



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

**Condensed interim consolidated financial statement for 3 months ending 31.03.09
prepared in accordance with International Financial Reporting Standards adopted by the
European Union**

Tarnów, 15 May 2009

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A. SELECTED FINANCIAL DATA

Selected financial data regarding the consolidated statement	PLN '000		EUR'000	
	For period from 01.01.09 to 31.03.09	For period from 01.01.08 to 31.03.08	For period from 01.01.09 to 31.03.09	For period from 01.01.08 to 31.03.08
Revenues on sales	318,018	362,187	69,143	101,812
Profit from operating activities	23,905	36,215	5,197	10,180
Profit before tax	27,323	34,290	5,941	9,639
Net profit	21,391	27,644	4,651	7,771
Total income	18,877	41,851	4,104	11,764
Number of shares (in items)	39,116,421	24,000,000	39,116,421	24,000,000
Net profit per ordinary share	0.54	1.15	0.12	0.32
Net cash flow from operating activities	31,228	22,968	6,790	6,456
Net cash flow from investing activities	44,821	(34,738)	9,745	(9,765)
Net cash flow from financing activities	(1,142)	12,457	(248)	3,502
Total net cash flow	74,907	687	16,286	193
Cash at the beginning of period	45,333	54,413	9,856	15,296
Cash at the end of period	120 240	55 100	26 143	15 489
	Status as at 31.03.09	Status as at 31.03.08	Status as at 31.03.09	Status as at 31.03.08
Fixed assets	979,763	929,875	208,403	263,734
Current assets	643,739	334,932	136,928	94,995
Long-term liabilities	221,455	224,684	47,105	63,726
Short-term liabilities	225,839	190,161	48,038	53,934
Equity	1,176,208	849,962	250,188	241,069
Share capital	195,582	120,000	41,602	34,035
Minority interest	1,772	1,499	377	425

Selected financial data regarding individual statement	PLN '000		EUR'000	
	For period from 01.01.09 to 31.03.09	For period from 01.01.08 to 31.12.08	For period from 01.01.09 to 31.03.09	For period from 01.01.08 to 31.12.08
Revenues on sales	299,458	348,315	65,108	97,913
Profit from operating activities	21,845	33,206	4,750	9,334
Profit before tax	25,162	31,273	5,471	8,791
Net profit	20,088	25,023	4,368	7,034
Total income	18,431	36,350	4,007	10,218
Number of shares (in items)	39,116,421	24,000,000	39,116,421	24,000,000
Net profit per ordinary share	0.51	1.04	0.11	0.29
Net cash flow from operating activities	26,597	21,273	5,783	5,980
Net cash flow from investing activities	47,895	(29,152)	10,413	(8,195)
Net cash flow from financing activities	(693)	12,675	(151)	3,563
Total net cash flow	73,799	4,796	16,045	1,348
Cash at the beginning of period	23,893	35,063	5,195	9,856
Cash at the end of period	97 692	39 859	21 240	11 205
	Status as at 31.03.09	Status as at 31.12.08	Status as at 31.03.09	Status as at 31.12.08
Fixed assets	907,962	860,408	193,130	244,032
Current assets	598,214	295,570	127,244	83,831
Long-term liabilities	178,234	186,633	37,912	52,934
Short-term liabilities	203,487	166,608	43,283	47,254
Equity	1,124,455	808,737	239,180	229,377
Share capital	195,582	120,000	41,602	34,035

Selected items from the balance sheet, total income statement and cash flow statement have been translated into Euro in accordance with the indicated method of translation in force:

- assets and liabilities for each presented balance sheet item were translated at the rate in force as at the closing date of that balance sheet:
exchange rate on 31.03.08 r. was EUR 1 = PLN 3.5258 (exchange rates table No. 63/A/NBP/2008)
exchange rate on 31.03.09 r. was EUR 1 = PLN 4.7013 (exchange rates table No. 63/A/NBP/2009)
- individual items of the total income statement and cash flow statement 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 01.01.2008 - 31.03.08 equalled EUR 1 = PLN 3.5574
average exchange rate in period 01.01.09 - 31.03.09 equalled EUR 1 = PLN 4.5994

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 income statement

(in PLN' 000)

	For period from 01.01.09 to 31.03.09 not analysed	For period from 01.01.08 to 31.03.08 not analysed
Continued operations		
Revenues	318,018,	362,187,
Cost of goods sold	(267,904)	(287,046)
Gross profit on sales	50,114	75,141
Cost of sales	(14,043)	(14,793)
Administrative costs	(21,998)	(20,794)
Other operating revenues	10,287,	1,665,
Other operating costs	(455)	(5,004)
Profit from operating activities	23,905	36,215
Finance income	12,038	511
Financial costs	(8,635)	(2,480)
Net finance income/(costs)	3,403	(1,969)
Profit on shares held in subordinated units valued with equity method	15	44
Profit before tax	27,323	34,290
Income tax	(5,932)	(6,646)
Net profit on continued activities	21,391	27,644
Net profit attributable to:		
Shareholders of the parent company	21,317	27,535
Minority shareholders	74	109
Discontinued operations		
Profit (loss) from discontinued operations		-
<i>Components of other total revenues</i>		
Valuation of hedging instruments	(6,378)	-
Settlement of hedging instruments	4,258	-
Deferred income tax from the components of other total revenues	463	-
Other profit/loss (presented in retained earnings)	(857)	14,207
Sum of the components of other total revenues	(2,514)	14,207
Total income	18,877	41,851
Total income attributable to		
Shareholders of the parent company	18,803	41,742
Minority shareholders	74	109
Earnings per share:		
Basic (in PLN)	1.15	0.54
Diluted (in PLN)	1.15	0.54

Consolidated financial statement
(in PLN' 000)

	31.03.2009 not analysed	31.12.2008 analysed	31.03.2008 not analysed
Assets			
Fixed assets			
Tangible fixed assets	906,745	924,836	864,634
Investment real estate	6,019	6,100	6,358
Intangible assets	21,488	16,728	16,315
Investments in subordinated entities	280	280	260
Assets available for sale	12,631	12,592	10,767
Other financial assets	-	50,000	-
Long-term receivables	594	594	2
Assets from deferred income tax	31,749	35,924	31,523
Other assets	257	300	16
Total fixed assets	979,763	1,047,354	929,875
Current assets			
Inventories	127,596	136,791	118,497
Other financial assets	201,606	202,466	175
Receivables on income tax	2,845	4,107	590
Trade receivables falling due and others	188,021	162,554	155,799
Cash and cash equivalents	120,240	45,333	55,100
Other assets	3,431	5,634	4,764
Fixed assets for sale	-	7	7
Total current assets	643,739	556,892	334,932
Total assets	1,623,502	1,604,246	1,264,807

Consolidated financial statement
(in PLN' 000)

	31.03.2009 not analysed	31.12.2008 analysed	31.03.2008 not analysed
Equity and Liabilities			
Equity			
Share capital	195,582	195,582	120,000
Issue of shares above book value	209,990	209,990	-
Capital from the valuation of hedging transactions	(9,527)	(7,870)	-
Retained earnings of which:	778,391	757,931	728,463
<i>Net earnings for current period</i>	21,317	74,232	27,535
Equity of the parent company shareholders	1,174,436	1,155,633	848,463
Minority interest	1,772	1,698	1,499
Total equity	1,176,208	1,157,331	849,962
Liabilities			
Liabilities from credits. loans	46,962	48,889	37,021
Provisions for employee benefits	44,892	46,601	41,128
Other long-term liabilities	1,783	893	15,761
Government grants	148	244	500
Other provisions	21,557	21,520	23,609
Provision from deferred income tax	104,200	104,884	105,964
Other financial liabilities	1,913	1,334	701
Total long-term liabilities	221,455	224,365	224,684
Liabilities from credits. loans	22,745	21,174	10,582
Provisions for employee benefits	6,273	8,005	7,007
Liabilities on current income tax	481	694	5,514
Trade liabilities and other liabilities	170,138	161,296	161,819
Government grants	352	352	377
Other provisions	4,496	4,797	4,628
Other financial liabilities	21,354	26,232	234
Total short-term liabilities	225,839	222,550	190,161
Total short-term and long-term liabilities	447,294	446,915	414,845
Total liabilities	1,623,502	1,604,246	1,264,807

Consolidated statement of changes in equity for 3 months ending 31.03.09 (in PLN' 000)

	Share capital	Issue of shares above book value	Capital from hedge accounting	Retained earnings	Equity holders of the parent	Minority interest	Total equity
01.01.08	120,000,	-	-	744,628	864,628	1,390	866,018
Error adjustments	-	-	-	(57,907)	(57,907)	-	(57,907)
01.01.08 after adjustments	120,000,	-	-	686,721	806,721	1,390	808,111
Total income for 3 months ending 31.03.08	-	-	-	41,742	41,742	109	41,851
31.03.08 (not analysed)	120,000	-	-	728,463	848,463	1,499	849,962
01.01.08	120,000	-	-	744,628	864,628	1,390	866,018
Error adjustments	-	-	-	(57,907)	(57,907)	-	(57,907)
01.01.08 after adjustments	120,000	-	-	686,721	806,721	1,390	808,111
Total income for 12 months ending 31.12.08	-	-	(7,870)	71,210,	63,340	308	63,648
Share issue	75,582	209,990	-	-	285,572	-	285,572
31.12.08 (analysed)	195,582	209,990	(7,870)	757,931	1,155,633	1,698	1,157,33
01.01.09	195,582	209,990	(7,870)	757,931,	1,155,633	1,698	1,157,33
Error adjustments	-	-	-	-	-	-	-
01.01.09 after adjustments	195,582	209,990	(7,870)	757,931	1,155,633	1,698	1,157,33
Total income for 3 months ending 31.03.09	-	-	(1,657)	20,460	18,803	74	18,877
31.03.09 (not analysed)	195,582	209,990	(9,527)	778,391	1,174,436	1,772	1,176,20

Consolidated cash flow statement

(in PLN' 000)

	Period from 01.01.09 to 31.03.09 not analysed	Period from 01.01.08 to 31.03.08 not analysed
Gross profit	27,323	34,290
<i>Adjustments</i>	9,351	26,267
Depreciation	19,325	17,988
Impairment losses created/(reversed)	(363)	-
(Profits) / losses from investment activities	(7,914)	8,419
(Profit)/losses on disposal of financial assets	-	-
Profit share with related entities	(15)	(44)
Interests	(3,936)	23
Dividends received	-	(119)
Profits/loses for changes in the fair value of the financial assets presented according to the fair value	2 254	-
<i>Profit from operating activities before changes in working capital</i>	36,674	60,557
Change in trade receivables and other receivables	8,294	24,923
Change in inventory	9,531	(347)
Change in trade liabilities and other liabilities	(17,403)	(52,049)
Change in inventory, prepayments and grants	(2,990)	(1,103)
Other adjustments	(2,181)	(368)
<i>Cash generated from operating activities</i>	31,925	31,613
Interests paid	-	-
Income tax paid	(697)	(8,645)
Net cash from operating activities	31,228	22,968

	For the period from 01.01.09 to 31.03.09 not analysed	For the period from 01.01.08 to 31.03.08 not analysed
Cash flow from investing activities		
Sales of intangible and tangible assets	3,550	288
Acquisition of intangible and tangible assets	(14,021)	(35,107)
Dividends received	-	59
Acquisition of financial assets	(12,025)	-
Inflows from the sale of financial assets available for sale	67,265	-
Interest received	51	20
Repayment of granted loans	1	2
Net cash from investing activities	44,821	(34,738)
Cash flow from financial activities		
Net cash derived from share issue	-	-
Dividends paid	-	(9)
Credits and loans	5,189	14,543
Expenses to repay credits and loans	(5,432)	(1,952)
Interests paid	(613)	(28)
Payment of liabilities arising from financial leasing	(286)	(97)
Net cash from financing activities	(1,142)	12,457
Balance-sheet change in cash, including:	74,907	687
Cash at the beginning of period	45,333	54,413
Cash at the end of period	120,240	55,100

C. CONDENSED UNIT FINANCIAL STATEMENT

Unit consolidated income statement
(in PLN' 000)

