



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

**Management Report on activity of the Capital Group
for the first half of 2009**

Tarnów, 21st August 2009

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A. DISCUSSION OF A MID-YEAR CONSOLIDATED FINANCIAL STATEMENT

I. Basic financial data of the Capital Group

In the first half of the year 2009 the Group obtained the net profit of 21 548 thousand PLN, the balance amount was 1 613 764 thousand PLN while the net balance of cash increased by 32 137 thousand PLN.

The chart below presents selected financial data with the basic financial indicators for the first half of 2009 in comparison to the first half-year of 2008.

Selected financial data

	in thousands PLN		
	for the period from 01.01 to 30.06.2009	for the period from 01.01 to 30.06.2008	Change (%)
Revenues from sales	609 530	680 227	(10,39)
Costs of goods sold	(511 994)	(554 200)	(7,62)
Gross profit from sales	97 536	126 027	(22,61)
Cost of sales	(28 806)	(30 488)	(5,52)
Overhead costs	(48 403)	(44 975)	7,62
Other revenues/operating costs	(2 648)	1 193	(321,96)
Profit on operating activities	17 679	51 757	(65,84)
Financial revenues/costs	7 712	329	2 244,07
Profit/loss on shares in subordinated entities appraised under the equity method	29	57	(49,12)
Income tax	(3 872)	(10 287)	(62,36)
Profit/loss on the continued operations	-	-	-
Net profit	21 548	41 856	(48,52)
Net profit of shareholders of a parent entity	21 318	41 617	(48,78)
Net profit of minority shareholders	230	239	(3,77)
EBITDA	56 197	87 684	(35,91)

	as for 30.06.2009	as for 30.06.2008	Change (%)
Value of assets	1 613 764	1 568 996	2,85
Fixed assets	985 633	940 218	4,83
Working assets, including:	628 131	628 778	(0,10)
inventories	154 423	122 207	26,36
short-term liabilities	188 117	465 486	(59,59)
cash and cash equivalents	77 470	32 158	140,90
other financial assets	202 964	1 218	16 563,71
fixed assets for sale	556	7	7 842,86
other financial assets	4 601	7 702	(40,26)
Equity, including:	1 141 706	1 137 541	0,37
Equity of the shareholders of a parent entity	1 139 875	1 135 951	0,35
Minority shares	1 928	1 590	21,26
Long-term liabilities	211 899	226 352	(6,39)
Short-term liabilities	261 990	205 103	27,74

	for the period from 01.01 to 30.06.2009	for the period from 01.01 to 30.06.2008	Change (%)
Cashflow from operating activity	(37 070)	18 484	(300,55)
Cashflow from investment activity	41 349	(53 596)	(177,15)
Cashflow from financial activity	27 858	12 857	116,68

Revenues from sales

The consolidated revenues from the net sales of Zakłady Azotowe w Tarnowie-Mościcach S.A. Group (hereinafter: "Azoty Tarnów Group") for the first half of 2009 amounted to 609 530 thousand PLN. In comparison to a similar period of 2008 the revenues decreased by 70 697 thousand PLN, i.e. by 10.39 %. The main cause of decreased revenues was the lower demand resulting from the economic crisis and the decline in product prices reflecting the market situation.

Costs

	for the period from 01.01. to 30.06.2009	for the period from 01.01. to 30.06.2008	Change (%)
Depreciation	38 518	35 927	7,21
Consumption of materials and power	347 278	415 724	(16,46)
Third-party services	29 802	45 649	(34,71)
Taxes and fees	21 138	22 543	(6,23)
Remunerations	84 557	76 320	10,79
Social insurance and other benefits	21 008	19 899	5,57
Other costs by kind	7 326	4 985	46,96
Cost structure by kind	549 627	621 047	(11,50)
Change in the value of products (+/-)	29 782	3 874	668,77
Cost of generation of products and services for the entity's own purposes (-)	(1 720)	(4 198)	(59,03)
Selling costs (-)	(28 806)	(30 488)	(5,52)
Overhead costs (-)	(48 403)	(44 975)	7,62
Value of sold products and materials	11 514	8 940	28,79
	511 994	554 200	(7,62)

Comparison of the first half of 2009 to the similar period of last year indicates a reduction in costs by kind by 71 420 thousand PLN.

