MERCEDES BENZ LEASING POLSKA SP. Z O.O.	-	28	lease	2008-08-08	2011-07-01	Fixed interest rate	- leased equipment.
Millennium Leasing Sp. z o.o.	3 652	3 167	lease	2007-01-05/ 2010-12-27	2011-01-05/ 2014-06-30	WIBOR 1M+margin, WIBOR 3M+margin,	- blank bill of exchange, - leased equipment.
Pekao Leasing Sp.z o.o	-	191	lease	2006-05-01	2011-04-01	LIBOR 1M+margin, WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
Raiffiesen Leasing Polska S.A.	681	786	lease	2007-01-31/ 2008-08-17	2011-08-17/ 2012-07-31	LIBOR 1M+margin	- blank bill of exchange, - leased equipment.
SG Equipment Leasing Polska S.A	783	182	lease	2009-06-22	2014-07-31	WIBOR 1M+margin	- blank bill of exchange, - leased equipment.
VB Leasing Polska S.A.	6	1 072	lease	2006-09-15/ 2007-12-10	2011-08-15/ 2011-09-30	LIBOR 3M+margin	- blank bill of exchange, - leased equipment.
Total:	**9 034**	**10 731**					

Analysis of factoring agreements:

Name of financial institution	Non-current portion of liabilities	Current portion of liabilities	Type of liability	Date of granting	Repayment date	Interest	Security / Pledge
SEB Commercial Finance Sp. z o.o.	-	13 325	factoring	2008-05-05/ 2010-01-20	2011-02-28/ 2011-03-31	WIBOR 1M+margin	- blank bill of exchange, - proxy to the bank account, - reassignment of insurance rights.
Total:	-	**13 325**					

Explanatory notes to the historical consolidated financial information
(in PLN thousand, unless stated otherwise)

Analysis of other interest bearing liabilities:

Name of financial institution	Non-current portion of liabilities	Current portion of liabilities	Type of liability	Date of granting	Repayment date	Interest	Security / Pledge
HY bonds listed on the Luxembourg Stock Exchange (Euro MTF)	494 063	17 813	HY bonds	2007-01-29	2014-01-29	8,50%	First priority pledges on shares in: - Zlomrex International Finance S.A., - Ferrostal Łabędy Sp. z o.o, - ZW-Walcownia Bruzdowa Sp. z o.o., - Odlewnia Metali Szopienice Sp. z o.o., - HSW-HSJ S.A., - Business Support Services Sp. z o.o., - Złomrex Metal Sp. z o.o.
BRE BANK S.A.	-	22 989	Reverse factoring	2007-10-03	2011-03-31	WIBOR 1M+margin	- bill of exchange, - blank promissory note, - statement of enforcement.
Narodowy Fundusz Ochrony Środowiska I Gospodarki Wodnej	-	5 319	loan	1994-01-18	2010-12-28	WIBOR 1M+margin	- pledge on production line.
Others	-	2 810	loan	2009-05-28/ 2010-11-10	2009-06-23/ 2013-12-31	Fixed interest rate	None
Total:	**494 063**	**48 931**					

The aforementioned margins relating to the interest bearing loans and borrowings are classified depending on the floating rates they relate to. The analysis of the margins is presented below:

- WIBOR 1M – margin between 1,5% and 8%,
- WIBOR O/N – margin 3%,
- WIBOR 3M – margin between 4,18% and 4,42%,
- LIBOR 1M – margin between 0,3% and 0,6%,
- LIBOR 3M – margin 5,41%.

Fixed interest rates fall between 4,76% and 9,2%.

As at 31 December 2008 Ferrostal Łabędy didn't meet all financial covenants arising from current credit in BZ WBK S.A. As at balance sheet day the liability amounted to PLN 14 341 thousand. Bank didn't withdraw from the agreement, but increased the margin by 1%.
As at 31 December 2009 Ferrostal Łabędy didn't meet all financial covenants arising from current credit in BZ WBK S.A. As at balance sheet day the liability amounted to PLN 4 872 thousand. Bank didn't withdraw from the agreement, but increased the margin by 1%.
As at 31 December 2010 Ferrostal Łabędy didn't meet all financial covenants arising from current credit in BRE Bank S.A. As at balance sheet day the liability amounted to PLN 34 200 thousand. Bank didn't withdraw from the agreement.