	For period from 01.01.09 to 31.03.09 not analysed	For period from 01.01.08 to 31.03.08 not analysed
Continued operations		
Revenues	299,458	348,315
Cost of goods sold	256,127	279,927
Gross profit on sales	43,331	68,388
Cost of sales	(14,042)	(14,786)
Administrative costs	(16,059)	(15,911)
Other operating revenue	10,867	248
Other operating costs	(2,252)	(4,733)
Profit from operating activities	21,845	33,206
Finance income	11,696	400
Financial costs	(8,379)	(2,333)
Net finance income/(costs)	3,317	(1,933)
Profit before tax	25,162	31,273
Income tax	(5,074)	(6,250)
Net profit on continued operations	20,088	25,023
Discontinued operations		
Profit (loss) from discontinued operations	-	-
<i>Components of other total revenues</i>		
Valuation of hedging instruments	(6,378)	-
Settlement of hedging instruments	4,258	-
Deferred income tax from the components of other total revenues	463	-
Other profit (presented in retained earnings)	-	11,327
Sum of the components of other total revenues	(1,657)	11,327
Total income	18,431	36,350
Earnings per share:		
Basic (in PLN)	0.51	1.04
Diluted (in PLN)	0.51	1.04

Consolidated unit financial statement
(in PLN' 000)

	31.03.2009	31.12.2008	31.03.2008
	not analysed	analysed	not analysed
Assets			
Fixed assets			
Tangible fixed assets	782,238	799,969	747,501
Investment real estate	6,019	6,100	6,358
Intangible assets	17,207	12,317	12,098
Investments in subordinated entities	49,827	49,827	57,872
Assets available for sale	24,477	24,717	10,237
Other financial assets	-	50,000	-
Long-term receivables	39	55	105
Assets from deferred income tax	28,155	31,692	26,237
Total fixed assets	907,962	974,677	860,408
Current assets			
Inventories	118,886	127,803	109,928
Other financial assets	201,433	202,292	-
Receivables on income tax	2,823	3,845	275
Trade receivables falling due and others	174,524	148,633	142,846
Cash and cash equivalents	97,692	23,893	39,859
Other assets	2,856	3,814	2,662
Total current assets	598,214	510,280	295,570
Total assets	1,506,176	1,484,957	1,155,978

Consolidated unit financial statement
(in PLN' 000)

	31.03.2009	31.12.2008	31.03.2008
	not analysed	analysed	not analysed
Equity and Liabilities			
Equity			
Share capital	195,582	195,582	120,000
Issue of shares above book value	209,990	209,990	-
Capital from the valuation of hedging transactions	(9,527)	(7,870)	-
Retained earnings of which:	728,410	708,322	682,737
<i>Net earnings for current period</i>	20,088	61,935	25,023
Total equity	1,124,455	1,106,024	802,737
Liabilities			
Liabilities from credits. loans	42,795	44,329	32,622
Provisions for employee benefits	25,815	27,424	26,287
Other long-term liabilities	743	-	15,096
Other provisions	17,100	17,103	19,578
Provision from deferred income tax	91,781	92,376	93,050
Total long-term liabilities	178,234	181,232	186,633
Liabilities from credits. loans	21,136	19,634	9,488
Provisions for employee benefits	4,325	6,275	2,763
Liabilities on current income tax	-	-	5,415
Trade liabilities and other liabilities	153,921	142,918	145,260
Other provisions	3,508	3,505	3,681
Other financial liabilities	20,597	25,369	1
Total short-term liabilities	203,487	197,701	166,608
Total short-term and long-term liabilities	381,721	378,933	353,241
Total liabilities	1,506,176	1,484,957	1,155,978

Unit statement of changes in equity for 3 months ending 31.03.09

(in PLN' 000)

	<i>Share capital</i>	Issue of shares above book value	Capital from hedge accounting	Retained earnings	<i>Equity</i>
01.01.08	120,000	-	-	698,848	818,848
Error adjustments				(52,461)	(52,461)
01.01.08 after adjustments	120,000	-	-	646,387	766,387
Total income for 3 months ending 31.03.08	-	-	-	36,350	36,350
31.03.08 (not analysed)	120,000	-	-	682,737	802,737
01.01.08	120,000	-	-	698,848	818,848
Error adjustments				(52,461)	(52,461)
01.01.08 after adjustments	120,000	-	-	646,387	766,387
Total income for 12 months ending 31.12.08	-	-	(7,870)	61,935	54,065
Share issue	75,582	209,990	-	-	285,572
31.12.08	195,582	209,990	(7,870)	708,322	1,106,024
01.01.09	195,582	209,990	(7,870)	708,322	1,106,024
Error adjustments	-	-	-	-	-
01.01.09 after adjustments	195,582	209,990	(7,870)	708,322	1,106,024
Total income for 3 months ending 31.03.09			(1,657)	20,088	18,431
31.03.09 (not analysed)	195,582	209,990	(9,527)	728,410	1,124,455

Unit cash flow statement

(in PLN' 000)

	Period from 01.01.09 to 31.03.09 not analysed	Period from 01.01.08 to 31.03.08 not analysed
Gross profit	25,162	31,273
<i>Adjustments</i>	6,163	23,263
Depreciation	16,157	14,964
Impairment losses created/(reversed)	(363)	-
(Profits) / losses from investment activities	(7,906)	8,418
(Profit)/losses on disposal of financial assets	2,254	-
Profit share with related entities	-	-
Interests	(3,979)	-
Dividends received	-	(119)
<i>Profit from operating activities before changes in working capital</i>	31,325	54,536
Change in trade receivables and other receivables	(17,880)	(3,131)
Change in inventory	9,917	2,601
Change in trade liabilities and other liabilities	9,429	(22,450)
Change in inventory, prepayments and grants	(3,427)	(1,329)
Other adjustments	(2,120)	(387)
<i>Cash generated from operating activities</i>	27,244	29,840
Interests paid	-	-
Income tax paid	(647)	(8,567)
Net cash from operating activities	26,597	21,273

	For the period from 01.01.09 to 31.03.09 not analysed	For the period from 01.01.08 to 31.03.08 not analysed
Cash flow from investing activities		
Sales of intangible and tangible assets	3,462	288
Acquisition of intangible and tangible assets	(10,832)	(29,499)
Dividends received	-	59
Acquisition of financial assets	(12,025)	-
Interest received	25	-
Repayment of granted loans	-	-
Sales of financial assets	67,265	-
Net cash from investing activities	47,895	(29,152)
Cash flow from financial activities		
Net cash derived from share issue	-	-
Credits and loans	4,958	14,368
Expenses to repay credits and loans	(4,990)	(1,662)
Dividends paid	-	(8)
Interests paid	(533)	-
Payment of liabilities arising from financial leasing	(128)	(23)
Net cash from financing activities	(693)	12,675
Total net cash flow	73,799	4,796
Balance-sheet change in cash, including:	73,799	4,796
Cash at the beginning of period	23,893	35,063
Cash at the end of period	97,692	39,859

D. SUPPLEMENTARY INFORMATION

1. Accounting policies and calculation methods

The Capital Group of Zakładów Azotowych w Tarnowie-Mościcach S.A. hereinafter referred to as Azoty Tarnów, with the exception of the changes described in point a) and b) - has not changed the accounting policies or calculation methods, the same accounting policies or calculation methods as in the previous financial statement for 2008, resulting from the Accounting Policies in force.

a) Changes in the International Financial Reporting Standards

In relation to the changes in the International Financial Reporting Standards, the Group, as of 01.01.09, made changes to the accepted accounting policies in relation to:

- the presentation of the total income statement, pursuant to the requirements of the changes in IAS 1 – Presentation of Financial Statements,
- the presentation of information regarding operation and geographic sectors, pursuant to IFRS 8 – Operating Sectors, described in detail in point 11.

Changes in other standards and interpretations approved and accepted by the European Union and in force as at 01.01.09, did not significantly influence the presented financial statement.

New standards as well as changes to the standards and interpretations issued by the International Accounting Standards Committee or the Financial Reporting Interpretation Committee not accepted by the European Union in force as of 01.07.09 and 01.01.10 shall not have a significant influence on the accounting policies applied by the Group.

b) The implementation of a new, integrated IT system

In relation to the implementation of the SAP system, changes have taken place in the extent of recording of the operating activities cost accounts. Until now, ZAT kept the cost recordings with the use of accounts of groups 4 and 5.

As of 01.01.09, in the extent of costs as well as the rules for closing accounts aimed at that their presentation, the following solutions are applied:

- costs are initially collected in the type system (group 4), the costs are charged to the relevant cost centres, orders takes place at the same time with the booking in type costs through the allocation of a relevant cost centre, order from which through account 490 “costs settlements” are subject to transfer to account groups 6 and 7.

2. Change in estimates

Estimates have changed in the statement for Q1 2009.

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

	from 01.01.09 to 31.03.09	From 01.01.08 to 31.12.08
At the beginning of period	80,923	75,237
Creation	622	8719
Reversal and use	(4,327)	(3,033)
At the end of period	77,218	80,923

Changes in impairment losses in the value of fixed assets

	from 01.01.09 to 31.03.09	from 01.01.08 to 31.12.08
At the beginning of period	42,950	42,596
Creation	-	698
Reversal and use	(363)	(344)
At the end of period	42,587	42,950

Changes in impairment losses in the value of inventory

	from 01.01.09 to 31.03.09	from 01.01.08 to 31.12.08
At the beginning of period	7,613	3,499
Creation	1,141	5,182
Reversal and use	-	(1,068)
At the end of period	8,754	7,613

Changes in impairment losses in the value of receivables

	from 01.01.09 to 31.03.09	from 01.01.08 to 31.12.08
At the beginning of period	25,241	25,742
Creation	1,441	890
Reversal and use	(2,537)	(1,391)
At the end of period	24,145	25,241

Changes in the provisions and assets from deferred income tax

	from 01.01.09 to 31.03.09	from 01.01.08 to 31.12.08
Provisions at the beginning of period	104,884	105,524
Creation	3,187	4,389
Reversal and use	(3,871)	(5,029)
Provisions at the end of period	104,200	104,892
Assets at the beginning of period	35,924	25,842
Creation	2,415	15,917
Reversal and use	(6,590)	(5,835)
Assets at the end of period	31,749	35,924

3. Brief description of key achievements

3.1 New trademarks for fertilizer products

In Q1 2009, in relation to the unification of trade names for granulated fertilizers in the enterprise, new text and graphic trade mark applications were submitted for fertilizer products:

	application date
Tarnów AN 32 ammonium nitrate	06.03.2009.
Saletrosan – text mark	11.02.2009.
Tarnów CAN 27 nitro-chalk	11.02.2009.
Tarnów AS 21 ammonium sulphate	11.02.2009.
Tarnów ASN 26 saletrosan	11.02.2009.
Tarnów CAN 27 + B nitro-chalk with boron	11.02.2009.
Granula Spryciula – text mark	18.03.2009.
Granula – graphic mark	18.03.2009.

Moreover, trade mark applications were submitted for the following plastics:

TARNOPROP	18.02.2009.
TARNAMID A	18.02.2009.
TARNODUR A	18.02.2009.

Fertilizers in new packagings, covering a coherent visualization line for the entire product category were introduced to the market, at the same time a promotional campaign, introducing fertilizer products in mechanical granulates was launched.

The production of 27 Makro nitro-chalk being the first in the series of nitrogen fertilizers in mechanical granulation planned for production in this year has started.

Negotiations have been undertaken in the case of the possible presence of plastics in the MoldFlow database, produced by Azoty Tarnów. The first product should appear in the database in this year.

3.2 The renewal of the trade credit insurance policy

On 17 March 2009, Azoty Tarnów renewed their trade credit insurance Policy with a debt collection option concluded with Euler Hermes S.A., maintaining the previous insurance protection from 1 March 2009 to 28 February 2010.

3.3 Financial results of the Capital Group

Owing to the economic crisis that began in Q3 2008 and its extent, the periods under consideration and the results achieved by business entities have entirely different characteristics and are not incomparable from the perspective of the macroeconomic environment.

