



Spolek pro chemickou a hutní výrobu, akciová společnost
VÝROČNÍ ZPRÁVA / ANNUAL REPORT
2008

Spolek pro chemickou a hutní výrobu, akciová společnost
Revoluční 1930/86, 400 32 Ústí nad Labem, ID No.: 00011789

Annual Report for the year 2008

**prepared in compliance with Act No. 563/1991 Coll. on Accounting as amended by later
regulations and in compliance with Act No. 256/2004 Coll. on Undertaking on the Capital
Market as amended by later regulations**

Auditor's Report for the Shareholders of the Company Spolek pro chemickou a hutní výrobu, akciová společnost

Company's Name: Spolek pro chemickou a hutní výrobu, akciová společnost
 Company's Seat: Revoluční 1930/86, 400 32 Ústí nad Labem
 Identification Number: 00 011 789
 Legal Form: joint stock company
 Main Activity: see paragraph V of the Notes to the Financial Statements.

On 30 April 2009 we expressed the following audit opinion to the accompanying consolidated financial statements based on our audit, which is included in the consolidated annual report on pages 85-128:

„ We have audited the accompanying consolidated financial statements of Company Spolek pro chemickou a hutní výrobu, akciová společnost, which comprise the consolidated balance sheet as of 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. Information about Company Spolek pro chemickou a hutní výrobu, akciová společnost is presented in Note V to these consolidated financial statements.

The Statutory Body of Company Spolek pro chemickou a hutní výrobu, akciová společnost is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Company Spolek pro chemickou a hutní výrobu, akciová společnost as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.”

We have reviewed the correctness of information presented in the related party report of the company Spolek pro chemickou a hutní výrobu, akciová společnost as of 31 December 2008. This related party report is the responsibility of the management of the company Spolek pro chemickou a hutní výrobu, akciová společnost. Our responsibility is to express a standpoint on this related party report based on our review.

We conducted our review in accordance with the International Standards on Auditing related to the review engagement and related application clauses of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain reasonable assurance about whether the related party report is free of material misstatement. A review is limited mainly to questioning of employees of the company and analytical procedures and examining, on a test basis, objective accuracy of information. Therefore the review provides lower level of assurance than audit does. We did not conduct audit of the related party report and therefore we do not express audit opinion.

We have not identified any significant misstatement of the information presented in the related party report of the company Spolek pro chemickou a hutní výrobu, akciová společnost as of 31 December 2008 based on our review.

We have audited the consolidated annual report of Company for consistency with the consolidated financial statements and with non-consolidated financial statements for the year ended 31 December 2008, which are included in this Consolidated Annual Report. The correctness of the consolidated annual report is the responsibility of Company's Spolek pro chemickou a hutní výrobu, akciová společnost statutory body. Our responsibility is to express an opinion on the consistency of the annual report and the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the information included in the consolidated annual report describing matters that are also presented in the consolidated financial statements is, in all material respects, consistent with the relevant consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the information included in the consolidated annual report of Company Spolek pro chemickou a hutní výrobu, akciová společnost for the year ended 31 December 2008 is consistent, in all material respects, with the consolidated financial statements referred to above.

In Prague on 30 April 2009

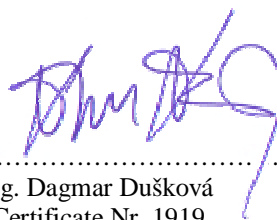
Auditors' Company:



VGD - AUDIT, s.r.o.
Certificate Nr. 271

Bělehradská 18, 140 00 Prague 4

Auditor:



Ing. Dagmar Dušková
Certificate Nr. 1919

ANNUAL REPORT FOR THE YEAR 2008

prepared in compliance with Act No. 563/1991 Coll. on Accounting as amended by later regulations and in compliance with Act No. 256/2004 Coll. on Undertaking on the Capital Market as amended by later regulations (hereinafter referred to only as “the Annual Report”) for issuers of registered securities.

I. THE BOARD OF DIRECTORS' REPORT ON BUSINESS ACTIVITIES AND STATUS OF THE COMPANY'S ASSETS IN 2008, ON ITS FINANCIAL STATEMENTS AND ON ITS PROPOSAL TO PROFIT DISTRIBUTION IN 2008

II. TEXT PART OF THE ANNUAL REPORT OF AN ISSUER OF A REGISTERED SECURITY

1. Information on the issuer of a registered security
2. Information on activities
3. Information on assets and the financial situation
4. Information on the issuer's statutory and supervisory bodies
5. Information on persons responsible for the Annual Report

Note: In some points of this part of the Annual Report, there are references to appropriate sections of the Financial Statements as at 31 December 2008 (hereinafter referred to only as “FS”) or references to appropriate sections of the Consolidated Financial Statements (hereinafter referred to only as “CFS”) which form a part of this report or references to the Report on relations between the controlling and controlled entity and on relations between the controlled entity and other entities controlled by the same controlling entity for the year 2008, which also forms a part of this report (hereinafter referred only as the “Report on Relations”).

III. REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2008

IV. REPORT OF INDEPENDENT AUDITORS AND CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2008

V. REPORT ON RELATIONS BETWEEN THE CONTROLLING AND THE CONTROLLED ENTITIES AND ON RELATIONS BETWEEN THE CONTROLLED ENTITY AND OTHER ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY FOR THE YEAR 2008

I. The Board of Directors' report on business activities and status of the company's assets in 2008, on its financial statements of the year 2008 and on its proposal to profit distribution in 2008

The year 2008 was for Spolek pro chemickou a hutní výrobu, akciová společnost (further „The Company“) in token of incoming global economic crisis. Targets of business plans were influenced by mentioned context mainly at the end of the year. Although the turnover reached the amount 5,1 milliard CZK, they fall short of planned expectation. The earning was in the amount 100,5 mio CZK. The Group reached earning in the amount - 221 mio CZK.

The year 2008 was accompanied by dramatic increase of prices of key raw materials. During the whole year the Company felt strong exchange fluctuations of Czech crown against EUR or USD and in last months of the year the economic world started to talk about the crisis.

During the last year there continuously coming to the changes in organizational structure and management of the whole Group. The production of cosmetic goods and tooth pasts was centralized in the company Spolpharma, oleochemical production took over Oleochem, whereas both companies are 100% subsidiaries of the Company. In the second half of the year 2008, the Company acquired 31,47% share in the company STZ, a.s., whose main activity is pressing and refining of nature oils. During the whole year the Company worked on acquiring of all stocks of the company Synpo, a.s. This process will be finished in first half of the year 2009. Unfulfilled acquisition was the purchase of part of division of epoxy production of Hexion Specialty Chemicals, for the reason of breach of conditions of merger between the companies Hexion and Huntsman.

Within the development and investment projects, there started ecologic and wasteless technology of production of most pure synthetic saphir in the world from January, the construction expenses were in the amount of 80 million CZK. The saphir production in the Company may boast not only the highest purity of products, but peak ecological parameters too, thanks to the new-built desulphurization unit.

The assortment of resins was enriched by new started production of PET polyesters. The main raw material, crushed used PET bottles, is next example of ecologically thrifty production of the Company. In the first half of the year 2008, new tanks for propylene in area of Ovčí vrch were put into operation. These tanks fulfil the strictest safety parameters destined for the stock-keeping of this material.

The same way as in last year, the Company continued in filling of priorities on further safety improvement and limitation of impact on environment in the year 2008. One of the basis for continuously sustainable growth of the company is also the project of redevelopment of plant subsoil and groundwaters. Next to the environmental targets, the Company honourably defended the certificate for the system of safety and health protection in accordance with international recognized standard OHSAS 18001:1999 (Occupational Health and Safety Assessment Series). Further, the certificates for the area of systems of quality control (ISO 9001) and environmental management (ISO 14001) were defended.

The General Meeting of the Company decided about the dividends payout in the amount of 14,1176471 CZK per one stock. Within the dividends payout to shareholders the Company distributed from the profit of previous period nearly 50 million of CZK.

Based on the General meeting decision from 4 June 2007, the Board of Directors was competent to acquisition of own shares (according to § 161 a of Commercial Code) of the Company up to the amount of 387 881 pieces. This competence was applied in the year 2007, when the purchase of 349 124 pieces of shares was realized. No further own shares were not purchased.

I. The Board of Directors' report on business activities and status of the company's assets in 2008, on its financial statements of the year 2008 and on its proposal to profit distribution in 2008

On 19 December 2008 the company Spolek pro chemickou a hutní výrobu, akciová společnost published on its web sites, in Hospodářské noviny and on the board in the Company information named "Tender offer of stocks", in which the shareholders of the company were appealed to bid price offers to the sale of 349 124 pieces of own shares of the Company, which represents 9% share on the whole share of the Company. The term for price offers was determined on 6 weeks from the date of publishing in Hospodářské noviny and on the board in the Company. This term has been passed already and no price offer to the sale of shares has not be bidden.

On 11 March 2009 the whole 9% share has been sold through the securities trades at the price 91 million CZK (261 CZK / 1 stock).


At the end of the year 2008 the Board of Directors prepared business plan for the year 2009. In inexplicit and unstable economic and corporate environment was determined target for consolidated profit of the Group in the amount of 100 million CZK by revenues in the amount of 5 milliard CZK. Within the cost-saving measures also the investment projects were threatened, but the Company is prepared to their realization at the moment of positive financial development on global markets.

The Board of Directors will approved statutory and consolidated financial statements for the year 2008 prepared in accordance with International Financial Reporting Standards, in April 2009.

In Ústí nad Labem on 30 April 2009



Ing. Martin Procházka
Chairman of the Board of Directors



Ing. Jan Šrubař
Vice-chairman of the Board of Directors

1. Information on the issuer of a registered security

Basic information on the issuer

Business firm: Spolek pro chemickou a hutní výrobu, akciová společnost
 Seat: Ústí nad Labem, Revoluční 1930/86, Postal code 400 32
 Identification number: 00011789
 Establishment date: 31.12.1990
 Internet address of the issuer: www.spolchemie.cz

The joint-stock company Spolek pro chemickou a hutní výrobu (hereinafter referred to as “the Issuer” or “Company”) was established as a joint-stock company on the basis of a one-off act according to the Deed of Establishment of the Ministry of Industry of the Czech Republic as defined in the Acts No. 104/1990 Coll. on Joint-stock Companies and No. 111/1990 Coll. on State-owned Companies.

The Issuer is entered in the Commercial Register of the Regional Court at Ústí nad Labem, Section B, Insert 47.

The Issuer has no organizational branch abroad.

The structure of own equity is mentioned in Notes to the Financial Statements in Section III.

The Issuer is not part of another contract, which could come into enter, change or defunction in the situation of change in controlling entity of Issuer in consequence of takeover offer.

The Issuer does not enable to anybody by no way to acquire stocks of the Company under preferential conditions.

The Issuer did not issue any stocks, with which special right is attached.

The Issuer did not concluded any contracts with members of Board of Directors or employees, which would obligated the Company to fulfilment in case of termination of its function or employment in connection with tekaover offer.

The Issuer is subject to the liability to have its financial statements audited and to prepare consolidated financial statements. On the basis of the requirements specified in the Act No. 563/1991 Coll. on Accounting, as amended, the Issuer keeps its accounts and prepare its financial statements and consolidated financial statements in compliance with the International Financial Reporting Standards (IFRS) from 1 January 2005.

The consolidated unit (hereinafter referred to as “the Group“) shall embrace the following subsidiaries:

SYNPO, akciová společnost, with its registered office in Pardubice, Zelené Předměstí, S. K. Neumanna 1316, Postal Code 532 07, Identification No. 46504711, entered into the Commercial Register held by the Regional Court in Hradec Králové, Section B, Insert 627.

EPISPOL, a.s., with its registered office in Ústí nad Labem, Revoluční 86/1930, Postal Code 400 01, Identification No. 25449842, entered into the Commercial Register held by the Regional Court in Ústí nad Labem, Section B, Insert 1426.

SPOLCHEMIE, a.s., with its registered office at Ústí nad Labem, Revoluční 86/1930, Postal Code 400 32, Identification No. 25006223, entered into the Commercial Register held by the Regional Court in Ústí nad Labem, Section B, Insert 899.

Metal-Tech Cz, a.s., with its registered office in Ústí nad Labem, Revoluční 1930/86, Postal Code 400 01, Identification No. 27295907, entered into the Commercial Register held by the Regional Court in Ústí nad Labem, Section B, Insert 1692.

Spolpharma, s.r.o., with its registered office in Ústí nad Labem, Revoluční 1930/86, Postal Code 400 01, Identification No. 27287149, entered into the Commercial Register held by the Regional Court in Ústí nad Labem, Section C, Insert 22665.

STZ, a.s., with its registered office in Ústí nad Labem, Střekov, Žukovova 100, Postal Code 401 29, Identification No. 27294099, entered into the Commercial Register held by the Regional Court in Ústí nad Labem, Section B, Insert 1686.

Oleochem, a.s., with its registered office in Praha 2, Vinohrady, Anglická 140/20, Postal Code 120 00, Identification No. 28361806, entered into the Commercial Register held by the Registration Court in Prague, Section B, Insert 14109.

INFRASPOL, s.r.o., with its registered office in Ústí nad Labem, Revoluční 1930/86, Postal Code 400 32, Identification No. 27918131, entered into the Commercial Register held by the Regional Court in Ústí nad Labem, Section C, Insert 26871.

CHS Resins, a.s., with its registered office in Ústí nad Labem, Revoluční 1930/86, Postal Code 400 32, Identification No. 28207866, entered into the Commercial Register held by the Regional Court in Ústí nad Labem, Section B, Insert 1991.

The Issuer's main business activities are as follows:

- production and import of chemical substances and chemical preparations classified as oxidizing, extremely combustible, highly combustible, combustible, highly toxic, toxic, carcinogenic, mutagenic, toxic for reproduction, dangerous to the environment, caustic, irritating and sensitizing, and sale of chemical substances and chemical preparations classified as highly toxic and toxic,
 - production of elementary chemical substances which are not subject to fixed and licenced trade,
 - sale of chemical substances and chemical preparations classified as combustible, harmful to health, caustic, irritating, sensitizing,
 - sale of chemical substances and chemical preparations classified as oxidizing, extremely combustible, highly combustible, carcinogenic, mutagenic, toxic for reproduction, dangerous to the environment,
- and other activities as specified in Article 4 of the Company's Articles of Association.

The principal business activity of the company SYNPO, akciová společnost is research and development in the chemicals sector.

The principal business activity of the company EPISPOL, a.s. is the production of chemical substances.

The principal business activity of the company Metal-Tech Cz, a.s. is the production of chemical substances and preparations.

The principal business activity of the company Spolpharma, s.r.o. is the production and import of chemical substances and preparations.

The principal business activity of the company STZ, a.s. is the production of chemical substances and preparations.

The principal business activities of the company Oleochem, a.s. are production, trade and services not mentioned in Appendixes 1 to 3 of the Trades Licensing Act.

The principal business activities of the company INFRASPOL, s.r.o. are production, trade and services not mentioned in Appendixes 1 to 3 of the Trades Licensing Act.

The principal business activity of the company CHS Resins, a.s. is rent of real-estates.

Overall description of the immovables owned by the Issuer

The Issuer owns large production premises close to the city centre of Ústí nad Labem. At the above premises, there is a large number of buildings and constructions, most of which are used by the Issuer for its main business activities (production of chemicals). The smaller part of the immovables is leased by the Issuer mainly to smaller companies operating on the premises, the activities of which are usually related to those of the Issuer.

The Issuer also owns plots of land in the cadastral area of the municipality of Chabařovice, on which there is a former waste dump. At present, the Company is redeveloping the waste dump. The Ministry of Finance finances the redevelopment of the waste dump (as successor to National Property Fund).

The Issuer also owns unused land of the former production plant in the cadastral area of the municipality of Trmice, and smaller plots of land in the cadastral area in Ústí nad Labem and Klíše.

Most immovables owned by the Issuer are subject to the rights of lien. They are described in Point 23 of the FS.

Overall description of the immovables owned by subsidiaries

SYNPO, akciová společnost

The Company owns premises in Pardubice and uses them mainly for its principal business activities, i.e. research and development in the chemical area, and small-lot production of certain chemical specialities.

EPISPOL, a. s.

The Company owns buildings and constructions located at the production premises of the Issuer. The above immovables represent a complex producing low-molecular epoxy resins.

The Company leases the land from the parent company.

The company's assets are pledged for the benefit of the investment loan provided by LBBW Bank CZ a.s. (previous BAWAG Bank CZ a.s.), amounting to CZK 600 million, provided for construction of second plant of low molecular epoxy resins production.

Spolchemie, a.s., Metal-Tech Cz, a.s., CHS Resins, STZ, a.s., Oleochem, a.s., Spolpharma, s.r.o.
These companies do not own any properties.

Information on the registered capital and securities

The Company's registered capital amounts to TCZK 1 939 408. It is fully repaid and distributed as follows:

3,878,816 pcs of bearer shares at a face value of CZK 500 per share

The shares were in book-entry form, were registered and were traded within the RM-System and at the competitive market of the Prague Stock-Exchange (ISIN: CZ 0005092858), the transferability of the shares were not limited.

The General Meeting of the Company decided about the transfer of book-entry form of stock to stock certificates in 2007.

On 3 October 2007 the change in the form of stock was registered into Commercial Register.

On 10 December 2007 the registration of book shares on Securities Centre was cancelled.

On 5 December 2007 the trading on Prague Stock Exchange was suspended and the trading was not been renew till the date of Annual report preparing.

On 11 December 2007 the shares were excepted from trading on official controlled market "RM-SYSTEM" (the last day of trading was 10 December 2007).

On 27 December 2007 the Commercial bulletin and web sites of the Company published the call to takeover of stock certificates.

The change of stocks started on 3 January 2008 and will be continue till the date of public sale of remaining stocks.

The change of stocks is realized through the company Centrum hospodářských informací, a.s. Identification No. 63999897, with the seat Praha 10, K Botiči 1453/6.

Regarding the request of the Company for approval of sample copy of stock certificate was disallowed by the decision of Czech National Bank, and this approval of sample copy of stock certificate is condition for newly trading with stocks of the Company on official controlled market, the Board of Directors of the Company decided about designing of new sample copy and about the change of issued stock certificates for the such stock certificates destined for renew trading on official controlled market. The Company discussed about the printing and designing of sample copy of stock with the company Státní tiskárna cenin Praha. The Notice Nr. 260/2004 Coll. about the essentials of technical design of listed security was cancelled and replaced with Stock-exchange rules with effect from 1 December 2008, but the respective contract has not been concluded yet.

Subsequently the shareholders of the Company will be called to change its stocks for the stocks which will be in correspondence with the sample copy of stock, in a way, which will be in accordance with generally true legal rules and articles. The place of change, the term of change and other details will be mentioned in this call.

The General meeting of the Company from the date 7 July 2008 decided about the profit distribution for the year 2007. The part of the profit in the amount of TCZK 49 831 has been intended for dividend payout, the part of the profit in the amount of TCZK 28 285 has been transferred into legal reserve fund and the rest in the amount of TCZK 164 734 has been used for payment of a loss from previous periods.

In October and November 2008 the complaints for vote of invalidity of decision of General Meeting from the 7 July 2008, by which the Company approved the Financial Statements and profit distribution for the year 2007, has been lodged by two shareholders. The Company expressed its opinion to the complaints in November and December 2008. In both cases there has not been prescribed any acts.

The General meeting of the Company from the date 7 July 2008 decided about the dividend payout for the year 2007 in the amount of TCZK 49 831, it means CZK 14,1176471 per 1 share. Till 31 December 2008 the Company paid the amount TCZK 42 081. The rest for paying is in the amount of TCZK 7 750. No dividends were paid for the year 2006.

The Act No. 586/1992 Coll. on Income Taxes governs the manner of subjecting the revenues from securities to tax; in case of the payment of dividends, the Issuer is a taxpayer. The Company has entered into a Mandate Contract with Citibank a.s., securing the implementation of the proprietary rights of the shareholders related to the shares, mainly to the payment of the Company's dividends. The entitlement for the payment of dividends becomes statute-barred within the period stipulated by law.

The Issuer has not issued any securities justifying the application of the right to exchange them for other shares and similar securities, or the preferential subscription of other shares and similar securities. Neither the Issuer nor any entity in which the Issuer has a direct or indirect share exceeding 50% of its registered capital or voting rights has its own shares or similar securities which are not recorded in a special balance sheet item.

The convertibility of stocks is not restricted. The Company did not issue any stocks, with which special right is attached.

As of 31 December 2008 the voting rights of the Company relates to 349 124 pieces of stocks were limited, it represents 9% share on the total amount of stocks which are in holding of the Company. The limitation arise from §66a of Commercial Code.

The Issuer has no information about the contracts between shareholders which should have the result in complication in stocks or voting rights transferability.

Shares placed among the public

The actual ownership structure of the Company is not known regarding to the statute of the shares. In relation to the attendance of shareholders at general meeting of the Company on 7 July 2008, dividends payout per year 2007, which was run through Autumn 2008 and the fact, that no shareholder did not announce to the Company the decrease or increase of its share on voting rights according to the §122 of Law 256/2004 Coll., the Company is controlled by the company Via Chem Group, a.s.

As of the date of Financial Statements, the Company owns 349 124 pieces of own shares in nominal value TCZK 174 562, which were acquired at the price determined by expert opinion (CZK 255/share), the total TCZK 89 027. These share were acquired on 21 June 2007. Regarding to the period of 18 months, for which the Company may hold own shares, the tender offer for sale of these shares to the shareholders was published on 19 December 2008. The basic condition was sale of the shares to the highest offer. The minimum price was determined at CZK 255 per share, whereas the block of shares was offered as a whole. This period of tender offer expired on 30 January 2009. None of shareholders did not improve this offer. On 11 March 2009 the whole 9% share has been sold through the securities trades at the price 91 million CZK (261 CZK / 1 stock).

Description of the Group structure and the participation of the Issuer in the business activities performed by other Czech and foreign entities

The majority shareholder of Spolek pro chemickou a hutní výrobu, akciová společnost is the company Via Chem Group, a.s., with its registered office at Praha 5, Plzeňská č.p. 155/113, Postal Code 150 00, Identification No. 26694590, with a 62,62% share in the voting rights as at 31 December 2008. For more detailed information see the Report on Relations.

Changes in the Issuer's investments during 2007 and 2008

In 2008 the Company acquired 100% share in the company Oleochem, a.s. at the price 200 million CZK and increased its registered capital at TCZK 82 000. The company manage with the fixed asstes in accounting value 192 million CZK according to IFRS. The company worked mainly in the area of fatty acids and glycerine.

The Company had an interest in subscription of shares of the company STZ, a.s. and acquired the share 31,47% in this company in nominal value TCZK 112 500. The company manage with the fixed asstes in accounting value 976 million CZK according to IFRS. The company worked in the area of oil bearing plant processing.

The company POLYSPOL, s.r.o. have changed its business name to Spolpharma, s.r.o. and in present time worked in the area of tooth pastes production. The company manage with the fixed asstes in accounting value 56 million CZK according to IFRS.

The Company acquired 100% share in the company INFRASPOL, s.r.o. in nominal value TCZK 200. At the end of the year the Company decided about the increase of registered capital in this company by TCZK 61 727. Starting with the year 2009, this company should provide infrastructure services for other companies in the Group.

The Company acquires in 2008 100% share in the company CHS Resins, a.s. with registered capital in the amount of 2 million CZK. This company should be used as mediator during the acquisition of the part of the company HEXION.

In 2008 the Company acquired 17 320 pieces of stock of the company SYNPO, a.s. and its share achieved 96,78%. In 2008 the general meeting of the company SYNPO, a.s. decided about the transfer of all other subscriber's stocks to the company Spolek pro pro chemickou a hutní výrobu, akciová společnost. As of 31 December 2008 this process has not been finished yet.

In 2008 the Company acquired 2 773 113 pieces of stock of the company CAMPA AG, whereby its total share in this company is 24,95%. On 1 September 2008 the insolvency control according to the laws valid in Germany started with this company.

In 2008 the company OSTALAK, a.s. was erased from Commercial register after finishing of insolvency proceeding.

The Company participated in project of joint-venture company Metal-Tech CZ during past years. The project was based on residual precious metal processing. The Company invested 3 million CZK to registered capital in 2006 (it means 20% of registered capital) and rented to the company operating places in the area of the Company.

In 2008 the prices of precious metals slumped and the basic targets of project has not been realized. The Company entered into an agreement with the second shareholder of the company about the sale of share per nominal value. This sale will be realized in first half of the year 2009.

There are no differences between the percentage of ownership and the percentage of voting rights in any subsidiary undertaking.

The Company has no dividend income in 2008 and in 2007.

Other information, including the survey of the individual investments of the Issuer, is set out below in point 3 section VIII of the FS. More detailed information is included in the Report on Relations.

Subsequent events

They are described in point 24 section VIII of the FS and in point 26 section VIII of the CFS.

Rights and obligations of the shareholders

Article 6 of the Articles of Association governs the shareholders' rights and obligations, which is fully in compliance with the appropriate provisions of the Commercial Code.

2. Information of activities

The Issuer's production programme in 2008 contained over 300 products of elementary and special inorganic and organic chemistry and synthetic resins. The above products are used in virtually all areas of industrial activities, such as the building industry, engineering, electrical engineering, the power industry including water treatment, the food industry, the pharmaceutical industry, glass-making, paper and cellulose processing industries and many other areas.

Product range by sectors

Basic inorganic chemicals:

- sodium and potassium hydroxide (lye),
- sodium hypochlorite, hydrochloric acid,
- epichlorohydrin, perchlorethylene.

Special inorganic chemicals:

- white sapphire,
- potassium permanganate,
- special organic derivatives.

Resins and products of organic chemistry:

- basic and modified low-, medium- and high-molecular epoxy resins and unsaturated polyesters,
- alkyd resins, colophony varnish resins,
- building industry systems (flooring materials, painting systems, bonding primers, bonding cements),
- resin compositions to be used in electrical engineering and in the consumer goods industry,
- Bisfenol-A.

Research and development

- in the area of synthetic resins,
- in the area of coating compositions.

Organizational Branches

The Issuer has no organizational branch with a registered office located at a place different from the Issuer's registered office, which would have at least 10% participation in the total turnover, production or services provided by the Issuer.

Information on litigations

The Group is not a defendant in any significant lawsuits incidental to its business. Current liabilities incurred from lawsuit are stated in the Balance sheet.

Capital expenditures implemented by the Group

The Group invested only in inland during initiate period. Investments are described in details in Point 2 Section VIII of the FS and in Point 1 Section VIII of the CFS.

Information on major future capital expenditures, not including financial investments

In immediate future the (years 2009 and 2010) the Company will significantly decrease its investment activities with the target of reaching the more financial stability. In this period only redevelopment of the plant subsoil that started in 2005 will be continued and the preparation of construction of new membrane electrolyse and necessary small investments will be realized.