Overdraft in the amount of PLN 22 870 thousand due to PEKAO SA until 31 March 2011, overdraft in the amount of PLN 18 754 thousand due to PKO SA until 31 March 2011, overdraft in the amount of PLN 39 0095 thousand due to BRE Bank SA until 31 March 2011 and overdraft in the amount of PLN 3 368 thousand due to ING Bank Śląski SA until 31 March 2011 were extended until 29 April 2011. Bank loan in the amount of PLN 34 200 thousand due to BRE Bank SA until 31 March 2011 was extended until 29 April 2011. Factoring line in the amount of PLN 13 325 thousand due to SEB Commercial Finance until 28 February 2011 (PLN 3 012 thousand) and until 31 March 2011 (PLN 10 313 thousand) was extended until 30 June 2011. Reverse factoring line in the amount of PLN 22 989 thousand due to BRE Bank SA until 31 March 2011 was extended until 29 April 2011.

In order to finance the acquisition of Cognor Stahlhandel GmbH and to refinance some existing indebtedness, the Group has issued high-yield notes with a nominal value of EUR 170 000 thousand. The notes were issued by Złomrex International Finance S.A. based on the Indenture dated 23 January 2007.

According to the aforementioned Indenture, the Parent Company is obliged, inter alia, to meet certain financial covenants until the repayment date. These include among others a financial covenant, i.e. Consolidated Fixed Charge Coverage Ratio (the CFCC Ratio), minimum level of which has been set out in the Indenture at 2.25. In accordance with article IV section 4.3. of the Indenture, the ratio is to be calculated as a relation of the adjusted pro-forma EBITDA to the interest expense

The Indenture does not require that the Company maintains the CFCC Ratio above 2.25 level throughout the life of the bonds. In consequence lower then 2.25 level does not result itself in any default under the Indenture. However, in such cases the Company is limited with respect to certain business actions. The most important limitation is that neither the Company, nor any of its subsidiaries are allowed to incur indebtedness other then specifically permitted by the Indenture.

29. Employee benefits obligations

in PLN thousand	2010	2009	2008
Long-term provisions for retirement and jubilee awards	12 121	39 057	50 505
Short-term provisions for retirement and jubilee awards	4 735	2 338	3 039
	16 856	**41 395**	**53 544**

Movements on employee benefits obligations:

in PLN thousand	2010	2009	2008
Balance at 1 January	41 395	53 544	49 954
Provisions raised during the year	6 595	3 433	11 919
Provisions utilised during the year	(1 840)	(3 446)	(6 394)
Provisions released during the year	(2 776)	(8 767)	(6 286)
Provisions in sold subsidiaries	-	(3 344)	-
Provisions transferred to discontinued operations	(25 607)	-	-
Exchange rate differences	(911)	(25)	4 351
Balance at 31 December	**16 856**	**41 395**	**53 544**

The expense is recognised in the following line items in the profit and loss:

in PLN thousand	2010	2009	2008
Cost of sale	-	629	(1 206)
Administrative expenses	3 819	4 705	(4 427)
	3 819	**5 334**	**(5 634)**

Employee benefits

Liabilities for retirement payments were calculated by an independent actuary based on following assumptions:

	2010	2009	2008
Discount rate as at 31 December	5.0%-5.5%	5.0%-5.5%	5.0%-5.5%
Future Salary Increase	1.5%-3.5%	1.5%-3.5%	1.5%-3.5%
Inflation	2.5%	2.5%	2.5%

The movements in the defined benefits obligation programs over the year is as follows:

in PLN thousand	Provisions for employee benefits	Jubilee awards	Other*	Total
At January 2008	32 135	17 819	-	**49 954**
Current service cost	2 667	1 208	-	**3 875**
Interest cost	1 074	977	-	**2 051**
Actual (gain)/loss due to parameter changes	(674)	(2 739)	-	**(3 413)**
Actual benefits paid	(1 233)	(768)	-	**(2 001)**
Other actual (gain)/loss	167	(12)	-	**155**
Exchange rate differences	2 861	62	-	**2 923**
At 31 December 2008	**36 997**	**16 547**	-	**53 544**
At January 2009	28 202	16 547	8 795	53 544
Current service cost	788	1 211	615	2 615
Interest cost	431	253	135	819
Actual (gain)/loss due to parameter changes	669	40	(801)	(92)
Actual benefits paid	(1 832)	(1 609)	(5)	(3 446)
Provisions in sold subsidiaries	(3 344)	-	-	(3 344)
Other actual (gain)/loss	(6 245)	(1 549)	(973)	(8 767)
Contribution by program participants	(854)	-	(925)	(1 778)
Exchange rate differences	548	774	524	1 846