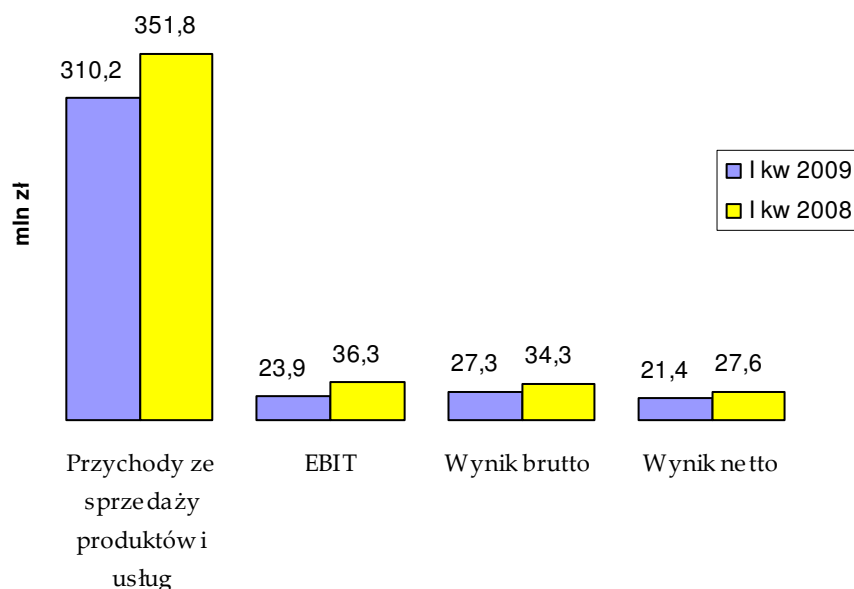
The unfavourable economic situation and a radical decrease in demand led to the decrease in the sales volume of the main products offered by the Company, which reduced revenues from the sales of products and services in Q1 2008, in comparison to the same period in 2008. This unfavourable balance of sales for Q1 2009 was partly compensated by a positive effect created by the weakening of the Polish currency against the euro and the dollar. Finally, in Q1 2009, in comparison to the same period of the previous year the Company recorded sales of products and services lower by PLN 41,619,000 i.e. by 12 %. Characteristic of market events had the same influence on the changes in operating costs. Another factor responsible for higher manufacturing costs and lower financial results for the Company in comparison to the same period of the previous year concerned fixed costs which could be reduced by only a small extent owing to the cost policy caused by the crisis. The slower manufacturing costs resulted in the positive dynamics of the resulting from the operations.

The financial results of Azoty Tarnów in Q1 2009 by type of operation are as follows:

- Profit from operating activities PLN 23,905,000 including: From gross sales PLN 50,114,000
- profit from financial activities PLN 3,403,000

Table 1 Financial results (in PLN '000)

	Performance in Q1 2009	Performance in Q1 2008	Change in PLN '000	Dynamics in %
Gross profit on sales	50,114	75,141	(25,027)	66.69
Profit from operating activities	23,905	36,215	(12,310)	66.01
Profit on shares held in subordinated units valued with equity method	15	44	(29)	34.09
Gross profit	27,323	34,290	(6,967)	79.68
Net profit	21,391	27,644	(6,253)	77.38



[przychody ze sprzedaży produktów i usług – income on sales of products and services; wyniki brutto – gross result; wyniki netto – net result; I kw 2009 – Q1 2009; I kw 2008 – Q1 2008]

Sales

The value of the sale of products and services in Q1 2009 in comparison to the same period in 2008 was lower by PLN 41,619,000. This resulted from the lower sales volume of key product groups, caused by unfavourable market conditions. By product group, in comparison to Q1 2008, the total sales of caprolactam decreased by 24%, Tarnamid® in total (intensified manufacturing) by 12.8%, Tarnoform® in total 34.3%, with an increase in the amount of sales of ammonium nitrate in total by 9.9% and ammonium sulphate by 1.5%. In terms of the amount and value, the sale of caprolactam fell due to the increase in own use for the manufacturing of polyamide 6 and due to the decrease in the price of raw materials on world markets. Simultaneously, the decrease in the sales volume of chlorine, soda lye, sodium hypochlorite, chlorinated lime, in comparison to Q1 of the previous year, was caused by the suspended manufacture of chlorine products. Comparing the achievements in the analysed periods, the sale price of the products in

Q1 2009 were lower by an average of over 1%. The highest price increases were recorded for: ammonium nitrate (by 35.8%), ammonium sulphate (by 15.7%) Tarnoform® in total (by 12.8%) and mixed acids (by 10.2%), with the simultaneous decrease in the price of Tarnamid® in total by 22.0%, caprolactam in total by 32.4%.

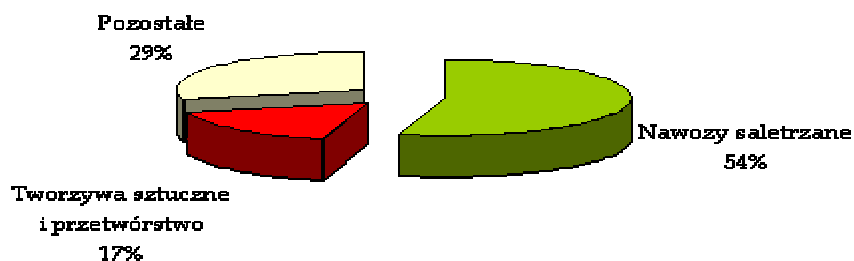
The sales of goods and materials in Q1 2009 amounted to PLN 7,808,000 and was lower by 25 % with respect to the same period of the previous year, mainly on account of lower sales volume of scrap material and catalysts.

Table 2 Total revenues (in PLN '000)

	Performance in Q1 2009	Performance in Q1 2008	Change in PLN'000	Dynamics in %
Revenue from the sales of products and services	310,210	351,829	(41,619)	88.17
Revenue from the sales of goods and materials	7,808	10,358	(2,550)	75.38
Revenue from sales, in total	318,018	362,187	(44,169)	87.80
Other operating revenue	10,287	1,665	8,622	617.84
Total revenue on operating activities	328,305	363,852	(35,537)	90.23
Financial income	12,038	511	11,527	2 355.77
Total revenues	340,343	364,363	(24,020)	93.41

The structure of income from sales of products in Q1 2009 is provided in the pie chart below.

Fig. 1 The sale structure of the revenue from the sale of products in Q1 2009



[pozostałe – other; tworzywa sztuczne i przetwórstwo – plastics and processing; nawozy saletrzane – nitrate fertilizers]

Costs

In Q1 2009 total costs amounted to PLN 313,035,000 and were lower than the costs incurred in the same period of 2008 by PLN 17,082,000 (by 5.17 %), at the total sales lower by 8.65 %. This indicates that the cost decrease was by 3.48 per cent point lower than the total sales decrease for the analysed period.

Generally, the reduced cost of operating activities (y-o-y to Q1 2008) resulted from the lower production scale caused by the rapid decrease in demand on the market for our products. Other operating costs were also lower than in the compared period.

The average index in the changes of basic raw materials used for manufacturing in relation to the same period of the previous year amounted to -6.2%.

Revenues from total sales for Q1 2009 constituted 88% of the revenues for the same period of the previous year. Gross profit amounted to 27,323,000 constituting 80% of the value of the profit achieved in the same period of the previous year.

Table 3 Consolidated costs

	Performance in I kw. 2009	Performance in I kw. 2008	Change in PLN'000	Dynamics %
Costs of sold products and services	294,428	315,071	(20,643)	93.45
Value of sold goods and materials	9,517	7,562	1,955	125.85
Cost of sales in total	303,945	322,633	(18,688)	94.21
Other operating costs	455	5,004	(4,549)	9.09
Total costs of operating activities	304,400	327,637	(23,237)	92.91
Financial costs	8,635	2,480	6,155	348.19
Total costs:	313,035	330,117	(17,082)	94.83

3.4 Economic situation of the Capital Group - analysis of the main macroeconomic factors

Table 4 Factors with impact on economic situation

Factor	Q1 2009	Q1 2008	Change in %
Profitability ratios			
Gross profit margin, % [gross result from sales/revenue from total sales]	15.76	20.75	75.95
Return on equity (ROE) % [net financial result / equity at the beginning of period]	1.85	3.42	54.09
Return on investment % [profit (loss) before tax / (total assets - short-term liabilities)*100]	1.95	3.19	61.13
Debt ratios			
Total debt ratios (total liabilities / equity)*100	37.96	48.81	77.77
Debt/equity ratio % [(total liabilities - owner's equity) / total liabilities]	27.52	32.80	83.90
Liquidity ratios			
Liquidity ratio 1x [total current assets / short-term liabilities]	2.85	1.76	161.93
Liquidity ratio 2x [(total current assets - inventories) / short-term liabilities]	2.29	1.14	200.88
Activity ratios			
Operating cash flow to sales % [net cash flow from operating activities / (total revenues from sales)]*100	9.82	6.34	154.89
Average Days Sales Outstanding [receivables on supplies and services x (365/4) / cost of goods sold]	26.78	23.64	113.28
Fixed asset productivity ratio % [(Revenue from total sales/Tangible fixed assets)*100]	35.07	41.89	83.72

3.5 Material contracts in Q1 2009

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

Following the letter of intent regarding the purchase of controlling interest of the Anwil company, signed on 09.10.08, 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 19.02.09 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 the number KRS 0000319998. The President of the Management Board of Azoty Tarnów, Mr. Jerzy Marciniak, was appointed to become 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 05.01.09 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.

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

On 05.01.2009 the Company signed Annex No. 15 to the 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 adjustment of the 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 22.01.09 Annex No. 4 was signed to the contract dated 08.02.07 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.

- **Disposal of shares in a subsidiary company**

On 02.03.09 Azoty Tarnów disposed of 100% of its shares in its subsidiary "Oknotar" Sp. z o.o. to 14 natural persons. The sales price for the aforesaid shares was PLN 53 per share, which totals to PLN 265,000, constituting the balance sheet value of the held shares. Current report no. 11/2009 of 02.03.09.

- **The signing of a multi-lateral agreement**

On 18.03.09 a multi-lateral contract was concluded between Nafta Polska S.A. with its registered Office in Warsaw (hereinafter: "Nafta Polska") and the following Companies: Ciech S.A. (hereinafter: „Ciech”), Zakłady Azotowe w Tarnowie - Mościcach S.A. with its registered Office in Tarnów (hereinafter: „ZAT”) and Zakłady Azotowe Kędzierzyn S.A. with its registered Office in Kędzierzyn – Koźle (hereinafter: “ZAK”), the financial consultant of Nafta Polska S.A., Raiffeisen Investment AG with its registered Office in Vienna and Raiffeisen Investment Polska sp. z o.o. with its registered Office in Warsaw as well as the financial consultant of Nafta Polska S.A., Radzikowski, Szubielska i Wspólnicy Spółka Komandytowa with its registered Office in Warsaw (hereinafter “Legal Consultant”) for the purposes of completing the process of searching for and selecting an investor or investors, which will acquire the shares in ZAT, ZAK and Ciech SA, and who simultaneously can take over the shares in the increased share capital of the above mentioned Companies (hereinafter: the “Contract”, “Process”).

The financial consultants of Nafta Polska S.A., are Raiffeisen Investment AG with its registered Office in Vienna and Raiffeisen Investment Polska sp. z o.o. with its registered Office in Warsaw, and also their sub-contractors Lazard & Co. Limited, with its registered Office in the United Kingdom and Bank Zachodni WBK SA, with its registered Office in Wrocław (“Financial Consultant”).

The Process specifically includes a preparatory phase, the announcement of an invitation to negotiations for the sale of ZAT, ZAK and Ciech shares belonging to the State Treasury and Nafta Polska, negotiations with selected potential investors conducted by Nafta Polska.

In the understanding of the Contract, each of the Companies authorised Nafta Polska to conduct all actions aimed at selecting one or several investors, who will be interested in purchasing the shares of the Companies as well as financially support the Companies for the purposes of the Companies’ purchase of shares of Anwil SA, or the carrying out of other investment objectives by the Company.

All analyses and source documents will be provided by the Companies, pursuant to the provisions on granting access to confidential information, in the understanding of the Act on the Offer. The Contract entered into force as at the date of its signing and may be dissolved at any time by Nafta Polska with a 14 day notice period. The Contract is subject to immediate dissolutions in the period of 15 months from the date of its signing, insofar as the parties to the Contract do not decide otherwise, in writing, on the extension of the period of its duration.

Nafta Polska may transfer the rights and obligations resulting from the Contract with the State Treasury.

3.6 Implementation of SAP system.

On 01.01.09 the integrated IT management support system, ERP class – was introduced. It covers the following areas:

- FI – Financial Accounting
- AA – Asset Accounting
- TR – Treasury and Cash Management
- CO – Controlling
- MM – Materials Management
- PP – Production Planning
- SD – Sales and Distribution
- PM – Plant Maintenance
- HR – Human Resources, Payroll
- BW – Business Information Warehouse, Reports.

The previously functioning management support system, i.e.: BULL DPS7000 and IFS FINANSE will be maintained for ready use in order to ensure access to archived data and to service some of the Group's companies.

