



**CAPITAL GROUP OF
ZAKŁADY AZOTOWE
W TARNOWIE-MOŚCICACH S.A.**

**Condensed interim consolidated financial statement
for 3 and 12 months ended on 31 December, 2008
prepared in accordance with International Financial Reporting Standards
adopted by the European Union**

Tarnów, 2 March 2009

TABLE OF CONTENTS

A. SELECTED FINANCIAL DATA	2
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B.	CONDENSED CONSOLIDATED FINANCIAL STATEMENT	5
C.	CONDENSED INDIVIDUAL FINANCIAL STATEMENT	11
D.	SUPPLEMENTARY INFORMATION	17
1.	Accounting policies and calculation methods	17
2.	Change in estimates	17
3.	Brief description of key achievements and failures.....	18
4.	Factors and events with significant impact on financial results.....	26
5.	Seasonality of activities.....	29
6.	The nature and amount of unusual items with impact on assets, liabilities, equity, net financial results or cash flow.....	30
7.	The nature and amount of changes in estimates reported in prior periods of the current financial year.....	30
8.	Share issues, repurchases and repayments of debt and equity securities.	30
9.	Use of capital derived from share issue.....	30
10.	Dividends.....	33
11.	Sectors of activity.....	33
12.	Events that occurred after the date on which the quarterly report was prepared that may significantly affect future financial results.....	37
13.	Changes in contingent liabilities or contingent assets after the date when the last financial year ended.	38
E.	OTHER INFORMATION	39
1.	Organisational system of the Capital Group.....	39
2.	Changes in the structure of economic entities, including merger of economic entities, take over or sales of entities from the Company's capital group, long- term investments, split, restructuring or cessation of activity.....	42
3.	Position of the Management Board on the performance of the forecasted financial results.....	42
4.	Share ownership.....	43
5.	Changes in the number of shares held by the Management or Supervisory Board members of the Company.....	44
6.	Litigation.....	44
7.	Transactions unusual for the Company or its subsidiary with related parties with a value exceeding EUR 500,000.....	44
8.	Bonds and guarantees granted on account of credits or loans.....	47
9.	Other disclosures significant for evaluation of the Issuer's human resources, financial situation or financial performance, with impact on the liabilities of the Company and its Capital Group.....	48
10.	Factors with impact on future financial performance within at least one upcoming quarter.	50
A.	SELECTED FINANCIAL DATA	

Selected financial data regarding the consolidated statement	PLN'000		EUR'000	
	For period from 2008-01-01 to 2008-12-31	For period from 2007-01-01 to 2007-12-31	For period from 2008-01-01 to 2008-12-31	For period from 2007-01-01 to 2007-12-31
Revenues on sales	1,352,745	1,293,500	382,986	342,486
Profit from operating activities	88,732	72,969	25,122	19,320
Profit before tax	86,859	75,027	24,591	19,865
Net profit	73,193	56,023	20,722	14,833
Number of shares	39,116,421	24,000,000	39,116,421	24,000,000
Net profit per ordinary share	2.26	2.32	0.64	0.61
Net cash flow from operating activities	59,868	101,116	16,950	26,773
Net cash flow from investing activities	(378,743)	(95,762)	(107,229)	(25,355)
Net cash flow from financing activities	(309,753)	3,871	87,697	1,025
Total net cash flow	(9,122)	9,225	(2,583)	2,443
Cash at the beginning of period	54,413	45,188	15,405	11,965
Cash at the end of period	45,291	54,413	12,823	14,407
	As at 2008-12-31	As at 2007-12-31	As at 2008-12-31	As at 2007-12-31
Fixed assets	1,044,709	927,859	250,386	259,034
Current assets	557,856	328,660	133,701	91,753
Long-term liabilities	223,843	235,387	53,648	65,714
Short-term liabilities	222,799	213,021	53,398	59,470
Equity	1,155,923	808,111	277,040	225,603
Share capital	195,582	120,000	46,875	33,501
Minority interest	1,698	1,390	407	388

Selected financial data regarding individual statement	PLN'000		EUR'000	
	For period from 2008-01-01 to 2008-12-31	For period from 2007-01-01 to 2007-12-31	For period from 2008-01-01 to 2008-12-31	For period from 2007-01-01 to 2007-12-31
Revenues on sales	1,276,832	1,246,527	361,494	330,048
Profit from operating activities	73,847	59,941	20,907	15,871
Profit before tax	72,940	62,604	20,651	16,576
Net profit	60,975	45,406	17,263	12,022
Number of shares	39,116,421	24,000,000	39,116,421	24,000,000
Net profit per ordinary share	1.90	1.89	0.54	0.50
Net cash flow from operating activities	38,160	77,568	10,804	20,538
Net cash flow from investing activities	(361,081)	(79,897)	(102,228)	(21,155)
Net cash flow from financing activities	311,751	2,065	88,262	547
Total net cash flow	(11,170)	(264)	(3,162)	(70)
Cash at the beginning of period	35,063	35,327	9,927	9,354
Cash at the end of period	23,893	35,063	6,765	9,284
	As at 2008-12-31	As at 2007-12-31	As at 2008-12-31	As at 2007-12-31
Fixed assets	972,285	861,537	233,028	240,518
Current assets	511,278	289,077	122,538	80,703
Long-term liabilities	180,256	195,810	43,202	54,665
Short-term liabilities	198,243	188,416	47,513	52,601
Equity	1,105,064	766,387	264,851	213,955
Share capital	195,582	120,000	46,875	33,501

The selected items of the balance sheet, profit and loss account and cash flow were translated into euro in accordance with the indicated and binding method of translation:

- assets and liabilities for each presented balance sheet were translated at the closing rate on the date of that balance sheet:
exchange rate on 31.12.2007 r. was 1 EUR = 3.5820 PLN (exchange rates table No. 252/A/NBP/2007)
exchange rate on 31.12.2008 r. was 1 EUR = 4.1724 PLN (exchange rates table No. 254/A/NBP/2008)
- individual items of the profit and loss account and cash flow were translated in accordance with exchange rates being the arithmetical mean of exchange rates announced by the National Bank of Poland (NBP) for euro for the last day of each month in the relevant reporting period:
average exchange rate in period 01.01.2007 – 31.12.2007 equalled 1 EUR = 3.7768 PLN
average exchange rate in period 01.01.2008 – 31.12.2008 equalled 1 EUR = 3.5321 PLN

The translation was done according to the above-mentioned exchange rates by dividing the value expressed in thousand Polish zloty by the exchange rate.

B. CONDENSED CONSOLIDATED FINANCIAL STATEMENT

Consolidated profit and loss account

(in PLN'000)

	For period from 2008-10-01 to 2008-12-31	For period from 2008-01-01 to 2008-12-31 (not analysed)	For period from 2007-10-01 to 2007-12-31	For period from 2007-01-01 to 2007-12-31 (analysed)*
Revenue	293,823	1,352,745	323,473	1,293,500
Cost of sales	(250,082)	(1,106,260)	(276,444)	(1,067,456)
Gross profit on sales	43,741	246,485	47,029	226,044
Cost of sales	(13,956)	(61,002)	(16,835)	(60,233)
Administrative expenses	(27,067)	(97,730)	(20,665)	(80,369)
Other operating income	16,008	26,918	13,777	22,896
Other operating expenses	(7,025)	(25,939)	(19,053)	(35,369)
Profit from operating activities	11,701	88,732	4,253	72,969
Finance income	14,082	22,481	6,496	8,103
Finance costs	(23,605)	(24,448)	(2,572)	(6,158)
Net finance income/(costs)	(9,523)	(1,967)	3,924	1,945
Shares held in subordinated units valued with equity method	13	94	(1)	113
Profit before tax	2,191	86,859	8,176	75,027
Income tax	2,411	(13,666)	(1,527)	(19,004)
Net profit	4,602	73,193	6,649	56,023
attributable to:				
Equity holders of the parent	4,591	72,768	6,558	55,741
Minority shareholders	11	425	91	282
Earnings per share:				
Basic (in PLN)	0.17	2.26	0.27	2.32
Diluted (in PLN)	0.17	2.26	0.27	2.32

* after consideration of changes described in Explanatory Note No. 1

Consolidated balance sheet for period ended 31.12.2008

(in PLN'000)

	31.12.2008 (not analysed)	31.12.2007 (analysed)*
Assets		
Fixed assets		
Tangible fixed assets	928,654	870,693
Intangible assets	16,729	16,865
Long-term investments	12,685	10,681
Other long-term financial assets	50,000	
Investments in affiliated units and subsidiaries	172	281
Long-term receivables	611	2
Assets from deferred income tax	35,566	29,337
Long-term prepayments	292	
Total fixed assets	1,044,709	927,859
Current assets		
Short-term investments	203,571	189
Inventories	137,791	119,198
Receivables on income tax	4,099	1,487
Receivables from sales and services and other receivables	162,463	146,396
Cash and cash equivalents	45,291	54,413
Short-term prepayments	4,634	6,970
Fixed assets for sale	7	7
Total current assets	557,856	328,660
Total assets	1,602,565	1,256,519

Consolidated balance sheet for period ended 31.12.2008

(in PLN'000)

	31.12.2008 (not analysed)	31.12.2007 (analysed)*
Liabilities		
Equity		
Share capital	195,582	120,000
Issue of shares above book value	209,990 (7,870)	-
Capital from hedge accounting		
Retained earnings of which:	756,523	686,721
<i>Net earnings for current period</i>	72,768	55,741
Equity of shareholders of the parent	1,154,225	806,721
Minority interest	1,698	1,390
Total equity	1,155,923	808,111
Liabilities		
Credits, loans and other financial liabilities	50,040	30,075
Provisions for employee benefits	46,845	43,430
Other long-term liabilities	981	29,528
Prepaid expenses	7	9
Government grants	244	600
Other provisions	20,768	23,608
Provision from deferred income tax	104,958	108,137
Total long-term liabilities	223,843	235,387
Other short-term liabilities	26,648	440
Bank overdrafts		224
Credits, loans and other financial liabilities	21,174	5,613
Provisions for employee benefits	8,219	4,506
Liabilities on income tax	438	323
Trade liabilities and other liabilities	146,591	181,973
Prepaid expenses	14,837	14,631
Government grants	376	372
Other provisions	4,516	4,939
Total short-term liabilities	222,799	213,021
Total long-term and short term liabilities	446,642	448,408
Total liabilities	1,602,565	1,256,519

* after consideration of changes described in Explanatory Note No. 2

**Consolidated statement of changes in equity
for a period of 12 months ended 31.12.2008
(in PLN'000)**

	Share capital	Issue of shares above book value	Hedging	Retained earnings	Equity holders of the parent	Minority interest	Total equity
As at							
1 January 2007	120,000	-	-	674,903	794,903	1,108	796,011
Corrections	-	-	-	(33,856)	(33,856)	-	(33,856)
As at							
1 January 2007 after corrections	120,000	-	-	641,047	761,047	1,108	762,155
Other	-	-	-	4,857	4,857	-	4,857
Dividends paid, profit sharing	-	-	-	(14,924)	(14,924)	-	(14,924)
Net profit	-	-	-	55,741	55,741	282	56,023
As at 31 December 2007 (analysed)	120,000	-	-	686,721	806,721	1,390	808,111
As at							
1 January 2008	120,000	-	-	686,721	806,721	1,390	808,111
Corrections	-	-	-	-	-	-	-
As at							
1 January 2008 after corrections	120,000	-	-	686,721	806,721	1,390	808,111
Net profit	-	-	-	72,768	72,768	425	73,193
Share issue	75,582	219,188	-	-	294,770	-	294,770
Cost of share issue	-	(9,198)	-	-	(9,198)	-	(9,198)
Valuation of hedging transactions	-	-	(7,870)	-	(7,870)	-	(7,870)
Other	-	-	-	(2,966)	(2,966)	(117)	(3,083)
As at 31 December 2008 (not analysed)	195,582	209,990	(7,870)	756,523	1,154,225	1,698	1,155,923

Consolidated cash flow statement
(in PLN'000)

	For period from 2008-10-01 to 2008-12-31	For period from 2008-01-01 to 2008-12-31 (not analysed)	For period from 2007-10-01 to 2007-12-31	For period from 2007-01-01 to 2007-12-31 (analysed)
Gross profit	2,191	86,859	8,176	75,027
Adjustments	18,430	75,637	19,602	73,122
Depreciation	19,408	72,891	22,543	76,948
Impairment losses created/(reversed)	1,191	1,191	1,523	930
(Profit) / loss on sales of fixed assets and investing activities	(12,945)	(8,121)	1,708	1,417
(Profit)/losses on disposal of financial assets	18,203	17,159	(6,046)	(6,046)
Profit shared with related parties	(13)	(94)	1	(113)
Interests	(7,323)	(7,073)	(49)	49
Dividends received	(91)	(316)	(78)	(63)
<i>Profit from operating activities before changes in working capital</i>	20,621	162,496	27,778	148,149
Change in trade receivables and other receivables	61,400	20,085	48,118	23,137
Change in inventory	(9,838)	(18,591)	3,641	1,080
Change in trade liabilities and other liabilities	(44,191)	(85,620)	(10,006)	(46,695)
Change in inventory, prepayments and grants	8,649	6,468	(4,302)	(4,435)
Other adjustments	98	(3,542)	(1,198)	1,603
<i>Cash generated from operating activities</i>	36,739	81,296	64,031	122,839
Interests paid	(4)		(443)	-
Tax paid	(11,996)	(21,428)	(3,211)	(21,723)
Net cash from operating activities	24,739	59,868	60,377	101,116

	For period from 2008-10-01 to 2008-12-31	For period from 2008-01-01 to 2008-12-31 (not analysed)	For period from 2007-10-01 to 2007-12-31	for period from 2007-01-01 to 2007-12-31 (analysed)
Cash flow from investing activities				
Sales of intangible and tangible assets	7,093	8,200	1,756	2,998
Acquisition of intangible and tangible assets	(42,798)	(143,583)	(29,935)	(99,318)
Dividends received	157	1,264	78	528
Acquisition of financial assets	(2,000)	(268,000)	-	-
Interests received	311	366	5	13
Repayment of loans	4	10	1	17
Sales of financial assets	23,000	23,000		
Net cash from investing activities	(14,233)	(378,743)	(28,095)	(95,762)
Cash flow from financing activities				
Net cash provided by share issue	-	285,571	-	-
Dividends paid	(2)	(1,000)	(297)	(14,731)
Credits and loans	616	36,943	7,193	26,528
Expenses to repay credits and loans	(1,539)	(7,651)	(6,093)	(7,101)
Interests paid	(1,090)	(3,127)	(142)	(237)
Payment of liabilities arising from financial leasing	(600)	(983)	(198)	(588)
Net cash from financing activities	(2,615)	309,753	463	3,871
Total net cash flow	7,891	(9,122)	32,745	9,225
Balance-sheet change in cash, including:	7,891	(9,122)	32,745	9,225
Cash at the beginning of period	37,400	54,413	21,668	45,188
Cash at the end of period	45,291	45,291	54,413	54,413

C. CONDENSED INDIVIDUAL FINANCIAL STATEMENT

Individual profit and loss account

(in PLN'000)

