

SUPPLEMENTARY NOTES

1. *Information on financial instruments.*

1.1. *With regard to all financial assets and liabilities, the financial instruments are to be reported at least in a breakdown into:*

- a) *marketable financial assets,*
- b) *marketable financial liabilities,*
- c) *loans granted and own receivables,*
- d) *financial assets maintained until their maturity date,*
- e) *financial assets available for sale,*
 - *by providing the status as of the beginning of the period, increases and decreases including specification of the titles as well as the status as of the end of the period including division into the individual groups of assets and liabilities in accordance with the division assumed in the balance sheet.*

Marketable financial assets – derivative instruments.

In thousand PLN	Opening balance	Increase	Decrease	Closing balance
Liabilities:				
Short-term liabilities including:	0	106	0	106
- other financial liabilities				

Valuation of forward contracts as of 31st December 2008 debited financial costs.

1.2. *Additionally, with regard to all financial assets and liabilities in a breakdown into the categories of financial instruments provided in section 1.1 and entailing the division into the groups (classes) of financial assets and liabilities:*

1.2.1. *The following is to be reported:*

- a) *basic characteristics, amount and value of the financial instruments including description of all crucial conditions and deadlines which may influence the volume, distribution in time and certitude of the future cash flows, and with reference to the derivative instruments particularly the following:*
 - *scope and nature of the instrument,*
 - *purpose of the instrument acquisition or disposal – e.g. securing,,*
 - *amount (value) being the basis for the future payments calculation,*
 - *total amount and date of the future cash revenues or payments,*
 - *date of the setting prices, maturity, expiration or execution of the instrument,*
 - *possibilities of premature clearance – period or date – if any,*
 - *price of price range for the instrument execution,*
 - *possibilities or replacement or conversion into another assets or liabilities component,*
 - *fixed rate or amount of interest, dividends or other revenues and their due date,*
 - *additional means of security related to the given instrument assumed or lodged,*

- *all the aforementioned information also for the instrument with which the given instrument can be replaced,*
- *other conditions relevant for the given instrument,*
- *type of risk involved in the given instrument,*
- *total amount of the existing liabilities due to the instrument items engaged.*

The Company uses derivative instruments of the forward nature. They are assumed to secure the profitability planned for the contracts concluded and the orders accepted against the exchange rate risk.

As of the financial statements date, the Company has the outstanding forward contracts for acquisition of foreign currency. The contracts will be cleared on 30th January 2009 and 13th February 2009.

- b) *description of the methods and crucial assumptions applied for determination of the fair value of financial assets and liabilities evaluated in accordance with such a value,*

The FORWARD transactions are evaluated in accordance with the fair value which may have been attained provided that such a transaction had been totally cleared on 31st December 2008.

The fair value of the forward contracts as of 31st December 2008 amounts to 106 thousand PLN.

Valuation of the forward contracts as of 31st December 2008 debits the financial costs.

- c) *description of the manner of reporting effects of revaluation of the financial assets included in the category of those available for sale, i.e. whether they are entered to financial revenues or costs or capital from revaluation as well as the amounts entered to the capital or deducted from it,*

Not applicable

- d) *explanation of the assumed principles of entering financial instruments acquired at the regulated market into the books of accounts,*

Not applicable

- e) *information on the degree of exposure to the interest rate risk and in particular the following information:*

- *premature date of redemption or revaluation date resulting from an agreement*
- *effective interest rate, if its determination is legitimate*

Not applicable

- f) *information on the degree of exposure to the credit risk and in particular the following information:*

- *estimated maximum amount of the loss the entity is at risk of incurring, not entailing the fair value of any securities assumed or provided, in the event of the creditor's failure to meet the relevant obligations*
- *concentration of the credit risk*

Not applicable

1.2.2. With regard to the financial assets being available for sale or marketable, evaluated at a corrected purchase price, if there are no possibilities of reliable determination of the assets' fair value, the balance sheet value is to be provided as well as the reasons why it is not possible to reliably determine the assets' fair value and – if possible – definition of the limits of the range which may contain the fair value of the instruments in question,

Not applicable

1.2.3. With regard to the financial assets and liabilities not evaluated at their fair value, the following is to be reported:

- a) data of their fair value; if it is reasonable that the fair value of such assets or liabilities has not been determined, this fact is to be revealed and the basic characteristics specified for the financial instruments which would otherwise be evaluated at the price set at the regulated market where the financial instruments are publicly traded, and the information on the said price is generally available,*