3.7 Stabilization of the manufacturing level

After a temporary limitation in Q4 2008 of manufacturing of ca. 20% and adjusting to the possibilities of the sale of products, Q1 2009 brought gradual stabilization. In accepting the base of the manufacturing size before the limitations as reliable (September 2008) - 100 % in the first months of 2009, the manufacturing of the basic products is as follows:

1. The manufacturing of caprolactam was at a level of 93% at the end of Q1, and at the end of April 2009, at a level of 98 % in comparison to the base period. The situation on the market forced a change of caprolactam products i.e. the significant increase in the production of crystallized caprolactam with a lower than expected manufacture of liquid caprolactam.
2. The manufacturing of nitrate fertilizers was gradually increased in Q1 2009 and amounted to 106% in March, in April, however, the level was 95%.
3. The manufacturing of polyamides was lower than the manufacturing in the base period. In March, the production of this plastic amounted to 87% and in April 95%.

3.8 Implementation of share issue objectives

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

Mechanical system for fertilizers granulation 1,200 t/d

The objective of the task is to build an installation with a 1,200 t/d capacity, which will enable the production of mineral fertilizers, with a stable, uniform granulation.

The extent of the works included the preparation of a technical design for the basic and auxiliary installations (storing and the feeding of sulphurous acid, the transport of dolomite meal, feeding and grinding of ammonium sulphate, external connections for the basic and auxiliary installations), building and construction works (steel and reinforced concrete constructions) the installation of apparatus and equipment, the completion of heating and ventilation installations as well as air-conditioning, single roll crusher, drier, fluid refrigerator, ventilators and bucket conveyor, cyclone, containers, filters, mixer, heaters. The installation works were completed in all the nodes. Comprehensive trials were conducted. In 2009, the start-up of the technological installation is conducted by Grupa Rozruchowa Azotów Tarnów – in cooperation with ZAK, the licensor.

Between 17-19 February 2009, the warranty test run for the “27 macro nitro-chalk” was conducted. As a result of the test run the assumed output was confirmed, a product with very good quality parameters was achieved, significantly exceeding the guaranteed values, the adherence to the raw materials and energy indicators as well as the guaranteed emission amounts was confirmed.

The installation works in all the industries was completed in the feeding and grinding nodes. This node was admitted for a comprehensive technological start-up.

In Q1 2009 the amount of PLN 20,277,000 was spent for the fertilizer mechanical granulation installation, including the amount of PLN 15,918,000, which covered the technological start up.

- Modernization of the dolomite milling plant

The modernization of the dolomite milling plant entails the development of a new dolomite meal grinding and preparation line of a relevant quality, fulfilling the licensing requirements of the fertilizer production process in building C-120.

The installation was localised in the existing C – 38 Fertilizer Center milling building. The demolition works commenced in May 2008. The Contractors of the individual branches were the companies listed below:

- demolition-building, construction works - Chemobudowa Kraków,
- installation works - Prorem Sp. z o.o. (subsidiary company),
- electrical works - Elzat Sp. z o.o. (subsidiary company),

- instrumentation branch - Automatyka Sp. z o.o. (subsidiary company),
The design documentation was prepared by Biprozat Sp. z o.o. (subsidiary company of Azoty Tarnów).
The installation works were completed in all the branches. The technological start up of the new milling and preparation line for dolomite meal was conducted. The technological start up had a favourable outcome. Dolomite meal of a relevant quality was achieved, fulfilling the assumed parameters, and the installation was commissioned for use.

In Q1 2009, PLN 995,000 was spent on the modernization of the milling plant.

- Modernization of a station for packing and shipping of fertilizers

The task entails the purchase and installation of the automatic packing, palletization, pallet foiling and fertilizer dispatching line. The installation works were completed in all the branches. Comprehensive trials and the technological start-up of the Arodo lacking line were commenced. Test runs for packing 50 kg sacks were conducted.

The production capacity achieved fulfils the contract requirements.

In Q1 2009, PLN 3,114,000 was spent on the modernization of the fertilizer packing and dispatching node.

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

- Modernization and intensification of the Caprolactam Plant to 101,300 t/year - Technical design

The principal investment objective is to achieve a stable manufacturing capacity of 100,000 t/year and reduce the unit costs of caprolactam manufacture.

The preparation of a Technical Design was commissioned. The extent of the design works was agreed upon.

In Q1 2009, PLN 314,000 was spent on the design.

- Construction design of the new hydrogen installation

A tender invitation for the supply of technology and equipment for the new Hydrogen Installation was conducted. The collected offers will be the basis for selecting the technology supplier.

- **Development of the Modified Plastics Plant**

- Intensification of the Modified Plastics Plant – stages 1 and 3.

The extent of the task entails the purchase and installation of an extruding press for the production of modified plastics with a batcher system, a cooling and drying system as well as a steering system.

The preparation of a Building Design and a Technical Design for lines 4 and 5 for the production of modified plastics is continued. Offer proceedings for the supply of apparatus and equipment is being conducted. The basic equipment has been contracted (COPERION extruding press, AUTOMATIK monofilaments granulator, WIBRA conveyor, PLASTLINE feeders, RIEMELT powder mixer).

In Q1 2009, PLN 5,113,000 was spent on the intensification of the Modified Plastics Plant.

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

4.1. Impact of macroeconomic factors on the results obtained in Q1 2009

Prognoses of the leading international economic institutions estimate (in the pessimistic variant) that in 2009 the global economy will decrease by 1.3 %, the economies of developed countries by 3.8 %, Euro zone economies by 4.2%. The decrease of the German market by 5.6% (according to some research centres by 6%) is the most painful for our economy. Budget deficits, the public debt and the unemployment rate are increasing everywhere.

The global financial crises also did not omit the chemicals industry in Q1 2009.

The raw materials – product market in Q1 2009

An increase in the demand for main raw materials – crude oil, ammonia, methanol, benzene and phenol has been noted on the world chemical markets.

In Q1 of the present year, the need for PA 6 and POM has fallen and manufacturing was maintained at lower levels.

In the field of strategic raw materials purchases for Azoty Tarnów, a decrease was noted of over half of the price of liquid sulfur, which in a significant manner influence the purchase costs of this raw material. In Q1 2009, prices of sulphurous acid have also significantly decreased. The remaining strategic raw materials are purchased on the basis of long-term price formulas (benzene, phenol, ammonia - partially). No significant changes in the prices of the above raw materials, which would influence the financial result, occurred in Q1 2009.

Price trend tendencies in Q1 2009 for ZAT raw materials and products

The previous price lists expire on 31.03.09. The Energy Regulatory Office is pressuring the monopolist to decrease the gas tariff due to the fact that the price of crude oil, on which the gas listings are based, has fallen.

According to the price listings of ICIS prices have changed and a decreasing trend was noted for liquid caprolactam by 21% and crystallized by 35%, benzene by 35%, methanol by 44% as well as sulphur by 74% (74%) for Q1 2009 in comparison with Q4 2008.

The decrease in price by 23% in polyimide 6 and polytrioxane has been maintained in ICIS listings. According to FERTECON listings, negative trends have been noted on the price of ammonium nitrate (20%) and ammonium nitrate (34%).

4.2. Currency market

Factors and events with significant impact on the financial results of the Company for Q1 2009 include the maintenance of the strong trend of the weakening of the PLN firstly against the USD and to a slightly smaller degree against the EUR. In effect, on the scale of Q1 of the current year the PLN weakened by about 20% against the USD and by 13% against the EUR, while from the beginning of April of the current year, until the moment of the publication of the present report, the strengthening of the PLN against both currencies, which may be a symptom of the decreasing of the uncertainty scale on the currency market and the gradual turn around of the speculation trend of the weakening of the national currency is observed.

In Q3 2008, the company used currency risk hedging which involved the conclusion of 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 sales of the Company sales expressed in EUR and USD.

In Q1 2009 the Company continued the previously concluded hedging currency transactions by delivery forward.

Due to the further weakening of the PLN to the EURO and the USD, the results on the concluded hedging transactions amounted to, in Q1 of the present year: PLN (15,617,000). At the same time an

increase of financial revenue in the amount of PLN 7,288,000 was noted for the revaluation surplus of the derivative financial instruments, which were open as at 31.03.09.

However, on the remaining part of the unhedged net currency exposure the Company recorded a positive result of PLN 7,775,000 on account of the completed currency rate differences with a negative balance of the currency settlement valuations as at 31.03.09 in the amount of PLN (452,000).

In total in Q1 2009, the result on the revenue and financial costs from currency exchange rate differences and derivate currency transactions (with the consideration of the revaluation surplus as at the balance sheet date amounted to PLN (1,006,000).

Additionally, the Company has been using hedge accounting since 1 October, 2008 (which the Company informed about in the quarterly report for Q4 2008) based on the 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. According to the status as at 31.03.08 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 (1,756,000),
- credits and loans granted in EUR in the amount of: PLN (10,398,000),

As at 31.03.09 unrealized option structures remained for the total amount of USD 3 m, with due date from April to June 2009 (which is ca. 41% 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 April to August 2009 (which is ca. 34% of expected net exposure of the Company for that period in EUR).

The total liabilities from the valuation of unrealized derivative currency exchange transactions 31.03.09 (with the consideration of the part of the effective hedges included in the hedging accounting) amounted to: PLN 23,364,000.

In Q1 of the current year, in the situation of stable sales of the Company sales exceeding purchase 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, at the same time resulting in negative results on the completion and valuation included in the previous derivative foreign currency transactions of the Company which cover part of its net currency exposure. The presently observed symptoms of the greater liquidity on the currency market and the gradual strengthening of the national currency in relation to the USD and EUR indicate that the negative valuation of the currency transactions at the end of Q1 of the current year, will not be completed in full.

On 06.01.09 a currency risk management procedure, which was developed and tested in Q4 2008, was approved. The aim of this procedure is to include all previous rules in a single uniform document, as well as to implement new solutions, ensuring security in currency flows against unfavourable exchange rate differences at AzotyTarnów. 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 future 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 Vice President 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 the 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. 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.

The selected information on the non-settled hedging transactions on the currency market as at 31.03.09.

Conclusion date	Type of sold options	Option nominal value	Currency	Due date
2008-08-08	Call Option	400,000.00	EUR	2009-04-09
2008-07-15	Call Option	1,000,000.00	EUR	2009-04-15
2008-07-24	Call Option	1,000,000.00	USD	2009-04-28
2008-08-01	Call Option	1,000,000.00	EUR	2009-04-30
2008-08-08	Call Option	400,000.00	EUR	2009-05-08
2008-07-15	Call Option	1,000,000.00	EUR	2009-05-15
2008-07-24	Call Option	1,000,000.00	USD	2009-05-27
2008-08-01	Call Option	1,000,000.00	EUR	2009-05-29
2008-08-08	Call Option	400,000.00	EUR	2009-06-09
2008-07-15	Call Option	1,000,000.00	EUR	2009-06-15
2008-07-24	Call Option	1,000,000.00	USD	2009-06-26
2008-08-01	Call Option	1,000,000.00	EUR	2009-06-30
2008-08-08	Call Option	400,000.00	EUR	2009-07-09
2008-07-15	Call Option	1,000,000.00	EUR	2009-07-15
2008-08-01	Call Option	1,000,000.00	EUR	2009-07-31
2008-08-08	Call Option	400,000.00	EUR	2009-08-07
2008-08-01	Call Option	1,000,000.00	EUR	2009-08-31

Conclusion date	Type of instrument	Option nominal value	Currency	Due date
2009-03-31	Forward	600,000.00	USD	2009-04-21
2009-03-31	Forward	600,000.00	USD	2009-04-28

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 agro-technical 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 accumulation 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 over throughout year by contracts encouraging dealers with competitive prices to stock up before the next season.

Situation in Q1 2009

Pursuant to the annual trade specification in force on the fertilizers market at the beginning of each calendar year, the increase in interest in purchasing nitrate fertilizers was also observed in Q1 2009. However, in the analyzed period, the market situation in the area of nitrate fertilizers should be divided into 2 stages, i.e. The first half of January is marked by trade stagnation on the market (a long holiday period influenced the shortening of the effective working time of distribution companies, unfavourable atmospheric conditions extending the lack in interest in the purchase of fertilizers by target recipients) as well as the later periods, characterized by the smooth sale of nitrogen fertilizers, which allowed for the completion, and even exceeding of the planned tasks.

The planned completion by the Agency for Restructuring and Modernization of Agriculture of direct grants to agricultural production for farmers was not without meaning for the results of the sale of nitrate fertilizers on the domestic market as well as the significant changes in the price of currency, causing the weakening of the abstractedness of the completion of imports to the Polish customs zone.

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

In Q1 2009 there were no off-balance sheet/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/Issuances, repurchases and repayments of debt and equity securities.

In Q1 2009 the Capital Group of Azoty Tarnów, apart from the share issue, did not issue, repurchased, or repaid of debt and equity securities.