<u>Name of event</u>	<u>Years of implementation</u>	<u>CZK mil.</u>
Redevelopment of the plant subsoil (funded by the Ministry of Finance of the Czech Republic)	2004 – 2015	1 675
New membrane electrolyse and related actions	2007 – 2014	1 768

Information on the research and development policy in respect of new products or procedures

Every year, the Company implements its research and development activities (for the resources expended, see point 21 section VIII of the FS and point 22 section VIII of the CFS). In the previous period, the research and development function within the Company was focused mainly on synthetic resins, which are considered to be the main area of its business.

The issuer does not depend on patents and licences which would be of essential significance for his activities and profitability.

Information on revenues

Information on revenues is mentioned in the point 13 section VIII of the FS and in point 13 section VIII of CFS.

Information on environmental protection activities

Information on environmental protection activities has been specified in the Board of Directors' Report on the Business Activities and on the Company assets, which forms part hereof and further in point 12 section VIII of the FS and in point 12 section VIII of the CFS.

Information on employees and the labour relations

The Company is aware of the fact that human resources are one of its most important assets. For the above reason, the Company continuously strives to improve the incentives system that would motivate employees to improve their performance on an ongoing basis.

The Company also takes care of health, training and personal development of employees and provides for their social needs as defined in the Collective Agreement.

The Company provides its employees with certain employee benefits, such as a week of extra vacation exceeding the basic vacation length as stipulated in the Labour Code, contributions to supplementary pension insurance and life insurance, company catering and retirement compensation.

The Company enables its employees training programmes, language lessons, or for example special professional training for employees in the economic sections, etc.

In 2008 there were organised two education programmes. "Open Academy" offers education like as "easy skills" or legislation for all employees of the Company. Within programme "Key Employee" the unique and made-to-measure educational programme was started, determined to operation employees, which has been prepared with the support of European Union. The target of this specific programme of education was the upgrade and refreshment of expert knowledges of employees in area of technology, measuring and regulation and electrotechnics.

In 2008, the total amount of the costs incurred in relation to education amounted to TCZK 1 833, of which educational actions amounted to TCZK 801, language training amounted to TCZK 377 and training amounted to TCZK 655.

Numbers and structure of the Issuer's employees

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Number of employees recorded as at 31 December	974	983	1 006
Average recorded number of employees	980	992	1 012
Thereof - Women	202	203	214
- Men	772	780	798
Thereof - Workers	628	635	657
- Technicians	346	348	349

<u>Qualification structure</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
University graduates	113	116	114
High school with the leaving examination	364	352	363
Professional education	418	431	443
Basic education	79	84	86

Structure of employees of the issuer according to production section

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Inorganic compounds	246	250	245
Specialities	124	144	113
Resins	243	219	209
Dyestuff	0	1	84
Other	361	369	355

Average number of employees recorded by other companies within the Group

	<u>2008</u>	<u>2007</u>	<u>2006</u>
EPISPOL, a.s.	42	44	28
Synpo, a.s.	140	143	137
Spolpharma, s.r.o.	101	0	0
Spolchemie, a.s.	0	0	0
Metal-Tech Cz, a.s.	9	5	3
STZ, a.s.	370	*	*
Oleochem, a.s.	89	*	*
INFRASPOL, s.r.o.	0	*	*
CHS Resins, a.s.	0	*	*

* The company did not exist or the Company has no share in the company.

Regarding to the form of the stocks, the Issuer does not know the height of participation of employees on the capital of the Company.

3. Information on assets and the financial situation

The anticipated economic and financial position in the year 2009 and the outlook for several years in the future

The Company's results in the year 2009:

- revenues at the level of CZK 4 100 million,
- profit of CZK 80 million,
- depreciation amounting to CZK 221 million.

The results of the consolidated unit in 2009:

- revenues at a level of CZK 5 030 million,
- profit at a level of CZK 100 million,
- depreciation amounting to CZK 369 million.

Development strategy:

- preparation of modernization of operations of inorganic chemistry,
- preparation of membrane electrolyse.

Trade:

- expansion of customers portfolio in the area of epoxy resins out of Europe.

Improvement of environmental and safety parameters:

- decrease of the industrial disaster risk,
- fulfilment of the principles of the "Safe Enterprise" programme,
- decrease of atmospheric emissions,
- renovation and improvement of dangerous substances filling points,
- redevelopment of subsoil,
- development of production from renewable resources.

Description of financial situation progress

See The Board of Directors' report.

Factors with important influence on operating profit

See The Board of Directors' report.

Important events in Issuer's business

See The Board of Directors' report.

Statement of changes in equity

Statement of changes in equity is mentioned in section III of the FS and in section III of the CFS.

Overview of changes in loans received

Mentioned in point 11 section VIII of the FS and point 11 section VIII of the CFS.

Information about the source of capital and structure of financing of Issuer

Mentioned in section III of the FS and points 8 to 11 section VIII of the FS.

Information about the limitation of capital sources usage

There does not exist any limitation of capital sources usage of Issuer.

Significant agreements

The most significant agreement in year 2008 is the agreement for the sale of licence on epichlorhydrin production from the glycerine to the company Spolchemie N.V. – see the section V of the FS – Significant events.

Major risk factors in the Company's financial management

The Company exports 85% of its production in 2008 (in 2007: 83%). Therefore, the principal risk factor in the financial management of the Company is the foreign exchange risk. The Company uses a natural opportunity of hedging against the foreign exchange risk by gradually increasing its share of foreign exchange expenses and some standard hedging bank products. The description of financial risks is also mentioned in section VII of the FS.

Information on the entities in which the Issuer has a direct or indirect investment amounting to at least to 10% of the Issuer's equity or to 10% of the Issuer's net annual profit or loss

EPISPOL, a.s.

with its registered office in Ústí nad Labem, Revoluční 86, No. 1930, Identification No. 25449842, the main business activities are the production and import of chemical substances and chemical preparations. Its registered capital amounts to TCZK 300 000, the investment of the Issuer amounts to 90%. In 2008, the Company showed loss amounting to TCZK -15 625. As at 31 December 2008, the value of the Company's equity amounted to TCZK 354 233.

SYNPO, a.s.

with its registered office in Pardubice, S.K. Neumannova 1316, Identification No. 46504711, the main business activities are research, development and design in the area of chemistry and chemical technology, production of chemicals except for poisons, caustic agents, soaps and cosmetic preparations, and analytical reviews and evaluations of chemical substances. Its registered capital amounts to TCZK 51 071. The investment of the Issuer amounts to 96,78%. In 2008, the Company showed a profit amounting to TCZK 3 962. As at 31 December 2008, the value of the Company's equity amounted to TCZK 94 045.

Spolpharma, s.r.o.

with its registered office in Ústí nad Labem, Revoluční 1930/86, postal code 400 01, Identification No. 27287149, the main business activities are production and import of chemical substances and preparations. Its registered capital amounts to TCZK 1 000, the investment of the Issuer amounts to 100 %. In 2008, the Company showed a loss amounting to TCZK -5 831. The value of the Company's equity as of 31 December 2008 amounted to TCZK -4 824.

STZ, a.s.

with its registered office in Ústí nad Labem, Střekov, Žukovova 100, postal code 401 29, Identification No. 27294099, the main business activities is production of chemical substances and preparations. Its registered capital amounts to TCZK 358 400, the investment of the Issuer amounts to 31,47%. In 2008, the Company showed a loss amounting to TCZK -48 755. The value of the Company's equity as of 31 December 2008 amounted to TCZK 253 406.

Oleochem, a.s.

with its registered office in Praha 2, Vinohrady, Anglická 140/20, postal code 120 00, Identification No. 28361806, the main business activities are production, trade and services not mentioned in Appendixes 1 to 3 of the Trades Licensing Act. The company was established in 2008. Its registered capital amounts to TCZK 82 000, the investment of the Issuer amounts to 100%. In 2008, the Company showed a loss amounting to TCZK -5 233. The value of the Company's equity as of 31 December 2008 amounted to TCZK 76 767.

INFRASPOL, s.r.o.

with its registered office in Ústí nad Labem, Revoluční 1930/86, postal code 400 32, Identification No. 27918131, the main business activities production, trade and services not mentioned in Appendixes 1 to 3 of the Trades Licensing Act. Its registered capital amounts to TCZK 61 927, the investment of the Issuer amounts to 100 %. In 2008, the Company showed a loss amounting to TCZK -64 472. The value of the Company's equity as of 31 December 2008 amounted to TCZK -2 077 tis. Kč.

CHS Resins, a.s.

with its registered office in Ústí nad Labem, Revoluční 1930/86, postal code 400 32, Identification No. 28207866, the main business activities is rent of real estates. Its registered capital amounts to TCZK 2 000, the investment of the Issuer amounts to 100 %. In 2008, the Company showed a profit amounting to TCZK 1 536. The value of the Company's equity as of 31 December 2008 amounted to TCZK 3 536.

Profit/(loss) after tax from the Issuer's current activities per share and dividend per share (in CZK)

	<u>2008</u>	<u>2007</u>
Profit/(loss) from current activities after tax per share	28,49	69,57
Dividend per share	0	0
Consolidated profit/(loss) from current activities after tax per share	-62,6	80,7

Audit fees paid to statutory auditors and other economic advisors in the accounting period (CZK'000)

	Accounting audit **		Tax consultancy		Audit of the integrated management system ISO 9001, ISO 14001 and ISO 18001	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Emitent	1 615	1 390	1 008	726	280	494
SYNPO, a.s.	150	190	80	0	72	181
EPISPOL, a.s.	131	71	4	31	0	0
SPOLCHEMIE, a.s.	0	0	0	0	0	0
Spolpharma, s.r.o.	180	0	0	0	0	0
Metal-Tech Cz, a.s.	0	0	14	19	0	0
STZ, a.s.	160	*	1	*	88	*
Oleochem, a.s.	260	*	3	*	0	*
INFRASPOL, s.r.o	7	*	201	*	0	*
CHS Resins, a.s.	0	*	0	*	0	*
Total	2 503	1 651	1 311	776	440	675

* The company did not exist or the Company has no share in the company

** The detailed division of these expense is mention in the FS, section VIII, point 15 and in teh CFS section VIII, point 14

4. Information on the issuer's statutory and supervisory bodies

Board of Directors

Ing. Martin Procházka	- chairman
Ing. Jan Šrubař	- vice-chairman
Ing. Přemek Hlavnička	- member
Ing. Josef Zbořil	- member
Mgr. Jan Kubata	- member
Prof. Ing. Bohuslav Doležal, CSc.	- member

The present term of office in the Board of Directors of Issuer started up to all members on 26 January 2006. The term of office of Board of Directors members is 5 years. The re-election of Board of Directors members is enable. During the term of office the suspension from office of the member of Board of Directors by Supervisory Board is possible. The member of Board of Directors may leave the office at any time.

Period in which members of Board of Directors are in their functions:

Ing. Martin Procházka, member of Board of Directors from 19.7.2002, chairman from 30.4.2004
 Ing. Jan Šrubař, member of Board of Directors from 12.9.2005, vice-chairman from 21.10.2005
 Ing. Přemek Hlavnička, member of Board of Directors from 8.1.1999
 Ing. Josef Zbořil, member of Board of Directors from 18.3.1999
 Mgr. Jan Kubata, member of Board of Directors from 25.6.2004
 Prof. Ing. Bohuslav Doležal, member of Board of Directors from 12.9.2005

According to the Articles of Association, members of Board of Directors are elected by the Supervisory board of the Company.

According to the Articles of Association, the Board of Directors is entitled to decide, based on the decision of general Meeting under the conditions of §210 of Commercial Code, about the increase of registered capital of the Company through the subscription of shares or from own sources, with the exception of retained earnings from previous years, but mostly by one third of origin amount of registered capital. This commission was delegated for the 3 years period starting on 27 January 2006 and finished on 27 January 2009.

Changes in the Board of Directors in 2008

During the year 2008 there were no changes in Board of Directors.

Information on the members of the Board of Directors

Ing. Martin Procházka, born on 26 January 1968

He is a graduate of the Czech Technical University in Prague (hereinafter ČVUT), Faculty of Electrical Engineering. He joined the Company after his graduation in 1991. He has worked in several positions in the Finance Section (Officer-Economist, Assistant to the Finance Director, Head of Sub-Department, Head of Department, Manager, Competent Director). On 1 July 2002, he was appointed CEO.

Ing. Jan Šrubař, born on 5 February 1949

He graduated from Czech University of Agriculture (hereinafter ČZU), faculty of economy and management in Prague. He is member of statutory bodies of several financial and investment companies. At present, he is vice-chairman of Board of Directors of the company Via Chem Group, a.s. and he is owner and statutory representative of the company Prague Building Investments s.r.o.

Ing. Přemek Hlavnička, born on 14 November 1934

He graduated from the ČVUT in Prague. He worked in management positions in the chemical industry. He worked for the Ministry of Industry of the Czech Republic successively in the positions of Head of Department and Managing Director of the Chemistry and Pharmaceuticals sector. He worked as an advisor to the CEO of Chemapol, Praha and further as the CEO of the joint-stock company Spolana Neratovice.

Ing. Josef Zbořil, born on 7 November 1943

He is a graduate of the Institute of Chemical Technology (hereinafter VŠCHT), Technology of Macromolecular Substances. He worked for 28 years in the paper production industry. He is vice-president of Svaz průmyslu papíru a celulózy and member of Board of Directors of Svaz průmyslu a dopravy ČR. From the year 2004 he is a member of The European Economic and Social Committee of European Union in Brusel for Czech Republic.

Mgr. Jan Kubata, born on 2 May 1967

He graduated from the Pedagogical Faculty, UJEP, Ústí nad Labem. He successively worked as a business representative and a business director for several companies. In 2006, he has been elected as Mayor of the City of Ústí nad Labem.

Prof. Ing. Bohuslav Doležal, CSc., born on 28 April 1952

He is a graduate of VŠCHT, specialization analytic and physical chemistry. He has worked at director position in sphere of pharmaceutical industry for several years. At present, he is chairman of the Supervisory Board in joint stock company Via Chem Group, a.s. together with position of coordinator of research and development. He works in the Company as chairman of Innovation department.

The total monetary income for the function in the Board of Directors in 2008 amounted to TCZK 1 560. The Members of the Board of Directors did not receive any benefits in kind.

Supervisory Board

Ing. Milan Točina	- chairman
Ing. Jan Schmidt	- vice-chairman
Ladislav Holub	- member

Changes in Supervisory Board in 2008

The Supervisory Board discussed the leaving from office of Ing. Miroslav Babej-Kmec on its meeting on 28 March 2008.

General Meeting on 19 May 2008 voted to the function of member of Supervisory Board Ing. Jan Schmidt.

The Supervisory Board voted Ing. Jan Schmidt as vice-chairman of the Supervisory Board on its meeting on 29 May 2008.

The present term of office in the Supervisory Board started up to Ing. Jan Točina on 27 January 2006. Member of Supervisory Board and its chairman is from 12 September 2005.

The present term of office in the Supervisory Board started up to Ladislav Holub on 11 November 2005.

Ing. Miroslav Babej-Kmec was member of Supervisory Board from 26 March 2004 and its vice-chairman from 12 September 2005. His membership ended on 28 March 2008.

The present term of office in the Supervisory Board started up to Ing. Jan Schmidt on 19 May 2008. In the vice-chairman function is from 29 May 2008.

The term of office of Supervisory Board members is 5 years. The re-election of Supervisory Board members is enable. During the term of office the suspension from office of the member of Supervisory Board is possible. Members of Supervisory Board voted by general meeting may removed from office general meeting, members of Supervisory Board voted by employees may removed from office employees of the Company.

The member of Supervisory Board may leave the office at any time.

Information on the members of the Supervisory Board

Ing. Milan Točina, born on 21 August 1957

He graduated from VŠZ in Prague, faculty of economy and management. He worked in a lot of managerial positions in bank sector and insurance system. In present tme he is in office of chairman of Board of Directors in the company EGIDA a.s. and in other companies.

Ing. Jan Schmidt, born on 26 August 1940

He graduated from the ČVUT in Prague, automatization of production processIn years 1965-1986 was employed in Sklo Union and Spolchemie, from 1986 in Investiční banka in Ústí nad Labem. In March 1990 was voted in office of chief magistrate of the city as a member of parliamentary for Občanské forum, till the end of the year 1994. A lot of experiences gathered as member of supervisory bodies in commercial companies.

Ladislav Holub, born on 30 April 1947

He finished a training institution as an industrial chemist. He worked at the position of a chemician in the Company during the years 1962 and 2002. From the year 2003 he is at the position of chairman of the Company's commission "Základní organizace OS ECHO ČR".

The total monetary income for the function in the Supervisory Board in 2008 amounted to TCZK 757. The Members of the Supervisory Board did not receive any benefits in kind.

Information about Company management

Company Management

Ing. Martin Procházka	- Managing Director
Ing. Jan Dlouhý, CSc.	- delegated as vice Managing Director
Ing. Miroslav Babej-Kmec	- Manager for Strategy Affairs
Ing. Erik Mahnert	- Administration Manager
Ing. Pavel Buzik	- delegated as a vice Infrastructure Manager
Ing. Luboš Knechtl	- Investment Department Manager
Michael Walter Grosske	- Inorganics Manager
Mgr. Jan Kříčka	- delegated as a vice Specialities Manager
PhDr. Paul Yianni	- Resins Manager

Ing. Martin Procházka, see Information on the members of the Board of Directors

Ing. Jan Dlouhý, CSc., born on 17 March 1965

He is a graduate of ČVUT in Prague. In 1994, he was awarded the academic title of the Technical Sciences Candidate. After having graduated, he worked as a technician in the company Pozemní stavby Ústí nad Labem. Between 1989 and 1992, he worked as an internal postgraduate at the Czech Technical University in Prague. He joined the Company in 1993. He worked in a number of management positions (Head of the Logistics Department, Deputy Director, Business Director) in the Logistics and Trade Departments. On 1 July 2002, he was appointed Infrastructure Manager.

Ing. Miroslav Babej-Kmec, born on 17 November 1967

He graduated from the ČVUT, Faculty of Electrical Engineering, Economy and Management (1991), Sacred Heart University (Connecticut /USA) - MBA Finance – selected courses. He has been working in the investment banking sector for 14 years. He works as director of Strategic area department in the Company.

Ing. Erik Mahnert, born on 13 June 1963

He is a graduate of the ČVUT, Faculty of Electrical Engineering. He joined the Company in 1992 to the position of operation personnel of information technology. Further he was in position of head of Informatics Department, head of Information Systems, manager for informatics and head of Informatics Department. From 1 March 2007 he held an office Administration Manager.

Ing. Pavel Buzik, born on 8 September 1955

He is a graduate of Technology Faculty of VUT in Brno. He joined the Company in 2002 into function of senior technologist. In 1992 he was nominated to a post of Manager of Dyes division, further he was in function of senior engineer. Since 2002, he has been in the position of the head of maintenance department and fixed assets maintenance. From October 2008 he held an office Infrastructure Manager.

Ing. Luboš Knechtl, born on 2 February 1957

He is a graduate of VŠCHT in Prague. After having graduated in 1981 he remained at the Institute of Chemical Technology as a scientific intern. He joined the Company in 1982. He successively held the positions of an engineer, Head of a Production Unit, Head of a Plant and a Project Manager – Specialist. In 1998, he was appointed Director of the Engineering Section. Since 2002, he has been in the position of the Epoxy Project Manager. In 2005 he was appointed to position of Investment Manager.

Michael Walter Grosske, born on 5 December 1968

He is a graduate of the Hessen Academy for Vocational Education in Frankfurt, where he graduated as a Company Economist. Before joining the Company, he worked in several Western European companies as a Business Director, Production Director and the CEO. Since 24 June 2003, he has been working with the Company as the Inorganics Manager.

Mgr. Jan Kříčka, born on 26 May 1963

He is a graduate of Faculty of Education of University J. E. Purkyně in Ústí nad Labem. He joined the company 1995 as supply and sales, shortly he was in function of head of department. His professional career in the Company was broken between the years 2001 – 2007. He re-joined the Company in January 2008 as Specialista. Since October 2008, he has been in the position of Specialities Manager. In February 2009 he was named into office of Inorganics Manager.

PhDr. Paul Yianni, born on 16 January 1959

He is a graduate of the University of Reading. He successfully passed the final exam of chemistry and geology at the above university. Before joining the Company, he worked with the company Shell Chemicals in London, Belgium, Hong Kong and the Netherlands as a manager in Research, Development, Resins Sale Section, and Marketing and as a Trade Director. On 25 October 2004, he was appointed Resins Manager.

The total monetary income of the Company management in 2008 amounted to TCZK 17 849. The total income in kind in 2008 amounted to TCZK 0.

In case of termination of employment above mentioned members of the Company management and further two employees, the Issuer is obliged by managerial or employee contracts to fulfilment in the amount of 6 times its monthly wage. These liabilities relates from contracted non-competition clause.

Basic principles of remuneration of the Boards members and management

The ordinary General Meeting held on 29 April 2005 approved the monthly fixed volume of remunerations for the members of the Board of Directors and of the Supervisory Board as well as floating volume of remunerations for the members of the Board of Directors in relation to the income from operation of the Company. The floating volume is non-requisition part of remuneration of Board of Directors.

The index for it is Operating Profit / Loss:

non-fulfilment	0% of planned remuneration
fulfilment	50% of planned remuneration
over fulfilment	100% of planned remuneration

For the concrete economic year the Board of Directors monitored the fulfilment of targets of individual departments, the targets are quantified by the yearly plan. Based on the fulfilment of targets and after the approval of Financial Statements by the auditor, the Board of Directors approve the final amount of yearly remuneration of concrete members. The target, which is determined to the members of the Company Management, is the value of profit of relevant division or joint stock.

To other members of management of the Company, the bonuses are determined according to the “Financial motivation of employees for the fulfilment of targets of joint company”, approved by Board of Directors. The Board of Directors decide about the bonuses payment and its final amount in connection with the targets achieving and fulfilling of conditions and targets by individual members of management.

Employment contracts of the Group with members of Board of Directors and Supervisory Board

The Company had concluded in 2008 employment contracts with 2 members of Supervisory Board and with 2 members of Board of Directors of the Issuer. From these contracts there resulted no advantages in case of employment contract termination. Only in 1 contract with member of Supervisory Board and in 1 contract with member of Board of Directors there is competitive clause, which determines the fulfilment in the amount of 6 times its monthly wage in case of employment contract termination. Other companies in the Group did not conclude with members of Bodies of the Issuer any employment contracts.

Overview of monetary income and income in kind of members of Bodies and management:

In 2008 members of Board of Directors, Supervisory Board and management did not received any income in kind.

<u>Persons</u>	<u>Monetary income from Issuer</u>	<u>Monetary income from subsidiary companies</u>
Members of Supervisory Board	1 212	0
Members of Board of Directors	8 710	121
Members of Management	25 356	131

Information on the aggregate number of shares of the Issuer separately for each body

Members of Board of Directors and Supervisory Board and members of management own no shares of the Company.

Loans, credits, acquisition of shares related to the members of the bodies

No loans or credits were provided to the members of the statutory and supervisory bodies or any other managers of the Company.

In compliance with section 158 of the Commercial Code, the Issuer's Articles of Association do not stipulate any opportunity for employees to acquire shares in the Company under preferential conditions.