	For period from 2008-10-01 to 2008-12-31	For period from 2008-01-01 to 2008-12-31 (not analysed)	For period from 2007-10-01 to 2007-12-31	For period from 2007-01-01 to 2007-12-31 (analysed)*
Revenues	276,415	1,276,832	305,113	1,246,527
Cost of sales	(243,264)	(1,069,037)	(265,237)	(1,050,451)
Gross profit on sales	33,151	207,795	39,876	196,076
Cost of sales	(13,955)	(60,987)	(16,858)	(60,233)
Administrative expenses	(20,163)	(74,344)	(17,784)	(62,719)
Other operating income	14,796	21,509	12,674	17,897
Other operating expenses	(3,806)	(20,126)	(16,405)	(31,080)
Profit from operating activities	10,023	73,847	1,503	59,941
Finance income	13,646	22,594	6,292	8,074
Finance costs	(23,334)	(23,501)	(2,235)	(5,411)
Net finance income/(costs)	(9,688)	(907)	4,057	(2,663)
Profit before tax	335	72,940	5,560	62,604
Income tax	1,904	(11,965)	2,125	(17,198)
Net profit	2,239	60,975	7,685	45,406
Earnings per share:				
Basic (PLN)	0.08	1.90	0.32	1.89
Diluted (PLN)	0.08	1.90	0.32	1.89

* after consideration of changes described in Explanatory Note No. 3

Individual balance sheet as at 31.12.2008

(in PLN'000)

	31.12.2008 (not analysed)	31.12.2007* (analysed)
Assets		
Fixed assets		
Tangible fixed assets	803,796	753,877
Intangible assets	12,317	12,515
Long-term investments	74,537	68,109
Other long-term financial assets	50,000	-
Long-term receivables	55	122
Assets from deferred income tax	31,580	26,914
Total fixed assets	972,285	861,537
Current assets		
Other short-term financial assets	202,292	-
Inventories	128,803	113,576
Receivables on income tax	3,847	1,207
Receivables from sales and services and other receivables	148,629	133,296
Cash and cash equivalents	23,893	35,063
Short-term prepayments	3,814	5,935
Total current assets	511,278	289,077
Total assets	1,483,563	1,150,614

Individual balance sheet as at 31.12.2008
(in PLN'000)

	31.12.2008	31.12.2007^{*)}
	(not analysed)	(analysed)
Liabilities		
Equity		
Share capital	195,582	120,000
Issue of shares above book value	209,990	-
Capital from hedge accounting	(7,870)	-
Retained earnings of which:	707,362	646,387
<i>Net earnings for current period</i>	60,975	45,406
Total equity	1,105,064	766,387
Liabilities		
Credits and loans	44,329	24,618
Provisions for employee benefits	27,424	26,287
Other long-term liabilities	-	30,192
Other provisions	16,351	19,578
Provision from deferred income tax	92,152	95,136
Total long-term liabilities	180,256	195,811
Other short-term financial liabilities	26,004	24
Bank overdrafts		163
Credits, loans and other financial liabilities	19,634	4,369
Provisions for employee benefits	6,275	2,763
Liabilities on income tax	-	-
Trade liabilities and other liabilities	129,562	166,166
Other provisions	3,454	3,681
Prepaid expenses	13,314	11,250
Total short-term liabilities	198,243	188,416
Total short-term and long-term liabilities	378,499	384,227
Total liabilities	1,483,563	1,150,614

* after consideration of changes described in Explanatory Note No. 4

**Individual statement of changes in equity
 for a period of 12 months ended 31.12.2008
 (in PLN'000)**

	Share capital	Issue of shares above book value	Hedge accounting	Retained earnings	Total equity
As at					
1 January 2007 (analysed)	120,000	-	-	641,591	761,591
Corrections	-	-	-	(27,259)	(27,259)
As at 1 January 2007					
after corrections	120,000	-	-	614,332	734,332
Other		-	-	103	103
Dividends paid, profit sharing			-	(13,454)	(13,454)
Net profit	-	-	-	45,406	45,406
As at 31 December 2007 (analysed)	120,000	-	-	646,387	766,387
As at 1 January 2008 (not analysed)	120,000	-	-	646,387	766,387
As at 1 January 2008 after corrections	120,000	-	-	646,387	766,387
Net profit	-	-	-	60,975	60,975
Share issue	75,582	219,188	-	-	294,770
Cost of share issue	-	(9,198)	-	-	(9,198)
Valuation of hedging transactions			(7, 870)		(7,870)
As at 31 December 2008 (not analysed)	195,582	209,990	(7, 870)	707,362	1,105,064

Individual cash flow statement
(in PLN'000)

	For period from 2008-10-01 to 2008-12-31	For period from 2008-01-01 to 2008-12-31 (not analysed)	For period from 2007-10-01 to 2007-12-31	For period from 2007-01-01 to 2007-12-31 (analysed)
Gross profit	335	72,940	5,560	62,604
Adjustments	14,514	62,107	15,570	61,946
Depreciation	16,261	61,160	18,307	66,700
Impairment losses created/(reversed)	353	353	1,523	887
(Profit) / loss on sales of fixed assets and investing activities	(12,946)	(8,042)	1,758	795
(Profit)/loss from the estimated fair value of financial assets	18,203	17,159	(6,046)	(6,046)
Interests received	(7,355)	(7,348)	47	79
Dividends received	(2)	(1,175)	(19)	(469)
<i>Profit from operating activities before changes in working capital</i>	14,849	135,047	21,130	124,550
Change in receivables	35,648	(5,722)	20,628	4,031
Change in inventory	(7,344)	(15,226)	1,015	2,030
Change in trade liabilities and other government liabilities	(23,151)	(59,498)	18,522	(29,355)
Change in provisions and prepayments	9,250	5,383	(4,995)	(4,990)
Other adjustments	(563)	(3,571)	(1,626)	375
<i>Cash generated from operating activities</i>	28,689	56,413	54,674	96,641
Interests paid	-	-	-	-
Tax paid	(10,313)	(18,253)	(2,537)	(19,073)
Net cash from operating activities	18,376	38,160	52,137	77,568

	For period from 2008-10-01 to 2008-12-31	For period from 2008-01-01 to 2008-12-31	For period from 2007-10-01 to 2007-12-31	For period from 2007-01-01 to 2007-12-31
		(not analysed)		(analysed)
Cash flow from investing activities				
Sales of intangible and tangible assets	7,087	8,095	1,537	2,653
Acquisition of intangible and tangible assets	(36,867)	(125,600)	(26,928)	(83,110)
Dividends received	68	1,175	19	469
Acquisition of financial assets	(2,000)	(268,000)	-	-
Interests received	249	249	-	-
Sales of financial assets	23,000	23,000	4	91
Net cash from investing activities	(8,463)	(361,081)	(25,368)	(79,897)
Cash flow from financing activities				
Net cash derived from share issue	-	285,571	-	-
Dividends paid	(2)	(17)	103	(13,436)
Credits and loans	406	35,344	3,772	21,821
Expenses to repay credits and loans	(1,160)	(6,439)	(5,526)	(6,141)
Interests paid	(974)	(2,684)	(48)	(79)
Payment of liabilities arising from financial leasing	-	(24)	(27)	(100)
Net cash from financing activities	(1,730)	311,751	(1,726)	2,065
Total net cash flow	8,183	(11,170)	25,043	(264)
Balance-sheet change in cash, including:	8,183	(11,170)	25,043	(264)
Cash at the beginning of period	15,710	35,063	10,020	35,327
Cash at the end of period	23,893	23,893	35,063	35,063

D. SUPPLEMENTARY INFORMATION

1. Accounting policies and calculation methods

Apart from the adoption of the standards for hedge accounting as of 1 October, 2008, the Capital Group has not changed other accounting policies or calculation methods.

2. Change in estimates

Estimates have changed in the statement for Q4 2008.

Change in provisions for liabilities (without provisions from deferred income tax)

	from 01.10 to 31.12.2008	from 01.01 to 31.12.2008
At the beginning of period	75,901	76,483
Creation	7,359	14,090
Reversal and use	2,912	10,225
At the end of period	80,348	80,348

Changes in impairment losses in the value of fixed assets

	from 01.10 to 31.12.2008	from 01.01 to 31.12.2008
At the beginning of period	36,913	36,933
Creation	698	698
Reversal and use	344	364
At the end of period	37,267	37,267

Changes in impairment losses in the value of inventory

	from 01.10 to 31.12.2008	from 01.01 to 31.12.2008
At the beginning of period	3,668	7,490
Creation	5,205	8,313
Reversal and use	1,124	8,054
At the end of period	7,749	7,749

Changes in impairment losses in the value of receivables

	from 01.10 to 31.12.2008	from 01.01 to 31.12.2008
At the beginning of period	25,759	30,198
Creation	890	2,467
Reversal and use	1,327	7,343
At the end of period	25,322	25,322

Change in provisions and assets from deferred income tax

	from 01.10 to 31.12.2008	from 01.01 to 31.12.2008
Provisions at the beginning of period	105,508	108,137
Creation	4,169	5,928
Reversal and use	4,719	9,107
Provisions at the end of period	104,958	104,958
Assets at the beginning of period	30,453	29,337
Creation	13,161	18,572
Reversal and use	8,048	12,343
Assets at the end of period	35,566	35,566

3. Brief description of key achievements and failures.

3.1. Financial results of the Capital Group.

Owing to the economic crisis that began in the third quarter of 2008 and its extent, the periods under consideration and the results achieved by business entities have entirely different characteristics and are not comparable from the perspective of the macroeconomic environment.

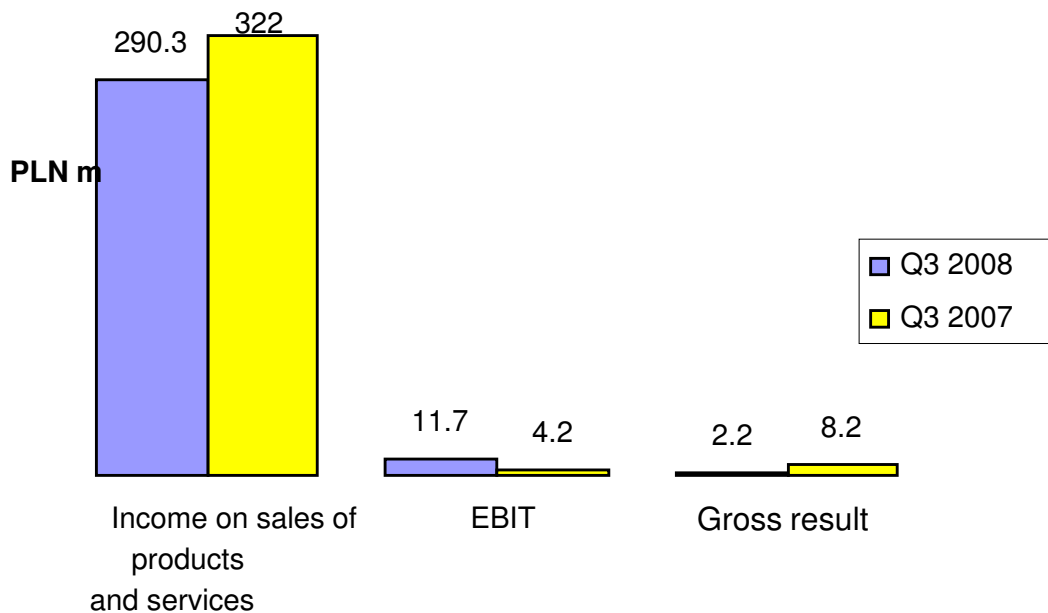
The unfavourable economic situation and a radical decrease in demand led to a decrease in the sales volume of the main products offered by the Company, which reduced revenues from the sales of products and services in Q4 2008, both in comparison to previous months in 2008 prior to the crisis, and the same period in 2007. This unfavourable balance of sales for Q4 2008 was partly compensated by a positive effect created by the weakening of the Polish currency against the euro and the dollar. Finally, in Q4 2008, in comparison to the same period of 2007 the Company recorded sales of products and services lower by PLN 31,252,000, i.e. by 9.7%. Market events had a different influence on the changes in operating costs. The lower rate at which suppliers' prices decreased resulted in a reduction of the price gap, which consequently translated into lower financial results for the Company. Another factor responsible for higher manufacturing costs and lower financial results for the Company y-o-y concerned fixed costs which could be reduced by only a small extent owing to the cost policy precipitated by the crisis. The significant reduction in revenues from sales with a slower reduction of manufacturing costs led to the negative dynamics of results from major operations.

The financial results of Azoty Tarnów in Q4 2008 by type of operation are as follows:

- results from operating activities PLN 11,701,000
- including: sales PLN 2,718,000
- other operating activities PLN 8,983,000
- result from financing activities PLN (9,523,000)

Financial results (in PLN'000)

	Performance in Q4 2008	Performance in Q4 2007	Change in PLN'000	Dynamics in %
Gross profit on sales	43,741	47,029	(3,288)	93.00
Profit from operating activities	11,701	4,253	7,448	275.12
Shares held in subordinated units valued with equity method	13	(1)	14	-
Gross profit	2,191	8,176	(5,985)	26.80
Net profit	4,602	6,649	(2,047)	69.21



Sales

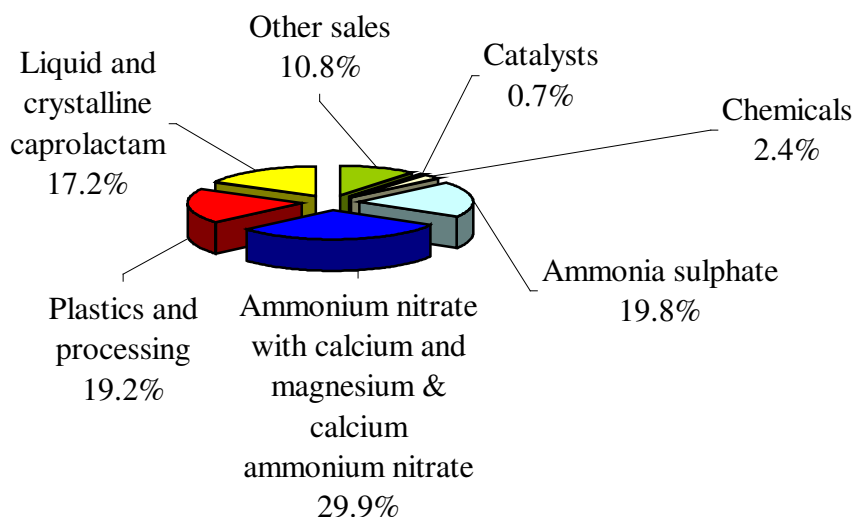
In the y-o-y perspective, the sales of products and services in Q4 2008 was lower by PLN 31,252,000. This resulted from the lower sales volume of the key product groups caused by the unfavourable market situation and therefore the reduced sales. By product group, in comparison to Q4 2007, the total sales of caprolactam decreased by 48.6%, ammonium sulphate by 30.5%, Tarnoform® by 34.5%, and ammonium nitrate with calcium and magnesium by 2.5%, while the total sales volume of Tarnamid® products increased (intensified manufacture). Simultaneously, the sales volume of chlorine decreased by 85.1%, soda lye by 73.5%, sodium hypochlorite by 40.4%, and chlorinated lime by 32.5% in comparison to Q4 2007, which resulted from the suspended manufacture of chlorine products. With respect to the sales prices in the analysed periods, the prices in Q4 2008 were on average higher by 11% because of the stable and high price for products in the fertilizers sector. As with the changes in volume, considerable changes were recorded in the price of plastics. The highest price increases were recorded for: ammonium nitrate with calcium and magnesium (by 56.5%) and ammonium sulphate (by 65.1%), albeit with simultaneous decreases in price for Tarnamid® (by 27.4% in total), caprolactam (by 27.2% in total) and Tarnoform® (by 4.2% in total).