Details regarding the issuance of shares were presented in the annual report for 2008 in point 5.9 Significant events - *Debiut giełdowy [stock Exchange debut]*.

Within the frame of the Public Offering started on 05.06.08 and ended on 17.06.08, on 18.06.08 an allocation of 15,116,421 B series shares took place, including:

4,000,000 shares in the Individual Portion

11,116,421 shares in the Institutional Portion

The shares were taken up at a price equal to PLN 19.50.

Significant shares packages, within the framework of the Public Offering, were acquired by CIECH SA in the amount of PLN 2,560,000, which constituted 6.54 % of the shares in the General Meeting of Shareholders as well as the share capital of Azoty Tarnów and PGNiG SA with its registered Office in Warsaw, in the amount of PLN 4,000,001 shares, which constitutes 10.23 % respectively.

9. Use of capital derived from share issue.

The value of the Public Offering, conducted between 5-17 June 2008 amounted to PLN 294,770,000.

Until the date of the publishing of the present report for Q1 2009, the Company used the funds from the Public Offering, deposited in time deposits adjusted to the foreseen completion date of the issuance objectives, 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 408,277,000, including:
 - investments under the framework of the "Optimization of product portfolio and the sales system for nitrogen fertilizers" - a 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 19,744,000,
 - for "Increase of capacity of the Modified Plastics Plant" - PLN 8,533,000.

In total, the Company used PLN 408,277,000 of the capital derived from the Public Offering to finance expenses associated with the implementation of share issue objectives, which included PLN 1,535,000 spent since the publication of the report for Q4 2008.

The use of the funds from the issue to the date of the publication of the previous quarterly report (for Q4 2008), first and foremost served all the payment financing within the framework of the completion of the planned issuance objectives, i.e. "Modernization of the Caprolactam Plant with the construction of a new hydrogen supply system" in the amount of PLN 10,234,000 and Increase of capacity of the Modified Plastics Plant" – PLN 5,113,000.

The use of these funds was in accordance with the schedule indicated in the Prospectus.

Table 5 Expenses incurred to implement the objectives of the share issue as at the publication date of the report for Q1 2009 (in 000' PLN)

Project	Expenditures from 01.07.08	From borrowings	From other capital other than share issue	From share issue	including capital from share issue after 02.03.09 i.e. after the publication date of the report for Q4 2008
Mechanical system for fertilizers granulation 1,200 t/d	33,638	6,291	4,367	22,980	-
Modernization of the dolomite milling plant	3,968	-	998	2,970	-
Modernization of a station for packing and shipping of fertilizers	15,625	-	3,575	12,050	-
In total "Optimization of the product portfolio and the sales system for nitrogen fertilizers"	53,232	6,291	8,941	38,000	-
Modernization of air compression station to supply the Cyclohexane Oxidation System in K-54 zone	2,383	-	1,240	1,142	322
Modernization of process control in systems of the Cyclohexanone Plant	410	-	410	-	-
Modernization of selective phenol hydrogenation supported with Pd-catalyst	578	-	60	518	388
Modernization and increased capacity of the Caprolactame Plant to 101.3 Kt/year	410	-	96	314	314
In total "Modernization of the Caprolactam Plant and the construction of a new hydrogen supply system"	3,780	-	1,806	1,974	1,023
Increased capacity of the Modified Plastics Plant - stage I+II	887	-	34	853	511
<i>In total projects financed within the framework of the share issue objectives</i>	<i>57,899</i>	<i>6,291</i>	<i>10,781</i>	<i>40,828</i>	<i>1,535</i>

10. Dividends.

In Q1 2009 the Issuer did not declare or pay a dividend.

The Management Board maintains the position described in the Prospectus.

11. Sectors of activity.

Branchy sectors

The group did not make any changes in the extent of the classification of branch sectors. Similarly as in previous reporting periods, the Group differentiated the following branch sectors:

- plastics,
- fertilizers,
- energy,
- the remaining branches covering the remaining activities, including mainly laboratory services, the leasing of real estate as well as other activities which cannot be allocated to individual sectors.

The presentation of administrative costs and other revenues and operational costs changed, by allocating them to the individual sectors. The presentation of revenues and financial costs as well as income tax did not change.

The assessment of the sector results is made on the basis of revenues from EBIT, EBITDA sales.

Geographic sectors

Until now, the Group differentiated the following geographic sectors:

- domestic sales,
- intra-community sales,
- export sales

As of 01.01.09, the Group applied a new division of geographic sectors indicated in IFRS 8. The division is as follows:

- Poland,
- Germany,
- Other European Union nations,
- the rest of Europe,
- Asia,
- Other.

Revenues, costs and financial results in a division into operations sectors for 3 months ending 31.03.09.

	Plastics	Fertilizers	Energy	Other activities	Consolidation exclusions	Total
External sales	100,541	183,478	5,723	60,025	(31,749)	318,018
Sales between sectors	1,270	45,690	95,159		(142,119)	-
Total revenues	101,811	229,168	100,882	60,025	(173,868)	318,018
Total costs, including:	(112,593)	(212,388)	(101,013)	(51,819)	173,868,	(303,945)
<i>Cost of sales</i>	(2,956)	(11,069)	(10)	(8)	-	(14,043)
<i>Administrative costs</i>	(9,721)	(5,840)	(442)	(5,995)	-	(21,998)
Operational sector results	(10,782)	16,780	(131)	8,206		14,073
Other operating revenue	8,808	-	-	3,511	(2,032)	10,287
Other operating costs	(453)	-	-	(2,034)	2,032	(455)
Sector results on EBIT operational activities	(2,427)	16,780	(131)	9,683	-	23,905
Financial income	-	-	-	-	-	12,038
Financial costs	-	-	-	-	-	(8,635)
Profit/loss on shares held in subordinated units valued with equity method	-	-	-	-	-	15
Profit before tax	-	-	-	-	-	27,323
Income tax	-	-	-	-	-	(5,932)
Net profit	-	-	-	-	-	21,391
Depreciation	6,635	3,154	4,071	5,491	(26)	19,325
EBITDA	4,208	19,934	3,940	15,174	(26)	43,230

Revenues, costs and financial results in a division into operations segments for 3 months ending 31.03.08.

	Plastics	Fertilizers	Energy	Other activities	Consolidation exclusions	Total
External sales	188,261	143,725	4,499	59,740	(34,038)	362,187
Sales between sectors	1,450	36,211	93,712	2,617	(133,990)	-
Total revenues	189,711	179,936	98,211	62,357	(168,028)	362,187
Total costs, including:	(185,379)	(133,544)	(97,953)	(73,785)	168,028,	(322,633)
<i>Cost of sales</i>	(4,545)	(10,218)	(13)	(17)	-	(14,793)
<i>Administrative costs</i>	(9,060)	(6,548)	(292)	(4,894)	-	(20,794)
Operational sector results	4,332	46,392	258	(11,428)		39,554
Other operating revenue	-	-	-	1,665	-	1,665
Other operating costs	-	-	-	(5,004)	-	(5,004)
Sector results on EBIT operational activities	4,332	46,392	258	(14,767)	-	36,215
Financial income	-	-	-	-	-	511
Financial costs	-	-	-	-	-	(2,480)
Profit/loss on shares held in subordinated units valued with equity method	-	-	-	-	-	44
Profit before tax	-	-	-	-	-	34,290
Income tax	-	-	-	-	-	(6,646)
Net profit	-	-	-	-	-	27,644
Depreciation	6,070	3,234	3,464	5,246	(26)	17,988
EBITDA	10,402	49,626	3,722	(9,521)	(26)	54,203

Geographic sectors for 3 months ending 31.03.09.

Poland	192,798
Germany	42,956
Other European Union nations	28,308
The rest of Europe	28,448
Asia	25,508
Others	-
Total	318,018

Geographic sectors for 3 months ending 31.03.08.

Poland	159,979
Germany	70,810
Other European Union nations	76,776
The rest of Europe	32,783
Asia	21,839
Others	-
Total	362,187

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

- **Trading with PKN Orlen S.A. for the amount of the material contract– the signing of an annex**

On 06.04.09 annex no. 5, signed on 27.12.08, to Contract no. 2005/UZS/10 (concluded on 19.11.04) between Azoty Tarnów and Polski Koncern Naftowy Orlen S.A. with its registered Office in Płock (the Seller) was received by the Company.

Annex no. 5 to the subject contract regarded the sale of raw materials: Phenol, benzene and liquid sulphur by PKN Orlen S.A, to Zakłady Azotowe w Tarnowie - Mościcach S.A. in 2009 according to the established schedule and trade terms and conditions. The estimated net value of Annex No. 5 within the term of the contract is about PLN 49 m.

Framework contract no. 2005/UZS/10 does not foresee the calculation of contractual penalties in the amount above 10% of the value of the contract or the equivalent of EUR 200,000 translated into PLN according to the average exchange rate of the NBP as at the date of concluding the contract, while the Parties to the contract may reserve the right to pursue compensation on general terms, exceeding the amount of the calculated contractual penalties.

The terms and conditions of the concluded annex do not specify any additional contractual penalties.

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

The Contract along with the annexes shall be recognized as significant due to the fact that the value of the turnover between the Capital Group of Zakłady Azotowe w Tarnowie- Mościcach S.A. and the Capital Group of PKN Orlen S.A. in the period from the date of the commencement of fulfilling the informational obligations, i.e. 19.06.08, until yesterday, jointly with the estimated value as results from annex no. 5, exceeded 10% of the equity of the Issuer and is estimated at ca. PLN 154 million.

- **The signing of the letter of intent**

On 30.04.09 Zakłady Azotowe w Tarnowie- Mościcach S.A., Polimex-Mostostal S.A. (PM), Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG), and Tauron Polska Energia S.A. (Tauron) signed a letter of intent in the matter of the mutual completion of the enterprise entailing the construction of a new 200 MW thermal-electrical power station, producing energy on the basis of natural gas and the modernization of the existing 65 MW thermal-electrical power station, on the grounds of Azoty Tarnów. Within the framework of the mutual enterprise, the signatories of the letter of intent shall cover the following tasks:

Polimex-Mostostal S.A.:

- preparation of a concept and technical design,
- preparation of investment financing variants,
- possible completion date of the planned investment and modernization,
- possible take over of the operator function in the new thermal-electrical power station,

PGNiG SA:

- analysis of the possibilities of supplying gas to the new thermal-electrical power station,
- Tauron Polska Energia S.A.:
- preparation of the delivery conditions for the surplus of electrical energy.

Zakłady Azotowe w Tarnowie- Mościcach S.A.:

- preparation of a possibilities analysis for separating the Azoty Tarnów energy plant,
- preparation of a cooperation concept with the city of Tarnów, in the extent of the acceptance of heat,
- acceptance and heat and electrical energy from the newly constructed installation.

Polish energy requires large financial expenditures connected with the need to adjust to the requirements of the European Union (reduction of gas emission), increasing the efficiency of creating energy as well as increasing its production. A deficit in electrical energy is foreseen on the energy market as well as the need to invest in new production strengths.

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

The Company does not include the claim of Bank Pekao S.A. in contingent liabilities amounting to PLN **7,095,000**, including statutory interest until 29 March, 2007, on account of litigation to pay compensation, as in the opinion of the Company, the claim is groundless.

The Company motioned for the dismissal of the claim in full. In the first instance, with the judgement of 20.05.08, the Bank's claim was dismissed. On 10.07.08, Bank Pekao S.A. submitted an appeal against the above mentioned judgement. The Court of Appeals in Krakow repealed the judgement of the Court of first instance on 19.09.08 and transferred the case for rehearing. In March 2009, the District Court in Tarnów set a date for the new hearing. The Bank partially withdrew the claim towards the payment, by Azoty Tarnów, of three subsequent compisition installments. The plaintiff maintained the claim in the amount of PLN 7,095,000.

On 06.04.09, the Regional Court dismissed the Bank's claim in full.

Table 6 Contingent liabilities of the Companies from the Capital Group of Azoty Tarnów as at 31.12.08 and 31.03.09.

