Capital Group
Grupa KĘTY S.A.

INTERIM CONSOLIDATED FINANCIAL STATEMENT FOR THE FIRST HALF OF 2005 ENDED JUNE 30

PREPARED UNDER IFRS ADOPTED BY THE EUROPEAN UNION

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(in PLN thousand, unless stated otherwise)

Interim consolidated balance sheet as at June 30, 2005

ASSETS	Note	30.06.2005	31.12.2004	30.06.2004
I. Non-current assets		**508 191**	**458 847**	**423 015**
Tangible fixed assets	1	494 594	446 787	412 761
Intangibles	2	11 181	9 643	9 724
Property investments	3	2 409	2 409	170
Other investments	4	7	7	360
Other receivables			1	
II. Current asset		**279 172**	**293 809**	**320 254**
Inventories	6	90 740	120 910	118 696
Budgetary and legal receivables, including:	7	8 292	5 301	5 162
- income tax receivables	7	1 689	498	1 155
Trade receivables	8	138 800	126 281	149 189
Other receivables	8	4 090	20 388	22 907
Short-term investments	4	720	708	720
Derivative financial instruments	9	2 869	37	218
Cash and cash equivalents	10	33 661	20 184	23 362
Total assets		787 363	752 656	743 269

LIABILITIES	Note	30.06.2005	31.12.2004	30.06.2004
I. Equity		**555 839**	**547 281**	**511 424**
Equity attributable to parent company's equity holders		553 871	545 502	503 121
Share capital	11	66 964	80 179	80 179
Treasury shares			(71 108)	(71 108)
Capital from issue of shares over the nominal value	11		43 453	43 453
Other reserve capital		20	750	
Exchange differences arising from translation of subsidiaries	11	99	47	(11)
Retained profits	11	486 788	492 181	450 608
Minority interest		1 968	1 779	8 303
II. Long-term liabilities		**80 631**	**48 350**	**31 491**
Bank borrowings, debentures and other loans	12	46 000	17 389	74
Other liabilities	13	2 310		
Provisions	14	890	608	1 172
Employee benefits	14	9 129	8 814	9 584
Deferred income (grants)		84	84	84
Deferred income tax provision	5	22 218	21 455	20 577
III. Short-term liabilities		**150 893**	**157 025**	**200 354**
Bank borrowings, debentures and other loans	12	27 033	56 537	97 043
Budgetary and legal liabilities, including:	7	8 672	10 757	11 168
- income tax liability	7	1 183	4 781	2 597
Trade payables	13	49 113	58 619	63 721
Other liabilities	13	57 788	19 581	14 400
Provisions	14	7 738	7 386	13 558
Derivative financial instruments liabilities	9	549	4 134	411
Deferred income (grants)			11	53
Total liabilities		787 363	752 656	743 269

(in PLN thousand, unless stated otherwise)

The interim consolidated profit and loss account for the period ended June 30, 2005.

	Note	from 01.01.2005 to 30.06.2005	from 01.01.2004 to 30.06.2004
Total operating revenue, including:		**344 434**	**412 840**
Net revenue from sales	17	337 118	407 211
Other operating revenue	18	7 316	5 629
Change in the balance of finished products and work in progress		(10 529)	(7 054)
Costs of work performed for own needs		2 432	2 089
Total operating expenses, including:		**(288 250)**	**(344 073)**
Depreciation		(17 694)	(17 225)
Materials and energy consumption		(206 289)	(248 517)
Outsourcing		(10 506)	(20 579)
Taxes and charges		(3 637)	(3 208)
Employee benefits		(40 662)	(41 799)
Other expenses by nature		(4 709)	(4 967)
Impairment of assets	19	(2 787)	(3 897)
Other operating expenses	19	(1 966)	(3 881)
Net profit from operating activities		**48 087**	**63 802**
Financial income	20	9 272	4 207
Financial costs	20	(4 250)	(5 480)
Net profit sharing of entities accounted for by the equity method of accounting			
Profit before tax		**53 109**	**62 529**
Income tax	21	7 609	9 525
Net profit		**45 500**	**53 004**
attributable to:			
minority shareholders		280	869
parent company's shareholders		45 220	52 135
Net earnings per share			
Basic	22	4,93	5,75
Diluted	22	4,93	5,75

(in PLN thousand, unless stated otherwise)

Interim consolidated statement of changes in equity in the period ended June 30, 2005.

	Nota	od 01.01.2005 do 30.06.2005	od 01.01.2004 do 31.12.2004	od 01.01.2004 do 30.06.2004
I. Opening balance of equity (OB)		**547 281**	**488 212**	**488 212**
1. Opening balance of share capital	**11**	**80 179**	**80 179**	**80 179**
1.1. Changes in share capital		(13 215)		
a) increase (on account of)		750		
- issue of shares of "D" series		750		
b) decrease (on account of)		(13 965)		
- redemption of shares		(13 965)		
1.2. Closing balance of share capital		**66 964**	**80 179**	**80 179**
2. Opening balance of treasury shares		**(71 108)**	**(71 108)**	**(71 108)**
2.1. Changes in treasury shares		71 108		
b) decrease (on account of)		71 108		
- redemption of shares		71 108		
2.2. Closing balance of treasury shares			**(71 108)**	**(71 108)**
3. Opening balance of capital derived from issue of shares over their par value		**43 453**	**43 453**	**43 453**
3.1. Changes		(43 453)		
- redemption of shares		(43 453)		
3.2. Closing balance of capital derived from issue of shares over their par value			**43 453**	**43 453**
4. Opening balance of other reserve capital		**750**		
4.1. Change in other reserve capital		(730)	750	
a) increase (on account of)		20	770	20
- profit distribution to pay dividend		20	20	20
- paid issue of "D" series shares - not registered by the Court as at the balance day			750	
b) decrease (on account of)		(750)	(20)	(20)
- Registration of capital increase derived from issue of shares of "D" series		(750)		
- used to pay dividend			(20)	(20)
4.2. Closing balance of other reserve capital		**20**	**750**	
5. Opening balance of forex differences from translation of subsidiaries		47		
5.1. Changes		52	47	(11)
5.2. Closing balance of forex differences from translation of subsidiaries		**99**	**47**	**(11)**
6. Opening balance of retained profit	**11**	**492 181**	**425 270**	**425 270**
a) increase (on account of)		45 220	93 913	52 135
- net profit for the period		45 220	93 913	52 135
b) decrease (on account of)		(50 613)	(27 002)	(26 797)
- redemption of shares		(13 690)		
- used to pay divided		(36 903)	(26 777)	(26 777)
- transfer to other reserve capital		(20)	(20)	(20)
- other decrease			(205)	
6.2. Closing balance of retained profit		**486 788**	**492 181**	**450 608**
7. Opening balance of minority capital		**1 779**	**10 418**	**10 418**
7.1. Changes		189	(8 639)	(2 115)
- profit sharing		220	881	869
- share in the equity of new companies		(21)		
- redemption of shares from minority shareholders			(1 798)	(1 710)
- dividend paid			(1 200)	(1 200)
- sale of companies			(6 522)	
- other		(10)		(74)
7.2. Closing balance of minority capital		**1 968**	**1 779**	**8 303**
II. Closing balance of equity (CB)		**555 839**	**547 281**	**511 424**
III. Equity after accounting for proposed distribution of profit (coverage of loss)		**555 839**	**510 358**	**511 424**

(in PLN thousand, unless stated otherwise)

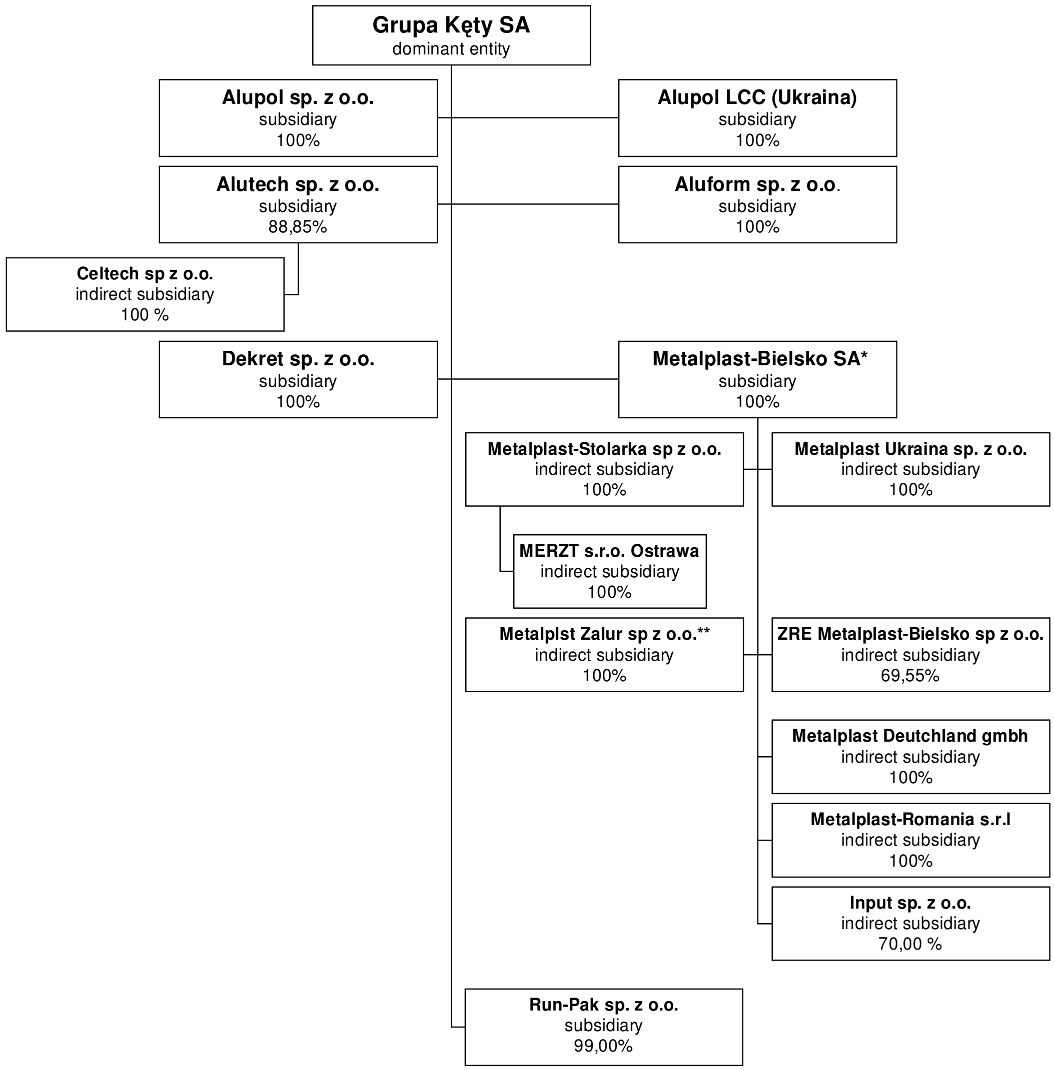
The interim consolidated cash flow statement for the period ended June 30, 2005.