The sales of goods and materials in Q4 2008 was worth PLN 3,476,000 and was higher by 185.5% with respect to the same period of 2007, mainly on account of higher sales volume of ordinary and refined scrap material.

Total income (in PLN'000)

	Performance in Q4 2008	Performance in Q4 2007	Change in PLN'000	Dynamics in %
Sales of products and services	290,347	321,599	(31,252)	90.28
Sales of goods and materials	3,476	1,874	1,602	185.49
Sales, in total	293,823	323,473	(29,650)	90.83
Other operating income	16,021	13,776	2,245	116.30
Total income on operating activities	309,844	337,249	(27,405)	91.87
Finance income	14,082	6,496	7,586	216.78
Total income	323,926	343,745	(19,819)	94.23

The structure of income from sales of products in Q4 2008 is provided in the pie chart below.



Costs

In Q4 2008 total costs amounted to PLN 291,105,000 and were lower than the costs incurred in the same period of 2007 by PLN 22,839,000 (by 7.3%), with total sales lower by 9.2 %. This indicates that the cost decrease was 1.9 per cent lower than the total sales decrease for the analysed period and had a negative effect on the Company's performance.

Generally, the reduced cost of operating activities (y-o-y to Q4 2007) resulted from the lower production scale caused by the rapid decrease in demand in the market for our products. Other operating costs were also lower than in the compared period. Their decrease, by 63.1%, concerned the restructuring of costs in the manufacturing sectors from which the Company is withdrawing. The considerable increase in finance costs resulted from a valuation of currency options which was unfavourable for the Company's balance sheet.

Consolidated costs

	Performance in Q4 2008	Performance in Q4 2007	Change in PLN'000	Dynamics in %
Costs of sold products and services	286,610	312,397	(25,787)	91.75
Value of sold goods and materials	4,495	1,551	2,944	289.81
Cost of sales in total	291,105	313,944	(22,839)	92.73
Other operating costs	7,025	19,053	(12,028)	36.87
Total costs of operating activities	298,130	332,997	(34,867)	89.53
Finance costs	23,605	2,572	21,033	917.77
Total costs:	321,735	335,569	(13,834)	95.88

3.2. Economic situation of the Capital Group - analysis of the main macroeconomic factors

Factors with impact on economic situation

Factor	Q4 2008	Q4 2007	Change in %
Profitability ratios			
Gross profit margin, % [gross sales / income on sales of products, materials and goods]	14,089	14,054	102.41
Return on equity (ROE) % [net financial result / equity at the beginning of period]	0.40	0.80	50
Return on investment % [profit (loss) before tax / (total assets – short-term liabilities)*100]	0.16	0.78	20.51
Debt ratios			
Total debt ratio % (total liabilities / equity)*100	38.64	55.49	69.63
Debt/equity ratio % [(total liabilities – equity) / total liabilities]	27.87	35.69	78.09
Liquidity ratios			
Liquidity ratio 1x [total current assets / short-term liabilities]	2.50	1.54	162.34
Liquidity ratio 2x [(total current assets – inventories) / short-term liabilities]	1.89	0.98	192.86
Activity ratios			
Operating cash flow to sales % [net cash flow from operating activities / (total revenues from sales)]*100	8.42	18.67	45.10
Average Days Sales Outstanding [receivables on supplies and services x (365/4) / own cost of sales]	22.44	60.07	37.36

3.3. Material contracts in Q4 2008

- **Contract for the purchase of liquid ammonia from ZAK S.A.**

On 21.10.2008 Azoty Tarnów and Zakłady Azotowe Kędzierzyn S.A. from Kędzierzyn-Koźle concluded a contract for the purchase of liquid ammonia from ZAK, binding for the period from 1.10.2008 to 31.12.2009. The net contractual value was estimated at about PLN 95 million.

According to its provisions, each party is entitled to charge penalties if the Seller or the Buyer fail to meet contractual obligations. The contract does not stipulate any terms and conditions for termination/suspension and the remaining terms and conditions are similar to the market standards used in documents of this type. This contract is the largest ever concluded between the Capital Group of Zakłady Azotowe w Tarnowie-Mościcach S.A. and the Capital Group of Zakłady Azotowe Kędzierzyn S.A. since 19 June, 2008, when information disclosure became applicable. This contract has been recognised as material for the fact that the estimated value of trade with the Capital Group of Zakłady Azotowe Kędzierzyn S.A. between 19 June, 2008 and 21 October, 2008 exceeded 10% of the equity of Zakłady Azotowe w Tarnowie-Mościcach S.A.

- **Contract for the sales of ammonium sulphate.**

On 17.11.2008 Azoty Tarnów signed a framework contract for sales of ammonia sulphate to Witt – Handel GmbH, Germany. According to this contract, concluded for the period from 1 January 2009 to the end of December, 2013, Azoty Tarnów is to sell to Witt – Handel GmbH ammonium sulphate in bulk in the aforesaid period and in compliance with the agreed time schedule and commercial terms and conditions. The parties have the right to withdraw from the contract before its expiry date. The contract becomes ineffective one year after the date of written notification of withdrawal.

The remaining terms and conditions conform with the market standards used in contracts of this type.

The terms and conditions of this contract do not specify any penalties.

The signed contract conforms with the criteria of a material contract, which means its estimated net value amounts to PLN 349 m and exceeds 10 % of the Issuer's equity. The total turnover between Azoty Tarnów and Witt – Handel GmbH, including the estimated aforesaid contractual net value in the period from 19.06.2008 to 18.11.2008 amounted to PLN 374.7 m.

- **Contract for the purchase of natural gas.**

On 18.12.2008 Azoty Tarnów (the Buyer) signed a contract with Polskie Górnictwo Naftowe i Gazownictwo SA, with its registered office in Warsaw, (the Seller) for the purchase of natural gas from local deposits. PGNiG SA obliged itself to sell and make available gas in the supply and distribution centre, and Azoty Tarnów obliged itself to receive the gas and pay for it, according to terms and conditions specified in a time schedule and business terms and conditions. The parties agreed to specify the beginning of deliveries before 31 March, 2012. The beginning of deliveries is dependent on the implementation of investments at the Seller and Buyer associated with the agreement, and the Parties obliged themselves to implement them before 31 March, 2012. According to the contract, within its term, but excepting the start-up

period, Azoty Tarnów is obliged to purchase a minimum annual volume of gas specified based on an accepted formula.

The parties have the right to withdraw from the contract before the expiry date on terms and conditions specified therein. The contract, by mutual agreement between the Parties, may be renewed for the following three years, depending on the geological conditions and size of the deposits. The remaining terms and conditions conform with the market standards used in contracts of this type. The terms and conditions of this contract specify penalties up to PLN 60 m for malperformance of contractual obligations by either party resulting in delayed date of gas delivery after 31 March, 2012.

The signed contract conforms with the criteria of a material contract, which means its estimated net value amounts to about PLN 400 m and exceeds 10% of the Issuer's equity.

3.4. Implementation of SAP system.

On 1 January, 2009 the SAP system became the leading IT system, including in its operation the following modules:

- finance
- controlling
- production
- logistics

3.5. Adjustment of production to market situation.

On 19.11.2008, after a detailed analysis of the market situation, the Management Board of Azoty Tarnów S.A. decided to reduce production by about 20% and maintain the capacity of systems for fertilizer production at the existing level using ammonia stocks, as well as to adjust the production of caprolactam and construction plastics to market demand for these products, and to renegotiate terms and conditions of sales and distribution agreements.

3.6. Implementation of share issue objectives.

- Optimization of product portfolio and sales system for nitrogen fertilizers.

Azoty Tarnów is about to complete one of the first objectives of the share issue. The mechanical system for fertilizer granulation, which was one of the principal investment objectives in the fertilizers area defined in the Prospectus (p. 186), is now under start-up.

This newly constructed system of 1,200t/day capacity allows us to manufacture mineral fertilizers of a stable and homogeneous granule size, currently one of the key parameters required in the global market for mineral fertilizers.

The first fertilizer from Tarnów, "saletrzak 27 makro" (ammonium nitrate with calcium 27 *macro*), manufactured using modern granulation technology, has been available on the market since January, 2009.

Other investments in this area, apart from the mechanical system for fertilizer granulation, include the modernization of a station for fertilizer packing and shipping, and the modernization of the dolomite milling plant. Since 1 July, 2008 PLN 44,764,000 have been spent for this purpose, including PLN 38,000,000 derived from the share issue.

- Modernization of the caprolactam plant and the construction of a new hydrogen supply system.

The caprolactam plant is the key element of the Company's main processing line, i.e. caprolactam-polyamide. The principal investment objective is to increase the scale of operations, achieve a stable manufacturing capacity of 100,000 t/year and reduce the unit costs of caprolactam manufacture.

The modernization of the caprolactam plant is closely associated with the construction of the new hydrogen supply system, which will be the main source of hydrogen for the caprolactam processing line.

To implement this investment, activities have been undertaken in three major areas.

For this investment project there is a total amount earmarked of about PLN 140 m. Prior to the date of publication of the report for Q4 2008, PLN 2,660,856 were spent, including PLN 951,000 derived from the share issue. Simultaneously, in December 2008, the Company signed a contract with PGNiG S.A. for the supply of an additional volume of natural gas from local deposits. According to the contract, supplies are to begin in Q1 2012, and the time schedule for the implementation of the new hydrogen supply system will be coordinated with that date.

- Development of the Modified Plastics Plant.

The investment comprises three stages of the Plant's development, and their implementation is expected by 2011. According to the accepted strategy for Company development the investment will ensure increased production capacity of modified plastics at the level of 20 K t/year. This undertaking is oriented at the extension of a products line in the area of construction plastics and, consequently, will increase added value. The total cost of this project, planned and presented in the Prospectus, amounts to PLN 31 m. Contracts for the delivery of two processing lines have been signed. The contract for the delivery of the first line became effective in Q4 2008. On account of the implementation of stages I and II of the investment prior to the publication of this report the cost incurred amounted to PLN 375,745, of which PLN 342,000 were obtained from the stock market.

Two other projects, presented in the Prospectus as objectives of the share issue, are at the stage of preparatory work:

- Polyamides Plant II (Pa 6) 55Kt/year.

The polyamide sector will in the coming years be one of the main areas of the Company's expansion. Therefore, activities have been undertaken to increase the capacity of polyamide production.

The beginning of investment is planned for the current year, with its completion in 2011.

Preparatory work to implement the project has been completed. The process of technology selection and preparation of a contract with the licensor is at an advanced stage. Two companies have been selected as potential technology suppliers.

The cost of this investment project, planned in the Prospectus, is PLN 175 m .

- Increase of capacity of polyoxymethylene production.

The increase of capacity of polyoxymethylene (POM) production to 45–50 K t/year was planned through the construction of a new plant by the Company itself or, alternatively, through the establishment of a joint venture(s) with strategic partners to create new production capacity of POM.

An updated version of the feasibility study for the construction of a new POM plant in Tarnów of 30 Kt/year capacity has been prepared. The global economic crisis that has been escalating since the second half of last year has caused instability and decline in the market for plastics. At the same time the Company, in cooperation with its foreign partners, has initiated work to evaluate the effectiveness of projects focused on the increased capacity of POM production in alternative locations (Near East, Russia), which are now in progress. In the second or third quarter of 2009 (depending on the situation in the market for polymers and investment goods and services) another updated version of the feasibility study will be prepared, taking into account changes in market situation, prices and costs.

Further decisions regarding project development will be made based on the results of the study and results from the evaluation of projects in alternative locations.

The planned cost of this investment project is about PLN 300 m .

4. Factors and events with significant impact on financial results.

4.1. Impact of macroeconomic factors on the results obtained in Q4 2008

In the last three months of 2008 economic growth in Poland significantly decreased. According to government estimates, GDP for Q4 2008 was 2.8% y/y, compared to 4.8% in Q3 2008. This mainly resulted from the financial crisis strongly influencing the decrease in global economic growth. This is confirmed by the latest data on the balance of payments which indicate a decline in Polish exports. The highest growth was recorded for trade with developing countries with a simultaneous unfavourable visible balance. Throughout 2008 Germany was the leader, both as a buyer of Polish goods, and as a target imports market. However, in the last quarter of 2008, along with other EU countries, its position considerably weakened and, simultaneously, Russia increased its share. Continuing deterioration of prospects for the sales of products, as well as increasing problems with gaining capital slowed down investments considerably.

Several simultaneous negative events in the global financial market and deteriorating market prospects in the global economy had an impact on the gradual decrease in demand in foreign markets. Since mid-2008 domestic industrial production has been decreasing, and in Q4 the volume of sold products was considerably lower than a year before.

This period was characterised by unusual swings in the global market cause by the global financial crisis. The chemical industry strongly felt the effects of the crisis in Q4 2008, as its products are used in many industrial branches such as automotive, textiles and construction. Reduced demand for its products, coinciding with the decrease in the price of chemicals, forced the leading manufacturers to considerably reduce their production volume.

Additionally, access to credit was more difficult, which resulted from the financial crash and much stricter credit conditions required by banks. Moreover, the costs of credit were relatively high, which resulted from a high risk premium included in interest rates and increased margins.

However, despite the symptoms of slowdown recorded in many economic areas in the second half of 2008, Poland was among the countries with the highest growth of GDP across the European Union. According to preliminary estimates, the real Gross Domestic Product in 2008 amounted to 4.8% y/y (vs. 6.7% in 2007).

A slowdown was recorded in the dynamics of prices for consumer goods and services (3.8% y/y vs. 4.7% in Q3 2008), but over the whole of 2008 they increased even more than a year before (4.2% y/y vs. 2.5% in 2007). Decreased inflation resulted mainly from reduced prices for crude oil and liquid fuels. Annual information from the labour market indicated a further (although slower than in previous years) increase in average employment in the enterprise sector. The last quarter of 2008 brought a significant change, and an increase in the unemployment rate has been observed since November. Additionally, average monthly earnings in the enterprise sector clearly decreased after a high increase in Q2 2008.

To summarise, persisting tendencies from the fourth quarter of 2008 caused by the weak global economic situation associated with the financial crisis will result in a transition to the stage of decrease in the economic cycle. The change dynamics will largely depend on the maintenance of domestic economic balance, the arrival of negative changes observed in the global market, reduction of public debt and the efficient use of European Union funds to improve the competitiveness of enterprises.

4.2. Currency market.

In Q4 2008, the Polish currency was weaker than in the same period of the previous year against the EUR and USD, which are the basic accounting currencies used by the Company. The average exchange rate for 1 USD was PLN 2.86, while for 1 EUR – PLN 3.77, and at the end of December 2008 the exchange rate for the USD and EUR equalled PLN 2.96 and PLN 4.17 respectively. The Company is listed among the largest Polish exporters and for many years the value of its exports has exceeded 60 per cent of the Company's total income. Azoty Tarnów, owing to the lower volume of imported purchased products, has a long open foreign exchange position, as exposed to the lower results in the case of appreciation of the Polish zloty. The situation is the reverse for the depreciation of the Polish currency. Therefore, the Company is exposed to currency risk with impact on its financial results.