Deviations of cost items are as follows:

- consumption of materials and power – decrease by 68 446 thousand PLN mainly due to lower quantitative consumption of raw materials and power and lower purchasing prices of some raw materials,
- third-party services – decrease mainly in the transportation and repair services items – smaller substantial scope of repairs,
- remunerations – increase was caused by the payment in June of an annual prize which was last year paid in July,
- other costs by kind – their increase is caused by a different way of accounting instalments of property insurance than last year.

Sales result and operating result

After the first half of 2009 the gross profit from sales amounted to 97 536 thousand PLN while in the similar period last year it amounted to 126 027 thousand PLN. The profit from operational activity was at the level of 17 679 thousand PLN (51 757 thousand PLN in a comparable period).

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

- definite weakening of the Polish currency (in comparison to EUR and USD) conducive to an improvement in the profitability of exportation on the part of the Parent Company, i.e.

Zakłady Azotowe w Tarnowie-Mościcach S.A. (hereinafter: "Azoty Tarnów") (without exchange rate securing transactions taken into account),

- considerably lower prices of petrochemical raw materials,
- investment consisting in the installation of the mechanical granulation system,
- continued high prices of nitre-based fertilizers and sales liquidity,
- planned implementation (by the Agency for Restructuring and Modernisation of Agriculture) of direct farming subsidies for farmers had a positive impact on the sales of nitre-based fertilizers in the domestic market,
- considerable changes in the prices of raw materials resulting in weaker attractiveness of fertilizer importation to the Polish customs area.

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

- unfavourable deviation of prices of basic products in comparison to a similar period last year (excluding nitre-based fertilizers and tarnoform) by 5.2 % on average,
- decrease in sales volume in comparison to the similar period in the previous year (excluding nitre-based fertilizers) by 9.8 %,
- lower utilisation of production capacities,
- lower demand for plastics in the automotive industry and construction industry affecting the decrease in prices and higher unit costs,
- higher prices of natural gas, ammonia, coal and electrical energy,
- situation in the market of chloric and tarflen products, low demand and unprofitable sales all translate into a gradual abandonment of this area,
- EBIT margin amounting to 3.68 % after the first half of 2009 (last year: 7.61 %).

Net profit

The consolidated net profit for the first half of 2009 amounted to 21 548 thousand PLN, 21 318 thousand PLN of which was constituted by the net profit of the Shareholders of the Parent Company. The net profitability reached the level of 3.53 %.

Apart from the result from operating activity, the profit from the valuation of financial assets in fair value and interests charged towards the deposit of funds from stock issue had also a significantly positive impact on the net result in the first half of 2009. At the same time, this influence was reduced by the surplus of negative differences in exchange rates over positive ones.

Financial results on particular kinds of operations

in thousand PLN

	for the period from 01.01 to 30.06.2009	for the period from 01.01 to 30.06.2008	Change (%)
Profit from operating activity	17 679	51 757	(65,8)
Net revenues/financial costs	7 712	329	2 244,1
Share in the net profits of subordinated entities appraised under the equity method	29	57	(49,1)
Income tax	(3 872)	10 287	(137,64)
Profit/loss from discontinued operations	-	-	-
Net profit	21 548	41 856	(48,52)
Net profit of shareholders of a parent entity	21 318	41 617	(48,78)
Net profit of minority shareholders	230	239	(3,77)

Assets

As at the end of June 2009, the Group's fixed assets had the value of 985 633 thousand PLN. In comparison to the value for 31st December 2008, the value of the fixed assets decreased by 61 721 thousand PLN (i.e. by 5.89 %). The highest decrease was noted in the item "other financial assets" (long-term deposits) whose value dropped at the end of December 2008 from 50 000 thousand PLN to 168 thousand PLN. This decrease was the result of shortening the periods of depositing cash.

The share of fixed assets in general assets amounts to 61 % (at the end of 2008 over 65 %).

As for 30th June 2009 the Group's working assets had the value of 628 131 thousand PLN. The following items were predominant in the structure of current assets: other financial assets – 32 % of current assets and liabilities from deliveries and services and other liabilities – almost 29 %.