Not applicable

- b) if the fair value of the financial assets and liabilities is lower than their balance sheet value – the balance sheet value and the fair value of the given component or a group of components, reasons for abandoning write-offs for their balance sheet value and substantiation of the conviction that it is possible to recover the value reported in the full amount,*

Not applicable

1.2.4. In the case of an agreement as a result of which the financial assets are converted into securities or a repurchase agreement, then for each transaction individually the following is to be reported:

- a) nature and value of the transactions concluded including description of the guarantees and collaterals received or granted, data required to calculate the fair value of the interest revenues related to the agreements concluded within the given period and the transactions concluded in the previous periods, both completed and uncompleted within the given period,*

None

- b) information on the financial assets excluded from the books of accounts,*

None

- 1.2.5. *In the event of requalification of the financial assets evaluated at the fair value into assets evaluated at the corrected purchase price, the reasons for the change of the evaluation principles are to be specified,*

Not applicable

- 1.2.6. *If write-offs have been made due to permanent loss of value of financial assets or in relation to cessation of the reasons for which such write-offs have been made, the value of the assets component has been increased, the amounts of the write-offs increasing and decreasing the financial assets value are to be reported,*

Not applicable

- 1.2.7. *With regard to debt financial instruments, loans granted or own receivables, the revenues from the interest calculated on application of the interest rates resulting from the contracts concluded are to be reported in a breakdown into the assets categories to which the interest applies, however, the interest charges due and received within the given period and the interest charges due but not received are to be stated separately. The interest charges not received are to be reported in a breakdown into the maturity dates:*

- *up to 3 months*
- *above 3 months and up to 12 months*
- *above 12 months*

Not applicable

- 1.2.8. *With regard to the write-offs made for the loans granted or own receivables in virtue of permanent loss of their value, the interest charges from these receivables which have not been received are to be reported*

Not applicable

- 1.2.9. *With regard to financial liabilities, costs are to be reported in virtue of the interest charges from these liabilities calculated by application of the interest rates resulting from the relevant agreements concluded, in a breakdown into the costs of interest related to the liabilities reported as marketable, other short-term financial liabilities and long-term financial liabilities; the costs of the interest charges due and incurred are to be reported separately from the costs of the interest charges due but not actually incurred. The interest charges not incurred are to be reported in a breakdown into the maturity dates:*

- *up to 3 months*
- *above 3 months and up to 12 months*
- *above 12 months*

Not applicable.

1.2.10. *Information concerning the objectives and principles of managing financial risk is to be provided entailing the division into means of securing fair value, cash flows and shares in net assets of foreign entities, and furthermore, information comprising at least the following:*

- a) *description of the type of security,*
- b) *description of the hedging instrument and its fair value,*
- c) *characteristics of the type of risk being secured,*

Not applicable

1.2.11. *In the event of securing a transaction planned or future liability of increased probability, the information concerning the objectives and principles of the financial risk management is to be provided entailing the division into securing of basic types of the transactions planned or the future liabilities of increased probability, and furthermore, information comprising at least the following:*

- a) *description of the item being secured including the projected period for the transaction planned to take place or the future liability to occur,*
- b) *description of the hedging instruments applied,*
- c) *amounts of all the deferred or undue incomes or losses and the expected date of their being recognised as financial revenues or costs.*

Not applicable

1.2.12. *If the profits or losses from revaluation of the hedging instruments, both constituting derivative financial instruments and the assets or liabilities of a different nature in the event of securing cash flows, have been reported as the capital from revaluation, the following is to be reported:*

- a) *amounts of write-offs increasing and decreasing the capital from revaluation,*
- b) *amounts deducted from the capital from revaluation and set off against financial revenues or costs,*
- c) *amounts deducted from the capital from revaluation and added to the purchase price or otherwise calculated initial value as of the date of booking the assets or liabilities component which, by that date, had been covered by a transaction planned or constituted a future liability of increased probability subject to securing,*

Not applicable

2. *Data concerning the off-balance-sheet items, particularly the conditional liabilities including the guarantees and collaterals granted by the Issuer (avals as well) with separate reporting of those granted to the associate entities.*

As of 31st December 2008, the total conditional liabilities amounted 1,799 thousand PLN including:

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|--------------------------------------------------|--------------------|
| – liabilities secured by assets (other entities) | 1,799 thousand PLN |
|--------------------------------------------------|--------------------|

3. *Data concerning the liabilities towards the state budget or territorial government units in virtue of obtaining the right of ownership for buildings and structures.*

None.