Other Companies, in which members of Board of Directors or Supervisory Board were participated in last 5 years

Ing. Jan Schmidt		Ústí nad Labem, Dukelských hrdinů 544	
Name of the subject:	Registration sign:	Id. No.:	Function:
Spolek pro chemickou a hutní výrobu, akciová společnost	B 47 registered by Registration Court in Ústí nad Labem	11789	Supervisory Board – Vice- chairman of Supervisory Board
EPISPOL, a.s.	B 1426 registered by Registration Court in Ústí nad Labem	25449842	Supervisory Board - Member of Supervisory Board
STZ a.s.	B 1686 registered by Registration Court in Ústí nad Labem	27294099	Supervisory Board - Member of Supervisory Board
STZ Development, a.s.	B 1801 registered by Registration Court in Ústí nad Labem	27904202	Supervisory Board - Member of Supervisory Board
SPOLCHEMIE, a.s.	B 899 registered by Registration Court in Ústí nad Labem	25006223	Supervisory Board - Member of Supervisory Board
CHS Epi, a.s.	B 2017 registered by Registration Court in Ústí nad Labem	28207882	Supervisory Board - Member of Supervisory Board
CHS Resins, a.s.	B 1991 registered by Registration Court in Ústí nad Labem	28207866	Supervisory Board - Member of Supervisory Board
PURA TERRA a.s.	B 14726 registered by Registration Court in Praze	28291905	Supervisory Board - Member of Supervisory Board

Ing. Milan Točina Libochovice, Fugnerova 674

Name of the subject:	Registration sign:	Id. No.:	Function:
Spolek pro chemickou a hutní výrobu, akciová společnost	B 47 registered by Registration Court in Ústí nad Labem	11789	Supervisory Board - Chairman of Supervisory Board
STZ a.s.	B 1686 registered by Registration Court in Ústí nad Labem	27294099	Supervisory Board - Chairman of Supervisory Board
STZ Development, a.s.	B 1801 registered by Registration Court in Ústí nad Labem	27904202	Supervisory Board - Chairman of Supervisory Board
Oleofin, a.s.	B 9453 registered by Registration Court in Praze	27167658	Statutory Body - Member of Board of Directors
Oleofin HC, a.s.	B 2002 registered by Registration Court in Ústí nad Labem	28361881	Supervisory Board - Member of Supervisory Board
CHS Epi, a.s.	B 2017 registered by Registration Court in Ústí nad Labem	28207882	Supervisory Board - Member of Supervisory Board
CHS Resins, a.s.	B 1991 registered by Registration Court in Ústí nad Labem	28207866	Supervisory Board - Chairman of Supervisory Board
EGIDA, a.s.	B 12573 registered by Registration Court in Praze	64259625	Statutory Body - Chairman of Board of Directors
QFT Assets a.s.	B 13312 registered by Registration Court in Praze	28211626	Supervisory Board - Member of Supervisory Board
TOKUS spol. s r.o.	C 83809 registered by Registration Court in Praze	26461501	Statutory Body - Statutory Representative
TOKUS spol. s r.o.	C 83809 registered by Registration Court in Praze	26461501	Partner
Žernosecké vinařství s.r.o.	C 8813 registered by Registration Court in Ústí nad Labem	62741861	Statutory Body - Statutory Representative
Žernosecké vinařství s.r.o.	C 8813 registered by Registration Court in Ústí nad Labem	62741861	Partner

Ladislav Holub Ústí nad Labem, Anežky České 633/11

Name of the subject:	Registration sign:	Id. No.:	Function:
Spolek pro chemickou a hutní výrobu, akciová společnost	B 47 registered by Registration Court in Ústí nad Labem	11789	Supervisory Board - Member of Supervisory Board
Společenství A.České 9 a 11, Ústí nad Labem	S 1796 registered by Registration Court in Ústí nad Labem	25463217	Statutory Body - Member

Ing. Martin Procházka Ústí nad Labem, Novoveská 82

Name of the subject:	Registration sign:	Id. No.:	Function:
Spolek pro chemickou a hutní výrobu, akciová společnost	B 47 registered by Registration Court in Ústí nad Labem	11789	Statutory Body - Chairman of Board of Directors
EPISPOL, a.s.	B 1426 registered by Registration Court in Ústí nad Labem	25449842	Statutory Body - Chairman of Board of Directors
SPOLCHEMIE, a.s.	B 899 registered by Registration Court in Ústí nad Labem	25006223	Statutory Body - Chairman of Board of Directors
STZ a.s.	B 1686 registered by Registration Court in Ústí nad Labem	27294099	Statutory Body - Chairman of Board of Directors
Oleofin, a.s.	B 9453 registered by Registration Court in Praze	27167658	Statutory Body - Chairman of Board of Directors
Oleofin HC, a.s.	B 2002 registered by Registration Court in Ústí nad Labem	28361881	Statutory Body - Member of Board of Directors
SYNPO, akciová společnost	B 627 registered by Registration Court in Hradci Králové	46504711	Statutory Body - Member of Board of Directors
HC SLOVAN ÚSTÍ a.s.	B 993 registered by Registration Court in Ústí nad Labem	25019058	Supervisory Board - Chairman of Supervisory Board
CHS Resins, a.s.	B 1991 registered by Registration Court in Ústí nad Labem	28207866	Statutory Body - Chairman of Board of Directors
Trio leasing, spol. s r.o.	C10968 registered by Registration Court in Ústí nad Labem	25005677	Partner
CHS Epi, a.s.	B 2017 registered by Registration Court in Ústí nad Labem	28207882	Statutory Body - Member of Board of Directors

Ing. Jan Šrubař **Praha 5, Plzeňská 113/155**

Name of the subject:	Registration sign:	Id. No.:	Function:
Spolek pro chemickou a hutní výrobu, akciová společnost	B 47 registered by Registration Court in Ústí nad Labem	11789	Statutory Body – Vice-chairman of Board of Directors
Via Chem Group, a.s.	B 7643 registered by Registration Court in Praze	26694590	Statutory Body - Member of Board of Directors
EURO CAPITAL ALLIANCE a.s.	B 7374 registered by Registration Court in Praze	26484919	Statutory Body - Chairman of Board of Directors
ENERGO SOURCE ALLIANCE a.s.	B 1348 registered by Registration Court in Českých Budějovicích	26256509	Supervisory Board - Member
STZ a.s.	B 1686 registered by Registration Court in Ústí nad Labem	27294099	Statutory Body - Member of Board of Directors
Oleofin, a.s.	B 9453 registered by Registration Court in Praze	27167658	Statutory Body - Vice-chairman of Board of Directors
CHS Resins, a.s.	B 1991 registered by Registration Court in Ústí nad Labem	28207866	Statutory Body - Member of Board of Directors
CHS Epi, a.s.	B 2017 registered by Registration Court in Ústí nad Labem	28207882	Supervisory Board - Chairman of Supervisory Board
ČESKÝ OLEJ, a.s.	B 5697 registered by Registration Court in Praze	25720546	Statutory Body – Vice-chairman of Board of Directors
DEUTERIUM, a.s.	B 12180 registered by Registration Court in Praze	27933539	Statutory Body - Member of Board of Directors
UT INVEST a.s.	B 563 registered by Registration Court in Ústí nad Labem	60281073	Statutory Body - Chairman of Board of Directors
M-Best, a.s.	B 3975 registered by Registration Court in Praze	61673358	Statutory Body - Member of Board of Directors
BYDLENÍ SENOHRABY, a.s.	B 11963 registered by Registration Court in Praze	27909468	Statutory Body - Chairman of Board of Directors
Q - Efekt a.s.	B 3017 registered by Registration Court in Praze	63078040	Statutory Body - Chairman of Board of Directors
B-Efekt a.s.	B 9960 registered by Registration Court in Praze	27245888	Statutory Body - Sole member of Board of Directors
Prague Building Investments s.r.o.	C 89353 registered by Registration Court in Praze	26718391	Statutory Body - Statutory Representative
CCL TOUR AND TRADE, spol.s r.o.	C 9587 registered by Registration Court in Praze	45276412	Statutory Body - Statutory Representative
Prague Building Investments s.r.o.	C 89353 registered by Registration Court in Praze	26718391	Partner

Mgr. Jan Kubata Ústí nad Labem, Jeseninova 543/32

Name of the subject:	Registration sign:	Id. No.:	Function:
Spolek pro chemickou a hutní výrobu, akciová společnost	B 47 registered by Registration Court in Ústí nad Labem	11789	Statutory Body - Member of Board of Directors
Oleofin, a.s.	B 9453 registered by Registration Court in Praze	27167658	Statutory Body - Member of Board of Directors
Oleofin HC, a.s.	B 2002 registered by Registration Court in Ústí nad Labem	28361881	Supervisory Board - Member of Supervisory Board
HC SLOVAN ÚSTÍ a.s.	B 993 registered by Registration Court in Ústí nad Labem	25019058	Supervisory Board - Member of Supervisory Board
Dopravní podnik města Ústí nad Labem a.s.	B 945 registered by Registration Court in Ústí nad Labem	25013891	Statutory Body - Chairman of Board of Directors
Severočeská vodárenská společnost a.s.	B 466 registered by Registration Court in Ústí nad Labem	49099469	Statutory Body – Vice-chairman of Board of Directors
Středočeské vodárny, a.s.	B 6699 registered by Registration Court in Praze	26196620	Statutory Body – Vice-chairman of Board of Directors
Max-Moser, spol. s r.o.	C17894 registered by Registration Court in Ústí nad Labem	25428136	Partner
Collegium Bohemicum, o.p.s.	O 210 registered by Registration Court in Ústí nad Labem	27309231	Statutory Body - Chairman

Prof. Ing. Bohuslav Doležal CSc. Praha 4, Kropáčkova 563/14

Name of the subject:	Registration sign:	Id. No.:	Function:
Spolek pro chemickou a hutní výrobu, akciová společnost	B 47 registered by Registration Court in Ústí nad Labem	11789	Statutory Body - Member of Board of Directors
Via Chem Group, a.s.	B 7643 registered by Registration Court in Praze	26694590	Supervisory Board - Chairman of Supervisory Board
STZ a.s.	B 1686 registered by Registration Court in Ústí nad Labem	27294099	Supervisory Board – Vice-chairman of Supervisory Board
Oleofin, a.s.	B 9453 registered by Registration Court in Praze	27167658	Statutory Body - Member of Board of Directors
VAKOS XT a.s.	B 5291 registered by Registration Court in Praze	25656180	Statutory Body - Chairman of Board of Directors
RE-play CZ, a.s.	B 2634 registered by Registration Court in Hradci Králové	27523349	Statutory Body - Chairman of Board of Directors
CHemProtect, a.s.	B 13841 registered by Registration Court in Praze	28225341	Statutory Body - Member of Board of Directors

Ing. Josef Zbořil **Český Krumlov, 5.května 275**

Name of the subject:	Registration sign:	Id. No.:	Function:
Spolek pro chemickou a hutní výrobu, akciová společnost	B 47 registered by Registration Court in Ústí nad Labem	11789	Statutory Body - Member of Board of Directors
Oleofin, a.s.	B 9453 registered by Registration Court in Praze	27167658	Supervisory Board - Member of Supervisory Board
Oleochem, a.s.	B14109 registered by Registration Court in Praze	28361806	Supervisory Board - Member of Supervisory Board
Nadace barokního divadla zámku Český Krumlov	N 27 registered by Registration Court in Českých Budějovicích	60084081	Statutory Body - Member of správní rady
Ústav pro ekopolitiku, o.p.s.	O 54 registered by Registration Court in Praze	25690183	Statutory Body - Chairman
WANEMI CZ a.s.	B 3179 registered by Registration Court in Ostravě	26867281	Statutory Body - Member of Board of Directors
Společenství vlastníků jednotek Plešivec 275	S 142 registered by Registration Court in Českých Budějovicích	26036266	Statutory Body - Chairman

Ing. Přemek Hlavnička **Praha 4, Štichova 642/28**

Name of the subject:	Registration sign:	Id. No.:	Function:
Spolek pro chemickou a hutní výrobu, akciová společnost	B 47 registered by Registration Court in Ústí nad Labem	11789	Statutory Body - Member of Board of Directors

Ing. Jan Dlouhý CSc. **Prackovice nad Labem 14**

Name of the subject:	Registration sign:	Id. No.:	Function:
ROGER - security, a.s.	B 1505 registered by Registration Court in Ústí nad Labem	25473476	Supervisory Board - Member of Supervisory Board

Ing. Miroslav Babej-Kmec **Praha 6, Gotthardská 8/28**

Name of the subject:	Registration sign:	Id. No.:	Function:
MAXIMA pojišťovna, a.s.	B 3314 registered by Registration Court in Praze	61328464	Statutory Body - Member
Realtia investiční společnost, a.s.	B11488 registered by Registration Court in Praze	27647188	Supervisory Board - Member of Supervisory Board

Ing. Erik Mahnert **Ústí nad Labem, Ondříčkova 1962/6**

Name of the subject:	Registration sign:	Id. No.:	Function:
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Ing. Pavel Buzik **Ústí nad Labem, Peškova 531**

Name of the subject:	Registration sign:	Id. No.:	Function:
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Ing. Luboš Knechtl Ústí nad Labem, Ondříčkova 1962/6

Name of the subject:	Registration sign:	Id. No.:	Function:
EPISPOL, a.s.	B 1426 registered by Registration Court in Ústí nad Labem	25449842	Statutory Body - Member of Board of Directors
Oleochem, a.s.	B14109 registered by Registration Court in Praze	28361806	Statutory Body - Member of Board of Directors
CHS Resins, a.s.	B 1991 registered by Registration Court in Ústí nad Labem	28207866	Supervisory Board - Member of Supervisory Board
SPOLCHEMIE, a.s.	B 899 registered by Registration Court in Ústí nad Labem	25006223	Statutory Body - Member of Board of Directors

Michael Walter Grosske Ústí nad Labem, Karafiátova 75

Name of the subject:	Registration sign:	Id. No.:	Function:
			Is not known.

Mgr. Jan Kříčka Petrovice 508

Name of the subject:	Registration sign:	Id. No.:	Function:
Spolpharma, s.r.o.	C22665 registered by Registration Court in Ústí nad Labem	27287149	Statutory Body - Statutory Representative
Whyte Chemicals Europe s.r.o.	C19927 registered by Registration Court in Ústí nad Labem	25477862	Statutory Body - Statutory Representative

PhDr. Paul Antony Yianni Ústí nad Labem, Krajní 5/3442

Name of the subject:	Registration sign:	Id. No.:	Function:
EPISPOL, a.s.	B 1426 registered by Registration Court in Ústí nad Labem	25449842	Statutory Body - Member of Board of Directors
SYNPO, akciová společnost	B 627 registered by Registration Court in Hradci Králové	46504711	Statutory Body - Member of Board of Directors
CHS Resins, a.s.	B 1991 registered by Registration Court in Ústí nad Labem	28207866	Statutory Body - Member of Board of Directors

Declaration of Issuer

The Issuer declared, that it is not known, that any of members of Board of Directors, Supervisory Board and Company Management

- were convicted of fraudulent delict in last five years;
- were public charged in last five years or obtained sanction from statutory or regulatory authority, or were judiciously forfeit of qualification in function of member of administrative, managing or controlling body of any issuer or function in managing activities of any issuer;
- act in any administrative, managing or controlling body of the companies, which was in bankruptcy or in liquidation in last five years and in which members of statutory and supervisory bodies of the company were in participation.

The Issuer also declared, that it is not known any existence of conflict of interests between the obligation of any member of Board of Directors, Supervisory Board or Company Management to the Issuer and its private interests or other liabilities.

5. Information on persons responsible for the Annual Report

Ing. Martin Procházka, General Manager

I hereby declare that the information included in the Annual Report is consistent with the actual situation, and that no substantial circumstances which could influence the exact and correct evaluation of the Issuer of the securities have been omitted.

In Ústí nad Labem on 30 April 2009



Ing. Martin Procházka
Chairman of Board of Directors



Ing. Jan Šrubař
Vice-chairman of Board of Directors

AUDITOR'S REPORT

Financial Statements for the Period
from 1 January 2008 to 31 December 2008
of the company

Spolek pro chemickou a hutní výrobu, akciová společnost

Independent Auditor's Report for the Shareholders of the Company Spolek pro chemickou a hutní výrobu, akciová společnost

Company's Name:	Spolek pro chemickou a hutní výrobu, akciová společnost
Company's Seat:	Revoluční 1930/86, Ústí nad Labem
Identification Number:	000 11 789
Legal Form:	joint stock company
Main Activity:	see paragraph V of the Notes to the Financial Statements.

We have audited the accompanying financial statements of Company Spolek pro chemickou a hutní výrobu, akciová společnost, which comprise the balance sheet as of 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. Information about Company Spolek pro chemickou a hutní výrobu, akciová společnost is presented in Note V to these financial statements.

The Statutory Body of Company Spolek pro chemickou a hutní výrobu, akciová společnost is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the financial position of Company Spolek pro chemickou a hutní výrobu, akciová společnost as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

In Prague on 30 April 2009

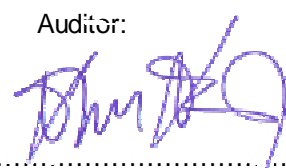
Auditors' Company:



VGD - AUDIT, s.r.o.
Certificate Nr. 271

Bělehradská 18, 140 00 Prague 4

Auditor:



Ing. Dagmar Dušková
Certificate Nr. 1919

I BALANCE SHEET

	Note (Section VIII)	<u>31 December 2008</u> CZK '000	<u>31 December 2007</u> CZK '000
ASSETS			
Non-current assets			
Tangible fixed assets	2	3 003 314	2 795 889
Intangible fixed assets	1	23 333	11 634
Long-term financial assets	3,4	574 897	494 255
Long-term trade receivables	6	732 706	744 500
Deferred tax receivable	18	0	10 683
Receivables –reimbursement of environmental load	12	<u>532 386</u>	<u>575 832</u>
		<u>4 866 636</u>	<u>4 632 793</u>
Current assets			
Inventories	5	526 332	621 772
Receivables and prepayments	6	787 014	600 889
Receivables - reimbursement of environmental load	6	380 723	408 950
Other short-term receivables	12	90 327	129 223
Cash and cash equivalents	7	<u>89 212</u>	<u>106 828</u>
		<u>1 873 608</u>	<u>1 867 662</u>
Total assets		<u>6 740 244</u>	<u>6 500 455</u>

**III. REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS PREPARED IN
ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR
ENDED 31 DECEMBER 2008**

	Note (Section VIII)	<u>31 December 2008</u> CZK '000	<u>31 December 2007</u> CZK '000
EQUITY			
Share capital	8	1 939 408	1 939 408
Own shares		- 89 027	- 89 027
Statutory reserve fund	section III	56 570	28 285
Accumulated losses / Retained earnings	section III	150 614	124 269
Change in profit/loss – correction of previous period	section III	0	2 714
Other funds	section III	<u>- 289 832</u>	<u>111 035</u>
		1 767 733	2 116 684
LIABILITIES			
Long-term liabilities			
Long-term trade payables	9	129	2 349
Long-term borrowings	11	1 043 318	400 323
Deferred tax payable	18	16 935	0
Provisions – environmental liabilities	12	<u>532 386</u>	<u>575 832</u>
		1 592 768	978 504
Current liabilities			
Trade and other payables	10	1 591 494	1 245 770
Liabilities from other loans	10	25 000	68 543
Other short-term liabilities	10	0	300 149
Short-term borrowings	11	1 672 922	1 661 582
Provisions – environmental liabilities	12	<u>90 327</u>	<u>129 223</u>
		3 379 743	3 405 267
Total liabilities		<u>4 972 511</u>	<u>4 383 771</u>
Total equity and liabilities		<u>6 740 244</u>	<u>6 500 455</u>



II INCOME STATEMENT

	Note (Section VIII)	Year ended 31 December 2008 CZK '000	Year ended 31 December 2007 CZK '000
Revenues	13	5 095 944	4 599 882
Other operating income	15	261 241	290 674
Changes in inventories of finished goods and work in progress		- 85 560	163 522
Capitalisation of own output		10 454	10 644
Raw materials and consumables used		- 3 529 518	- 2 990 377
Staff costs	14	- 371 829	- 411 806
Depreciation and amortisation expense	1,2	- 211 233	- 240 375
Other operating expenses	15	<u>- 877 082</u>	<u>- 1 131 822</u>
Operating Profit / Loss		292 417	290 342
Financial costs, net	16	<u>- 164 246</u>	<u>- 55 461</u>
Profit / Loss before income tax		128 171	234 881
Income tax	18	<u>- 27 618</u>	<u>10 683</u>
Profit / Loss of current accounting period		<u>100 553</u>	<u>245 564</u>
Profit / Loss per share (in CZK)	20	28,49	69,57

III STATEMENT OF CHANGES IN EQUITY

	Share capital CZK '000	Own shares CZK '000	Capital funds CZK '000	Legal reserve fund CZK '000	Profit / Loss of previous years CZK '000	Profit / Loss of current period CZK '000	Total CZK '000
Balance at 1 January 2007 - IFRS	<u>1 939 408</u>	<u>0</u>	<u>55 292</u>	<u>24 196</u>	<u>- 196 278</u>	<u>81 786</u>	<u>1 904 404</u>
Own shares	0	-89 027	0	0	0	0	-89 027
Transfer to profit/loss of previous years	0	0	0	0	77 697	-77 697	0
Contribution to legal reserve fund	0	0	0	4 089	0	-4 089	0
Differences from revaluation	0	0	55 743	0	0	0	55 743
Profit / Loss of current period	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>245 564</u>	<u>245 564</u>
Balance at 31 December 2007 - IFRS	<u>1 939 408</u>	<u>-89 027</u>	<u>111 035</u>	<u>28 285</u>	<u>-118 581</u>	<u>245 564</u>	<u>2 116 684</u>
Writing-off of the rest of the social fund	0	0	0	0	1 194	0	1 194
Dividends payout	0	0	0	0	0	-49 831	-49 831
Transfer to profit/loss of previous years	0	0	0	0	164 734	-164 734	0
Correction of opening balance	0	0	0	0	2 714	-2 714	0
Contribution to legal reserve fund	0	0	0	28 285	0	-28 285	0
Differences from revaluation	0	0	-400 867	0	0	0	-400 867
Profit / Loss of current period	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>100 553</u>	<u>100 553</u>
Balance at 31 December 2008 - IFRS	<u>1 939 408</u>	<u>-89 027</u>	<u>-289 832</u>	<u>56 570</u>	<u>50 061</u>	<u>100 553</u>	<u>1 767 733</u>



IV CASH FLOW STATEMENT

	<u>2008</u>	<u>2007</u>
	CZK '000	CZK '000
<u>Cash flow from operating activities</u>		
Net profit/loss on ordinary activities before tax	128 171	245 564
A.1 Adjustments for non-cash movements:	6 927	214 484
A.1.1 Depreciation of fixed assets	211 233	240 375
A.1.2 Change in adjustments and provisions	-281 367	-92 339
A.1.3 Loss from disposal of fixed assets	-5 061	-3 492
A.1.4 Net interest expense	<u>82 122</u>	<u>69 940</u>
A.* Net cash flow from ordinary activities before tax, working capital changes and extraordinary items	135 098	460 048
A.2 Working capital changes:	306 427	-79 519
A.2.1 - change in receivables and prepayments	219 805	-376 587
A.2.2 - change in short-term payables and accruals	-44 506	495 131
A.2.3 - change in inventories	103 510	-187 380
A.2.4 - change in deferred tax receivable/payable	<u>27 618</u>	<u>-10 683</u>
A.** Net cash flow from ordinary activities before tax and extraordinary items	441 525	380 529
A.3 Interest paid	-191 460	-101 499
A.4 Interest received	109 338	31 559
A.5 Income tax on ordinary activities paid	0	0
A.6 Deferred tax	-27 618	
A.7 Cash movements relating to extraordinary profit	<u>0</u>	<u>0</u>
A *** Net cash flow from ordinary activities	331 785	310 589

III. REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2008

	<u>2008</u>	<u>2007</u>	
	CZK '000	CZK '000	
<u>Cash flows from investing activities</u>			
B.1	Acquisition of fixed assets	-920 053	-527 110
B.2	Proceeds from sale of fixed assets	<u>10 620</u>	<u>7 942</u>
B***	Net cash flow from investing activities	-909 433	-519 168
<u>Cash flows from financing activities</u>			
C.1	Change in long term borrowings	608 669	253 877
C.2	Direct payments from reserves	0	0
C.3	Change in own equity – own shares:	-48 637	-89 027
C.3.1	Own shares	0	
C.3.2	Paid dividends or share on profits	-49 831	164 850
C.3.3	Deferred tax from previous period	10 683	
C.3.4	Other changes – see Statement of changes in equity	<u>-9 489</u>	<u>-43 729</u>
	Net cash flow from financing activities	560 032	150 557
	Net decrease / increase in cash and cash equivalents	-17 616	106 828
	Cash and cash equivalents at the beginning of the year	106 828	43 729
	Cash and cash equivalents at the end of the year	89 212	106 828

V GENERAL INFORMATION

Spolek pro chemickou a hutní výrobu, akciová společnost (“the Company”) was registered in the commercial register on 31 December 1990, and has its registered office at Ústí nad Labem, Revoluční 1930/86, postal code 400 32, identification number 00011789. The Company is registered in Commercial register by Regional Court in Ústí nad Labem, Section B, Entry No. 47. The Company’s business activities consist principally of research, development, production and manufacturing of chemical substances and chemical preparations.

Composition of the Board of Directors as at 31 December 2008:

Name	Position
Ing. Martin Procházka	chairman
Ing. Jan Šrubař	vice-chairman
Ing. Přemek Hlavnička	member
Ing. Josef Zbořil	member
Mgr. Jan Kubata	member
Prof. Ing. Bohuslav Doležal, CSc.	member

Composition of the Supervisory Board as at 31 December 2008:

Name	Position
Ing. Milan Točina	chairman
Ing. Jan Schmidt	vice-chairman
Ladislav Holub	member

Changes of the Board of Directors during the year 2008

There were no changes in Board of the Directors during the year 2008.

Changes of the Supervisory Board during the year 2008

The Supervisory Board discussed the leaving from office of Ing. Miroslav Babej-Kmec on its meeting on 28 March 2008.

General Meeting on 19 May 2008 voted to the function of member of Supervisory Board Ing. Jan Schmidt.

The Supervisory Board voted Ing. Jan Schmidt as vice-chairman of the Supervisory Board on its meeting on 29 May 2008.

Significant events during current accounting period

The Company continued in its long-term investment programme in 2008. Within this programme, the Company put into operation the unit of desulphurization of Monocrystal operation whereby the important condition for the production was fulfilled. At the end of the year the construction of new operation for polyester production based on PET recycle was finished and started the construction of other operation of alkyd production.

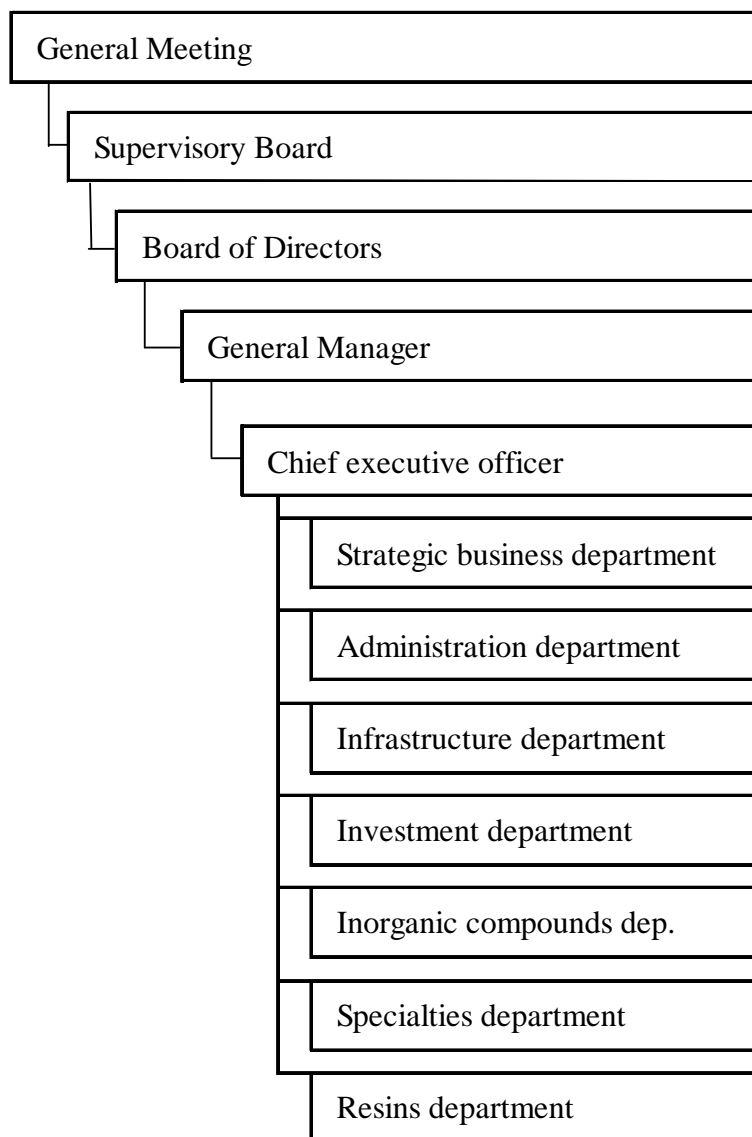
The Company further continued in advance working for investment into new membrane electrolyse and subsequent technologies.

The Company also intensive continued in preparation of construction of production line of Epichlorhydrin in Malaysia, where the unique patent which is in ownership of the Company, will be used. This preparation has run based on Contract for work for the company Spolchemie (M) Sdn Bhd, which is the Malaysian entity and investor.

In 2008 the Company sold to the company Spolchemie N.V. the license for production of epichlorhydrin from glycerine in Malaysia territory in volume of 50 kilotons at the price of 10 million USD. The purchase price is due in four yearly linear payments. The first payment is due on 17 December 2010.

In 2008 the Company finished the strategic steps which were begun in 2007 and acquired the shares in companies Oleochem, a.s., STZ a.s. and INFRASPOL, s.r.o.

Structure of the Company



VI ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that were accepted by European Union.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value.

The amounts shown in these financial statements are presented in Czech Crowns (in thousands, if not stated otherwise).

Certain reclassifications have been made to prior period balances in order to make the presentation consistent with the current period.