In comparison to the situation at the end of December 2008 the value of current assets rose by 71 239 thousand PLN (where the highest increase was noted by liabilities towards income tax – by 4 155 thousand PLN, while on the other hand the value of the remaining assets dropped by 1 033 thousand PLN).

Liabilities

The liabilities (both short-term and long-term) of Azoty Tarnów Group had the value of 473 889 thousand PLN as for 30th June 2009, which is equivalent to an increase as compared to the situation at the end of December 2008 by 26 974 thousand PLN (i.e. by 6.04 %).

An increase in liabilities results mainly from the increase in short-term liabilities from credits and loans by 192.79 %.

The debt ratio (short-term and long-term liabilities in relation to assets in general) amounted to 29.37 % as for 30th June 2009 (at the end of December 2008: 27.86 %).

The current liquidity ratio calculated as the quotient of working assets and short-term liabilities amounted to 2.40 as for 30th June 2009 (at the end of 2008: 2.50).

Cashflows

Net cashflows in the first half of 2009 amounted to 32 137 thousand PLN. In comparison to the similar period of the previous year, the Group generated flows higher by 54 392 thousand PLN.

Cashflows from operating activity amounted to (37 070) thousand PLN and were lower than the flows generated in the period January – June 2008 by 55 554 thousand PLN.

In comparison to the half year of 2008, the Group generated a considerably lower gross profit (profit lower by 26 723 thousand PLN). The frozen funds on working assets items also rose by 24 084 thousand PLN – as compared to a similar period of last year. This is unfavourable from the perspective of cashflows.

Net cash from financial activity had a positive value and amounted to 27 858 thousand PLN. When compared to the first half of 2008 they were higher by 15 001 thousand PLN, mainly due to a surplus in flows from incurred credits and loans over their repayment.

The balance of cashflows from investment activity of 41 349 thousand PLN was generated mainly by flows from the sales of financial assets (flows from the reclassification of a deposit to cash) 67 265 thousand PLN and surplus of expenditures over flows from the purchase/sales of intangible assets and tangible assets, investment properties (16 561) thousand PLN.

Ratio analysis

	As for 30.06.2009	As for 30.06.2008	Change 2009/2008
Net profitability	3,54%	6,15%	(42,44%)
EBIT%	2,90%	7,61%	(61,89%)
EBITDA%	9,22%	12,89%	(28,47%)
Current liquidity ratio	2,40	3,07	(21,82%)
Quick liquidity ratio	1,81	2,47	(26,72%)
Debt ratio	29,37%	27,50%	6,80%
Share of total assets to shareholders' equity in equity financing	70,63%	72,50%	(2, 58%)

Pursued stock issue objectives

Details can be found in point III of this Report.

II. Material agreements in the first half of 2009

Joining Polskie Konsorcjum Chemiczne Sp. z o.o.

Following the letter of intent signed on 9th October 2008 concerning the purchase of a controlling shareholding in Anwil S.A., on 5th January 2009 Azoty Tarnów joined Polskie Konsorcjum Chemiczne Sp. z o.o. (hereinafter: PKCh Sp. z o.o.) and took over 25% of shares in the raised share capital of PKCh Sp. z o.o., entitling to 25 % of votes at the General Meeting of Shareholders of PKCh Sp. z o.o.

The declarations of joining PKCh Sp. z o.o. and taking over the shares in the raised capital of this company were prepared in the form of notarial deeds. The value of taken-over shares in PKCh sp. z o.o. amounts to 25 thousand PLN.

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

PKCh Sp. z o.o. based in Warsaw is a special target vehicle created by Ciech SA, joined pursuant to the Shareholders' Agreement (regulating the principles of cooperation of the parties on the future purchase of the controlling package in Anwil SA) on 5th January 2009 by Azoty Tarnów and Zakłady Azotowe Kędzierzyn SA.

The purchased assets are considered financial assets with a considerable value, since the Issuer purchased over 20% of the share capital of the target company. The Issuer purchased the aforementioned assets for its own funds.