	Note	from 01.01.2005 to 30.06.2005	from 01.01.2004 to 30.06.2004
Cash flow from operating activities			
I. Net profit (loss)		45 220	52 135
II. Total adjustments		15 935	(46 703)
Minority profits		284	869
Depreciation		17 694	17 225
Net foreign exchange (gain) loss		(7 308)	(1 936)
Interest and profit sharing		1 435	1 589
(Profit) loss on investing activities		489	355
Current income tax		6 840	9 515
Income tax paid		(10 467)	(10 907)
Other items, net		308	868
Change in the balance of inventories		30 281	(12 279)
Change in the balance of receivables, net		54 384	(12 832)
Change in short-term liabilities, excluding borrowings		(79 931)	(41 655)
Change in provisions		756	550
Change in deferred expenditures		1 181	1 977
Change in deferred income		(11)	(42)
(1) Net cash generated from operating activities		**61 155**	**5 432**
Cash flow from investing activities			
(+) Inflows:		1 698	4 117
Disposal of intangibles and tangible fixed assets		823	1 109
Disposal of financial assets		311	3 008
Other cash inflow		564	
(-) Outflows:		(47 698)	(31 120)
Acquisition of intangibles and tangible fixed assets		(46 979)	(26 219)
Acquisition of financial assets		(717)	(1 412)
Other cash outflow		(2)	(3 489)
(2) Net cash flow from investing activities		**(46 000)**	**(27 003)**
Cash flow from financial activities			
(+) Inflows:		14 451	38 947
Net cash inflow from issue of shares (stocks) and other capital instruments and additional capital contribution			3
Cash inflow derived from borrowings		14 443	38 940
Coverage of loss		8	
Other financial inflows			4
(-) Outflows:		(29 424)	(30 573)
Dividends and other payments due to owners			(28 192)
Other outflow due to distribution of profit, other than payments to owners		(20)	(20)
Repayment of borrowings		(27 607)	(663)
Interest		(1 796)	(1 698)
Other financial outflows		(1)	
(3) Net cash flow from financial activities		**(14 973)**	**8 374**
(4) Total net cash flow: (4) = (1) + (2) + (3)		**182**	**(13 197)**
Opening balance of cash	**10**	**12 454**	**32 493**
Closing balance of cash, including:	**10**	**12 636**	**19 296**
- of limited access		1 373	1 820

Restricted cash include cash deposited in the Company Social Benefits Fund.

A. The Capital Group's activities

The Grupa KĘTY S.A. Capital Group (hereinafter referred to as "the Group" or "the Capital Group") is composed of a parent company and 12 subsidiaries. The organizational chart of the Capital Group as at June 30, 2005 is as follows:



The Group's parent company is Grupa KĘTY S.A. with its registered office in Kęty, ul. Kościuszki 111 ("the Company", "the Parent Company"). The Company was formed by transforming a state-owned enterprise Zakłady Metali Lekkich "KĘTY" with its registered office in Kęty into a joint stock company wholly owned by the State Treasury pursuant to the notarial deed dated 3 March 1992. The Company was registered in the District Court in Bielsko-Biała, 6th Commercial Division under RHB No. 1768/92 on April 1, 1992. On July 9, 2002, the Company was entered, by the District Court in Kraków, 12th Economic Division of the National Court Register, into the Register of Entrepreneurs in the National Court Register under KRS No. 0000121845. The tax identification number (NIP) 549-000-14-68 was granted by the

Revenue Office in Oświęcim. In 1995, the Company became a public company listed on the Warsaw Stock Exchange.

On 16 June 2000, the General Meeting of Shareholders adopted a resolution on the change of the Company's business name into Grupa KĘTY Spółka Akcyjna (Notarial Deed No. A.2407/2000). The change of the Company's name was registered in the District Court on 29 December 2000.

According to the Warsaw Stock Exchange classification, the Group has been operating in the metal industry.

The parent company is mainly involved in manufacturing, trade and provision of services related to aluminum and its alloys processing as well as the production and trade activity related to the manufacture of plastic and paper packaging materials, also trade, supply and marketing agency, and other intermediation.

Background information on the subsidiaries has been presented below.

(in PLN thousand, unless stated otherwise)

Table 1. Subsidiaries of the Capital Group as at June 30, 2005.

No.	Company name	Registered office	Main operations	Share in basic capital vs. the total number of votes	The date of taking control over Grupa KĘTY S.A.
1	2	3	4	5	6
1.	Metalplast — Bielsko S.A.	Bielsko---Biała, Poland	Manufacture of builders systems	100.00 %	06/1998
2.	Alupol Sp. z o.o.	Kęty, Poland	Production and trade activity related to the manufacture of plastic packaging	100.00 %	04/1998
3.	Alutech Sp. z o.o.	Kęty, Poland	Trade, production and services	88.85 %	03/1999
4.	Dekret Sp. z o.o.	Kęty, Poland	Bookkeeping services	100.00 %	09/1999
5.	Aluform Sp. z o.o.	Kęty, Poland	Production activities	100.00 %	04/2000
6.	Alupol LLC Sp. z o.o.	Borodianka, Ukraine	Aluminum extrusions production	100.00 %	12/2004
7.	Metalplast—Ukraina Sp. z o.o.	Kiev, Ukraine	Trade	100.00 %	01/2000
8.	ZRE "Metalplast---Bielsko" Sp. z o.o.	Bielsko---Biała, Poland	Services	69.55 %	09/1999
9.	Celtech Sp. z o.o.	Kęty, Poland	Services	88.85 %	12/1999
10.	„Metalplast---Zalur"Kft	Budapest, Hungary	Trade and production	100.00 %	07/2000
11.	Metalplast---Stolarka sp. z o.o.	Bielsko---Biała, Poland	Manufacture of builders systems	100.00 %	07/2000
12	„Run---Pak" Sp. z o.o.	Toruń, Poland	Packaging	99.00 %	02/2005
13	Metalplast---Deutschland" GmbH	Dusseldorf, Germany	Trade — sale of aluminum systems	100.00	02/2005
14	Metalplast---Romania s.r.l.	Bucharest, Romania	Trade — sale of aluminum systems	100.00%	05/2005
15	Mertz s.r.o.	Ostrava, Czech Republic	Trade —- sale of builders systems from aluminum and PVC	100.00%	05/2005
16	Impet sp. z o.o.	Chorzów, Poland	Trade — sale of steel systems	70.00%	06/2005

B. Conformity Declaration and the Format of this Financial Statement

This interim consolidated financial statement of the Capital Group has been prepared according to the International Financial Reporting Standards („IFRS") in the version adopted by the European Union („EU"), and, to the extent not covered by the said IFRS, pursuant to the Accounting Act of 29 September 1994 (Journal of Laws of 2002 no. 76 item 694 as amended) and the implementing regulations issued thereto, as well as the Ordinance by the Council of Ministers of 21 March 2005 on current and interim information provided by issuers of securities (Journal of Laws of 2005 No. 49 item 463).

As of January 1, 2005, the amended Accounting Act provided for an obligation for the Group to prepare interim consolidated financial statements according to IFRS adopted by the EU. As at the date of this interim consolidated financial statement, as regards the process of IFRS adoption by the EU and due to the type of the Group's activities, there are no differences between the bookkeeping policies adopted by the Group resulting from IFRS and IFRS adopted by the EU.

The presented financial figures as at June 30, 2005 and for the period of six months ended with this date were subject to the review by a certified auditor. The auditor's report has been attached hereto. The comparable financial figures as at 31 December 2004 and as at 30 June 2004 included in this consolidated financial statement also were not subject to auditor's examination.

The description of the first-time adoption of IFRS and of the restatement of data for the comparable periods have been presented in Notes 27 and 28.

C. The form of the presentation of the consolidated financial statement.

This consolidated financial statement has been prepared in the Polish zloty, rounded to full thousands ("thousand PLN"), on the basis of the historical costs concept, except for the revaluation, at fair value, of derivative financial instruments and investment property.

The preparation of the financial statement according to IFRS requires estimates and assumptions which affect the values disclosed in the financial statement. The majority of estimates are based on the Management Board's analyses and best knowledge. Although the adopted estimates and assumptions are based on the Management Board's best knowledge of the current events and action, actual results may differ from the estimates.

D. Principles of the preparation of the consolidated financial statement

The accounting principles described below were applied on a continuous basis in the periods subject to this financial statement and the opening balance sheet as at January 1, 2004 compliant to IFRS prepared in relation to the adoption of IFRS. The accounting principles were applied on a consistent basis in all entities of the Capital Group.

E. Basic accounting principles

(a) Principles of consolidation:

Subsidiaries

Subsidiaries are entities controlled by Grupa Kęty S.A.

Control takes place when Grupa KĘTY S.A. enjoys, directly or indirectly, through its subsidiaries, the capability of directing a given company's financial and operating policy in order to gain benefits from its business. The acquisitions of subsidiaries are recognized with the acquisition method. Subsidiaries are consolidated from the date of taking over the control by the Group, and cease to be consolidated at the time of losing control by the Group.

Consolidation adjustments

The intercompany creditors between the Group entities, transactions concluded within the Group and any resulting Group's unrealized gains are excluded to the full extent from this consolidated financial statement.

(b) Transactions in foreign currencies

Business transactions expressed in foreign currencies are recognized at the Group's functional currency (Polish zloty) as at the day of the transaction respectively at:

1) selling or purchase exchange rate applied by the bank in which the transaction is made – in the case of sale or purchase of currencies and payment of receivables or payables; or
2) the average exchange rate for a given currency set by the National Bank of Poland on this date, unless other exchange rate was determined in other documents binding upon the company.

Monetary assets and liabilities expressed in foreign currencies as at the balance sheet date are revalued according to the average daily exchange rate of the National Bank of Poland. Any FX gains/losses resulting from changes in exchange rates after the transaction date are charged to the profit and loss account.

Financial figures of foreign entities (subsidiaries)

Balance sheet items of foreign entities, including goodwill and fair value adjustments resulting from consolidation are translated at the medium exchange rate set by the National Bank of Poland as at the balance sheet date. Profit and loss account items were translated at the average exchange rate for a given period. The FX differences resulting from such translations are recognized in the equity item "FX differences from the translations for subordinate companies".

(c) Derivative financial instruments

The main purpose of forward and option contracts on the forex market is the mitigation of the risk related to the unfavorable changes in exchange rates resulting in lower profitability of the business due to the increase in costs of imports or the decrease in exports as well as changes in prices of raw materials.

Forwards and options are reported at cost, measured as at the balance sheet date at fair value and disclosed in the financial statement as financial assets or financial liabilities. Fair value is calculated at the present net value of future cash flows related to these contracts, quoted market forward interest rates, quoted market forward foreign currency exchange rates. If quoted market forward foreign currency exchange rates are not available, the forward rate is calculated on the basis of spot exchange rates according to interest rate parity method.

(d) Tangible fixed assets (PPE)

Tangible fixed assets owned by the Company

Tangible fixed assets are disclosed at cost, deemed cost or production cost less accumulated depreciation and impairment write-downs. Deemed cost is the measurement of tangible fixed assets at fair value as at the date of IFRS adoption.

Tangible fixed assets established for future use as investment property are included in the tangible fixed assets item and reported at their cost by the time of their finishing, when they are reclassified as investment property.

In the case when a particular tangible fixed asset comprises separate and material components with different useful lives, the components are deemed as separate tangible fixed assets.

Leased fixed assets

Leases, under which the Company assumes the whole risk and is entitled to all benefits resulting from the ownership of a fixed asset, are classified as financial lease. Fixed assets under financial lease are reported at fair value or the present value of lease installments and initial costs from the beginning of the contract of lease (whichever is greater), less the earlier fixed asset depreciation (see below) and impairment write-downs (see item (j) of the accounting principles below).

Expenditure following the putting into use of a fixed asset

The capitalization covers the costs associated with the replacement of a tangible fixed asset recognized separately and other costs, when they increase future economic benefits related to a tangible fixed asset. The remaining capital expenditure is recognized on an ongoing basis as an expense in the profit and loss account.