At 31 December 2009	**18 363**	**15 667**	**7 365**	**41 395**
At January 2010	18 363	15 667	7 365	41 395
Current service cost	560	622	1 080	2 262
Interest cost	850	708	290	1 848
Actual (gain)/loss due to parameter changes	1 002	417	75	1 494
Actual benefits paid	(1 353)	(2 290)	(144)	(3 787)
Other actual (gain)/loss	(371)	1 462	(59)	1 032
Contribution by program participants	(408)	-	(180)	(588)
Transfer to discontinued operations	(15 310)	(3 926)	(6 371)	(25 607)
Exchange rate differences	(847)	(119)	(227)	(1 193)
At 31 December 2010	**2 486**	**12 541**	**1 829**	**16 856**

*in 2009 the employee benefits where split in two categories – employee benefits and others.

The amounts recognised in profit and loss are as follows

As at 31 December 2010 *in PLN thousand*	Provisions for employee benefits	Jubilee awards	Other	Total
Current service cost	560	622	1 080	2 262
Interest cost	850	708	290	1 848
Expected return on plan assets	-	-	(869)	(869)
Amortization of unrecognized gain/loss	909	36	1 490	2 435
Other	(10)	(19)	(8)	(37)
Total, included in staff costs	**2 309**	**1 347**	**1 983**	**5 639**

As at 31 December 2009 *in PLN thousand*	Provisions for employee benefits	Jubilee awards	Other	Total
Current service cost	788	1 211	1 115	3 113
Interest cost	1 187	1 050	356	2 593
Expected return on plan assets	-	-	(803)	(803)
Amortization of unrecognized gain/loss	738	(334)	642	1 046
Other	(33)	(29)	4	(58)
Total, included in staff costs	**2 679**	**1 897**	**1 315**	**5 892**

As at 31 December 2008 *in PLN thousand*	Provisions for employee benefits	Jubilee awards	Total
Current service cost	2 667	1 208	3 875
Interest cost	1 074	977	2 051
Expected return on plan assets	(826)	(27)	(853)
Amortization of unrecognized gain/loss	2 762	-	2 762
Total, included in staff costs	**5 677**	**2 158**	**7 835**

Susceptibility of employee benefits obligations on changes in basic assumptions

As at 31 December 2010	**Change in assumption**		**Influence on obligations**	
	Decrease	Increase	Decrease	Increase
Discount rate	0.5%	0.5%	3.63%	(3.33%)
Future Salary Increase	0.5%	0.5%	(3.40%)	3.68%
Inflation	0.5%	0.5%	3.49%	(3.60%)

30. Provisions for payables

in PLN thousand	2010	2009	2008
Balance at 1 January	834	171	3 955
Provisions raised during the period	557	683	11
Provisions utilised during the period	(682)	(11)	(2 427)
Provisions released during the period	(123)	-	(35)
Transfer to disposal groups	(176)	-	(1 348)
Exchange rate differences	(7)	(9)	15
Balance at 31 December	**403**	**834**	**171**
Including non current portion	**-**	**-**	**-**

31. Trade and other payables

Short term

in PLN thousand	2010	2009	2008
Trade payables	195 199	180 457	254 260
Statutory payables	8 631	14 677	27 031
Bills of exchange payables	1 733	2 473	-
Investment payables	1 395	3 992	8 575
Prepayments for services and deliveries of goods	1 094	887	10 335
Deferred consideration for acquisition of subsidiaries (Cognor Stahlhandel GmbH, HSW-HSJ entities)	33 542	44 459	40 527
Payroll liabilities	2 979	9 889	19 052
Accrued expenses	2 274	8 679	13 499
Other non-trade payables	6 358	5 517	8 020
	253 205	**271 030**	**381 299**

Long term

in PLN thousand	2010	2009	2008
Investment payables	-	115	570
Deferred consideration for acquisition of subsidiaries (Cognor Stahlhandel GmbH, HSW-HSJ entities)	-	-	36 676
	-	**115**	**37 246**

32. Financial instruments

Classification of financial instruments

Assets

As at 31 December 2010 *in PLN thousand*	Loans and receivables	Financial assets at fair value through profit and loss	Total
Assets according to balance sheet			
a) Non-current assets			
Other receivables	241	-	**241**
Other investments	39	-	**39**
b) Current assets			
Receivables except prepayments and tax receivables	118 178	-	**118 178**
Cash and cash equivalents	9 337	-	**9 337**
Total	**127 795**	**-**	**127 795**

