

The main components of the Company's tax expense for the year ended December 31st 2009 and for the year ended December 31st 2008 are as follows:

PLN '000	Year ended Dec 31 2009	Year ended Dec 31 2008
Corporate income tax	84,239	98,150
Deferred tax	113,557	(245,274)
Tax included in the acquisition price of non-current assets	-	32,839
Total tax	197,796	(114,285)
Income tax expense recognised in the statement of comprehensive income	197,796	(114,285)
Income tax expense recognised in the statement of changes in equity	-	-

Current portion of the income tax was calculated at the rate of 19% of the tax base.

The difference between the tax amount disclosed in the statement of comprehensive income and the amount calculated by applying the tax rate to pre-tax profit results from the following items:

PLN '000	Year ended Dec 31 2009	Year ended Dec 31 2008
Pre-tax profit/(loss) of companies subject to 19% tax rate	1,047,841	(458,331)
Income tax expense at the rate of 19%	199,090	(87,083)
Tax effect of revenue/income not classified as revenue/income under tax regulations	(117,541)	(44,846)
Tax effect of expenses which are	114,941	132,368

non-deductible under tax regulations		
Tax effect of tax losses deducted in period	(65,751)	(29)
Tax effect of tax losses incurred in 2,761 period	125,301	
Tax effect of interest in investments in associated undertakings	(1,563)	(5,045)
Other	(11,145)	(12,190)
Total	120,792	108,476
Income tax disclosed in the statement of changes in equity	88	-
Tax on dividends	-	202
Adjustments disclosed in current year related to tax for previous years	(29)	(1,113)
Income tax expense of companies subject to 19% tax rate	120,851	107,565
Tax effect of foreign operations ⁽¹⁾	(36,612)	(9,415)
Total income tax disclosed in the statement of comprehensive income	84,239	98,150
Pre-tax profit/(loss) of foreign operations subject to 28% and 50% tax rate	61,767	(45,369)
Revenue/income not classified as revenue/income under tax regulations	(16,707)	(14,223)
Expenses which are non-deductible under tax regulations	(179,386)	(46,446)
Other differences	(3,669)	(3,487)

Tax base – taxation at the tax rate of 28%	(137,995)	(109,525)
Tax credit in connection with higher depreciation of assets	(44,674)	(20,106)
Other	(9,451)	13,466
Tax base – taxation at the tax rate of 50%	(192,120)	(116,165)
Income tax at the rate of 28%	(38,639)	(30,667)
Income tax at the rate of 50%	(96,060)	(58,083)
Accrued tax loss carry-forward	96,460	79,321
Other differences	1,627	14
Tax effect of foreign operations ⁽¹⁾	(36,612)	(9,415)
Corporate income tax receivable	131,299	199,971
Expected tax refund ⁽¹⁾	131,299	199,971
Corporate income tax payable	11,867	8,069
Income tax expected to be paid	11,867	8,069

⁽¹⁾ The Parent Undertaking offset corporate income tax in the amount of PLN 177,252 thousand against output VAT payable in 2009 and 2010.

As at December 31st 2009 and December 31st 2008, the net deferred tax assets (liabilities) comprised the following items:

PLN '000	Dec 31 2009	Dec 31 2008
Deferred tax assets:		
Provision for employee benefits	18,903	19,412
Difference between present tax and	28,454	23,643

accounting value of property, plant and equipment and intangible assets			
Impairment losses on inventories	1,531	40,108	
Impairment losses on property, plant and equipment and intangible assets	11,036	113	
Negative valuation of derivatives	41,875	29,339	
Accrued tax loss carry-forward	269,653	127,189	
Impairment losses on receivables	20,772	16,002	
Finance lease	15,729	183	
Difference between oil rig decommissioning provision and asset	10,932	8,055	
Other		26,221	82,652
Total deferred tax assets		445,106	346,696
Deferred tax liabilities:			
Difference between present tax and accounting value of property, plant and equipment and intangible assets	351,652	189,374	
Positive valuation of derivatives	10,508	20,635	
Capitalised borrowing costs	19,009	10,794	
Finance lease	16,452	180	
Other		32,774	3,901
Total deferred tax liabilities		430,395	224,884
Net deferred tax assets/(liabilities)	14,711		121,812
As at December 31st 2009, asset related to accrued tax loss carry-forward in the amount of PLN 88 thousand was recognised in the statement of changes in equity.			

Since the Group companies are separate taxpayers, deferred tax assets and deferred tax liabilities are calculated at each company individually. Deferred tax assets and deferred tax liabilities are offset by the Group companies. Consequently, consolidated balance-sheets

present deferred tax assets and liabilities as follows:

PLN '000	Dec 31 2009	Dec 31 2008
Deferred tax assets:	74,267	132,223
Deferred tax liabilities:	(59,556)	(10,411)
Net deferred tax assets/(liabilities)	14,711	121,812

Taxable temporary differences are expected to expire in 2010–2085.

As at December 31st 2009, the value of losses with respect to which no deferred tax assets were recognised in the balance sheet amounted to PLN 43,012 thousand (December 31st 2008: PLN 31,527 thousand).

This is a translation of a document originally issued in Polish