(Current report No. 1/2009 of January 5, 2009)

Annex to the agreement on many years' supplies of sulphur

On 5th January 2009 Annex no. 15 was signed to the Agreement no. 1/2001 with Kopalnie i Zakłady Chemiczne Siarki „Siarkopol” based in Grzybów concluded on 30th July 2001. The annex to the aforementioned agreement substituted the present annex no. 14 signed on 1st July 2008.

Annex no. 15 to the agreement provides for the adjustment of sulphur prices and of the agreement term (January-March 2009) in comparison to the provisions of the previous annex. The remaining provisions of the agreement no. 1/2001 have not changed.

In relation to the amendment to the terms and conditions of the agreement, the total value of turnover between the Parties with an estimated value under the aforementioned agreement shall be subject to change and this agreement shall no longer meet the criteria of a material agreement.

(Current report No. 9/2009 of 6th February 2009)

Annex to the agreement concluded with Kompania Węglowa S.A.

On 22nd January 2009 the Company concluded Annex no. 4 to Agreement no. 70/KW/W/2007 of 8th February 2007 between Azoty Tarnów and Kompania Węglowa S.A. with its registered office in Katowice.

The Annex to the said agreement concerns the sale of power coal by Kompania Węglowa S.A. to Zakłady Azotowe w Tarnowie-Mościce S.A. in 2009 as established in the schedule and commercial terms and conditions. The estimated value of this annex no. 4 during the term of the agreement amounts to approximately PLN 89 mln net.

The Parties to the aforementioned annex provide for contractual penalties of 3 % of the value of undelivered or uncollected coal. The remaining conditions do not differ from market standards used in agreements of this type.

(Current report No. 7/2009 of 3rd February 2009)

Disposal of shares in a subsidiary company

On 2nd March 2009 Azoty Tarnów disposed of 100% of shares in a subsidiary company „Oknotar” Sp. z o.o. for 14 individuals. The subject of the the transaction were 5 000 equal and indivisible shares with the fair value of 500 PLN and the total fair value of 2 500 thousand PLN. The selling price of the aforementioned shares was 53 PLN for 1 share which gave the total of 265 thousand PLN as the balance sheet value of the possessed shares.

(Current report No. 11/2009 of 2nd March 2009)

Signing a multilateral agreement

On 18th March 2009 was signed a multilateral agreement between Nafta Polska S.A. based in Warsaw (hereinafter: "Nafta Polska") and the following companies: Ciech S.A. based in Warsaw (hereinafter: „Ciech”), Azoty Tarnów and Zakłady Azotowe Kędzierzyn S.A. based in Kędzierzyn – Koźle (hereinafter: “ZAK”), financial advisor of Nafta Polska S.A., Raiffeisen Investment AG based in Vienna and Raiffeisen Investment Polska Sp. z o.o. based in Warsaw and legal advisor of Nafta Polska S.A., Radzikowski, Szubielska i Wspólnicy Spółka Komandytowa based in Warsaw. The multilateral agreement is aimed at seeking for and choosing the investor or investors to purchase the stocks of Azoty Tarnów, ZAK and Ciech and at the same time take over the shares in the raised capital of the companies referred to above (hereinafter: “Agreement”, “Process”).

The financial advisors of Nafta Polska and Azoty Tarnów are: Raiffeisen Investment AG based in Vienna, Raiffeisen Investment Polska Sp. z o.o. based in Warsaw and their subcontractors: Lazard & Co. Limited, based in the United Kingdom and Bank Zachodni WBK SA, based in Wrocław.

The process involves in particular the preliminary phase, announcing invitation to negotiations concerning the sales of stocks of Azoty Tarnów, ZAK and Ciech belonging to the State Treasury and Nafta Polska, negotiations with selected potential investors carried out by Nafta Polska.

Pursuant to the Agreement, each of the Companies authorised Nafta Polska to undertake all activities aimed at selecting one or several investors interested in purchasing the stocks in Companies and in supporting the Companies financially in order to purchase the stocks of Anwil S.A. or realising other investment purposes by the Companies.

All analyses and source documents will be made available by the Companies in accordance with the regulations concerning the disclosure of confidential information within the meaning of the Public Offering Act. The Agreement is effective as of the day of signing and it may be terminated at any time by Nafta Polska with the observance of a 14-day notice period. The Agreement will be automatically terminated 15 months after the date of signing unless the Parties to the Agreement decide in writing to extend its term.