	Q4 2008	Q4 2007	Change in %
average annual exchange rate USD	PLN 2.86	PLN 2.52	13.5
average annual exchange rate EUR	PLN 3.77	PLN 3.65	3.3

Factors and events with significant impact on the financial results of ZAT for Q4 2008 include rapid weakening of the PLN firstly against the USD, and secondly, to a slightly smaller degree against the EUR. As a result, in Q4 2008 the PLN weakened by about 25% against the USD and by 18% against the EUR, and further depreciation of the PLN against both currencies was observed before the publication of this report.

Before Q3 2008 the Company used currency risk hedging which involved the conclusion of forward currency sales transactions with a specified date, and complex option strategies for 6 and 12 months to reduce the fluctuations in the Company's financial results. The objective of these transactions was to hedge up to 50% of the planned net exposure of income from Company sales expressed in EUR and USD.

In Q4 2008 the Company accounted previously concluded hedging currency transactions by delivery forward, but owing to the aforesaid rapid depreciation of the zloty the result of carried out hedging transactions was PLN -9,494,000. However, at the same time, on the remaining part of unhedged net currency exposure the Company recorded a positive result of PLN +8,615,000 on account of currency rate differences.

Finally, the result for Q4 2008 for carried out currency transactions was balanced to a large extent and amounted to -PLN 879,000.

Additionally, the Company has been using hedge accounting since 1 October, 2008 based on International Accounting Standard No. 39 to hedge future cash flows which are exposed to currency risk. The Company follows the aforesaid standards with respect to some derivative currency-exchange transactions concluded in the past, and credits and loans in foreign currency for which effective hedged value was specified. As at 31.12.2008 the Company recognised in the revaluation surplus an effective hedge, based on the criteria for hedge accounting, resulting from:

- concluded derivative currency exchange transactions in USD in the amount of: PLN -2,955,000
- credits and loans granted in EUR in the amount of: PLN -6,758,000.

As at 31.12.2008 unrealized option structures remained for the total amount of USD 10 m, with due date from January to June 2009 (which is ca. 56% of planned net exposure of the Company for that period in USD), and the total amount of EUR 18.2 m, with due date from January to August 2009 (which is ca. 37% of expected net exposure of the Company for that period in EUR). Transactions have been concluded with the following banks: Raiffeisen Bank Polska SA, PKO BP SA, BGŻ SA, and Citi Bank Handlowy SA.

Financial results from the valuation of unrealized derivative currency exchange transactions as at 31.12.2008 amounted to PLN -23,025,000, which conforms with the valuation carried out by the banks where transactions were concluded, and which in the carried out valuation additionally considered volatility, apart from the effects of fluctuations in currency exchange rates.

In the situation when Company sales consistently exceed purchases in EUR and USD, the present tendency of the Polish zloty to weaken against these currencies has a positive impact on the results on operating activities, while the scale of the depreciation, inexplicable in terms of the wider Polish economy, leads to the aforesaid negative valuation of foreign currency transactions of the Company which are adjusted to net foreign currency exposure.

On 06.01.2009 a procedure developed and tested in Q4 2008 for currency risks management was approved, which is aimed at the presentation of previously followed standards in one consolidated document, as well as the implementation of new solutions which provide Azoty Tarnów with hedging of foreign currency cash flow against unfavourable fluctuations in exchange rates. The Procedure describes a protocol for currency risk management which involves:

- identification and assessment of currency risk sources,
- adoption of a general policy for currency risk management,
- forecasting cash flow and assessment of currency position,
- identification of the extent and type of hedging against currency risk,

- selection of hedging strategy and hedging instruments,
- implementation of selected hedging strategy,
- control and assessment of activities' effectiveness.

For the purpose of effective implementation of the currency risk management process the Company appointed the Committee for Currency Risk. General supervision of the process for currency risk management is under the responsibility of the Member of the Management Board who supervises finance.

Additionally, the Procedure establishes the rules for responsibility, identification of currency risk sources and the level of this risk, selection of hedging strategy and hedging instruments, general policy for currency risk management in the Company, methods for forecasting future cash flow and assessment of currency position, methods for the assessment of hedging level against currency risk, implementation of selected hedging strategy and control and assessment of the effects of undertaken activities.

In particular, Azoty Tarnów adjusts the type and dates for the conclusion of currency hedging transactions with respect to the present and planned currency position and cash flow over time, based on the rules specified in the General Policy for currency risk management and the Hedge Accounting Standards. The General policy for currency risk management is an integral part of the Annual Financing Plan and contains defined currency risk, percentage of currency position to be hedged, rules for the conclusion of hedging currency transactions, and the minimum budget exchange rate, which enables a planned yield of return on sales.

5. Seasonality of activities.

Seasonality of sales in the Company is mainly observed in fertilisers, especially in nitrate fertilisers such as ammonium nitrate with calcium and magnesium, and ammonium nitrate. Demand for these products results from agrotechnical work and plant vegetation. The largest sales in the domestic market are recorded in the first quarter (depending on weather conditions its peak falls in February and March). At the end of the calendar year – between Q3 and Q4 – increased demand is observed again, but it is lower than spring demand and results from the stockpiling of fertilizers by farmers and distributors before the new spring season. In the summer, when demand for fertilizers among end-clients (farmers) decreases, production lines are mostly under service, repair and modernization.

To reduce the impact of seasonality on the sales volume, the Company hedges supply throughout year by contracts encouraging dealers with competitive prices to stock up before the next season.

The autumn sales season for nitrate fertilizers ended in October. It was comparable to the spring season with respect to volume. Since November the sales volume considerably decreased but it had no impact on the sales value owing to high prices maintained despite the ending season. Reduced sales volume resulted from a very difficult situation in the agriculture market. Agricultural overproduction among grain producers was observed across Europe, leading to a reduction in the purchase price which, on the background of rapidly increasing prices of products for agriculture (prices of nitrogen fertilizers increased by about 40%, NPK fertilizers – by about 200%), caused a lack of motivation to purchase among distributors, their trade

partners and end-clients. A similar situation occurred with other agricultural products such as milk, slaughter pork etc.

6. The nature and amount of unusual items with impact on assets, liabilities, equity, net financial results or cash flow.

In Q4 2008 there were no unusual items for their nature, value or effect with potential impact on assets, liabilities, equity, net financial result or cash flow.

7. The nature and amount of changes in estimates reported in prior periods of the current financial year.

The nature and amount of changes in estimates are provided in Tables in section 2 of this report.

8. Share issues, repurchases and repayments of debt and equity securities.

In Q4 2008 the Capital Group of Azoty Tarnów, apart from the share issue, did not issue, repurchase, or repay debt and equity securities.

9. Use of capital derived from share issue.

The value of the Public Offering amounted to PLN 294,770,000.

Capital derived from the share issue was kept in interest-bearing deposits in DM BZ WBK and BZ WBK banks, which were restricted until 28.07.2008 i.e. until the day when the court statement regarding the registration of increased capital resulting from the share issue was submitted. Since 28.07.2008 the capital has been kept in diversified deposits in selected banks with gradually maturing dates (up to 15 months), adjusted to their planned utilization for financing investment objectives within the implementation of share issue goals.

Up to the end of Q4 2008 the Company used capital in the following manner:

- to cover the net cost of the public offering – PLN 9,298,000.
- to finance a part of the expenses within the implementation of share issue objectives – PLN 39,293,000.

including:

- investments under the framework of the “Optimization of product portfolio and the sales system for nitrogen fertilizers” – full amount planned in the Prospectus – PLN 38,000,000
- objectives implemented under the framework of the "Modernization of the Caprolactam Plant with the construction of a new hydrogen supply system" – PLN 951,000.
- “Increase of capacity of the Modified Plastics Plant” – PLN 342,000.

In total, the Company used PLN 39,293,000 of the capital derived from the Public Offering to finance expenses associated with the implementation of share issue objectives, which included PLN 21,079,000 spent since the publication of the report for Q3 2008.

The use of capital derived from the share issue since the publication of a prior interim report was mainly oriented towards the financing of payments resulting from the final stage of the implementation of the "Optimization of the product portfolio and sales system for nitrogen fertilizers" project, amounting to PLN 19,786,000. Additionally, the Company started the implementation of other planned objectives of the share issue, and on account of this fact used the capital derived from the share issue to begin the financing of the "Modernization of the Caprolactam Plant and the construction of a new hydrogen supply system" and the "Increased capacity of the Modified Plastics Plant" projects. The amounts of these expenses are presented below.

Expenses incurred to implement the objectives of the share issue as at the publication date of the report for Q4 2008 (in PLN'000)

Project	Expenses since 01.07.2008	From borrowings	From capital other than share issue	From share issue	including capital from share issue after 15.11.2008 i.e. after the publication date of the report for Q3 2008
Mechanical system for fertilizer granulation 1,200 t/d	29,279,074	6,291,000	8,074	22,980,000	12,284,000
Modernization of the dolomite milling plant	2,973,420	0	3,420	2,970,000	2,203,000
Modernization of a station for packing and shipping fertilizers	12,511,533	0	461,533	12,050,000	5,299,000
In total					
“Optimization of the product portfolio and sales system for nitrogen fertilizers”	44,764,027	6,291,000	473,027	38,000,000	19,786,000
Modernization of air compression station to supply the Cyclohexane Oxidation System in K-54 zone	2,060,134	0	1,240,134	820,000	820,000
Modernization of process control in systems of the Cyclohexanone Plant	409,530	0	409,530	0	0
Modernization of selective phenol hydrogenation supported with Pd-catalyst	191,192	0	60,192	131,000	131,000
Modernization and increased capacity of the Caprolactam Plant to 101.3 Kt/year	0	0	96,000	0	0
In total					
“Modernization of the Caprolactam Plant and the construction of a new hydrogen supply system”	2,660,856	0	1,709,856	951,000	951,000
Increased capacity of the Modified Plastics Plant – stage I+II	375,745	0	33,745	342,000	342,000
<i>In total projects financed within the framework of the share issue objectives</i>	47,800,628	6,291,000	2,216,628	39,293,000	21,079,000

As at 31.12.2008 PLN 253 m of capital derived from the issue of Company shares remained in fixed term deposits. Additionally, in bank accounts and over-night deposits the Company kept PLN 15 million to finance current activities.

Capital derived from the share issue kept in fixed term deposits provided in Q4 2008 total financial income of PLN 4.5 m.

10. Dividends.

In Q4 2008 the Issuer did not declare or pay a dividend.

11. Sectors of activity.

INDUSTRY SECTORS – for period from 01.10. to 31.12.2008

Specification	Plastics	Sectors Fertilizers	Energy	Other	Excluded from consolidation	Consolidated value
<i>Financial results by industry sector for period from 01.10. to 31.12.2008</i>						
Total revenues	108,380	198,062	101,389	73,787	(187,795)	293,823
Sales outside sectors	106,584	158,993	4,360	73,787	(49,901)	293,823
Sales between sectors	1,796	39,069	97,029	-	(137,894)	-
Costs in total (-)	(130,363)	(160,082)	(98,522)	(62,866)	187,795	(264,038)
Result of reporting sector	(21,983)	37,980	2,867	10,921	-	29,785
Non-attributed revenues	x	x	x	x	x	16,008
Non-attributed costs (-)	x	x	x	x	x	(34,092)
Profit from operating activities	x	x	x	x	x	11,701
Finance income	x	x	x	x	x	14,082
Finance costs (-)	x	x	x	x	x	(23,605)
Profit on shares held in subordinated units valued with equity method	x	x	x	x	x	13
Profit before tax	x	x	x	x	x	2,191
Income tax	x	x	x	x	x	2,411
Net profit	x	x	x	x	x	4,602

INDUSTRY SECTORS – for period from 01.10. to 31.12.2007

Specification	Plastics	Sectors Fertilizers	Energy	Other	Excluded from consolidation	Consolidated value
<i>Financial results by industry sector for period from 01.10. to 31.12.2007</i>						
Total revenues	181,985	160,630	94,102	66,170	(179,414)	323,473
Sales outside sectors	176,992	120,181	4,134	66,170	(44,004)	323,473
Sales between sectors	4,993	40,449	89,968	-	(135,410)	-
Costs in total (-)	(149,659)	(143,755)	(94,635)	(84,644)	179,414	(293,297)
Result of reporting sector	32,326	16,875	(533)	(18,474)	-	30,194
Non-attributed revenues	x	x	x	x	x	13,777
Non-attributed costs (-)	x	x	x	x	x	(39,718)
Profit from operating activities	x	x	x	x	x	4,253
Finance income	x	x	x	x	x	6,496
Finance costs (-)	x	x	x	x	x	(2,572)
Profit on shares held in subordinated units valued with equity method	x	x	x	x	x	(1)
Profit before tax	x	x	x	x	x	8,176
Income tax	x	x	x	x	x	(1,527)
Net profit	x	x	x	x	x	6,649

INDUSTRY SECTORS – for period from 01.01. to 31.12.2008

Specification	Plastics	Sectors Fertilizers	Energy	Other	Excluded from consolidation	Consolidated value
<i>Financial results by industry sector for period from 01.10. to 31.12.2008</i>						
Total revenues	639,993	763,182	402,200	281,008	(733,638)	1,352,745
Sales outside sectors	633,356	594,572	15,276	281,008	(171,467)	1,352,745
Sales between sectors	6,637	168,610	386,924	-	(562,171)	-
Costs in total (-)	(619,624)	(657,937)	(400,913)	(222,426)	733,638	(1,167,262)
Result of reporting sector	20,369	105,245	1,287	58,582	-	185,483
Non-attributed revenues	x	x	x	x	x	26,918
Non-attributed costs (-)	x	x	x	x	x	(123,669)
Profit from operating activities	x	x	x	x	x	88,732
Finance income	x	x	x	x	x	22,481
Finance costs (-)	x	x	x	x	x	(24,448)
Profit on shares held in subordinated units valued with equity method	x	x	x	x	x	94
Profit before tax	x	x	x	x	x	86,859
Income tax	x	x	x	x	x	(13,666)
Net profit	x	x	x	x	x	73,193

INDUSTRY SECTORS – for period from 01.01. to 31.12.2007

Specification	Sectors				Excluded from consolidation	Consolidated value
	Plastics	Fertilizers	Energy	Other		
<i>Financial results by industry sector for period from 01.10. to 31.12.2007</i>						
Total revenues	764,222	590,781	384,425	228,169	(674,097)	1,293,500
Sales outside sectors	753,593	447,875	14,558	228,169	(150,695)	1,293,500
Sales between sectors	10,629	142,906	369,867	-	(523,402)	-
Costs in total (-)	(631,238)	(554,149)	(383,907)	(232,492)	674,097	(1,127,689)
Result of reporting sector	132,984	36,632	518	(4,323)	-	165,811
Non-attributed revenues	x	x	x	x	x	22,896
Non-attributed costs (-)	x	x	x	x	x	(115,738)
Profit from operating activities	x	x	x	x	x	72,969
Finance income	x	x	x	x	x	8,103
Finance costs (-)	x	x	x	x	x	(6,158)
Profit on shares held in subordinated units valued with equity method	x	x	x	x	x	113
Profit before tax	x	x	x	x	x	75,027
Income tax	x	x	x	x	x	(19,004)
Net profit	x	x	x	x	x	56,023

12. Events that occurred after the date on which the quarterly report was prepared that may significantly affect future financial results.

- **Accession to Polskie Konsorcjum Chemiczne sp. z o.o.**

Following the letter of intent regarding the purchase of a controlling interest of the Anwil company, signed on 9 October, 2008, Azoty Tarnów joined Polskie Konsorcjum Chemiczne sp. z o.o. on 5.01.2009 and took over 25 % of shares in increased share capital of PKCh Sp. z o.o., with the right to 25 % of votes at the General Meeting of Shareholders of PKCh Sp. z o.o.