Depreciation

Tangible fixed assets, or their material and separate parts, are depreciated according to the equal installment method in their useful lives. Land is not depreciated. The Group assumes the following useful lives for particular assets:

	From	To	
Buildings and structures	25	75	years
Plants and machinery, including:	10	40	years
- material components	*15*	*25*	*years*
Vehicles	7	15	years
Other fixed assets	5	10	years

(e) Intangible assets

Goodwill and negative goodwill

Goodwill and negative goodwill are created when the shares in subsidiaries are acquired. Goodwill is initially accounted for at cost being the difference between cost and fair value of acquired net assets that can be separated.

Following the initial recognition, goodwill is recognized at cost less impairment write-downs. Goodwill is verified in terms of any possible impairment every year or on a more frequent basis, when events or changes occurred which indicate the possible loss of their carrying amount.

In the event of negative goodwill, the total surplus of the value of identifiable assets and liabilities (including contingent liabilities) over the purchase price after such valuation is charged to profit and loss account.

<u>*Software*</u>

The costs of software development and maintenance are recognized as cost at the time they are incurred. The costs directly attributed to particular proprietary software controlled by the Group which will probably generate economic benefits exceeding the costs over the period of more than one year are recognized as intangible assets. Software is amortized according to the equal installment method in its useful life.

(f) Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is recognized at fair value determined each year by an independent specialist. Fair value is determined on the basis of present, market prices of similar real estates with similar location and of comparable technical condition. Any gains/losses resulting from changes in fair value are accounted for in the profit and loss account.

The revenue from the lease of real estate to third parties is recognized following the principles set out in item (q) of the accounting principles below.

When an asset is recognized as investment property as a result of the change in its use, the difference between its carrying amount and fair value as at the date of the change is charged to revaluation reserve, when the effect of the change is profit, or charged to the profit and loss account in the case of loss. As at the date of an asset disposal, profit recognized initially in the revaluation reserve is reclassified to retained profit.

(g) Trade and other receivables

Trade receivables and other receivables are initially recognized at cost, further at depreciated cost less impairment write-downs (see item (j) of the accounting principles below).

(h) Inventories

Inventory is valued at cost or production cost, not exceeding their net values possible to be obtained as at the balance sheet date. The net value is estimated selling price possible to be obtained within the ordinary course of business, less discounts and rebates, estimated finishing costs and costs necessary to effect the sale.

The value of inventory is determined on the basis of:
Materials - at cost, where the outflows are valued according to the FIFO method.
Trade goods - at cost, where the outflows are valued according to the FIFO method.
Finished products - at production cost, where the outflows are valued according to the FIFO method.
Work–in-progress – at full production cost.

The costs related to finished goods and work-in-progress contain respective portion of indirect costs based on the usual level of operations.

(i) Cash and cash equivalents

Cash and equivalents include cash at hand and in banks, bank deposits and securities with maturity dates of up to 3 months. Overdraft facilities paid on demand and being an integral part of cash management, are recognized as cash and cash equivalents for the purpose of cash flow statement.

(j) Impairment of assets

The carrying amount of the Group's assets, except for inventory (item (h) of the accounting principles), investment property (item (f) of the accounting principles) and deferred tax assets (item (t) of the accounting principles) is subject to analysis as at each balance sheet date in order to determine whether there are premises indicative of their impairment. If such premises are present, the Group values the recoverable amount of particular assets or cash generating units (CGU). Valuation of recoverable amount in relation to goodwill and intangible assets whose useful life is not determined, are made on an annual basis as at the data of financial statement.

Impairment write-downs are recognized in each case in which carrying amount of an asset or of a cash generating unit to which it belongs exceeds its recoverable amount. Impairment write-downs are recognized in the profit and loss account, except for situations in which the write-down is related to assets subject to revaluation and for which revaluation reserve was reported. In this situation, impairment write-down first decreases revaluation reserve for a given asset, and further, after it has been reduced, it is recognized in profit and loss account.

Write-downs of trade receivables and other receivables are made when there is objective evidence that the Group will not be able to collect the amounts due in full. If there is objective evidence that the receivables reported at depreciated cost are impaired, the loss due to the impairment is determined as the difference between the asset carrying amount and the current value of future cash flows discounted against the effective interest rate. The loss due to the write-downs is recognized in the profit and loss account. Short-term receivables are not discounted.

Calculation of recoverable amount

Recoverable amount with reference to the Group's investment maintained to their maturity and payment due is determined as the present value of future cash flows discounted with the effective interest rate (internal rate of return on a given asset). Short-term receivables are not discounted.

The recoverable value for the remaining assets is defined as the larger of:
- their fair value less selling costs, and
- value in use.

When calculating the value in use, the estimated future cash flows are discounted with the use of interest rate which reflects the present market valuation of money in time and risk factors typical of this asset. In case of assets which do not generate independent cash flows, the value in use is determined for the smallest identifiable cash generating unit to which the asset belongs.

Reversal of the write-downs

Impairment write-downs are reversed only when there is change in estimates applied in the calculation of recoverable amount from the time of the recognition of the last impairment write-down.

Impairment write-downs recognized for goodwill are not reversed.

The impairment write-down is reversed only to the carrying amount of an asset (less depreciation) that would be recognized in the situation when the impairment write-down was not recognized.

(k) Equity

Until the end of 1996, the Company operated in the context of hyperinflation. As at the date of adopting IFRS, i.e. January 1, 2004, according to IAS 29.24, the Company restated equity items (except for retained profit and any surpluses related to the assets revaluation) by applying the general price index, commencing from dates when these equities were contributed or were created otherwise to December 31, 1996.

Share capital

The parent company's share capital is the Group's share capital and is accounted for at the value resulting from the restatement of nominal value according to IAS 29 described above.

Treasury shares acquired for redemption

Treasury shares acquired by the Company are recognized at cost, plus transaction costs directly attributable to the acquisition. Treasury shares acquisition and redemption is presented as a change in equity. Acquired treasury shares are recognized in "Treasury shares" item and presented as the decrease in equity.

Share premium

The differences between the fair value of the received payment and the face value of shares are accounted for in the share premium. In the event of shares buy-back, the amount paid for the shares is charged to the equity and is recognized in the treasury shares item in the balance sheet. The share premium created before January 1, 1997 was restated pursuant to IAS 29 described above.

The costs of the issue of shares incurred at the formation of a joint stock company or increase in the share capital, decrease the parent company's capital reserve to the amount of the share premium and the remaining part shall be accounted for in financial expenses.

(l) Interest-bearing bank credits and loans

Financial liabilities due under credits, loans and debt securities are initially recognized at cost. The initial value includes the transaction costs. The measurement in later periods is performed at depreciated cost.

(m) *Provisions for jubilee awards and retirement allowances*

According to the corporate payroll system, employees of the Group's companies are entitled to service anniversary awards after having worked a specified number of years and to retirement (pension) allowances while retiring (being granted a pension). These liabilities result from the rights acquired by the Company's employees in the period and in previous years.

The value of the Capital Group's liabilities related to jubilee awards and retirement allowances are calculated by a licensed actuary.

(n) *Provisions*

The provision is recognized in the case when the Group has a legal or customary obligation resulting from past events and it is probable that the fulfillment of this obligation will be associated with the outflow of economic benefits from the Group. Material provisions are determined by discounting expected future cash flows basing on the pre-tax rate which reflects present market estimates of changes in money in time and, where applicable, the risk associated with a particular liability.

The provision for contracts under which the company is obliged to pay liabilities, is recognized when the expected benefits possible to be obtained by the Group as a result of the contract are lower than the costs of fulfilling the contractual liability that cannot be avoided.

(o) *Warranties*

Provision for warranties is recognized when the goods or services subject to this provision are sold. The provision is based on historical data on the payments of benefits resulting from warranties and the weighted average of possible disbursements and the probability of their occurrence.

(p) *Trade and other liabilities*

Liabilities are recognized in books of accounts at historical cost.

(q) *Revenues*

Revenues from the sale of goods and services

Revenue from sales of goods and services, less VAT, discounts and rebates, are recognized at the time when material risk and benefits resulting from their ownership are transferred onto the buyer. Revenues from the sale of services are recognized in the profit and loss account in proportion to the degree of their realization as at the balance sheet date. The degree of service performance is determined on the bases of the outcome of an independent review of the works. The revenues are not recognized when there is a material uncertainty related to the obtaining of an independent remuneration, the reimbursement of costs or a potential return of products and goods.

Revenue from contracts of lease is accounted for in the profit and loss account according to the equal installment method in the term of the contracts of lease.

Government subsidies

Subsidies from the State budget are recognized initially in the balance sheet as deferred income when there is a justified certainty that a subsidy will be obtained and the Group meets the requirements for its obtaining. Subsidies which are a compensation for the Group for the costs incurred are recognized systematically as revenue in profit and loss account in periods in which the costs were incurred. Subsidies which are a compensation for the cost of a given asset are recognized systematically in profit and loss account as revenue in the useful life of this asset.

(r) Operating leases

Fees under operating lease are recognized as costs in the profit and loss account according to the equal installment method for the term of the leasing. Any discounts in leasing fees are recognized in the profit and loss account as part of the total liabilities due on account of leasing fees.

(s) Financial activities

Financial expense include interest due on debts basing on the effective interest rate, interest due on cash invested by the Group, dividends due, profit and loss on FX differences and profit and loss from hedging instruments which are recognized in profit and loss account.

Interest income is recognized in profit and loss account basing on accrual accounting, including the effective profit from a given asset.

Revenues from dividends are recognized when the Group acquires a right to such dividends.

Interest expense from leasing fees is recognized in profit and loss account basing on effective interest rate.

(t) Income tax

Income tax presented in the profit and loss account includes its current and deferred part. Income tax is recognized in profit and loss account, except for amounts related to the items settled directly in equity. In such a situation, it is recognized in equity.

Current tax is the expected tax liability on account of the income after taxation for a given year subject to taxation calculated with the application of tax rates binding or adopted as at the balance sheet date. Current income tax liabilities are calculated according to tax regulations.

The value of the deferred income tax is determined with the balance sheet method, on the basis of temporary differences between the value of assets and liabilities recognized in books of accounts and their value for tax purposes. The following temporary differences are not recognized at the determination of the deferred income tax: goodwill being non-deductible expenditure for income tax purposes; transactions in which the initial recognition in books of accounts of assets and liabilities does not result in any consequences for the Group's financial or tax result; and temporary differences related to the value of investments in subordinated companies to the extent in which such values will not become revenue / cost for income tax purposes in the foreseeable future. Recognized deferred tax amount is based on expected method of the realization of the carrying amount of assets and liabilities, with the application of income tax rates binding or adopted as at the balance sheet date.

Deferred income tax assets are established in the amount to be deducted off income tax in the future due to negative temporary discrepancies which will cause future reduction of the deductible income tax base, based on the principle of prudence, i.e. the balance sheet value of a deferred tax asset is subject to a respective decrease by the amount which corresponds to the lesser degree of the probability of generating taxable income or partial or total realization of a deferred tax asset.

(u) Reporting by segments

Business segment is the Group's separable business area involved in the distribution of trade goods and the provision of services (industry segment) or operating in a particular economic environment (geographical segment); no risk is related to the operation of the segment characteristic to a given Group's business area.

(v) Paid dividend

The dividend liabilities are recognized at the time of the resolution of the General Meeting of the Shareholders approving of the dividend payment.

(w) Related parties

For the purpose of this financial statement, related parties are as follows: members of the Management Boards and the Supervisory Boards of the Group companies, their closest relatives and entities controlled by them.

(x) The recognition of benefits from the operation in the Special Enterprise Zone (SEZ)

One of the Group companies (Alupol Sp. z o.o.) operates in the special enterprise zone. The income from the operation in SEZ is exempt from income tax. Economic benefits related to exemption from income tax are recognized in the profit and loss account in the period there are related to. Thus, the Company fails to disclose deferred tax assets related to the public assistance that can be used.