As at 31 December 2009 *in PLN thousand*	Loans and receivables	Financial assets at fair value through profit and loss	Total
Assets according to balance sheet			
a) Non-current assets			
Other receivables	3 295	-	**3 295**
Other investments	-	267	**267**
b) Current assets			
Receivables except prepayments and tax receivables	184 158	-	**184 158**
Other investments	592	694	**1 286**
Cash and cash equivalents	32 076	-	**32 076**
Total	**220 121**	**961**	**221 082**

As at 31 December 2008 *in PLN thousand*	Loans and receivables	Financial assets at fair value through profit and loss	Total
Assets according to balance sheet			
a) Non-current assets			
Other receivables	1 533	-	**1 533**
Other investments	6 222	-	**6 222**
b) Current assets			
Receivables except prepayments and tax receivables	328 799	-	**328 799**
Other investments	1 028	3 618	**4 646**
Cash and cash equivalents	99 505	-	**99 505**
Total	**437 087**	**3 618**	**440 705**

Liabilities

As at 31 December 2010 *in PLN thousand*	Financial liabilities designated at amortized cost	Financial liabilities at fair value through profit and loss	Total
Liabilities according to balance sheet			
a) Long-term liabilities			
Interest-bearing loans and borrowings	494 188	-	**494 188**
Finance lease	9 034	-	**9 034**
b) Short-term liabilities			
Interest-bearing loans and borrowings	96 645	-	**96 645**
Finance lease	10 731	-	**10 731**
Bank overdraft	86 782	-	**86 782**
Trade and other payables	244 574	-	**244 574**
Total	**941 954**	**-**	**941 954**

As at 31 December 2009 *in PLN thousand*	Financial liabilities designated at amortized cost	Financial liabilities at fair value through profit and loss	Total
Liabilities according to balance sheet			
a) Long-term liabilities			
Interest-bearing loans and borrowings	515 264	-	**515 264**
Finance lease	19 003	-	**19 003**
Other payables	115	-	**115**
b) Short-term liabilities			
Interest-bearing loans and borrowings	155 955	-	**155 955**
Finance lease	14 101	-	**14 101**
Bank overdraft	129 543	-	**129 543**
Trade and other payables	256 353	-	**256 363**
Total	**1 090 334**	**-**	**1 090 334**

As at 31 December 2008 *in PLN thousand*	Financial liabilities designated at amortized cost	Financial liabilities at fair value through profit and loss	Total
Liabilities according to balance sheet			
a) Long-term liabilities			
Interest-bearing loans and borrowings	699 379	-	**699 379**
Other payables	37 246	-	**37 246**
b) Short-term liabilities			
Interest-bearing loans and borrowings	242 788	-	**242 788**
Bank overdraft	115 888	-	**115 888**
Other financial payables	2	5 255	**5 257**
Trade and other payables	343 933	-	**343 933**
Total	**1 439 236**	**5 255**	**1 444 491**

Financial assets designated as at fair value through profit or loss include units in investment funds and derivatives such as interest rate and foreign exchange swaps and foreign exchange options.

Loans and receivables include loans granted, trade and other receivables (without tax receivables, statutory receivables and prepayments) and cash and cash equivalents.

Financial liabilities designated as at fair value through profit or loss include derivatives such as interest rate and foreign exchange swaps and foreign exchange options.
Financial liabilities designated at amortized cost include bank overdraft, interest-bearing loans and borrowings, bonds, trade and other payables (without tax liabilities and other statutory payables).

Fair values

The following are details of the fair values of the financial instruments for which it is practicable to estimate such value:

- Cash and cash equivalents, short-term bank deposits and short-term bank loans: the carrying amounts approximate fair value due to the short term nature of these instruments.
- Trade and other receivables, bills of exchange, trade and other payables and accrued liabilities: the carrying amounts approximate fair value due to the short-term nature of these instruments.
- Investments in investment funds: the fair value is based on their listed market price.
- Derivatives: the fair value of derivatives is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual derivative price and the current derivative price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).
- Interest bearing loans and borrowings, except for fixed rate debt securities: the carrying amounts approximate fair value due to the variable nature of the related interest rates.
- Fixed rate debt securities. The fair value of instruments at 31 December 2010 amounted to PLN 370 655 thousands (2009: PLN 191 513 thousands; 2008: PLN 275 011 thousand) – the amount was calculated on the basis of market transactions of bonds issued by Złomrex International Finance (similar debt securities) in the period close to the balance sheet day.

