



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

**Condensed Interim Consolidated Financial Statements  
for the period of 3 and 9 months ended on 30 September 2009  
drawn up in accordance with International  
Financial Reporting Standards  
approved by the European Union**

**Tarnów, 16 November 2009**

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These condensed interim consolidated financial statements have been drawn up in accordance with the requirements of IAS 34 "Interim Financial Reporting" as well as with the Ordinance of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities and on conditions for regarding information required by the law of a non-member state as equivalent (Journal of Laws No. 33, it. 259), hereinafter referred to as the Ordinance. The statements present the financial position of the Capital Group of Zakłady Azotowe w Tarnowie-Mościcach S.A. (hereinafter: the Group, The Capital Group of Azoty Tarnów) as at 30 September 2009 and 31 December 2008, the outcomes of its activities for the period of 9 months ended on 30 September 2009 and 30 September 2008 as well as the cash flows for the period of 9 months ended on 30 September 2009 and 30 September 2008.....	13
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## A. SELECTED FINANCIAL DATA

Selected financial data concerning the consolidated financial statement	PLN ('000)		EUR ('000)	
	For the period from 2009-01- 01 to 2009-09- 30	For the period from 2008-01- 01 to 2008-09- 30	For the period from 2009-01- 01 to 2009-09- 30	For the period from 2008-01- 01 to 2008-09- 30
	As at 2009-09-30	As at 2008-12-31	As at 2009-09-30	As at 2008-12-31
Sales revenues	876 301	1 058 922	199 191	309 201
Operating profit	(8 076)	76 724	(1 836)	22 403
Profit before tax	(3 179)	84 361	(723)	24 633
Net profit	(6 461)	68 342	(1 469)	19 956
Total income	(2 690)	68 342	(611)	19 956
Number of shares (pcs.)	39 116 421	39 116 421	39 116 421	39 116 421
Net profit per ordinary share	-0,18	2,28	-0,04	0,67
Net operating cash flows	(48 770)	33 723	(11 086)	9 847
Net investment cash flows	33 591	(362 873)	7 636	(105 958)
Net financial cash flows	36 623	312 136	8 325	91 143
Total net cash flows	21 444	(17 014)	4 874	(4 968)
Cash and cash equivalents at the beginning of the period	45 333	54 414	10 305	15 889
Cash and cash equivalents at the end of the period	66 777	37 400	15 179	10 921
Fixed assets	992 882	1 047 354	235 135	251 020
Current assets	588 822	556 892	139 445	133 470
Long-term liabilities	205 747	224 365	48 725	53 774
Short-term liabilities	260 988	222 550	61 807	53 339
Equity	1 114 969	1 157 331	264 048	277 378
Share capital	195 582	195 582	46 318	46 875
Minority interest	2 125	1 698	503	407

Selected financial data concerning the separate statement	PLN ('000)		EUR ('000)	
	For the period from 2009-01- 01 to 2009-09- 30	For the period from 2008-01- 01 to 2008-09- 30	For the period from 2009-01- 01 to 2009-09- 30	For the period from 2008-01- 01 to 2008-09- 30
Sales revenues	828 722	1 000 417	188 376	292 118
Operating profit	(17 374)	63 517	(3 949)	18 547
Profit before tax	(9 912)	72 298	(2 253)	21 111
Net profit	(10 943)	58 487	(2 487)	17 078
Total income	(7 172)	58 487	(1 630)	17 078
Number of shares (pcs.)	39 116 421	39 116 421	39 116 421	39 116 421
Net profit per ordinary share	(0,28)	1,96	-0,06	0,57
Net operating cash flows	(53 103)	19 784	(12 071)	5 777
Net investment cash flows	41 813	(352 618)	9 504	(102 963)
Net financial cash flows	41 307	313 481	9 389	91 535
Total net cash flows	30 017	(19 353)	6 823	(5 651)
Cash and cash equivalents at the beginning of the period	23 893	35 063	5 431	10 238
Cash and cash equivalents at the end of the period	53 910	15 710	12 254	4 587
	<b>As at 2009-09-30</b>	<b>As at 2008-12-31</b>	<b>As at 2009-09-30</b>	<b>As at 2008-12-31</b>
Fixed assets	923 345	974 677	218 667	233 601
Current assets	549 594	510 280	130 155	122 299
Long-term liabilities	163 646	181 232	38 755	43 436
Short-term liabilities	250 340	197 701	59 286	47 383
Equity	1 058 953	1 106 024	250 782	265 081
Share capital	195 582	195 582	46 318	46 875

Selected items concerning the financial position as well as the statement of comprehensive total income and the cash flow statement were translated into Euro in accordance with the indicated applicable method of translation:

- individual items of assets and liabilities of the statement of financial position were translated according to the exchange rate applicable on the last day of the balance sheet period:  
exchange rate at 31.12.2008 was 1 EUR = 4,1724 PLN (Table No. 254/A/NBP/2008)  
exchange rate at 30.09.2009 was 1 EUR = 4,2226 PLN (Table No. 191/A/NBP/2009)
- individual items of the statement of comprehensive income and the cash flow statement were translated according to the exchange rates constituting an arithmetic mean of the exchange rates of Euro announced by the National Bank of Poland applicable on the last day of each month in a given reporting period:  
average exchange rate in the period from 01.01.2008 to 30.09.2008 was 1 EUR = 3,4247 PLN  
average exchange rate in the period from 01.01.2009 to 30.09.2009 was 1 EUR = 4,3993 PLN

The translations were made in compliance with the indicated exchange rates through dividing the values in thousands of PLN by an exchange rate.

## B. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of PLN)

	For the period from 01.07 to 30.09.2009	For the period from 01.01 do 30.09.2009	For the period from 01.07 to 30.09.2008	For the period from 01.01 to 30.09.2008
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
<i>Continued operations</i>				
Revenues	266 771	876 301	378 975	1 058 922
Cost of sales	(240 938)	(752 932)	(306 795)	(856 485)
<b>Gross profit on sales</b>	<b>25 833</b>	<b>123 369</b>	<b>72 180</b>	<b>202 437</b>
Cost of sales	(16 039)	(44 845)	(16 559)	(47 046)
Overhead costs	(25 699)	(74 102)	(25 624)	(71 285)
Other operating revenues	1 592	8 000	2 422	10 910
Other operating costs	(11 442)	(20 498)	(7 510)	(18 292)
<b>Operating profit (loss)</b>	<b>(25 755)</b>	<b>(8 076)</b>	<b>24 909</b>	<b>76 724</b>
Financial revenues	9 886	43 930	5 461	8 399
Financial costs	(12 726)	(39 057)	1 765	(843)
<b>Net financial revenues (costs)</b>	<b>(2 840)</b>	<b>4 873</b>	<b>7 226</b>	<b>7 556</b>
Profit on interest in subordinate entities valuated with equity method	(4)	24	9	81
<b>Profit (loss) before tax</b>	<b>(28 599)</b>	<b>(3 179)</b>	<b>32 144</b>	<b>84 361</b>
Income tax	590	(3 282)	(5 715)	(16 019)
<b>Net profit (loss) on continued operations</b>	<b>(28 009)</b>	<b>(6 461)</b>	<b>26 429</b>	<b>68 342</b>
<i>Discontinued operations</i>				
<b>Net profit (loss) on discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net profit (loss)</b>	<b>(28 009)</b>	<b>(6 461)</b>	<b>26 429</b>	<b>68 342</b>
<i>Components of other comprehensive income</i>				
Valuation of hedging instruments	1 610	(2 600)	-	-
Settlement of hedging instruments	1 102	7 257	-	-
Deferred tax on components of other comprehensive income	(515)	(886)	-	-
<b>Total components of other comprehensive income</b>	<b>2 197</b>	<b>3 771</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>(25 812)</b>	<b>(2 690)</b>	<b>26 429</b>	<b>68 342</b>
Net profit attributable to:				
Shareholders of the parent company	(28 205)	(6 888)	26 254	67 928
Minority shareholders	196	427	175	414
Total comprehensive income attributable to:				
Shareholders of the parent company	(26 008)	(3 117)	26 254	67 928
Minority shareholders	196	427	175	414
<b>Profit per share:</b>				
On continued and discontinued operations:				
Basic (PLN)	(0,72)	(0,18)	0,90	2,28
Diluted (PLN)	(0,72)	(0,18)	0,90	2,28
On continued operations:				
Basic (PLN)	(0,72)	(0,18)	0,90	2,28
Diluted (PLN)	(0,72)	(0,18)	0,90	2,28

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(in thousands of PLN)**

	<b>As at</b> <b>30.09.2009</b>	<b>As at</b> <b>31.12.2008</b>	<b>As at</b> <b>30.09.2008</b>
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
<b>Assets</b>			
<b>Fixed assets</b>			
Tangible fixed assets	915 381	924 836	898 195
Investment properties	6 912	6 100	6 186
Intangible assets	24 405	16 728	17 306
Investments in subordinate entities	601	280	260
Investments available for sale	12 482	12 592	10 576
Other financial assets	61	50 000	50 000
Long-term receivables	594	594	9
Deferred income tax assets	32 231	35 924	27 521
Other assets	215	300	223
<b>Total fixed assets</b>	<b>992 882</b>	<b>1 047 354</b>	<b>1 010 276</b>
<b>Current assets</b>			
Stocks	167 446	136 791	129 334
Other financial assets	186 766	202 466	220 394
Income tax receivables	6 840	4 107	100
Trade receivables and other receivables	156 244	162 554	191 971
Cash and cash equivalents	66 777	45 333	37 400
Other assets	4 193	5 634	6 532
Fixed assets available for sale	556	7	7
<b>Total current assets</b>	<b>588 822</b>	<b>556 892</b>	<b>585 738</b>
<b>Total assets</b>	<b>1 581 704</b>	<b>1 604 246</b>	<b>1 596 014</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of PLN)

	As at 30.09.2009	As at 31.12.2008	As at 30.09.2008
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
<b>Liabilities</b>			
<b>Equity</b>			
Share capital	195 582	195 582	195 582
Share premium	209 990	209 990	209 990
Hedge valuation reserve	(4 099)	(7 870)	-
Retained profit, including:	711 371	757 931	754 452
<i>Net profit (loss) of the current period</i>	<i>(6 888)</i>	<i>74 232</i>	<i>67 928</i>
<b>Equity of shareholders of the parent company</b>	<b>1 112 844</b>	<b>1 155 633</b>	<b>1 160 024</b>
Minority interest	2 125	1 698	1 685
<b>Total equity</b>	<b>1 114 969</b>	<b>1 157 331</b>	<b>1 161 709</b>
<b>Liabilities</b>			
Liabilities from cash loans and loans	35 733	48 889	49 004
Reserves for employee benefits	46 293	46 601	46 590
Other long-term liabilities	999	886	2 198
Other reserves	19 373	21 520	20 859
Government subsidies	113	244	317
Revenues from future periods	5	7	-
Reserves for deferred income tax	102 145	104 884	105 451
Financial liabilities	1 086	1 334	197
<b>Total long-term liabilities</b>	<b>205 747</b>	<b>224 365</b>	<b>224 616</b>
Liabilities from cash loans and loans	90 836	21 174	16 221
Reserves for employee benefits	5 310	8 005	3 533
Current income tax liabilities	192	694	3 382
Trade liabilities and other liabilities	156 659	161 294	178 786
Other reserves	5 706	4 797	4 914
Government subsidies	260	352	375
Revenues from future periods	1 005	2	2 478
Financial liabilities	1 020	26 232	-
<b>Total short-term liabilities</b>	<b>260 988</b>	<b>222 550</b>	<b>209 689</b>
<b>Total payables</b>	<b>466 735</b>	<b>446 915</b>	<b>434 305</b>
<b>Total liabilities</b>	<b>1 581 704</b>	<b>1 604 246</b>	<b>1 596 014</b>



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(in thousands of PLN)

	Share capital	Share premium	Capital from hedge accounting	Retained profit	Total equity of shareholders of the parent company	Minority interest	Total equity
<b>As at 1 January 2008</b>	120 000	-	-	744 628	864 628	1 390	866 018
Adjustment of errors	-	-	-	(57 907)	(57 907)	-	(57 907)
<b>As at 1 January 2008 following adjustments</b>	120 000	-	-	686 721	806 721	1 390	808 111
Issue of shares	75 582	209 990	-	-	285 572	-	285 572
Comprehensive income for 9 months ended on 30 September 2008	-	-	-	67 928	67 928	414	68 342
Other	-	-	-	(197)	(197)	(119)	(316)
<b>As at 30 September 2008 (unaudited)</b>	195 582	209 990	-	754 452	1 160 024	1 685	1 161 709
<b>As at 1 January 2008</b>	120 000	-	-	744 628	864 628	1 390	866 018
Adjustments of errors	-	-	-	(57 907)	(57 907)	-	(57 907)
<b>As at 1 January 2008 following adjustments</b>	120 000	-	-	686 721	806 721	1 390	808 111
Issue of shares	75 582	209 990	-	-	285 572	-	285 572
Comprehensive income for 12 months ended on 31 December 2008	-	-	(7 870)	74 232	66 362	308	66 670
Other	-	-	-	(3 022)	(3 022)	-	(3 022)
<b>As at 31 December 2008 (audited)</b>	195 582	209 990	(7 870)	757 931	1 155 633	1 698	1 157 331
<b>As at 1 January 2009</b>	195 582	209 990	(7 870)	757 931	1 155 633	1 698	1 157 331
Comprehensive income for 9 months ended on 30 September 2009	-	-	3 771	(6 888)	(3 117)	427	(2 690)
Dividends	-	-	-	(41 886)	(41 886)	-	(41 886)
Other	-	-	-	2 214	2 214	-	2 214
<b>As at 30 September 2009 (unaudited)</b>	195 582	209 990	(4 099)	711 371	1 112 844	2 125	1 114 969

## CONSOLIDATED CASH FLOW STATEMENT

(in thousands of PLN)

	For the period from 01.07 to 30.09.2009 <i>unaudited</i>	For the period from 01.01 to 30.09.2009 <i>unaudited</i>	For the period from 01.07 to 30.09.2008 <i>unaudited</i>	For the period from 01.01 to 30.09.2008 <i>unaudited</i>
<b>Operating cash flows</b>				
<b>Gross profit</b>	<b>(28 599)</b>	<b>(3 179)</b>	<b>32 144</b>	<b>84 361</b>
<i>Adjustments</i>	<i>20 227</i>	<i>48 642</i>	<i>19 126</i>	<i>56 685</i>
Amortisation and depreciation	20 842	59 360	17 946	53 800
Creation/reversal of write-offs	(287)	(4 439)	-	-
Profit/loss from investment activity	1 484	687	1 093	4 824
Profit/loss from disposal of financial assets	-	-	(1 897)	(1 897)
Profit/loss on interest in associated entities valuated with equity method	4	(24)	(9)	(81)
Interest, exchange rate differences	(2 406)	(9 706)	949	264
Dividends received	-	(80)	-	(225)
Profit/loss on changes in fair value of financial assets recognised at fair value	590	2 844	1 044	-
<b>Operating profit/loss prior to working capital changes</b>	<b>(8 372)</b>	<b>45 463</b>	<b>51 270</b>	<b>141 046</b>
Movements in trade receivables and other receivables	50 047	22 992	3 904	(19 977)
Movements in stocks	(12 165)	(30 316)	(7 106)	(8 754)
Movements in trade liabilities and other liabilities	(42 343)	(77 590)	(25 010)	(60 502)
Movements in reserves, accruals and subsidies	43	(5 756)	(1 277)	(5 836)
Other adjustments	1 209	1 282	(1 595)	(2 348)
<b>Cash and cash equivalents from operating activity</b>	<b>(11 581)</b>	<b>(43 925)</b>	<b>20 186</b>	<b>43 629</b>
Interest paid	-	-	(2)	(10)
Income tax paid	(19)	(4 845)	(3 708)	(9 896)
<b>Net cash and cash equivalents from operating activity</b>	<b>(11 600)</b>	<b>(48 770)</b>	<b>16 476</b>	<b>33 723</b>