(y) Payments in the form of treasury shares

No payments in the form of treasury shares took place after January 1, 2005.

(in PLN thousand, unless stated otherwise)

F. Additional notes

Note 1 - Changes in tangible fixed assets

Tangible fixed assets	As at 01.01.2005	Additions	Disposals	Liquidation	Transfer	Exchange differences	As at 30.06.2005
		(+)	(-)	(-)	(+/-)	(+/-)	
Gross tangible fixed assets							
Land	2 622	985	0	0	0	40	3 647
Buildings and structures	124 269	12 158	(125)	(150)	(1 408)	13	134 757
Plant and machinery	258 325	23 278	(92)	(230)	1 408	16	282 705
Vehicles	6 129	871	(385)	0	0	31	6 646
Other fixed assets	41 437	4 799	(78)	(1 438)	0	14	44 734
Fixed assets under construction	57 681	53 677	0	0	(30 117)	(108)	81 133
	490 463	95 768	(680)	(1 818)	(30 117)	6	553 622
Depreciation of tangible fixed assets							
Land	0	0	0	0	0	0	0
Buildings and structures	4 700	2 405	(125)	(11)	0	1	6 970
Plant and machinery	19 926	10 647	(4)	(114)	0	7	30 462
Vehicles	766	445	(87)	0	0	9	1 133
Other fixed assets	18 284	3 105	(15)	(913)	0	2	20 463
	43 676	16 602	(231)	(1 038)	0	19	59 028
Net tangible fixed assets							
Land	2 622	985	0	0	0	40	3 647
Buildings and structures	119 569	9 753	0	(139)	(1 408)	12	127 787
Plant and machinery	238 399	12 631	(88)	(116)	1 408	9	252 243
Vehicles	5 363	426	(298)	0	0	22	5 513
Other fixed assets	23 153	1 694	(63)	(525)	0	12	24 271
Fixed assets under construction	57 681	53 677	0	0	(30 117)	(108)	81 133
	446 787	79 166	(449)	(780)	(30 117)	(13)	494 594

a) Changes in the estimate for the useful life

In the reporting period, the consolidated companies made unplanned depreciation charges of 588 thousand PLN. The non-planned depreciation charges resulted directly from the faster use of fixed assets than their expected useful life.

b) Limitations on fixed assets disposal

As at June 30, 2005, the net fixed assets of 70,063 thousand PLN accounted for the security of bank loans granted to entities of the Capital Group.

c) Contractual liabilities

Contractual liabilities related to the acquisition of fixed assets as at the balance sheet date were 13,969 thousand PLN, including 5,724 thousand PLN for Flexible Packaging, 8,061 thousand PLN for Extruded Products, and 184 thousand PLN for Aluminum Joinery. The Company made prepayments of 1,320 thousand PLN related to the acquisition of the said fixed assets. These prepayments were presented in “Other receivables”.

(in PLN thousand, unless stated otherwise)

Note 2 - Changes in intangibles

Intangibles	As at 01.01.2005	Additions	Disposals	Transfer	Exchange differences	As at 30.06.2005
30.06.2005		**(+)**	**(-)**	**(+/-)**	**(+/-)**	
Gross intangibles						
Goodwill	1 118	181	0	0	0	1 299
Production technologies, patents	882	0	0	0	0	882
Software	13 401	693	0	0	0	14 094
Other intangibles	6	1 406	0	(1)	1	1 412
Intangibles in progress	229	743	0	(371)	0	601
	15 636	**3 023**	**0**	**(372)**	**1**	**18 288**
Depreciation of intangibles						
Goodwill	650	0	0	0	0	650
Production technologies, patents	205	108	0	0	0	313
Software	5 135	982	4	0	0	6 121
Other intangibles	3	19	0	0	1	23
	0	0	0	0	0	0
	5 993	**1 109**	**4**	**0**	**1**	**7 107**
Net intangibles						
Goodwill	468	181	0	0	0	649
Production technologies, patents	677	(108)	0	0	0	569
Software	8 266	(289)	(4)	0	0	7 973
Other intangibles	3	1 387	0	(1)	0	1 389
Intangibles in progress	229	743	0	(371)	0	601
	9 643	**1 914**	**(4)**	**(372)**	**0**	**11 181**

a) Amortization of intangible assets

Amortization charges for intangible assets are recognized in full in the operating expense item "Amortization" in the profit and loss account.

b) Material intangible assets

Intangible assets are mainly purchased software.

The material asset is the corporate management system with the net value, as at the balance sheet date, of 4,003 thousand PLN and with the estimated, by the balance sheet date, useful life period of 5.5 years.

c) Limitations on intangibles disposal

As at June 30, 2005, intangible assets neither accounted for the collateral for bank loans granted to entities of the Capital Group nor were subject to other limitations.

d) Contractual liabilities

As at June 30, 2005, there were no contractual liabilities related to the acquisition of intangible assets.

(in PLN thousand, unless stated otherwise)

Note 3 - Investing property at fair value

	30.06.2005	31.12.2004	30.06.2004
Value of investing property			
Value as at the beginning of reporting period	**2 409**	**170**	**170**
Transfer from/to tangible fixed assets		2 239	
Value as at the end of reporting period	**2 409**	**2 409**	**170**

Property investments, recognized as at the balance sheet date, are the property of the subsidiary, Metalplast-Bielsko S.A., and include the administrative and office building worth of 2,239 thousand PLN and land in Trojaczkowice, the Lublin Province worth of 170 thousand PLN. The said property was valued by NOT Beskidzka Rada Federacji Stowarzyszenia Naukowo-Technicznego ZUT in Bielsko-Biała [NOT – the Beskid Council of ZUT Scientific and Technical Association Federation] using the comparable method.

The administrative and office building is currently leased and the Group obtains benefits from the lease rent. Land in Trojaczkowice is retained due to the expected increase in value.

(in PLN thousand, unless stated otherwise)

Note 4 - Change in investments

	01.01.2005	Additions	Liquidations	30.06.2005
30.06.2005		(+)	(+/-)	
Gross long-term investments, including:	1 032			1 032
- ***available for sale***	*1 032*			*1 032*
Stocks and shares	1 032			1 032
Impairment loss of long-term investments, including:	1 025			1 025
- ***available for sale***	*1 025*			*1 025*
Stocks and shares	1025			1 025
Net long-term investments, including:	7			7
- ***available for sale***	*7*			*7*
Stocks and shares	7			7
Gross short-term investments, including:	708	12		720
- ***available for sale***	*708*	*12*		*720*
Other	708	12		720
Impairment loss of short-term investments, including:				
- ***available for sale***				
Other				
Net short-term investments, including:	708	12		720
- ***available for sale***	*708*	*12*		*720*
Other	708	12		720

	01.01.2004	Additions	Liquidations	31.12.2004
31.12.2004		(+)	(+/-)	
Gross long-term investments, including:	1 715		(683)	1 032
- ***available for sale***	*1 715*		*(683)*	*1 032*
Stocks and shares	1 715		(683)	1 032
Impairment loss of long-term investments, including:	1 025	683	(683)	1 025
- ***available for sale***	*1 025*	*683*	*(683)*	*1 025*
Stocks and shares	1 025	683	(683)	1 025
Net long-term investments, including:	690	(683)		7
- ***available for sale***	*690*	*(683)*		*7*
Stocks and shares	690			7
Gross short-term investments, including:	708			708
- ***available for sale***	*708*			*708*
Other	708			708
Impairment loss of short-term investments, including:				
- ***available for sale***				
Other				
Net short-term investments, including:	708			708
- ***available for sale***	*708*			*708*
Other	708			708

	01.01.2004	Additions	Liquidations	30.06.2004
30.06.2004		(+)	(+/-)	
Gross long-term investments, including:	1 715			1 715
- ***available for sale***	*1 715*			*1 715*
Stocks and shares	1 715			1 715
Impairment loss of long-term investments, including:	1 025	330		1 355
- ***available for sale***	*1 025*	*330*		*1 355*
Stocks and shares	1 025	330		1 355
Net long-term investments, including:	690	(330)		360
- ***available for sale***	*690*	*(330)*		*360*
Stocks and shares	690	(330)		360
Gross short-term investments, including:	708	12		720
- ***available for sale***	*708*	*12*		*720*
Other	708	12		720
Impairment loss of short-term investments, including:				
- ***available for sale***				
Other				
Net short-term investments, including:	708	12		720
- ***available for sale***	*708*	*12*		*720*
Other	708	12		720

Long-term investments were recognized at cost adjusted with impairment write-downs resulting from the unfavorable financial standing of companies in which the shares were acquired.

a) Acquisitions of companies in the period

In June 2005, Metalplast-Bielsko S.A. acquired 70% of shares in Impet Sp. z o.o. with its registered office in Chorzów, whose objects include the sale of steel systems.

The fair value of identified assets and liabilities as at the date of taking control over the company has been presented below:

Type (amounts in PLN '000)	**Adopted value (fair value)**
Tangible fixed assets (PPE)	3
Inventories	143
Receivables	142
Cash	9
Liabilities and provisions for liabilities	(420)
NET ASSETS	**(123)**

The value of acquired net assets 86 thousand PLN (70% x (-123))
Cost 38 thousand PLN
Goodwill resulting from the acquisition 124 thousand PLN

In the consolidated financial statement, goodwill was presented in intangible assets.

b) Negative goodwill

In the period, the Company recognized negative goodwill resulting from taking control by the subsidiary RUN-PAK Sp. z o.o. of a natural person's enterprise in exchange for shares. Fair value of net assets as at the time of taking over the control amounted to 567 thousand PLN, and the nominal value of the transferred shares in RUN-PAK Sp. z o.o. amounted to 10 thousand PLN. The remaining shares of 990 thousand PLN were taken up by Grupa KĘTY S.A. for cash contributions. The share of Grupa KĘTY S.A. accounts for 99% of the share capital of RUN-PAK Sp. z o.o.

Fair value of the particular net assets as at the day of taking control over the enterprise:

	Adopted (fair) value in '000 PLN
Tangible fixed assets (PPE)	10,505
Intangible assets	1,400
Inventories	1,325
Receivables	1,374
Cash	1
Credits and loans	(748)
Liabilities	(13,290)
Total	**567**

(in PLN thousand, unless stated otherwise)

Note 5 - Deferred income tax

	from 01.01.2005 to 30.06.2005	from 01.01.2004 to 31.12.2004	from 01.01.2004 to 30.06.2004	from 01.01.2005 to 30.06.2005	from 01.01.2004 to 31.12.2004	from 01.01.2004 to 30.06.2004	from 01.01.2005 to 30.06.2005	from 01.01.2004 to 31.12.2004	from 01.01.2004 to 30.06.2004
	ASSETS			LIABILITIES			NET		
Tangible fixed assets	(243)	(174)	(135)	29 852	30 056	30 100	29 609	29 882	29 965
Intangibles	(249)	(299)	(349)				(249)	(299)	(349)
Other long-term investments	(167)	(167)	(167)				(167)	(167)	(167)
Inventories	(901)	(1 064)	(1 129)				(901)	(1 064)	(1 129)
Short-term receivables and other	(2 653)	(3 323)	(4 076)				(2 653)	(3 323)	(4 076)
Short-term investments		(6)		16	1	3	16	(5)	3
Provisions	(2 163)	(1 918)	(2 060)				(2 163)	(1 918)	(2 060)
Prepayments and deferred income	(824)	(798)	(1 217)				(824)	(798)	(1 217)
Financial instruments	(57)	(785)	(78)	519	7	42	462	(778)	(36)
Tax loss deductible in future periods	(24)						(24)		
Other long-term investments	(1 477)	(521)	(681)	589	446	324	(888)	(75)	(357)
TOTAL DEFERRED INCOME TAX (ASSETS) PROVISION	(8 758)	(9 055)	(9 892)	30 976	30 510	30 469	22 218	21 455	20 577
Set-off	8 758	9 055	9 892	(8 758)	(9 055)	(9 892)			
DEFERRED INCOME TAX (ASSETS) / PROVISION ACCOUNTED FOR IN THE BALANCE SHEET	0	0	0	22 218	21 455	20 577			

Unrecognized deferred tax assets and deferred tax liability

The Group failed to recognize deferred for its subsidiary, Alupol Sp. z o.o., which operated in the special enterprise zone.