Nafta Polska may transfer the rights and obligations resulting from the Agreement on the State Treasury.

(Current report No. 13/2009 of 19th March 2009)

Turnover with PKN Orlen S.A. for the value of a material agreement – signing an annex

On 6th April 2009 to the seat of the Parent Company was submitted the annex no. 5 to the Agreement no. 2005/UZS/10 (signed on 19th November 2004) concluded on 27th December 2008 between Azoty Tarnów and Polski Koncern Naftowy Orlen S.A. based in Płock.

Annex no. 5 to the said agreement concerns the sale of raw materials: phenol, benzene and liquid sulphur by PKN Orlen S.A. to Zakłady Azotowe w Tarnowie-Mościce S.A. in 2009 according to the agreed schedule and business terms. The estimated value of annex no. 5 during the term of the agreement amounts to approximately PLN 49 mln net.

The framework agreement no. 2005/UZS/10 does not provide for the calculation of contractual penalties of more than 10 % of the agreement’s value or equivalent of 200 000 EUR expressed in PLN in accordance with the average exchange rate of the National Bank of Poland as for the day of signing the agreement where the Parties have reserved the possibility of pursuing claims on general terms which would exceed the charged contractual penalties.

The terms and conditions of the annex do not provide for extra contractual penalties.

The terms and conditions of the annex do not differ from market standards used in this type of agreements.

The Agreement with annexes have been considered material due to the fact that the value of the turnover between the Capital Group of Zakłady Azotowe w Tarnowie-Mościce S.A. with the

Capital Group of PKN Orlen S.A., together with the estimated value resulting from annex no. 5, exceeded 10% of the Issuer's equity and amounts to approximately PLN 154 mln net.

(Current report No. 16/2009 of 7th April 2009)

Signing the letter of intent

On 30th April 2009 Azoty Tarnów, Polimex-Mostostal S.A. (PM), Polskie Górnictwo Naftowe and Gazownictwo S.A. (PGNiG) signed with Tauron Polska Energia S.A. (Tauron) a letter of intent on the joint realisation of the project involving the construction of a 200 MW new heat and power plant producing energy on the basis of natural gas and the modernisation of the existing 65 MW heat and power plant in the premises of Azoty Tarnów.

Withing the joint undertaking, the signatories of the letter of intent were allocated the following tasks:

Polimex-Mostostal S.A.:

- preparing the concept and technical assumptions,
- preparing the variants of investment funding,
- possible realisation of the planned investment and modernisation,
- possibility of taking over the function of the operator of the new heat and power plant.

PGNiG SA:

- analysing the possibility of gas supply to the new heat and power plant.

Tauron Polska Energia S.A.:

- preparing the conditions of receiving surplus power.

Azoty Tarnów:

- preparing the analysis of the possibility of separating the power plant belonging to AzotyTarnów,
- preparing the concept of cooperation with the municipality of Tarnów in terms of receiving heat,
- receiving heat and power from the new plant for the purposes of the Company.

Polish power engineering requires huge financial expenditures related with the necessity to adapt to the requirements of the European Union (reduction of gas emission), increasing the efficiency of power production and increasing its production volume. The deficit of electrical energy in the energy market may be expected as well as the necessity to invest in new production capacities.

(Current report No. 17/2009 of 30th April 2009)

Material agreement on the reduction of emission of nitrous oxide from the nitric acid system for the years 2008 – 2012

On 1st June 2009 the Management Board of Azoty Tarnów received information from the Japanese company Mitsubishi Corporation (hereinafter: MC) concerning the signing of the agreement on the sales of ERU units ("ERPA" agreement) between MC and the final purchaser. The terms and conditions of sales included in the agreement in question were approved by Azoty Tarnów.

The agreement entered into force on 1st June 2009. Pursuant to the ERPA agreement, Azoty Tarnów in cooperation with Mitsubishi Corporation will sell the entire ERU volume generated in the years 2008-2012. The estimated revenues of Azoty Tarnów from the aforementioned operations should amount to ca. 135 mln PLN as for the day of signing the agreement.