	<b>For the period from 01.07 to 30.09.2009</b>	<b>For the period from 01.01 to 30.09.2009</b>	<b>For the period from 01.07 to 30.09.2008</b>	<b>For the period from 01.01 to 30.09.2008</b>
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
<b>Investment cash flows</b>				
Sale of intangible and tangible fixed assets as well as investment properties	1 094	23 138	628	1 108
Acquisition of intangible and tangible fixed assets as well as investment properties	(26 391)	(64 996)	(45 288)	(95 203)
Dividends received	-	2 546	1 047	1 107
Outflows for acquisition of financial assets	(317)	(12 342)	(266 000)	(266 000)
Inflows from sale of financial assets	17 000	84 265	-	-
Interest received	2 882	5 517	18	55
Other expenses	(2 026)	(4 537)	(776)	(3 940)
<b>Net cash and cash equivalents from investment activity</b>	<b>(7 758)</b>	<b>33 591</b>	<b>(310 371)</b>	<b>(362 873)</b>
<b>Financial cash flows</b>				
Net inflows from issue of shares	-	-	287 901	285 571
Dividends paid	(13 906)	(15 894)	(985)	(998)
Inflows from cash loans and loans	42 530	88 113	15 290	36 333
Expenses for repayment of cash loans and loans	(18 190)	(31 608)	(2 121)	(6 325)
Interest paid	(1 466)	(3 167)	(787)	(2 031)
Payments under financial lease contracts	(303)	(821)	(160)	(414)
<b>Net cash and cash equivalents from financial activity</b>	<b>8 665</b>	<b>36 623</b>	<b>299 138</b>	<b>312 136</b>
<b>Total net cash flows</b>	<b>(10 693)</b>	<b>21 444</b>	<b>5 243</b>	<b>(17 014)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>77 470</b>	<b>45 333</b>	<b>32 157</b>	<b>54 414</b>
<b>Effect of changes in exchange rates</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>66 777</b>	<b>66 777</b>	<b>37 400</b>	<b>37 00</b>

## C. NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Information on significant events in the 3rd quarter of 2009

#### *Payment of arrangement after receiving order*

In September 2009 Zakłady Azotowe w Tarnowie-Mościcach S.A. (hereinafter referred to as Azoty Tarnów, Company) paid the final ninth instalment of the arrangement in the amount of PLN 15,096,000. On 12 June 2002 the arrangement proceedings were instituted against Azoty Tarnów by the District Court in Tarnów upon the motion dated on 7 June 2002. Then, at the Meeting of Creditors of Azoty Tarnów held on 11 June 2003 an arrangement was made with the creditors with a vast majority of the votes, and finally on 19 May 2005 with a decision of the Supreme Court the arrangement became legally binding. The said arrangement with the creditors covered the total amount of PLN 227,556,000, of which a total of PLN 90,577,000 (that is 40% of the receivables of over PLN 10 000) was subject to redemption whereas a total of PLN 136,978,000 was left due. One-time full repayment of minor creditors in the amount of PLN 1,113,000 was made within one month from the day on which the arrangement became effective, whereas 9 half-yearly instalments of PLN 15,096,000 each were paid by Azoty Tarnów in a timely manner in the period from 19 September 2005 to 19 September 2009. The Company is currently preparing a complete documentation confirming the performance of the arrangement for the benefit of the creditors, which shall constitute the grounds for the Court to decide on termination of the arrangement proceedings and enable the release of multiple property collaterals as well as removal of warnings of the arrangement proceedings pending against the Company from Land and Mortgage Registers and the National Court Register.

#### *Institution of the procedure aimed at obtaining the AEO Certificate*

The AEO Certificate (Authorised Economic Operator Status) is a new certificate issued for a relatively short period by Customs Authorities of individual member states of the EU. The certificate enables the application of a number of customs procedures in the territory of Azoty Tarnów without the participation on the part of customs authorities, which is especially beneficial for the Company considering its profile. At the same time, obtaining the certificate raises the importance of the Company as well as its credibility and prestige in the international trade. The expected date of obtaining the AEO Certificate is the first quarter of 2010.

#### *Transport offers on the Internet*

Azoty Tarnów has become the first Polish company from the chemical sector to use a modern service system of on-line transport auctions (SOOT). As of 1 September 2009, the registered carriers will have the possibility to place their offers on-line according to the Company's demand, and the Bidding Board will monitor the course of bidding. This will allow the Company to simplify and shorten the time of selection of carriers and will provide access to the cheapest current market offers for transport services.

#### *Cessation of chlorine production*

According to an announcement in the issuing prospectus concerning cessation of chlorine production, which uses mercury electrolysis that has a damaging effect on the environment, Azoty Tarnów, complying with the environmental recommendations of the EU, made a decision to cease the production as of 1 October 2009.

### *Investment of the railway subsidiary company of Azoty Tarnów*

Koltar sp. z o.o. (subsidiary) opened modern repair stations of the rolling stock. The investment was financed in full from the company's own resources and its performance lasted for 2 years. The company has at its disposal technological facilities with standards equal to those of the best European repair workshops. In August 2009 Koltar expanded its infrastructure by roofed repair tracks which will allow the whole-year works irrespective of weather conditions. This provides the possibility to increase the performance of commissioned works which are currently being sought on the market.

### *Execution of the agreement with the Military Property Agency*

In September 2009 following preparation of the installation (start-up report of 15 September 2009), Jednostka Ratownictwa Chemicznego Sp. z o.o. (subsidiary), pursuant to an agreement concluded with the Military Property Agency concerning disposal of 980 tonnes of racket fuel oxidiser, commenced execution of the agreement and disposal of the first tanker.

## **2. Accounting principles (policy) and principles of calculation methods.**

### 1. Declaration of conformity and general drawing up principles

These condensed interim consolidated financial statements have been drawn up in accordance with the requirements of IAS 34 "Interim Financial Reporting" as well as with the Ordinance of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities and on conditions for regarding information required by the law of a non-member state as equivalent (Journal of Laws No. 33, it. 259), hereinafter referred to as the Ordinance. The statements present the financial position of the Capital Group of Zakłady Azotowe w Tarnowie-Mościcach S.A. (hereinafter: the Group, The Capital Group of Azoty Tarnów) as at 30 September 2009 and 31 December 2008, the outcomes of its activities for the period of 9 months ended on 30 September 2009 and 30 September 2008 as well as the cash flows for the period of 9 months ended on 30 September 2009 and 30 September 2008.

Pursuant to § 83 (1) of the Ordinance, these financial statements comprise the quarterly financial information of the Parent Company containing the separate statements of comprehensive income, separate statements of financial position, separate statement of changes in equity as well as the separate cash flow statement.

The financial statements have been drawn up assuming that the continuity of the operations of the Capital Group shall be continued in the foreseeable future.

These condensed interim consolidated financial statements have been drawn up in thousands of PLN.

### 2. Accounting principles (policy) and principles of calculation methods.

#### a) Amendments to the International Financial Reporting Standards

The following standards, amendments to the binding standards as well as interpretations (adopted or being adopted by the European Union) are applicable as at 1 January 2009:

- IFRS 8 "Operating Segments",
- Revised IAS 23 "Borrowing Costs",
- Revised IAS 1 "Presentation of Financial Statements",
- Amendments to IFRS 2 "Payments in Shares – Vesting Conditions and Cancellations",

- Amendments to IAS 32 “Financial Instruments: Presentation” and to IAS 1 “Presentation of Financial Statements – Puttable Financial Instruments and Obligations arising on Liquidation”,
- Improvements in the International Financial Reporting Standards – a collection of amendments to the International Financial Reporting Standards, the amendments are effective, in most cases, for periods of one year commencing on or after 1 January 2009,
- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” and to IAS 27 “Consolidated and Separate Financial Statements – Cost of Investment in Subsidiary, Jointly Controlled Entity or Associate”,
- IFRIC 15 “Agreements for Construction of Property”. This interpretation has not been accepted by the European Union,
- IFRIC 16 “Hedges of a Net Investment in Foreign Operation”, the amendments are applicable to financial years commencing on or after 1 October 2008.

Except for IFRS 8 and the revised IAS 1, the adoption of the aforementioned standards and interpretations did not cause any significant changes in the Company’s accounting policy and in the presentation of the data in the financial statements in relation to the accounting policy and methods of calculation observed in the last annual financial statement.

#### *Adoption of revised IAS 1*

- The Group made a presentation of the statement of the comprehensive income in accordance with the requirements of the amendment to IAS 1 – Presentation of Financial Statements,

#### *Adoption of IFRS 8*

- The Group made a presentation of the information concerning operating and geographical segments in accordance with IFRS 8 - Operating Segments; see C.4. “Segment Data” for detailed description.

#### *Standards and interpretations issued but not adopted yet*

The Management Board has not decided on earlier application of the following standards and interpretations (already adopted or being adopted by the European Union):

- Revised IFRS 3 “Business Combinations” applicable to periods of one year commencing on and after 1 July 2009,
- Revised IAS 27 “Consolidated and Separate Financial Statements” applicable to periods of one year commencing on and after 1 July 2009,
- Amendments to IAS 39 “Financial Instruments: Eligible Hedged Items” applicable to periods of one year commencing on 1 July 2009. These amendments have not been adopted by the European Union,
- Revised IFRS 1 “First-time Adoption of International Financial Reporting Standards” applicable to periods of one year commencing on and after 1 July 2009. This standard has not been adopted by the European Union,
- IFRIC 17 “Distribution of Non-Cash Assets to Owners” applicable to periods of one year commencing on and after 1 July 2009. This interpretation has not been adopted by the European Union,
- IFRIC 18 “Transfer of Assets from Customers” applicable prospectively in relation to the components of assets obtained from customers on or after 1 July 2009. This interpretation has not been adopted by the European Union,
- Improvements in the International Financial Reporting Standards – a collection of amendments to the International Financial Reporting Standards, the amendments are effective, in most cases, for periods of one year commencing on or after 1 January 2010. These amendments have not been adopted by the European Union,

- IFRS for Small and Medium Entities. The standard is applicable as of the day of its issuing (9 July 2009). This standard has not been adopted by the European Union,
- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” applicable to periods of one year commencing on and after 1 January 2010. These amendments have not been adopted by the European Union.

The aforementioned amendments to the standards would not have a significant impact on the accounting policy if they were applied by entities as at the balance sheet date.

3. The functional and reporting currency of the financial statements as well as the principles adopted for financial data translation.

a) The functional and reporting currency.

The functional and reporting currency of this condensed financial statements as well as of the quarterly financial information of the Parent company is PLN.

b) The principles adopted for financial data translation.

Selected items of the balance sheet, the profit and loss account as well as the cash flow statement were translated into Euro in accordance with the indicated method of translation:

- a) individual items of the assets and liabilities of the balance sheet were translated in accordance with the exchange rate applicable on the last day of the balance sheet period:  
exchange rate as at 31.12.2008 was 1 EUR = 4,1724 PLN (Table No. 254/A/NBP/2008),  
exchange rate as at 30.09.2008 was 1 EUR = 3,4083 PLN (Table No. 191/A/NBP/2008),  
exchange rate as at 30.09.2009 was 1 EUR = 4,2226 PLN (Table No. 191/A/NBP/2009);
- b) individual items of the profit and loss account as well as the cash flow statement were translated in accordance with the exchange rates constituting an arithmetic mean of the rates of Euro by announced the National Bank of Poland applicable on the last day of each month in a given reporting period:  
average exchange rate in the period from 01.01.2008 to 30.09.2008 was 1 EUR = 3,4247 PLN,  
average exchange rate in the period from 01.01.2009 to 30.09.2009 was 1 EUR = 4,3993 PLN.

The translations were made in compliance with the indicated exchange rates through dividing the values in thousands of PLN by an exchange rate.

### 3. Movements in estimated values

The following movements in estimated values have been recorded in the statement for 3rd quarter of 2009:

#### Movements in reserves for liabilities (without reserves for deferred income tax)

	from 01.07.2009 to 30.09.2009	from 01. 01.2009 to 30.09.2009	from 01.07.2008 to 30.09.2008
<b>At the beginning of the period</b>	79 744	80 700	71 260
Creation	748	10 314	4 700
Release and use	(3 810)	(14 332)	(64)
<b>At the end of the period</b>	<b>76 682</b>	<b>76 682</b>	<b>75 896</b>

#### Movements in revaluation write-offs of fixed assets

	from 01.07.2009 to 30.09.2009	from 01. 01.2009 to 30.09.2009	from 01.07.2008 to 30.09.2008
<b>At the beginning of the period</b>	88 363	92 940	92 586
Creation	-	1 696	-
Release and use	(287)	(6 560)	-
<b>At the end of the period</b>	<b>88 076</b>	<b>88 076</b>	<b>92 586</b>

#### Movements in revaluation write-offs of stocks

	from 01.07.2009 to 30.09.2009	from 01. 01.2009 to 30.09.2009	from 01.07.2008 to 30.09.2008
<b>At the beginning of the period</b>	2 900	7 230	4 739
Creation	3 476	6 065	511
Release and use	(878)	(7 797)	(2 135)
<b>At the end of the period</b>	<b>5 498</b>	<b>5 498</b>	<b>3 115</b>

#### Movements in revaluation write-offs of receivables

	from 01.07.2009 to 30.09.2009	from 01. 01.2009 to 30.09.2009	from 01.07.2008 to 30.09.2008
<b>At the beginning of the period</b>	23 637	25 242	26 176
Creation	424	862	1 093
Release and use	(1 884)	(3 927)	(2 664)
<b>At the end of the period</b>	<b>22 177</b>	<b>22 177</b>	<b>24 605</b>

#### Movements in reserves and assets for deferred income tax

	from 01.07.2009 to 30.09.2009	from 01. 01.2009 to 30.09.2009	from 01.07.2008 to 30.09.2008
<i>Assets</i>			
<b>At the beginning of the period</b>	33 092	37 977	32 397
Creation	7 957	19 332	3 016
Release and use	(8 818)	(25 078)	(7 892)
<b>At the end of the period</b>	<b>32 231</b>	<b>32 231</b>	<b>27 521</b>
<i>Reserves</i>			
<b>At the beginning of the period</b>	103 708	104 884	106 287
Creation	2 046	9 629	1 103
Release and use	(3 609)	(12 368)	(1 939)
<b>At the end of the period</b>	<b>102 145</b>	<b>102 145</b>	<b>105 1</b>



#### 4. Segment data

Changes in the principles of the presentation of information concerning operating and geographical segments.

Since 1 January 2009 the Group has applied IFRS 8 "Operating Segments". In compliance with the requirements of IFRS 8, operating segments shall be identified on the basis of internal reports concerning those components of the Group which are subject to regular verification by persons deciding on granting resources to a given segment and assessing the financial outcomes of such segment. In comparison, according to the requirements of the previous applicable IAS 14, the entity was obliged to identify two sets of segments (industry and geographical segments) applying the criteria of risk and benefits, whereby the internal financial reporting system was solely applied by the key senior management staff as a starting point in identification of such segments.

##### *Operating segments*

The Group has not made any changes in the classification of industry segments. Similarly to the previous reporting years, the Group distinguishes the following industry segments:

- plastics,
- fertilisers,
- power engineering,
- other activities comprising those remaining, including mainly laboratory services, rental of properties and other activity impossible to classify under individual segments.

However, the presentation of overhead costs, other operating revenues and operating costs has been subject to a change consisting in classifying thereof under individual segments.

The presentation of financial revenues and costs as well as income tax has not been altered.

The outcomes of the segments are assessed on the basis of revenues from sales, EBIT and EBITDA.

##### *Geographical segments*

So far the Group has identified the following geographical segments:

- domestic sales,
- sales under intra-community supply of goods,
- export sales.

As of 01 January 2009 the Group applied a new division of geographical segments specified in IFRS 8. The division is as follows:

- Poland
- Germany
- Other member states of the European Union
- Other European countries
- Asia
- Other.