The declaration to join PKCh Sp. z o.o and take over the shares in the increased share capital of that company was prepared in the form of notarial deeds. The value of taken over shares in PKCh sp. z o.o. amounts to PLN 25,000.

On 19 February 2009 the District Court for the capital city of Warsaw, 13th Economic Department of the National Court Register entered Polskie Konsorcjum Chemiczne Sp. z o.o. under number KRS 0000319998. The President of the Management Board of Azoty Tarnów, Mr. Jerzy Marciniak, was appointed a Member of the Management Board of PKCh Sp. z o.o.

PKCh Sp. z o.o., with its registered office in Warsaw, is a Special Purpose Vehicle established by Ciech SA, which was joined on 5.01.2009 by Zakłady Azotowe w Tarnowie – Mościcach S.A. and Zakłady Azotowe Kędzierzyn SA, based on the Memorandum of Partners (establishing terms and conditions of cooperation between parties in the process of the future purchase of controlling interest of Anwil SA).

The acquired assets were recognised as financial assets of material value, as the Issuer purchased over 20% of the share capital of the acquired company. The aforesaid assets were acquired using the Issuer's own capital.

- **Disposal of shares in a subsidiary**

On 2 March 2009 Azoty Tarnów disposed of 100% of its shares in its subsidiary "Oknotar" Sp. z o.o. to 14 natural persons. The transaction concerned 5,000 equal and indivisible shares at a book value of PLN 500, and a total book value of PLN 2,500,000. The sales price for the aforesaid shares was PLN 53 per share, which totals PLN 265,000 , i.e. the balance sheet value of the held shares.

- **Annex to the contract for the long-term delivery of sulphur**

On 05.01.2009 the Company signed Annex No. 15 to Contract No. 1/2001 with the Kopalnie i Zakłady Chemiczne Siarki "Siarkopol" sulphur mines and factory, with their registered office in Grzybowo, concluded on 30.07.2001. The signed Annex to the aforesaid contract superseded the existing annex, No. 14, signed on 01.07.2008.

Annex No. 15 to the contract establishes the correction of sulphur price and the term of the contract (January-March 2009) with respect to the provisions of the existing annex. Other provisions of Contract No. 1/2001 remain unchanged.

In association with the modified terms and conditions of the contract, the total value of turnover between the Parties, including the value resulting from the aforesaid contract, will be changed and the contract will no longer comply with the criteria of a material contract.

- **Annex to the contract concluded with Kompania Węglowa SA**

On 22.01.2009 Annex No. 4 was signed to the contract dated 08.02.2007 concluded between Azoty Tarnów and Kompania Węglowa SA, with its registered office in Katowice.

The Annex to the contract concerns the sales of energetic coal by Kompania Węglowa SA to Zakłady Azotowe w Tarnowie – Mościcach SA in 2009, according to an agreed time schedule and business terms and conditions. The estimated net value of Annex No. 4 within the term of the contract is about PLN 89 m.

The parties of the aforesaid annex specified contractual penalties of 3% of the value of non-supplied or not ordered coal. The remaining terms and conditions conform with market standards used in contracts of this type.

13. Changes in contingent liabilities or contingent assets after the date when the last financial year ended.

- Contingent assets - none.
- Contingent liabilities.

The Parent Company has never recognised in contingent liabilities the claim of Bank Pekao S.A. amounting to PLN 9,122,156.88, including statutory interest until 29 March, 2007, on account of litigation to pay compensation. In the view of the Company, the claim is groundless and reflects the continuation of the Bank's hostile activities towards the Company from the period when the Agreement was concluded. As a major reason, Azoty Tarnów asserts that the claim has become invalid by lapse of time. Additionally, the Company has raised numerous objections regarding the essence of the claim.

The Company considers the claim to be completely groundless, and for that reason no contingent was created to cover potential liabilities on lost litigation.

The District Court in Tarnów, in its statement dated 20 May, 2008, dismissed the action of Bank Pekao S.A., and adjudged to the defendant reimbursement of litigation costs. Bank Pekao S.A. filed an appeal in this case to the second instance Court. A meeting held on 19 September, 2008 ended with the decision to review the case by the first instance Court.

In "ZWRI" Sp. z o.o. a bank guarantee for PLN 259,000 which was issued for Ośrodek Badawczo-Rozwojowy Zakładów Mechanicznych (*Research and Development Centre for Mechanical Works*) expired on 01.01.2008 and a draft was issued for Operator Logistyczny Paliw Płynnych (*Logistics Operator for Liquid Fuels*) for an amount up to PLN 102,000 and for 3 drafts for ZAT, for a total amount up to PLN 66,000.

JRCH Sp. z o.o. on 13 June, 2008 paid off its liabilities towards the Marshall's Office, together with due interest of PLN 246,968.63 reported in the annual statement for 2007, of which PLN 172,000.00 was the principal amount recognised as contingent liability. Appeal proceedings concerning this case are pending.

Contingent liabilities

Specification	Type of liability	Currency	as at	
			31.12.2008	31.12.2007
Contingent liabilities on issued loan sureties and guarantees				
Automatyka sp. z o.o.	Performance bond for work, for the period of bank guarantees	PLN	47,000	185,000
JRChem sp. z o.o.	Liability towards the Marshall's Office on account of unpaid environmental fee	PLN	-	172,000
Oknotar sp. z o.o.	Guarantee for warranty obligations	PLN	-	35,000
ZWRI sp. z o.o.	Performance bond regarding a construction work agreement to build "Stacja Badawcza" (Research Station)	PLN	-	259,000
	Draft for Operator Logistyczny Paliw Płynnych	PLN	102,000	-
	Draft for ZAT	PLN	66,000	-

E. OTHER INFORMATION

1. Organisational system of the Capital Group.

Azoty Tarnów is the parent entity.

At the end of Q4 2008 it held interest/shares in 32 companies established under the commercial code, of which:

- 10 are subsidiaries (with shares in capital over 50%),
- 1 is an affiliated company (with shares in capital from 20% to 50%),
- 21 are minority companies (with shares in capital under 20%).

Companies subject to consolidation

Name of the entity	% of shares
Biuro Projektów Zakładów Azotowych "BIPROZAT" Tarnów Sp. z o.o.	100
Zakład Remontów Elektrycznych oraz Instalatorstwo Elektryczne "ELZAT" Sp. z o.o.	100
Jednostka Ratownictwa Chemicznego Sp. z o.o.	100
Przedsiębiorstwo Transportu Kolejowego "KOLTAR" Sp. z o.o.	100
"OKNOTAR" Sp. z o.o.	100
"PROREM" Sp. z o.o.	100
Tarnowskie Przedsiębiorstwo Produkcyjno-Usługowe "WIEZAT" Sp. z o.o.	100
Zakład Budowy Aparatury Chemicznej "ZBACH" Sp. z o.o.	100
ZWRI sp. z o.o.	100
"AUTOMATYKA" Sp. z o.o.	69.73
"NAVITRANS" Sp. z o.o.	26.45

“NAVITRANS” Sp. z o.o. is an affiliated entity and is subject to consolidation using the equity method.

Parent Company - Zakłady Azotowe w Tarnowie- Mościcach S.A.

The Company was entered to the economic register of the National Court Register under KRS number 0000075450 on 28 December, 2001, based on the decision of the District Court for Kraków – Śródmieście in Kraków, 12th Economic Department of the National Court Register, dated 28 December 2001.

Scope of activity: manufacture and sales of chemicals and plastics (PKD 2414Z).

Presentation of subsidiaries of the Capital Group Azoty Tarnów:

“AUTOMATYKA” Sp. z o.o.

The company was registered on 07.11.1997. Its premises are located in Tarnów, at ul. E. Kwiatkowskiego No. 8. The company was entered to the National Court Register under KRS number 0000085959 on 6 February, 2002, based on the decision of the District Court for Kraków – Śródmieście in Kraków, 12th Economic Department of the National Court Register.

Scope of activity: manufacture of control equipment, industrial process control, design and installation of systems, activities associated with mechanical engineering and consulting in computer hardware (PKD 3313Z).

Biuro Projektów Zakładów Azotowych “BIPROZAT – TARNÓW” Sp. z o.o.

The company was registered on 02 March, 1994. Its premises are located in Tarnów, at ul. E. Kwiatkowskiego No. 7. The company was entered to the National Court Register under KRS number 0000199462 on 12 March, 2004, based on the decision of the District Court for Kraków – Śródmieście in Kraków, 12th Economic Department of the National Court Register.

Scope of activity: design and preparation of documentation, organization of equipment and devices supply, trade, consulting and IT activity, new technologies (PKD 7420A).

Zakład Remontów Elektrycznych oraz Instalatorstwo Elektryczne “ELZAT” Sp. z o.o.

The company was registered on 02 March, 2004. Its premises are located in Tarnów, at ul. E. Kwiatkowskiego No. 8. The company was entered to the National Court Register under KRS number 0000205643 on 29 April, 2004, based on the decision of the District Court for Kraków – Śródmieście in Kraków, 12th Economic Department of the National Court Register.

Scope of activity: installation of electrical wiring, manufacturing mechanical equipment and devices, metal tooling, sales of waste and scrap metal, technical analysis and research, finishing works (PKD 3110).

Jednostka Ratownictwa Chemicznego Sp. z o.o.

The company was registered on 19 November, 1993. Its premises are located in Tarnów, at ul. E. Kwiatkowskiego No. 8. The company was entered to the National Court Register under KRS number 0000188857 on 29 January, 2004 based on the decision of the District Court for Kraków

– Śródmieście in Kraków, 12th Economic Department of the National Court Register. The main scope of this company's activity are services connected with environmental protection.

Scope of activity: services in neutralization, recycling, recovery and disposal of waste, sewage treatment, elimination of breakdown effects, water, air and sewage analysis, training, transportation of hazardous materials, analysis of food, manufacture and sales of chemical products (PKD 9001Z).

Przedsiębiorstwo Transportu Kolejowego "KOLTAR" Sp. z o.o.

The company was registered on 07 December, 1999. Its premises are located in Tarnów, at ul. E. Kwiatkowskiego No. 8. The company was entered to the National Court Register under KRS number 0000206663 on 12 May, 2004, based on the decision of the District Court for Kraków – Śródmieście in Kraków, 12th Economic Department of the National Court Register.

Scope of activity: forwarding services – dispatch and receipt of rail consignments, loading and unloading services, cleaning tanks and rail carriages and their maintenance, trade, maintenance of railway lines associated with the operation of the factory railway station (PKD 6010Z).

"OKNOTAR" Sp. z o.o.

The company was registered on 20 June, 2001. Its premises are located in Tarnów, at ul. E. Kwiatkowskiego No. 118. The company was entered to the National Court Register under KRS number 0000027977 on 24 July, 2001, based on the decision of the District Court for Kraków – Śródmieście in Kraków, 12th Economic Department of the National Court Register.

Scope of activity: manufacture of plastics for the construction industry, manufacture of joinery and woodwork products for the construction industry, manufacture of metal parts for joinery, warehousing and storage of goods, joinery installation (PKD 2523).

PROReM Sp. z o.o.

The company was registered on 14 October, 1998. Its premises are located in Tarnów, at ul. E. Kwiatkowskiego No. 8. The company was entered to the National Court Register under KRS number 0000095916 on 6 March, 2002 based on the decision of the District Court for Kraków – Śródmieście in Kraków, 12th Economic Department of the National Court Register.

Scope of activity: manufacture and services (construction and assembly of sanitary, industrial, electrical, measurement, teletechnical systems etc.), renovation and modernization of special elements of fixed assets (PKD 2924B).

Wieżat Sp. z o. o.

The company was registered on 06 October, 1988. Its premises are located in Tarnów, at ul. E. Kwiatkowskiego No. 8. The company was entered to the National Court Register under KRS number 0000130185 on 13 September, 2002 based on the decision of the District Court for Kraków – Śródmieście in Kraków, 12th Economic Department of the National Court Register.

Scope of activity: renovation, modernization and construction investment services, trade (PKD 4532Z).

Zakład Budowy Aparatury Chemicznej "ZBACH" Sp. z o.o.

The company was registered on 15 November, 1993. Its premises are located in Tarnów, at ul. E. Kwiatkowskiego No. 8. The company was entered to the National Court Register under KRS number 0000135985 on 23 October, 2002 based on the decision of the District Court for Kraków – Śródmieście in Kraków, 12th Economic Department of the National Court Register.

Scope of activity: manufacture of industrial equipment, industrial services, exports and imports of products, trade, preparation of construction work package documentation (PKD 2821Z).

ZWRI sp. z o.o.

The company was registered on 28 December, 1993. Its premises are located in Tarnów, at ul. E. Kwiatkowskiego No. 8. The company was entered to the National Court Register under KRS number 0000074630 on 4 January, 2002 based on the decision of the District Court for Kraków – Śródmieście in Kraków, 12th Economic Department of the National Court Register.

Scope of activity: manufacture and services (construction and assembly of sanitary, industrial, electrical, measurement, teletechnical systems - PKD 4521).

Affiliated entity:

Navitrans Sp. z o. o.

The company was registered on 29 June, 1992. Its premises are located in Gdynia, at ul. Chrzanowskiego No. 6. The company was entered to the National Court Register under KRS number 0000062936 on 20 November, 2001 based on the decision of the District Court for Gdańsk , 8th Economic Department of the National Court Register.

Scope of activity: forwarding services (PKD 6340C).

2. Changes in the structure of economic entities, including merger of economic entities, take over or sales of entities from the Company's capital group, long-term investments, split, restructuring or cessation of activity.

Azoty Tarnów disposed of 100% of shares in its subsidiary "Oknotar" Sp. z o.o. Transaction details are presented in section D.12.

3. Position of the Management Board on the performance of the forecasted financial results.

Forecasted financial results, the performance of which are presented below, are provided on page 177 of the Prospectus in Table No. 83.

Summary of current and forecasted financial results of the Capital Group including performance for individual periods.

Type	Forecast for 2008 PLN'000	Performance (in PLN'000)		Performance in % for period	
		01.10.2008	01.01.2008	01.10.2008	01.01.2008
		31.12.2008	31.12.2008	31.12.2008	31.12.2008
Net revenues on sales	1,326,283	293,823	1,352,745	22.15	102.00
EBITDA	160,499	31,109	161,623	19.38	100.70
Profit from operating activities	83,847	11,701	88,732	13.96	105.83
Gross profit	92,953	2,191	86,859	2.36	93.44
Net profit	73,888	4,602	73,193	6.23	99.06

The Management Board of the Company confirms the performance of forecasted financial results for 2008. The parameters of the financial forecast for 2008 do not differ from performance by more than 10%.

4. Share ownership.

Structure of the Company's share capital

Number of shares	Share series	Proportion in the share capital
24,000,000	AA series	61.36 %
15,116,421	B series	38.64 %

The structure of share ownership has not changed since the publication of the prior quarterly report up to the date of this report.

The structure of share ownership on the date of presentation of this report, including shareholders holding, directly or indirectly, at least 5% of votes at the General Shareholders Meeting of Zakłady Azotowe w Tarnowie – Mościcach S.A.