4. *Information concerning the revenues, costs and results of activity discontinued in the period in question or projected to be discontinued in the next period.*

Not applicable.

5. *Cost of making fixed assets under construction and fixed assets for the entity's own needs.*

2007	4,057 thousand PLN
2008	247 thousand PLN

6. *Investment expenditures incurred and planned to be incurred within the next 12 months from the balance sheet date including non-financial fixed assets in a breakdown into the expenditures incurred and planned for environmental protection.*

The investment expenditures incurred in 2008 came to 247 thousand PLN

Total investment expenditures planned for the year 2009 amounts to 1,500 thousand PLN.

The Company assumes to finance the planned investments from funds gained from disposal of items of tangible fixed assets.

- 7.1. *Information on the Issuer's transactions with the associate entities concerning transfer of rights and liabilities.*

None.

- 7.2. *Numerical data related to the associate entities concerning:*

- mutual liabilities and receivables,*
- costs and revenues from mutual transactions,*
- other data required to draw up consolidated financial statements,*

None.

- 7a. *Information concerning the nature and economic purpose of the agreements concluded by the Issuer not reported in the balance sheet in the scope necessary to assess their influence on the property and financial standing as well as the financial result attained.*

Not applicable.

7. *Information concerning joint ventures not subject to consolidation including:*

- name and scope of activity of the joint venture,*
- percentage share,*

- c) *share of the jointly controlled tangible fixed assets components, intangibles and legal values,*
- d) *liabilities incurred for the purposes of the venture or for purchase of used tangible fixed assets components,*
- e) *share of the liabilities incurred jointly,*
- f) *revenues attained from the joint venture and the related costs,*
- g) *conditional and investment liabilities related to the joint venture.*

None.

8. *Information concerning the average employment in a breakdown into vocational groups.*

The average employment in the 2008 year was 372 persons. Out of the total average employment of 372 persons, 78 persons were employed at white collar positions and 294 persons – at blue collar positions.

The average employment in the Company, in accordance with the classification of professions and specialisations, was as follows:

MANAGERS OF MEDIUM-SIZE ORGANISATIONS: including: Management Board	3
Chief Accountant	1
Technical Service and Production Manager	2
Managers and deputy managers of departments	19
TRADE UNION ACTIVISTS	2
SPECIALISTS (financial economist, process engineers, human resources specialist)	13
MIDDLE LEVEL PERSONNEL (including foremen)	35
OTHER SPECIALISTS (tradesmen)	7
OFFICE WORKERS	11
SALESMEN	4
METAL PROCESSING LABOURERS AND MACHINE MECHANICS (including electricians)	38
TEXTILES PRODUCTION WORKERS	33
MACHINERY OPERATORS IN TEXTILE INDUSTRY	172
AUXILIARY WORKERS IN TEXTILE INDUSTRY AND EXTERNAL TRANSPORT	32
Total	372

9. *Information concerning the total value of remuneration, awards and benefits including those resulting from the incentive or bonus programmes based on the Issuer's capital, including the programmes based on bonds with the right of priority, convertible bonds, subscription warrants (in cash, in kind or in any other form), paid, due or potentially due individually to every person performing managerial or supervisory function at the Issuer's enterprise, regardless of whether they were accordingly credited as costs or resulted from the profit division; should the Issuer be a predominant entity or a significant investor, the information concerning the values of the remuneration and awards received in virtue of performing functions in the managing bodies of subsidiaries, joint subsidiaries or associate entities is to be provided individually.*

The total remuneration paid to the Management Board of Zakłady Lniarskie "Orzeł" S.A. for the 2008 year came to 671,622.00 PLN including:

1. Marek Błażków	total	201,500.00
	basic salary	155,000.00
	employment termination severance pay	46,500.00
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2. Krzysztof Sierka	total	117,000.00
	basic salary	78,000.00
	employment termination severance pay	39,000.00
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3. Józef Pradela	total	145,600.00
	basic salary	112,000.00
	employment termination severance pay	33,600.00
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4. Jacek Golonka	total	143,000.00
	basic salary	104,000.00
	employment termination severance pay	39,000.00
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5. Rafał Czupryński	total	34,565.00
	contract salary	34,565.00
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6. Marcin Szawłowski	total	29,957.00
	contract salary	29,957.00
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The remuneration of the Management Board Members resulted from the employment agreements and management contracts concluded.