## Operating segments

Financial revenues, costs and outcome in division into operating segments for the period of 3 months ended on 30 September 2009

	Plastics	Fertilisers	Power engineering	Other activity	Consolidation eliminations	Total
Revenues from external sales	146 434	86 699	4 231	67 987	(38 580)	266 771
Revenues from intersegmental sales	48 248	39 947	96 720	-	(184 915)	-
Total sales revenues	194 682	126 646	100 951	67 987	(223 495)	266 771
Operating costs, including: (-)	(199 650)	(144 110)	(100 711)	(61 726)	223 521	(282 676)
<i>costs of sales (-)</i>	(4 407)	(11 593)	-	(39)	-	(16 039)
<i>overhead costs (-)</i>	(9 543)	(9 210)	(285)	(6 661)	-	(25 699)
Other operating revenues	-	-	-	1 632	(40)	1 592
Other operating costs (-)	-	-	-	(11 482)	40	(11 442)
<b>Segment operation outcome EBIT</b>	<b>(4 968)</b>	<b>(17 464)</b>	<b>240</b>	<b>(3 589)</b>	<b>26</b>	<b>(25 755)</b>
Financial revenues	x	x	x	x	x	9 886
Financial costs (-)	x	x	x	x	x	(12 726)
Profit/loss on interest in associated entities valued with equity method	x	x	x	x	x	(4)
<b>Profit/loss before tax (continued operations)</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>(28 599)</b>
<b>Profit before tax (discontinued operations)</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>-</b>
Income tax (-) (continued and discontinued operations)	x	x	x	x	x	590
<b>Net profit/loss (continued and discontinued operations)</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>(28 009)</b>
Amortisation and depreciation	6 671	4 793	3 951	5 453	(26)	20 842
<b>EBITDA</b>	<b>1 703</b>	<b>(12 671)</b>	<b>4 191</b>	<b>1 864</b>	<b>-</b>	<b>(4 913)</b>

Financial revenues, costs and outcome in division into operating segments for the period of 9 months ended on 30 September 2009

	<b>Plastics</b>	<b>Fertilisers</b>	<b>Power engineering</b>	<b>Other activity</b>	<b>Consolidation eliminations</b>	<b>Total</b>
Revenues from external sales	385 765	406 189	14 098	183 829	(113 580)	<b>876 301</b>
Revenues from intersegmental sales	103 264	93 452	298 624	-	(495 340)	-
Total revenues income	489 029	499 641	312 722	183 829	(608 920)	<b>876 301</b>
Operating costs, including: (-)	(497 044)	(490 781)	(312 829)	(179 955)	608 730	<b>(871 879)</b>
<i>costs of sales (-)</i>	(15 198)	(29 550)	(10)	(86)	(1)	<b>(44 845)</b>
<i>overhead costs (-)</i>	(23 515)	(29 130)	(1 097)	(20 197)	(163)	<b>(74 102)</b>
Other operating revenues	-	-	-	8 107	(107)	<b>8 000</b>
Other operating costs (-)	-	-	-	(20 873)	375	<b>(20 498)</b>
<b>Segment operation outcome EBIT</b>	<b>(8 015)</b>	<b>8 860</b>	<b>(107)</b>	<b>(8 892)</b>	<b>78</b>	<b>(8 076)</b>
Financial revenues	x	x	x	x	x	43 930
Financial costs (-)	x	x	x	x	x	(39 057)
Profit/loss on interest in associated entities valuated with equity method	x	x	x	x	x	24
<b>Profit/loss before tax (continued operations)</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>(3 179)</b>
<b>Profit before tax (discontinued operations)</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>-</b>
Income tax (-) (continued and discontinued operations)	x	x	x	x	x	(3 282)
<b>Net profit/loss (continued and discontinued operations)</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>(6 461)</b>
Amortisation and depreciation	19 774	11 665	11 853	16 146	(78)	<b>59 360</b>
<b>EBITDA</b>	<b>11 759</b>	<b>20 525</b>	<b>11 746</b>	<b>7 254</b>	<b>-</b>	<b>51 284</b>

Financial revenues, costs and outcome in division into operating segments for the period of 3 months ended on 30 September 2008

	Plastics	Fertilisers	Power engineering	Other activity	Consolidation eliminations	Total
Revenues from external sales	169 649	168 045	3 071	83 087	(44 877)	378 975
Revenues from sales between segments	3 745	49 100	100 431	-	(153 276)	-
Total sales revenues	173 394	217 145	103 502	83 087	(198 153)	378 975
Operating costs, including: (-)	(177 042)	(194 343)	(105 959)	(68 794)	197 160	(348 978)
<i>costs of sales (-)</i>	(5 386)	(11 156)	(9)	(8)	-	(16 559)
<i>overhead costs (-)</i>	(11 100)	(8 588)	(600)	(5 586)	250	(25 624)
Other operating revenues	-	-	-	2 459	(37)	2 422
Other operating costs (-)	-	-	-	(8 566)	1 056	(7 510)
<b>Segment operation outcome EBIT</b>	<b>(3 648)</b>	<b>22 802</b>	<b>(2 457)</b>	<b>8 186</b>	<b>26</b>	<b>24 909</b>
Financial revenues	x	x	x	x	x	5 461
Financial costs (-)	x	x	x	x	x	1 765
Profit/loss on interest in associated entities valuated with equity method	x	x	x	x	x	9
<b>Profit before tax (continued operations)</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>32 144</b>
<b>Profit before tax (discontinued operations)</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>-</b>
Income tax (-) (continued and discontinued operations)	x	x	x	x	x	(5 715)
<b>Net profit (continued and discontinued operations)</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>26 429</b>
Amortisation and depreciation	5 650	3 206	3 716	5 400	(26)	17 946
<b>EBITDA</b>	<b>2 002</b>	<b>26 008</b>	<b>1 259</b>	<b>13 586</b>	<b>-</b>	<b>42 855</b>

Financial revenues, costs and outcome in division into operating segments for the period of 9 months ended on 30 September 2008

	Plastics	Fertilisers	Power	Other activity	Consolidation	Total
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	engineering			eliminations		
Revenues from external sales	526 771	435 579	10 916	207 148	(121 492)	1 058 922
Revenues from sales between segments	4 841	129 541	289 895	-	(424 277)	-
Total sales revenues	531 612	565 120	300 811	207 148	(545 769)	1 058 922
Operating costs, including: (-)	(519 834)	(512 812)	(304 818)	(183 199)	545 847	(974 816)
<i>costs of sales (-)</i>	(14 537)	(32 442)	(31)	(36)	-	(47 046)
<i>overhead costs (-)</i>	(30 161)	(22 022)	(1 998)	(17 104)	-	(71 285)
Other operating revenues	-	-	-	10 968	(58)	10 910
Other operating costs (-)	-	-	-	(18 350)	58	(18 292)
<b>Segment operation outcome EBIT</b>	<b>11 778</b>	<b>52 308</b>	<b>(4 007)</b>	<b>16 567</b>	<b>78</b>	<b>76 724</b>
Financial revenues	x	x	x	x	x	8 399
Financial costs (-)	x	x	x	x	x	(843)
Profit/loss on interest in associated entities valuated with equity method	x	x	x	x	x	81
<b>Profit/loss before tax (continued operations)</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>84 361</b>
<b>Profit before tax (discontinued operations)</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>-</b>
Income tax (-) (continued and discontinued operations)	x	x	x	x	x	(16 019)
<b>Net profit (continued and discontinued operations)</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>68 342</b>
Amortisation and depreciation	16 892	9 573	11 142	16 271	(78)	53 800
<b>EBITDA</b>	<b>28 670</b>	<b>61 881</b>	<b>7 135</b>	<b>32 838</b>	<b>-</b>	<b>130 524</b>

*Geographical segments for the period of 3 months ended on 30 September 2009*

	Revenues	Costs
Poland	112 854	114 493
Germany	65 571	74 411
Other member states of the European Union	35 006	32 911
Other European countries	72	73
Asia	40 024	39 189
Other	13 244	21 599
<b>Total</b>	<b>266 771</b>	<b>282 676</b>

*Geographical segments for the period of 9 months ended on 30 September 2009*

	Revenues	Costs
Poland	431 105	428 263
Germany	132 851	142 818
Other member states of the European Union	116 909	109 116
Other European countries	226	114
Asia	161 423	140 675
Other	33 787	50 893
<b>Total</b>	<b>876 301</b>	<b>871 879</b>

*Geographical segments for the period of 3 months ended on 30 September 2008*

	Revenues	Costs
Poland	179 079	142 135
Germany	62 635	74 704
Other member states of the European Union	75 936	72 078
Other European countries	963	983
Asia	32 080	32 350
Other	28 282	26 728
<b>Total</b>	<b>378 975</b>	<b>348 978</b>

*Geographical segments for the period of 9 months ended on 30 September 2008*

	Revenues	Costs
Poland	462 667	398 433
Germany	195 554	191 272
Other member states of the European Union	244 563	229 234
Other European countries	1 447	1 317

Asia	79 250	78 787
Other	75 441	75 773
<b>Total</b>	<b>1 058 922</b>	<b>974 6</b>

## 5. Contingent assets and contingent liabilities

The Group does not regard blank bills of exchange as contingent liabilities issued by the Group as collateral for liabilities recognised in the balance sheet or guarantees issued by banks upon request of the Group as collateral for the liabilities also recognised in the balance sheet.

### *Contingent liabilities*

<b>Title</b>	<b>As at 30 June 2009</b>	<b>As at 30 September 2009</b>
Bank guarantee as collateral for claims during the effectiveness of the guarantee for works performed (Emerson Process Management Power and Water Solutions sp. z o.o.)	68	68
Performance guarantee (POLIMEX – MOSTOSTAL S.A. Warszawa)	248	248
Performance guarantee (BIOAGRA S.A. Warszawa)		1 636
Performance guarantee (Zakład Budowy Aparatury APAKOR – ROKITA Sp. z o.o. Brzeg Dolny )	178	178

## 6. Information on transactions with related entities.

Information on significant transactions with affiliated entities.

- a) Information concerning significant transactions concluded by the Group with affiliated entities on terms other than market ones.

In the period of 9 months ended on 30 September 2009 the Group did not conclude any transactions with affiliated entities on terms other than market ones.

- b) Transactions with members of the Managing Board and the Supervisory Board, their spouses, siblings, ascendants, descendants or other relatives or close friends.

In the period of 9 months ended on 30 September 2009 the Group did not grant the managers and supervisors and their relatives or close friends any advanced payments, cash loans, loans, guarantees or securities and no any other agreements for providing services for the benefit of the Group were concluded with the abovementioned persons.

## 7. Post-balance sheet events that might have impact on the future financial outcomes

On 29 October 2009 Azoty Tarnów disposed of 100% of shares of the subsidiary "ZBACH" Sp. z o.o. to PETRO Mechanika S.A., PETRO Eltech Sp. z o.o. and PETRO Remont Sp. z o.o.

The total purchase price of 107 700 equal and indivisible shares with a nominal value of PLN 100 amounted to PLN 7,850,000. PETRO Mechanika S.A. acquired 35,900 shares with a total value of PLN 2,616,498,00, PETRO Eltech Sp. z o.o. - 35,900 shares with a total value of PLN 2,616,751,00 and PETRO Remont acquired 35,900 shares with a total value of PLN 2,616,751,00.

Apart from the above, no post-balance sheet events that might have significant impact on the future financial outcomes of the Group have been recorded.



## 8. Dividends

On 26 June 2009 the Ordinary General Meeting of Shareholders adopted a resolution on payment of a dividend from the profit for the year 2008 in the amount of PLN 1,02 per share (total dividend amounted to PLN 39,898,749,42). The dividend applied to all the Company's shares and the date of the establishment of the right to the dividend was 26 June 2009.

In the 3rd quarter of 2009, on 31 August 2009, the issuer paid the 1st instalment of the dividend in the amount of PLN 13,299,583,14 (PLN 0,34 per one share) pursuant to the resolution of the Ordinary General Meeting of Shareholders on payment of a dividend. The 2nd instalment in the amount of PLN 26,599,166,28 (PLN 0.68 per one share) was paid on 6 November 2009.

## 9. Seasonality

Seasonality of sales of the Group concerns mainly artificial fertilisers, in particular saltpetre fertilisers such as nitro-chalk and ammonium sulphate. Demand for those fertilisers results from agro-technical works and plant vegetation.

According to the annual market specificity, at the beginning of each year of fertilisation, which commences in July, a decrease in the interest in the purchase of saltpetre fertilisers can be reported. An increase in the sale of the said fertilisers is usually observed gradually in the next months of the 3rd and 4th quarter.

No such a strict pattern occurs in production of fertilisers since in order to minimise seasonality sales are conducted on the basis of agreements pursuant to which dealers are to collect fertilisers throughout the whole year. However, due to market conditions the collections are minimum and dealers and farmers expect adjustment of prices.

### *Market of fertilisers in the 3rd quarter of 2009*

The third quarter is the period characterised by sales of fertilisers for the purposes of their usage in agricultural production of winter crops. It is also the beginning of the process of stocking fertilisers for spring sales. In order to maintain the continuity of the production and sales, the summer months are usually the period of the lowest prices of nitric fertilisers.

A similar situation can be observed on the foreign market. During the third quarter fertilisers are purchased for the purposes of their direct usage and stocking for spring. In the summer period, a slightly lower demand is recorded, which is especially the case this year due to the worldwide crisis.

## 10. Presentation of comparable data

As a result of adjustments of errors in the previous years, which were recognised in the financial statements for the year 2008, below we present how those adjustments relate to the previously published financial statements for the 3rd quarter of the year 2008.

### Consolidated statement of comprehensive income

	Adjustment	from 01.01 to 30.09.2008 (before adjustment)	Difference	from 01.01 to 30.09.2008 (after adjustment)
<i>Continued operations</i>				
Income		1 058 922	-	1 058 922
Cost of sales (-)	1,3	(856 178)	(307)	(856 485)
<b>Gross profit on sales</b>		<b>202 744</b>	<b>(307)</b>	<b>202 437</b>
Cost of sales (-)		(47 046)	-	(47 046)
Overhead costs (-)	10	(70 663)	(622)	(71 285)
Other operating income		10 910	-	10 910
Other operating costs (-)	10	(18 914)	622	(18 292)
<b>Profit on operating activity</b>		<b>77 031</b>	<b>(307)</b>	<b>76 724</b>
Financial income		8 399	-	8 399
Financial costs (-)		(843)	-	(843)
<b>Net financial income/costs</b>		<b>7 556</b>	<b>-</b>	<b>7 556</b>
Profit/loss on interest in associated entities valuated with equity method		81	-	81
<b>Profit before tax</b>		<b>84 668</b>	<b>(307)</b>	<b>84 361</b>
Income tax	1,3	(16 077)	58	(16 019)
<b>Net profit/loss on continued operations</b>		<b>68 591</b>	<b>(249)</b>	<b>68 342</b>
<i>Discontinued operations</i>				
<b>Net profit/loss on discontinued operations</b>		-	-	-
<b>Net profit (loss)</b>		<b>68 591</b>	<b>(249)</b>	<b>68 342</b>

## Consolidated statement of financial position

	Adjustment	as at 30.09.2008 (before adjustment)	Difference	as at 30.09.2008 (after adjustment)
<b>ASSETS</b>				
<b>Fixed assets</b>				
Tangible fixed assets	1,3,5	910 696	(12 501)	898 195
Investment properties	5	-	6 186	6 186
Intangible assets		17 306	-	17 306
Long-term investments	6	10 682	(10 682)	-
Investments in subordinate entities	6	154	106	260
Investments available for sale	6	-	10 576	10 576
Other financial assets		50 000	-	50 000
Long-term liabilities		9	-	9
Deferred income tax assets	1,4	25 242	2 279	27 521
Other assets		223	-	223
<b>Total fixed assets</b>		<b>1 014 312</b>	<b>(4 036)</b>	<b>1 010 276</b>
<b>Current assets</b>				
Stocks		129 334	-	129 334
Other financial assets		220 392	-	220 392
Income tax receivables		100	-	100
Trade receivables and other receivables		191 973	-	191 973
Called up share capital		-	-	-
Cash and cash equivalents		37 400	-	37 400
Other assets		6 532	-	6 532
Fixed assets available for sale		7	-	7
<b>Total current assets</b>		<b>585 738</b>	<b>-</b>	<b>585 738</b>
<b>Total assets</b>		<b>1 600 050</b>	<b>(4 036)</b>	<b>1 596 014</b>