The financial statements are prepared on the base of principle of continuous of the business.

(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment represents providing of products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(c) Intangible fixed assets

Purchased intangible assets are recorded at cost. Internal development costs are recorded at the lower of direct costs and overheads or replacement cost. Intangible assets are amortised on a straight-line basis over their estimated useful lives, usually for five years at longest. Amortisation commences when the intangible fixed asset is available for use.

(d) Tangible fixed assets

Tangible fixed assets are initially recorded at cost, and are subsequently carried at their cost less any accumulated depreciation and accumulated impairment losses.

Property includes all costs directly attributable to bringing the asset to working condition for its intended use. Own work capitalised is recorded at production cost.

Items of property, plant and equipment that are retired, or otherwise disposed of, are eliminated from the balance sheet, along with the corresponding accumulated depreciation. Any gain or loss arising from retirement or disposal is included in net operating income.

Tangible fixed assets are depreciated from the time they are available for use, by applying the straight-line method over their estimated useful lives.

The annual depreciation rates used are:

Buildings and constructions	1.3 – 10%
Machinery and equipment	5 – 25%
Fixtures	4 – 25%
Motor vehicles	4 – 25%
Assets in the course of construction	nil

Land is not depreciated as it is deemed to have an indefinite life. Repairs and maintenance are expensed as incurred.

Interest costs on borrowings to finance the construction of property, plant and equipment are recognised as an expense in the period in which they are incurred.

(e) Impairment of assets

Property, plant and equipment and other assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.



(f) Leases

Leases under which a significant portion of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment that is required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in other short term or long-term payables (depending on maturity). The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

(g) Investments in subsidiaries and associated undertakings

A subsidiary is an enterprise that is controlled by the Company, which means that the Company has the power to govern the financial and operating policies as to obtain benefits from its activities.

An associated undertaking is an enterprise where the Company has significant influence, which is the power to participate in the financial and operating policy decisions, but not control.

Equity investments in subsidiaries and associates are recorded at cost less a provision for diminution in value.

(h) Other securities and investments

The Company classifies securities and investments, other than investments in subsidiaries and associated undertakings, as either trading, available-for-sale or held-to-maturity. These securities and investments are evaluated by fair value or by value of share on assets of these companies.

(i) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of raw materials and goods for resale comprises appropriate overheads such as transportation, duty, insurance etc., incurred to bring inventory to its present state and location. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(j) Receivables

Trade receivables are carried at original invoice amount less provision for impairment of these receivables. Such provision for impairment of trade receivables is established if the receivable is not collected within the certain period after the date of maturity. This period is based on the internal guidelines of the Company. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows. The amount of the provision is recognised in the income statement.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less.

(l) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing on the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at the year-end using exchange rates announced by the Czech National Bank as at 31 December 2008.

(m) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(n) Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred.

Borrowings are classified as current liabilities if they are due within following 12 month.

(o) Long-term payables

Long-term payables are stated at amortised cost using the effective interest rate method, thus in their fair value.

(p) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Net deferred tax receivable was not be booked as at 31 December 2007 and as at 31 December 2006, because there is not presumably the tax use in future accounting periods.

In current accounting period the Company started with booking of deferred tax, the opening balance was booked against own equity, there were correction in financial statements in column previous period.

Deferred income tax is determined using tax rates and laws that have been expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from differences in the tax and accounting values of tangible fixed assets, intangible assets, non-tax deductible impairment of receivables and inventories, and unused tax losses carried forward.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(q) Revenues

Sales are recognised when goods are shipped and title passes to the customer upon the performance of services and are shown net of discounts and Value Added Tax.

(r) Provisions, contingent assets and liabilities

Provisions

Provisions for environmental restoration and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provision for litigations are recognised when the amount of litigation payable has been reliably estimated.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the Company settles the obligation. The amount recognised for the reimbursement does not exceed the amount of the provision. In the income statement, the expense relating to a provision is presented net of the amount recognised for reimbursement.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent assets

Contingent assets are recognised in the balance sheet and the related income is reflected in the income statement when the recovery of the amount is virtually certain and can be reliably estimated, taking into account events up to and including the date of approval of the financial statements.

Contingent liabilities

Contingent liabilities are not recognised in the balance sheet, if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Contingent liabilities are disclosed in the notes to financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote, when recognition or disclosure is not required.

(s) Pension expenses

The government of the Czech Republic remains responsible for providing pensions. A regular contribution, representing a percentage of salaries, is made to the state to fund the national pension plan.

The Company's contributions to defined contribution pension plans are charged to the income statement in the period to which the contributions relate.

(t) Other employee benefits

Employee benefits are described in collective agreement, which have been concluded for years 2007 – 2010. Between employee benefits belong pension contribution, retirement bonus, yearly incentive bonus, one week of holiday in addition, canteen contribution for employees, holiday for employees children and social loans.

The Company booked about employee benefits in 2008 for the first time, opening balance was booked against own equity, there were correction in financial statements in column previous period.

(u) Grants

Grants related to assets are presented in the balance sheet by deducting the grants in arriving at the carrying amount of the assets. Thus, a grant is recognised as income over the life of a depreciable asset by reducing the depreciation charge. Grants related to income are presented as a credit in the income statement, under Other operating income.

(v) Research and development expenses

Research and development expenditure is recognised as an expense except that costs incurred on development projects are recognised as development assets (intangible assets) to the extent that such expenditure is expected to have future benefits. However, development costs initially recognised as an expense are not recognised as an asset in subsequent periods. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product to which they relate on a straight line basis over the period of their expected benefit but not exceeding five years.

(w) Subsequent events

The effects of events, which occurred between the balance sheet date and the date of signing of the financial statements, are reflected in the financial statements in the case that these events provide further evidence of conditions, which existed at the balance sheet date. Where significant events occur subsequent to the balance sheet date prior to signing the financial statements which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves reflected in the financial statements.

(x) Change in accounting policies

There were not changes in accounting policies during current accounting period. The Company booked the deferred tax and employee benefits (IAS 19) in current accounting period for the first time. The opening balance of financial statements (previous period) was adjusted for these two items.

VII FINANCIAL RISK MANAGEMENT

1 Financial risk factors

The Company's activities expose it to certain financial risks, especially the effects of changes in foreign currency exchange rates and interest rates. The Company's overall risk management seeks to minimise potential adverse effects on the financial performance of the Company.

The finance department of the Company identifies and evaluates financial risks in close co-operation with the management of the Company.

(a) Market risk

(i) Foreign exchange risk

The Company exports and imports a significant portion of products and raw materials and is therefore significantly exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro.

The Company utilise natural hedging by negotiating certain domestic suppliers to invoice in Euro and by having part of borrowings in Euro.

There have been placed contracts for guarantee of EUR/CZK rates on specific part of market risks in 2008.

(ii) Price risk

The Company is exposed to market risk arising from changes in commodity prices for raw material and energy. Some of the Company's contractual arrangements with customers enable the Company to adjust the selling prices if purchase prices increase within a pre-defined range. As a result, the Company is mitigating this risk to certain extent.

(b) Interest rate risk

The Company's operating income and operating cash flows are substantially independent of changes in market interest rates. At 31 December 2008 and 2007 none of the Company's borrowings were at fixed interest rates so that net financial income and cash flows are heavily influenced by changes in interest rates. The Company is in a position to choose between floating and fixed rate by all of the borrowing contracts. The Company has no significant interest-bearing assets.

(c) Credit risk

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Administrative department aims to maintain flexibility in funding by keeping committed credit lines available.

VIII NOTES TO THE FINANCIAL STATEMENTS

1 Intangible fixed assets

Acquisition price

	Activated expenses on <u>research</u>	Licences, <u>patents</u>	<u>Software</u>	Assets under <u>construction</u>	<u>Total</u>
Balance at 1 January 2008	<u>7.000</u>	<u>134.158</u>	<u>28.872</u>	<u>10.202</u>	<u>180.232</u>
Additions	0	0	0	12.782	12.782
Disposals	<u>0</u>	<u>-11.337</u>	<u>-41</u>	0	<u>-11.378</u>
Balance at 31 December 2008	<u>7.000</u>	<u>122.821</u>	<u>28.831</u>	<u>22.984</u>	<u>181.636</u>

Accumulated amortisation / impairment losses

	Activated expenses on <u>research</u>	Licences, <u>patents</u>	<u>Software</u>	Assets under <u>construction</u>	<u>Total</u>
Balance at 1 January 2008	<u>-7.000</u>	<u>-134.158</u>	<u>-27.440</u>	<u>0</u>	<u>-168.598</u>
Additions	0	0	-1082	0	-1.082
Disposals	<u>0</u>	<u>11.337</u>	<u>40</u>	<u>0</u>	<u>11.377</u>
Balance at 31 December 2008	<u>-7.000</u>	<u>-122.821</u>	<u>-28.482</u>	<u>0</u>	<u>-158.303</u>

Net book value

As at 1 January 2008	<u>0</u>	<u>0</u>	<u>1.432</u>	<u>10.202</u>	<u>11.634</u>
As at 31 December 2008	<u>0</u>	<u>0</u>	<u>349</u>	<u>22.984</u>	<u>23.333</u>

Acquisition price

	Activated expenses on <u>research</u>	Licences, <u>patents</u>	<u>Software</u>	Assets under <u>construction</u>	<u>Total</u>
Balance at 1 January 2007	<u>28 200</u>	<u>156 666</u>	<u>32 214</u>	<u>2 265</u>	<u>219 345</u>
Additions	0	0	0	7 937	7 937
Disposals	<u>-21 200</u>	<u>-22 508</u>	<u>-3 342</u>	<u>0</u>	<u>-47 050</u>
Balance at 31December 2007	<u>7 000</u>	<u>134 158</u>	<u>28 872</u>	<u>10 202</u>	<u>180 232</u>

Accumulated amortisation / impairment losses

	Activated expenses on <u>research</u>	Licences, <u>patents</u>	<u>Software</u>	Assets under <u>construction</u>	<u>Total</u>
Balance at 1 January 2007	<u>-28 200</u>	<u>-156 666</u>	<u>-29 699</u>	<u>0</u>	<u>-214 565</u>
Additions	0	0	-1 082	0	-1 082
Disposals	<u>21 200</u>	<u>22 508</u>	<u>3 341</u>	<u>0</u>	<u>47 049</u>
Balance at 31December 2007	<u>-7 000</u>	<u>-134 158</u>	<u>-27 440</u>	<u>0</u>	<u>-168 598</u>

Net book value

As at 1 January 2007	<u>0</u>	<u>0</u>	<u>2 515</u>	<u>2 265</u>	<u>4 780</u>
As at 31 December 2007	<u>0</u>	<u>0</u>	<u>1 432</u>	<u>10 202</u>	<u>11 634</u>

2 Tangible fixed assets

Acquisition price

	Lands, buildings and <u>constructions</u>	Equipments, <u>vehicles</u>	Other fixed assets *	<u>Advances</u>	Assets under <u>construction</u>	<u>Total</u>
Balance at						
1 January 2008	<u>2 595 566</u>	<u>2 974 219</u>	<u>4 664</u>	<u>29 023</u>	<u>258 044</u>	<u>5 861 516</u>
Additions	64 660	104 938	0	8 949	231 593	410 140
Disposals	-18 810	-22 047	0	-315	-4 106	-45 278
Transfer	<u>47 418</u>	<u>89 951</u>	<u>0</u>	<u>-4 338</u>	<u>-133 031</u>	<u>0</u>
Balance at						
31 December 2008	<u>2 688 834</u>	<u>3 147 061</u>	<u>4 664</u>	<u>33 319</u>	<u>352 500</u>	<u>6 226 378</u>

* represents works of art and precious metals used in production

Accumulated amortisation

	Lands, buildings and <u>constructions</u>	Equipments, <u>vehicles</u>	Other fixed assets	<u>Advances</u>	Assets under <u>construction</u>	<u>Total</u>
Balance at						
1 January 2008	<u>-984 204</u>	<u>-1 985 665</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-2 969 869</u>
Additions	-65 299	-147 038	0	0	0	-212 337
Disposals	<u>15 437</u>	<u>22 047</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37 484</u>
Balance at						
31 December 2008	<u>-1 034 066</u>	<u>-2 110 656</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-3 144 722</u>

Impairment Losses

	Lands, buildings and <u>constructions</u>	Equipments, <u>vehicles</u>	Other fixed assets	<u>Advances</u>	Assets under <u>construction</u>	<u>Total</u>
Balance at						
1 January 2008	<u>-59 577</u>	<u>-34 108</u>	<u>0</u>	<u>0</u>	<u>-2 073</u>	<u>-95 758</u>
Additions	-5 578	-1 652	0	0	-818	-8 048
Disposals	<u>12 887</u>	<u>10 504</u>	<u>0</u>	<u>0</u>	<u>2 073</u>	<u>25 464</u>
Balance at						
31 December 2008	<u>-52 268</u>	<u>-25 256</u>	<u>0</u>	<u>0</u>	<u>-818</u>	<u>-78 342</u>

Net book value

As at 1 January 2008	<u>1 551 785</u>	<u>954 446</u>	<u>4 664</u>	<u>29 023</u>	<u>235 927</u>	<u>2 795 889</u>
As at 31 December 2008	<u>1 602 500</u>	<u>1 011 149</u>	<u>4 664</u>	<u>33 319</u>	<u>351 682</u>	<u>3 003 314</u>

**III. REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS PREPARED IN ACCORDANCE
WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER
2008**

Acquisition price

	Lands, buildings and <u>constructions</u>	Equipments, <u>vehicles</u>	Other fixed <u>assets</u> *	<u>Advances</u>	Assets under <u>construction</u>	<u>Total</u>
Balance at						
1 January 2007	<u>2 488 554</u>	<u>2 732 352</u>	<u>4 637</u>	<u>3 353</u>	<u>418 692</u>	<u>5 647 588</u>
Additions	62 523	188 552	132	29 023	244 052	524 282
Disposals	-54 015	-226 278	-105	0	-50 000**	-330 398
Transfer	<u>98 504</u>	<u>279 593</u>	<u>0</u>	<u>-3 353</u>	<u>-374 744</u>	<u>0</u>
Balance at						
31 December 2007	<u>2 595 566</u>	<u>2 974 219</u>	<u>4 664</u>	<u>29 023</u>	<u>238 000</u>	<u>5 841 472</u>

* represents works of art and precious metals used in production

** represents grant received from programme Industry and trade

Accumulated amortisation

	Lands, buildings and <u>constructions</u>	Equipments, <u>vehicles</u>	Other fixed <u>assets</u>	<u>Advances</u>	Assets under <u>construction</u>	<u>Total</u>
Balance at						
1 January 2007	<u>-958 219</u>	<u>-1 998 730</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-2 956 949</u>
Additions	-58 555	-148 027	0	0	0	-206 582
Disposals	<u>32 570</u>	<u>161 092</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>193 662</u>
Balance at						
31 December 2007	<u>-984 204</u>	<u>-1 985 665</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-2 969 869</u>

Impairment Losses

	Lands, buildings and <u>constructions</u>	Equipments, <u>vehicles</u>	Other fixed <u>assets</u>	<u>Advances</u>	Assets under <u>construction</u>	<u>Total</u>
Balance at						
1 January 2007	<u>-72 666</u>	<u>-57 786</u>	<u>0</u>	<u>0</u>	<u>-2 073</u>	<u>-132 525</u>
Additions	-872	-553	0	0	0	-1 425
Disposals	<u>13 961</u>	<u>24 231</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>38 192</u>
Balance at						
31 December 2007	<u>-59 577</u>	<u>-34 108</u>	<u>0</u>	<u>0</u>	<u>-2 073</u>	<u>-95 758</u>

Net book value

As at 1 January 2007	<u>1 457 669</u>	<u>675 836</u>	<u>4 637</u>	<u>3 353</u>	<u>416 619</u>	<u>2 558 114</u>
As at 31 December 2007	<u>1 551 785</u>	<u>954 446</u>	<u>4 664</u>	<u>29 023</u>	<u>235 927</u>	<u>2 775 845</u>

Additions to tangible fixed assets

The increase of tangible fixed assets owned by the company was in the amount of TCZK 227 469 in 2008 (in 2007: TCZK 217 731).



In 2008, the following key projects for fixed assets were completed and put to use (also their depreciation started):

<u>Project</u>	<u>Acquisition price</u> CZK million
Polyester production line on basis of PET recycles	71
Underground storage of polypropylene in area Ovčí vrch	68
Renovation of production line Liquid chlorine	44
Desulphurization station of production line of Monocrystals	44

In 2008, the following key fixed asset investments were in the course of construction:

<u>Project</u>	<u>Acquisition price</u> CZK million
Advance workings for membrane analysis and modernization of chlorine block	53
Preparation of construction of production line of epichlorhydrin from glycerine in Malaysia	61
Project, engineering and construction preparation of new production line of ionex. dian	45
New production line of Alkyds	37

Financial leases

During the years 2008 and 2007 no leasing contracts were concluded.

The Company utilises tangible assets acquired on the basis of terminated lease contracts. These assets were accounted for as tangible fixed assets in zero net book value only after the termination of the lease contract.

Low value fixed assets

The Company purchased low value tangible fixed assets in the amount of 2 470 TCZK in 2008 (in 2007: 2 715 TCZK), low value intangible fixed assets in the amount of 254 TCZK in 2008 (in 2007: 744 TCZK). These assets were booked directly into expenses.

3 Investments in subsidiary undertakings

Investments in subsidiary undertakings comprise ordinary shares.

As at 31 December 2008:

	Number of <u>shares</u> pieces	Nominal value <u>1 share</u> CZK '000	Acquisition <u>price</u> CZK '000	<u>Equity</u> CZK '000	% of capital %	profit / loss <u>of 2008</u> CZK '000	Fair value of <u>the share</u> CZK '000	<u>Revaluation</u> CZK '000
EPISPOL, a.s.	2 700	100	270 086	354 233	90,00	-15 625	318 810	48 724
SYNPO, a.s.	49 427	1	41 496	94 045	96,78	3 962	91 017	49 521
Oleochem, a.s.	820	100	280 000	76 767	100,00	-5 233	76 767	-203 233
STZ, a.s.	1 128	100	112 800	253 406	31,47	-48 755	79 747	-33 053
CAMPA AG	2 773 113	***	88 044	***	24,96	***	0	-88 044
Spolpharma, s.r.o.	-	* 1 000	1 000	-4 824	100,00	-5 831	0	-1 000
INFRASPOL, s.r.o.	-	* 61 927	61 728	-2 077	100,00	-64 472	0	-61 728
SPOLCHEMIE, a.s.	10	100	1 000	571	100,00	-6	571	-429
Metal-Tech Cz, a.s.	3	1 000	3 000	10 120	20,00	-941	2 024	-976
CHS Resins, a.s.	100	20	2 500	3 536	100,00	1 536	3 536	1 036
Advance payment Synpo, a.s.							<u>2 425</u>	
Total			<u>861 654</u>				<u>574 897</u>	<u>-289 182</u>

* Amount represents nominal value of the whole share, not the nominal value of 1 share by the company Spolpharma, s.r.o. and INFRASPOL, s.r.o.

*** The data are not available, the company CAMPA AG came in 2008 into insolvency process.

As at 31 December 2007:

	Number <u>of shares</u> pieces	Nominal value <u>1 share</u> CZK '000	Acquisition <u>price</u> CZK '000	<u>Equity</u> CZK '000	% of capital %	profit / loss <u>of 2007</u> CZK '000	Fair value of <u>the share</u> CZK '000	<u>Revaluation</u> CZK '000
EPISPOL, a.s.	2 700	100	270 086	384 555	90,00	58 746	346 100	76 014
SYNPO, a.s.	32 107	1	18 868	90 309	62,87	1 974	56 776	37 909
CAMPA AG – advance payment	-	-	87 616	*** 351 544	8,33	*** -128 761	87 616	-
SPOLCHEMIE, a.s.	10	100	1 000	577	100,00	- 7	577	- 423
POLYSPOL, s.r.o.	-	* 1 000	1 000	1 007	100,00	12	1 007	7
Metal-Tech Cz, a.s.	3	1 000	3 000	11 635	20,00	- 1 697	2 179	- 821
OSTALAK, a.s.	10	100	<u>1 000</u>	***	100,00	***	<u>0</u>	<u>-1 000</u>
Total			<u>382 570</u>				<u>494 255</u>	<u>111 686</u>

* Amount represents nominal value of the whole share, not the nominal value of 1 share by the company POLYSPOL, s.r.o.

** Information is not available, OSTALAK, a.s. has been filed in bankruptcy since 1998, at the end of the year 2008 the resolution was published.

*** The data relates to 30 June 2007, it means as of the end of business year of this company. Data are translated by exchange rate of CZK as of 31 December 2007.



Changes in 2008

In 2008 the Company acquired 100% share in the company Oleochem, a.s. at the price 200 million CZK and increased its registered capital at TCZK 82 000. The company manage with the fixed asstes in accounting value 192 million CZK according to IFRS. The company worked mainly in the area of fatty acids and glycerine.

The Company had an interest in subscription of shares of the company STZ, a.s. and acquired the share 31,47% in this company in nominal value TCZK 112 500. The company manage with the fixed asstes in accounting value 976 million CZK according to IFRS. The company worked in the area of oil bearing plant processing.

The company POLYSPOL, s.r.o. have changed its business name to Spolpharma, s.r.o. and in present time worked in the area of tooth pastes production. The company manage with the fixed asstes in accounting value 56 million CZK according to IFRS.

The Company acquired 100% share in the company INFRASPOL, s.r.o. in nominal value TCZK 200. At the end of the year the Company decided about the increase of registered capital in this company by TCZK 61 727. Starting with the year 2009, this company should provide infrastructure services for other companies in the Group.

The Company acquires in 2008 100% share in the company CHS Resins, a.s. with registered capital in the amount of 2 million CZK. This company should be used as mediator during the acquisition of the part of the company HEXION.

In 2008 the Company acquired 17 320 pieces of stock of the company SYNPO, a.s. and its share achieved 96,78%. In 2008 the general meeting of the company SYNPO, a.s. decided about the transfer of all other subscriber's stocks to the company Spolek pro pro chemickou a hutní výrobu, akciová společnost. As of 31 December 2008 this process has not been finished yet.

In 2008 the Company acquired 2 773 113 pieces of stock of the company CAMPA AG, whereby its total share in this company is 24,95%. On 1 September 2008 the insolvency control according to the laws valid in Germany started with this company.

In 2008 the company OSTALAK, a.s. was erased from Commercial register after finishing of insolvency proceeding.

The Company participated in project of joint-venture company Metal-Tech CZ during past years. The project was based on residual precious metal processing. The Company invested 3 million CZK to registered capital in 2006 (it means 20% of registered capital) and rented to the company operating places in the area of the Company.

In 2008 the prices of precious metals slumped and the basic targets of project has not been realized. The Company entered into an agreement with the second shareholder of the company about the sale of share per nominal value. This sale will be realized in first half of the year 2009.

There are no differences between the percentage of ownership and the percentage of voting rights in any subsidiary undertaking.

The Company has no dividend income in 2008 and in 2007.

Other information:

For the year 2008 the Company did not concluded any Controlling contract or Contract about the transfer of profit / loss. Within the Annual report the Report between related party will be published.

4 Other securities and investments

Other long-term investments (available for sale)

There are 500 pieces of shares in nominal value 500 TCZK of the company Chemapol Group, a.s., in bankruptcy as at 31 December 2008 and 2007. The purchase price of the shares was 650 TCZK. They are stated in fair value as at 31 December 2008 and 2007, so in zero value in the financial statements.

5 Inventories

	<u>31 December 2008</u>	<u>31 December 2007</u>
	CZK '000	CZK '000
Raw material	191 238	206 036
Work in progress and semi products	6 228	2 224
Finished goods	344 514	438 079
Goods for resale	3 003	2 113
Advances - inventories	<u>0</u>	<u>41</u>
Total	<u>544 983</u>	<u>648 493</u>
Provision for inventory (impairment loss)	<u>-18 651</u>	<u>-26 721</u>
Net book value	<u>526 332</u>	<u>621 772</u>

The balance of inventory decreased nearly by 100 million CZK. The reason for it was that the excessive volume of inventory was produced at the end of the year 2007, regarding to expected situation on market at the beginning of the year 2008.

All inventories are controlled according to individual sorts. There has been determined limits and responsibility for its observance, the volume of inventory is periodically analysed.

6 Receivables

Long-term receivables

	<u>31 December 2008</u>	<u>31 December 2007</u>
	CZK '000	CZK '000
Receivable to controlled company – EPISPOL	132 000	202 000
Receivable to STZ Development, a.s.	424 642	400 000
Receivable from the sale of licence – Spolchemie N.V.	176 064	0
Receivable to INFRASPOL, s.r.o.	<u>0</u>	<u>142 500</u>
 Celkem	 <u>732 706</u>	 <u>744 500</u>

Receivable to STZ Development was assigned at the nominal value 400 million CZK in 2008. The interest rate is average yearly rate 1 year PRIBOR increased by 2,5%.

The receivable in the amount of TCZK 132 000 (as at 31 December 2007: TCZK 202 000) represents the long-term part of receivable to the company EPISPOL, a.s. related to the sale of epoxy resins production plant. This long-term receivable is due till the end of the year 2011 in quarterly instalments according to the payment schedule, the interest rate is 4,5% p.a. Short term part of this receivable is in the amount of TCZK 70 000 (as at 31 December 2007: TCZK 60 000).

Receivables and prepayments

	<u>31 December 2008</u>	<u>31 December 2007</u>
	CZK '000	CZK '000
Short-term trade receivables – gross amount	852 085	635 814
Provision for impaired receivables	-94 062	- 64 715
Deferred expenses	<u>28 990</u>	<u>29 790</u>
 Total	 <u>787 014</u>	 <u>600 889</u>

The Company shows within short-term trade receivables mainly the receivables within maturity, TCZK 618 588 in 2008 (TCZK 450 189 in 2007).

Trade receivables are stated net of a provision for impaired receivables of TCZK 94 062 (2007: TCZK 64 715). In order to preserve the tax-deductible status of the bad debt expense, the Company's trade receivables are not written off and removed from the primary books and records until certain statutory collection requirements have been satisfied.

Provisions of impaired receivables are booked on the base of internal guidelines of the Company.

Other short-term receivables

	<u>31 December 2008</u> CZK '000	<u>31 December 2007</u> CZK '000
VAT receivables	72 256	76 093
Receivables to controlled company	199 265	60 000
Estimated receivables	2 479	2 749
Other short-term receivables	108 645	304 723
Provision for impaired receivables	<u>-1 922</u>	<u>- 14 571</u>
Total	<u>380 723</u>	<u>428 994</u>

Other short-term receivables are stated net of a provision for impaired receivables of TCZK 1 922 (2007: TCZK 14 571).