(Current report No. 20/2009 of 2nd June 2009)

III. Pursuit of stock issue objectives

1. *Optimization of the product portfolio and sales system of nitrogenous fertilizers*

a) Installation of mechanical fertilizer granulation system 1200 t/d

The mechanical fertilizer granulation system is the most modern and largest system in our part of Europe. The project realisation schedule and cost schedule comply with the assumptions of the Investment Activity Plan of Azoty Tarnów. The construction of the main building and associated structures and facilities was completed at the end of last year and the technological start-up of the system followed. The system of mechanical fertilizer granulation was successfully started for two products: for mechanically granulated nitro-chalk in February 2009 and for mechanically granulated ammonium nitrate in May 2009. The demand in the first part of the fertilizing season of 2009 was virtually covered from the operations of the new system and in the second quarter of 2009 the system was commissioned for use in this range.

At present, the production of a new product (fertilizer) – nitrous ammonium sulphate – is being launched.

b) Modernization of the dolomite-milling plant

This task was aimed at increasing the production of dolomite powder and substituting the present milling plant with a more efficient state-of-the-art equipment. The new dolomite-milling plant purchased in 2007 was installed at the turn of 2008 and 2009. A metal detector was installed which prevented the destruction of a milling plant by metal elements which may be produced and transported to the factory from the dolomite mine. The device was started up at the beginning of the present year in cooperation with the company Bradley. This objective was fulfilled. Upon completing mechanical and comprehensive trials, the investment was preliminarily commissioned for use at the meeting of the Acceptance Committee on 22nd May 2009.

c) Modernization of the fertilizer packaging and forwarding station

This task was aimed at increasing the capacity and efficiency in the fertilizer area from the perspective of palletizing and packing artificial fertilizers. A new building was constructed intended for covering the packing and palletizing device produced by ARODO. Also space was prepared for possible further extension of the packaging station by the device used to pack octabins, i.e. unit packaging of the weight of 600 kg – 1500 kg, depending on the customer's needs. The objective was realised and the task was accounted in the third quarter of this year.

2. *Modernization of the caprolactam plant including installation of a new hydrogen generation system*

a) Modernization and intensification of production of the Caprolactam Plant up to 101.3 thousand tons a year – Technical Design

The technical design of the modernized plant is under preparation and tender invitation procedure is well advanced. Negotiations with the potential suppliers of column with a structural filling are in progress.

b) Construction of a new hydrogen generation system

Potential suppliers were invited to the tender for the supply of technology and devices for the new hydrogen generation system. The supplier of technology will be chosen on the basis of the presented offers. The Feasibility Study for the new Hydrogen Generation System with the capacity of about 8 000 m³/h is in the last stage of preparations. It is assumed that the investment will be completed at the end of 2009 or at the turn of 2009/2010.

c) Modernization of the selective phenol hydrogenation system within the Pd catalyst

The need to modernise resulted from higher demand for cyclohexanone and bad technical condition of some used devices and appliances. Modernization involved the purchase of appliances and devices, the new system of automatic control DCS and a new electrical switchboard. In the second quarter of 2009 the supplied appliances and devices were installed. Upon successful completion of works the system was launched in July 2009 and commissioned for preliminary use. In order to complete the task, works related with the adaptation and adjusting the control panel and electrical switchboard must be carried out. These works are being carried out efficiently and are to be completed in October this year. They will involve adjustment of the existing rest and refreshment facilities to the present legal requirements. The idea of buying a compressor has been given up while the objective of the task consisting in increasing the system's efficiency was realized thanks to using a film evaporator.

3. *Extension of the Modified Plastics Plant*

a) Intensification of production of the Modified Plastics Plant – stages I and II

The first stage of the task is under realisation. Most machines and devices are kept in the investment warehouse while the supply of the main device, i.e. a compounder, is scheduled for the beginning of August this year. Works related with the construction of a warehouse are in progress. The main warehouse hall is almost finished; works on preparing the foundations for the raw material silo and works related with assembling pipeline for pneumatic transportation of the raw material from the production department of a polyamid 6 plant are continued. The completion of works and commission of the plant is scheduled for the fourth quarter of this year.

b) Modernization of the Tarnamid warehouse

The task involves the following stages: modernisation and extension of a facility's warehousing space, modernisation of packaging devices – covering the automatic packaging line for 25 kg bags, covering of a machine used to pack octabins/big bags, modernization of Tarnamid loading to vehicle silos. An automatic palletizing line was assembled and the silo used to load road tankers is being assembled – this should considerably facilitate the loading process and make it faster and more efficient. Pneumatic transportation pipelines are being installed from the existing transportation stations to the new storage silo which is also the subject of investment in this task. The present device used to pack polyamid 6 into octabins and big bags was modernized. The task is being realized in accordance with the specification of works and expenditures. The task is to be commissioned in the fourth quarter of 2009.