	Adjustment	as at 30.09.2008 (before adjustment)	Difference	as at 30.09.2008 (after adjustment)
<b>LIABILITIES</b>				
<b>Equity</b>				
Share capital		195 582	-	195 582
Share premium		209 990	-	209 990
Hedge valuation reserve		-	-	-
Retained profit, including:	1,2,3,4,9	756 342	(1 890)	754 452
<i>Net profit of the current period</i>	1,3	68 177	(249)	67 928
Equity of shareholders of the parent company		1 161 914	(1 890)	1 160 024
Minority interest		1 685	-	1 685
<b>Total equity</b>		<b>1 163 599</b>	<b>(1 890)</b>	<b>1 161 709</b>
<b>Liabilities</b>				
Liabilities from cash loans and loans		49 004	-	49 004
Reserves for employee benefits		46 590	-	46 590
Other long-term liabilities		2 198	-	2 198
Other reserves	4,9	14 551	6 308	20 859
Government subsidies		317	-	317
Revenues from future periods		-	-	-
Reserves for deferred income tax	1,2,3	113 905	(8 454)	105 451
Financial liabilities		197	-	197
<b>Total long-term liabilities</b>		<b>226 762</b>	<b>(2 146)</b>	<b>224 616</b>
Liabilities from cash loans and loans		16 221	-	16 221
Reserves for employee benefits		3 533	-	3 533
Current income tax liabilities		3 382	-	3 382
Trade liabilities and other liabilities	8	168 520	10 266	178 786
Other reserves		4 914	-	4 914
Government subsidies		375	-	375
Accruals	8	12 744	(10 266)	2 478
Financial liabilities		-	-	-
<b>Total short-term liabilities</b>		<b>209 689</b>	<b>-</b>	<b>209 689</b>
<b>Total payables</b>		<b>436 451</b>	<b>(2 146)</b>	<b>434 305</b>
<b>Total liabilities</b>		<b>1 600 050</b>	<b>(4 036)</b>	<b>1 596 014</b>

No.	Description adjustments:
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1	<p>Creation of write-offs of tangible fixed assets impairment:</p> <ul style="list-style-type: none"> <li>- decrease in net value of fixed assets by PLN 5,463,000</li> <li>- establishment of deferred income tax asset in the amount of PLN 1,080,000</li> <li>- decrease in retained profit by PLN 4,425,000</li> <li>- decrease in amortisation and depreciation by PLN 545,000</li> <li>- increase in income tax recognised in the profit and loss account/increase in reserves for deferred income tax by PLN 104,000</li> <li>- decrease in reserves for deferred income tax by PLN 62,000</li> </ul>
2	<p>Release of reserves for deferred income tax for withdrawal of the perpetual usufruct in the balance sheet</p> <ul style="list-style-type: none"> <li>- decrease in reserves for deferred income tax/increase in retained profit in the amount of PLN 8,334,000</li> </ul>
3	<p>Separation of components:</p> <ul style="list-style-type: none"> <li>- increase in amortisation and depreciation/decrease in tangible fixed assets by PLN 852,000</li> <li>- decrease in income tax recognised in the profit and loss account/decrease in reserves for deferred income tax by PLN 162,000</li> </ul>
4	<p>Establishment of reserves for demolition of the Chlorine Factory:</p> <ul style="list-style-type: none"> <li>- increase in other long-term reserves by PLN 6,315,000</li> <li>- decrease in retained profit by PLN 5,116,000</li> <li>- increase in assets for deferred income tax by PLN 1,199,000</li> </ul>
5	<p>Presentation of investment properties:</p> <ul style="list-style-type: none"> <li>- decrease in tangible fixed assets by PLN 6,186,000</li> <li>- increase in investment properties by PLN 6,186,000</li> </ul>
6	<p>Presentation of assets available for sale:</p> <ul style="list-style-type: none"> <li>- decrease in long-term investments by PLN 10,682,000</li> <li>- increase in assets available for sale by PLN 10,576,000</li> <li>- increase in assets in subordinate entities by PLN 106,000</li> </ul>
7	Accruals, change of name into other assets
8	Combination of short-term accruals with trade liabilities as well as other liabilities
9	<p>Adjustment of the release of reserves for reclamation of landfill:</p> <ul style="list-style-type: none"> <li>- decrease in other long-term reserves by PLN 7,000</li> <li>- increase in retained profit by PLN 7,000</li> </ul>
10	<p>Adjustment pertaining to the reserves for employee benefits:</p> <ul style="list-style-type: none"> <li>- decrease in other operating costs by PLN 622,000</li> <li>- increase in overhead costs by PLN 622,000</li> </ul>

In addition to the adjustments listed above in pts. 1-8, the following adjustments were performed in relation to the separate statement:

1	<p>Release of reserves for reclamation of landfill:</p> <ul style="list-style-type: none"> <li>- decrease in other long-term reserves by PLN 3,157,000</li> <li>- increase in retained profit by PLN 2,557,000</li> <li>- decrease in assets for deferred income tax by PLN 600,000</li> </ul>
2	<p>Presentation of investments in subsidiaries:</p> <ul style="list-style-type: none"> <li>- decrease in long-term investments by PLN 57,872,000</li> <li>- increase in investments in subordinate entities by PLN 57,872,000</li> </ul>

## INDIVIDUAL CASH FLOW STATEMENT

(in PLN '000)

	<b>For the period from 01.07 to 30.09. 2009</b>	<b>For the period from 01.01 to 30.09.2009</b>	<b>For the period from 01.07 to 30.09. 2008</b>	<b>For the period from 01.01 to 30.09. 2008</b>
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
<b>Cash flow from operating activity</b>				
<b>Gross profit</b>	<b>(32 407)</b>	<b>(9 912)</b>	<b>25 409</b>	<b>72 298</b>
<i>Adjustments</i>	17 119	36 607	16 117	47 046
Depreciation and amortisation	17 836	50 504	15 051	45 205
Impairment losses created/reversed	(287)	(4 864)		
Profit/loss from investing activity	1 508	680	1 099	4 904
Profit/loss on disposal of financial assets	-	-	(1 897)	(1 897)
Profit/loss on on interest in associated entities valuated with equity method	-	-	-	-
Interest, exchange rate differences	(2 528)	(10 009)	820	7
Dividends received	-	(2 548)	-	(1 173)
Profit/loss on changes in fair value of financial assets recognised at fair value	590	2 844	1 044	-
<b><i>Operating profit/loss prior to working capital changes</i></b>	<b>(15 288)</b>	<b>26 695</b>	<b>41 526</b>	<b>119 344</b>
Movements in trade receivables and other receivables	26 276	667	(20 679)	(41 370)
Movements in stock	(14 687)	(32 016)	(13 720)	(7 882)
Movements in trade liabilities and other payables	(6 902)	(39 509)	4 895	(36 347)
Movements in reserves, accruals and subsidies	(671)	(7 645)	1 115	(3 867)
Other adjustments	1 239	1 350	(2 603)	(2 155)
<b><i>Cash and cash equivalents generated from operating activity</i></b>	<b>(10 033)</b>	<b>(50 458)</b>	<b>10 534</b>	<b>27 723</b>
Interest paid				
Income tax paid	781	(2 645)	(2 519)	(7 939)
<b>Net cash and cash equivalents from operating activity</b>	<b>(9 252)</b>	<b>(53 103)</b>	<b>8 015</b>	<b>19 784</b>

	<b>For period from 01.07 to 30.09. 2009</b>	<b>For period from 01.01 to 30.09. 2009</b>	<b>For period from 01.07 to 30.09. 2008</b>	<b>For period from 01.01 to 30.09. 2008</b>
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
<b>Investment cash flow</b>				
Disposal of intangible and tangible assets, investments in properties	1 062	22 968	621	1 008
Acquisition of intangible and tangible assets, investments in properties	(22 213)	(56 851)	(41 224)	(84 787)
Dividends received	-	2 546	1 047	1 107
Outflows for acquisition of financial assets	-	(12 025)	(266 000)	(266 000)
Inflows from sale of financial assets	17 000	84 265	-	-
Interest received	2 866	5 452	-	-
Other expenses	(2 028)	(4 542)	(778)	(3 946)
<b>Net cash and cash equivalents from investing activity</b>	<b>(3 313)</b>	<b>41 813</b>	<b>(306 334)</b>	<b>(352 618)</b>
<b>Financial cash flow</b>				
Net inflow from issue of shares	-	-	287 901	285 571
Dividends paid	(13 299)	(13 300)	(2)	(15)
Cash flow from loans and cash loans incurred	42 530	88 113	15 290	34 938
Expenses for repayment of loans and cash loans	(17 770)	(30 340)	(1 792)	(5 279)
Interest paid	(1 387)	(2 921)	(634)	(1 710)
Payment of liabilities arising from financial leasing agreements	(73)	(245)	-	(24)
<b>Net cash and cash equivalents from financing activity</b>	<b>10 001</b>	<b>41 307</b>	<b>300 763</b>	<b>313 481</b>
<b>Total net cash flow</b>	<b>(2 564)</b>	<b>30 017</b>	<b>2 444</b>	<b>(19 353)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>56 474</b>	<b>23 893</b>	<b>13 266</b>	<b>35 063</b>
<b>Effect of changes in exchange rates</b>				
<b>Cash and cash equivalents at the end of the period</b>	<b>53 910</b>	<b>53 910</b>	<b>15 710</b>	<b>15 710</b>

## E. NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basic financial data of the Capital Group

During Q3 2009 the Group suffered a net loss in the amount of PLN 28,009,000, total assets amounted to PLN 1,581,704,000, and the change in net cash balance amounted to PLN (10,693,000).

The following statement presents selected financial information together with basic financial ratios for Q3 2009 and compared to Q3 2008.

*Selected financial information*

	in PLN '000		
	For period from 01 July to 30 Sept. 2009	For period from 01 July to 30 Sept. 2008	Increase/ decrease (%)
Net sales revenues	266 771	378 975	(29,61)
Cost of goods sold	(240 938)	(306 795)	(21,47)
Gross profit on sales	25 833	72 180	(64,21)
Selling expenses	(16 039)	(16 559)	(3,14)
Overhead costs	(25 699)	(25 624)	0,29
Other operating revenues/costs	(9 850)	(5 088)	93,59
Operating profit/loss	(25 755)	24 909	(203,40)
Financial revenues/costs	(2 840)	7 226	(139,30)
Profit/loss on shares in subsidiaries valuated according to the equity method	(4)	9	(144,44)
Income tax	590	(5 715)	(110,32)
Profit/loss from continued activity	(28 009)	26 429	(205,98)
<b>Net profit/loss</b>	<b>(28 009)</b>	<b>26 429</b>	<b>(205,98)</b>
Net profit/loss of shareholders of the parent company	(28 205)	26 254	(207,43)
Net profit/loss of minority shareholders	196	175	12,00
<b>EBITDA</b>	<b>(4 913)</b>	<b>42 855</b>	<b>(111,46)</b>



	<b>As at 30.09. 2009</b>	<b>As at 30.09. 2008</b>	<b>Movements (%)</b>
<b>Value of assets</b>	<b>1 581 704</b>	<b>1 596 014</b>	<b>(0,90)</b>
Fixed assets	992 882	1 010 276	(1,72)
Current assets, including:	588 822	585 738	0,53
stocks	167 446	129 334	29,47
short-term receivables	163 084	192 071	(15,09)
cash and cash equivalents	66 777	37 400	78,55
other financial assets	186 766	220 394	(15,26)
fixed assets available for sale	556	7	7 842,86
other assets	4 193	6 532	(35,81)
Equity, including:	<b>1 114 969</b>	<b>1 161 709</b>	<b>(4,02)</b>
Equity of shareholders of the parent company	1 112 844	1 160 024	(4,07)
Minority shareholding	2 125	1 685	26,11
Long-term liabilities	205 747	224 616	(8,40)
Short-term liabilities	260 988	209 689	24,46

	<b>For period from 01.07 to 30.09. 2009</b>	<b>For period from 01.07 to 30.09. 2008</b>	<b>Movements (%)</b>
Cash flow from operating activity	(11 600)	16 476	(170,41)
Cash flow from investing activity	(7 758)	(310 371)	(97,50)
Cash flow from financing activity	8 665	299 138	(97,10)

### **Sales revenues**

Consolidated net sales revenues of the Group for Q3 amounted to PLN 266,771,000. In comparison to the analogical period of 2008, the revenue decreased by PLN 112,204,000, i.e. by 29,61%. It is a result of a lower value of sales generated in the fertilizer segment (lower quantity and selling price of nitro-chalk and sulphate), in the plastics segment (lower selling price of caprolactam in general and increase in polyamide production). Both in Q3 2009 and in Q3 2008 the plastics segment generated the largest portion of revenue.

### **Costs**

In Q3 2009, total expenses amounted to PLN 306,844,000 and were lower than the expenses incurred in analogical period of the previous year by PLN 47,879,000, i.e. by 13,50%, where the total sales was lower by 29,61%.

	<b>For period from 01.07 to 30.09. 2009</b>	<b>For period from 01.07 to 30.09. 2008</b>	<b>Movements (%)</b>
Cost of goods sold	(240 938)	( 306 795)	(21,47)
Selling expenses	(16 039)	(16 559)	(3,14)
Overhead costs	(25 699)	(25 624)	0,29
<b>Total cost of sales</b>	<b>(282 676)</b>	<b>(348 978)</b>	<b>(19,00)</b>
Other operating costs	(11 442)	(7 510)	52,36
<b>Total operating costs</b>	<b>(294 118)</b>	<b>(356 488)</b>	<b>(17,50)</b>
Financing costs	(12 726)	1 765	-
<b>Total costs:</b>	<b>(306 844)</b>	<b>(354 723)</b>	<b>(13,50)</b>

***Sales profit and operating profit***

In Q3 2009, gross sales profit amounted to PLN 25,833,000, and in the analogical period of the previous year to PLN 72,180,000, whereas the operating profit amounted to PLN (25,755,000) and PLN 24,909,000 in the reference period.

The following factors had a negative impact on the results presented:

- continuing low level of demand for plastics,
- significant reductions of purchases of chemical fertilizers on the part of farmers in the last quarter; the reasons for such situation are on the one hand low prices of agricultural products reducing the buying power of farmers and on the other hand expected price reductions on the part of the manufacturers,
- low-priced offers for fertilizers of manufacturers from Slovakia, Hungary, Lithuania and countries outside of the European Union are a significant element impeding the sales of nitrogenous fertilizers in Poland,
- decrease in sales quantity compared to analogical period of the previous year by 18.5%,
- unfavourable price variance of basic products compared to analogical period of the previous year on average by 16.2%,
- lower use of production capacities,
- increase of the prices of coal, natural gas and electricity,
- costs of shutdowns and liquidation arising from the termination of production of chlorine products,
- settlement of foreign exchange hedging transactions.

The following factors had a positive impact on the results presented:

- lower value of the Polish currency (in relation to EURO and USD) resulting in improved export profitability of Azoty Tarnów,
- lower prices of petrochemical raw materials, sulphur and ammonia.

In Q3 2009, the margin rate EBIT amounted to 9,65% (6,57% in the previous year).

### Net result

Consolidated net result for Q3 2009 amounted to PLN (28,009,000), including PLN (28,205,000) for the Shareholders of the Parent Company. Net profitability came to 10,50%.

Apart from the operating result, a significant negative impact on the net result in Q3 2009 had the excess of negative exchange differences over the positive differences and interest paid. However, this impact was to a great extent alleviated by the profit from valuation of financial assets estimated at fair value as well as interest from deposits of funds generated from the issue of shares.

### Financial results obtained in individual types of activity

	in PLN '000		
	<b>For period from 01.07 to 30.09. 2009</b>	<b>For period from 01.07 to 30.09.2008</b>	<b>Movements (%)</b>
Profit/loss from operating activity	(25 755)	24 909	(203,4)
Net financial revenues/costs	(2 840)	3 696	(176,8)
Participation in net profits of subsidiaries valued with the equity method	(4)	9	(144,4)
Income tax	590	(5 715)	(110,32)
Profit/loss from discontinued activity	-	-	-
Net profit/loss	(28 009)	26 429	(205,98)
Net profit/loss of shareholders of the parent company	(28 205)	26 254	(207,43)
Net profit of minority shareholders	196	175	12,00

### Assets

At the end of September 2009, fixed assets of the Group amounted to PLN 992,882,000. In comparison to the balance of 31 December 2008, the value of fixed assets declined by PLN 54,472,000 (i.e. by 5,20 %). The largest decline was noted in the item "other financial assets" (long-term deposits) whose balance compared to the end of December 2008 declined from PLN 50,000,000 to PLN 61,000. This decline results from shortening of the period of investing funds on deposits with maturity under 1 year.