Specification	Type of liability	Currency	as at	
			31.12.2008	31.03.2009
"Automatyka" Sp. z o.o.	Bank surety for securing the warranty claim in the period of the duration of the warranty for the completed works (Prochem S.A.).	PLN	47	53*
	Bank surety for securing the warranty claim in the period of the duration of the warranty for the completed works (Emerson Process Management Power and Water Solutions Sp. z o.o.)	PLN	-	68

*Change of the warranty amount for Prochem S.A. is caused by a change in the exchange rate (warranty in EUR)

E. OTHER INFORMATION

1. Organisational system of the Capital Group.

As at 31.03.09, the Capital Group of Zakłady Azotowe w Tarnowie –Mościcach S.A. is comprised of Azoty Tarnów as the parent company and of:

- 9 subsidiaries (with shares in capital over 50%),
- 2 affiliated companies (with shares in capital from 20% to 50%),

The consolidation covered the following entities:

Table 7 The companies subject to consolidation

Name of 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
Polskie Konsorcjum Chemiczne Sp. z o.o.	25.00**

On 02.03.09 Azoty Tarnów disposed of 100% of its shares in its subsidiary "Oknotar" Sp. z o.o. to 14 natural persons. (details in point 2.2).

****On 05.01.09 Azoty Tarnów, by acceding to Polskie Konsorcjum Chemiczne Sp. z o.o. took up 25% of the shares in the increased share capital of PKCh, entitling to 25% of the votes at the Meeting of Shareholders (details in point 2.1).**

"NAVITRANS" Sp. z o.o. and Polskie Konsorcjum Chemiczne Sp. z o.o. are affiliated companies and are subject to consolidation by 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).

Subsidiary companies:

"AUTOMATYKA" Sp. z o.o.

The company was registered on 07.11.97. Its registered Office is 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 2 March 1994. The Company's registered Office is located in Tarnów at 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 supplies, trade, consulting and IT activity, new technologies (PKD 7420A).

Jednostka Ratownictwa Chemicznego Sp. z o.o.

The company was registered on 19.11.93. The Company's registered Office is located in Tarnów at E. Kwiatkowskiego No. 8. The company was entered to the National Court Register under KRS number 0000188857 on 29.01.04, 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 remediation, 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), as well as the production of plastics (PKD 22.2) – from 24 March 2009 (details in point. 2.3).

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

The company was registered on 07.12.99. The Company's registered Office is located in Tarnów at E. Kwiatkowskiego No. 8. The company was entered to the National Court Register under KRS number 0000206663 on 12.05.04, 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).

Zakład Remontów Elektrycznych oraz Instalatorstwo Elektryczne "ELZAT" Sp. z o.o.

The company was registered on 02.03.04. The Company's registered Office is located in Tarnów at E. Kwiatkowskiego No. 8. The company was entered to the National Court Register under KRS number 0000205643 on 29.04.04, 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).

"OKNOTAR" Sp. z o.o.

The company was registered on 20.06.01. The Company's registered Office is located in Tarnów at E. Chemiczna No. 118. The company was entered to the National Court Register under KRS number 0000027977 on 24.07.01, 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).

The company was privatised on 2 March 2009 (details in point 2.2).

PROReM Sp. z o.o.

The company was registered on 14.10.98. The Company's registered Office is located in Tarnów at E. Kwiatkowskiego No. 8. The company was entered to the National Court Register under KRS number 0000095916 on 06.03.02, 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 06.10.88. The Company's registered Office is located in Tarnów at E. Kwiatkowskiego No. 8. The company was entered to the National Court Register under KRS number 0000130185 on 13.09.02, 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 investment construction services, trade (PKD 4532Z).

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

The company was registered on 15.11.93. The Company's registered Office is located in Tarnów at E. Kwiatkowskiego No. 8. The company was entered to the National Court Register under KRS number 0000135985 on 23.10.02, 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 28.12.93. The Company's registered Office is located in Tarnów at E. Kwiatkowskiego No. 8. The company was entered to the National Court Register under KRS number 0000074630 on 04.01.02, 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 entities:

Navitrans Sp. z o. o.

The company was registered on 29.06.92. The Company's registered Office is in Gdynia Chrzanowskiego No. 18. 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).

Polskie Konsorcjum Chemiczne Sp. z o.o.

The company was registered on 23.12.08. The Company's registered Office is located in Gdynia, at ul. Puławska 182. The company was entered to the National Court Register under KRS number 0000319998 on 04.01.02, based on the decision of the District Court for the Capital City of Warsaw in Warsaw, 13th Economic Department of the National Court Register.

Scope of activity:

- Financial holding activities (PKD 64.20.Z)
- The operation of head offices and holdings, with the exclusion of financial holding, (PKD 70.10.Z)
- Other counselling in the extent of conducting business activities and management (70.22.Z)
- Bookkeeping and accounting activities, tax counselling (69.20.Z)

Table 9 The share of Zak³ady Azotowe w Tarnowie - Mościcach S.A. in minority companies, according to the status as at 31.03.09

No	Name of entity	% of shares
1	Tarnowskie Wodociągi Sp. z o.o.	12.55%
2	Tarnowski Klaster Przemysłowy S.A.	0.17%*
3	Tarnowska Agencja Rozwoju Regionalnego S.A.	0.06%
4	Wytwórnia Salami „IGLOOMEAT” - Sokołów Sp. z o.o.	0.0197%
5	Francusko-Polskie Przedsiębiorstwo Instalacji Przemysłowych „POLSNIG” Sp. z o.o.	2.67%
6	Centrum Naukowo - Produkcyjne Materiałów Elektronicznych „CEMAT'70” S.A.	1.24%
7	CENTROZAP S.A.	0.0248%
8	POLIMEX MOSTOSTAL S.A.	0.05%
9	ENERGOAPARATURA S.A.	0.04%
10	Sportowa Spółka Akcyjna Unia Tarnów	8.26%**
11	INWESTSTAR S.A.	0.06%
12	Zakłady Włókien Chemicznych „WISTOM” S.A. (w upadłości).	9.83%
13	Zakłady Tworzyw Sztucznych "PRONIT" S.A. (in bankructy)	0.28%
14	LEN S.A. in Liquidation	0.289%
15	Tłocznia Metali "PRESSTA" S.A. (in bankructy)	0.019%
16	Chłodnie „Igloopol” Sp. z o.o. in Liquidation	0.003%
17	UNIONTEX S.A. (in bankructy)	0.03%
18	Wytwórnia Silników "PZL MIELEC" Sp. z o.o. (in bankructy).	0.12%
19	Zakłady Przemysłu Dziewiarskiego „KARO” S.A. in Liquidation	0.17%
20	Południowe Zakłady Przemysłu Skórzanego "Chełmek" S.A. in Liquidation	0.03%
21	Konsorcjum Rozwoju Eksploatacji Majątku Trwałego „EKSPLOSYSTEM” Sp. z o.o.	3.36%

* Tarnowski Klaster Przemysłowy S.A. – Minutes of the Ordinary Meeting of Shareholders of 25.03.09 (Notarial Deed Rep. A No. 1748/2009), resolution no. 5/2009, the increase in the Company’s share capital from the amount of PLN 17,296,400 by PLN 10,562,100 to the amount of PLN 27,858,500 by means of the issuance of new “F” series shares with an issue price of PLN 100. The date for concluding the contract by the Company by 30.06.09 – in relation with this decision, the share of Zakłady Azotowe w Tarnowie- Mościcach S.A. in the Company’s share capital, above the indicated date shall decrease to 0.1077 % from the current 0.17 %.

**Unia Tarnów Sportowa Spółka Akcyjna – Extraordinary Meeting of Shareholders on 08.01.09 (Notarial Deed Rep. A No. 47/2009).

- Resolution no. 15: Increasing the share capital by PLN 16,000 by means of the second issue of registered shares marked with the letter “B”,
- Resolution no. 17: Withdrawing from the dissolution of the Company and the desistance from its liquation.

In relation to the above, the Company’s share capital will amount to PLN 500,000, and the share of Zakłady Azotowe w Tarnowie- Mościcach S.A. will decrease from 8.26 % to 8 %.

The above mentioned changes have been registered in the NCR.

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.

2.1 Azoty Tarnów's accession to Polskie Konsorcjum Chemiczne Sp. z o.o.

On 09.10.08, a letter of intent was signed in the matter of purchasing the controlling interest of Anwil S.A. The signatories of the documents are: Ciech S.A, Zakłady Azotowe Kędzierzyn SA (ZAK) and Zakłady Azotowe w Tarnowie- Mościcach S.A. (Azoty Tarnów).

(Current report no. 42/2008 of 09.10.08.)

On 05.01.09 – the Extraordinary Meeting of Shareholders of Polskie Konsorcjum Chemiczne Sp. z o.o. (Rep. A No. 5/2009) resolution no. 1 in the matter of increasing the Company's share capital from PLN 50,000 to PLN 100,000 through the creation of 1,000 new shares with a nominal value of PLN 50 each (total value of the newly created shares: PLN 50,000).

Following the signed letter of intent, on 05.01.09 The Company acceded to Polskie Konsorcjum Chemicznego Sp. z o.o. (PKCh Sp. z o.o. with its registered office in Warsaw is the SPV, created by przez Ciech S.A.), taking up 500 shares with a value of PLN 50 each for a total amount of PLN 25,000, which constitutes 25 % of the Company's share capital (Polskie Konsorcjum Chemicznego Sp. z o.o. is therefore an affiliated entity of Zakłady Azotowe w Tarnowie- Mościcach S.A.).

Mr. Jerzy Marciniak, Management Board President of Azoty Tarnów was appointed to fulfil the role of PKCh Sp. z o.o. Management Board member. The ownership structure of this entity with the share capital of PLN 100,000 is as follows: 50% - CIECH S.A; 25% - Azoty Tarnów and ZAK S.A.– 25 %.

(Current report no. 1/2009 of 05.01.09.)

On 19.02.09, the Company made an entry of the above-mentioned actions to the NCR.

2.2 The sale of the shares of "OKNOTAR" Sp. z o.o.

After the confirmation of the conditions for the sale of the shares of OKNOTAR expressed by the Supervisory Board of ZAT S.A. in Resolution no. 131/VII/2009 on 02.03.09, Azoty Tarnów sold 100% of the shares of the subsidiary "Oknotar" Sp. z o.o. to 14 natural persons. The subject of the transaction was 5,000 equal and indivisible shares with a nominal value of PLN and a total nominal value of PLN 2,500,000. The sale price of the above-mentioned shares amounts to PLN 53 per share which gives a total amount of PLN 265,000, , i.e. the balance sheet value of the held shares.

(Current report no. 11/2009 of 02.03.09.)

2.3 The transfer of the tarflen processing plant to Jednostka Ratownictwa Chemicznego Sp. z o.o. (a subsidiary of Azoty Tarnów), changes in the Company Articles of Association, the increase in the share capital of Jednostka Ratownictwa Chemicznego Sp. z o.o.

After obtaining the corporate consents (resolution of the Supervisory Board No. 134/VII/2009 of 04.03.09) the Extraordinary Meeting of Shareholders of Jednostka Ratownictwa Chemicznego Sp. z o.o. was held on 24.03.09 (Notarial Deed Rep. A No. 2929/2009), at which changes were made to the Company Articles of Association through the expansion of the subject of the Company's activities by the manufacturing of plastic goods (PDK 22.2) as well as increasing the Company's share capital from the previous amount of PLN 14,020,000 by the amount of PLN 1,925,500 through the creation of 3,851 new shares with a nominal value of PLN per share (from the previous number of 28,040 shares to 31,891). After increasing the Company's share capital – it amounts to 15,945,500. All of the newly created shares in the increased share capital shall be taken up by Zakłady Azotowe w Tarnowie - Mościcach S.A.

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

In relation to the non-publication of the prognosis of the financial results for 2009, we do not present the stance of the Company's Management Board in relation to the forecasted results.

4. The indication of shareholders possessing at least 5% of the total number of votes at the Meeting of Shareholders as at the date of publishing the present report

Table 10 The status as at the date of publishing the present report, i.e. 15.05.09

Name of entity	Number of shares/votes at the MS	Share in capital
Nafta Polska .S.A. ul. Jasna 12 00-013 Warszawa	19 200 000	49,08%
Ciech S.A. ul. Puławska 182. 02-670 Warszawa	2 560 000	6,54%
Polskie Górnictwo Naftowe i Gazownictwo S.A. ul. Marcina Kasprzaka 25 01-224 Warszawa	4 000 001	10,23%

From the date of transferring the previous quarterly report, no changes in the ownership structure of significant share packages have taken place.