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Market risk

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency. The currency giving rise to this risk is primarily Euro.

In relation to significant transactions denominated in foreign currency the Group used swap and foreign exchange options in previous years to hedge its foreign currency risk. The net fair value of these derivatives as at 31 December 2008 accounted for PLN 5 257 thousand (2010: nil, 2009: nil).

Exposure to foreign currency risk

The Group exposure to foreign currency risk based on hypothetical values was as follows:

Information on balances related to foreign operations

in PLN thousand

31-12-2010	in EUR	in USD	in other currencies
Trade and other receivables	15 742	747	352
Interest-bearing loans and borrowings	(511 876)	-	(3 685)
Trade and other payables	(35 019)	(728)	(364)
Balance sheet exposure to currency risk on balances related to other companies	**(531 153)**	**19**	**(3 697)**

in PLN thousand

31-12-2009	in EUR	in USD	in other currencies
Trade and other receivables	22 736	107	-
Interest-bearing loans and borrowings	(567 847)	-	(8 611)
Trade and other payables	(45 330)	(1 457)	(1)
Balance sheet exposure to currency risk on balances related to other companies	**(590 441)**	**(1 350)**	**(8 612)**

in PLN thousand

31-12-2008	in EUR	in USD	in other currencies
Trade and other receivables	34 286	347	4
Interest-bearing loans and borrowings	(649 010)	-	(23 364)
Trade and other payables	(76 726)	(8 841)	(34)
Balance sheet exposure to currency risk of balances related to other companies	**(691 450)**	**(8 494)**	**(23 394)**

Sensitivity analysis of financial instruments denominated in foreign currencies on exchange rate differences (except for derivatives)

A 15 percent weakening/strengthening of the functional currencies against the following currencies at 31 December 2010 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis for 2009 and 2008 was performed on the same basis, but in 2008 the fluctuations of currencies was analyzed on the basis of 20 percent weakening/strengthening of the functional currencies.

Influence of exchange rate differences for the period ended:

in PLN thousand	**Profit / (loss)**		**Equity**	
	increase of exchange rates by 15%	decrease of exchange rates by 15%	increase of exchange rates by 15%	decrease of exchange rates by 15%
31-12-2010	(80 225)	80 225	(80 225)	80 225
31-12-2009	(90 060)	90 060	(90 060)	90 060
	increase of exchange rates by 20%	decrease of exchange rates by 20%	increase of exchange rates by 20%	decrease of exchange rates by 20%
31-12-2008	(144 668)	144 668	(144 668)	144 668

Sensitivity analysis of derivatives on the exchange rate differences (derivatives)

There were no derivatives in the consolidated statement of financial position as at 31 December 2009. A 20 percent weakening/strengthening of the functional currencies against the following currencies at 31 December 2008 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Influence of exchange rate differences for the period ended:

in PLN thousand	**Profit / (loss)**		**Equity**	
	increase of exchange rates by 20%	decrease of exchange rates by 20%	increase of exchange rates by 20%	decrease of exchange rates by 20%
31-12-2008	3 344	(12 801)	3 344	(12 801)

Price risk

The group is not exposed to price risk relating to equity securities classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss. The group is not exposed to commodity price risk.

Interest rate risk

In managing interest rate risk the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in interest rates would have an impact on consolidated earnings.
The main element of limit the percentage rate risk was the issuance of bonds by Zlomrex International Finance, which are based on fixed rate 8.5%.

Susceptibility profile (maximum exposure) of the Group to the interest rate risk

in PLN thousand	**2010**	**2009**	**2008**
Fixed rate instruments			
Financial assets	-	694	-
Financial liabilities	(511 876)	(526 449)	(691 138)
	(511 876)	**(525 755)**	**(691 138)**

in PLN thousand	**2010**	**2009**	**2008**
Floating rate instruments			
Financial assets	39	859	7 082
Financial liabilities	(185 504)	(307 417)	(366 917)
	(185 465)	**(306 558)**	**(359 835)**

Cash flow and fair value interest rate risk

As the group has no significant interest-bearing assets other than cash and cash equivalent, the group's income and operating cash flows are substantially independent of changes in market interest rates. The group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

Cash flow sensitivity analysis for floating rate financial instruments

A change of 150 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009 and 2008, but in 2008 the sensitivity was analyzed on the basis of 200 basis points in interest rate increase / (decrease).