The share of fixed assets in total assets amounts to 62,77 % (at the end of 2008 – 65,29 %).

Current assets of the Group as at 30 September 2009 amounted to PLN 588,922,000. In the structure of current assets predominated: other financial assets – 31,77 % of current assets and stocks – nearly 28,44 %. In comparison to the balance at the end of December 2008, the value of current assets increased by PLN 31,930,000 (the biggest increase, by PLN 30,655,000, was in stocks, on the other hand the value of other assets declined by PLN 15,700).

### Liabilities

At 30 September 2009, the liabilities (total long- and short-term liabilities) of the Group amounted to PLN 466,735,000, which means an increase as compared to the balance at the end of December 2008 by PLN 19,820,000 (i.e. by 4,43 %).

The increase of liabilities results mainly from the increase of short-term liabilities from loans and cash loans by 329 %.

The debt ratio (short- and long-term liabilities to total assets) as at 30 September 2009 amounted to 29,51 % (at the end of December 2008 – 27,86 %).

Current liquidity ratio calculated as a quotient of total working capital and total short-term liabilities as at 30 September 2009 amounted to 2,26 (at the end of 2008 – 2,50).

### Cash flow

The value of net cash flow in Q3 2009 amounted to PLN (10,693,000). In relation to analogical period of the previous year, the Group generated a flow lower by PLN 15,936,000.

Cash flow from operating activity amounted to PLN (11,600,000) and was lower than the cash flow generated within the period July – September 2008 by PLN 28,076,000. In relation to analogical quarter of 2008, the Group generated a considerably lower gross result (profit lower by PLN 60,743,000).

The excess of investment expenses over inflows amounted to PLN 7,758,000. In analogical period of 2008 a similar situation occurred with a considerably higher excess of expenses over investment outflows amounting to PLN 310,371,000. In the current year, the greatest impact on the balance of cash flow from investing activity had the expenses for the acquisition of tangible fixed assets i.e. PLN 26,391,000, with cash inflow resulting from the conversion of deposits to cash in the amount of PLN 17,000,000.

Net cash from financing activity in the current period was positive and amounted to PLN 8,665,000. Its level results from the payment of dividend (PLN -13,906,000) and the excess of cash inflow from loans incurred over their repayment (PLN +24,340,000). In Q3 2008, a net inflow from the issue of shares was generated, and as a result net cash and cash equivalents from financing activity came to the amount of PLN 299,138,000. A comparison of amounts of cash and cash equivalents in analysed periods reveals a decline in cash flow from financing activity by the amount of PLN 290,472,000.

### *Ratios analysis*

	<b>As at 30.09. 2009</b>	<b>As at 30.09. 2008</b>	<b>Movements 2009/2008</b>
Net profitability	(10,50%)	6,97%	(250,65)
EBIT%	(9,65%)	6,57%	(246,88)
EBITDA%	(1,84%)	11,31%	(116,27)
Current liquidity ratio	2,26	2,79	(19,00%)
Quick liquidity ratio	1,61	2,18	(26,15%)
Debt ratio	29,51%	27,21%	8,45%
Equity/total assets ratio	70,49%	72,79%	(3, 16%)

## **2. Description of untypical factors and events influencing financial results**

- Within the scope of the Trade Credit Insurance Policy with debt collection option concluded with Euler Hermes S.A., the Issuer obtained the payment of compensation in total amount of PLN 5,077,000 on account of unpaid invoices issued to the companies from the Pong & Zahn Group, Germany (including, on 16 September, the amount of PLN 4,085,000 within the scope of insured accounts receivable from the company Unylon Polymers GmbH, Germany, and on 25 September this year the amount of PLN 992,000 within the scope of insured accounts receivable from the company Laufaron GmbH, Germany).
- On 31 July 2009 Azoty Tarnów signed an Annex to the Renewable Operating Credit Line Agreement in the amount of PLN 23,500,000 with Powszechna Kasa Oszczędności Bank Polski S.A. prolonging the validity of the abovementioned agreement to 26 January 2010.
- On 11 September 2009 the Company signed a Factoring Agreement with Raiffeisen Bank Polska S.A. with the renewable limit up to the amount of EUR 3,650,000 in order to include in the scope of factoring foreign contracting parties that have been granted extended payment periods.
- On 14 September 2009 Azoty Tarnów signed an Annex to the Loan Agreement with Powszechna Kasa Oszczędności Bank Polski S.A. in the form of a multi-purpose loan limit in the total amount of

PLN 15,000,000 within the scope of which a separate operating credit sublimit in the amount of PLN 5,000,000 has been agreed.

- Currency market

Within Q3 of this year, PLN strengthened by about 5.5 % in relation to EUR and by about 9 % in relation to USD with reference to rates quoted at 30 June 2009, in connection with lower scale of uncertainty on the currency market and the reversal of the earlier speculative trend of weakening of the domestic currency.

However, taking into consideration the great variability of the currency market resulting from the fears for the stability of first symptoms of recovery of the world economy and the scale of the budget deficit of Poland in the next year, further strengthening of PLN in relation to world currencies seems to be prolonged in time, and it is possible that the considerable variability of the exchange rate of PLN in relation to EUR and USD will continue in the last months of this year.

In Q3 of this year Azoty Tarnów completed – by physical delivery of currencies – the settlement of foreign currency hedging transactions concluded in 2008 which aimed at the reduction of variability of financial results by hedging up to 50 % of planned net exposure of inflows from sales generated by the company denominated in EUR and USD.

According to the guidelines of the internal Risk Assessment Committee, in Q3 2009 Azoty Tarnów slightly increased the scale of concluded hedging transactions, but limited them exclusively to forward exchange contracts in order to hedge the net exposure in USD and EUR resulting from concluded trade agreements, in the time horizon to the end of 2009 and supplementary currency swap contracts concluded in order to adjust the maturity of instruments to changes in current currency exposure.

In view of the average level of exchange rate of PLN to EUR in Q3 of this year being lower than the exchange rates of Q3 2008 (*i.e. period of time in which the other settled derivative currency instruments from this period have been concluded*), the result from realised hedging transactions for Q3 of this year amounted to PLN (4,622,000), and the result from revaluation of derivative financial instruments amounted to PLN 5,558,000 (*as a difference between the valuation of open financial instruments in the period from 30 September 2009 and 30 June 2009*).

On the remaining part of unhedged net currency exposure Azoty Tarnów recorded in Q3 of this year (*on account of the strengthening of exchange rate of PLN to EUR and USD in this period*) a negative result from realised exchange differences in the amount of PLN (4,184,000) with a negative balance of valuation of currency settlements within Q3 of this year in the amount of PLN (878).

In total, the result from financial revenues and costs in Q3 2009 on account of exchange differences and currency derivatives (taking into account the revaluations at the balance sheet date) amounted to: PLN (4,098,000).

Since 1 October 2008 the Group has applied the principles of hedging accounting on the basis of the International Accounting Standard No. 39 in order to hedge future cash flows from which an exposure to currency risk arises. The Company applies the abovementioned principles in relation to the part of currency derivatives concluded earlier as well as to currency loans and cash loans for which an effective hedge was determined.

As a result of realised settlement of hedging transactions relating to currency loans and cash loans, the sales revenues in Q3 of this year were reduced by the amount of PLN 818,000. *On the other hand, hedging relationships regarding currency derivatives have been realised by the end of the first half-year of 2009.*

As at 30 September 2009, the Company recognised in the revaluation capital the effective part of the hedge – determined on the basis of the criteria of hedging accounting – resulting from currency loans and cash loans in EUR in the amount of: PLN (5,061,000).

As at 30 September 2009, all option structures from the previous year were realised, and open positions related only to forward exchange contracts concluded in Q3 of this year. Total liabilities from revaluation of unrealised currency futures as at 30 September 2009 amounted to: PLN (55,000). No hedging relationships have been designated for the abovementioned currency futures.

Within Q3 of this year, in connection with generated surplus of sales over purchases in EUR and USD, strengthening of PLN above the levels from the first half of 2009 had a negative impact on operating results. At the same time, in connection with the above, within Q3 of this year the balance resulting from the realisation and revaluation of Company's currency derivatives concluded earlier, which have been settled with a part of its net currency exposure, was positive.

- Market factors

*Commodity market*

- Crude oil  
Within Q3, the prices of crude oil were subject to fluctuations from USD 60,41 to 74,60 per barrel. In comparison with Q2 of this year, the average price of this commodity rose in Q3 by approx. 16%.
- Benzene  
In Q3 of this year, rises on the benzene market (according to ICIS LOR) as compared to the preceding Q2 were recorded; by approx. 45% in case of contracts, and by approx. 32% in case of spot purchases.  
When comparing Q3 2009 to analogical period of 2008, the prices are still lower by approx. 24% and approx. 29%, respectively.
- Phenol  
Quotations of phenol prices in contracted purchases (ICIS LOR) in Q3 2009 rose by approx. 22% as compared to Q2, and dropped by approx. 14% as compared to the level from analogical period of the previous year. In comparison of price quotations of Q3 and Q2 of this year, the prices rose by approx. 33%, but they still remain on a lower level in comparison with analogical period of 2008.
- Methanol  
In price quotations (ICIS LOR), the prices of contracted methanol rose by approx. 11% as compared to the preceding quarter of this year, and dropped by approx. 45% as compared to the prices from Q3 of the previous year. Such trend continues also in the spot prices of methanol, but the increase recorded in the quarter amounted to approx. 40%, and the decline in prices as compared to the previous year amounted to approx. 31%.
- Ammonia  
The prices of ammonia on the European market (ISCIS LOR) rose by approx. 10% compared to Q2 of this year, and dropped by approx. 68% compared to analogical period of the previous year.
- Sulphur  
The most drastic decline in prices was recorded in the case of sulphur. As compared to Q2 of this year, price quotations in Q3 dropped by approx. 14%, and as much as by approx. 89% in comparison with analogical period of 2008.

*Products market*

- Liquid and crystal caprolactam  
When comparing price quotations of Q3 of this year in relation to Q2 (according to ICIS LOR), the prices of caprolactam rose, i.e. of liquid caprolactam (contract) by approx. 20%, of crystal caprolactam (contract) by approx. 36%, and spot purchases by approx. 23%.  
When comparing Q3 2009 to analogical quarter of the previous year, the prices dropped by approx. 15%, 20% and 19 %, respectively.
- Plastics

Price quotations of polyamide (ICIS LOR) in Q3 compared to Q2 2009 rose by approx. 20%, but dropped by approx. 25% when compared with analogical period of the previous year.

On the European polyoxymethylene market (POM), the price quotations according to ICIS LOR have not changed since March of this year and remain on a constant level, but the decline in prices by approx. 40% is visible when compared to Q3 of the previous year.

- Fertilizers

In spite of a considerably lower price ceiling, the manufacturers of fertilizers have big problems with selling their products. Distribution companies are afraid to buy large quantities of fertilizers because the current pricing policy of Polish manufacturers does not guarantee them profits within the next months.

An important factor impeding the sales of nitrogenous fertilizers in Poland are offers for fertilizers of manufacturers from Slovakia, Hungary, Lithuania and countries outside of the EU.

Farmers who intended to purchase fertilizers soon after the crops postpone the decision because they expect adjustments of fertilizer prices.

- Nitro-chalk

In price quotations (Fertecon), the prices of nitro-chalk dropped by approx. 19% compared to the preceding quarter; the comparison of the price level with Q3 of the previous year presents itself similarly, but the decline amounts to approx. 62%.

A similar trend continues also in case of ammonium nitrate price quotations. A comparison of price quotations from Q2 and Q3 of this year reveals that the prices of saltpetre dropped by approx. 7%. The relation of the price from Q3 of the current year and Q3 2008 presents itself similarly – the decline recorded amounts to approx. 59%.

- Ammonium sulphate

The prices of the fertilizer - ammonium sulphate – rose in Q3 2009 by approx. 11% as compared to quotations from Q2, but dropped by 68% as compared to Q3 of the previous year.

### 3. Significant contracts concluded within Q3 2009

The total value of trading between Azoty Tarnów and the Capital Group Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG S.A.) within the period from 19 December 2008 to the date of publication hereof came to the net value of PLN 151.1 million. The value exceeds 10% of equity of Azoty Tarnów, which is a criterion for recognizing the sum of trading as a significant value (more: Current Report No. 31/2009 of 09 November 2009).

#### **4. Accomplishment of objectives of share issue**

##### **1. Optimisation of the product portfolio and the system of selling nitrogenous fertilizers**

###### **a) Mechanical fertilizer granulation system 1,200 t/d**

The mechanical fertilizer granulation system is the most modern and the biggest in this part of Europe. The schedule of implementation and the plan of costs comply with the principles of the Plan of Investing Activities of Azoty Tarnów. The construction of the main building, structures and related facilities was completed near the end of the previous year, and the work connected with production start-up was commenced. The start-up of the mechanical granulation system of saltpetre and nitrochalk as well as ammonium nitrate-sulphate as our new product in the fertilizer industry was performed successfully.

Investment project completed.

###### **b) Modernisation of the dolomite-milling plant**

The purpose of the project was to increase the production of dolomite flour and to replace the existing mills by a modern and more efficient one. The new dolomite flour mill purchased in 2007 was installed at the turn of the years 2008 and 2009. A metal detector preventing the damage of the mill by metal elements which may occur and be brought to the plant from the dolomite mine. The equipment was put into operation at the beginning of this year in cooperation with the Bradley Company. The objective was accomplished, the project completed and put into operation according to schedule.

###### **c) Modernisation of the fertilizer packaging and forwarding station**

The purpose of the project was to increase the capacity and the efficiency in the field of fertilizers in respect of palletizing and packaging of fertilizers. A new building designated for assembly of the packaging and palletizing equipment manufactured by the company ARODO was erected. Moreover, a place for possible further extension of the packaging system was made ready for the equipment for packaging of octabins – they are consumer packages from 600 kg to 1500 kg depending on customer requirements. The objective was accomplished successfully and the project will be completed in the near future.

##### **2. Modernisation of the Caprolactam Plant including installation of a new hydrogen generation system**

###### **a) Modernisation and intensification of production of the Caprolactam Plant up to 101,300 t/year – Engineering Design**

The preparation of an engineering design of the modernised plant is in progress, the implementation of the project was commenced and the settlement of formal matters connected with purchasing of supplies and services began.

###### **b) Design for the construction of a new hydrogen generation system**

Requests for proposals concerning the supply of technology and equipment for the new Hydrogen Generation System were sent out. On the basis of proposals received, a Feasibility Study for the new Hydrogen Generation System with a capacity of approx. 8000 m<sup>3</sup>/h was prepared. It is assumed that the implementation of the investment will commence near the end of 2009 or at the turn of 2009/2010.

###### **c) Modernisation of the selective phenol hydrogenation system within the Pd catalyst**

The modernisation is required in view of increased demand for cyclohexanone and bad technical condition of some run-down devices and equipment. Its scope included the purchase of devices and equipment, a new automatic control system DCS (Distributed Control System) and a new power



switching station. After successful start-up in July this year, the project has been completed in technical respect and will be commissioned by the end of the current quarter.

### **3. Extension of the Modified Plastics Plant**

#### **a) Intensification of production of the Modified Plastics Plant – 1st and 2nd stage**

The implementation of the first stage of the project is in progress. The finishing work connected with the assembly of machinery and equipment has been continued. The commencement of implementation of the second stage depends on market situation.

#### **b) Modernisation of the Tarnamid warehouse**

An automatic palletizing line was assembled and the erection of the silo for road tanker loading which will considerably facilitate, rationalise and speed up loading is in progress. The implementation of the project runs according to schedule. Putting into operation is scheduled for Q4 2009.

### **4. Polyamide Plant II (Pa 6) 55 thousand t/year**

The work on the project of taking control of another European manufacturer of Polyamide 6 is in final stage. The purpose of the work was to assess a more cost-efficient project of taking control of another European manufacturer of Polyamide 6 that is an alternative to the project of construction of Polyamide Plant II.