(in PLN thousand, unless stated otherwise)

Note 6 - Inventories

	30.06.2005	31.12.2004	30.06.2004
Gross value			
Materials	44 644	64 168	61 314
Work in progress	28 506	32 230	33 159
Finished products	16 837	24 764	20 859
Goods	1 985	1 277	5 641
	91 972	122 439	120 973
Impairment loss			
Materials	544	544	1 554
Work in progress	26	26	104
Goods	662	959	619
	1 232	1 529	2 277
Net value			
Materials	44 100	63 624	59 760
Work in progress	28 480	32 204	33 055
Finished products	16 175	23 805	20 240
Goods	1 985	1 277	5 641
	90 740	120 910	118 696

a) Limitations on inventories disposal

As at June 30, 2005, inventory with the net carrying amount of 52,389 thousand PLN were the security for bank loans.

b) Write-downs of inventories

The creation of the impairment write-down was recognized in “write-downs of assets” in the profit and loss account. The reversal of the impairment write-down was recognized in “other operating income” in the profit and loss account.

(in PLN thousand, unless stated otherwise)

Note 7 - Budgetary and legal settlements

Receivables	30.06.2005	31.12.2004	30.06.2004
Income tax	1 689	498	1 155
VAT	6 158	4 786	3 970
Social security	369		10
Employees' income tax		1	11
Other taxes	76	16	16
	8 292	5 301	5 162

Liabilities	30.06.2005	31.12.2004	30.06.2004
Income tax	1 183	4 781	2 597
VAT	1 927	492	1 183
Social security	4 621	4 351	6 147
Employees' income tax	855	1 046	1 116
Other taxes	86	87	125
	8 672	10 757	11 168

Write-downs are recognized in "write-downs of assets" in the profit and loss account.

Note 8 - Trade receivables and other

Receivables	30.06.2005	31.12.2004	30.06.2004
Gross receivables			
Trade receivables	178 024	171 490	199 690
Prepayment on account (traders)	753	71	1 473
Prepayment on account (fixed assets)	1 320	18 866	29
Receivables from employees	451	321	349
Other	3 847	6 469	27 103
	184 395	197 217	228 644
Impairment of receivables			
Trade receivables	39 224	45 209	50 501
Other	2 281	5 339	6 047
	41 505	50 548	56 548
Net receivables			
Trade receivables	138 800	126 281	149 189
Prepayment on account (traders)	753	71	1 473
Prepayment on account (fixed assets)	1 320	18 866	29
Receivables from employees	451	321	349
Other	1 566	1 130	21 056
	142 890	146 669	172 096

Note 9 - Financial instruments

(a) Credit risk

Financial instruments particularly exposed to credit risk are trade receivables and cash and cash equivalents.

Credit risk associated with trade receivables is limited, as the customer base maintained by the Group is extensive. As a result, credit risk concentration is slight.

(in PLN thousand, unless stated otherwise)

Cash and cash equivalents are invested in financial institutions with high financial credibility.

(b) Interest rate risk

Bank loans and credits borrowed by the Company are floating interest rate instruments (see Note 12). The Group took no hedging measures against interest rate risk.

(c) Currency risk

The Group bears currency risk related mainly with the sale of finished goods, the acquisition of raw materials that are effected in foreign currencies, and the repayment of loans and credits denominated in foreign currencies.

The Group employs hedging instruments against the currency risk to a limited extent, executing short-term currency forward contracts. The detailed information on the value of unrealized forwards has been presented below:

Note 9 - Derivative financial instruments

Financial assets	30.06.2005	31.12.2004	30.06.2004
Forward foreign exchange contracts - cash flow hedges	2 869	37	218

Financial liabilities	30.06.2005	31.12.2004	30.06.2004
Forward foreign exchange contracts - cash flow hedges	549	4 134	411

Due to the non-application of hedging accounting, all changes in fair value for forwards are recognized in the profit and loss account.

(d) Fair values

Fair values of financial assets and liabilities approximate their carrying amounts as at 30 June 2005, 31 December 2004 and 30 June 2004.

Note 10 - Cash

	30.06.2005	31.12.2004	30.06.2004
Bank deposits (current accounts) and short-term deposit accounts	33 527	19 254	21 881
Cash at hand	44	735	1 314
Other cash	90	195	167
Cash accounted for in the balance sheet	33 661	20 184	23 362
Bank overdrafts	(21 025)	(7 730)	(4 066)
Cash accounted for in cash flow statement	12 636	12 454	19 296

(in PLN thousand, unless stated otherwise)

Note 11 - Equity capital

a) Share capital

	Amount	Par value	Purchase value	Revaluation in accordance with IAS 29
30.06.2005				
Shares				
Shares at the beginning of the reporting period	10 500 780	26 252		80 179
Shares at the end of the reporting period	9 225 663	23 064		63 026
Treasury shares				
Shares at the beginning of the reporting period	1 575 117		(71 108)	(71 108)
Shares at the end of the reporting period				

On 15 February 2005, the Court registered the decrease in the Company's share capital through the redemption of 1,575,117 shares acquired by the Company for its redemption through the public call in 2002. Following the registration of the said decrease, the nominal share capital amounted to 22,314 thousand PLN and it was divided into 8.925.663 shares with the nominal value of PLN 2.50 each.

On 30 May 2005, the Court registered the increase in the Company's share capital through the issue of 300,000 series D shares taken up by entitled persons in August 2004 under the Company's incentive scheme launched in 2003. Following the registration of the said increase, the nominal share capital amounted to 23.064 thousand PLN and it was divided into 9,225,663 shares with the nominal value of PLN 2.50 each. The detailed information on the incentive scheme has been presented in Note 25.

The Company's shareholders are entitled to receive dividend in the declared amount, if declared. One ordinary share is vested with one vote at the General Meeting of Shareholders.

b) FX differences from translation

FX rate discrepancies cover all FX differences resulting from the translation of financial statements of foreign companies into the Polish zloty.

(in PLN thousand, unless stated otherwise)

c) Retained earnings

	30.06.2005	31.12.2004	30.06.2004
previous years' earnings	352 824	319 551	319 551
revaluation of tangible fixed assets and intangibles	137 597	137 597	137 802
restatement of equity	(48 853)	(58 880)	(58 880)
financial result for the period	45 220	93 913	52 135
	486 788	492 181	450 608

Pursuant to the resolution of the Ordinary General Meeting of Shareholders held on 10 May 2005, the 2004 net profit of 36,902,652 PLN was allocated for the payment of dividend (4 PLN per share).

Note 12 - Interest-bearing borrowings

Borrowings	30.06.2005	31.12.2004	30.06.2004
Maturity date			
Current	27 033	56 537	97 043
between 1 and 2 years	46 000	17 389	74
	73 033	73 926	97 117

Description of liability	Currency	The amount to be repaid (PLN '000)			Interest rate	Discharge date	Collaterals
		30.06.2005	31.12.2004	30.06.2004			
Long-term liabilities							
Bank Handlowy	EUR	17 836	13 483		Euribor+0,25%	08-08-2006	Guarantee granted by Metalplast-Bielsko S.A. up to the amount of PLN 30 m, guarantee granted by Alupol Sp. z o.o. up to PLN 30 m, transfer of ownership or pledge by registration on fixed assets
Bank Handlowy	PLN	28 111	3 853		Wibor+0,25%	08-08-2006	Guarantee granted by Metalplast-Bielsko S.A. up to the amount of PLN 30 m, guarantee granted by Alupol Sp. z o.o. up to PLN 30 m, transfer of ownership or pledge by registration on fixed assets
Zalur Ukraina	lack of data	53	48	74	lack of data	lack of data	lack of data
		46 000	**17 384**	**74**			
Short-term liabilities							
BPH PBK	PLN	4 473	36 473	52 533	Wibor+0,3%	31-10-2005	pledge on inventories
BPH PBK	EUR	989		5 456	Euribor 0,5%	31-10-2005	pledge on inventories
BPH PBK	PLN	5 982			Wibor+0,3%	31-10-2005	guarantee granted by GK S.A.
BPH PBK	EUR			4			
BPH PBK	EUR			400			
Bank Handlowy	PLN	58	20 037	38 621	Wibor+0,25%	08-08-2005	none
COK	PLN		27	29			
Societe	PLN	168			Wibor+0,5%	31-08-2005	a blank bill of exchange
Societe	EUR	15 363			Euribor 0,5%	31-08-2005	a blank bill of exchange
		27 033	**56 537**	**97 043**			

(in PLN thousand, unless stated otherwise)

Note 13 - Trade and other payables

	30.06.2005	31.12.2004	30.06.2004
Liabilities			
Trade payables	49 113	58 619	63 721
Payments received on account	1 000	488	1 023
Payroll liability	2 175	1 126	2 518
Securities	5	1 940	
Other	56 918	16 027	10 859
	109 211	78 200	78 121

As at June 30, 2005, other liabilities include mainly the liability related to the dividend declared by the parent company in 2004, and not paid by the balance sheet date, amounting to 36,903 thousand PLN.

Note 14 - Provisions and employee benefits

	01.01.2005	Additions	Recognition	Reversal	Transfer	30.06.2005
30.06.2005		(+)	(-)	(-)	(+/-)	
Provisions for expenditures and risk						
Long-term provisions						
- guarantee deposits	608	282				890
	608	**282**				**890**
Short-term provisions						
- jubilee awards and post-employment benefits provision	1 686		(256)		239	1 669
- provision for costs of unused holiday leaves	435	327	11	(138)		635
- commercial risk provision	804			(78)		726
- costs of bonus	2 627	1 734	(74)	(1 974)		2 313
- costs of environmental protection	127	186	(144)	(34)		135
- guarantee deposits	678	10	(273)			415
- other items	1 029	1 382	(55)	(511)		1 845
	7 386	**3 639**	**(791)**	**(2 735)**	**239**	**7 738**
	7 994	**3 921**	**(791)**	**(2 735)**		**8 389**

	01.01.2004	Additions	Recognition	Reversal	Transfer	31.12.2004
31.12.2004		(+)	(-)	(-)	(+/-)	
Provisions for expenditures and risk						
Long-term provisions						
- guarantee deposits	993	117	(315)		(187)	608
- other risk provision	3 552	437		(437)	(3 552)	
	4 545	**554**	**(315)**	**(437)**	**(3 739)**	**608**
Short-term provisions						
- jubilee awards and post-employment benefits provision	1 598	1 320	(1 296)		64	1 686
- provision for costs of unused holiday leaves	321	176	(62)			435
- commercial risk provision	800		5	(3 553)	3 552	804
- costs of bonus	2 291	2 603	(2 267)			2 627
- costs of environmental protection	127	127	(127)			127
- guarantee deposits	919			(428)	187	678
- other items	482	579	(32)			1 029
	6 538	**4 805**	**(3 779)**	**(3 981)**	**3 803**	**7 386**
	11 083	**5 359**	**(4 094)**	**(4 418)**		**7 930**

	01.01.2004	Additions	Recognition	Reversal	Transfer	30.06.2004
30.06.2004		(+)	(-)	(-)	(+/-)	
Provisions for expenditures and risk						
Long-term provisions						
- guarantee deposits	993	517	(338)			1 172
- other risk provision	3 552				(3 552)	
	4 545	**517**	**(338)**		**(3 552)**	**1 172**
Short-term provisions						
- jubilee awards and post-employment benefits provision	1 598	547	(342)		20	1 823
- provision for costs of unused holiday leaves	321	452	(12)	(225)		536
- commercial risk provision	800	437			3 552	4 789
- costs of bonus	2 291	1 881	(174)			3 998
- costs of environmental protection	127	208	(162)			173
- guarantee deposits	919			(244)		675
- other items	482	1 094	(12)			1 564
	6 538	**4 619**	**(702)**	**(469)**	**3 572**	**13 558**
	11 083	**5 136**	**(1 040)**	**(469)**		**14 710**

Employee benefits cover the long-term portion of provisions for long-service awards and retirement severance payments.