Company name	Number of held shares	Proportion in share capital (in %)	Number of votes	Proportion of the total number of votes (%)
Nafta Polska .S.A.	19,200,000	49.08	19,200,000	49.08
Polskie Górnictwo Naftowe i Gazownictwo S.A.	4,000,001	10.23	4,000,001	10.23
CIECH S.A.	2,560,000	6.54	2,560,000	6.54

5. Changes in the number of shares held by the Management or Supervisory Board members of the Company.

On the date of the submission of the prior quarterly report, i.e. 14 November 2008.

	Number of shares/votes	Proportion of the total number of shares/votes
Management Board		
Vice President of the Management Board - Witold Szczypiński	390	0.000997%
Member of the Management Board – Franciszek Bernat	390	0.000997%
Supervisory Board		
Member of the Supervisory Board – Jan Wais	390	0.000997%
Member of the Supervisory Board - Krzysztof Pieńkowski	390	0.000997%

On the date of this report's publication

	Number of shares/votes	Proportion of the total number of shares/votes
Management Board		
Vice President of the Management Board - Witold Szczypiński	390	0.000997%
Member of the Management Board – Franciszek Bernat	390	0.000997%
Supervisory Board		
Member of the Supervisory Board – Jan Wais	590	0.001508%
Member of the Supervisory Board - Krzysztof Pieńkowski	390	0.000997%

6. Litigation.

Between Q4 2008 and 31 December 2008 there were no proceedings in progress before the court, authority relevant for arbitration, or public administration authority regarding companies of the Capital Group whose value was at least 10% of the Issuer's own capital.

Litigation in progress, in which companies of the Capital Group act as plaintiff or defendant, should not have a significant impact on the situation of the Capital Group.

7. Transactions unusual for the Company or its subsidiary with related parties with a value exceeding EUR 500,000.

The list of Contracts and Annexes signed between Azoty Tarnów and its subsidiaries with value exceeding PLN 2,086,200* (EUR 500,000) – refers to the implementation of investments.

List of Contracts and Annexes prepared for the date of this report's publication, i.e. 2 March, 2009.

No.	Contract No.	Date of contract conclusion	Name of entity	Contract value (PLN)	Term
1	08/047/R + Annex 1	06.06.2008 Term	Biuro Projektów "BIPROZAT" Tarnów Sp. z o.o.	800,000	06.06.2008 21.11.2008 15.04.2009
2	08/048/R	06.06.2008	Biuro Projektów "BIPROZAT" Tarnów Sp. z o.o.	370,000	06.06.2008 14.11.2008 31.03.2009
3	08/056/R + Annex 1	27.06.2008 Term and value	Biuro Projektów "BIPROZAT" Tarnów Sp. z o.o.	680,000 <u>+59,000</u> 739,000	27.06.2008 19.12.2008 31.01.2009
4	08/058/R	08.07.2008	Biuro Projektów "BIPROZAT" Tarnów Sp. z o.o.	1,200,000	08.07.2008 15.03.2009
5	08/066/R	23.07.2008	Biuro Projektów "BIPROZAT" Tarnów Sp. z o.o.	283,000	23.07.2008 30.11.2008
6	08/103/R	19.12.2008	Biuro Projektów "BIPROZAT" Tarnów Sp. z o.o.	440,000	19.12.2008 21.05.2009
7	6/III/2008 + Annex 1 + Annex 2 + Annex 3	20.03.2008 Term Term Value	"PROREM" Sp. z o.o.	3,698,000 <u>+251,187.83</u> 3,949,187.83	20.03.2008 31.07.2008 29.08.2008 28.10.2008
8	8/VI/2008 + Annex 1	16.06.2008 Term	"PROREM" Sp. z o.o.	62,800	16.06.2008 30.09.2008 31.12.2008
9	9/VII/2008 + Annex 1	08.07.2008 Term	"PROREM" Sp. z o.o.	3,450,500	08.07.2008 15.11.2008 19.12. 2008
10	11/IX/2008 + Annex 1	17.09.2008 Term/value	"PROREM" Sp. z o.o.	900,000 <u>+71,000</u> 971,000	17.09.2008 30.10.2008 19.12.2008
11	5/ZWRI/I/2008 + Annex 1 + Annex 2 + Annex 3	17.03.2008 Term Value Term	"ZWRI" Sp. z o.o.	2,000,000 <u>+ 418,000</u> 2,418,000	17.03.2008 25.07.2008 31.10.2008 15.12.2008

12	7/ZWRI/I/2008 + Annex 1	17.03.2008 Term	"ZWRI" Sp. z o.o.	217,000	17.03.2008 14.06.2008 18.07.2008
13	9/ZWRI/I/2008 + Annex 1 + Annex 2	02.04.2008 Term and value Term and value	"ZWRI" Sp. z o.o.	615,000 <u>+118,500</u> 733,500 <u>+157,000</u> 890,500	02.04.2008 31.07.2008 31.08.2008 30.09.2008
14	15/ZWRI/I/2008 + Annex 1 + Annex 2 + Annex 3	02.06.2008 Term Term Term/value	"ZWRI" Sp. z o.o.	823,000 <u>+18,511.95</u> 841,511.95	02.06.2008 31.07.2008 10.09.2008 20.10.2008 15.11.2008
15	20/ZWRI/I/2008	12.06.2008	"ZWRI" Sp. z o.o.	760,000	12.06.2008 30.06.2008
16	21/ZWRI/I/2008 + Annex 1	20.06.2008 Term	"ZWRI" Sp. z o.o.	315,000	20.06.2008 31.10.2008 15.11.2008
17	22/ZWRI/I/2008 + Annex 1 + Annex 2	07.07.2008 Term Term	"ZWRI" Sp. z o.o.	2,030,000	07.07.2008 31.10.2008 30.11.2008 15.01.2009
18	26/ZWRI/I/2008 + Annex 1	28.07.2008 Term	"ZWRI" Sp. z o.o.	231,000	28.07.2008 15.09.2008 31.10.2008
19	28/ZWRI/I/2008 + Annex 1 + Annex 2	07.08.2008 Term Term	"ZWRI" Sp. z o.o.	943,000	07.08.2008 31.10.2008 15.12.2008 31.01.2009
20	30/ZWRI/I/2008	27.08.2008	"ZWRI" Sp. z o.o.	625,000	27.08.2008 31.10.2008

	+ Annex 1 + Annex 2	Term/value Term		+ 68,000 <hr/> 693,000	30.12.2008 31.01.2009
21	36/ZWRI/I/ 2008 + Annex 1	27.10.2008 Term	"ZWRI" Sp. z o.o.	235,000	27.10.2008 10.12.2008 31.01.2009
22	37/ZWRI/I/ 2008	07.11.2008	"ZWRI" Sp. z o.o.	183,000	07.11.2008 31.01.2009
23	39/ZWRI/I/ 2008	01.12.2008	"ZWRI" Sp. z o.o.	455,400	01.12.2008 31.01.2009
24	41/ZWRI/I/ 2008	12.12.2008	"ZWRI" Sp. z o.o.	74,975	12.12.2008 31.01.2009

* average EUR exchange rate according to NBP on 31.12.2008 = 4.1724 (EUR 500,000 = PLN 2,086,200.00)

The aforementioned contracts and annexes have been concluded in compliance with internal Regulations and Procedures existing in Azoty Tarnów S.A. Terms and conditions conform with market standards used for contracts and annexes of this type.

8. Bonds and guarantees granted on account of credits or loans.

In Q4 2008 the Company and its subsidiaries granted no guarantees on account of credits or loans, nor did they grant bonds, to one entity or a subsidiary of its entity, whose total value would equal 10% of the Issuer's own capital.

9. Other disclosures significant for evaluation of the Issuer's human resources, financial situation or financial performance, with impact on the liabilities of the Company and its Capital Group.

9.1. Changes in the governing bodies.

Members of the Supervisory Board and Management Board of Azoty Tarnów on 1 October 2008:

Supervisory Board of Azoty Tarnów:

Marzena Piszczek – Deputy Chairperson of the Supervisory Board
Jan Wais - Member of the Supervisory Board
Małgorzata Molas - Member of the Supervisory Board
Ewa Lis - Member of the Supervisory Board
Krzysztof Pieńkowski - Member of the Supervisory Board
Katarzyna Wałęga - Member of the Supervisory Board
Dariusz Maciejuk - Member of the Supervisory Board
Armin Teske - Member of the Supervisory Board

Management Board of Azoty Tarnów:

Jerzy Marciniak – President of the Management Board - CEO
Witold Szczypiński - Vice President, Member of the Management Board
Monika Hap – Member of the Management Board
Franciszek Bernat - Member of the Management Board

In the reporting period the composition of the governing bodies changed.

On 10 October, 2008, by a resolution of an Extraordinary General Meeting of Shareholders, the composition of the Company's Supervisory Board was changed.

- Ms Marzena Piszczek, formerly acting as the Vice President of the Supervisory Board, was appointed the new President.
- Ms Małgorzata Molas tendered her resignation from membership on the Supervisory Board without providing any explanation.
- EGMS appointed two new Members to the Supervisory Board of the Company: Ms Małgorzata Rzążewska and Ms Joanna Kielkiewicz.

On 12 November, 2008, the Supervisory Board of Zakłady Azotowe w Tarnowie- Mościcach S.A. appointed its Deputy Chairperson. Based on a resolution of the Supervisory Board, Ms Małgorzata Rzążewska was appointed to this position.

Taking into consideration the aforementioned changes, the composition of governing bodies on the date of submission of the report for Q4 2008 is as follows:

Supervisory Board of Azoty Tarnów:

Marzena Piszczyk – Chairperson of the Supervisory Board
Małgorzata Rządewska – Deputy Chairperson of the Supervisory Board
Jan Wais - Secretary of the Supervisory Board
Ewa Lis - Member of the Supervisory Board
Krzysztof Pieńkowski - Member of the Supervisory Board
Katarzyna Wałęga - Member of the Supervisory Board
Dariusz Maciejuk - Member of the Supervisory Board
Armin Teske - Member of the Supervisory Board
Joanna Kielkiewicz – Member of the Supervisory Board

Management Board of Azoty Tarnów:

Jerzy Marciniak – President of the Management Board - CEO
Witold Szczypiński - Vice President, Member of the Management Board
Monika Hap – Member of the Management Board
Franciszek Bernat - Member of the Management Board

9.2. Redundancy.

Azoty Tarnów has undertaken action to reduce employment in 2009 by 250 persons through the implementation of a voluntary redundancy programme. The Company will create provisions to cover the cost of additional redundancy allowance for leaving employees, not exceeding PLN 10 m. On 21 January, 2009, a memorandum of understanding was signed with factory union organizations on the voluntary redundancy programme which is currently under implementation.

9.3. Significant organizational changes in ZAT S.A.:

- Within the framework of restructuring activities, the Tarflen Processing Plant located in Centrum Tworzyw Sztucznych (Plastics Centre) was merged with Jednostka Ratownictwa Chemicznego Sp. z o. o. on 01.01.2009. Based on the signed Memorandum of Understanding and pursuant to Art. 23¹ of the Polish Labour Code, 36 employees of the Tarflen Processing Plant, Sales Office of the Plastics Centre, and Quality Control and Analytical Laboratory at the Research and Analytical Centre moved to the subsidiary. To implement this project, Azoty Tarnów and its subsidiary concluded a Memorandum, which specified issues regarding employment, property lease, contribution in kind of movable property, sales of infrastructural services, and accounting standards for raw materials inventory, manufacturing in progress and finished goods and products. To settle issues regarding the rights of employees moving to the subsidiary, the parties concluded a trilateral agreement with the Factory Union Organizations.
- In 2009, within the framework of restructuring activities, work connected with the spin-offs outside the Company's core and domain will be carried out, which regards the Fire Fighting Unit, IT Office, telephone exchange service and Catalytic Converter Plant.

10. Factors with impact on future financial performance within at least one upcoming quarter.

10.1. Information on income from bank deposits of capital derived from the stock exchange market.

Capital derived from the share issue kept in fixed term deposits provided in Q4 2008 total financial income of PLN 4.5 m.

In Q1 2009 the Issuer plans to derive a slightly lower income of about PLN 4.3 m, which results from the reduction of interest rates by NBP, made by the Monetary Policy Council and having an impact on interest rates offered on the market.

10.2. Seasonality.

Traditionally, intensive sales of nitrogen fertilizers begins in mid-December. Despite early availability of European Union subsidies, Polish farmers hesitated for quite a long time with large-volume purchase of fertilizers. However, since mid-January, increased demand has been observed in the market.

For that reason, a considerable increase in sales volume is expected in Q1 2009 in comparison to Q4 2008. Additionally, the situation in the market creates an opportunity for a slight increase in prices owing to the high exchange rate for the euro, which will reduce imports of fertilizers from external markets. Moreover, the price of gas in the eastern market, adjusted to circumstances, caused an increase in the price for fertilizers imported from these countries. Timely payment of subsidies for agricultural production to farmers is additional optimistic information. Based on our forecasts, in Q1 we will perform all the objectives planned for the fertilizers sector by the Company.

10.3. Optimized energy consumption.

Currently, about 80% of the demand for electrical energy is covered by the energy produced in the factory's own coal-powered energy and heat plant. The Company concluded individual contracts for the supply of black coal, directly with coal mines without intermediaries. Only 20% of electrical energy is provided by suppliers selected in a tendering procedure. The growth of coal prices is lower than the increase in the price of electrical energy. Therefore, such a solution ensures competitiveness in this area. The diversified delivery structure ensures the energy security of the company. Apart from a transitional suspension of the energy-consuming system for chlorine production, the company implements non-process energy-saving systems and equipment.

10.4. Currency exchange rates

Fluctuating exchange rates considerably affect income on sales and the performance of the Company. Forecasted exchange rates for January – March 2009 will be higher than those in Q4 2008. At the beginning of 2008 the exchange rate of the zloty against the USD was 2.44, and against the EUR – 3.58, while at the end of Q4 1 the USD equalled PLN 2.96, and 1 EUR – 4.17 PLN. In the perspective of the first months of 2009, further depreciation of the zloty should be expected, but it will remain under the strong influence of the situation in the global financial

market and changes in EUR/USD exchange rates. The fluctuations in exchange rates in 2009 may be as high as in the last quarter of 2008.

10.5. Interest rates in Poland in Q4 2008

With consideration to coordinated reduction in interest rates made by global central banks, followed by the Polish Monetary Council (RPP), which in its meetings held in December 2008 and January 2009 decided twice to significantly lower interest rates by 75 percentage points, we observe a growing determination towards countering the results of the global financial and economic crisis.

With decreasing inflationary pressure and the more intensely perceived effect of a slowdown of the main global economies on the performance of the domestic economy, a strong persistent tendency towards weakening of the PLN against the USD and EUR is the main factor that can inhibit the frequency of further reductions in interest rates.

Nevertheless, considering deteriorating forecasts for the Polish economy, we should expect further control actions in domestic monetary policy, and the RPP may, before the end of Q1 2009, make two more decisions to reduce interest rates in Poland, each by 0.5%.

On the other hand, interest rates for the EUR, after a series of reductions by the European Central Bank, are at their lowest ever (the reference rate is 2%), but, considering the recession forecasted in another euro-zone economies, it is probable that in Q1 the ECB will decide to reduce interest rates by 0.25 or 0.5%.

10.6. Prices of raw materials and products in the next quarter:

Raw materials

Crude oil

The International Energy Agency (IEA) projected that the deteriorating global economic situation will bring reduced demand for crude oil in 2009.

Price projections vary. Experts from petroleum companies mention the price of USD 60-67 per barrel, while analysts from Saxo Bank expect the price to be USD 25 per barrel this year.