## **5. Type and amounts of untypical items having impact on assets, equity and liabilities, capital, net financial result or cash flow**

In Q3 2009 no untypical items in respect of their type, amount or impact occurred which would influence assets, equity and liabilities, capital, net financial result or cash flow.

## **6. Issues, redemption and repayment of debt and capital securities**

In Q3 2009, the Capital Group Azoty Tarnów did not issue, redeem or repay any debt or capital securities.

The particulars concerning the issue of shares have been presented in the Annual Report for 2008 in item 5.9 Material events *First listing on the stock exchange*.

## **7. Utilisation of funds generated from the issue of shares**

The value of Public Offering carried out from 5 – 17 June 2008 amounted to PLN 294,770,000.

To the date of publication of this Report for Q3 2009, the Company used the funds from Public Offering deposited on time deposits adjusted to anticipated date of implementation of objectives of the issue in the following way:

- to cover the net cost of the offering being made public - PLN 9,298,000,
- to finance a part of expenditure within the scope of implementation of objectives of the issue - PLN 60,754,000, including:
  - for investment projects implemented within the scope of „Optimisation of the product portfolio and the system of selling nitrogenous fertilizers” – the entire amount planned in the Prospectus – PLN 38,000,000.
  - for projects implemented within the scope of „Modernisation of the Caprolactam Plant including installation of a new hydrogen generation system” - PLN 10,780,000.
  - for the „Intensification of production of the Modified Plastics Plant” - PLN 11,974,000.

In order to finance expenditures within the scope of implementation of objectives of share issue, the Company utilised funds generated from Public Offering in the total amount of PLN 60,754,000, including

from the date of publication of the Report for the first half of 2009 the amount of PLN 10,078,000 for financing expenditure incurred in Q3 2009.

The funds from the share issue from the date of publication of the previous periodic report (for the first half of 2009) were used mainly for financing payments within the scope of implementation of planned objectives of the issue of shares, i.e. „Modernisation of the Caprolactam Plant including installation of a new hydrogen generation system” in the amount of PLN 2,956,000 as well as „Intensification of production of the Modified Plastics Plant” in the amount of PLN 7,122,000.

in PLN '000

Project name	Expenditure from				financed from share issue after publication of the Report for 1 <sup>st</sup> half of 2009	Expenditure in Q3 2009
	1.07.2008, including	from loan	from own funds	from share issue		
<b>Optimisation of the product portfolio and the system of selling nitrogenous fertilizers</b>						
Mechanical fertilizer granulation system 1200 t/d	31 676	6 291	2 405	22 980	-	2 059
Modernisation of the dolomite milling-plant	4 199	-	1 229	2 970	-	53
Modernisation of the fertilizer packaging and forwarding station	13 150	-	1 100	12 050	-	(777)
<b>Total</b>	<b>49 025</b>	<b>6 291</b>	<b>4 734</b>	<b>38 000</b>	<b>-</b>	<b>1 335</b>
<b>Modernisation of the Caprolactam Plant including installation of a new hydrogen generation system</b>						
Modernisation of the air compression station for the Cyclohexane Oxidation System within K-54	2 419	-	1 240	1 179	37	37
Modernisation of process controls within systems of the Cyclohexane Plant	410	-	410	-	-	-
Modernisation of the selective phenol hydrogenation system within the Pd catalyst	8 426	-	60	8 366	2 122	2 122
Modernisation and intensification of production of the Caprolactam Plant up to 101.3 thousand t/year	1 331	-	96	1 235	797	797
<b>Total</b>	<b>12 586</b>	<b>-</b>	<b>1 806</b>	<b>10 780</b>	<b>2 956</b>	<b>2 956</b>
<b>Extension of the Modified Plastics Plant</b>						
Intensification of production of the Modified Plastics Plant - stages I+II	8 570	-	34	8 536	5 180	5 180
Modernisation of Tarnamid warehouse	3 438	-	-	3 438	1 942	1 942
<b>Total</b>	<b>12 008</b>	<b>-</b>	<b>34</b>	<b>11 974</b>	<b>7 122</b>	<b>7 122</b>
<b>Total projects financed within the scope of objectives of the issue of shares</b>	<b>73 619</b>	<b>6 291</b>	<b>6 574</b>	<b>60 754</b>	<b>10 078</b>	<b>11 413</b>

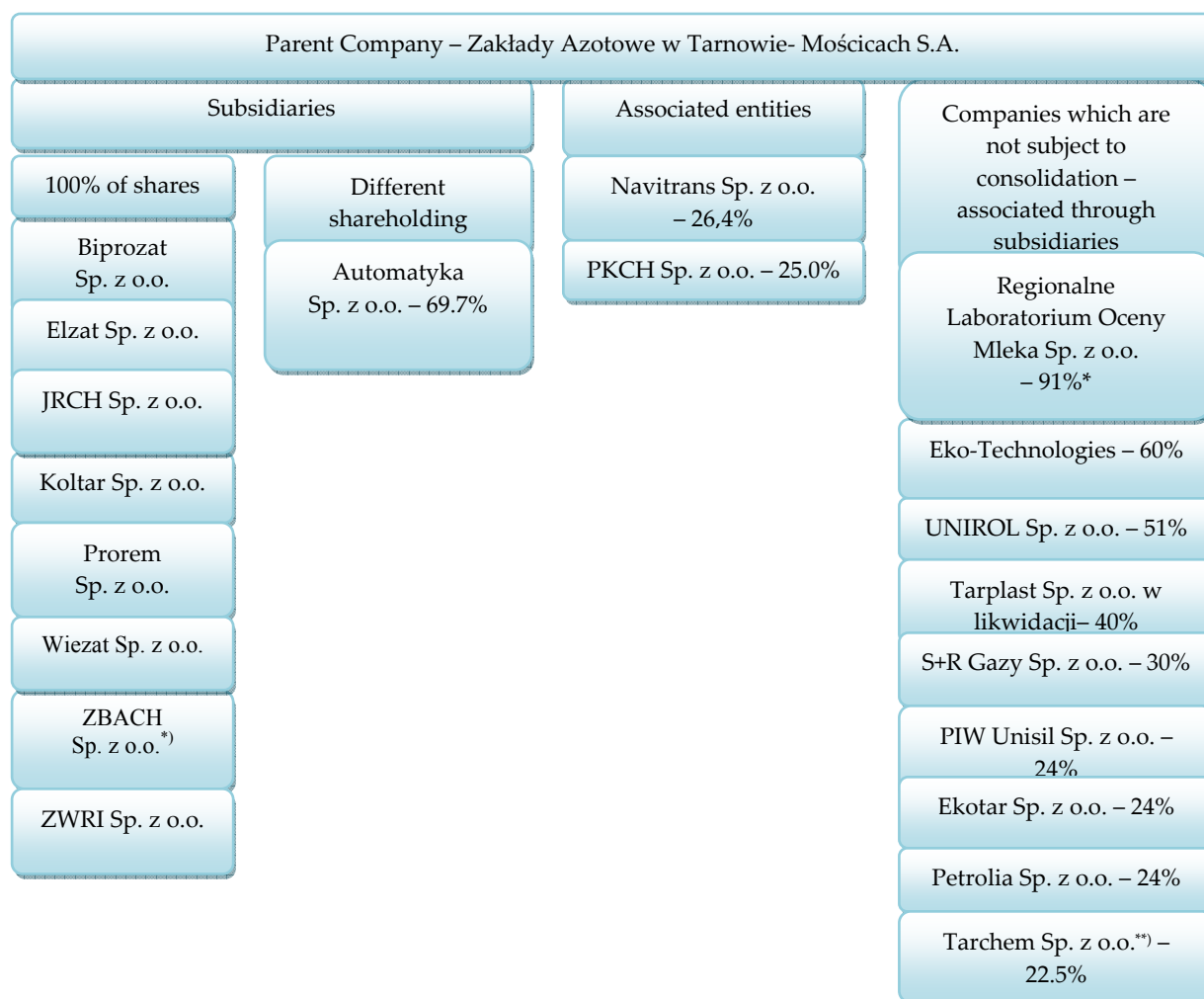
## B. OTHER INFORMATION

### 1. Description of organisation of the Capital Group

As at 30 September 2009, the Capital Group of Zakłady Azotowe w Tarnowie –Mościcach S.A. was composed of Zakłady Azotowe w Tarnowie-Mościcach S.A. – Parent Company and:

- 9 subsidiaries (with the share in capital over 50%),
- 2 associated companies (with the share in capital between 20%-50%).

The graphic presentation of the Capital Group including entities which are subject to consolidation as well as those which are not subject to consolidation as at 30 September 2009.



\*) the shares were sold on 29 October 2009 (details in item C.7)

\*\*) all shares held were sold by the subsidiaries on 9 October 2009 (details in item F.2)

Companies which are not subject to consolidation are entities associated through subsidiaries. They are not subject to consolidation with regard to insignificance.

Azoty Tarnów holds also shares in 21 entities in which it is a minority shareholder.  
 Minority shareholdings of Zakłady Azotowe w Tarnowie- Mościcach S.A. as at 30 September 2009.

Name of entity	% of shares
Tarnowskie Wodociągi Sp. z o.o.	12.55%
Tarnowski Klaster Przemysłowy S.A.	0.1077%
Tarnowska Agencja Rozwoju Regionalnego S.A.	0.06%
Wytwórnia Salami „IGLOOMEAT” – Sokołów Sp. z o.o.	0.0197%
Francusko-Polskie Przedsiębiorstwo Instalacji Przemysłowych „POLSNIG” Sp. z o.o.	2.67%
Centrum Naukowo - Produkcyjne Materiałów Elektronicznych „CEMAT’70” S.A.	1.24%
CENTROZAP S.A.*)	0.016%
POLIMEX MOSTOSTAL S.A.	0.052%
ENERGOAPARATURA S.A.	0.04%
Sportowa Spółka Akcyjna Unia Tarnów	8.00 %
INWESTSTAR S.A.	0.06%
Zakłady Włókien Chemicznych „WISTOM” S.A. w Upadłości	9.83%
Zakłady Tworzyw Sztucznych "PRONIT" S.A. w Upadłości	0.28%
LEN S.A. w Likwidacji	0.289%
Tłocznia Metali "PRESSTA" S.A. w Upadłości Likwidacyjnej	0.019%
Chłodnie „Igloopol” Sp. z o.o. w Likwidacji**)	0.003%
UNIONTEX S.A. w Upadłości	0.03%
Wytwórnia Silników "PZL MIELEC" Sp. z o.o. w Upadłości	0.12%
Zakłady Przemysłu Dziewiarskiego „KARO” S.A. w Likwidacji	0.17%
Południowe Zakłady Przemysłu Skórzanego "Chelmek" S.A. w Upadłości Likwidacyjnej	0.03%
Konsorcjum Rozwoju Eksploatacji Majątku Trwałego „EKSPLOSYSTEM” Sp. z o.o.	3.36%

The following changes took place in the reported period:

\*) CENTROZAP S.A. – the share capital of the Company was increased to the amount of 216,158,000,00 (present share of ZAT S.A. in the capital of the Company amounts to 0,015868%).

\*\*\*) the company Chłodnie „Igloopol” Sp. z o.o. w Likwidacji has been deleted from the National Court Register on 2 July 2009.

Characteristics of operations of particular entities which are members of the Capital Group of Azoty Tarnów and are subject to consolidation as at 30 September 2009:

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

The Company was entered into the Register of Business Entities of the National Court Register under No. KRS 0000075450 on 28 December 2001 pursuant to a decision of the District Court for Kraków-Śródmieście in Cracow, 12<sup>th</sup> Economic Division of the National Court Register of 28 December 2001.

Scope of activities: manufacturing and selling of chemicals and plastics (PKD [Polish Classification of Business Activities] 2414Z).

## **Subsidiaries:**

### **„AUTOMATYKA” Sp. z o.o.**

The Company was registered on 7 November 1997. It is based in Tarnów at ul. E. Kwiatkowskiego No. 8. The Company was entered in the National Court Register under No. KRS 0000085959 on 6 February 2002 by the District Court for Kraków-Śródmieście in Cracow, 12th Economic Division of the National Court Register.

Scope of activities: manufacturing of control equipment, monitoring of industry processes, designing and construction of systems, activities connected with mechanical engineering and hardware consulting (PKD 3313Z).

### **Biuro Projektów Zakładów Azotowych „BIPROZAT – TARNÓW” Sp. z o.o.**

The Company was registered on 2 March 1994. It is based in Tarnów at ul. E. Kwiatkowskiego No. 7. The Company was entered in the National Court Register under No. KRS 0000199462 on 12 March 2004 by the District Court for Kraków-Śródmieście in Cracow, 12th Economic Division of the National Court Register.

Scope of activity: designing, preparation of documentation and organisation of supplies of systems and appliances; trade, consulting, IT activities; new technologies (PKD 7420 A).

### **Jednostka Ratownictwa Chemicznego Sp. z o.o.**

The Company was registered on 19 November 1993. It is based in Tarnów at ul. E. Kwiatkowskiego No. 8. The Company was entered in the National Court Register under No. KRS 0000188857 on 29 January 2004 by the District Court for Kraków-Śródmieście in Cracow, 12<sup>th</sup> Economic Division of the National Court Register. The Company mainly offers services related to environmental protection.

Scope of activities: services in the area of neutralizing, recycling, recovery and storage of waste materials; sewage treatment; removal of breakdown consequences; water, air and sewage analysis; training; transport of hazardous materials; food testing; manufacture of and trade in chemical products (PKD 9001Z) as well as production of plastic products (PKD 22.2) – since 24 March 2009.

### **Przedsiębiorstwo Transportu Kolejowego „KOLTAR” Sp. z o.o.**

The Company was registered on 7 December 1999. It is based in Tarnów at ul. E. Kwiatkowskiego No. 8. The Company was entered in the National Court Register under No. KRS 0000206663 on 12 May 2004 by the District Court for Kraków-Śródmieście in Cracow, 12<sup>th</sup> Economic Division of the National Court Register.

Scope of activities: forwarding services related to the shipment and acceptance of railway consignments; loading and unloading services; cleaning and inspections of cisterns and wagons; trade activities; maintenance of railway lines related to operation of the entity's railway station (PKD 6010Z).

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

The Company was registered on 2 March 2004. It is based in Tarnów at ul. E. Kwiatkowskiego No. 8. The Company was entered in the National Court Register under No. KRS 0000205643 on 29 April 2004 by the District Court for Kraków-Śródmieście in Cracow, 12<sup>th</sup> Economic Division of the National Court Register.

Scope of activities: installation of electrical systems, manufacture of mechanical appliances and tools, metal processing, selling of waste materials and scrap, technical tests and analyses, finishing works (PKD 3110).

**PROReM Sp. z o.o.**

The Company was registered on 14 October 1998. It is based in Tarnów at ul. E. Kwiatkowskiego No. 8. The Company was entered in the National Court Register under No. KRS 0000095916 on 6 March 2002 by the District Court for Kraków-Śródmieście in Cracow, 12<sup>th</sup> Economic Division of the National Court Register.

Scope of activities: production and services (construction; assembly; sanitary, industrial, electrical, measuring, telecommunications and other systems), repairs and modernisation of specialised components of fixed assets (PKD 2924B).

**Wieżat Sp. z o. o.**

The Company was registered on 6 October 1988. It is based in Tarnów at ul. E. Kwiatkowskiego No. 8. The Company was entered in the National Court Register under No. KRS 0000130185 on 13 September 2002 by the District Court for Kraków-Śródmieście in Cracow, 12<sup>th</sup> Economic Division of the National Court Register.

Scope of activities: repair, modernisation and construction services; trade activities (PKD 4532Z).

**Zakład Budowy Aparatury Chemicznej „ZBACH” Sp. z o.o.**

The Company was registered on 15 November 1993. It is based in Tarnów at ul. E. Kwiatkowskiego No. 8. The Company was entered in the National Court Register under No. KRS 0000135985 on 23 October 2002 by the District Court for Kraków-Śródmieście in Cracow, 12<sup>th</sup> Economic Division of the National Court Register.

Scope of activities: manufacture of industrial appliances; industrial services; exports and imports of goods; trade; preparation of detailed design documentation (PKD 2821Z).