Receivables from companies in which the Company has a controlling or essential influence:

	<u>31 December 2008</u> CZK '000	<u>31 December 2007</u> CZK '000
EPISPOL, a. s.		
short-term trade receivables	31 937	17 640
short-term receivables from the sale of Low epoxy resins production line - short-term part	70 000	60 000
- long-term part	132 000	202 000
SYNPO, a.s.	21	0
STZ, a.s.	905	*
Oleochem, a.s.	163	*
INFRASPOL, s.r.o. – receivable intended for clearing with payable from subscription of registered capital – see point 10	61 727	*
CHS Resins, a.s. - loan receivable	738	*
SPOLCHEMIE, a.s.	0	7
Spolpharma, s.r.o.	24	0
Spolpharma, s.r.o. – loan receivable	11 193	0
Metal-Tech Cz, a.s.	1 231	743
OSTALAK, a.s. (in bankruptcy)	<u>***</u>	<u>41</u>
Total	<u>309 939</u>	<u>280 431</u>

* as at 31.12.2007 it was not related parties

*** In 2008 the company was cancelled in Commercial Register.

7 Cash and cash equivalents

	<u>31 December 2008</u> CZK '000	<u>31 December 2007</u> CZK '000
Cash at bank and in hand	79 961	106 828
Short term securities	9 251	0
Short term bank deposits	<u>0</u>	<u>0</u>
Total	<u>89 212</u>	<u>106 828</u>

8 Equity

Authorised and issued share capital

	<u>Number</u> pieces	<u>31 December 2008</u> CZK '000	<u>Number</u> pieces	<u>31 December 2007</u> CZK '000
Ordinary shares of CZK 500, fully repaid	3 878 816	1 939 408	3 878 816	1 939 408
Thereof own shares (9%)	349 124 (9%)	- 89 027	349 124 (9%)	- 89 027

Main shareholders:

In 2007 the book shares were changed to stock certificates. Below you can see known shares as of the date of cancelling of registration of book shares, it means as at 10 December 2007.

The actual ownership structure of the Company is not known regarding to the statute of the shares. In relation to the attendance of shareholders at general meeting of the Company on 7 July 2008, dividends payout per year 2007, which was run through Autumn 2008 and the fact, that no shareholder did not announce to the Company the decrease or increase of its share on voting rights according to the §122 of Law 256/2004 Coll., the Company is controlled by the company Via Chem Group, a.s.

As of the date of Financial Statements, the Company owns 349 124 pieces of own shares in nominal value TCZK 174 562, which were acquired at the price determined by expert opinion (CZK 255/share), the total TCZK 89 027. These share were acquired on 21 June 2007. Regarding to the period of 18 months, for which the Company may hold own shares, the tender offer for sale of these shares to the shareholders was published on 19 December 2008. The basic condition was sale of the shares to the highest offer. The minimum price was determined at CZK 255 per share, whereas the block of shares was offered as a whole. This period of tender offer expired on 30 January 2009. None of shareholders did not improve this offer.

In March 2009 the whole 9% share has been sold – see point 24 Subsequent events

Companies Via Chem Group, a.s. and MAXIMA pojišťovna, a.s. announced the concerted actions on General Meeting on 7 July 2008.

Shares of the Company were publicly listed and marketable as of 31 December 2006. The price quoted by the Prague Stock Exchange as at 31 December 2006 was CZK 300.00 per share and in the "RMS" CZK 315.00 per share.

On 17 August 2007 the extraordinary General meeting of the Company decided about the transfer of book shares to bearer stock certificates. The change was register into Commercial register on 3 October 2007.

On 5 December 2007 the trading on Prague Stock Exchange was suspended with the price quoted on 335 CZK per share.

On 10 December 2007 the registration of book shares on Securities Centre was cancelled.

On 11 December 2007 the shares were excepted from trading on official controlled market "RM-SYSTEM".

The change of stocks started on 3 January 2008 and will be continue till the date of public sale of remaining stocks.

The change of stocks is realized through the company Centrum hospodářských informací, a.s. Identification No. 63999897, with the seat Praha 10, K Botiči 1453/6.

Regarding the request of the Company for approval of sample copy of stock certificate was disallowed by the decision of Czech National Bank, and this approval of sample copy of stock certificate is condition for newly trading with stocks of the Company on official controlled market, the Board of Directors of the Company decided about designing of new sample copy and about the change of issued stock certificates for the such stock certificates destined for renew trading on official controlled market. The Company discussed about the printing and designing of sample copy of stock with the company Státní tiskárna cenin Praha. The Notice Nr. 260/2004 Coll. about the essentials of technical design of listed security was cancelled and replaced with Stock-exchange rules with effect from 1 December 2008, but the respective contract has not been concluded yet.

Subsequently the shareholders of the Company will be called to change its stocks for the stocks which will be in correspondence with the sample copy of stock, in a way, which will be in accordance with generally true legal rules and articles. The place of change, the term of change and other details will be mentioned in this call.

The General meeting of the Company from the date 7 July 2008 decided about the profit distribution for the year 2007. The part of the profit in the amount of TCZK 49 831 has been intended for dividend payout, the part of the profit in the amount of TCZK 28 285 has been transferred into legal reserve fund and the rest in the amount of TCZK 164 734 has been used for payment of a loss from previous periods.

In October and November 2008 the complaints for vote of invalidity of decision of General Meeting from the 7 July 2008, by which the Company approved the Financial Statements and profit distribution for the year 2007, has been lodged by two shareholders. The Company expressed its opinion to the complaints in November and December 2008. In both cases there has not been prescribed any acts.

For movements in equity see Statement of changes in shareholders' equity (section III). The company made a profit in current accounting period in the amount of 100 553 TCZK. As of the balance sheet date there was no decision about the profit distribution.

9 Long-term payables

Long-term payables stated in 2008 in the amount of TCZK 129 represents payables to company Díza, s.r.o. and are clearing gradually.

Long-term trade payables stated in 2007 in the amount of TCZK 2 349 relates to objection payment to the supplier of investment action "Storage of propylene – underground tanks".

10 Trade and other payables

	<u>31 December 2008</u>	<u>31 December 2007</u>
	CZK '000	CZK '000
Trade payables	1 200 864	1 055 513
Deferred liabilities	29 397	8 344
Payables to employees	20 605	19 107
Social security payables	6 729	6 779
Health insurance payables	3 258	2 919
Tax payables (for detail see below)	3 039	3 066
Payables from unpaid registered capital	63 827	2 100
Payables from Chabařovice waste dump	6 025	4 234
Objection - payables to Metrostav	20 000	31 537
Estimated payables	36 993	83 168
Payables from bills	49 705	0
Payables from repo operations of own shares	89 947	0
Unpaid dividends per year 2007	7 750	0
Provision for employees benefits	8 452	7 969
Provision for revaluation of inventory	0	4 275
Provision for potential litigation	1 643	2 453
Other payables	<u>43 261</u>	<u>14 306</u>
Total	<u>1 591 494</u>	<u>1 245 770</u>

The most significant part of Tax payables in 2008 create wage tax in the amount of 2 448 TCZK (in 2007: 2 665 TCZK) and VAT payables from VAT in Germany 410 TCZK (392 TCZK, in 2007).

Liabilities from other loans

As of 31 December 2008 the Company shows non-bank short term loans in the amount of 25 000 TCZK (in 2007: 68 543 TCZK) from following companies:

	<u>31 December 2008</u> CZK '000	<u>31 December 2007</u> CZK '000
R.I. REALINVEST LIMITED	0	35 000
SYNPO, a.s.	25 000	20 000
Via Chem Group, a.s.	0	12 563
POLYSPOL, s.r.o.	<u>0</u>	<u>980</u>
Total	<u>25 000</u>	<u>68 543</u>

Accounts payable – companies in which the Company has controlling or essential influence:

	<u>31 December 2008</u> CZK '000	<u>31 December 2007</u> CZK '000
EPISPOL, a.s.	9 258	132 493
SYNPO, a.s. – trade payables	2 350	1 507
SYNPO, a.s. – loan payables	25 000	20 000
SPOLCHEMIE, a.s.	0	0
Oleochem, a.s.	2 532	*
INFRASPOL, s.r.o. – unpaid registered capital	61 727	*
Spolpharma, s.r.o.	0	10
Spolpharma, s.r.o. – loan payable	0	980
Metal-Tech Cz, a.s. – unpaid registered capital	2 100	2 100
OSTALAK, a.s. (in bankruptcy)	<u>***</u>	<u>5</u>
Total	<u>102 967</u>	<u>157 095</u>

* as at 31.12.2007 it was not related parties

*** In 2008 the company was cancelled in Commercial Register.

11 Borrowings

	<u>31 December 2008</u>	<u>31 December 2007</u>
	CZK '000	CZK '000
Short-term		
Bank current account credit	348 253	211 868
Other loans due within 1 year	1 150 000	1 303 624
Payments of long-term loans due within 1 year	<u>174 669</u>	<u>146 090</u>
Total	<u>1 672 922</u>	<u>1 661 582</u>
Long-term		
Long-term loans due within 2 years	841 016	146 090
Long-term loans due from 3 to 5 years	<u>202 302</u>	<u>254 233</u>
Total	<u>1 043 318</u>	<u>400 323</u>

Summary of loans as at 31.12.2008

	<u>Category</u>	<u>Maturity</u>	<u>In TCZK</u>
Short term			
Komerční banka	Revolving credit	2009	300 000
Komerční banka	Bank overdraft	2009	197 047
UniCreditbank	Bank overdraft	2009	151 206
ČSOB	Revolving credit	2009	400 000
Raiffeisenbank	Revolving credit	2009	250 000
Raiffeisenbank	Investment loan	2009	200 000
	Short term part of long term loans	2009	<u>174 669</u>
	Total		<u>1 672 922</u>
Long term			
LBBW Bank	Bank overdraft	2010	27 121
LBBW Bank	Revolving credit	2010	355 500
LBBW Bank	Investment loan	2009	1 583
Citibank	Revolving credit	2010	312 305
Komerční banka	Investment loan	2012	60 000
Raiffeisenbank	Investment loan	2010	123 542
Raiffeisenbank	Investment loan	2013	95 955
ČSOB	Investment loan	2012	241 981
	Short term part of long term loans	2009	<u>-174 669</u>
	Total		<u>1 043 318</u>

All loans have been agreed at floating rates.



Weighted average effective interest rates	<u>31 December 2008</u>	<u>31 December 2007</u>
	%	%
Loans in CZK	4,79	4,70
Loans in EUR	5,53	5,37

The portion of loans in foreign currency is 23,9% of the loan value (in 2007: 33,7 %).

12 Provisions – environmental liabilities

	CZK '000
Balance as at 1 January 2007	<u>913 064</u>
Amount used during the period	195 427
Increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	<u>- 12 582</u>
Balance as at 31 December 2007	<u>705 055</u>
Amount used during the period	138 445
Increase/decrease during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	<u>56 103</u>
Balance as at 31 December 2008	<u>622 713</u>

The Company is required to redress the effects of prior environmental contamination. In relation to clearing costs, the Company has a contract with the National Property Fund (“NPF”), in which the NPF has agreed to pay the costs associated with clearing up the effects of this prior environmental contamination, up to an amount of CZK 2,9 milliard. This process is ongoing within the Company (see Note 22).

A total amount of TCZK 2 032 080, of which TCZK 993 791 related to the Chabařovice waste dump (of which: TCZK 10 830 in 2008 and TCZK 54 925 in 2007).

The total amount of these future liabilities is both in receivables and in payables divided on short-term and long-term part according to the expected working process. Short-term part was in the amount of TCZK 90 327 in 2008 (in 2007: TCZK 129 223). Long-term part was in the amount of TCZK 532 386 in 2008 (in 2007: TCZK 575 832).

On the base of the law 178/2005 the National Property Fund was cancelled as at 31 December 2005 and liabilities has moved into Ministry of Finance of the Czech Republic.

The amount of estimated liabilities relates to redress of the effects of prior environmental contamination correspondent with the agreed amount between the Company and National Property Fund.

13 Segment reporting

Certain components of Financial statements as at 31 December 2008 can be analysed to segments as follows:

	<u>Inorganic components</u> CZK '000	<u>Specialities</u> CZK '000	<u>Resins</u> CZK '000	<u>Dyes</u> CZK '000	<u>Services</u> CZK '000	<u>Total</u> CZK '000
<u>Balance sheet</u>						
Intangible assets	3 137	0	139	0	20 057	23 333
Tangible assets	1 068 614	183 557	923 038	1 556	826 548	3 003 314
Inventories	142 405	34 973	341 673	0	7 282	526 332
Receivables and prepayments	201 047	42 891	543 076	0	0	787 014
<u>Income statement</u>						
Revenues	1 285 212	246 115	3 418 574	0	146 043	5 095 944
Operating result	207 387	-32 035	195 642	0	-78 577	292 417
Depreciation of fixed assets	97 114	14 865	52 524	0	46 730	211 233

It is not possible to reasonably allocate other components of the balance sheet, income statement and capital expenditures.



III. REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2008

Certain components of Financial statements as at 31 December 2007 can be analysed to segments as follows:

	<u>Inorganic components</u> CZK '000	<u>Specialities</u> CZK '000	<u>Resins</u> CZK '000	<u>Dyes</u> CZK '000	<u>Services</u> CZK '000	<u>Total</u> CZK '000
<u>Balance sheet</u>						
Intangible assets	3 073	0	814	0	7 747	11 634
Tangible assets	1 065 378	178 757	804 708	20 000	727 046	2 795 889
Inventories	115 757	27 801	458 441	0	19 773	621 772
Receivables and prepayments	103 498	44 020	441 608	11 763	0	600 889
<u>Income statement</u>						
Revenues	1 027 190	280 440	3 164 376	3 270	124 605	4 599 882
Operating result	239 528	2 979	370 792	2 082	-317 070	298 311
Depreciation of fixed assets	103 283	11 641	69 212	13 381	42 858	240 375

It is not possible to reasonably allocate other components of the balance sheet, income statement and capital expenditures.



III. REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2008

Revenues from ordinary activities for 2008 has been generated as follows:

	<u>Domestic</u> CZK'000	<u>Foreign</u> CZK'000	<u>Total</u> CZK'000
Inorganic compounds	162 136	1 123 076	1 285 212
Specialities	35 689	210 426	246 115
Resins	401 195	3 017 379	3 418 574
Dyes	0	0	0
Services	<u>146 043</u>	<u>0</u>	<u>146 043</u>
Total revenues	<u>745 063</u>	<u>4 350 881</u>	<u>5 095 944</u>

Revenues from ordinary activities for 2007 has been generated as follows:

	<u>Domestic</u> CZK'000	<u>Foreign</u> CZK'000	<u>Total</u> CZK'000
Inorganic compounds	152 869	874 322	1 027 190
Specialities	47 791	232 648	280 440
Resins	440 761	2 723 615	3 164 376
Dyes	1 936	1 334	3 270
Services	<u>123 614</u>	<u>991</u>	<u>124 605</u>
Total revenues	<u>766 971</u>	<u>3 832 911</u>	<u>4 599 882</u>



III. REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2008

The 2008 foreign revenues can be analysed as follows:

<u>Country</u>	<u>Percentage of revenues from export</u> %	<u>Revenues – foreign</u> CZK'000
Germany	28,4	1 235 192
The Netherlands	14,6	636 145
France	7,9	344 121
Italy	6,7	290 107
Poland	4,9	213 769
Sweden	4,8	207 561
Great Britain	4,6	200 117
Austria	3,7	160 632
Switzerland	3,2	140 289
Spain	3,0	131 864
Belgium	3,0	131 641
Slovakia	2,6	111 296
USA	2,1	90 344
Turkey	1,5	64 401
<u>Other countries</u>	<u>9,0</u>	<u>393 403</u>
Total	<u>100,0</u>	<u>4 350 881</u>

The 2007 foreign revenues can be analysed as follows:

<u>Country</u>	<u>Percentage of revenues from export</u> %	<u>Revenues – foreign</u> CZK'000
Germany	26,7	1 024 947
Italy	9,2	353 761
France	8,3	317 699
The Netherlands	7,4	284 633
Great Britain	7,1	273 025
Poland	5,8	220 882
Sweden	4,9	186 873
Belgium	4,6	177 785
Austria	3,9	149 812
Slovakia	3,3	125 089
Spain	3,0	115 968
Turkey	1,8	68 432
USA	1,5	57 350
<u>Other countries</u>	<u>12,5</u>	<u>476 655</u>
Total	<u>100,0</u>	<u>3 832 911</u>



14 Employee analysis

Staff costs

	<u>31 December 2008</u>	<u>31 December 2007</u>
Wage expenses	277 227	298 377
Remuneration of board members	2 317	4 236
Social security expenses and health insurance	86 578	103 653
Other social expenses	<u>5 707</u>	<u>5 540</u>
Total	<u>371 829</u>	<u>411 806</u>

Employee numbers, staff costs

	<u>2008</u>	<u>2007</u>
Average number of employees total	980	992
- thence management staff	8	10
Wages expenses (CZK '000)	371 829	411 806
- thence management staff (CZK '000)	25 356	51 681

Company cars are available for business and personal purposes to management and sales representatives. In 2008, 23 cars were available (2007: 21 cars). The net book value of these cars was not significant.

Bonuses for statutory and supervisory board members:

Bonuses for statutory and supervisory board members in 2008 were in the amount of TCZK 2 317 (in 2007: TCZK 4 236).

Pension insurance

Since 2000, the Group contributes monthly payment to or on behalf of employees, who have arranged their supplementary personal pension schemes. From the year 2007 the maximum payment from the Company is CZK 400 (till 2006: CZK 300).

The total contributions were TCZK 3 003 in 2008 (2007: TCZK 3 113).

Redundancy payments

During 2008, the company made social compensation payments to employees who were made redundant from organisational reasons. The Company paid and posted as an expense redundancy payments and bonuses of TCZK 3 125 (2007: TCZK 2 460).

Post – retirement benefits

During 2008, the Company made contributions to retired employees of TCZK 382 (2007: TCZK 341). The commitments to provide such post-retirement benefits in the future are not significant.

Employee benefits

The Company offers employee benefits, as is mentioned in point t), section VI Accounting policies. The Company creates provision for bonus payments for retirement employees. As at 31 December 2008 the provision was in the amount of TCZK 8 452 (as at 31.12.2007: TCZK 7 969)

15 Other operating expenses and income

Other operating expenses

	<u>2008</u>	<u>2007</u>
	CZK '000	CZK '000
Expenses of processing of raw material by EPISPOLI	287 756	268 990
Transportation and travel costs	182 798	177 183
Maintenance	122 518	159 526
Other services	75 391	70 501
Waste disposal	47 462	52 520
Insurance	39 412	45 129
Advertising	30 712	23 278
Rent	13 303	14 057
Security	9 418	10 531
Other operating expenses	9 044	9 554
Legal services	8 451	6 668
Research	8 378	7 208
Write-off of receivables	7 603	255 979
Commissions	7 470	7 649
Fines and penalties	7 197	410
Representation	6 908	3 433
Consultancy services – Hexion	3 270	8 401
Taxes and fees	4 671	4 570
Benefits, gifts	2 696	4 119
Audit fee	1 615	1 390
therefore: statutory audit	954	1308
other audit services	661	82
tax services	0	0
other non-audit services	0	0
Tax advisory fee	<u>1 008</u>	<u>726</u>
Total	<u>877 082</u>	<u>1 131 822</u>



Other operating revenues

	<u>2008</u>	<u>2007</u>
	CZK '000	CZK '000
Profit from the sale of licenses and know-how	191 714	0
Decrease in provisions and provision for bad debts	42 183	76 249
Profit from sales of fixed assets and material	7 081	6 784
Recognized inventory surplus	5 554	2 966
Operational grants received	2 765	2 109
Profit from sales of receivables	0	193 320
Other operating revenues	<u>11 944</u>	<u>9 246</u>
Total	<u>261 241</u>	<u>290 674</u>

The profit from the sale of licenses and know-how relates mainly to the sale of license for production of epichlorhydrine from glycerine in Malaysia in volume of 50 kilotons to the company Spolchemie N.V., at the price 10 million USD.

Decrease in provision and provision for bad debts in 2008 in the amount of TCZK 42 183 relates mainly to decrease of provision for bad debts to the company Exportní průmyslová, a.s. for the reason of partly payment to creditors, the company is in insolvency proceeding.

Decrease in provision and provision for bad debts in the amount of TCZK 76 249 creates mainly to resolving of provision for bad debts relates to sold receivables of the company Triangl, s.r.o. (TCZK 59 255) and to resolving of adjustments to tangible fixed assets relates to finishing of activity of Dyes Segment and liquidation of digester house in area of company Balak, a.s. in Kralupy.

III. REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2008

16 Financial revenues and expenses

	<u>2008</u> CZK '000	<u>2007</u> CZK '000
Interest revenues		
- bank accounts	1 035	1 152
- other interests	52 059	17 825
- discounted receivables – environmental contaminations (see point 12)	56 103	12 582
- discounted long term payables	-162	162
Net foreign exchange gain (+) / losses (-) from transactions in foreign currencies	<u>-53 294</u>	<u>7 345</u>
Interest expenses		
- bank loans	-125 834	- 87 427
- other interests	-9 523	-1 490
- discounted liabilities - environmental contaminations (see point 12)	-56 103	- 12 582
Other financial expenses, net	<u>-28 527</u>	<u>6 972</u>
Total financial expenses, net	<u>- 164 246</u>	<u>- 55 461</u>



17 Risk concentration

The Company exports and imports a significant portion of products and raw materials and is therefore significantly exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro. The volume of purchase in EUR currency for the year 2008 amount to 60,2% of revenues in EUR currency (in 2007: 57,2%).

The Company utilise natural hedging by negotiating certain domestic suppliers to invoice in Euro and by having part of borrowings in Euro.

Diversification of receivables according to currency and regions

<u>As at 31.12.2008</u>	CZK CZK '000	EUR CZK '000	USD CZK '000	others CZK '000	total CZK '000
Domestic	1 119 036	13 993	0	0	1 133 029
EU	0	438 434	176 064	0	614 498
third country	0	<u>54 390</u>	<u>98 526</u>	0	<u>152 916</u>
Total	<u>1 119 036</u>	<u>506 817</u>	<u>274 590</u>	0	<u>1 900 443</u>
<u>As at 31.12.2007</u>	CZK CZK '000	EUR CZK '000	USD CZK '000	Others CZK '000	total CZK '000
Domestic	1 273 831	14 465	896	0	1 289 192
EU	0	383 693	13 474	272	397 439
third country	0	<u>30 211</u>	<u>37 497</u>	0	<u>67 708</u>
Total	<u>1 273 831</u>	<u>428 369</u>	<u>51 867</u>	<u>272</u>	<u>1 754 339</u>

Diversification of short term financial assets according to currency

<u>As at 31.12.2008</u>	CZK CZK '000	EUR CZK '000	USD CZK '000	Others CZK '000	total CZK '000
Cash	12 493	49	163	0	12 705
Bank accounts	38 032	27 137	2 087	0	67 256
Short term securities	<u>9 251</u>	0	0	0	<u>9 251</u>
Total	<u>59 776</u>	<u>27 186</u>	<u>2 250</u>	0	<u>89 212</u>
<u>As at 31.12.2007</u>	CZK CZK '000	EUR CZK '000	USD CZK '000	Others CZK '000	total CZK '000
Cash	12 870	211	209	21	13 311
Bank accounts	24 676	40 652	28 189	0	93 517
Short term securities	0	0	0	0	0
Total	<u>37 546</u>	<u>40 863</u>	<u>28 398</u>	<u>21</u>	<u>106 828</u>

III. REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2008

The Company did not include environmental receivables and payables – see point 12 - into diversification of receivables and payables, because are included in receivables and payables in the same sums.

Diversification of payables according to currency and regions

<u>As at 31.12.2008</u>	CZK CZK '000	EUR CZK '000	USD CZK '000	others CZK '000	total CZK '000
Domestic	2 947 977	788 066	0	0	3 736 043
EU	0	574 695	0	1 633	576 328
third country	0	5 987	14 504	0	20 491
Total	<u>2 947 977</u>	<u>1 368 748</u>	<u>14 504</u>	<u>1 633</u>	<u>4 332 863</u>
<u>As at 31.12.2007</u>	CZK CZK '000	EUR CZK '000	USD CZK '000	others CZK '000	total CZK '000
Domestic	2 530 675	704 994	0	0	3 235 669
EU	0	427 670	2 700	0	430 370
third country	0	8 735	0	3 942	12 676
Total	<u>2 530 675</u>	<u>1 141 399</u>	<u>2 700</u>	<u>3 942</u>	<u>3 678 716</u>

Analysis of assets and liabilities maturity

<u>As at 31.12.2008</u>	till 1 month CZK '000	from 1 to 6 months CZK '000	from 6 to 12 months CZK '000	from 1 to 5 years CZK '000	over 5 years CZK '000	Total CZK '000
Cash	80 143	9 069	0	0	0	89 212
Environmental receivables	7 527	35 196	47 604	496 890	35 496	622 713
Other receivables	349 619	749 659	35 000	341 524	424 641	1 900 443
Loans	-17 096	-1 363 185	-292 641	-1 043 318	0	-2 716 240
Environmental payables	-7 527	-35 196	-47 604	-496 890	-35 496	-622 713
Other payables	-807 550	-761 420	-47 525	-129	0	-1 616 623
<u>As at 31.12.2007</u>	till 1 month CZK '000	from 1 to 6 months CZK '000	from 6 to 12 months CZK '000	from 1 to 5 years CZK '000	over 5 years CZK '000	Total CZK '000
Cash	106 828	0	0	0	0	106 828
Environmental receivables	10 769	53 842	64 612	375 301	200 531	705 055
Other receivables	465 499	391 087	153 253	344 500	400 000	1 754 339
Loans	-16 915	-1 206 622	-438 045	-400 323	0	-2 061 905
Environmental payables	-10 769	-53 842	-64 612	-375 301	-200 531	-705 055
Other payables	-758 919	-791 858	-55 866	-2 949	-7 219	-1 616 811



18 Taxation

Due tax

	<u>2008</u>	<u>2007</u>
	CZK '000	CZK '000
Accounting profit / loss before taxation	128 171	242 850
Cancellation of IFRS adjustments	-1 929	-4 125
Profit / loss for tax purposes	126 242	238 725
Non taxed revenues	107 963	137 862
Tax non-allowable expenses	-74 407	-202 277
Difference between tax and accounting depreciation	-44 798	<u>-147 084</u>
Tax base	<u>115 000</u>	<u>27 226</u>
Using of tax losses from previous years	-115 000	-26 433
Gifts deductible	0	-40
Tax base	0	752
Income tax before tax allowances	0	180
Tax allowance	<u>0</u>	<u>-180</u>
Income tax	<u>0</u>	<u>0</u>

Note: Above mentioned table contains from real due tax per year 2007 (in Notes to the financial statements as of 31 December 2007 there was mention estimate of due tax) and the estimate of due tax per year 2008.