(in PLN thousand, unless stated otherwise)

Provisions for jubilee awards and retirement allowances were measured by an actuary and represent the current value of the Company's liabilities towards the employees on the above accounts.

Other accruals include mainly the value of performed, but not invoiced services rendered to the Company.

Note 15 - Revenue and information on segment activities

Branch segments of the Group 30.06.2005	SOG	SWW	SSA	Other	Eliminations	Total
Income Statement						
Sale	109 259	173 164	72 116	23 077	(40 498)	337 118
Profit from operating activities	16 479	22 353	12 358	(1 910)	(1 193)	48 087
Depreciation	7 297	7 340	1 017	2 205	(165)	17 694
Balance Sheet						
Assets of the segment	238 139	345 049	106 149	100 933	(43 781)	746 489
Assets not attibuted (joint)				49 632		49 632
Total assets	238 139	345 049	106 149	150 565	(43 781)	796 121
Liabilities of the segment	14 381	20 156	20 723	42 533	(48 680)	49 113
Liabilities not attributed (joint)				191 169		191 169
Total liabilities	14 381	20 156	20 723	233 702	(48 680)	240 282
Other						
Net cash from operating activities	10 895	59 577	13 243	(22 651)	92	61 155
Net cash from investing activities	10 212	(48 727)	(11 447)	16 124	(12 162)	(46 000)
Net cash from financing activities			(15 335)	1 587	(1 225)	(14 973)
Outlay for fixed assets	13 365	47 062	9 100	2 656	(4 011)	68 272

* other operations are related to auxiliary operations not associated directly with the basic operations of particular segments including Alutech Sp. z o.o.
** sale between segments is mainly associated with the sale of aluminum extrusions from EPS to ASS and the sale of services of varnishing and anodizing by ASS to EPS.

The Capital Group's operation is pursued in three basic areas and is divided into:

- Extruded Products Segment (EPS)
- Flexible Packaging Segment (FPS)
- Aluminum Systems Segment (ASS)

All transactions between the segments are performed at arm's length.

16. Seasonal or cyclical character of operations

Due to the division into segments servicing various markets and customers, the following seasonal fluctuations may be noticed:

the Flexible Packaging Segment - twice a year larger sale before the main holidays, i.e. Christmas and Eastern, Extruded Products Segment and Aluminum Systems Segment record the highest sales in autumn, which is related to the cycle of works in the building industry which is a major share in the markets serviced by these Segments.

(in PLN thousand, unless stated otherwise)

Note 17 - Territorial structure of sale

Territorial structure of sale/ Geographical segments	from 01.01.2005 to 30.06.2005	from 01.01.2004 to 30.06.2004
Poland	247 950	311 384
UE excluding Poland	69 932	59 351
Other European countries	16 427	32 501
Other countries	2 809	3 975
	337 118	407 211

Note 18 - Other operating revenue

	from 01.01.2005 to 30.06.2005	from 01.01.2004 to 30.06.2004
Reversal of provision and impairments in view of:	**5 530**	**1 184**
- impairment loss of receivables	4 413	68
- sale of inventories tested for impairment	588	1 106
- reversal of provision for awards and post-employment benefits		10
- other	529	
Other operating revenue	**1 708**	**4 363**
Profit from disposal on non-financial fixed assets		**40**
Government grants	**78**	**42**
	7 316	**5 629**

(in PLN thousand, unless stated otherwise)

Note 19 - Other operating costs

	from 01.01.2005 to 30.06.2005	from 01.01.2004 to 30.06.2004
Provisions and impairments recognized for:	**2 787**	**4 291**
- commercial risk		394
- impairment loss of inventories	298	486
- impairment loss of receivables	2 489	3 398
- other		13
Other operating costs	**1 773**	**2 522**
Loss on disposal of non-financial fixed assets	**193**	**965**
	4 753	**7 778**

Note 20 - Profit (loss) from financing activities

Financial income	from 01.01.2005 to 30.06.2005	from 01.01.2004 to 30.06.2004
Other interest	955	1 737
Surplus of positive exchange differences over negative	1 611	372
Valuation of financial instruments	6 534	1 710
Profit from disposal of investment	96	
Cash discounts	62	32
Other	14	356
	9 272	4 207

Financial costs	from 01.01.2005 to 30.06.2005	from 01.01.2004 to 30.06.2004
Interest on loans received	1 236	2 469
Other interest	381	99
Surplus of negative exchange differences over positive	2 506	2 244
Loss on disposal of investment		216
Cash discounts	69	
Other	58	452
	4 250	5 480

Note 21 - Income tax

Structure of income tax	from 01.01.2005 to 30.06.2005	from 01.01.2004 to 30.06.2004
Current income tax	9 684	12 530
Tax exemption in view of activities conducted within the territory of SSE	(2 843)	(2 714)
Income tax for the previous years		(6)
Deferred income tax	768	(285)
Income tax charged to the income statement	**7 609**	**9 525**

The analysis of the deferred tax was presented in Note 5.

(in PLN thousand, unless stated otherwise)

a) Exempts from tax due to the operation in the Special Enterprise Zone.

One of the Group subsidiaries (Alupol Sp. z o.o.) operates in the special enterprise zone. Alupol Sp. z o.o. was exempted from tax to the value of 75% of qualified capital expenditure incurred from the date of granting the exempt to December 31, 2006. (as at 30 June 2005, the value of the limit granted to the Company was 131,587 thousand PLN). As at June 30, 2005, the total value of the used exempt amounted to 27,378 thousand PLN (31 December 2004: 24,552 thousand PLN). The possibility of taking advantage of the tax exempt depends on generating future tax gains and expires in 2016. The Company discloses the value of the public assistance in the profit and loss account in the period in which the tax burden related to the operations specified in the authorization to operate in the Special Enterprise Zone was incurred.

Note 22 - Earning per ordinary share

	from 01.01.2005 to 30.06.2005	from 01.01.2004 to 30.06.2004
Net earning arttributable to ordinary shareholders	45 500	53 004
Weighted average number of ordinary shares assumed for calculation of basic earnings per ordinary share	9 225 663	9 225 663
Basic earning per share in Polish zloty	4,93	5,75
Weighted average number of ordinary shares assumed for calculation of diluted earnings per ordinary share	9 225 663	9 225 663
Diluted earnings per ordinary share in Polish zloty	4,93	5,75

Note 23 - Off-balance sheet receivables and liabilities

Off-balance sheet receivables and liabilities	Bills of exchange	Bills of exchange	Guarantees and pledges	Bills of exchange
	30.06.2005	31.12.2004	30.06.2004	30.06.2004
Contingent liabilities	1 120	477	1 447	706

24. Contingent liabilities

Under the payment for supplies, the parent company accepts bills of exchange issued by customers. The Company transfers the bills to be discounted at Bank Przemysłowo-Handlowy S.A., however, if the debtor fails to answer the bill of exchange in the bank, the bank will procure the required amount from the Company's bank account. As at the balance sheet date, the amount of unanswered bills of exchange amounted to 1.120 thousand PLN.

25. Related party transactions

(in PLN thousand, unless stated otherwise)

Remuneration, including remuneration from profit, paid to members of the Parent Company's management and supervising bodies

The salaries of the Members of the Company's Management Board in the period amounted to 1,245 thousand PLN (H1 FY04: 666 thousand PLN).

The salaries of the Members of the Company's Supervisory Board in the period amounted to 186 thousand PLN (H1 FY04: 183 thousand PLN).

The salaries of the Members of the Company's Management Board for their work in management and supervisory bodies of the Company's subsidiaries amounted to 134 thousand PLN (H1 FY04: 111 thousand PLN).

Incentive scheme for executives and officers

In 2004, the Company implemented the incentive scheme for executives and officers that was adopted by the General Meeting of Shareholders on 30 May 2003. According to the scheme terms, the Entitled Persons acquired 300,000 new series D shares at the nominal and issue price of 2.50 PLN. The possibility to take up shares and their number depended on the Company's reaching, in particular years, the growth index calculated basing on the annual consolidated operating profit growth plus depreciation (EBITDA)/share, annual growth of consolidated net earnings per share and the growth of the Company's shares prices on a year-to-year basis (calculated on the basis of arithmetical means of closing rates from the first quarters of particular years).

The basic information on the scheme were presented below:

	May 30, 2003	December 31, 2003	August 4, 2004
Value at issue (300,000 shares x 2.50 PLN)	PLN 750 thousand	PLN 750 thousand	PLN 750 thousand
Share price at a given date	PLN 81	PLN 135	PLN 142
Issue value at market prices for 300,000 shares	PLN 24,300 thousand	PLN 40,500 thousand	PLN 42,600 thousand
Difference between the issue price and the value expressed in market prices	PLN 23,550 thousand	PLN 39,750 thousand	PLN 41,850 thousand

- 30 May 2003 – date of approving the managerial stock options scheme by the Parent Company's General Meeting of Shareholders.
- 31 December 2003 – date of complying with the conditions granting right to take up 300.000 series D shares
- 4 August 2004 – date of taking up 300.000 series D shares by entitled persons.

Loans granted to members of the Management Boards and Supervisory Boards.

In H1 FY05, no loans were granted to members of the Management Board and the Supervisory Board of the Capital Group Companies, or to their spouses, relatives or relations by direct line to the second degree or persons related, due to guardianship, adoption or custody, to the members of the Management Board and the Supervisory Board of the Parent Company or of the Capital Group Companies, in which they are majority shareholders. The Capital Group companies did not grant any advances, guarantees or sureties to such persons.

(in PLN thousand, unless stated otherwise)

26. Material events after the balance sheet date

After the balance sheet date, no important events occurred that could affect the financial standing and assets of the Capital Group.

27. The description of the balances sheet restatement as at the date of the adoption of IFRS, i.e. January 1, 2004.

As described in detail in item B, as of January 1, 2005, the amended Accounting Act provided for an obligation for the Group to prepare interim consolidated financial statements according to the International Financial Reporting Standards ("IFRS") in the version adopted by the European Union („EU"), and, to the extent not covered by the said IFRS, pursuant to the Accounting Act of 29 September 1994 (Journal of Laws of 2002 no. 76 item 694 as amended) and the implementing regulations issued thereto, as well as the Ordinance by the Council of Ministers of 21 March 2005 on current and interim information provided by issuers of securities (Journal of Laws of 2005 No. 49 item 463).

As a result, in order to ensure the comparability of the data for the reporting periods in 2005, the data for the analogous periods in 2004 were restated so that the principles applied in the 2005 financial statement were also applicable for 2004.

The adjustments necessary to convert from reporting under the Accounting Act to reporting under the International Financial Reporting Standards for the consolidated financial statement as at January 1, 2004.