**ZWRI Sp. z o.o.**

The Company was registered on 28 December 1993. It is based in Tarnów at ul. E. Kwiatkowskiego No. 8. The Company was entered in the National Court Register under No. KRS 0000074630 on 4 January 2002 by the District Court for Kraków-Śródmieście in Cracow, 12<sup>th</sup> Economic Division of the National Court Register.

Scope of activities: production and services (construction; assembly; sanitary, industrial, electrical, measuring, telecommunications and other systems – PKD 4521).

#### **Associated companies:**

##### **Navitrans Sp. z o. o.**

The Company was registered on 29 June 1992. It is based in Gdynia at ul. Świętojańska 18/5. The Company was entered in the National Court Register under No. KRS 0000062936 on 20 November 2001 by the District Court in Gdańsk, 8<sup>th</sup> Economic Division of the National Court Register.

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

##### **Polskie Konsorcjum Chemiczne Sp. z o.o.**

The Company was registered on 23 December 2008. It is based in Warsaw, at ul. Puławska 182. The Company was entered in the National Court Register under No. KRS 0000319998 on 19 February 2009 by the District Court for the capital city of Warsaw in Warsaw, 13<sup>th</sup> Economic Division of the National Court Register.

Scope of activities:

- operations of financial holdings ( PKD 64.20.Z ),
- operations of head offices and holdings, with the exclusion of financial holdings ( PKD 70.10.Z),
- other consulting services within the scope of business operation and management ( 70.22.Z ),
- accounting and bookkeeping activities; tax consultancy ( 69.20.Z ).

## **2. Changes in the structure of business entities, including changes resulting from the merger of business entities, takeover or disposal of entities belonging to the Capital Group of the company, long-term investments, demerger, restructuring and discontinuation of operations.**

- On 29 July 2009, the associated company JRCH Sp. z o.o. took over the company Regionalne Laboratorium Oceny Mleka Sp. z o.o. by purchasing 91,33% of shares of the total face value of PLN 590,000.
- On 9 October 2009, the subsidiaries: JRCH Sp. z o.o. and „Elzat” Sp. z o.o. sold their shares in the company „Tarchem” Sp. z o.o. The number of shares sold: JRCH Sp. z o.o. – 20, „Elzat” Sp. z o.o. – 25.
- On 21 October 2009 took place an Extraordinary General Meeting of Zakłady Azotowe w Tarnowie-Mościcach S.A. at which among other things the resolution on approval of disposal of 100% of shares held by Zakłady Azotowe w Tarnowie- Mościcach S.A. in the company „Zbach” Sp. z o.o. (subsidiary) on conditions specified in the request of the Company’s Managing Board of 7 September 2009 was passed.  
On 29 October 2009, the Company disposed of 100% of shares of the company „ZBACH” Sp. z o .o. (details in item C.7).

## **3. Position of the Managing Board concerning the accuracy of forecasts**

In connection with the fact that the Company did not publish the forecasts of financial results for 2009, we do not present the position of the Managing Board of Azoty Tarnów regarding the accuracy of forecast results.

**4. Information about shareholders holding (directly or indirectly through subsidiaries) at least 5% of the total number of votes at the General Meeting as at the date of publication hereof with the indication of the number of shares held by these entities, their percentage participation in share capital, the number of votes resulting from it and their percentage share in the general number of votes at the General Meeting and indication of changes in the ownership structure of considerable packages of Issuer's shares within the period from the presentation of the last semi-annual report.**

As at the date of publication hereof, i.e. 16 November 2009"

Name of Entity	Number of shares / votes at the GM	Participation in share capital / percentage of votes at the GM
Nafta Polska S.A. ul. Jasna 12 00-003 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%

The State Treasury holds directly 3,48% of shares in the equity of Zakłady Azotowe w Tarnowie-Mościcach S.A., and Nafta Polska S.A. (a company with 100% shareholding of the State Treasury) is the holder of 49,08% of shares, which totals to the Treasury's indirect holding of over 52% in the Company's equity.

No changes in the structure of ownership of considerable share packages were recorded in the period since the presentation of the last semi-annual report (for the first half-year of 2009).

**5. Shares of Zakłady Azotowe w Tarnowie- Mościcach S.A. held by members of executive and supervisory bodies of the Company as at the date of presentation of the quarterly report , with the indication of changes in the ownership structure within the period from the presentation of the last periodic report, separately for each person.**

Shares held by members of executive and supervisory bodies of the Company:

Itemisation	Number of shares as at 31.08..2009	Changes		Number of shares as at 16.11. 2009
		acquisition	disposal	
Vice-President of the Management Board – Witold Szczypiński	390	-	-	390
Member of the Management Board – Franciszek Bernat	390	-	-	390
Member of the Supervisory Board – Jan Wais	590	-	590	0
Member of the Supervisor]y Board – Krzysztof Pieńkowski	390	340	-	730



The number of shares held by the abovementioned members of executive bodies of the Company did not change within the period from the date of presentation of the semi-annual report for the first half-year of 2009 to the date of publication hereof, i.e. to 16.11.2009.

However, the number of shares in the Company changed in case of members of supervisory bodies of the Company. Mr Jan Wais disposed of 590 shares, and Mr Krzysztof Pieńkowski acquired 340 shares of the Company.

As at the day of presentation hereof, i.e. at 16.11.2009, other members of executive and supervisory bodies of the Company held no shares in Azoty Tarnów.

## **6. Court proceedings**

The companies from the Capital Group of Azoty Tarnów are not a party to proceedings relating to liabilities or receivables with the value of at least 10% of the Issuer's equity, i.e. approx. PLN 111.5 million.

The total value of all proceedings relating to liabilities or receivables with the participation of Companies from the Capital Group of Azoty Tarnów has not exceeded the value of 10 % of the Issuer's equity.

## **7. Securities for loans or cash loans, guarantees issued**

Within the reporting period, the Companies from the Capital Group of Azoty Tarnów did not give any securities for loans or cash loans and did not issue any guarantees.

## **8. Other information significant for the evaluation of staff situation, financial and asset position, financial result and changes of the above in the Company and its Capital Group as well as information significant for the assessment whether the Company and its Capital Group will be able to fulfil their obligations**

### **1. Composition of supervisory and executive bodies.**

Within the reported period, the composition of executive and supervisory bodies of Azoty Tarnów did not change.

As at the date of presentation of the report for Q3 2009, the composition of supervisory and executive bodies is as follows:

### **Management Board of Azoty Tarnów**

- Jerzy Marciniak – President of the Management Board – Managing Director
- Witold Szczypiński – Vice President of Management Board – Board Member
- Andrzej Skolmowski – Vice President of the Management Board – Board Member
- Franciszek Bernat – Member of the Management Board

### **Supervisory Board of Azoty Tarnów**

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

- Armin Teske – Member

## 2. Responsibilities of members of the Management Board of Azoty Tarnów

Distribution of responsibilities of members of the Management Board according to the Resolution No. 190/VII/2009 of the Management Board of Zakłady Azotowe w Tarnowie - Mościcach S.A. of 8 April 2009. The responsibilities of the President of the Company's Management Board – Managing Director Mr Jerzy Marciniak include:

- a) initiation of work on preparation of Company's strategy,
- b) general supervision and coordination of Company's activities,
- c) care for proper image of the Company,
- d) managing the work of the Company's Management Board and chairing its meetings,
- e) performing the duties of an employer in the Company's enterprise within the meaning of regulations of the Labour Code,
- f) supervision of work connected with restructuring and privatisation of the Company,
- g) supervision of the activities of organisational entities and units subordinate directly to the President of the Management Board – Managing Director,
- h) approval of economic and inventory audit programs and making decisions to carry them out,
- i) owner supervision of the subsidiaries of the Capital Group,
- j) representation of the Company in all court and out-of-court actions together with another Member of the Company's Management Board or with a proxy.

The President of Company's Management Board – Managing Director is responsible for:

- a) initiation, coordination of preparation and implementation of multiannual and annual plans and strategies for the operations of the Company's enterprise,
- b) rational organisation of the Company's enterprise,
- c) staff and payroll policy, as an employer within the meaning of regulations of the Labour Code,
- d) creation of conditions for achievement of optimal economic effects by the Company's enterprise by means of supervision of the work of functional departments and Business Centres with the aid of subordinate directors,
- e) supervision of the accomplishment of set objectives by particular functional departments, Business Centres and organisational units of the Company's enterprise,
- f) creation, supervision, coordination and implementation of policy connected with management systems,
- g) supervision of activities connected with the creation of the Company's image and prestige,
- h) creation of an information policy connected with the Company's activities,
- i) implementation of decisions and resolutions of the Company's Management Board in accordance with the Company's interests and regulations of the law,
- j) representation of the Company towards its bodies as well as towards state and local government authorities,
- k) cooperation with trade unions and other organisations operating pursuant to the Statutes on the premises of the Company's enterprise, within the scope established by the law and by internal agreements.

The responsibilities of the Vice President of the Company's Management Board Mr Witold Szczypiński who supervises the areas of production, technology and development include:

- a) supervision and coordination of the activities of the Business Centres as well as the Development Department and the Technical Department,
- b) supervision and coordination of the preparation and implementation of development strategies and programmes, production tasks, investment projects as well as research work and licensing policy,

- c) coordination and supervision of the implementation of production, technical, technological, development, modernisation, environmental protection tasks as well as tasks related to occupational safety, fire protection, chemical rescue and crisis management,
- d) determination of policy within the scope of industrial property protection and related licensing policy as well as supervision of accomplishment of tasks within this scope,
- e) representation of the Company in all court and out-of-court actions together with another Member of the Company's Management Board or with a proxy.

Vice President of the Company's Management Board who supervises the areas of production, technology and development is responsible for:

- a) preparation and implementation of development strategies and plans as well as technical supervision of the implementation of production plans and repairs,
- b) supervision of the coordination of production, technical and technological operations of the Company's enterprise with the observance of the conditions of occupational safety, technical safety, fire and environmental protection, chemical rescue and crisis management tasks,
- c) supervision of planning, organisation and implementation of investment, modernisation as well as research & development projects,
- d) implementation of policies relating to licenses, patents and industrial property protection,
- e) implementation of decisions and resolutions of the Company's Management Board in accordance with Company's interests and regulations of the law,
- f) representation of the Company towards its bodies and in relations with business partners.

The responsibilities of the Vice President of the Company's Management Board Mr Andrzej Skolmowski who supervises the areas of finance and commerce include:

- a) formulation of the financial strategy and coordination of its documentation,
- b) coordination of the preparation of multiannual and annual strategies and plans relating to the commercial and marketing policy,
- c) coordination and supervision of strategy implementation within the scope of:
  - finance and accounting,
  - product sales system,
  - raw material purchasing system,
  - marketing activities,
  - logistics activities, including the warehousing system,
  - circulation of commercial information,
- d) functional supervision and coordination of operations connected with financial management of fixed assets,
- e) supervision and coordination of proper functioning of:
  - the planning and controlling system,
  - the Balance Score Card (BSC),
  - the Company's financial and accounting system,
  - the circulation of economic and financial information, including stock-exchange reporting,
- f) coordination of accounting and financial policy and specification of its principles,
- g) supervision of the work of the Finance Department, the Strategic Marketing Department, the Purchasing and Logistics Department as well as the commercial activity of Business Centres,
- h) representation of the Company in all court and out-of-court actions together with another Member of the Company's Management Board or a proxy.

The Vice President of the Company's Management Board who supervises the areas of finance and commerce is responsible for:

- a) initiation and coordination of the preparation of sector strategies of the Company's enterprise within the scope of functions performed by organisational units responsible for finance, accounting, purchasing, logistics, marketing and commerce as well as their verification and supervision of implementation,
- b) supervision of the application of accounting principles in accordance with applicable regulations and International Accounting Standards,
- c) supervision of the process related to public trading in the Company's shares,
- d) supervision and coordination of tasks within the scope of stock-exchange reporting,
- e) organisation of economic audits and stock-taking,
- f) ensuring proper circulation, monitoring and archiving of accounting documents,
- g) supervision of the Company's financial management in accordance with applicable principles, particularly with regard to:
  - observance of the principles of monetary settlements and ensuring proper protection of monetary assets,
  - observance of applicable tax regulations and ensuring timely settlements with the Budget and the state institutions,
- h) supervision of the settlements of financial tasks and budgets of Business Centres, functional departments and organisational units,
- i) coordination and supervision of the settlements of commercial and marketing tasks of Business Centres and functional departments,
- j) supervision of the execution of financial settlements resulting from the performance of purchase and sale contracts,
- k) implementation of decisions and resolutions of the Company's Management Board in accordance with the Company's interests and regulations of the law,
- l) representation of the Company towards its bodies and in relations with business partners.

The responsibilities of the Member of the Management Board Mr Franciszek Bernat, who was elected by the Employees, include:

- a) general supervision of infrastructure and energy issues – in cooperation with the Board Member responsible for the area of production, technology and development,
- b) coordination of the Company's activities within the scope of created industrial parks, technology parks, industrial zone and economic zone,
- c) coordination of activities connected with management and infrastructure and resulting from ownership changes,
- d) supervision and coordination of cooperation with trade unions, associations and clubs operating within Azoty Tarnów and with local community,
- e) supervision and coordination of work related to the programme of restructuring and separation of some areas, including areas of infrastructure and functioning of Azoty Tarnów,
- f) supervision of privatisation processes of entities in which Azoty Tarnów holds interests or shares,
- g) supervision and coordination of implemented projects in collaboration with the Company's environment (state and local administrative bodies, schools and universities, chambers and associations, business organisations, etc.),
- h) representation of the Company in all court and out-of-court actions together with another Member of the Company's Management Board or a proxy.

The Member of the Management Board elected by the Employees is responsible for:

- a) initiation and coordination of implementation of the strategy relating to the participation of Azoty Tarnów in industrial and technology parks which are created or functioning as well as in industrial and economic zones,

- b) coordination of implementation of the strategy within the scope of relocation and separation of some areas in which Azoty Tarnów operate,
- c) planning and coordination of implementation of projects related to the optimisation of costs in the sphere of infrastructure, including the disposal or development of redundant non-productive assets and properties,
- d) maintenance and development of positive relations with the business environment, including coordination of cooperation with trade unions.
- e) planning, preparation and supervision of negotiations conducted with investors with regard to the disposal of shares / stocks in subsidiaries as well as the issue of new shares – in collaboration with the President of the Company's Management Board,
- f) implementation of decisions and resolutions of the Company's Management Board in accordance with the Company's interests and regulations of the law.
- g) representation of the Company before its bodies, state and local government institutions as well as in relations with business and social partners.

### 3. Process of privatisation of Azoty Tarnów

In connection with the Multilateral Agreement signed on 18 March 2009, in Q3 2009 the Company participated in the process of privatisation of the Company carried out by Nafta Polska S.A. The Agreement was concluded between Nafta Polska S.A. based in Warsaw and the companies: Ciech S.A. based in Warsaw, Azoty Tarnów and Zakłady Azotowe Kędzierzyn S.A. based in Kędzierzyn – Koźle, financial adviser of Nafta Polska S.A., Raiffeisen Investment AG based in Vienna and Raiffeisen Investment Polska Sp. z o.o. based in Warsaw as well as the legal adviser of Nafta Polska S.A., Radzikowski, Szubielska i Wspólnicy Spółka Komandytowa based in Warsaw for the purpose of implementation of the process of searching for and selection of an investor or investors who will acquire the shares of Azoty Tarnów, ZAK and Ciech and who can at the same time take up shares in the increased capital of the abovementioned companies.

(Details in the Report for the first half of 2009, page 10, item A.II.).

In view of the above, in the reporting period have been prepared basic documents and reports on the Company relating to financial, fiscal and environmental areas which will be presented to potential investors. Currently, in accordance with adopted schedule of the process, the auditing of the Company by potential investors is continued. A particular attention in the course of this process was paid to the observance of the requirements of regulations on public trading concerning the presentation of data and information.

### 4. Redundancy scheme

In the reporting period, the voluntary layoff scheme implemented in Zakłady Azotowe w Tarnowie - Mościcach S.A. pursuant to the Agreement of 22 January 2009 concluded between the employer and the trade unions operating within the Company was continued. The scheme provided for the payment of financial incentives for employees entitled to pension and early retirement allowance as well as for other employees who do not have the abovementioned rights, if they submit a voluntary declaration expressing their will to participate in the redundancy scheme.