Natural gas

According to the Yamal contract, about 7 bn m³ of natural gas is supplied to Poland each year. This contract was concluded for the long-term, and is valid until 2022.

Gazprom's governing bodies claim that in 2009 prices of gas for European clients will drop by 32 per cent, to USD 280 per 1,000 m³ (in 2008 the price was USD 409). According to analysts from the fuel sector, the price reduction for end-users will be symbolic and should be expected not earlier than in Q3 2009.

Black coal

The average price of coal for the energy sector in 2009 is higher by about 40 per cent than in 2008.

For 2009 the Company has signed annual contracts with suppliers which ensure fixed prices.

Benzene & Phenol

The global financial crisis and the economic recession in Q4 2008 led, at the end of the year, to a strong reduction in demand for benzene and phenol, which was followed by a price decrease to a very low level, and reduced production. It has been forecasted that decreased demand for these raw materials in the market will lead to an increase in prices at the end of Q1 2009. A similar tendency in price changes will also be observed in the phenol market, but with some delay.

Products

Liquid and crystalline caprolactam

No significant change in the price of caprolactam is expected in Q1 2009. Market demand remains low, both in Europe and in the Far East.

PA6

Manufacturers declare production volume similar to that in December, using 50-60% of their capacity. The forecasted price for polyamide 6 indicates that its level should remain unchanged.

POM

No changes are expected in the price of polyoxymethylene in Q1 2009, although low demand may force its further reduction.

Fertilizers

Owing to the large volume of fertilizers stocked in distribution chains across Poland, and a seasonal peak in the first quarter, the producers will tend to keep prices at the first quarter level. Price adjustments may occur not earlier than after the first quarter.

10.7. Other factors

Admittedly, the suspended production of chlorine and its derivatives is a factor with an impact on the future performance of the Issuer. On 31 October, 2008 the Management Board of Zakłady Azotowe w Tarnowie-Mościcach S.A. made a decision to transitionally suspend chlorine production until mid-November 2008.

Azoty Tarnów uses mercury electrolysis technology for the production of chlorine and soda lye. This technology is highly environmentally noxious as mercury causes pollution in soil and buildings. The system for chlorine and soda lye production, in compliance with the Report of the European Parliament on the Community's strategy concerning mercury (2005/2050(INI)), should be out of use by the end of 2010. This means the need to incur demolition costs and post-demolition waste management, as well as the need for land reclamation in the location of the

existing system. Special provisions have been created for this purpose. However, it may not be precluded that the cost of reclamation, demolition and disposal of mercury waste will exceed the value of the created provisions. Such additional expenses, if they occur, may significantly reduce the performance of the Issuer.

Azoty Tarnów plans to invest in the Near East. The Company has been conducting advanced talks with companies from Qatar and Saudi Arabia regarding a joint venture for the production of POM in that region. Russian partners are also interested in this joint venture. Investment in the Near East may require less capital to implement and operate than would be necessary in Poland. This is mainly determined by gas and energy prices in the Near East and financing costs. The Polish-Arabian POM factory, whose construction may be completed within 2-3 years, will have a target annual capacity of 80 Kt and would be the second largest system of its type worldwide. It would manufacture over 20% of the current global POM volume (ca. 300 Kt per year).

Considering the strong symptoms of escalating crisis in the global economy, especially regarding credit conditions, the Company began actions to secure available short-term credit limits to finance potential shortage in capital for current operations. To achieve this the Company carried out negotiations concerning terms and conditions of credit granting and obtained a positive decision from Raiffeisen Bank Polska S.A. and PKO Bank Polski, whose terms and conditions were approved by the Management Board and Supervisory Board.

In January 2009, based on the aforementioned decisions, the Company signed the following credit contracts:

- 1) Contract for working revolving credit with Powszechna Kasa Oszczędności Bank Polski S.A. for PLN 23,500,000, for the period from 07.01.2009 to 27.07.2009
- 2) Contract for revolving credit with Raiffeisen Bank Polska S.A. for PLN 30,000,000 for the period from 22.01.2009 to 28.04.2009, with a roll over option for 6 months.

The above-mentioned credit limits remained unused on the date of this report's publication.

In October, 2008 the Company obtained information from the Ministry of the Environment that after the presentation of an interim procedure for handling the JI (Joint Implementation) projects at the conference in Bonn Poland was classified to 'Track-1' countries. Therefore, the project on the reduction of nitrogen sub-oxide requires no registration in JISC or acceptance procedure by JISC, which simultaneously eliminates the registration fee.

In September and October, the Japanese Mitsubishi Corporation (hereinafter called "MC") and Azoty Tarnów received two offers to purchase Emission Reduction Units in the amount of 2.5 m ERU in 2008-2012 – from their potential buyers from the EU: Macquarie Bank and E.ON Climate and Renewables GmbH, at a price of EUR 10.50-11.50/ERU – which is considerably lower than the market price offered at that time. For that reason, negotiations were undertaken with these European companies. In November, Chubu Electric Power Co. – one of the largest producers of electrical energy in Japan – sent through MC a letter of intent to purchase 50% of ERU generated within the entire project implementation period (2008-2012 – without guaranteed delivery) at a proposed fixed price, higher than the price offered by potential European buyers. After a visit by Chubu representative to Azoty Tarnów in early December and bilateral approval of the letter of intent, MC/ZAT and Chubu executed a sales-purchase transaction of ERU ERPA units, and a relevant Note on this was prepared by MC and ZAT.

For the efficient verification of the JI project after the completion of its first stage of operation (expected in February/March 2009), the representatives of DNV carried out a project pre-verification on 2-4 December, 2008. Pre-verification in December was essential, as it should be carried out in the first half-year operation period of the primary catalytic converter, to confirm the correct parameters for its baseline operation and establish an emission coefficient.

On 20 December, 2008, the first half-year process of the JI project's implementation was completed. Based on preliminary estimates the number of generated ERU amounts to 350,000 of CO₂ eq/6 months. After the replacement of the primary catalytic converter, the next period of the joint implementation project began and will be continued over 2009.

In Q4 2008, based on our own research results and those carried out in cooperation with external researchers on the optimization of the stabilizing system for Tarnoform[®], the composition used for polymer stabilization was modified. Research and development work allowed us obtain Tarnoform[®] of improved quality, with a reduced tendency to form deposits on the surface of injection moulds.

Tarnoform[®] is the trade name of polyoxymethylene (POM), one of the construction plastics used in many industrial branches. Azoty Tarnów is the only manufacturer of this plastic in Central and Eastern Europe.

On 5 December, 2008, an application to reserve the rights to an innovative "Method for sodium methyrate synthesis" was filed at the Patent Office of the Republic of Poland.

As a result of the enforcement of the Regulation of the Council of Ministers of 14 November, 2008 on the adoption of the National Allocation Plan for CO₂ Emission Allowances for 2008-2012, the System of Energy and Heat Plants of Azoty Tarnów was allocated 853,195 Mg CO₂/year. On 2 December 2008, the Management Board of Azoty Tarnów adopted a strategy for trading CO₂ emission allowances for 2008-2012, recommended by the Energy and Heat Plants Centre. In compliance with the strategy adopted for 2008-2012, Azoty Tarnów will not exceed the limit of allocated CO₂ emission allowance. The settlement of CO₂ emissions for 2008 will be completed by 31 March, 2009.

In April 2007 Azoty Tarnów filed an application with Małopolski Urząd Wojewódzki (provincial office of Małopolska) to establish a special Industrial Zone. On 15 November, 2008, the competence to establish industrial zones was transferred to the Sejmik Województwa Małopolskiego (elected regional assembly) based on the act of 3 October, 2008 on disclosure of information about the environment and its protection, society's participation in environmental protection and environmental impact assessments. Owing to the above fact, the application for the establishment of the Industrial Zone needs to be updated and filed with the Marshall of Wielkopolskie Province.

On 30 December, 2008 documentation entitled "Study on the program for reclamation activities associated with soil and water pollution on the site of Azoty Tarnów", including an application to agree on the conditions for implementation of reclamation activities, was completed and submitted by Ekoekspert Sp. z o.o. The above-mentioned documentation specifies methods for the reclamation of polluted areas at the site of Azoty Tarnów.

On 31 December, 2008, the documentation "Application to modify an integrated pollution prevention and control licence for the System of Caprolactam and Polyamide in Zakłady Azotowe w Tarnowie- Mościcach S.A.", prepared in cooperation with Biuro Projektów BIPROZAT Sp. z o.o (a unit of Azoty Tarnów CG) was filed with the Marshall's Office of Małopolskie Province. The documentation allows the adjustment of held licences to the existing production volume and the level of environmental impact.

An Annex to the Contract with Kompania Węglowa was prepared to modify the price of supplied energetic coal-dust. The price increase was applied to all clients of Kompania Węglowa S.A. in Q2 2008, and for ZAT S.A. it increased by 13% and was binding until 1 October, 2008.

On 17 November, 2008, a contract for purchase and balancing electrical energy for Azoty Tarnów, binding until 1 January, 2009 for the total value of PLN 25 m, was signed with CEZ Trade Polska Sp. z o.o.

On 19 December, 2008 contracts for an electrical energy distribution service for Azoty Tarnów (110 kV and 220 kV supply lines) were signed with ENION GRUPA TAURON S.A., binding from 1 January, 2009. These are contracts for an unlimited period of time with a total value of PLN 12.4 m in 2009.

When concluding these contracts, the option to supply electrical energy to Azoty Tarnów from 1 January, 2009 was created through the change of the current supplier to ENION Energia Sp. z o.o. The new contracts offered more competitive prices and payment conditions for Azoty Tarnów in comparison to the previous supplier.

In the reporting period the production volume of caprolactam was reduced by about 30% in comparison to the previous plan. Reduction in production volume resulted directly from a sudden decrease in demand for caprolactam and polyamide in the global market in early Q 4, which progressed in the next weeks, and a crash in the fertilizers market in South America. A decrease in prices for raw materials (benzene), resulting from the worldwide crisis, was followed by the reduction of prices in other products.

Facing negative changes in the automotive sector, production was also significantly reduced by all caprolactam manufacturers, such as DOMO, DSM, BASF, and the Spanish UBE, both in Europe and worldwide, and some companies suspended production without specifying the date of its restart (like Rhodia, Unilon, Nexis) or extended the period of standstill for repair.

Despite the dramatic situation in the global market, the Company made every effort to market its products, even at a very low price. Income on sales dropped by about 29% with respect to the assumed plan which, considering the dramatic market situation, was nevertheless a good result.

The deep global economic and financial crisis also affected our business partners, which also directly influenced lower sales than expected.

Demand decreased in the plastics sector, which led to reduced production and stock clearing at reduced prices.

In technical purchasing in Q4 2008, the prices of noble metals on the London Stock Exchange were significantly reduced, which significantly influenced the price of purchased platinum mesh for the KDC system/line (savings of PLN 2,000,000).

On 1 November, 2008 the tariff for gas fuels was changed, which led to an increase in the price for natural gas for Azoty Tarnów by about 10%. The current tariff is binding until the end of March, 2009.

In December 2008, the Company signed a contract with PGNiG S.A. for the long-term supply of natural gas from local deposits.

In Q4 2008 the symptoms of the general economic crisis became evident in the transportation sector. The crisis is reflected in a significant decrease in cargo volume transported by all transportation means. A large decrease in rail cargo volume created the risk of lower volume than declared in the contract with PKP Cargo S.A., which entitled Azoty Tarnów to high contractual discounts. Failure to fulfil contractual obligations results in a penalty estimated at the end of the accounting period at PLN 1.35 m. A significant decrease in cargo volume occurred at the end of Q4 2008, and negotiations with PKP were undertaken in January 2009. The accounting period for the Contract in question ended on 28 February, 2009. According to the provisions of this Contract, events directly influencing its incomplete performance have the characteristic of force majeure beyond the control of the parties.

Negotiations with Kompania Węglowa and Katowicki Holding Węglowy S.A. on the purchase of coal for 2009 are in progress.

The global financial crisis is having a strong negative impact on the situation of rail enterprises cooperating with "KOLTAR" (a unit of Azoty Tarnów CG). Possibly, to maintain lease agreements with external entities for cars and engines, "KOLTAR" may be forced to apply a flexible price policy (reduced lease prices). This may cause a reduction in its external income.

In "ZWRI", a unit of Azoty Tarnów CG, future performance may be affected by unfavourable weather conditions disabling the completion of construction work outside buildings. The existing crisis will reduce income on sales, and the need to execute external work in remote locations, as well as the market trend towards a considerable reduction in bid prices for construction works, will affect its profitability in comparison with its performance for 2008.

Explanatory note No. 1. Adjustments for previous years and changes in compared data presentation for the period ended on 31 December 2007.

Profit and loss account	Adjustment	31.12.2007 before adjustment	Change	31.12.2007 after adjustment
Revenues on sales	3	1,294,672	(1,172)	1,293,500
	1,3,4,5,7,12,13,			
Cost of sales	14	(1,061,177)	(6,279)	(1,067,456)
Gross profit on sales		233,495	(7,451)	226,044
Cost of sales		(60,233)	-	(60,233)
Administrative cost	2	(79,942)	(427)	(80,369)
Other operating income	14	26,539	(3,643)	22,896
Other operating costs	10,14	(36,062)	693	(35,369)
Profit from operating activities		83,797	(10,828)	72,969
Finance income		8,103	-	8,103
Finance costs		(6,158)	-	(6,158)
Net finance income (costs)		1,945	-	1,945
Profit on shares held in subordinated units valued with equity method		113	-	113
Profit before tax		85,855	(10,828)	75,027
Income tax	1,2,3,4,5,6,7,8, 9,11,12,13	(22,029)	3,025	(19,004)
Net profit for the period		63,826	7,803	56,023

No.	Description of adjustment
1	Created impairment loss of revalued tangible fixed assets, including: - depreciation reduced by PLN 2,514,000 - income tax in profit and loss account increased by PLN 478,000
2	Derecognition of capitalized cost of SAP system, including: - administrative cost increased by PLN 427,000 - income tax in profit and loss account reduced by PLN 81,000
3	Adjustment for the date of recognition of income on sales owing to Incoterms, including: - income on sales reduced by PLN 1,172,000 - cost of sales reduced by PLN 1,035,000 - income tax in profit and loss account reduced by PLN 26,000
4	Created provisions for energy certification cost, including: - cost of sales increased by PLN 210,000 - income tax in profit and loss account reduced by PLN 40,000
5	Created provisions for payment of annual bonus for 2007, including: - cost of employee benefits increased by PLN 7,340,000 - income tax in profit and loss account reduced by PLN 1,395,000
6	Adjustment in assets from deferred income tax on account of provisions on employee benefits, including: - income tax in profit and loss account reduced by PLN 145,000
7	Adjustment of accounting period for the cost of platinum loss, including: - cost of sales increased by PLN 1,020,000 - income tax in profit and loss account reduced by PLN 194,000
8	Accounting the cost of emission – tax result on 31 December, 2007, including: - income tax in profit and loss account increased by PLN 395,000
9	Adjustment of provisions from deferred tax fixed assets covered by investment allowance, including: - income tax in profit and loss account reduced by PLN 803,000
10	Recognition of impairment loss of revalued fixed assets owing to result for 2007, including: - other operating costs increased by PLN 3,881,000
11	Reversed assets from deferred income tax on impairment loss of shares in subsidiaries (consolidated), including: - income tax in profit and loss account for 2007 reduced by PLN 1,150,000
12	Impairment loss of revalued tangible fixed assets created, including: - depreciation reduced by PLN 727,000 - income tax in profit and loss account increased by PLN 138,000
13	Disclosure of components, including: - depreciation reduced by PLN 1,054,000 - income tax in profit and loss account reduced by PLN 201,000
14	Presentation of impairment loss in inventory: - other operating income reduced by PLN 3,643,000 - other operating costs reduced by PLN 4,574,000 - cost of sold goods manufacture reduced by PLN 300,000 - value of sold goods and materials increased by PLN 1,231,000

Explanatory note 2. Adjustments for previous years and changes in compared data presentation for the period ended on 31 December, 2007.