The remuneration of the Supervisory Board in the 2008 year came to 197,103.66 PLN, including:

1. Cegliński Jan	28,970.12
2. Czepiel Dariusz	9,218.78
3. Czupryński Rafał	38,050.31
4. Cichorski Tomasz	15,999.55
5. Jagiello-Szostak Magdalena	15,999.55
6. Jaszczyński Krzysztof	25,165.92
7. Klęczar Jacek	12,906.28
8. Smagała Piotr	9,218.78
9. Szablowski Marcin	38,050.31
10. Thomas David	3,524.06

The remuneration of the Supervisory Board Members is established by the General Shareholders' Meeting.

The basis for calculation of the remuneration is the average salary as of the end of the given month being the last month in the quarter which is then multiplied by 1.0 (for remuneration of the Chairman of the Supervisory Board) or 0.8 (for remuneration of other Members of the Supervisory Board).

10. *Information concerning the values of unpaid advance payments, credits, loans, guarantees, collaterals or other agreements resulting in occurrence of receivables due to the Issuer, its subsidiaries, joint subsidiaries and associate entities including information on the conditions of interest and redemption of the amounts due, granted by the Issuer within the Issuer's enterprise and separately in the enterprises owned by its subsidiaries, joint subsidiaries and associate entities (respectively for each group), to the persons performing managerial or supervisory functions (respectively for the persons performing managerial or supervisory functions and for their spouses, relatives and kin up to the second degree, adoptees or adopters as well as other persons with whom they are personally connected) including the conditions of interest and redemption of the amounts due.*

In the 2008 year, neither the persons performing managerial or supervisory functions at the Company nor their spouses or relatives as well as the Company's employees were granted any loans or credits.

11a. *Information concerning:*

- a) *date of the Issuer's conclusion of an agreement with an entity authorised to review the financial statements concerning performance of the financial statements review and the effective period of the agreement,*
- b) *remuneration for the expert auditor or the entity authorised to conduct the financial statements review paid or due for the financial year in question, separately for:*
 - *review of the financial statements,*
 - *other certification services including review of the financial statements,*
 - *tax consultancy services,*
 - *other services,*
- c) *the information referred to in point b) is also to be provided for the preceding financial year.*

On 23rd June 2008, an agreement was concluded with PKF CONSULT Sp. z o.o. with its registered office in Warsaw, Western Regional Department, covering performance of:

- review of the mid-year financial statements drawn up as of 30th June 2008,
- examination of the annual financial statements drawn up as of 31st December 2008.

The remuneration for the entity authorised for the financial statements review in virtue of provision of the aforementioned services was 8,000.00 PLN for the review and 14,000.00 PLN for the examination (in 2007, 0.00 PLN and 15,000.00 PLN respectively).

11. Information on significant events concerning previous years and included in the financial statements for the current reporting period.

None

12. Information on significant events which occurred after the balance sheet date not reported in the financial statements.

On 9th January 2009, the Extraordinary Shareholders' Meeting resolved about increasing the Company's share capital by issuing 16,000,000 new series F common bearer shares under private subscription with exclusion of the stock right, purposed for EVIP Progress S.A. based in Warsaw.

EVIP Progress Spółka Akcyjna subscribed the shares on 19th January 2009 at the price of 0.10 PLN per share. The issue has been fully paid up.

In January 2009 a frame dryer by Unitech purposed for fabrics. The dryer replaced an old exploited machine and owing to reheaters it enables processes in high temperatures. The machine provides two functions: the first primary one means drying fabrics after wet processes, and the other one high-temperature treatments enabling to perform various types of coatings, such as: teflon, slow-burning coating, water-proof coating, etc. Due to the machine Z.L. "Orzeł" S.A. is able to introduce new products in to the market.

In January 2009 an agreement was signed with the DuPont entity for use of a trademark to manufacture fabrics coated with teflon. Furniture branch will be the primary purpose of these type fabrics.

In January 2009 new incentive bonus program was introduced for employees of the Sales and Marketing Department, enabling individual evaluation of effects. The program covers conditions to define goals to be carried out by a particular tradesman including system of prizes.

The composition of the Supervisory Board was changed, and the Company notified on that in the running reports: No. 8 dated 23.01.2009, No. 10 dated 26.01.2009 and 30.01.2009, as well as in the running report No. 25 of 17.03.2009.