Influence of interest rate change for the period ended (excluding derivatives):

in PLN thousand	**Profit / (loss)**		**Equity**	
	Increase by 1,5%	Decrease by 1,5%	Increase by 1,5%	Decrease by 1,5%
31-12-2010	(2 782)	2 782	(2 761)	2 761
31-12-2009	(4 598)	4 598	(4 598)	4 598
	Increase by 2%	Decrease by 2%	Increase by 2%	Decrease by 2%
31-12-2008	(7 198)	7 198	(7 198)	7 198

Influence of interest rate change for the period ended (derivatives):

in PLN thousand	Profit / (loss)		Equity	
	Increase by 2%	Decrease by 2%	Increase by 2%	Decrease by 2%
31-12-2008	(1 101)	802	(1 101)	802

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and financial investments.

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash and cash equivalents and trade and other receivables. The Group places its cash and cash equivalents in financial institutions with high credit ratings. The credit risk related to receivables is limited as the Group's customer base is wide, thus the concentration of credit risk is insignificant.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Maximum exposure to credit risk

in PLN thousand	2010	2009	2008
Financial assets designated at fair value through profit or loss	-	961	3 618
Loans and receivables	118 458	188 045	337 402
Cash and cash equivalents	9 337	32 076	98 774
	127 795	**221 082**	**439 794**

Credit value of financial assets designated as at fair value through the profit and loss is closed to their carrying value. As at 31 December 2010, loans in amount of PLN 39 thousand (2009: PLN 592 thousand, 2008: PLN 6 323.thousand) were not over due and not impaired.
Cash and cash equivalents are allocated in renowned banks and that is why their credit value is closed to their carrying value.

in PLN thousand	2010	2009	2008
Insured trade and other receivables form other entities	65 905	89 756	259 517

Ageing structure of trade and bills of exchange from third party entities:

Gross value

in PLN thousand	2010	2009	2008
Not past due	74 108	90 010	169 184
Past due	**59 227**	**111 621**	**149 599**
1-30 days	18 941	32 975	71 404
31-90 days	5 232	22 745	48 941
90-180 days	4 389	13 351	6 524
181-365 days	12 234	19 668	3 085
More than one year	18 431	22 882	19 645
	133 335	**201 631**	**318 783**

Impairment loss

in PLN thousand	2010	2009	2008
Not past due	(617)	(774)	(846)
Past due	**(20 751)**	**(28 606)**	**(22 226)**
1-30 days	(145)	(428)	(430)
31-90 days	(205)	(2 868)	(1 319)
90-180 days	(549)	(1 984)	(804)
181-365 days	(6 599)	(9 229)	(1 647)
More than one year	(13 253)	(14 097)	(18 026)
	(21 368)	**(29 380)**	**(23 072)**

Net carrying value

in PLN thousand	2010	2009	2008
Not past due	73 491	89 236	168 338
Past due	**38 476**	**83 015**	**127 373**
1-30 days	18 796	32 547	70 974
31-90 days	5 027	19 877	47 622
90-180 days	3 840	11 367	5 720
181-365 days	5 635	10 439	1 438
More than one year	5 178	8 785	1 619
	111 967	**172 251**	**295 711**

Recognition and utilization of impairment losses on trade and bills of exchange receivables from other entities

in PLN thousand	2010	2009	2008
Opening balance	**(29 380)**	**(23 072)**	**(23 168)**
Recognition	**(19 004)**	**(16 367)**	**(6 719)**
Utilization	**7 394**	**4 588**	**2 793**
Release	**5 459**	**5 307**	**4 428**
Transfer to discontinued operations	**13 929**	**-**	**-**
Exchange rate differences	**233**	**164**	**(406)**
Closing balance	**(21 368)**	**(29 380)**	**(23 072)**

Trade receivables overdue less than 6 months are not considered to be impaired. As at 31 December 2010 trade receivables in the amount of PLN 73 395 thousand were not overdue and not impaired (2009: PLN 89 152.thousand; 2008: PLN 170 281 thousand). As at 31 December 2010 trade receivables in the amount of PLN 37 107 thousand (2009: PLN 77 652 thousand; 2008: PLN 127 373 thousand) were overdue, but not impaired. These receivables comprise mainly of receivables from clients with long history of cooperation, with whom the Group no problems in the past occurred. As at 31 December 2010 trade receivables in the amount of PLN 22 120 thousand (2009: PLN 33 976 thousand; 2008: PLN 22 226 thousand) were overdue and impaired. As a result they were provided for in full in 2008, but in 2009 they were provided for in the amount of PLN 28 606 thousand, and in 2010 PLN 20 751 thousand. As at 31 December 2010 trade receivables in the amount of PLN 713 thousand (2009: PLN 858 thousand; 2008: PLN 846 thousand) were not overdue but impaired due to the financial situation of customers.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Contractual maturities of financial liabilities including interest payments