5. The status of ownership of Zakłady Azotowe w Tarnowie- Mościcach S.A. shares by persons managing or supervising the Company

Table 11 Status as at 31.12.08

Management Board	Number of shares/votes
Vice President of the Management Board - Witold Szczypiński	390
Member of the Management Board - Franciszek Bernat	390
Supervisory Board	
Member of the Supervisory Board - Jan Wais	590
Member of the Supervisory Board - Krzysztof Pierkowski	390

Table 12 Status as at 31.03.09

Management Board	Number of shares/votes
Vice President of the Management Board - Witold Szczypiński	390
Member of the Management Board - Franciszek Bernat	390
Supervisory Board	
Member of the Supervisory Board - Jan Wais	590
Member of the Supervisory Board - Krzysztof Pierńkowski	390

The ownership status by persons managing or supervising the Company from the date of transferring the previous quarterly report (Q4 2008) to the publication of the present report, i.e. 15.05.09, has not changed.

6. Litigations.

Companies from the Azoty Tarnów Capital Group are not a party to proceedings regarding the liability or debt whose value amounts to at least 10 % of the equity, i.e. ca. PLN 117,000,000.

The total value of all proceedings with the participation of Companies from the Azoty Tarnów Capital Group does not exceed 10 % of the equity.

7. Transactions with related entities

In Q1 2009 Companies from the Azoty Tarnów Capital Group did not conclude transactions with related entities on conditions other than market conditions.

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

From the beginning of 2009 Companies from the Azoty Tarnów Capital Group did not grant any bonds and guarantees on account of credit or loans.

A bank pledge regarding the loan granted by Bank PKO S.A. to Zakłady Azotowe w Tarnowie-Mościcach S.A. (book value as at 31.03.09 amounts to PLN 11,717,000) exists, pursuant to the contract signed on 27.02.98, on a part of the estate of "KOLTAR" Sp. z o.o." (a subsidiary company of Azoty Tarnów).

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.

Composition of the Supervisory Board and Management Board of Azoty Tarnów on 01.01.09:

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

Supervisory Board of Azoty Tarnów:

- Marzena Piszczek – Chairperson
- Małgorzata Rzążewska –Vice Chairperson
- Jan Wais – Secretary
- Joanna Kielkiewicz - Member
- Ewa Lis – Member
- Katarzyna Wałęga –Member
- Dariusz Maciejuk - Member
- Krzysztof Pieńkowski – Member
- Armin Teske - Member

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

At the meeting of the Company Supervisory Board of 26.03.09, a resolution was adopted on the dismissal of Supervisory Board member Monika Hap and at the same time the appointment of Mr. Andrzej Skolmowski to the Management Board as Vice President.

(Current report no. 14/2009 of 26.03.09.)

In the reporting period the composition of Supervisory Board of Azoty Tarnów remained unchanged.

Taking into consideration the aforementioned changes, the composition of governing bodies on the date of submission of the report for Q1 2009 is as follows:

Management Board of Azoty Tarnów:

- Jerzy Marciniak - President of the Management Board - CEO
- Witold Szczypiński - Vice President, Member of the Management Board
- Andrzej Skolmowski- Vice President, Member of the Management Board
- Franciszek Bernat - Member of the Management Board

Supervisory Board of Azoty Tarnów:

- Marzena Piszczek – Chairperson
- Małgorzata Rzążewska –Vice Chairperson

- Jan Wais – Secretary
- Joanna Kielkiewicz - Member
- Ewa Lis – Member
- Katarzyna Wałęga –Member
- Dariusz Maciejuk - Member
- Krzysztof Pieńkowski – Member
- Armin Teske - Member

9.2. The competences of Azoty Tarnów managerial staff.

The division of competences of persons managing the Company under Resolution no. 190/VII/09 of the Management Board of the Company Zakłady Azotowe w Tarnowie - Mościcach S.A. of 8.04.09.

1) **The competences of the Company Management Board President – CEO, Mr. Jerzy Marciniak include:**

- a) Initiation of works aimed at preparation of the Company's strategy,
- b) General supervision and co-ordination of the Company's operations,
- c) Care for the appropriate image of the Company,
- d) Directing the works of the Company's Management Board and presiding over its sessions,
- e) Discharge of the duties of the principal of the Company's enterprise in keeping with the Labour Code provisions,
- f) Supervision of the works related to the restructuring and privatisation of the Company,
- g) Supervision of the operation of organisational units and cells reporting directly to the Management Board President - CEO
- h) Approval of plans of economic control and stock-taking and making decisions on conducting them,
- i) ownership supervision over the capital group subsidiaries,
- j) Representation of the Company in all judicial and extra-judicial proceedings with another Management Board Member or a proxy.

Management Board President - CEO is responsible for:

- a) Initiation, co-ordination of preparation and implementation of the strategy as well as of long-term and annual plans of the operation of the Company's enterprise,
- b) Rational organisation of the Company's enterprise,
- c) HR and remuneration policy as a principal in keeping with the Labour Code provisions,
- d) Creation of conditions for the Company to achieve optimal economic results through supervision of the work of operating divisions and Business Centres with the assistance of subordinate executives,
- e) Supervision of the accomplishment of the set goals by particular operating divisions, Business Centres, and organisational units of the Company's enterprise,
- f) Creation, supervision, coordination, and realisation of the management systems-related policy,
- g) Supervision of operations related to the creation of the Company's image and its prestige,
- h) Creation of the information policy related to the Company's operation,
- i) Implementation of the Company's Management Board's decisions and resolutions in keeping with the Company's interests and the provisions of law,
- j) Representation of the Company before its bodies and before the bodies of state and local authorities,
- k) Co-operation with trade unions and other organisations statutorily operating on the area of the Company's enterprise in the scope laid down by the law and internal agreements.

2) **The competences of the Management Board Vice-President, Mr.. Witold Szczypiński, supervising the area of production, technology, and development, include:**

- a) Supervision and co-ordination of operation of the Business Centres, the Development Division and Technology Division,
- b) Supervision and co-ordination of preparation and realisation of strategy and development programmes, production and investment tasks as well as research works and the licensing policy,
- c) Co-ordination and supervision of realisation of production, technological, development, modernisation, environment protection and technological occupational safety, fire protection, chemical rescue, and crisis management tasks,
- d) Definition of the industrial property protection policy and the licensing policy related thereto as well as the supervision of the realisation of tasks in this scope,
- e) Representation of the Company in all judicial and extra-judicial proceedings with another Management Board Member or a proxy.

The Company's Management Board Vice-President supervising the area of production, technology, and development is responsible for:

- a) Preparation and implementation of the strategy and development plans and the content-related supervision of the realisation of production and renovation plans,
 - b) Supervision of the co-ordination of production, technical, and technological operations of the Company's enterprise with the preservation of occupational safety, technical safety, fire safety and environment protection, chemical rescue and crisis management tasks,
 - c) Supervision of the planning, organisation, and realisation of investment, modernisation, and research and development ventures,
 - d) Conducting the licensing, patent, and industrial property protection policies,
 - e) Implementation of the Company's Management Board's decisions and resolutions in keeping with the Company's interests and the provisions of law,
 - f) Representation of the Company before its bodies and its business partners.
- 3) The competences of the Company's Management Board, Mr.. Andrzej Skolmowski, supervising the area of finances and commerce, include:
- a) Financial strategy formulation and co-ordination of works on the preparation of its documentation,
 - b) Co-ordination of preparation and implementation of the commerce and marketing policy strategy as well as long-term and annual plans,
 - c) Co-ordination and supervision of the strategy implementation in the scope of:
 - Finances and accounting,
 - Product sale system,
 - Raw materials purchase system,
 - Marketing operations,
 - Logistic operations, including the storage system,
 - Commercial information circulation,
 - d) operational supervision and co-ordination of financial fixed assets-related operations,
 - e) supervision and co-ordination of the correct operation of:
 - The planning and controlling system
 - The Balance Scorecard (BSC),
 - The Company's financial and accounting system,
 - The economic and financial information circulation, including stock-exchange reporting,
 - f) co-ordination of accounting and financial policies and definition of their principles,
 - g) supervision of the operation of the Financial Division, the Strategic Marketing Division, the Purchases and Logistics Division as well as commercial operation of the business centres,
 - h) Representation of the Company in all judicial and extra-judicial proceedings with another Management Board Member or a proxy.

The Company's Management Board Vice-President supervising *the area of finances and commerce* is responsible for:

- a) Initiation and co-ordination of the sector strategies of the Company's enterprise in the scope of the functions realised by the Company's organisational units responsible for the finances, accounting, purchases, logistics, marketing, and commerce as well as the verification thereof as well as the supervision of their realisation.
 - b) Supervision of the application of the accounting rules in keeping with the provisions in force and the International Accounting Standards,
 - c) Supervision of the public turnover of the Company's stocks related processes,
 - d) Supervision and co-ordination of the tasks in the scope of the stock-exchange reporting,
 - e) Organisation of economic control and stock-taking,
 - f) Guaranteeing correct workflow, control, and filing of accounting documentation,
 - g) Supervision of the Company's financial management in keeping with the rules in force, with the particular emphasis on:
 - Observance of the cash settlement principles and guarantee of appropriate protection of cash values,
 - Observance of the tax provisions in force and guarantee of on-time account settlements with the budget and state institutions,
 - h) Supervision of the settlement of financial tasks and budgets of the Business Centres, operating divisions, and organisational units,
 - i) Co-ordination and supervision of settlement of commercial and marketing tasks of the Business Centres and operating divisions,
 - j) Supervision of the realisation of financial settlements on the grounds of realisation of purchase and sale agreements,
 - k) Implementation of the Company's Management Board's decisions and resolutions in keeping with the Company's interests and the provisions of law,
 - l) Representation of the Company before its bodies and its business partners.
- 4) **The competences of the Management Board Member, Mr.. Franciszek Bernat, elected by the Staff include:**
- a) General supervision of the infrastructure and energy areas – in co-operation with the Management Board Member responsible for the production, technology, and development area,
 - b) co-ordination of the Company's operations in the scope of industrial and technological parks, industrial and economic zones being established,
 - c) co-ordination of management and infrastructure-related operations and ownership transformations following therefrom,
 - d) Supervision and co-ordination of co-operation with the works trade organizations and clubs operating on the area of Azoty Tarnów and the local environment,
 - e) supervision and co-ordination of the works related to the program of restructuring and separation of a part of the areas, including the area of infrastructure and operation of Azoty Tarnów,
 - f) Supervision of the processes of privatization of the entities which Azoty Tarnów hold stocks or shares in,
 - g) supervision and co-ordination of realised projects in co-operation with the Company's environment (government and local government administration bodies, schools and universities, chambers and associations, business organisations, etc.)
 - h) Representation of the Company in all judicial and extra-judicial proceedings with another Management Board Member or a proxy.

A Management Board Member elected by the staff is responsible for:

- a) Initiation and co-ordination of implementation of the strategy related to the Zakłady's participation in industrial and technological parks and industrial and economic zones, both under construction as well as those operating,
- b) Co-ordination of the implementation of the strategy in the scope of re-location and separation of a part of Azoty Tarnów operational area,
- c) Planning and co-ordination of realisation of ventures related to the cost optimisation in the infrastructure area, including the disposal or development of superfluous non-production estate and real estate,
- d) Maintenance and development of positive relations with the environment, including co-ordination of co-operation with the works' trade organisations.
- e) Planning, preparation, and supervision of negotiations under way with investors in the scope of the disposal of the shares/stocks and the issue of new shares – in co-operation with the Company's Management Board President,
- f) Implementation of the Company's Management Board's decisions and resolutions in keeping with the Company's interests and the provisions of law,
- g) Representation of the Company before its bodies, state and local government institutions as well as business and social partners.

9.3. Redundancy.

During the reporting period, due to the change of the company's environment, and, in particular, due to the change of the economic situation on capital markets which had accelerated certain of the operations planned in Azoty Tarnów, the restructuring constitutes an important element of the activities taken up by the Company and its expected results are the improvement of the effectiveness and efficiency of work as well as the streamlining of the employment structure in the Company. On 22.01.09, an agreement between the employer and the works' trade organisations concerning the programme of voluntary redundancies was concluded. The programme stipulates the disbursement of financial incentives to employees with pension rights, pre-pension rights as well as other employees not entitled to above-mentioned rights in the event of submitting a voluntary redundancy declaration. 177 employees have joined the voluntary redundancy programme, of which 92 persons left in Q1 2009. The general amount of financial means to be expended for the financial incentives including pension and disability pension severance packages (under the ZUZP) and additional incentives resulting from the Voluntary Redundancy Programme amount to more than PLN 6,200,000. This way the Company will achieve the intended results in the form of the lowering of the employment costs, the improvement of the effectiveness of operation, and the implementation of new management rules.