### 5. Significant organisational changes within the Group

In connection with the fact that from 1 June 2009 the Fertilizers Centre took over tasks and duties in the area of sales of ammonium sulphate (implementation of the Resolution of the Management Board No. 182/VII/2009 and the internal regulation No. 24/2009), changes in the organisational chart of the Fertilizers Centre have been introduced.

As of 1 July 2009, the fractioning, warehousing and forwarding of ammonium sulphate were transferred from the Caprolactam Centre to the Fertilizers Centre. A new production department called Department of Warehouses and Fertilizer Forwarding was established from the abovementioned operation facilities as well as from other facilities and systems (carousel packaging machines, fertilizer packaging and palletizing system, saltpetre warehouses).

In July 2009 has been eventually completed the work consisting in preparation of new, detailed organisational charts of the Fertilizers Centre, staff transfers as well as the preparation of new functions adjusted to implemented changes.

Operation of the area connected with loading, forwarding and sales of all fertilizer products at Azoty Tarnów was assigned to the Fertilizers Centre.

As of 1 July 2009, the activities related to packaging and customizing of reagents (nitric acid, ammonia water, formalin) and filling cylinders with liquid carbon dioxide carried out in the Fertilizers Centre were transferred to Jednostka Ratownictwa Chemicznego Sp. z o.o.. The above was connected with and resulted from the Agreement concerning this matter signed beforehand between Azoty Tarnów and the subsidiary.

As of 1 July 2009, after completing the tendering procedure, the activities related to unloading of dolomite rock, which hitherto had been carried out by the Fertilizers Centre, was transferred to the subsidiary „Koltar” Sp. z o.o.

As of 1 October 2009, pursuant to the Resolution of the Management Board No. 286/VII/2009 of 21 September 2009, the Chlorine Products Department that was permanently put out of operation was transferred together with fixed assets to the Technical Department with direct subordination to the Assets Liquidation Team.

#### 6. Allowances for work in continuous operation and two-shift system in 2009.

On 22 September 2009 was concluded an agreement between the employer and the trade unions operating within the Company concerning allowances for work in continuous operation and two-shift system in 2009. The allowances increased by PLN 30 monthly. The parties to the agreement decided that the agreement of 22 December 2008 concerning the increase of allowances for work in continuous operation and two-shift system as well as the plans relating to the amount of these allowances in future will enter into force from 1 October 2009. Moreover, the parties agreed that the employees working in the two—shift system will receive a reward being an equivalent in the amount of PLN 270 for the allowances from 1 January 2009 to 30 September 2009.

On 22 September 2009 was signed the Additional Protocol No. 12 to the Collective Labour Agreement. In the Additional Protocol, new amounts of allowances for work in continuous operation and in the two-shift system have been included. The Protocol entered into force from 1 October 2009.

#### 7. Approval of the acquisition of fixed assets.

On 7 September 2009, the Supervisory Board of Zakłady Azotowe w Tarnowie - Mościcach S.A. approved the following Requests of the Company's Management Board submitted to the General Meeting:

- concerning the approval of the acquisition of fixed assets within the scope of implementation of the investment project „System for complex ash removal from EC-II boilers” for the amount of PLN 16 million,

The Company has planned to construct within 1.5 years a system for removal of dry ash generated by the in-house heat and power station that will allow collecting and supplying the ash to external recipients and will be the next ecological investment.

Currently, ash and slag are deposited on the storage yard by the use of the hydro-ash-removal system. Only a small part of the ash is collected in dry state. The new system will allow collecting of the total volume of ash generated in the in-house power and heat station in a dry state. As a result, it will be possible to supply companies using this material: cement plants, manufacturers of building materials and the road construction industry with the ash from all boilers. In view of good quality properties of this material, many enterprises cooperating with the Company declare interest in receiving the material today and in the future.

The implementation of this ecological investment shall be financed from own funds as well as by funding from the Operational Programme Infrastructure and Environment

- concerning the approval of the acquisition of fixed assets within the scope of implementation of the investment project „Modernisation of the power supply system for the GPZ (main power supply stations) at Zakłady Azotowe w Tarnowie – Mościcach S.A.” for the amount of PLN 17 million.

On 21 October 2009, the requests were approved by the Extraordinary General Meeting of Zakłady Azotowe w Tarnowie- Mościcach S.A.

#### 8. Implementation of the Occupational Health and Safety Management System.

At Zakłady Azotowe w Tarnowie-Mościcach S.A are continued operations aiming at the implementation of the Occupational Health and Safety Management System according to the Polish standard PN-N-18001 and the British standard OHSAS 18001. The operations are carried out by the Implementation Team working according to the Schedule of Implementation of the Occupational Health and Safety Management System. Zakłady Azotowe w Tarnowie-Mościcach S.A is interested in taking action aiming at the improvement of occupational health & safety. The Management Policy taking into consideration the requirements of the standards PN-N-18001 and OHSAS 18001 is implemented as the most effective method to ensure a high level of occupational health & safety in view of the necessity to observe legal regulations applicable in this area, the expectations of the public as well as the opportunities of achieving positive economic effects.

#### 9. Implementation of the Quality Management System consistent with the requirements of the automotive industry.

At Zakłady Azotowe w Tarnowie - Mościcach S.A. are carried out operations aiming at the implementation of the Quality Management System consistent with requirements of the automotive industry according to the technical specification ISO/TS 16949:2002. The project is implemented by the Task Team appointed for that purpose. The project encompasses system implementation for: the Tarnoform and Formalin Department (production of natural Tarnoform), the Caprolactam Polymerisation Department (production of natural Tarnamid), Modified Sheaths and Granules Department (production of Tarnamid and modified Tarnoform), Operational Marketing Department/Plastics Laboratory (designing, development and quality control process) as well as the accomplishment of system certification.

The tasks included in the “Schedule for implementation and certification of the Quality Management System (QMS) for the automotive industry according to ISO/TS 16949:2002” are accomplished successively.

The work on the implementation of the QMS consistent with the requirements of the automotive industry according to ISO/TS 16949:2002 in Q3 2009 concentrated mainly on: the preparation of the FMEA project analysis (Failure Mode and Effect Analysis), the determination of requirements of customers from the automotive industry (domestic and foreign), the preparation of an example document reflecting the layout of the production floors. Moreover, an internal training for the personnel servicing the production processes in areas in which the system is implemented was conducted. The subject matter of the training included among other things issues introducing to the QMS for the automotive industry as well as issues

concerning the improvement of quality and productivity, related to process adjustments, product protection, non-conforming product and other.

#### 10. Claim of Bank PKO S.A.

The Group did not show the claim of Bank Pekao S.A. in Warsaw in the amount of PLN 7,095,000 with statutory interest as from 29 March 2007, resulting from the lawsuit concerning the payment of compensation, in contingent liabilities because in opinion of the Group the claim is without merit. The Group filed a petition for dismissal of the action in whole. In the first instance, the action of the Bank was dismissed by the decision of 20 May 2008. On 10 July 2008, Bank Pekao S.A. lodged an appeal against the abovementioned decision. With the ruling of the Court of Appeal in Cracow of 19 September 2008, the decision of the court of first instance was revoked and remanded for re-examination. In view of the payment of three successive instalments by Azoty Tarnów according to the Arrangement, the Bank withdrew a part of the claim. In the course of the process, the claimant sustained the claim in the amount of PLN 7,095,000. After re-examination of the case, on 6 April 2009 the Circuit Court dismissed the action of the Bank in whole. On 13 May 2009, the Bank lodged an appeal against the abovementioned ruling. With the judgment of 4 September 2009, the Court of Appeal in Cracow changed the ruling of the Circuit Court in Tarnów in such a way that it adjudicated that the amount of PLN 4,730,007,00 with statutory interest as from 29 March 2007 is to be paid by Zakłady Azotowe w Tarnowie- Mościcach S.A. for the benefit of Bank Pekao SA. The action was dismissed in the remaining part. Furthermore, the Court awarded for the benefit of the Bank PLN 50,000 as the refund of process costs and PLN 100,000 as the refund of costs of the appeal proceedings.

On 21 September 2009, the Company put the abovementioned judgment into effect by making a payment of the total amount of: PLN 6,287,799,63, including:

- principal claim acc. to the decision – PLN 4,730,007,00
- statutory interest as from 29 March 2007 to the date of payment – PLN 1,407,792,63
- process costs ( 50% awarded from ZAT S.A. ) – PLN 150 000.00

Furthermore, the Company filed a request for a copy of the judgment together with grounds to be issued. Upon receiving the grounds of the judgment, the Company will take a decision regarding possible appeal to the Supreme Court.

### 9. Factors affecting obtained results in the perspective of at least next quarter

#### *Revenues from deposits of funds generated from the stock exchange*

As at 30 September 2009, on time deposits of funds generated from the issue of shares of the Company and in the remaining part of the funds generated from current operations the amount of PLN 230 million was deposited, including time deposits with maturity under 3 months from the balance sheet date in the amount of PLN 50 million and time deposits with maturity from 3 months to 1 year in the amount of PLN 180 million.

Furthermore, on bank accounts and one-day deposits of the Company there was the amount of PLN 3.9 million for financing of current operations.

Financial revenues generated in Q3 2009 from time deposits of funds from the issue of shares amounted to PLN 4 million.

The revenues from deposits of funds from the issue of shares planned for Q4 2009 amounts to approx. PLN 3 million, which results in the first place from the series of reductions of interest rates of the National Bank of Poland carried out by the Monetary Policy Council within the period of 9 months before the end of the first half-year of 2009 which influence the level of market interest rates, and to a smaller extent from the reduction of the balance of deposits resulting from the utilisation of funds for the accomplishment of objectives of share issue.



### *Seasonality*

Information on seasonality is included in item C.9 hereof.

### *Exchange rates*

The fluctuation of exchange rates has a significant influence on the revenues from sales and the results of the Group.

In Q3 2009, in view of the stabilisation of leading world economies as well as the symptoms of revival in the foreign trade, a gradual increase of the level of risk accepted by investors, and simultaneous return of confidence in the financial market institutions are still observed, which results in an increased liquidity of the domestic currency and money market, and in effect in continuation of the appreciation trend of PLN in relation to USD and to a smaller extent also in relation to EUR from the beginning of Q2 2009.

Moreover, speculative operations on the domestic market ceased in connection with the settlement of complex derivative instruments by most domestic enterprises as well as the conservative risk management policy adopted by the enterprises in relation to current transactions.

On the other hand, apprehensions of investors concerning a considerable increase of the budget deficit in the perspective of the next year and implementation of the ambitious privatisation programme planned by the government as well as the possibility of prolonged process of recession of the domestic economy as compared to main European economies, where these processes had begun earlier, have to be taken into consideration.

Consequently, considering that from the end of the first half-year of 2009 to the date of publication hereof the domestic currency strengthened by approx. 8% in relation to EUR (assumed 4,10) and by approx. 12% in relation to USD (assumed 2,75) as compared to quotations as at 30 June 2009; in the perspective till the end of Q4 2009, a variable lateral trend with the possibility of further appreciation of PLN in relation to USD is most likely, especially in view of progressing loss of confidence in this currency in the context of quickly progressing indebtedness of the US economy.

### *Domestic interest rates*

The postponement of decisions concerning further monetary policy by the Monetary Policy Council observed within Q3 2009 as well as the behaviour of national financial institutions having influence on changes of the inter-bank market rates indicate that the series of reductions of domestic interest rates continuing since Q4 2008 definitively came to an end.

In view of the above, the expectation that within Q4 2009 the Monetary Policy Council will change its attitude with regard to further monetary policy in order to prepare the market for a possible small raise of domestic interest rates by 0,25% in the perspective of Q1 2009 if positive information about the first symptoms of economic recovery continues to flow, may be deemed reasonable.

In case of interest rates for EURO, it seems that the ECB will also postpone the change of attitude until the symptoms of economic recovery consolidate; therefore it seems most likely that the rates for EUR will not be changed by the end of 2009.

However, the spread among the interest rates of the National Bank of Poland, the inter-bank market rates and the margin applied for deposits and loans has remained, which will result in the increased cost of money on the market for enterprises in Q4 2009, also including higher financial costs resulting from the use of credit limits by the Company.

### *Changes of prices of raw materials and products in the next half-year*

In the perspective of continued operations, the key factor will be the stability of supply and prices of basic commodities, including in particular gas. In the wintertime, when there is an increased demand for gas on the part of individual and industrial consumers, some disruptions in the supply for the biggest consumers cannot be excluded. Planned launch of the intervention purchase of wheat and continuing flow of subsidies for farmers can result in an increased demand for fertilizers, thus increased purchases of fertilizer dealers.

### ***Commodity market***

#### **Gas**

In the future, the prices of gas may determine the competitiveness on the fertilizer market.

#### **Hard coal**

No changes of coal prices should be expected in the near future, unless oversupply from import occurs, then the prices may be lower by 5-10%.

#### **Benzene, phenol**

If the prices of crude oil grow, a rise in prices of oil-derived materials, as benzene and phenol, can be expected.

### ***Product market***

#### **Plastics**

The demand for plastics remains still on a constant, relatively low level. Anticipated changes for the better can become visible in Q4 of this year. The conditions on the so-called consumer markets: automotive, electro-technical, household goods, textile or building materials markets may influence this development significantly.

#### **Saltpetre-based fertilizers**

The price level of saltpetre-based fertilizers remains in the stagnation phase. Dealers and farmers postpone the buying decisions because they expect adjustments of fertilizer prices. In the next weeks, no improvement of situation on the market of agricultural products is anticipated. A small improvement may occur on the grain market where the intervention purchase of wheat was launched in October this year.

#### ***Other***

The main hazard on the domestic fertilizer market can be continuing import of cheaper fertilizers which results in the weakening of competitiveness of domestic manufacturers. Consequently, it may be necessary to adjust our trade terms to the offers of the competition, which will adversely affect the commercial results.

According to preliminary analyses, there is no risk related to the sales of planned quantities of fertilizers manufactured by Zakłady Azotowe w Tarnowie- Mościcach S.A. on foreign markets. A problem is still to maintain the flow of sales, which is of significant importance from the point of view of logistics (in case of ammonium sulphate – limited storage capacity and railway rolling stock).

A disturbed flow of sales may result in the necessity to, limit temporarily the production of caprolactam, bear additional storage costs (renting next storage spaces) or to sell ammonium sulphate at low prices in order to make room in the warehouses.

Furthermore, an increased interest of customers in purchases of plastics, mainly natural and modified Tarnamid, can be observed. There is a chance of acquiring several new buyers of these products beginning from Q1 2010.

In the perspective of Q4 2009, the results achieved by JRCH Sp. z o.o. (subsidiary) may be influenced by:

- the successful purchase of a large quantity of Tarflen powder from Russia at the beginning of October 2009, which guarantees an appropriate stock of the material for production
- performance of the agreement on utilisation of the rocket propellant oxidizer in 2009 and until June 2010
- continuation of work on the reclamation of C2, E1 waste dumps.

„Wieża” Sp. z o.o. (subsidiary) extended the circle of suppliers and negotiated favourable prices of building and insulating materials. As a result, the risk of shortage of material supply and the dependence on suppliers were reduced. Lower prices of materials will allow achieving better results in the future.

Some of the subsidiaries of Azoty Tarnów indicate the participation in tendering procedures and the possibility of acquiring contracts for new services as the principal factors which can influence the results in Q4. Won tenders will directly enhance the chances of achieving better results.

The existing financial crisis manifesting itself in a smaller quantity of implemented investments as well as the market tendencies to lower the prices for construction and assembly work will cause a decrease in sales revenues in Q4 2009 in subsidiaries too. Considering the above, the financial result – net profit of these subsidiaries projected for 2009 may diminish.

## SIGNATURES

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Jerzy Marciniak  
*President of the Management Board*

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Witold Szczypiński  
*Vice President of the Management Board*

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Andrzej Skolmowski  
*Vice President of the Management Board*

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Franciszek Bernat  
*Member of the Management Board*

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Ewa Gładysz  
*Person responsible for bookkeeping*

Tarnów, 16 November 2009