The following deferred tax assets / (liabilities) originated from temporary differences between accounting and taxation recognition of assets and liabilities:

	<u>31 December 2008</u>	<u>31 December 2007</u>
	CZK '000	CZK '000
Differences between accounting and tax net book values of fixed assets	- 341 227	-346 583
Provisions for inventory	18 651	26 721
Provisions for fixed assets	77 524	93 685
Provisions	8 452	0
Tax loss carried forward	<u>147 467</u>	<u>265 614</u>
Deferred tax base	<u>- 89 133</u>	<u>39 437</u>
Deferred tax payable (-) / receivable (+)	<u>- 16 935</u>	<u>10 683</u>

The Company booked about the deferred tax in 2008 for the first time, opening balance was corrected in previous period of financial statements.



The deferred tax for 2008 was calculated using tax rates for 2010 (19%), for 2007 using tax rates for the year 2008, 2009 and 2010 (21%, 20% and 19%).

As at 31 December 2008 the Company had available TCZK 117 483 of tax losses carried forward, which could be used to decrease the taxable income.

As at 31 December 2007 the Company had available TCZK 265 614 of tax losses carried forward, which could be used to decrease the taxable income.

19 Related party transactions

The company was involved in the following related party transactions:

Purchases from subsidiaries

	<u>Material and raw material</u> CZK '000	<u>Services</u> CZK '000	<u>Tangible and intangible fixed assets</u> CZK '000	<u>Interest</u> CZK '000
2008				
SYNPO, a.s.	36	8 315	214	488
EPISPOL, a.s.	0	287 504	0	152
Metal-Tech CZ, a.s.	0	0	0	0
SPOLPHARMA, s.r.o	0	0	0	14
STZ, a.s	0	0	0	0
Oleochem, a.s.	2 453	0	0	0
Infraspol, s.r.o.	0	0	0	0
Spolchemie, a.s.	0	0	0	0
CHS Resins, a.s.,	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>2 489</u>	<u>295 819</u>	<u>214</u>	<u>654</u>
2007				
SYNPO, a.s.	11	7 072	0	751
EPISPOL, a.s.	0	268 990	26 470	152
Metal-Tech CZ, a.s.	0	0	0	0
POLYSPOL, s.r.o.	<u>0</u>	<u>0</u>	<u>0</u>	<u>34</u>
Total	<u>11</u>	<u>276 062</u>	<u>26 470</u>	<u>937</u>

**III. REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS PREPARED IN
ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR
ENDED 31 DECEMBER 2008**

Revenues from subsidiaries

	<u>Sale of fixed assets</u> CZK '000	<u>Sale of finished products</u> CZK '000	<u>Sale of purchased material</u> CZK '000	<u>Services</u> CZK '000	<u>Interest</u> CZK '000
2008					
SYNPO, a.s.	0	2 108	137	0	0
EPISPOL, a.s.	0	0	0	104 978	13 499
Metal-Tech CZ, a.s.	0	0	154	5 553	150
Spolpharma, s.r.o	120	0	0	3	263
STZ, a.s	0	0	0	0	2 073
Oleochem, a.s.	0	137	1550	0	0
Infraspol, s.r.o.	0	0	0	0	4 868
Spolchemie, a.s.	0	0	0	6	0
CHS Resins, a.s.,	<u>0</u>	<u>0</u>	<u>0</u>	<u>54 598</u>	<u>11</u>
Total	<u>120</u>	<u>2 245</u>	1 841	<u>165 138</u>	<u>20 864</u>
2007					
SYNPO, a.s.	0	2 416	161	0	0
EPISPOL, a.s.	1 488	0	1 073	103 901	13 253
Metal-Tech CZ, a.s.	0	0	0	3 697	0
POLYSPOL, s.r.o.	0	0	0	6	0
Spolchemie, a.s.	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>0</u>
Total	<u>1 488</u>	<u>2 416</u>	<u>1 234</u>	<u>107 610</u>	<u>13 253</u>

The receivable to CHS Resins, a.s. in the amount of TCZK 54 598 represents estimated item of expenses on preparation of acquisition of part of the production halls of the company HEXION. These expenses were in 2009 finalized and re-invoiced to the company CHS Resins, a.s. based on the Consultancy services Contract. The company CHS Resins was established for the reason of this acquisition.

The most important volume represents mutual sales and purchases with the company EPISPOL, a.s. This subsidiary firm produced for the Company low-molecular epoxy resins in the TOLL FEE system. The Company provides for it all essential infrastructure and administrative services.

In 2004 the Company sold the new low epoxy resins production plant to EPISPOL, a.s. The receivable is paid according to payment schedule. The balance as at 31 December 2008 is in the amount of TCZK 202 000.

Next to above mentioned transactions the Company realized transactions with MAXIMA pojišťovna, a.s. Prague 6, Na dlouhém lánu nr. 508, postal code 160 00 (furthermore "Maxima") in 2008. Maxima is related company, this company owned 4,44% of shares of



the Company and announced the concerted actions with the company Via Chem Group, a.s.

The Company concluded during the year 2008 insurance contracts with Maxima (together with further co-insurers participate in liability insurance of the Company), the total amount of insurance amount was TCZK 42 877, all of which were paid in 2008.

Shareholders, statutory and supervisory board members

The Company also paid liability insurance for member of statutory body. In 2008 paid the Company insurance in the amount of 309 TCZK (in 2007: 400 TCZK).

In 2008 and in 2007 the management was not provided with a non-monetary benefit.

Dividends

The General Meeting of the Company decided on 7 July 2008 about the payment of dividends for the year 2007 in the amount of TCZK 49 831. Till 31 December 2008 the amount TCZK 42 081 has been paid. The unpaid part is in the amount of TCZK 7 750. For the year 2006 there was not paid any dividends.

20 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	<u>31 December 2008</u>	<u>31 December 2007</u>
Net loss (in CZK '000)	100 553	245 564
Number of ordinary shares in issue	3 529 692	3 529 692
Basic profit / loss per share (in CZK)	28,49	69,57

Diluted earnings per share are the same as basic earnings per share.

21 Research and development

The Company incurred research and development expenditures during 2008 in the amount of TCZK 19 158 (2007: TCZK 18 963). This amount includes internal costs for the Company's own research and development activities of TCZK 10 740 (2007: TCZK 11 755).



22 Capital commitments

The Company has decided about future expenses on fixed assets purchases and improvements (for some of them the contracts has already been concluded). Obligations from those contracts are not included in the balance sheet as at 31 December 2008.

	<u>Supposed future expenditures</u>	<u>Expenditures till 31 December 2008</u>
	CZK '000	CZK '000
Membrane electrolysis	1 148 613	151 387
Desulphurization of technological water	337 821	2 179
Intensification of production of Epichlorhydrin	85 000	5 651
Unit Ecopor	196 735	3 265
New production line of Alkyds	57 915	37 427
New production line of Ionex dian	384 024	65 976
Advance working on project Malaysia	<u>27 700</u>	<u>81 463</u>
Total	<u>2 237 808</u>	<u>347 348</u>

23 Contingencies

Ecological undertakings

Redressing the effects of prior environmental contamination - described in Note 12.

Liability to Komerční banka, a.s., ČSOB, a.s., LBBW Bank CZ a.s., UniCredit bank, a.s., Raiffeisenbank, a.s.

To cover of borrowings form these bank the Company pledged on the benefit industrial buildings, lands and administration building included, in the total net book value TCZK 330 923 (in 2007: TCZK 160 877), and technology in the amount of TCZK 210 578 (in 2007: TCZK 329 273).

Other contingencies

The Company provided liability for contingent future payables of the company SETUZA, a.s. and Český olej, a.s. for the situation of providing of not-allowed public support by the Czech Republic to the company SETUZA, a.s. and/or Český olej, a.s. in 2007. It is difficult to quantify the amount of liability. Regarding to the valuation of receivable to the company SETUZA, a.s. according to the expert opinions prepared by the prestigious institutions for Česká konsolidační agentura and Podpůrný a garanční rolnický a lesnický fond, the probability of fulfilment is zero. For this reason the provision relates to this risk was not created.

As forms of collateral the Company issued blank bills of exchange to secure loans up to the amount drawing, foreign bankers' drafts up to TCZK 7 000 and letters of credit and bank guarantees.

The Company issued a bill of exchange for TCZK 25 000 for the benefit of Severočeské vodovody a kanalizace, a.s. This bill of exchange would become mature if the Company withdraws from its contract with Severočeské vodovody a kanalizace, a.s. by 16 August 2009.

The Company is not a defendant in any significant lawsuits incidental to its business. Current liabilities incurred from lawsuit are stated in the Balance sheet.

The Company concluded contract for coverage of credit risk with deferred maturity. The contract may bring future income to the Company from assets, if there have not been realised the financial risk from loan in nominal value mio CZK 216, granted by PPF banka a.s. to the company STZ Development a.s. on 14 December 2007. The deal will be settled on 30 November 2012.

By reason of low probability of fulfilment of the company for reasons of default of liabilities of the company STZ Development a.s., the provision for transfer of risk itself was not created.

The Company has in its evidence the law-suit about the invalidity of extraordinary General Meeting from the date 17 August 2008, by which the Company decided about the transfer of book-entry form of stock to stock certificates, with the exception of law-suits about the invalidity of General Meeting described in point 8. The law-suit was entered on 19 November 2007. In this law-suit acted Regional Court in Ústí nad Labem and the law-suit was dismissed on 29 August 2008. Prosecutors lodged an appeal on the decision of Regional Court in Ústí nad Labem on 29 September 2008 to the High Court in Prague. About this appeal no decision has been acted yet.

The management of the Company is not aware of any significant undisclosed contingent liabilities as at 31 December 2008.

24 Subsequent events

On 11 March 2009 the whole 9% own share, it means 349 124 pieces, has been sold through the securities trades at the price TCZK 91 121.

On 5 January 2009 the receivable to the company INFRASPOL, s.r.o. has been cleared against the payable from subscription of registered capital, in the amount of TCZK 61 727.

At the beginning of the year 2009 the management of the Company reacted to deepening worldwide financial crisis by receiving of concrete steps, which should stabilized the Company. These steps have been headed into following areas:


1. decrease of personnel expenses
2. analysis and revision of contractual relations
3. decrease of maintenance expenses
4. investment limitation
5. sale of useless fixed assets
6. mergence of infrastructural services for more companies in the Group
7. meetings with agencies of government about the business support


To the realization the Company instituted the workgroup consist of members of organs and management of the Company.

Based on actual financial situation, all financing bank are participating knowingly on stabilization process of the Company based on resolution from the date 21 April 2009.

No events have occurred subsequent to the year-end that would have a material impact on the financial statements as at 31 December 2008.

In Ústí nad Labem, on 30 April 2009


Ing. Martin Procházka
Chairman of the Board of Directors


Ing. Jan Šrubař
Vice-chairman of the Board of Directors

AUDITOR'S REPORT

Consolidated Financial Statements
for the Period
from 1 January 2008 to 31 December 2008
of the company

**Spolek pro chemickou a hutní
výrobu, akciová společnost**

Independent Auditor's Report for the Shareholders of the Company Spolek pro chemickou a hutní výrobu, akciová společnost

Company's Name:	Spolek pro chemickou a hutní výrobu, akciová společnost
Company's Seat:	Revoluční 1930/86, Ústí nad Labem
Identification Number:	000 11 789
Legal Form:	joint stock company
Main Activity:	see paragraph V of the Notes to the Financial Statements.

We have audited the accompanying consolidated financial statements of Company Spolek pro chemickou a hutní výrobu, akciová společnost, which comprise the consolidated balance sheet as of 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. Information about Company Spolek pro chemickou a hutní výrobu, akciová společnost is presented in Note V to these consolidated financial statements.

The Statutory Body of Company Spolek pro chemickou a hutní výrobu, akciová společnost is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the related application guidelines issued by the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Company Spolek pro chemickou a hutní výrobu, akciová společnost as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

In Prague on 30 April 2009

Auditors' Company:

Auditor:

.....
 VGD - AUDIT s.r.o.
 Certificate Nr. 271
 Bělehradská 18, 140 00 Prague 4

.....
 Ing. Dagmar Dušková
 Certificate Nr. 1919

I CONSOLIDATED BALANCE SHEET

	Note (Section VIII)	<u>31 December 2008</u> CZK '000	<u>31 December 2007</u> CZK '000
ASSETS			
Non-current assets			
Tangible fixed assets	1	4 345 759	4 004 939
Intangible fixed assets	2	143 683	93 209
Long-term financial assets	3	2 425	87 616
Long-term trade receivables	5	600 706	542 500
Receivables –reimbursement of environmental load	12	532 386	575 832
Goodwill	20	0	0
Stocks in equivalence	20	<u>81 637</u>	<u>2 327</u>
		<u>5 706 596</u>	<u>5 306 423</u>
Current assets			
Inventories	4	616 864	633 430
Receivables and prepayments	5	959 456	598 946
Other short-term receivables	5	181 458	348 950
Receivables - reimbursement of environmental load	12	90 327	129 223
Cash and cash equivalents	6	<u>127 450</u>	<u>186 963</u>
		<u>1 975 555</u>	<u>1 897 512</u>
Total assets		<u>7 682 151</u>	<u>7 203 935</u>

**IV. REPORT OF INDEPENDENT AUDITORS AND CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR
THE YEAR ENDED 31 DECEMBER 2008**

	Note (Section VIII)	<u>31 December 2008</u> CZK '000	<u>31 December 2007</u> CZK '000
EQUITY			
Share capital	7	1 939 408	1 939 408
Own shares	7	- 89 027	- 89 027
Statutory reserve fund	Section III	61 593	30 662
Accumulated losses / Retained earnings	Section III	- 68 328	241 044
Change in profit/loss – correction of previous period		0	- 11 983
Other funds	Section III	<u>- 88 694</u>	<u>- 1 650</u>
		1 754 952	2 108 453
Minority interest	8	39 753	72 790
Goodwill	20	15 552	2 544
LIABILITIES			
Long-term liabilities			
Long-term trade payables	9	129	2 349
Other long-term payables	9	134 755	0
Long-term borrowings	11	1 423 591	885 214
Deferred tax liability	18	33 683	7 765
Provisions – environmental liabilities	12	<u>532 386</u>	<u>575 832</u>
		2 124 544	1 471 160
Current liabilities			
Trade and other payables	10	1 875 452	1 302 717
Liabilities from other loans	10	0	47 563
Other short-term liabilities	10	0	300 149
Short-term borrowings	11	1 781 570	1 769 335
Provisions – environmental liabilities	12	<u>90 327</u>	<u>129 223</u>
		3 747 349	3 548 987
Total liabilities		<u>5 871 893</u>	<u>5 020 147</u>
Total equity and liabilities		<u>7 682 151</u>	<u>7 203 935</u>



II CONSOLIDATED INCOME STATEMENT

	Note (Section VIII)	Year ended 31 December 2008 CZK '000	Year ended 31 December 2007 CZK '000
Revenues	13	5 442 676	4 575 573
Other operating income	14	351 560	324 717
Changes in inventories of finished goods and work in progress		- 65 795	164 192
Capitalisation of own output		11 440	11 331
Raw materials and consumables used		- 3 847 964	- 3 077 819
Staff costs	15	- 480 899	- 487 103
Depreciation and amortisation expense	1, 2	- 325 912	- 317 013
Goodwill - impairment	20	- 227 963	43
Other operating expenses	14	<u>- 827 185</u>	<u>- 832 338</u>
Operating Profit / Loss		29 958	361 583
Financial costs, net	16	<u>- 220 823</u>	<u>- 65 905</u>
Profit / Loss before income tax		- 190 865	295 678
Income tax	18	<u>- 23 864</u>	<u>-4 043</u>
Profit / Loss of current accounting period after tax		- 214 729	291 635
Minority interest	8	1 435	- 6 608
Profit / Loss before the acquisition date		- 4 809	0
Profit / Loss in equivalence	20	<u>- 2 879</u>	<u>- 340</u>
Profit / Loss of current accounting period		<u>- 220 983</u>	<u>284 687</u>
Profit / Loss per share (in CZK)	21	- 62,6	80,7

III CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Share capital CZK '000	Own shares CZK '000	Legal reserve fund CZK '000	Other funds CZK '000	Cumulated profit / loss CZK '000	Total CZK '000
Balance as at 1 January 2007	<u>1 939 408</u>	<u>0</u>	<u>25 204</u>	<u>-1 645</u>	<u>-50 168</u>	<u>1 912 799</u>
Allocation to Legal reserve fund	0	0	5 458	0	-5 458	0
Minority interest (except profit 2007)	0	0	0	0	0	0
Profit / Loss of the year 2007	0	0	0	0	296 670	296 670
Correction of opening balance	0	0	0	0	-11 983	-11 983
Own shares	0	-89 027	0	0	0	-89 027
Increase of Other capital funds	0	0	0	-5	0	-5
Balance as at 31 December 2007	<u>1 939 408</u>	<u>-89 027</u>	<u>30 662</u>	<u>-1 650</u>	<u>229 061</u>	<u>2 108 453</u>
Allocation to Legal reserve fund	0	0	30 931	0	-30 931	0
Minority interest (except profit 2008)	0	0	0	0	-2 420	-2 420
Profit / Loss of the year 2008	0	0	0	0	-220 983	-220 983
Decrease of depreciation of license EPISPOL II	0	0	0	0	5 947	5 947
Change in Profit/Loss in equivalence – correction of previous period mistake	0	0	0	0	-115	-115
Writing-off of the rest of the social fund	0	0	0	0	1 194	1 194
Dividends payout	0	0	0	0	-49 831	-49 831
Increase of Other capital funds	0	0	0	-87 044	0	-87 044
Increase of employee funds	0	0	0	0	-250	-250
Balance as at 31 December 2008	<u>1 939 408</u>	<u>-89 027</u>	<u>61 593</u>	<u>-88 694</u>	<u>-68 328</u>	<u>1 754 952</u>

The usage of Legal reserve funds is entirely for the settlement of the Losses.

IV CONSOLIDATED CASH FLOW STATEMENT

	Note (Section VIII)	Year ended <u>31 December 2008</u> CZK '000	Year ended <u>31 December 2007</u> CZK '000
Profit / Loss before tax		- 190 865	295 678
Adjustment for:			
Depreciation of fixed assets	1,2	325 912	317 013
Profit / Loss from the sale of fixed assets		49 303	-7 054
Impairment losses – fixed assets		- 116 421	333 118
Interest expense, net	16	131 405	98 433
Changes in provision for environmental liabilities		- 82 342	-208 009
Changes in working capital:			
- receivables and prepayments		- 158 224	-1 024 457
- reimbursement . environmental liabilities		82 342	208 009
- inventories		22 571	-188 680
- payables		225 024	616 803
- deferred tax receivable/payable		25 918	7 765
Cash and cash equivalents generated from operations			
		<u>314 623</u>	<u>448 619</u>
Interest received		35 952	5 754
Interest revenues - environmental liabilities	16	56 103	12 582
Interest paid		- 167 357	-104 187
Interest expenses - environmental liabilities	16	- 56 103	-12 582
Income tax paid	18	- 1 026	-457
Change in deferred tax from previous years	18	<u>- 22 838</u>	<u>-3 586</u>
Net cash generated from operating activities		<u>159 354</u>	<u>346 143</u>



**IV. REPORT OF INDEPENDENT AUDITORS AND CONSOLIDATED FINANCIAL STATEMENTS
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THE YEAR ENDED 31 DECEMBER 2008**

Cash flows from investing activities

Acquisition of fixed assets		- 1 070 433	-1 187 301
Investment loans received		319 405	667 053
Investment loans paid		- 165 295	-133 374
Proceeds from sale of fixed assets		<u>406 531</u>	<u>39 146</u>
Net cash flow from investing activities		<u>- 509 792</u>	<u>-614 476</u>

Cash flows from financing activities

Payments of borrowings		- 92 630	0
Borrowings received		489 132	402 108
Change in long term payables		132 535	-6 152
Increase in funds		- 250	-5
Purchase of stock in equivalence	20	- 79 310	-1 755
Minority profit / loss	8	1 435	-6 608
Profit / Loss before the date of acquisition		- 4 809	0
Profit / Loss in equivalence	20	- 2 879	-340
Change in Minority interest	8	- 35 458	-2 419
Deferred tax of previous periods and correction of previous periods		5 832	0
Goodwill	20	13 008	2 544
Own shares	7	0	-89 027
Dividends payout		- 49 831	0
Revaluation of financial investments (CAMPA AG, Ostalak)		- 87 044	0
Other changes (employee benefits)		1 194	0
Net cash used in financing activities		<u>290 925</u>	<u>298 346</u>

Increase (+) / decrease (-) in cash and cash equivalence

- 59 513 30 013

Movement in cash and cash equivalents

6

At the beginning of the year		186 963	156 950
Increase (+) / decrease (-)		<u>- 59 513</u>	<u>30 013</u>
At the year end		<u>127 450</u>	<u>186 963</u>



V GENERAL INFORMATION

Spolek pro chemickou a hutní výrobu, akciová společnost (“the Company”) was registered in the commercial register on 31 December 1990, and has its registered office at Ústí nad Labem, Revoluční 1930/86, postal code 400 32, identification number 00011789. The Company is registered in Commercial register by Regional Court in Ústí nad Labem, Section B, Entry No. 47.

Companies which were included into consolidation (“the Group”) are following: SYNPO, akciová společnost, EPISPOL, a.s., Oleochem, a.s. (100% share acquired in 2008), STZ, a.s. (31,47% share acquired by subscription of stocks in 2008), Metal-Tech Cz, a.s. (incorporated in 2006 with 20% share), Spolpharma, s.r.o. (incorporated in 2006, 100% share), INFRASPOL, s.r.o. (100% share acquired in 2008), CHS Resins, a.s. (100% share acquired in 2008) a Spolchemie, a.s

The consolidation Group does not include the following companies: Chemapol Group, a.s. (due to insignificant influence in the amount of 0,019% and without influence to the Company), CAMPA AG (the company is in insolvency proceeding, financial statement as at 31 December 2008 is not available).

The Group’s business activities consist principally of research, development, production and manufacturing of chemical substances and chemical preparations.

Significant events during current accounting period

The Company continued in its long-term investment programme in 2008. Within this programme, the Company put into operation the unit of desulphurization of Monocrystal operation whereby the important condition for the production was fulfilled. At the end of the year the construction of new operation for polyester production based on PET recycle was finished and started the construction of other operation of alkyd production.

The Company further continued in advance working for investment into new membrane electrolyse and subsequent technologies.

The Company also intensive continued in preparation of construction of production line of Epichlorhydrin in Malaysia, where the unique patent which is in ownership of the Company, will be used. This preparation has run based on Contract for work for the company Spolchemie (M) Sdn Bhd, which is the Malaysian entity and investor.

In 2008 the Company sold to the company Spolchemie N.V. the license for production of epichlorhydrin from glycerine in Malaysia territory in volume of 50 kilotons at the price of 10 million USD. The purchase price is due in four yearly linear payments. The first payment is due on 17 December 2010.

In 2008 the Company finished the strategic steps which were begun in 2007 and acquired the shares in companies Oleochem, a.s., STZ a.s. and INFRASPOL, s.r.o.

VI ACCOUNTING PRINCIPLES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that were accepted by European Union. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value.

The amounts shown in these financial statements are presented in Czech Crowns (in thousands, if not stated otherwise).

(b) Consolidation group

Subsidiary undertakings, which are those companies in which the Company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date when the Group ceased to have control.

Associated undertakings, which are those companies in which the Company, directly or indirectly, has an interest of more than 20% but less than one half of the voting rights and does not exercise control over the operations, have been consolidated.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries and associates have been changed to ensure consistency with the policies adopted by the Group.

A listing of the Group’s subsidiaries and associates is set out in Note 20.

In 2007 the Company acquired 5 256 pieces of stock in public sale and therefore the share in the company increased to 62,87%. In 2008 the Company acquired further 17 320 pieces of stock of the company SYNPO, a.s. and its share achieved 96,78%. In 2008 the general meeting of the company SYNPO, a.s. decided about the transfer of all other subscriber’s stocks to the company Spolek pro výrobu chemickou a hutní, akciová společnost. As of 31 December 2008 this process has not been finished yet.

At the end of the year 2007 the company paid advance payment for the capital investment into the company CAMPA AG in the amount of TCZK 87 616. In 2008 the Company acquired 2 773 113 pieces of stock of the company CAMPA AG, whereby its total share in this company is 24,96%. On 1 September 2008 the insolvency control according to the laws valid in Germany started with this company.

In 2008 the Company acquired 100% share in the company Oleochem, a.s. at the price 200 million CZK and increased its registered capital at TCZK 82 000. The company worked mainly in the area of fatty acids and glycerine.

The Company had an interest in subscription of shares of the company STZ, a.s. and acquired the share 31,47% in this company in nominal value TCZK 112 500. The company worked in the area of oil bearing plant processing.

The company POLYSPOL, s.r.o. have changed its business name to Spolpharma, s.r.o. and in present time worked in the area of tooth pastes production.

The Company acquired 100% share in the company INFRASPOL, s.r.o. in nominal value TCZK 200. At the end of the year the Company decided about the increase of registered capital in this company by TCZK 61 727. Starting with the year 2009, this company should provide infrastructure services for other companies in the Group.

The Company acquires in 2008 100% share in the company CHS Resins, a.s. with registered capital in the amount of 2 million CZK. This company should be used as mediator during the acquisition of the part of the company HEXION.

In 2008 the company OSTALAK, a.s. was erased from Commercial register after finishing of insolvency proceeding.

The Company participated in project of joint-venture company Metal-Tech CZ during past years. The project was based on residual precious metal processing. The Company invested 3 million CZK to registered capital in 2006 (it means 20% of registered capital) and rented to the company operating places in the area of the Company.

In 2008 the prices of precious metals slumped and the basic targets of project has not been realized. The Company entered into an agreement with the second shareholder of the company about the sale of share per nominal value. This sale will be realized in first half of the year 2009.

(c) Consolidation methods

▪ Full consolidation method

Consolidation includes shares on profit/loss related to controlling interest on the Company, total profit/loss and total view to the structure of their assets and liabilities of companies where the Company exercise control over the operations.

As the individual part of assets and profit/loss are included in the full amount regardless of the amount of controlling interest, the minority interests are separated off. Minority interests represent the share of other owners on equity of the companies in consolidated financial statements.

▪ **Consolidation by the equity method**

Only impacts in the amount corresponding to controlling interest of the Company resulting from the ownership of stocks are included into consolidation. Consolidated financial statements does not include information on total assets and profit/loss, but only share of the Company on the profit/loss of the current period.

At the same time, the new row Stocks in equivalence is presented . It is calculated as the share on equity of the associated undertaking of the Company as at the date of financial statements.

Goodwill

Goodwill represents the difference between the acquisition price of shares and ownership interests of consolidated companies and their valuation according to Company's shares on equity of company at the moment of first formatting into consolidation group.