Item	Assets	Liabilities
1. Elimination of the right to perpetual usufruct of land (transfer to off-balance sheet records)		
- tangible fixed assets	(4 776)	
- deferred income		(4 776)
2. Writing off costs of joint stock company extension settled in time		
- prepaid expenses	(127)	
- retained gains		(103)
- deferred tax assets	24	
3. Disclosure of mandrels for printing cylinders		
- fixed assets	5 837	
- retained gains		4 728
- deferred tax liability		1 109
4. Introduction of the valuation of fixed assets as at the transition of IFRS at fair value		
- tangible fixed assets	119 510	
- intangible assets	3 088	
- retained gains		98 907
- deferred tax liability		23 691

(in PLN thousand, unless stated otherwise)

5. Advances towards the purchase of fixed assets – transfer to other receivables		
- tangible fixed assets	(238)	
- other receivables	238	
6. Received prepayments towards supplies		
- deferred income		(95)
- trade payables		95
7. Transfer of development costs from prepaid expenses to intangible assets		
- prepaid expenses	(187)	
- intangible assets	187	
8. Reclassification of prepaid expenses to other receivables		
- prepaid expenses	(1 795)	
- other receivables	1 795	
9. Write-down of goodwill of related parties		
- goodwill of related parties	(302)	
- retained gains		(302)
10. Write-down of negative goodwill of related parties		
- negative goodwill of related parties		(793)
- retained gains		793
11. Recognition of the impact of hyperinflation upon equity		
- share capital		53 927
- share premium		4 953
- retained gains		(58 880)
12. Presenting differed tax asset and liability in net terms		
- deferred tax assets	(10 161)	
- deferred tax liability		(10 161)
13. The extension of consolidated companies to all subsidiaries		
- tangible fixed assets	3 238	
- intangible assets	503	
- investments	(9 116)	
- deferred tax assets	728	
- inventory	10 975	
- receivables	11 824	
- cash	2 750	
- equity		3 326
- minority interests		8 775
- provisions and liabilities		8 801

(in PLN thousand, unless stated otherwise)

Reconciliation of equity after transition from GAAP and IFRS	01.01.2004	30.06.2004	31.12.2004
Share capital			
Polish GAAP	26 252	26 252	26 252
Changes:			
- accounting for the effect of hyperinflation	53 927	53 927	53 927
IFRS	80 179	80 179	80 179
Capital from issue of shares over their nominal value			
Polish GAAP	0	0	0
Changes:			
- restatement in retained earnings (supplementary capital)	38 500	38 500	38 500
- accounting for the effect of hyperinflation	4 953	4 953	4 953
IFRS	43 453	43 453	43 453
Retained earnings			
Polish GAAP	380 272	404 064	444 431
Changes:			
- restatement of capital from issue of shares over their nominal value	(38 500)	(38 500)	(38 500)
- restatement of revaluation reserve	34 167	34 167	34 167
- costs of joint stock company expansion written off over time	(103)	(76)	(20)
- accounting for mandrels used in printing cylinders	4 728	4 812	5 132
- introduction of non-current assets valuation to fair value at transition to IFRS	98 907	98 907	98 907
- goodwill write-off	(302)	(151)	
- subsidiary negative goodwill write-off	793	583	375
- expansion of consolidation for all subsidiaries	4 188	4 921	3 263
- accounting for the effect of hyperinflation on equity	(58 880)	(58 880)	(58 880)
- difference in depreciation of restated non-current assets to fair value at transition too IFRS		1 574	4 433
- restatement of non-current assets liquidation to fair value at transition to IFRS		(1 191)	(1 346)
- foreign exchange differences accounted for in fixed assets		214	424
- other adjustments		164	(205)
IFRS	425 270	450 608	492 181
Minority capital			
Polish GAAP	1 648	466	498
Changes:			
- expansion of consolidation for all subsidiaries	1 564	690	1 281
- change of consolidation method applied	7 206	7 206	
- other adjustments		(59)	
IFRS	10 418	8 303	1 779

28. The description of the data restatement for comparable periods in 2004

As a result of the conversion from the Polish Accounting Principles to IFRS, the financial situation and the Group's result changed in the following manner:

a) carrying amount as at 30 June 2004 increased by 144,329 thousand PLN, mainly due to:
   - the measurement of tangible fixed assets at fair value and the adoption of this valuation as the deemed cost,
   - disclosure of fixed assets
   - the extension of the scope of consolidated companies

b) carrying amount as at 31 December 2004 increased by 121,715 thousand PLN, mainly due to:
   - the measurement of tangible fixed assets at fair value and the adoption of this valuation as the deemed cost,
   - disclosure of fixed assets
   - the extension of the scope of consolidated companies

c) net profit for the first six months ended 30 June 2004 increased by 2,236 thousand PLN, mainly due to:
   - the changes in the expected useful life of tangible fixed assets,
   - charging, to the profit and loss account, FX differences capitalized in H1 FY04 to fixed assets and construction in progress,
   - the extension of the scope of consolidated companies.

(in PLN thousand, unless stated otherwise)

Consolidated balance sheet as at June 30, 2004

BALANCE SHEET	30.06.2004 (Polish GAAP)	Adjustments	30.06.2004 (IFRS)
I. Non-current assets	**318 159**	**104 856**	**423 015**
Tangible fixed assets	300 996	111 765	412 761
Intangibles	6 685	3 039	9 724
Property investments	170		170
Other long-term investments	960	(600)	360
Other long term receivables			
Deferred income tax assets	9 348	(9 348)	
II. Current asset	**280 781**	**39 473**	**320 254**
Inventories	107 140	11 556	118 696
Short-term budgetary and legal receivables, including:	3 282	1 880	5 162
- income tax receivables		1 155	1 155
Trade receivables	134 677	14 512	149 189
Other receivables	4 178	18 729	22 907
Short-term investments	10 502	(9 782)	720
Derivative financial instruments	218		218
Cash and cash equivalents	20 784	2 578	23 362
Total assets	598 940	144 329	743 269

LIABILITIES	30.06.2004 (Polish GAAP)	Adjustments	30.06.2004 (IFRS)
I. Equity	**394 424**	**117 000**	**511 424**
Equity attributable to parent company's equity holders	393 958	109 163	503 121
Share capital	26 252	53 927	80 179
Treasury shares	(71 108)		(71 108)
Capital from issue of shares over the nominal value	38 500	4 953	43 453
Revaluation reserve	34 167	(34 167)	
Other reserve capital			
Exchange differences arising from translation of subsidiaries		(11)	(11)
Retained profits	366 147	84 461	450 608
Minority interest	466	7 837	8 303
II. Long-term liabilities	**20 372**	**11 119**	**31 491**
Bank borrowings, debentures and other loans		74	74
Other liabilities			
Provisions	1 879	(707)	1 172
Employee benefits	8 545	1 039	9 584
Deferred income (Government grants)	4 431	(4 347)	84
Deferred tax liability	5 517	15 060	20 577
III. Short-term liabilities	**184 144**	**16 210**	**200 354**
Bank borrowings, debentures and other loans	97 047	(4)	97 043
Budgetary and legal receivables, including:	9 417	1 751	11 168
- income tax liability		2 597	2 597
Trade payables	49 232	14 489	63 721
Other liabilities	14 880	(480)	14 400
Provisions	12 805	753	13 558
Derivative instruments liabilities	414	(3)	411
Deferred income (Government grants)	349	(296)	53
Total liabilities	598 940	144 329	743 269

(in PLN thousand, unless stated otherwise)

Consolidated balance sheet as at December 31, 2004

BALANCE SHEET	31.12.2004 (Polish GAAP)	Adjustments	31.12.2004 (IFRS)
I. Non-current assets	**354 323**	**104 524**	**458 847**
Tangible fixed assets	338 439	108 348	446 787
Intangibles	6 353	3 290	9 643
Property investments	170	2 239	2 409
Other long-term investments	844	(837)	7
Other long term receivables		1	1
Deferred income tax assets	8 517	(8 517)	
II. Current asset	**276 618**	**17 191**	**293 809**
Inventories	120 130	780	120 910
Short-term budgetary and legal receivables, including:	5 004	297	5 301
- income tax receivables		498	498
Trade receivables	129 924	(3 643)	126 281
Other receivables	1 523	18 865	20 388
Short-term investments	707	1	708
Derivative financial instruments	37		37
Cash and cash equivalents	19 293	891	20 184
Total assets	630 941	121 715	752 656

LIABILITIES	31.12.2004 (Polish GAAP)	Adjustments	31.12.2004 (IFRS)
I. Equity	**435 160**	**112 121**	**547 281**
Equity attributable to parent company's equity holders	434 662	110 840	545 502
Share capital	26 252	53 927	80 179
Treasury shares	(71 108)		(71 108)
Capital from issue of shares over the nominal value	38 500	4 953	43 453
Revaluation reserve	33 962	(33 962)	
Other reserve capital	750		750
Exchange differences arising from translation of subsidiaries		47	47
Retained profits	406 306	85 875	492 181
Minority interest	498	1 281	1 779
II. Long-term liabilities	**35 935**	**12 415**	**48 350**
Bank borrowings, debentures and other loans	17 336	53	17 389
Other liabilities			
Provisions	608		608
Employee benefits	8 619	195	8 814
Deferred income (Government grants)	4 257	(4 173)	84
Deferred tax liability	5 115	16 340	21 455
III. Short-term liabilities	**159 846**	**(2 821)**	**157 025**
Bank borrowings, debentures and other loans	56 537		56 537
Budgetary and legal receivables, including:	10 315	442	10 757
- income tax liability		4 781	4 781
Trade payables	61 400	(2 781)	58 619
Other liabilities	19 745	(164)	19 581
Provisions	7 367	19	7 386
Derivative instruments liabilities	4 134		4 134
Deferred income (Government grants)	348	(337)	11
Total liabilities	630 941	121 715	752 656

(in PLN thousand, unless stated otherwise)

Consolidated profit and loss account for the period ended June 30, 2004.

	from 01.01.2004 to 30.06.2004 Polish GAAP (PAS)	adjustments	from 01.01.2004 to 30.06.2004 (IFRS)
Total operating revenue, including:	**371 493**	**41 347**	**412 840**
Net revenue from sales	366 563	40 648	407 211
Other operating revenue	4 930	699	5 629
Change in stocks of finished products and work in progress	7 799	(14 853)	(7 054)
Cost of work performed for own needs	2 325	(236)	2 089
Total operating expenses, including:	**(321 545)**	**(22 528)**	**(344 073)**
Depreciation	(18 472)	1 247	(17 225)
Materials and energy consumption	(200 212)	(48 305)	(248 517)
Outsourcing	(54 112)	33 533	(20 579)
Taxes and charges	(3 118)	(90)	(3 208)
Employee benefits	(35 988)	(5 811)	(41 799)
Other expenses by nature	(3 843)	(1 124)	(4 967)
Impairment of assets	(4 200)	303	(3 897)
Other operating expenses	(1 600)	(2 281)	(3 881)
Net profit from operating activities	**60 072**	**3 730**	**63 802**
Financial income	3 976	231	4 207
Financial costs	(5 177)	(303)	(5 480)
Profit sharing of entities accounted for by equity method	774	(774)	
Profit before tax	**59 645**	**2 884**	**62 529**
Income tax	8 877	648	9 525
Net profit	**50 768**	**2 236**	**53 004**
attributable to:			
Minority shareholders	179	690	869
Parent company's shareholders	50 589	1 546	52 135

(in PLN thousand, unless stated otherwise)

Consolidated cash flow statement for the period ended June 30, 2004.