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

Realising the company restructuring programme, as of 1.01.09 tarflen processing located in the Plastics Centre was transferred to the subsidiary Jednostka Ratownictwa Chemicznego Sp. z o. o. Under Article 23¹ of the Labour Code, 36 employees of the Tarflen Processing Division, the Plastics Centre Sales Office, and the Research and Analysis Centre Plastics Quality Control Laboratory were transferred to JRCH. For the purposes of realisation of the subject motion, Azoty Tarnów and the subsidiary concluded an agreement regulating the issues of employment, real estate lease, transfer of tangible assets as a contribution in kind, the sale of infrastructural services and the principles for the settlement of raw material reserves, on-going production, and goods. At the same time an agreement regulating the sphere of rights of the employees transferred to the subsidiary was concluded with the social partner, i.e. the Works Trade Organisations.

Another significant event with the influence on the operation of Azoty Tarnów is the signing on 18.03.09 of a multilateral agreement between Nafta Polska S.A. and the Great Chemical Synthesis sector

companies: Ciech S.A. (Ciech), Zakłady Azotowe in Tarnów – Mościce S.A. (Azoty Tarnów) and Zakłady Azotowe in Kędzierzyn Koźle (ZAK) as well as Nafta Polska S.A. financial advisors: Raiffeisen Investment AG with its registered seat in Vienna and Raiffeisen Investment Polska Sp. z o.o. with its registered seat in Warsaw and the legal advisor - Radzikowski i Wspólnicy Spółka Jawna. The agreement was concluded with the view of selecting an investor or investors to purchase the stocks of Azoty Tarnów, ZAK, and Ciech. This process covers the preparatory stage and the announcement of the invitation for negotiations for the sale of the stocks of the Companies mentioned above which are the property of the State Treasury and Nafta Polska. The agreement also stipulates that the negotiations with potential investors will be conducted by Nafta Polska by virtue of the power of attorney it was granted by each of the Companies.

(Current report no. 13/2009 of 19.03.09.)

Moreover, it must be emphasised that the actions mentioned above are related to and directed at facilitation of realisation of the intentions in connection with the plans of purchase of the stocks of Anwil S.A. for which purpose Polskie Konsorcjum Chemiczne Sp. z o.o. was established (details to be found in point 2.1). For in keeping with the multilateral agreement, potential investors purchasing the stocks of the Companies with their capital could provide them with the financial support for the purchase of the stocks of Anwil S.A. from PKN Orlen S.A. in case PKN Orlen SA decides to sell the Anwil SA stocks.

Despite the dynamically changing market conditions and the economic situation dramatically worsening over the recent period, through application of suitable actions, among others including the restructuring and optimisation of employment, Azoty Tarnów has effectively realised the statutory objectives of its operation.

Realising the goals defined in the issue prospectus, assuming among others the privatisation of the subsidiaries. As one of the elements of the strategy of separation from the Azoty Tarnów Capital Group, 100% shares of OKNOTAR Sp. z o.o. were disposed of (for details see: point 2.2).

Presently, further projects of privatisation of the subsidiaries are under preparation: Zakład Budowy Aparatury Chemicznej „ZBACH” Sp. z o.o., Tarnowskie Przedsiębiorstwo Produkcyjno – Usługowe „Wieżat” Sp. z o.o. and ZWRI Sp. z o.o.

On 1.03.09, in the Fertilizer Centre in Azoty Tarnów, the Ammonia Division I and Ammonia Division II were merged in one Ammonia Division.

On 1.04.09, within the organisational units and cells at the level of the Business Centres and Divisions, changes consisting in the liquidation or merger of existing organisational cells and liquidation of superfluous work posts were introduced.

The changes above did not violate the provisions of the Organisational Regulations.

9.5 Decisions on purchase of fixed asset components.

On 15.01.09, the Supervisory Board of Zakłady Azotowe w Tarnów - Mościce S.A. granted the Management Board the consent for the purchase of the fixed assets components within the frames of the investment task “Construction of a new gas-gas exchanger (E9) on the KDC installation”.

On 4.03.09, the Supervisory Board approved the Annual Material and Financial Plan for 2009 accepted by the Company’s Management Board with the resolution of 26.02.09 assuming in 09 the investment outlays at the level of PLN 82,990,000.

Moreover, on 4.03.09, the Supervisory Board of Zakłady Azotowe in Tarnów – Mościce S.A. granted the Management Board the consent for the purchase of the fixed assets components within the frames of realisation of the investment task “Adjustment of the electric energy measuring and billing system in Azoty Tarnów to the Electric Energy Market Conditions” for the amount of PLN 3.94 million.

10. Indicating the factors impacting the future financial performance within at least one upcoming quarter.

10.1 Revenues from the stock-invested assets.

According to the status as of 31.03.09, the fixed term deposits, from the assets obtained from the issue of Company's stocks and in the remaining part from the current operations, amounted to PLN 255 million, including deposits with the maturity of up to 3 months in the amount of PLN 65 million and deposits with the maturity from 3 months up to 1 year in the amount of PLN 190 million.

Additionally, in bank accounts and over-night deposits the Company kept PLN 32.9 million to finance the current activities.

Capital derived from the share issue kept in time deposits provided in Q1 2009 total financial income of PLN 4.3 million

For Q2 2009, revenues from the deposits from the issue of the stocks at a slightly lower level of PLN 4.0 million are planned to be obtained, which, in first order, follows from the lowering of the NBP interest rates performed by the Monetary Policy Council [Rada Polityki Pieniężnej] which impacted the level of market interest rates.

10.2 Seasonality.

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.

On the fertilizer market, Q2 is a period characterised by the decrease in end-users' interest in the purchase of nitric fertilizers. The reason is the marked decrease in the need to use the above-mentioned products in the late spring and summer periods. The sale structure in the specific months of the Q2 will be characterised by a fluent realisation of fertilizer sales in April, through a limited interest in fertilizer purchases as of the beginning of May to the substantial or total lack of demand in June. The forecast for the Q2 2009 predicts higher revenues from the sale of tarnoform, tarnamides, liquid caprolactam as compared to the period January – March 2009. Whereas the sales of crystal caprolactam will drop. In turn, the sales of the remaining products are to an extent evenly distributed over all quarters of a turnover year

10.3 Currency exchange rates.

Fluctuating exchange rates considerably affect income on sales and the performance of the Company.

Taking into consideration the high variability persisting on the currency market, forecasting further development trends for EUR/PLN and USD/PLN entails extremely high risk and, furthermore, it is made closely dependent from the world's main economies stabilisation perspectives. Nevertheless, it is proper to point out that in the assessment of a substantial part of the financial market analysts, the wave of speculations for the weakening of the national currency is being gradually reduced due to the maintenance by the Polish economy's of relatively better results in comparison to other economies in the majority of the EU countries and USA as well as due to the gradually decreasing impact of settlement of currency options by domestic companies.

Taking into consideration the fact that within the period from the closing of Q1 2009 to the publication date of the present report the national currency had strengthened by c. 10% in relation to the USD and 8% in relation to EURO, the continuation of this trend or at least the stabilisation at the current levels until the end of the Q2 of 2009, should recession phenomena in Poland be confirmed, seems possible.

10.4 National interest rates.

Taking into consideration the series of lowering of the national interest rates by the Monetary Policy Council [Rada Polityki Pieniężnej], in the context of unequivocal information on the increase of the inflation indicator and continued significant fluctuation of currency exchange rates and, on the other hand, of the low dynamics of domestic production, one may expect that the Council will abstain from further decisions on the continuation of relaxing the monetary policy until the end of May 2009.

However, considering the weak perspectives of the economic growth and appearing forecasts of economic recession in Poland, the lowering of the current interest rates in June at the level of 0.25% seems possible.

In case of the EBC interest rates, the field for manoeuvre seems to remain very small, therefore, a downward move at the level of 0.25% maximum or leaving the interest rates for EURO unchanged seem possible.

10.5 Prices of raw materials and products in the next quarter:

Raw materials market

Crude oil

It is forecasted that the price of crude oil in Q2 2009 will be at a level of USD 55–60 per barrel. Some of the analysts believe that crude oil will become cheaper and at the end of the first half of 2009, it will cost less than USD 30 a barrel.

The representatives of the OPEC countries predict that in the 2nd half of 2009, a slight increase trend will be continued which will result in the oil prices remaining in the range of USD 60-70 at the end of 2009.

Natural gas

Gas tariff in force hitherto expired on 31.03.09.

The Energy Regulatory Office is pressuring the monopolist to decrease the gas tariff due to the fact that the price of crude oil, on which the gas listings are based, has fallen.

The Energy Regulatory Office (URE) is exerting pressure on the monopolist to lower the gas tariff due to the fact that the crude oil prices, which the gas quotations are based on, have dropped. Polskie Górnictwo Naftowe i Gazownictwo applied with the URE for the correction of the tariff application. The proposal covers the decrease of prices in the Q2 2009. For individual users the price of gas may drop by 8.5% and for industrial plants by c. 9%.

PGNiG proposes the tariff calculated in the correction of the application to remain in force until the end of 2010.

Black coal

In 2009, coal companies face a surplus of production. In 2009, coal companies face a surplus of production. According to the estimates of the "Rzeczpospolita" daily, the hard coal reserves in the entire sector in 2009 will amount to c. 7 million tonnes. Coke plants do not need that much raw material due to the contraction in the demand for steel. Also the demand for energy is on the decrease. From the data of the Industry Development Agency, it follows that in January 2009 in comparison to January 2008 the production of energy dropped by 3.5%. This means that power plants used c. 1.5 million ton of coal less. The energy sector demands the coal prices in the current year increased by c. 40% to be lowered.

Benzene & Phenol

In the Q1 2009, the low demand for benzene and phenol continued due to the limited demand for caprolactam. The forecasts predict small fluctuations of price quotations with the increase tendencies at the end of Q2 of 2009.

Methanol

The demand for methanol continues to show no improvement and for that reason manufacturers continue to keep the production at a low level. There is probability that such a significant reduction of

production may result in a global shortage of the product and a drastic increase of prices in the nearest future.

Ammonia

The low demand for ammonia continues, manufacturers are reducing the production.

The reduction in production of multicomponent fertilizers on the European market caused a significant decrease in the demand for ammonia.

Product market

Liquid and crystalline caprolactam

The European market still shows limited demand for caprolactam which entails the reduction of production which is estimated at c. 60-75% of the production capacity.

The global caprolactam production is at similar levels estimated at c. 70% of the capacity.

Plastics

The low demand for polyamide 6, mainly on the automotive market, continues. A number of significant manufacturers are reducing their production and clients are reducing their storage reserves. For the time being the market displays no signs of the increase in the demand for polyamide 6. However, there are premises for the stabilization of the polyacetal (POM) market, but it is difficult to determine price trends for the Q2 2009. The situation is predicted to change only in the Q4 of 2009.

Nitric fertilizers

It is predicted that in Q2 2009, a gradual drop in the clients' interest in fertilizers, including nitric fertilizers, will occur. This is related to the seasonality of fertilizer spreading and relatively high prices discouraging purchases for a season ahead. This trend will probably be strengthened by the expectations of distribution companies and farmers proper for the lowering of fertilizer prices by the biggest fertilizer manufacturers. Distributors and farmers keeping the watch of the market situation, announced decrease of gas prices, refrain from purchasing, waiting for the price reduction on the 20-30% level.

Chemical market

Manufacturers of chemicals and chemical products, assessing the economic situation, are signalling a small improvement in March 2009. The increase trend of raw materials and ready-made chemical products prices is indicated.

Automotive market

The automotive industry is decidedly one of the most important sectors of economy for its influences reaches far and wide over other numerous sectors: electronic, steel, chemical, etc. According to the estimates of the European Commission, 8% fewer cars were sold in 2008 than in 2007.

The forecast for Poland predicts that this year the sales will drop to 280 thousand items (from 320 thousand in 2008) and the sales will reach their previous year's level only in 2011.

March 2009, turned out, somewhat unexpectedly, to have been advantageous for the domestic car factories: Fiat Auto Poland (FAP) in Tychy and Volkswagen (VW from Poznań). The March speedup comes mainly as a result of subsidies to purchases of new cars in Germany. Analysts estimate that at least 10% of cars sold in Poland were purchased by Germans (they also profit from the weak złoty).

Other

A significant drop of the demand for design services resultant from the low level of investments in the chemical industry may be a reason for reduced revenues from the sale of "BIPROZAT" Sp. z o.o. (Azoty Tarnów controlled unit) during upcoming periods.

In the next quarter perspective, obtained results of JRCH Sp. z o.o. (Azoty Tarnów subsidiary) may influence the tender announced by the Military Property Agency for the utilisation of rocket fuel oxidant stored in Poland (c. 900 tonnes).

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Tarnów, 15.05.09