At the balance sheet date the Group perform testing on goodwill impairment.

(d) Consolidation system

The Group used direct system of consolidation for consolidation of financial statements, i.e. all companies in consolidation Group were consolidated at time without preparation of partial consolidation units.

(e) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment represents providing of products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(f) Intangible fixed assets

Purchased intangible assets are recorded at cost. Internal development costs are recorded at the lower of direct costs and overheads or replacement cost. Intangible assets are amortised on a straight-line basis over their estimated useful lives, usually for five years at longest. Amortisation commences when the intangible fixed asset is available for use.

Estimation of useful life for Licence for the low-epoxy resins production (purchased in 2003) was 12 years.

The depreciation of assets started when the intangible fixed assets is possible to use.

(g) Tangible fixed assets

Tangible fixed assets are initially recorded at cost, and are subsequently carried at their cost less any accumulated depreciation and accumulated impairment losses.

Property includes all costs directly attributable to bringing the asset to working condition for its intended use. Own work capitalised is recorded at production cost.

Items of property, plant and equipment that are retired, or otherwise disposed of, are eliminated from the balance sheet, along with the corresponding accumulated depreciation. Any gain or loss arising from retirement or disposal is included in net operating income.

Tangible fixed assets are depreciated from the time they are available for use, by applying the straight-line method over their estimated useful lives.

The annual depreciation rates used are:

Buildings and constructions	1.3 – 10%
Machinery and equipment	5 – 25%
Fixtures	4 – 25%
Motor vehicles	4 – 25%
Assets in the course of construction	nil

Land is not depreciated as it is deemed to have an indefinite life.

Repairs and maintenance are expensed as incurred.

Interest costs on borrowings to finance the construction of property, plant and equipment are recognised as an expense in the period in which they are incurred.

(h) Impairment of assets

Property, plant and equipment and other assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(i) Leasing

Leases under which a significant portion of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.



When an operating lease is terminated before the lease period has expired, any payment that is required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in long-term payables (depending on maturity). The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

(j) Investments in subsidiaries and associated undertakings

A subsidiary is an enterprise that is controlled by the Company, which means that the Company has the power to govern the financial and operating policies as to obtain benefits from its activities.

An associated undertaking is an enterprise where the Company has significant influence, which is the power to participate in the financial and operating policy decisions, but not control.

Equity investments in subsidiaries and associates are recorded at cost less a provision for diminution in value.

(k) Other securities and investments

The Group classifies securities and investments, other than investments in subsidiaries and associated undertakings, as either trading, available-for-sale or held-to-maturity. These securities and investments are evaluated by fair value or by value of share on assets of these companies.

(l) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of raw materials and goods for resale comprises appropriate overheads such as transportation, duty, insurance etc., incurred to bring inventory to its present state and location. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(m) Receivables

Trade receivables are carried at original invoice amount less provision for impairment of these receivables. Such provision for impairment of trade receivables is established if the receivable is not collected within the certain period after the date of maturity. This period is based on the internal guidelines of the Group. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows. The amount of the provision is recognised in the income statement.

(n) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less.

(o) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing on the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at the year-end using exchange rates announced by the Czech National Bank as at 31 December.

(p) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(q) Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred.

Borrowings are classified as current liabilities if they are due within following 12 month.

(r) Long-term payable

Long-term payables are stated at amortised cost using the effective interest rate method, thus in their fair value.

(s) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from differences in the tax and accounting values of tangible fixed assets, intangible assets, non-tax deductible impairment of receivables and inventories, and unused tax losses carried forward.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

In current accounting period the Company and the company EPISPOL started in booking of deferred tax, the opening balance of deferred tax was booked into own equity, in financial statements the opening balance was corrected by the deferred tax.

(t) Revenues

Sales are recognised when goods are shipped and title passes to the customer upon the performance of services and are shown net of discounts and Value Added Tax.

(u) Provisions, contingent assets and liabilities

Provisions

Provisions for environmental restoration and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provision for litigations are recognised when the amount of litigation payable has been reliably estimated.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the Group settles the obligation. The amount recognised for the reimbursement does not exceed the amount of the provision. In the income statement, the expense relating to a provision is presented net of the amount recognised for reimbursement.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent assets

Contingent assets are recognised in the balance sheet and the related income is reflected in the income statement when the recovery of the amount is virtually certain and can be reliably estimated, taking into account events up to and including the date of approval of the financial statements.

Contingent liabilities

Contingent liabilities are not recognised in the balance sheet, if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Contingent liabilities are disclosed in the notes to financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote, when recognition or disclosure is not required.

(v) Pension expenses

The government of the Czech Republic remains responsible for providing pensions. A regular contribution, representing a percentage of salaries, is made to the state to fund the national pension plan.

The Groups' contributions to defined contribution pension plans are charged to the income statement in the period to which the contributions relate.

(w) Employee benefits

Employee benefits are described in collective agreement, which have been concluded for years 2007 – 2010. Between employee benefits belong pension contribution, retirement bonus, yearly incentive bonus, one week of holiday in addition, canteen contribution for employees, holiday for employees children and social loans.

(x) Grants

Grants related to assets are presented in the balance sheet by deducting the grants in arriving at the carrying amount of the assets. Thus, a grant is recognised as income over the life of a depreciable asset by reducing the depreciation charge. Grants related to income are presented as a credit in the income statement, under Other operating income.

(y) Research and development expenses

Research and development expenditure is recognised as an expense except that costs incurred on development projects are recognised as development assets (intangible assets) to the extent that such expenditure is expected to have future benefits. However, development costs initially recognised as an expense are not recognised as an asset in subsequent periods. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product to which they relate on a straight line basis over the period of their expected benefit but not exceeding five years.

(z) Subsequent events

The effects of events, which occurred between the balance sheet date and the date of signing of the financial statements, are reflected in the financial statements in the case that these events provide further evidence of conditions, which existed at the balance sheet date. Where significant events occur subsequent to the balance sheet date prior to signing the financial statements which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves reflected in the financial statements.

(aa) Change in accounting policies

There were no changes in accounting policies during the current accounting period. The Company booked the deferred tax and employee benefits (IAS 19) in current accounting period for the first time. The opening balance of financial statements (previous period) was adjusted for these two items.

VII FINANCIAL RISK MANAGEMENT

1 Financial risk factors

The Group's activities expose it to certain financial risks, especially the effects of changes in foreign currency exchange rates and interest rates. The Group's overall risk management seeks to minimise potential adverse effects on the financial performance of the Company.

The finance department of the Company identifies and evaluates financial risks in close co-operation with the management of the Company. Analysis of financial risks is mentioned in point 17.

(a) Market risk

(i) Foreign exchange risk

The Company exports and imports a significant portion of products and raw materials and is therefore significantly exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro.

The Company utilise natural hedging by negotiating certain domestic suppliers to invoice in Euro and by having part of borrowings in Euro. There have been placed contracts for guarantee of EUR/CZK rates on specific part of market risks in 2008.

(ii) Price risk

The Group is exposed to market risk arising from changes in commodity prices for raw material and energy. Some of the Group's contractual arrangements with customers enable the Group to adjust the selling prices if purchase prices increase within a pre-defined range. As a result, the Group is mitigating this risk to certain extent.

(b) Interest rate risk

The Group's operating income and operating cash flows are substantially independent of changes in market interest rates. At 31 December 2008 and 2007 none of the Group's borrowings were at fixed interest rates so that net financial income and cash flows are heavily influenced by changes in interest rates. The Group is in a position to choose between floating and fixed rate by all of the borrowing contracts. The Group has no significant interest-bearing assets.

(c) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department aims to maintain flexibility in funding by keeping committed credit lines available.

VIII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Tangible fixed assets

Movements in the year 2008:

	Lands, buildings and constructions CZK '000	Equipments, vehicles CZK '000	Assets under construction CZK '000	Total CZK '000
Opening net book value	1 974 841	1 741 600	288 498	4 004 939
Additions	115 612	460 734	244 614	820 960
Disposals	-3 373	0	-145 267	-148 640
Depreciation	-82 296	-266 620	0	-348 916
Impairment – charge (-) / release (+)	<u>7 309</u>	<u>8 852</u>	<u>1 255</u>	<u>17 416</u>
Closing net book value	<u>2 012 093</u>	<u>1 944 566</u>	<u>389 100</u>	<u>4 345 759</u>

At 31 December 2008:

Acquisition price	3 162 662	4 433 518	389 918	7 986 098
Accumulated depreciation	-1 098 301	-2 463 696	0	-3 561 997
Impairment – charge (-)	<u>-52 268</u>	<u>-25 256</u>	<u>-818</u>	-78 342
Net book value	<u>2 012 093</u>	<u>1 944 566</u>	<u>389 100</u>	<u>4 345 759</u>

In 2008, the following key projects for fixed assets were completed and put to use (also their depreciation started):

<u>Project</u>	<u>Acquisition price</u> CZK million
Polyester production line on basis of PET recycles	71
Underground storage of polypropylene in area Ovčí vrch	68
Renovation of production line Liquid chlorine	44
Desulphurization station of production line of Monocrystals	44

Certain items of Group's fixed assets were used as collateral for the bank borrowings (see Note 24).

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THE YEAR ENDED 31 DECEMBER 2008**

Movements in the year 2007:

	Lands, buildings and <u>constructions</u> CZK '000	Equipments, <u>vehicles</u> CZK '000	Assets under <u>construction</u> CZK '000	<u>Total</u> CZK '000
Opening net book value	1 651 217	1 102 457	456 789	3 210 463
Additions	400 848	881 126	0	1 281 975
Disposals	-21 445	-65 292	-168 291	-255 028
Depreciation	-68 868	-200 369		-269 237
Impairment – charge (-) / release (+)	<u>13 089</u>	<u>23 678</u>	<u>0</u>	<u>36 767</u>
Closing net book value	<u>1 974 841</u>	<u>1 741 600</u>	<u>288 498</u>	<u>4 004 939</u>
At 31 December 2007:				
Acquisition price	3 065 860	3 997 513	290 571	7 353 944
Accumulated depreciation	-1 031 442	-2 221 805	0	-3 253 247
Impairment – charge (-)	<u>-59 577</u>	<u>-34 108</u>	<u>-2 073</u>	<u>-95 758</u>
Net book value	<u>1 974 841</u>	<u>1 741 600</u>	<u>288 498</u>	<u>4 004 939</u>



2 Intangible fixed assets

Movements in the year 2008:

	Activated expenses on research CZK '000	Patents and licences CZK '000	Other CZK '000	Total CZK '000
Opening net book value	<u>0</u>	<u>79 547</u>	<u>13 662</u>	<u>93 209</u>
Additions / transfers	0	593	62 799	<u>63 392</u>
Disposals	0	0	0	
Depreciations	0	-5 661	-7 257	<u>-12 918</u>
Impairment - release	0	0	0	0
Closing net book value	<u>0</u>	<u>74 479</u>	<u>69 204</u>	<u>143 683</u>

At 31 December 2008:

Acquisition price	7 000	229 604	112 794	349 398
Accumulated depreciation	-7 000	-155 125	-43 590	-205 715
Net book value	<u>0</u>	<u>74 479</u>	<u>69 204</u>	<u>143 683</u>

Movements in the year 2007:

	Activated expenses on research CZK '000	Patents and licences CZK '000	Other CZK '000	Total CZK '000
Opening net book value	<u>0</u>	<u>91 140</u>	<u>9 198</u>	<u>100 338</u>
Additions / transfers	0	0	7 937	7 937
Depreciations	0	-11 593	-3 473	-15 066
Impairment - release	0	0	0	0
Closing net book value	<u>0</u>	<u>79 547</u>	<u>13 662</u>	<u>93 209</u>

At 31 December 2007:

Acquisition price	7 000	240 348	50 059	297 407
Accumulated depreciation	-7 000	-160 801	-36 397	-204 198
Net book value	<u>0</u>	<u>79 547</u>	<u>13 662</u>	<u>93 209</u>

3 Long-term financial assets

Long-term financial assets in the amount of TCZK 2 425 represents advance payment for payout of consideration to other shareholders of the company SYNPO, a.s. through the buy-out of stocks.

Long-term financial assets in 2007 in the amount of 87 616 TCZK represented advance payment as a contribution of capital into German company CAMPA AG. The company CAMPA AG was not included into consolidation Group, because it is in insolvency proceeding, at 31 December 2008 the financial investment was revaluated by the method of equity to the zero value.

4 Inventories

	<u>31 December 2008</u>	<u>31 December 2007</u>
	CZK '000	CZK '000
Raw material	260 131	213 590
Work in progress and semi products	22 540	3 223
Finished goods	351 910	441 024
Goods for resale	<u>3 056</u>	<u>2 371</u>
Total gross	637 637	660 208
Provision for inventory (impairment loss)	<u>-20 773</u>	<u>-26 778</u>
Total net	<u>616 864</u>	<u>633 430</u>

5 Receivables and prepayments

Long-term receivables

	<u>31 December 2008</u>	<u>31 December 2007</u>
	CZK '000	CZK '000
Receivable to STZ Development, a.s.	424 642	400 000
Receivable from the sale of license – Spolchemie N.V.	176 064	0
Receivable to INFRASPOL, s.r.o.	<u>0</u>	<u>142 500</u>
Total	<u>600 706</u>	<u>542 500</u>

Receivable to STZ Development was assigned at the nominal value 400 million CZK in 2008. The interest rate is average yearly rate 1 year PRIBOR increased by 2,5%.

Short-term receivables and prepayments

	<u>31 December 2008</u>	<u>31 December 2007</u>
	CZK '000	CZK '000
Short-term trade receivables	980 269	633 207
Provision for impaired receivables	-107 152	- 66 231
Deferred expenses	<u>86 339</u>	<u>31 970</u>
Total	<u>959 456</u>	<u>598 946</u>

Trade receivables are stated net of a provision for impaired receivables of TCZK 107 1521 (2007: TCZK 66 231). In order to preserve the tax-deductible status of the bad debt expense, the Group's trade receivables are not written off and removed from the primary books and records until certain statutory collection requirements have been satisfied. Provision for impaired receivables are booked based on internal guideline of the Company.

Other short-term receivables

	<u>31 December 2008</u>	<u>31 December 2007</u>
	CZK '000	CZK '000
VAT receivables	72 256	76 093
Estimated receivables	2479	2 749
Other short-term receivables	108645	284 679
Provision for impaired receivables	<u>-1922</u>	<u>-14 571</u>
Total	<u>181 458</u>	<u>348 950</u>

Other short-term receivables are stated net of a provision for impaired receivables of TCZK 1 922 (2007: TCZK 14 571).

6 Cash and cash equivalents

	<u>31 December 2008</u>	<u>31 December 2007</u>
	CZK '000	CZK '000
Cash at bank and in hand	118 199	186 385
Short term securities	9 251	0
Short term bank deposits	<u>0</u>	<u>578</u>
Total	<u>127 450</u>	<u>186 963</u>

7 Equity

Authorised and issued capital:

<u>31 December 2008</u>			<u>31 December 2007</u>		
Nominal <u>value</u> CZK	Shares <u>issued</u> piece	<u>Total</u> CZK '000	Nominal <u>value</u> CZK	Shares <u>issued</u> piece	<u>Total</u> CZK '000
500	3 878 816	1 939 408	500	3 878 816	1 939 408
Thereof own shares	(9%) 349 124	- 89 027	Thereof own shares	(9%) 349 124	- 89 027

Shareholders:

In 2007 the book shares were changed to stock certificates. Below you can see known shares as of the date of cancelling of registration of book shares, it means as at 10 December 2007.

The actual ownership structure of the Company is not known regarding to the statute of the shares. In relation to the attendance of shareholders at general meeting of the Company on 7 July 2008, dividends payout per year 2007, which was run through Autumn 2008 and the fact, that no shareholder did not announce to the Company the decrease or increase of its share on voting rights according to the §122 of Law 256/2004 Coll., the Company is controlled by the company Via Chem Group, a.s.

As of the date of Financial Statements, the Company owns 349 124 pieces of own shares in nominal value TCZK 174 562, which were acquired at the price determined by expert opinion (CZK 255/share), the total TCZK 89 027. These share were acquired on 21 June 2007. Regarding to the period of 18 months, for which the Company may hold own shares, the tender offer for sale of these shares to the shareholders was published on 19 December 2008. The basic condition was sale of the shares to the highest offer. The minimum price was determined at CZK 255 per share, whereas the block of shares was offered as a whole. This period of tender offer expired on 30 January 2009. None of shareholders did not improve this offer.

In March 2009 the whole 9% share has been sold – see point 26 Subsequent events.

Companies Via Chem Group, a.s. and MAXIMA pojišťovna, a.s. announced the concerted actions on General Meeting on 7 July 2008.

Shares of the Company were publicly listed and marketable as of 31 December 2006. The price quoted by the Prague Stock Exchange as at 31 December 2006 was CZK 300.00 per share and in the “RMS” CZK 315.00 per share.

On 17 August 2007 the extraordinary General meeting of the Company decided about the transfer of book shares to bearer stock certificates. The change was register into Commercial register on 3 October 2007.

On 5 December 2007 the trading on Prague Stock Exchange was suspended with the price quoted on 335 CZK per share.

On 10 December 2007 the registration of book shares on Securities Centre was cancelled.

On 11 December 2007 the shares were excepted from trading on official controlled market "RM-SYSTEM".

The change of stocks started on 3 January 2008 and will be continue till the date of public sale of remaining stocks.

The change of stocks is realized through the company Centrum hospodářských informací, a.s. Identification No. 63999897, with the seat Praha 10, K Botiči 1453/6.

Regarding the request of the Company for approval of sample copy of stock certificate was disallowed by the decision of Czech National Bank, and this approval of sample copy of stock certificate is condition for newly trading with stocks of the Company on official controlled market, the Board of Directors of the Company decided about designing of new sample copy and about the change of issued stock certificates for the such stock certificates destined for renew trading on official controlled market. The Company discussed about the printing and designing of sample copy of stock with the company Státní tiskárna cenin Praha. The Notice Nr. 260/2004 Coll. about the essentials of technical design of listed security was cancelled and replaced with Stock-exchange rules with effect from 1 December 2008, but the respective contract has not been concluded yet.

Subsequently the shareholders of the Company will be called to change its stocks for the stocks which will be in correspondence with the sample copy of stock, in a way, which will be in accordance with generally true legal rules and articles. The place of change, the term of change and other details will be mentioned in this call.

The General meeting of the Company from the date 7 July 2008 decided about the profit distribution for the year 2007. The part of the profit in the amount of TCZK 49 831 has been intended for dividend payout, the part of the profit in the amount of TCZK 28 285 has been transferred into legal reserve fund and the rest in the amount of TCZK 164 734 has been used for payment of a loss from previous periods.

In October and November 2008 the complaints for vote of invalidity of decision of General Meeting from the 7 July 2008, by which the Company approved the Financial Statements and profit distribution for the year 2007, has been lodged by two shareholders. The Company expressed its opinion to the complaints in November and December 2008. In both cases there has not been prescribed any acts.

For movements in equity see Statement of changes in shareholders' equity (section III). The company made a profit in current accounting period in the amount of 100 553 TCZK. As of the balance sheet date there was no decision about the profit distribution.

8 Minority interest

	<u>2008</u>	<u>2007</u>
	CZK '000	CZK '000
Opening balances as at 1 January	72 790	75 209
Decrease of minority interest for the reason of decrease of minority share in the company SYNPO, a.s.	-30 411	-9 027
Decrease of minority interest in the company EPISPOL for the reason of correction of opening balance of financial statements in the item deferred tax	<u>-1 191</u>	<u>0</u>
Share on profit of subsidiary companies	<u>-1 435</u>	<u>6 608</u>
Closing balances as at 31 December	<u>39 753</u>	<u>72 790</u>

9 Long-term payables

Trade long-term payables

Long-term payables stated in 2008 in the amount of TCZK 129 represents payables to company Díza, s.r.o. and are clearing gradually.

Long-term trade payables stated in 2007 in the amount of TCZK 2 349 relates to objection payment to the supplier of investment action "Storage of propylene – underground tanks".

Other long-term payables

Other long-term payables showed in 2008 in the amount of TCZK 134 755 represents long-term part of payables relates to the leasing contracts of the Company.

10 Trade and other payables

	<u>31 December 2008</u>	<u>31 December 2007</u>
	CZK '000	CZK '000
Trade payables	1 479 717	1 090 005
Deferred liabilities	34 929	13 023
Payables to employees	26 911	22 126
Social security payables	9 006	8 024
Health insurance payables	4 169	3 451
Tax payables	7 845	12 647
Unpaid dividends per year 2007	7 750	0
Payables from unpaid registered capital (Metal-Tech Cz, a.s.)	2 100	2 100
Payables from Chabařovice waste dump	6 025	4 234
Objection - payables to Metrostav	20 000	31 537
Estimated payables	46 896	83 204
Payables from bills	49 705	0
Payables from repo operations of own shares	89 947	0
Provision for revaluation of inventory	0	4 275
Provision for employee benefits	8 452	7 969
Provision for potential litigation	1 643	2 453
Leasing payables	35 136	0
Other payables	<u>45 221</u>	<u>17 669</u>
Total	<u>1 875 452</u>	<u>1 302 717</u>

Liabilities from other loans

	<u>31 December 2008</u>	<u>31 December 2007</u>
	CZK '000	CZK '000
R.I. REALINVEST LIMITED	0	35 000
Via Chem Group, a.s.	<u>0</u>	<u>12 563</u>
Total	<u>0</u>	<u>47 563</u>

11 Borrowings

	<u>31 December 2008</u>	<u>31 December 2007</u>
	CZK '000	CZK '000
Other loans due within 1 year	1 781 570	1 769 335
Long-term loans due within 2 years	949 664	237 058
Long-term loans due from 2 to 5 years	473 927	599 276
Long-term loans due over 5 years	<u>0</u>	<u>48 880</u>
Total	<u>3 205 161</u>	<u>2 654 549</u>

All loans have been agreed at floating rates.

Summary of loans as at 31.12.2008

	<u>Category</u>	<u>Maturity</u>	<u>In TCZK</u>
Short-term			
Komerční banka	Revolving credit	2009	300 000
Komerční banka	Bank overdraft	2009	197 047
UniCreditbank	Bank overdraft	2009	151 206
ČSOB	Revolving credit	2009	400 000
Raiffeisenbank	Revolving credit	2009	250 000
Raiffeisenbank	Investment loan	2009	200 000
	Short term part of long term loans	2009	<u>283 317</u>
	Total		<u>1 781 570</u>
Long-term			
LBBW Bank	Bank overdraft	2010	27 121
LBBW Bank	Revolving credit	2010	355 500
LBBW Bank	Investment loan	2009	1 583
LBBW Bank	Investment loan	2013	488 921
Citibank	Revolving credit	2010	312 305
Komerční banka	Investment loan	2012	60 000
Raiffeisenbank	Investment loan	2010	123 542
Raiffeisenbank	Investment loan	2013	95 955
ČSOB	Investment loan	2012	241 981
	Short term part of long term loans	2009	<u>-283 317</u>
	Total		<u>1 423 591</u>

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Weighted average effective interest rates for the year:

	<u>31 December 2008</u>	<u>31 December 2007</u>
	%	%
Loans in CZK	4,3	4,7
Loans in EUR	5,4	5,5

The portion of loans in foreign currency is 31,3 % of the loan value (in 2007: 42,1 %).

12 Provisions – environmental liabilities

	CZK '000
Balance as at 1 January 2007	<u>913 064</u>
Amount used during the period	195 427
Increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	<u>- 12 582</u>
Balance as at 31 December 2007	<u>705 055</u>
Amount used during the period	138 445
Increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	<u>56 103</u>
Balance as at 31 December 2008	<u>622 713</u>

The Group is required to redress the effects of prior environmental contamination. In relation to clearing costs, the Group has a contract with the National Property Fund (“NPF”), in which the NPF has agreed to pay the costs associated with clearing up the effects of this prior environmental contamination, up to an amount of CZK 2,9 milliard. This process is ongoing within the Group (see Note 22).

A total amount of TCZK 2 032 080, of which TCZK 993 791 related to the Chabařovice waste dump (of which: TCZK 10 830 in 2008 and TCZK 54 925 in 2007).

The total amount of these future liabilities is both in receivables and in payables divided on short-term and long-term part according to the expected working process. Short-term part was in the amount of TCZK 90 327 in 2008 (in 2007: TCZK 129 223). Long-term part was in the amount of TCZK 532 386 in 2008 (in 2007: TCZK 575 832).

On the base of the law 178/2005 the National Property Fund was cancelled as at 31 December 2005 and liabilities has moved into Ministry of Finance of the Czech Republic.

The amount of estimated liabilities relates to redress of the effects of prior environmental contamination correspondent with the agreed amount between the Company and National Property Fund.

13 Segment reporting

Certain components of Consolidated financial statements as at 31 December 2008 can be analysed to segments as follows:

	<u>Inorganic components</u>	<u>Specialities</u>	<u>Resins</u>	<u>Dyes</u>	<u>Oleo chemistry and consumer chemistry</u>	<u>Services</u>	<u>Total</u>
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
<u>Balance sheet</u>							
Intangible assets	3 137	0	74 041	0	46 418	20 087	143 683
Tangible assets	1 068 614	183 557	2 013 317	1 556	201 361	877 354	4 345 759
Inventories	142 405	34 973	341 677	0	77 604	20 205	616 864
Receivables and prepayments	201 047	42 891	554 443	0	68 806	92 269	959 456
<u>Income statement</u>							
Revenues	1 285 075	246 115	3 416 466	0	356 051	138 969	5 442 676
Operating result	207 387	-32 035	220 473	0	-243 275	-122 592	29 958
Depreciation of fixed assets	97 114	14 865	150 196	0	9 868	53 869	325 912

It is not possible to reasonably allocate other components of the balance sheet, income statement and capital expenditures.



IV. REPORT OF INDEPENDENT AUDITORS AND CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2008

Certain components of Consolidated financial statements as at 31 December 2007 can be analysed to segments as follows:

	<u>Inorganic components</u> CZK '000	<u>Specialities</u> CZK '000	<u>Resins</u> CZK '000	<u>Dyes</u> CZK '000	<u>Services</u> CZK '000	<u>Total</u> CZK '000
<u>Balance sheet</u>						
Intangible assets	3 073	0	82 327	0	7 809	93 209
Tangible assets	1 065 378	178 757	1 987 032	20 000	753 772	4 004 939
Inventories	115 757	27 801	458 447	0	31 425	633 430
Receivables and prepayments	103 498	44 020	427 113	11 763	12 552	598 946
<u>Income statement</u>						
Revenues	1 027 190	280 440	3 164 376	3 270	100 297	4 575 573
Operating result	239 528	2 979	441 171	2 082	-324 177	361 583
Depreciation of fixed assets	103 283	11 641	138 407	13 381	50 301	317 013

It is not possible to reasonably allocate other components of the balance sheet, income statement and capital expenditures.