	from 01.01.2004 to 30.06.2004 (PAS)	Adjustments	from 01.01.2004 to 30.06.2004 (IFRS)
Cash flow from operating activities			
I. Net profit (loss)	50 589	1 546	52 135
II. Total adjustments	(45 038)	(1 665)	(46 703)
Minority profits	179	690	869
Net profit sharing of entities accounted for by equity method	(774)	774	
Depreciation	18 260	(1 035)	17 225
Net foreign exchange (gain) loss	(226)	(1 710)	(1 936)
Interest and profit sharing	1 408	181	1 589
(Profit) loss on investing activities	202	153	355
Current income tax		9 515	9 515
Income tax paid		(10 907)	(10 907)
Other items, net	(1 303)	2 171	868
Change in the balance of inventories	(10 674)	(1 605)	(12 279)
Change in the balance of receivables, net	(9 237)	(3 595)	(12 832)
Change in short-term liabilities, excluding borrowings	(46 820)	5 165	(41 655)
Change in provisions	100	450	550
Change in deferred expenditures	3 847	(1 870)	1 977
Change in deferred income		(42)	(42)
(1) Net cash generated from operating activity	**5 551**	**(119)**	**5 432**
Cash flow from investing activity			
(+) Inflows:	6 086	(1 969)	4 117
Disposal of intangibles and tangible fixed assets	1 101	8	1 109
Disposal of financial assets	4 985	(1 977)	3 008
Other inflows			
(-) Outflows:	(34 453)	3 333	(31 120)
Acquisition of intangibles and tangible fixed assets	(29 578)	3 359	(26 219)
Acquisition of financial assets	(1 412)		(1 412)
Other outflows	(3 463)	(26)	(3 489)
(2) Net cash flow from investing activity	**(28 367)**	**1 364**	**(27 003)**
Cash flow from financial activities			
(+) Inflows:	38 570	377	38 947
Net cash inflow from issue of shares (stocks) and other capital instruments and additional capital contribution	3		3
Cash inflow derived from borrowings	38 567	373	38 940
Other financial inflows		4	4
(-) Outflows:	(29 159)	(1 414)	(30 573)
Dividends and other payments due to owners	(26 777)	(1 415)	(28 192)
Other outflow due to distribution of profit, other than payments to owners	(20)		(20)
Repayment of borrowings	(663)		(663)
Interest	(1 698)		(1 698)
Other financial outflows	(1)	1	
(3) Net cash flow from financial activities	**9 411**	**(1 037)**	**8 374**
(4) Total net cash flow: (4) = (1) + (2) + (3)	**(13 405)**	**208**	**(13 197)**

(in PLN thousand, unless stated otherwise)

The reconciliation of the result for the first half of 2004 ended June 30.

Profit for the year acc to PAP	50 768
Changes:	
- change in depreciation value	1 574
- change in the value of liquidated fixed assets	(1 191)
- FX discrepancies related to fixed assets	214
- change in the classification of mandrels from materials consumption to fixed assets	84
- elimination of the costs of a joint stock company extension	51
- change in deferred tax	(164)
- the extension of the scope of consolidated companies	1 668
Profit for the year acc to IFRS	53 004

Dariusz Mańko
President of the Management Board

Michał Malina
Member of the Management Board
Person responsible for bookkeeping

Kęty, 14 September 2005

Grupa KĘTY S.A.

CONDENSED INTERIM INDIVIDUAL FINANCIAL STATEMENT FOR THE FIRST HALF OF 2005 ENDED JUNE 30

PREPARED UNDER IFRS ADOPTED BY THE EUROPEAN UNION

(in PLN thousand, unless stated otherwise)

Condensed interim individual balance sheet as at June 30, 2005

Grupa KĘTY S.A.
Interim Balance Sheet

ASSETS	30.06.2005	31.12.2004	30.06.2004
I. Non-current assets	**471 491**	**431 162**	**415 880**
Tangible fixed assets	308 010	269 359	254 088
Intangibles	7 952	8 130	8 207
Other long-term investments	155 529	153 673	153 585
II. Current asset	**190 893**	**195 834**	**199 062**
Inventories	52 389	84 765	74 796
Budgetary and legal receivables, including:	5 346	2 953	2 486
- income tax receivables	1 472		884
Trade receivables	101 420	84 330	95 450
Other receivables	21 998	19 406	15 232
Short-term investments			7 200
Derivative financial instruments	2 869	37	218
Cash and cash equivalents	6 871	4 343	3 680
Total assets	662 384	626 996	614 942

LIABILITIES	30.06.2005	31.12.2004	30.06.2004
I. Equity	**462 992**	**445 415**	**419 492**
Share capital	63 026	80 179	80 179
Treasury shares		(71 108)	(71 108)
Capital from issue of shares over the nominal value		43 453	43 453
Other reserve capital	20	750	
Retained earnings	399 946	392 141	366 968
II. Long-term liabilities	**74 814**	**45 140**	**26 893**
Bank borrowings, debentures and other loans	45 948	17 336	
Employee benefits	6 145	5 889	5 740
Deferred income (Government grants)	84	84	84
Deferred tax liability	22 637	21 831	21 069
III. Short-term liabilities	**124 578**	**136 441**	**168 557**
Bank borrowings, debentures and other loans	21 051	56 537	96 643
Budgetary and legal receivables, including:	2 715	5 331	3 761
- income tax liability		2 541	
Trade payables	44 879	54 571	48 695
Other liabilities	51 523	12 564	10 254
Provisions	3 861	3 293	8 740
Derivative instruments liabilities	549	4 134	411
Deferred income (Government grants)		11	53
Total liabilities	662 384	626 996	614 942

(in PLN thousand, unless stated otherwise)

Interim condensed individual profit and loss account for the period ended June 30, 2005.

Grupa KĘTY S.A.
Interim Income statement

	from 01.01.2005 to 30.06.2005	from 01.01.2004 to 30.06.2004
Total operating revenue, including:	**264 768**	**297 251**
Net revenue from sales	259 633	294 400
Other operating revenue	5 135	2 851
Change in stocks of finished products and work in progress	(12 176)	(1 479)
Cost of work performed for own needs	1 823	1 415
Total operating expenses, including:	**(234 086)**	**(262 921)**
Depreciation	(11 331)	(11 004)
Materials and energy consumption	(163 246)	(185 243)
Outsourcing	(31 918)	(39 414)
Taxes and charges	(2 094)	(2 111)
Employee benefits	(22 320)	(20 521)
Other expenses by nature	(1 356)	(1 301)
	(1 041)	(1 613)
Other operating expenses	(780)	(1 714)
Net profit from operating activities	**20 329**	**34 266**
Fonancial income	43 346	35 455
Financial costs	(4 653)	(5 146)
Profit before tax	**59 022**	**64 575**
Income tax	4 542	6 274
Net profit	**54 480**	**58 301**
EPS		
Basic	5,91	6,32
Diluted	5,91	6,32

(in PLN thousand, unless stated otherwise)

Interim condensed individual statement of changes in equity in the period ended June 30, 2005.

Grupa KĘTY S.A.
Interim Changes in Equity

	from 01.01.2005 to 30.06.2005	from 01.01.2004 to 31.12.2004	from 01.01.2004 to 30.06.2004
I. Opening balance of equity (OB)	**445 415**	**387 988**	**387 988**
1. Opening balance of share capital	**80 179**	**80 179**	**80 179**
1.1. Changes in share capital	(17 153)		
a) increase (on account of)	750		
- issue of shares of "D" series	750		
b) decrease (on account of)	(17 903)		
- redemption of shares	(17 903)		
1.2. Closing balance of share capital	**63 026**	**80 179**	**80 179**
2. Opening balance of treasury shares	**(71 108)**	**(71 108)**	**(71 108)**
2.1. Changes in treasury shares	71 108		
b) decrease (on account of)	71 108		
- redemption of shares	71 108		
2.2. Closing balance of treasury shares		**(71 108)**	**(71 108)**
3. Opening balance of capital derived from issue of shares over their par value	**43 453**	**43 453**	**43 453**
3.1. Changes	(43 453)		
- redemption of shares	(43 453)		
3.2. Closing balance of capital derived from issue of shares over their par value		**43 453**	**43 453**
4. Opening balance of other reserve capital	**750**		
4.1. Change in other reserve capital	(730)	750	
a) increase (on account of)	20	770	20
- from appropriation of profit to pay dividend	20	20	20
- issue of "D" series shares paid, not registered by court		750	
b) decrease (on account of)	(750)	(20)	(20)
- Registration of capital increase derived from issue of shares of "D" series	(750)		
- used to pay dividend		(20)	(20)
4.2. Closing balance of other reserve capital	**20**	**750**	
5. Opening balance of retained profit	**392 141**	**335 464**	**335 464**
a) increase (on account of)	54 480	83 474	58 301
- net profit for the period	54 480	83 474	58 301
b) decrease (on account of)	(46 675)	(26 797)	(26 797)
- redemption of shares	(9 752)		
- used to pay divided	(36 903)	(26 777)	(26 777)
- transfer to other reserve capital	(20)	(20)	(20)
- other decrease		(205)	
5.2. Closing balance of retained profit	**399 946**	**392 141**	**366 968**
II. Closing balance of equity (CB)	**462 992**	**445 415**	**419 492**
III. Equity after accounting for proposed distribution of profit (coverage of loss)	**462 992**	**408 492**	**419 492**

(in PLN thousand, unless stated otherwise)

Interim condensed individual cash flow statement for the period ended June 30, 2005.

Grupa KĘTY S.A.
Interim Cash Flow Statement

	from 01.01.2005 to 30.06.2005	from 01.01.2004 to 30.06.2004
Cash flow from operating activities		
I. Net profit (loss)	54 480	58 301
II. Total adjustments	(28 241)	(81 068)
Depreciation	11 331	11 004
Net foreign exchange (gain) loss	(7 256)	(1 962)
Interest and profit sharing	(34 198)	(30 816)
(Profit) loss on investing activities	(152)	1 006
Current income tax	3 735	6 414
Income tax paid	(7 748)	(9 983)
Other items, net	329	217
Change in the balance of inventories	32 376	(10 215)
Change in the balance of receivables, net	(18 975)	(15 201)
Change in short-term liabilities, excluding borrowings	(9 302)	(33 989)
Change in provisions	562	217
Change in deferred expenditures	1 068	2 280
Change in deferred income	(11)	(40)
(1) Net cash generated from operating activity	**26 239**	**(22 767)**
Cash flow from investing activity		
(+) Inflows:	16 335	36 238
Disposal of intangibles and tangible fixed assets	619	821
Disposal of financial assets	311	3 008
Dividends received	15 405	32 409
(-) Outflows:	(32 629)	(22 965)
Acquisition of intangibles and tangible fixed assets	(30 656)	(21 553)
Acquisition of financial assets	(1 973)	(1 412)
(2) Net cash flow from investing activity	**(16 294)**	**13 273**
Cash flow from financial activities		
(+) Inflows:	8 465	38 539
Net cash inflow from issue of shares (stocks) and other capital instruments and additional capital contribution		3
Cash inflow derived from borrowings	8 465	38 536
(-) Outflows:	(29 175)	(29 158)
Dividends and other payments due to owners		(26 777)
Other outflow due to distribution of profit, other than payments to owners		(20)
Cash outflow for repayment of borrowings	(27 607)	(663)
Interest	(1 568)	(1 698)
(3) Net cash flow from financial activities	**(20 710)**	**9 381**
(4) Total net cash flow: (4) = (1) + (2) + (3)	**(10 765)**	**(113)**
Opening balance of cash	4 343	32 493
Closing balance of cash, including:	**(6 422)**	**4 166**
- of limited access	1 019	1 120

Notes to the individual financial statement

Accounting principles material for the preparation of this condensed interim individual financial statement are described in notes to the consolidated interim financial statement, except for the recognition of investments in subsidiaries. In the individual financial statement, these investments were accounted for at cost.

Dariusz Mańko	Michał Malina
President of the Management Board	*Member of the Management Board*
	Person responsible for bookkeeping

Kęty, 14 September 2005