in PLN thousand

31-12-2010	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities excluding the impact of derivatives						
Finance lease liabilities	19 765	21 011	11 485	9 526	-	-
Bank overdraft	86 782	86 782	86 782	-	-	-
Other interest-bearing liabilities	590 833	713 786	121 627	85 637	506 522	-
Trade and other payables	253 205	253 205	253 205	-	-	-
	950 585	**1 074 784**	**473 099**	**95 163**	**506 522**	**-**

in PLN thousand

31-12-2009	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities excluding the impact of derivatives						
Finance lease liabilities	33 104	36 015	15 685	19 939	391	-
Bank overdraft	129 543	129 543	129 543	-	-	-
Other interest-bearing liabilities	671 220	854 641	184 823	96 269	573 549	-
Trade and other payables	271 145	272 576	272 350	128	-	98
	1 105 012	**1 292 775**	**602 401**	**116 336**	**573 940**	**98**

in PLN thousand

31-12-2008	Carrying amount	Contractual cash flows	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities excluding the impact of derivatives	**1 506 609**	**1 934 294**	**814 100**	**249 528**	**128 283**	**742 383**
Finance lease liabilities	50 766	55 374	25 032	27 093	3 249	-
Bank overdraft	115 888	122 176	106 767	15 409	-	-
Other interest-bearing liabilities	891 401	1 294 452	262 386	164 649	125 034	742 383
Trade and other payables	418 545	462 292	419 915	42 377	-	-
Derivate financial liabilities	**6 198**	**5 489**	**2 792**	**2 697**	**-**	**-**
Swap and foreign exchange options	6 198	5 489	2 792	2 697	-	-
	1 512 807	**1 939 783**	**816 892**	**252 225**	**128 283**	**742 383**

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors the changes in ownership, return on equity and debt/equity ratios.

The Group's aim is to achieve a return on equity at a level that is satisfactory to the shareholders.

There were no changes in the capital management policy during the year.

33. Capital commitments

The Group has contractual commitment resulting from the share purchase agreement to make capital expenditures of PLN 3 000 thousand in Cognor Górnośląski till 2011. This commitment resulted from agreements of share purchase. In 2008 the capital expenditure in Cognor Górnośląski amounted to PLN 522 thousand. In 2009 Cognor Górnośląski has merged with Cognor S.A. Till 31 December 2010 total capital expenditures amounted to PLN 3 213 thousands, that fulfill completely this commitment.

As at 31 December 2007, the Group has contractual commitment relating to the acquisition of Zeljezara Split concluded with The Croatian Privatization Fund relating to the obligation of the Company to ensure that Zeljezara Split makes capital investments of HRK 114 million within the period of 2008-2011 as well as to maintain its present employment level. In 2009 the Group has realised capital investments of HRK 57 million. In April 2010 Złomrex S.A. increased the capital in Zeljzera Split in the amount of HRK 104 853 thousand (EUR 14 448 thousand), including increased of share capital in the amount of HRK 1 thousand and agio in the amount of HRK 104 852 thousand. On 23 April 2010 this increase was covered in exchange for remission of loans granted to Zeljezara Split by Złomrex S.A.

34. Contingencies, guarantees and other commitments

The Group has the following contingent liabilities, guarantees and other commitments:

Contingencies

There were no significant claims or contingent liabilities as at 31 December 2010.

Other commitments

As at 31 December 2008, 2009 and 2010 the Group had the following other commitments:

- in accordance with share purchase agreement of Cognor Stahlhandel GmbH the Company has a put/call option for the purchase of remaining 25.1% of shares with the exercise date between 1 January 2009 and 31 December 2010.