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Revenues from ordinary activities for 2008 has been generated as follows:

	<u>Domestic</u> CZK '000	<u>Foreign</u> CZK '000	<u>Total</u> CZK '000
Inorganic compounds	161 999	1 123 076	1 285 075
Specialities	35 689	210 426	246 115
Resins	399 087	3 017 379	3 416 466
Dyes	0	0	0
Oleo chemistry and consumer chemistry	150 375	205 676	356 051
Services	<u>115 281</u>	<u>23 688</u>	<u>138 969</u>
Total revenues	<u>862 431</u>	<u>4 580 245</u>	<u>5 442 676</u>

Revenues from ordinary activities for 2007 has been generated as follows:

	<u>Domestic</u> CZK '000	<u>Foreign</u> CZK '000	<u>Total</u> CZK '000
Inorganic compounds	152 869	874 323	1 027 192
Specialities	47 791	232 648	280 439
Resins	440 761	2 723 615	3 164 376
Dyes	1 936	1 334	3 270
Services	<u>76 230</u>	<u>24 066</u>	<u>100 296</u>
Total revenues	<u>719 587</u>	<u>3 855 986</u>	<u>4 575 573</u>



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The 2008 foreign revenues can be analysed as follows:

<u>Country</u>	<u>The share of revenues from export in %</u>	<u>Revenues in TCZK</u>
Germany	29,2	1 339 077
The Netherlands	13,9	636 145
France	7,8	357 396
Italy	6,4	294 584
Poland	5,2	238 100
Sweden	4,5	207 561
Great Britain	4,4	200 507
Austria	3,6	163 803
Switzerland	3,1	140 865
Spain	2,9	131 864
Belgium	2,9	132 039
Slovakia	2,5	112 440
USA	2,3	103 198
Turkey	1,4	64 401
Other countries	10,0	458 265
Total	<u>100,0</u>	<u>4 580 245</u>

The 2007 foreign revenues can be analysed as follows:

<u>Country</u>	<u>The share of revenues from export in %</u>	<u>Revenues in TCZK</u>
Germany	26,6	1 025 383
Italy	9,2	353 761
France	8,3	318 507
The Netherlands	7,4	284 633
Great Britain	7,1	273 183
Poland	5,7	220 882
Sweden	4,8	186 873
Belgium	4,6	178 538
Austria	3,9	151 560
Slovakia	3,3	126 634
Spain	3,0	115 968
USA	1,9	71 590
Turkey	1,8	68 432
Other countries	<u>12,4</u>	<u>480 042</u>
Total	<u>100</u>	<u>3 855 986</u>



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14 Other operating expenses and income

	<u>2008</u>	<u>2007</u>
	CZK '000	CZK '000
<u>Other operating expenses</u>		
Write-off of receivables	64 270	256 017
Transportation and travel costs	195 752	180 461
Maintenance	149 420	172 201
Other services	96 864	16 584
Waste disposal	70 779	52 520
Insurance	46 707	48 252
Advertising	31 580	23 835
Rent	44 710	14 160
Security	10 758	11 273
Consultancy services	3 545	8 401
Commissions	8 534	7 649
Research	63	7 208
Legal services	11 846	6 668
Other operating expenses	64 600	9 932
Taxes and fees	4 912	4 748
Benefits, gifts	2 766	4 154
Representation	7 319	5 183
Fines and penalties	9 330	502
Audit fee	2 339	1 833
therefore: statutory audit	1 675	1 751
other audit services	661	82
tax services	0	0
other non-audit services	0	0
Tax advisory fee	1 094	757
 Total	 <u>827 185</u>	 <u>832 338</u>
<u>Other operating income</u>		
	<u>2008</u>	<u>2007</u>
	CZK '000	CZK '000
Profit from sales of receivables	56 603	193 320
Decrease in provisions and provision for bad debts	39 378	76 277
Profit/Loss from sales of fixed assets and material	-47 094	7 055
Profit from the sale of know-how	191 714	0
Recognized inventory surplus	5 554	2 966
Operational grants received	38 616	35 059
Other operating revenues	66 789	<u>10 040</u>
 Total	 <u>351 560</u>	 <u>324 717</u>



15 Employee analysis

Average number of employee, staff costs

	<u>2008</u>	<u>2007</u>
Total number of employees	1 355	1 172
- thence management	23	24
Total wage costs (CZK '000)	480 899	487 103
- thence management (CZK '000)	45 837	69 095

Company cars are available for business and personal purposes to management and sales representatives. In 2008, 24 cars were available (2007: 22 cars). The net book value of these cars was not significant.

Bonuses for statutory and supervisory board members:

Bonuses for statutory and supervisory board members in 2008 were in the amount of TCZK 4 176 (in 2007: TCZK 6 116).

Pension insurance

Since 2000, the Group contributes monthly payment to or on behalf of employees, who have arranged their supplementary personal pension schemes. From the year 2007 the maximum payment from the Company is CZK 400 (till 2006: CZK 300). The total contributions were TCZK 4 497 in 2008 (2007: TCZK 4 292).

Redundancy payments

During 2008, the Group made social compensation payments to employees who were made redundant from organisational reasons. The Group paid and posted as an expense redundancy payments and bonuses of TCZK 3 241 (2007: TCZK 2 488).

Post – retirement benefits

During 2008, the Group made contributions to retired employees of TCZK 382 (2007: TCZK 341). The commitments to provide such post-retirement benefits in the future are not significant.

16 Financial revenues and expenses

	<u>2008</u>	<u>2007</u>
	CZK '000	CZK '000
Interest revenues		
- bank accounts	1 955	1 175
- other interests	34 018	4 571
- discounted receivables – environmental contaminations (see point 11)	56 103	12 582
- discounted long-term payables	-162	162
Net foreign exchange gain (+) / losses (-) from transactions in foreign currency	-50 829	27 350
Interest expenses		
- bank loans	-155 208	-103 635
- other interests	-12 150	-705
- discounted liabilities		
- environmental contaminations (see point 11)	-56 103	-12 582
Other financial expenses, net	-38 447	<u>5 177</u>
Total financial expenses, net	<u>-220 823</u>	<u>-65 905</u>

17 Risk concentration

The Group exports and imports a significant portion of products and raw materials and is therefore significantly exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro.

In 2003 the Group started to utilise natural hedging by negotiating certain domestic suppliers to invoice in Euro and by having part of borrowings in Euro.

Diversification of receivables according to currency and regions at 31 December 2008

	CZK CZK '000	EUR CZK '000	USD CZK '000	others CZK '000	total CZK '000
Domestic	938 979	13 993	0	0	952 972
EU	0	458 568	176 064	0	634 632
third country	<u>0</u>	<u>54 390</u>	<u>99 626</u>	<u>0</u>	<u>154 016</u>
Total	<u>938 979</u>	<u>526 951</u>	<u>275 690</u>	<u>0</u>	<u>1 741 620</u>



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Diversification of short term financial assets according to currency at 31 December 2008

	CZK <u>CZK '000</u>	EUR <u>CZK '000</u>	USD <u>CZK '000</u>	Others <u>CZK '000</u>	total <u>CZK '000</u>
Cash	14 737	50	163	0	14 950
Bank accounts	65 399	35 054	2 796	0	103 249
Short term securities	<u>9 251</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9 251</u>
Total	<u>89 387</u>	<u>35 104</u>	<u>2 959</u>	<u>0</u>	<u>127 450</u>

Diversification of payables according to currency and regions at 31 December 2008

	CZK <u>CZK '000</u>	EUR <u>CZK '000</u>	USD <u>CZK '000</u>	others <u>CZK '000</u>	total <u>CZK '000</u>
Domestic	3 705 454	926 952	0	0	4 632 406
EU	0	594 634	0	1 633	596 267
third country	<u>0</u>	<u>5 987</u>	<u>14 519</u>	<u>0</u>	<u>20 506</u>
Total	<u>3 705 454</u>	<u>1 527 573</u>	<u>14 519</u>	<u>1 633</u>	<u>5 249 180</u>

Analysis of assets and liabilities maturity at 31 December 2008

	till 1 month <u>CZK '000</u>	from 1 to 6 months <u>CZK '000</u>	from 6 to 12 months <u>CZK '000</u>	from 1 to 5 years <u>CZK '000</u>	over 5 years <u>CZK '000</u>	Total <u>CZK '000</u>
Cash	118 381	9 069	0	0	0	127 450
Environmental receivables	7 527	35 196	47 604	496 890	35 496	622 713
Other receivables	345 084	735 997	33 097	202 801	424 641	1 741 620
Loans	-17 096	-1 417 489	-346 965	-1 423 611	0	-3 205 161
Environmental payables	-7 527	-35 196	-47 604	-496 890	-35 496	-622 713
Other payables	-1 017 507	-976 503	-49 881	-129	0	-2 044 019

18 Taxation

The tax expense is comprised of:

	<u>2008</u> CZK '000	<u>2007</u> CZK '000
Current Income tax	- 1 026	457
Deferred income tax expense	- 22 838	-3 586
Additional tax return for previous periods	<u>0</u>	<u>0</u>
Total expense	<u>- 23 864</u>	<u>-4 043</u>



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The following deferred tax assets / (liabilities) originated from temporary differences between accounting and taxation recognition of assets and liabilities:

	<u>31 December 2008</u>		
	CZK '000		
	<u>Spolek pro chemickou a hutní výrobu</u>	<u>EPISPOL</u>	<u>Other companies in the Group</u>
Differences between accounting and tax book value			
of fixed assets	-64 833	-69 250	-4 362
Tax losses carried forward	28 019	44 773	2116
Non-deductible provisions	1 606	0	201
Non deductible part of impairment charges	18 273	0	511
Unused 10% allowances from purchased fixed assets	0	8 889	0
Insurance relates to employee bonuses	<u>0</u>	0	374
Deferred tax receivable (+) / payable (-)	<u>-16 935</u>	<u>-15 588</u>	<u>-1 160</u>

	<u>31 December 2007</u>		
	CZK '000		
	<u>Spolek pro chemickou a hutní výrobu</u>	<u>EPISPOL</u>	<u>Other companies in the Group</u>
Differences between accounting and tax book value of			
fixed assets	-65 851	-52 381	-4 292
Tax losses carried forward	53 122	28 795	0
Non-deductible provisions	0	0	342
Non deductible part of impairment charges	23 412	0	199
Unused 10% allowances from purchased fixed assets	0	8 889	0
Tax relief available *	<u>0</u>	<u>0</u>	<u>0</u>
Deferred tax receivable (+) / payable (-)	<u>10 683</u>	<u>-14 697</u>	<u>-3 751</u>

In 2008 the Company and the company EPISPOL started in booking of deferred tax, in financial statements the opening balance was corrected by the deferred tax.

In 2004, the Group (i.e. EPISPOL) was granted by the government corporate income tax relief up to a maximum of 346 million CZK relating to the construction of the new low epoxy resins production line. This relief can be utilised over a period of 10 years (see also Note 25). The company EPISPOL did for the first time book the deferred tax receivable because of high probability for not applying investment incentive in the form of remission of income tax in defined period.



Following amounts were used for calculation of deferred tax:

	<u>31 December 2008</u>	<u>31 December 2007</u>
	CZK '000	CZK '000
Deferred tax receivable	0	10 683
Deferred tax liability	<u>-33 683</u>	<u>-18 448</u>
	<u>-33 683</u>	<u>-7 765</u>

The deferred tax for 2008 was calculated using tax rates for 2010 (19%), for 2007 using tax rates for the year 2008, 2009 and 2010 (21%, 20% and 19%).

Deferred tax receivable and liability have been offset only when they relate to the same group company, within the consolidation Group there was no offset of these items. The final deferred tax was showed in financial statement as deferred tax liability or deferred tax payable.

As at 31 December 2008 the Group had available TCZK 457 688 of tax losses carried forward, which could be used to decrease the taxable income.

19 Related party transactions

The Group realized transactions with MAXIMA pojišťovna, a.s. Prague 6, Na dlouhém lánu nr. 508, postal code 160 00 (furthermore "Maxima") in 2008. Maxima is related company, this company owned 4,44% of shares of the Company and announced the concerted actions with the company Via Chem Group, a.s.

The Group concluded during the year 2008 insurance contracts with Maxima (together with further co-insurers participate in liability insurance of the Company), the total amount of insurance amount was TCZK 43 229, all of which were paid in 2008.

Shareholders, members of statutory representatives, management

Next to the bonuses, the Group paid liability insurance for management, statutory and supervisory board members. In 2008 the Company paid insurance in the amount of TCZK 382 (in 2007: TCZK 469).

Besides the above stated remuneration and benefits, there was no other consideration provided to the shareholders, members of the boards and management in 2008 and 2007 in monetary or natural form.

Dividends

The General Meeting of the Company decided about the dividends payout for the year 2007 In the amount of TCZK 49 831 on 7 July 2008. Till 31 December 2008 the amount TCZK 42 081 has been paid. The unpaid part is in the amount of TCZK 7 750. No dividends were paid for the year 2006.

20 Consolidated companies

	<u>Seat of the company</u>	<u>Note</u>
SYNPO, a.s. (96,78 %)	Czech Republic	the share purchased during 1994,1995, 2007 and 2008
EPISPOL, a.s. (90 %)	Czech Republic	founded in the year 2002
Oleochem, a.s. (100 %)	Czech Republic	acquired in the year 2008
STZ, a.s. (31,47 %)	Czech Republic	acquired in the year 2008
Spolpharma, s.r.o. (100 %)	Czech Republic	founded in the year 2006
SPOLCHEMIE, a.s. (100 %)	Czech Republic	founded in the year 1996
INFRASPOL, s.r.o. (100%)	Czech Republic	acquired in the year 2008
CHS Resins, a.s. (100%)	Czech Republic	acquired in the year 2008
Metal-Tech Cz, a.s. (20 %)	Czech Republic	founded in the year 2006

In 2008 the Company purchased 17 320 pieces of stocks of the company Synpo, a.s. through public sale, the share in this company increased and is in the amount of 96,78%.

The company Metal-Tech Cz, a.s. and STZ, a.s. were consolidated using the equity method of consolidation.

Using of equity method of consolidation the Group acquired stocks in equivalence in the amount of TCZK 81 637 (in 2007: TCZK 2 327).

The profit/loss in equivalence is TCZK -2 879 as at 31 December 2008 (in 2007: TCZK -340).

Other consolidated companies were consolidated using the full method of consolidation.

Further, the negative goodwill in the amount of TCZK 16 119 had arisen in 2008 from increase of share in the company SYNPO, a.s.(in 2007: TCZK 2 587). This goodwill will be linear depreciated to revenues for 20 years, net book value of goodwill as at 31 December 2008 is TCZK 15 552 (in 2007: TCZK 2 544), the amount of depreciation in 2008 was TCZK 524 (in 2007: TCZK 43).

Further there had arisen goodwill from the acquisition of following companies in 2008:

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	<u>goodwill:</u>	<u>CZK '000</u>
Oleochem, a.s. (100 %)	positive	197 690
STZ, a.s. (31,47 %)	positive	30 496
INFRASPOL, s.r.o. (100%)	negative	-199
CHS Resins, a.s. (100%)	positive	<u>500</u>
Total		228 487

These goodwill were depreciated into expenses/revenues in a whole amount in the year 2008.

The total impact of goodwill depreciation to profit/loss of current period was in the amount of TCZK -227 963.

21 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	<u>2008</u>	<u>2007</u>
Net profit (+) / loss (-) (in CZK '000)	- 220 983	284 687
Number of ordinary shares in issue, without own shares	3 529 692	3 529 692
Basic profit / loss per share (in CZK)	- 62,6	80,7

Diluted earnings per share are the same as basic earnings per share.

22 Research and development

The Group incurred only internal research and development expenditures during 2008 in the amount of TCZK 19 158 (2007: TCZK 18 963).



23 Capital covenants

The Group has concluded significant contracts for fixed assets purchases and improvements. Obligations from those contracts are not included in the balance sheet.

	<u>Supposed future expenditures</u>	<u>Expenditures till 31 December 2008</u>
	CZK '000	CZK '000
Membrane electrolysis	1 148 613	151 387
Desulphurization of technological water	337 821	2 179
Intensification of production of Epichlorhydrin	85 000	5 651
Unit Ecopor	196 735	3 265
New production line of Alkyds	57 915	37 427
New production line of Ionex dian	384 024	65 976
Advance working on project Malaysia	<u>27 700</u>	<u>81 463</u>
Total	<u>2 237 808</u>	<u>347 348</u>

24 Contingencies

Ecological undertakings

Redressing the effects of prior environmental contamination - described in Note 12.

Liability to Komerční banka, a.s., Citibank, a.s., BAWAG Bank CZ a.s., UniCredit bank, a.s., Raiffeisenbank, a.s.

To cover of borrowings from these bank the Company pledged on the benefit industrial buildings, lands and administration building included, in the total net book value TCZK 330 923 (in 2007: TCZK 160 877), and technology in the amount of TCZK 210 578 (in 2007: TCZK 329 273).

Other contingencies

The Company provided liability for contingent future payables of the company SETUZA, a.s. and Český olej, a.s. for the situation of providing of not-allowed public support by the Czech Republic to the company SETUZA, a.s. and/or Český olej, a.s. in 2007. It is difficult to quantify the amount of liability. Regarding to the valuation of receivable to the company SETUZA, a.s. according to the expert opinions prepared by the prestigious institutions for Česká konsolidační agentura and Podpůrný a garanční rolnický a lesnický fond, the probability of fulfilment is zero. For this reason the provision relates to this risk was not created.

As forms of collateral the Company issued blank bills of exchange to secure loans up to the amount drawing, foreign bankers' drafts up to TCZK 7 000 and letters of credit and bank guarantees.

The Company issued a bill of exchange for TCZK 25 000 for the benefit of Severočeské vodovody a kanalizace, a.s. This bill of exchange would become mature if the Company withdraws from its contract with Severočeské vodovody a kanalizace, a.s. by 16 August 2009.

The Company is not a defendant in any significant lawsuits incidental to its business. Current liabilities incurred from lawsuit are stated in the Balance sheet.

The Company concluded contract for coverage of credit risk with deferred maturity. The contract may bring future income to the Company from assets, if there have not been realised the financial risk from loan in nominal value million CZK 216, granted by PPF banka a.s. to the company STZ Development a.s. on 14 December 2007. The deal will be settled on 30 November 2012. By reason of low probability of fulfilment of the company for reasons of default of liabilities of the company STZ Development a.s., the provision for transfer of risk itself was not created.

The Company has in its evidence the law-suit about the invalidity of extraordinary General Meeting from the date 17 August 2007, by which the Company decided about the transfer of book-entry form of stock to stock certificates, with the exception of law-suits about the invalidity of General Meeting described in point 8. The law-suit was entered on 19 November 2007. In this law-suit acted Regional Court in Ústí nad Labem and the law-suit was dismissed on 29 August 2008. Prosecutors lodged an appeal on the decision of Regional Court in Ústí nad Labem on 29 September 2008 to the High Court in Prague. About this appeal no decision has been acted yet.

The management of the Company is not aware of any significant undisclosed contingent liabilities as at 31 December 2008.

25 Investment incentives

In June 2002 the Group (EPISPOL, a.s.) submitted a request for investment incentives to the Czech Ministry of Trade in respect of construction of a low-molecular epoxy resins production facility.

In May 2003, the Group received a commitment for investment incentives from the Ministry of Trade. The Group is entitled to utilise investment incentives in the form of tax relief in the amount of 50% of the fixed asset investment, up to million CZK 346. In order to qualify for such tax relief, the Group must undertake the following:

- Put into operation the new low-molecular epoxy resins production facility, with a minimum level of investments into tangible and intangible fixed assets of mio CZK 100.
- The Group must operate this production facility over the period of tax relief, and, at least, for a five year period since the commencement of operations.

The Group put the low-molecular epoxy resins production facility into operation by the end of 2004. Due to tax loss of EPISPOL, a.s., the tax relief available was not utilised by the Group in years 2008, 2007, 2006, 2005 and 2004.

26 Subsequent events

On 11 March 2009 the whole 9% own share, it means 349 124 pieces, has been sold through the securities trades at the price TCZK 91 121.

At the beginning of the year 2009 the management of the Company reacted to deepening worldwide financial crisis by receiving of concrete steps, which should stabilized the Company. These steps have been headed into following areas:

1. decrease of personnel expenses
2. analysis and revision of contractual relations
3. decrease of maintenance expenses
4. investment limitation
5. sale of useless fixed assets
6. mergence of infrastructural services for more companies in the Group
7. meetings with agencies of government about the business support

To the realization the Company instituted the workgroup consist of members of organs and management of the Company.

Based on actual financial situation, all financing bank are participating knowingly on stabilization process of the Company based on resolution from the date 21 April 2009.

No events have occurred subsequent to the year-end that would have a material impact on the financial statements as at 31 December 2008.

Approval of consolidated financial statements

The consolidated financial statements have been approved by the Board of Directors and signed behalf.

In Ústí nad Labem, on 30 April 2009

Ing. Martin Procházka
Chairman of the Board of Directors

Ing. Jan Šrubař
Vice-chairman of the Board of Directors

The report was prepared by:

Spolek pro chemickou a hutní výrobu, akciová společnost
with its registered office at **Ústí nad Labem, Revoluční 1930/86, Postal Code 400 32, ID No. 00011789** (hereinafter referred only as “Spolek” or “the reporting entity”)

1. The list of controlling entities and their positions in relation to the reporting entity

Via Chem Group, a.s. with its registered office at Praha 5, Plzeňská 155/113, Postal Code 150 00, ID No. 26694590.

Reason for its status as controlling entity:

The company Via Chem Group, a.s. owns 62,62% share on rights to vote of the reporting entity.

The 100% owner of Via Chem Group, a.s. is EURO CAPITAL ALLIANCE LTD with the registered office at 1315 Finch Ave, West, Suite 306, Toronto, Ontario, Canada, M3J 2G6 Canada.

2. List of other entities controlled by the entity controlling the reporting entity:

The company **Via Chem Group, a.s.** controlled:

<u>Legal entity</u>	<u>ID No.</u>	<u>Share in %</u>	<u>from - to</u>
Spolek pro chemickou a hutní výrobu, akciová společnost, Ústí nad Labem, Revoluční 1930/86, postal code 400 32	00011789	62,62	1.1.2008-31.12.2008
STZ Development, a.s. Ústí nad Labem, Střekov, Žukovova 100, postal code 40129	27904202	100	12.4.2008-31.12.2008
STZ, a.s. Ústí nad Labem, Střekov, Žukovova 100, postal code 40129	27294099	100	1.8.2008-9.12.2008
STZ, a.s. Ústí nad Labem, Střekov, Žukovova 100, postal code 40129	27294099	68,53	9.12.2008-31.12.2008
Oleofin, a.s., Praha 2, Anglická 140/20, postal code 12000	27167658	100	29.8.2008-31.12.2008
Oleofin HC, a.s. Ústí nad Labem, Revoluční 1930/86, postal code 40032	28361881	100	1.1.2008-31.12.2008
HC Slovan Ústí a.s. Ústí nad Labem, Masarykova 232	25019058	61	1.1.2008-31.12.2008

3. The list of otherwise related entities

MAXIMA pojišťovna, a.s., Praha 6, Na dlouhém lánu 508, postal code 160 00

This company was owner of 4.44% of stock of the Company as at 31 December 2008. The company announced the concerted actions with the company Via Chem group, a.s. on General Meeting on 7 July 2008.

4. List of entities controlled by the entity which controls the entity controlling the reporting entity (EURO CAPITAL ALLIANCE LTD.)

The company EURO CAPITAL ALLIANCE LTD. controlled:

<u>Legal entity</u>	<u>ID No.</u>	<u>Share in %</u>	<u>from - to</u>
Via Chem Group, a.s., Praha 5, Plzeňská č.p. 155/113, postal code 150 00	26694590	100%	1.1.2008-31.12.2008
EURO CAPITAL ALLIANCE a.s., Praha 6, Na dlouhém lánu 508/41, postal code 160 00	26484919	87,5%	1.1.2008-10.12.2008
EURO CAPITAL ALLIANCE a.s., Praha 6, Na dlouhém lánu 508/41, postal code 160 00	26484919	98,11%	10.12.2008-31.12.2008
ENERGO SOURCE ALLIANCE a.s., České Budějovice, Rudolfovska 113, postal code 370 01	26256509	100%	1.1.2008-31.12.2008

5. Contracts, arrangements, its advantages or disadvantages

Between Spolek and controlling entity or related entities were not concluded agreements during the accounting period 2008, that's why there were not afforded any mutual fulfilment, except below mentioned contracts:

- Contract about the stock subscription from 7 November 2008 concluded between the STZ, a.s. and the Company. The Company subscribed 1 128 pieces of stock of the company STZ, a.s. from total 3 564 pieces, which were newly issued, the issue price was in the amount of TCZK 112 800.
- Assignment of claims contract concluded between the Company and STZ Development, a.s. in nominal value 400 million CZK. As the interest rate for this receivable was used average yearly rate 1 year PRIBOR increased by 2,5%.
- The Company acquired the receivable to the company STZ, a.s. in the amount of TCZK 70 000.
- On 7 November 2008 the Company concluded settlement agreement with the company STZ, a.s. According to this contract, companies offset claims from subscription of registered capital in accordance with the Contract about the stock subscription between the Company and company STZ, a.s.
- On 1 July 2008 the Company concluded the contract of sale of stocks with the company Oleofin, a.s., by which the Company acquired 20 pieces of stocks of the company Oleochem, a.s. at the price TCZK 200 000.
- The Company gave a guarantee for the company Oleofin, a.s. to the company VA INTERTRADING Aktiengesellschaft, Austria, which is the material supplier of the company Oleofin, a.s. The amount of guarantee is up to the TEUR 500.
- Two advertising contracts with the company HC SLOVAN ÚSTÍ a.s. in total volume of 15 million CZK, for the period of ice-hockey season 2008/2009.

During the course of the accounting period, no legal acts were performed for the benefit of the controlling entity or related entities by Spolek.

During the accounting period, Spolek did not take or realize any other measures in the interest in the controlling entity or related entities.

During the accounting period, Spolek did not take or realize any other measures at the instigation of the controlling entity or related entities.


Spolek – MAXIMA pojišťovna, a.s.

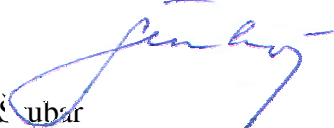
The Company concluded during the year 2008 with insurance company MAXIMA (by several contract together with another insurance companies as co-insurer) Insurance contracts based on them the the insurance expenses were in the amount of TCZK 42 877.

The Company did not concluded any Controlling contract with controlling entity or related entities..

The Board of Directors declares that the controlled entity did not suffer any harm as a result of the above agreements, the above other acts.

In Ústí nad Labem, on 31 March 2009


Ing. Martin Procházka
Chairman of the Board of Directors


Ing. Jan Šubr
Vice-chairman of the Board of Directors