From 19th March 2009 the composition of the Supervisory Board of Z.L. "Orzeł" S.A. is, as follows:

David Thomas	-	Chairman
Piotr Mroczkowski	-	Deputy Chairman
Magdalena Jagiełło-Szostak	-	Secretary
Tomasz Cichorski	-	Member
Filip Pluciński	-	Member

On 23rd March 2009 an agreement for performance of the function of the Issuer's promoter was concluded with Powszechna Kasa Oszczędności Bank Polski S.A. Oddział - Dom Maklerski PKO Bank Polski Branch – Brokerage House of Bank Polski) in Warsaw. The agreement has come into force from 31st March 2009.

Considering activities undertaken by the Management Board, the Plant Collective Agreement binding in the Company will be modified in the 2009 year.

13. *Information concerning the relationships between the legal predecessor and the Issuer as well as the manner and scope of the assets and liabilities takeover.*

Transformation of a state-owned enterprise into a state-owned joint stock company and then contribution of shares to the National Investment Fund.

14. *Financial statements and comparable financial data, at least with reference to the basic balance sheet items and the profit and loss statement, corrected by application of the appropriate inflation index including specification of the index source and the methods of its application, assuming the previous financial statement period as the base period, if the accumulated average annual inflation rate for the past three years of the Issuer's activity reached or exceeded the level of 100%.*

Within the past tree years, the accumulated average annual inflation rate neither reached nor exceeded the level of 100%.

15. *List and explanation of the differences between the data reported in the financial statements and comparable financial data, and the previously published financial statements.*

None.

16. *Changes of the applicable accounting principles (policy) and the manner of drawing up the financial statements as compared with the financial year(s), their reasons, titles and influence of the resulting financial effects on the property and financial standing, liquidity and financial results as well as profitability.*

In the 2008 year, there were no changes in the applicable accounting principles and the manner of drawing up the financial statements.

17. *Corrections of the fundamental errors introduced, their reasons, titles and influence of the resulting financial effects on the property and financial standing, liquidity and financial results as well as profitability.*

No corrections introduced.

18. *In the case of uncertainty with regard to the options of continuing the economic activity, description of the uncertainty factors and statement whether such uncertainty occurs and whether the financial statements contain any related errors (the information should also comprise a description of the actions undertaken or planned by the Issuer to eliminate the uncertainty).*

As of the financial statements date, no circumstances indicating any risks for the activity continuation were known.

19. *In the case of a financial statements drawn up for the period in which a merger took place, indication that the financial statements were prepared after the companies' merger and indication of the merger method applied (acquisition, combining shares):*
- *in the case of settlement by acquisition – name (company) and description of the subject of activity of the company taken over, number, nominal value and type of the shares (stocks) issued for the sake of merger, target price, net value of shares in accordance with the fair value of the company taken over as of the merger date, the company goodwill and description of the its depreciation principles, or*
 - *in the case of settlement by combining shares – name (company) and description of the subject of activity of the companies which, as a result of the merger, were erased from the register, number, nominal value and type of the shares (stocks) issued for the sake of merger, revenues and costs, profits and losses as well as changes in the joint companies' equity capital for the period within which the merger took place starting from the financial year beginning until the merger date.*

Not applicable.

20. *In the case of not having applied the method of property rights to evaluation of the shares and stocks in the subsidiaries in the financial statements, the effects which would have been caused by its application as well as the influence on the financial results attained are to be discussed.*

Not applicable.

21. *If the Issuer does not prepare consolidated financial statements, the supplementary notes to the financial statements should comprise explanation of the legal grounds for the fact of not having prepared the consolidated financial statements including the substantiation for abandoning the consolidation or evaluation by the method of property rights, name and registered office of the entity preparing the consolidated financial statements on the higher level of the capital group as well as the place of their publication, basic economic and financial indices applied characterising the activity of the associate entities in the given financial year as well as in the previous one, such as: value of revenues from sales and financial revenues, net financial result and value of equity capital in a breakdown into groups, value of tangible fixed assets, average annual employment and other information if required in accordance with the individual applicable regulations.*

Not applicable

Furthermore, in the case of providing supplementary information other than the aforementioned required in accordance with the applicable legal regulations or other information which could considerably influence the assessment of the property and financial standing, financial results and their changes, the information in question is to be revealed in the relevant section of the financial statements.