35. Related parties

Identity of related parties

The Group has a related party relationship with the companies controlled by the parent Company's Management Board members and with the members of the Management and Supervisory Boards of the Group entities.

in PLN thousand	31.12.2010	31.12.2009	31.12.2008
Short-term receivables:			
- related parties (not consolidated)	1	8 466	14 108
- associates (consolidated under the equity method)	-	25	1 223
- companies controlled by the parent Company's Management Board members	1	21	9
Long-term receivables			
- related parties (not consolidated)	-	1 725	-
Long-term liabilities			
- related parties (not consolidated)	-	164	-
Short-term liabilities			
- related parties (not consolidated)	73	60	730
- associates (consolidated under the equity method)	-	74	117
- companies controlled by the parent Company's Management Board members	222	58	58

Loans granted			
- related parties (not consolidated)	-	592	6 323

in PLN thousand	2010	2009	2008
Revenues from sale of products			
- related parties (not consolidated)	-	2 999	3 116
- associates (consolidated under the equity method)	-	-	1 608
Revenues from sale of services			
- related parties (not consolidated)	9	(192)	253
- associates (consolidated under the equity method)	-	1 302	1 042
- companies controlled by the parent Company's Management Board members	20	48	73
Revenues from sale of raw materials and commodities			
- associates (consolidated under the equity method)	-	61	287
- related parties (not consolidated)	-	14 475	22 814
Purchase of commodities and raw materials			
- related parties (not consolidated)	-	4 453	4 037
- associates (consolidated under the equity method)	-	191	11
Purchase of services			
- related parties (not consolidated)	21	118	300
- associates (consolidated under the equity method)	-	9	85
- companies controlled by the parent Company's Management Board members	940	1 059	1 396
Other income			
- related parties (not consolidated)	12	763	-
Other gain/(losses) net			
- related parties (not consolidated)	(871)	(2 538)	-
- associates (consolidated under the equity method)	-	4 267	-
Other costs			
- related parties (not consolidated)	(163)	(3)	-
Financial income			
- related parties (not consolidated)	-	347	-
Dividend received			
- related parties (not consolidated)	-	673	1 144
- associates (consolidated under the equity method)	-	3 472	989

Transactions with the members of the Management and Supervisory Boards

The remuneration of the Management and Supervisory Boards members was as follows:

in PLN thousand

	2010	2009	2008
Management Board of the parent Company	4 073	3 830	5 311
Supervisory Board of the parent Company	24	454	318
Management Boards of subsidiaries	2 661	8 418	12 368
Supervisory Boards of subsidiaries	349	298	128
	7 107	**13 000**	**18 125**

36. Subsequent events

On the 9th of December 2010, Zlomrex S.A. together with Cognor S.A. (Cognor, the Seller), a 64,4% subsidiary of Złomrex, entered into a conditional share sale agreement with Eff eins Beteiligungsverwaltung GmbH and Eff zwei Beteiligungsverwaltung GmbH both with their corporate seats in Vienna on sale of shares in Cognor Stahlhandel GmbH

(Cognor Austria). Cognor Stahlhandel GmbH is part of Złomrex Distribution Division and it conducts all the Groups' international (other then in Poland) operations in steel products distribution business. Currently the Seller holds 74,9% interest in Cognor Austria with an option (the Option) to acquire the remaining 25,1% of shares from voestalpine Stahl GmbH, a minority shareholder in the Company. Pursuant to the Agreement Cognor and Złomrex conditionally agreed to sell both currently held and the Option shares. The price for 100% of the Company's share capital has been agreed at EUR 32,771 thousand (the Price). The Price will be adjusted by the difference between Cognor Austria's equity as of December 31, 2009 and as of closing. Closing of the Transaction shall occur at December 31, 2010 or later, subject to fulfillment or waiver of all conditions precedent. Major conditions precedent include:

(i) consent of holders of Złomrex' senior notes,
(ii) lack of the material adverse change,
(iii) crediting the escrow account with the amount corresponding to the Price,
(iv) receipt of Cognor Austria share pledge release confirmation to be made by theBank of New York,
(v) receipt of confirmations by the banks that no due and outstanding payments

under any of the Company's financing arrangements exist as of closing. In the Agreement Złomrex extended its corporate guarantee in favor of the Purchaser in order to secure Cognor's performance.

On 4th of February 2011, the transaction has been closed following fulfillment of all the conditions precedent. As a result Złomrex S.A. and Cognor S.A. sold:

- 74,9% interest in Cognor Stahlhandel GmbH (Cognor Austria) and
- 25,1% interest in Cognor Austria acquired by Cognor and Złomrex on February 3 from voestalpine Stahl

On 11th March 2011, the bankruptcy of Zelejzara Split d.d., Croatia (a subsidiary of Złomrex S.A.) was announced by Commercial Court in Split. The proceedings was initiated on proposal of the creditor – HEP – Opskrba d.o.o., Zagreb.