Balance sheet	Adjustment	31.12.2007 before adjustment	Change	31.12.2007 after adjustment
Assets				
Fixed assets				
Tangible fixed assets	1,2,3,4,18,20,22	941,608	(70,915)	870,693
Intangible assets		16,865	-	16,865
Long-term investments	16	21,704	(11,023)	10,681
Investments in affiliated entities		281	-	281
Long-term receivables		2	-	2
Assets from deferred income tax	2,5,6,7,8,14,16, 18,19,20,23	21,262	8,075	29,337
Total fixed assets		1,001,722	(73,863)	927,859
Current assets				
Short-term investments		189	-	189
Inventories	5	118,163	1,035	119,198
Receivables on income tax	3,9	1,212	275	1,487
Receivables from sales and services and other receivables	4,5,10	145,925	471	146,396
Cash and cash equivalents		54,413	-	54,413
Short-term prepayments	9,10	9,049	(2,079)	6,970
Current tangible assets		7	-	7
Total current assets		328,958	(298)	328,660
Total assets		1,330,680	(74,161)	1,256,519

	Balance sheet	Adjustment	31.12.2007 before adjustment	Change	31.12.2007 after adjustment
Liabilities					
Equity					
Share capital			120,000	-	120,000
Retained earnings of which:		1,2,3,5,6,7,8,9,1 1,12, 13,14,16,17,18, 19,20,21,22,23	744,628	(57,907)	686,721
<i>Net earnings for current period</i>		2,3,5,6,7,8,9,12, 13,17, 19,20,22	63,544	(7,803)	55,741
Equity holders of the parent			864,628	(57,907)	806,721
Minority interest			1,390	-	1,390
Total equity			866,018	(57,907)	808,111
Liabilities					
Credits, loans and other financial liabilities			30,075	-	30,075
Provisions on employee benefits			43,430	-	43,430
Other long-term liabilities			29,528	-	29,528
Prepaid expenses, grants		11	20,737	(20,128)	609
Other provisions		14,23	14,185	9,423	23,608
Change in provisions and assets from deferred income tax		12,13,20,21,22	101,383	6,754	108,137
Total long-term liabilities			239,338	(3,951)	235,387
Bank overdrafts			224	-	224
Credits, loans and other financial liabilities			6,053	-	6,053
Provisions on employee benefits			4,506	-	4,506
Liabilities on income tax			323	-	323
Receivables from sales and services and other receivables		15	174,588	7,385	181,973
Prepaid expenses, grants		6,7,11,15	34,691	(19,688)	15,003
Other provisions			4,939	-	4,939
Total short-term liabilities			225,324	(12,303)	213,021
Total short-term and long-term liabilities			464,662	(16,254)	448,408
Total liabilities			1,330,680	(74,161)	1,256,519

No.	Description of adjustment
1	Derecognition of perpetual right to land use obtained free of charge: - tangible fixed assets/retained earnings reduced by PLN 54,794,000
2	Created impairment loss of revalued tangible assets: - net value of assets reduced by PLN 3,900,000 - created assets from deferred income tax valued PLN 741,000 - retained earnings reduced by PLN 5,195,000 - depreciation for 2007 reduced by PLN 2,514,000 - income tax in profit and loss account for 2007 increased by PLN 478,000
3	Derecognition of capitalized cost of SAP system: - fixed assets under construction reduced/administrative cost for 2007 increased by PLN 427,000 - income tax in profit and loss account for 2007 increased/income tax reduced by PLN 81,000
4	Adjustment in presentation of prepayments for fixed assets under construction: - fixed assets under construction reduced/other receivables increased by PLN 584,000
5	Adjustment for the date of recognition of income on sales owing to Incoterms: - income on sales in 2007 /trade receivables reduced by PLN 1,172,000 - cost of sales for 2007 reduced /increased inventory by PLN 1,035,000 - assets created from deferred income tax/income tax in profit and loss account for 2007 reduced by PLN 26,000
6	Created provisions on energy certification cost: - prepaid expenses increased by PLN 485,000 - cost of sales for 2007 increased by PLN 210,000 - retained earnings reduced by PLN 223,000 - created assets from deferred income tax valued PLN 92,000 - income tax in profit and loss account for 2007 reduced by PLN 40,000
7	Created provisions for payment of annual bonus for 2007: - prepaid expenses increased/cost of employee benefits increased for 2007 by PLN 7,340,000 - created assets from deferred income tax/income tax in profit and loss account for 2007 reduced by PLN 1,395,000
8	Adjustment in assets from deferred income tax on account of provisions on employee benefits: - created assets from deferred income tax valued PLN 2,760,000 - retained earnings increased by PLN 2,614,000 - income tax in profit and loss account for 2007 reduced by PLN 145,000
9	Adjustment of accounting period for the cost of platinum loss: - cost of sales for 2007 increased /short-term prepaid expenses reduced by PLN 1,020,000 - income tax increased/income tax in profit and loss account for 2007 reduced by PLN 194,000
10	Adjustment of presentation of prepaid expenses: - short-term prepaid expenses reduced /trade and other receivables increased by PLN 1,059,000
11	Derecognition of remitted part of liabilities from recovery proceedings: - long-term prepaid expenses in revenues reduced by PLN 20,128,000 - short-term prepaid expenses in revenues reduced by PLN 20,128,000 - retained earnings increased by PLN 40,256,000
12	Accounting the cost of emission – tax result on 31 December, 2007: - created provisions from deferred income tax/income tax in profit and loss account for 2007 increased by PLN 395,000
13	Adjustment of provisions from deferred tax on fixed assets covered by investment allowance: - created provisions from deferred income tax valued PLN 14,756,000 - retained earnings reduced by PLN 15,559,000 - income tax in profit and loss account for 2007 reduced by PLN 803,000
14	Revaluation of provisions from reclamation of landfills and areas polluted with mercury and asbestos: - other long-term provisions increased by PLN 3,111,000 - created assets from deferred income tax valued PLN 591,000 - retained earnings reduced by PLN 2,520,000
15	Adjustment in presentation of prepayments for deliveries: - prepaid expenses reduced/trade and other liabilities increased by PLN 7,385,000
16	Created impairment loss of revalued shares in Wodociągi Tarnowskie: - net value of long-term investments reduced by PLN 11,023,000 - created assets from deferred income tax valued PLN 2,094,000

	- retained earnings reduced by PLN 8,929,000
17	Recognition of impairment loss of revalued fixed assets owing to result for 2007: - retained earnings reduced /other operating costs for 2007 increased by PLN 3,881,000
18	Created impairment loss of a revalued fixed assets in the polytrioxane system: - net value of tangible fixed assets reduced by PLN 5,200,000 - created assets from deferred income tax valued PLN 988,000 - retained earnings reduced by PLN 4,212,000
19	Reverse of assets from deferred income tax on impairment loss of shares in subsidiaries (consolidated): - assets from deferred income tax reduced by PLN 2,891,000 - retained earnings reduced by PLN 4,041,000 - income tax in profit and loss account for 2007 reduced by PLN 1,150,000
20	Created impairment loss of revalued tangible fixed assets: - net value of fixed assets reduced by PLN 4,956,000 - created assets from deferred income tax valued PLN 1,080,000 - retained earnings reduced by PLN 4,603,000 - depreciation reduced by PLN 727,000 - income tax in profit and loss account increased/ provisions from deferred income tax increased by PLN 138,000
21	Reversed income tax on the removal of the perpetual use right from the balance sheet - provisions from deferred income tax reduced/retained earnings increased by PLN 8,334,000
22	Disclosure of components: - depreciation increased/tangible fixed assets reduced by PLN 1,054,000 - income tax in profit and loss account reduced/ provisions from deferred income tax reduced by PLN 201,000
23	Created provisions for demolition of the Chlorine Plant: - other long-term provisions increased by PLN 6,315,000 - retained earnings reduced by PLN 5,116,000 - assets from deferred income tax increased by PLN 1,199,000

Explanatory note 3. Adjustments for previous years and changes in compared data presentation for the period ended on 31 December, 2007.

	Adjustment	from 01.01.2007 to 31.12.2007	Change	from 01.01.2007 to 31.12.2007
Revenues on sales				
Income	3	1,247,699	(1, 172)	1,246,527
Cost of sales	1,3,4,5,7, 11,12,13	(1,044,172)	(6,279)	(1,050,451)
Gross profit on sales		203,527	(7,451)	196,076
Cost of sales		(60,233)	-	(60,233)
Administrative cost	2	(62,292)	(427)	(62,719)
Other operating income	13	21,540	(3,643)	17,897
Other operating costs	10,13	(31,773)	(693)	(31,080)
Profit from operating activities		70,769	(10,828)	59,941
Finance income		8,074	-	8,074
Finance costs		(5,411)	-	(5,411)
Net finance income/(costs)		(2,663)	-	(2,663)
Profit before tax		73,432	(10,828)	62,604
Income tax	1,2,3,4,5,6,7 8,9,11,12	(19,073)	1,875	(17,198)
Net profit		54,359	(8,953)	45,406

No.	Description of adjustment
1	Created impairment loss of revalued tangible assets, including: - depreciation reduced by PLN 2,514,000 - income tax in profit and loss account increased by PLN 478,000
2	Derecognition of capitalized cost of SAP system, including: - administrative cost increased by PLN 427,000 - income tax in profit and loss account reduced by PLN 81,000
3	Adjustment for the date of recognition of income on sales owing to Incoterms, including: - income on sales reduced by PLN 1,172,000 - cost of sales reduced by PLN 1,035,000 - income tax in profit and loss account reduced by PLN 26,000
4	Created provisions for energy certification cost, including: - cost of sales increased by PLN 210,000 - income tax in profit and loss account reduced by PLN 40,000
5	Created provisions for payment of annual bonus for 2007, including: - cost of employee benefits increased by PLN 7,340,000 - income tax in profit and loss account reduced by PLN 1,395,000
6	Adjustment in assets from deferred income tax on account of provisions on employee benefits, including: - income tax in profit and loss account reduced by PLN 145,000
7	Adjustment of accounting period for the cost of platinum loss, including: - cost of sales increased by PLN 1,020,000 - income tax in profit and loss account reduced by PLN 194,000
8	Accounting the cost of emission – tax result on 31 December, 2007, including: - income tax in profit and loss account increased by PLN 395,000
9	Adjustment of provisions from deferred tax on fixed assets covered by investment allowance, including: - income tax in profit and loss account reduced by PLN 803,000
10	Recognition of impairment loss of revalued fixed assets owing to result for 2007, including: - other operating costs increased by PLN 3,881,000
11	Created impairment loss of revalued tangible fixed assets, including: - depreciation reduced by PLN 727,000 - income tax in profit and loss account increased by PLN 138,000
12	Disclosure of components, including: - depreciation reduced by PLN 1,054,000 - income tax in profit and loss account reduced by PLN 201,000
13	Presentation of impairment loss on revalued inventories: - other operating income reduced by PLN 3,643,000 - other operating costs reduced by PLN 4,574,000 - cost of sold goods manufacture reduced by PLN 300,000 - value of sold goods and materials increased by PLN 1,231,000

Explanatory note 4. Adjustments for previous years and changes in compared data presentation for the period ended on 31 December, 2007.

	Adjustment	31.12.2007	Change	31.12.2007
Assets				
Fixed assets				
Tangible fixed assets	1,2,3,4,18,19,21	824,792	(70,915)	753,877
Intangible assets		12,515	-	12,515
Long-term investments	16	79,132	(11,023)	68,109
Long-term receivables		122	-	122
	2,5,6,7,8,14,	16,548	10,366	26,914
Assets from deferred income tax	16,18,19,22,23			
Total fixed assets		933,109	(71,572)	861,537
Current assets				
Inventories	5	112,541	1,035	113,576
Receivables on income tax	3,9	932	275	1,207
Receivables from sales and services and other receivables	4,5,10	132,825	471	133,296
Cash and cash equivalents		35,063	-	35,063
Short-term prepayments	9,10	8,014	(2,079)	5,935
Total current assets		289,375	(298)	289,077
Total assets		1,222,484	(71,870)	1,150,614

	Adjustment	31.12.2007	Change	31.12.2007
Liabilities				
Equity				
Share capital		120,000	-	120,000
Retained earnings of which:	1,2,6,8,11,13,	698,848	(52,461)	646,387
	14,16,17,18,19,20, 21,22,23			
<i>Net earnings for current period</i>		54,359	(8,953)	45,406
Total equity		818,848	(52,461)	766,387
Liabilities				
Credits, loans and other financial liabilities		24,618	-	24,618
Provisions on employee benefits		26,287	-	26,287
Other long-term liabilities		30,192	-	30,192
Provisions	14,22,23	13,310	6,268	19,578
Deferred income tax	12,13,19,21,	88,382	6,754	95,136
Long-term prepayments	11	20,128	(20,128)	-
Total long-term liabilities		202,917	(7,106)	195,811
Bank overdrafts		163	-	163
Credits, loans and other financial liabilities		4,369	-	4,369
		2,763	-	2,763
Provisions on employee benefits				
Trade liabilities and other liabilities	15	158,781	7,385	166,166
Provisions		3,681	-	3,681
Short-term prepayments	6,7,11,15	30,938	(19,688)	11,250
Other financial liabilities		24	-	24
Total short-term liabilities		200,719	(12,303)	188,416
Total short-term and long-term liabilities		403,636	(19,409)	384,227
Total liabilities		1,222,484	(71,870)	1,150,614

No.	Description of adjustment
1	Derecognition of perpetual right to land use obtained free of charge: - tangible fixed assets /retained earnings reduced by PLN 54,794,000
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7	Created provisions for payment of annual bonus for 2007: - prepaid expenses increased/cost of employee benefits increased by PLN 7,340,000 - created assets from deferred income tax/income tax in profit and loss account reduced by PLN 1,395,000
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20	Deferred income tax reversed owing to the removal of the perpetual use right from the balance sheet - provisions from deferred income tax reduced/retained earnings increased by PLN 8,334,000
21	Disclosure of components: - depreciation increased/tangible fixed assets reduced by PLN 1,054,000 - income tax in profit and loss account reduced/ provisions from deferred income tax reduced by PLN 201,000
22	Reversed provisions for landfill reclamation: - other long-term provisions reduced by PLN 3,157,000 - retained earnings increased by PLN 2,557,000 - assets from deferred income tax reduced by PLN 600,000
23	Created provisions for demolition of the Chlorine Plant: - other long-term provisions increased by PLN 6,315,000 - retained earnings reduced by PLN 5,116,000 - assets from deferred income tax increased by PLN 1,199,000

Jerzy Marciniak
President of the Management Board

Witold Szczypiński
Vice President of the Management Board

Monika Hap
Member of the Management Board

Franciszek Bernat
Member of the Management Board

Ewa Gładysz
Person responsible for bookkeeping

Tarnów, 2 March, 2009