4. *Polyamid II (Pa 6) Plant – 55 tons a year*

The project of taking control over another European producer of polyamid 6 (Projekt Alpha) is being analysed. Works are aimed at evaluating the less costly project alternative to the construction of a Polyamid II Plant involving taking control over another European producer of polyamid 6,.

IV. **Seasonality of production**

The seasonal nature of the Group's sales is visible most of all in case of artificial fertilizers, especially nitre-based fertilizers such as nitro-chalk and ammonium nitrate. The demand for such products results from horticultural works and plant vegetation. The highest sales volume in the domestic market is observed in the first quarter of the year (depending on weather conditions its peak is in February and March). At the end of the calendar year (turn of the third and fourth quarter) increased demand is observed again but it is weaker than in spring and also results from the accumulation of fertilizers by farmers and distributors after the spring season. In the summer season when the demand for fertilizers is on the decrease on the part of final recipients (farmers), technical inspections, repair and modernisation works on installations are carried out most frequently.

In case of fertilizer production, there is no such strong dependency as in order to minimise the impact of seasonality, sale is based on agreements which oblige dealers to collect fertilizers throughout the entire year, at the same time encouraging them to stock up with products purchased at good prices before the next season.

The market of fertilizers in the first half of 2009

The market situation in the sales of nitre-based fertilizers in the analysed period must be divided into several stages. The first half of January was marked with commercial stagnation (a long Christmas period resulted in the shortening of working hours of distribution companies, unfavourable weather conditions prolonged the period of no interest in buying fertilizers on the part of target recipients). Further periods were characterised by liquid sales of nitrogenous fertilizers which allows for realising and even exceeding the planned tasks. The sales structure in particular months of the second quarter is characterised by liquid sales of fertilizers in April and limited interest in buying fertilizers from the beginning of May to considerable or complete lack of demand in June. Sales results of nitre-based fertilizers in the domestic market is also influenced by the planned realization by the Agency for Restructuring and Modernisation of Agriculture of direct subsidies for farmers and considerable changes of exchange rates leading to weaker attractiveness of importation to the Polish duty zone.

Trade activity in the domestic market of nitrogenous fertilizers was characterised in the first half of 2009 by considerable dynamics of changes. The signs of crisis evident in the fourth quarter of 2008 inspired a lot of uncertainty among distributors and final recipients of fertilizers. An uncertain situation in the purchase market of agricultural crops restricted the purchase decisions of farmers and as a result distribution companies postponed at the beginning of this year the accumulation of product stocks for the spring season. The very spring season was the period of liquid distribution of nitrogenous fertilizers leading to the sales of stocks accumulated in the market for many months. With the course of the vegetation period (May, June) when the use of nitrogenous fertilizers is limited, the distributor market noted the signs of stagnation caused by high prices, while the purchasing prices of agricultural crops remained low. Furthermore, very competitive offers from external markets (Germany, Lithuania, Ukraine) brought about in June the repricing of nitrogenous fertilizers with all domestic producers. In order to maintain the continuity of production in the

period preceding the repricing of fertilizer prices, the Fertilizer Centre introduced the offer of sales with the extended payment date of up to 45 days (from 15th to 31st May) with the guarantee for recipients of correcting invoices in case prices of purchased products are reduced at the indicated time to the level of lowest prices. Due to trading difficulties, sector competition also started to store products with distributors, being involved until the end of April mainly in production activity. The Fertilizer Centre maintained sales at the level of high seasonal prices until half May, without the need to adjust to the realised sales.

The post-season repricing of products from this segment is typical for the market of nitrogenous fertilizers. Usually later the prices rise every month until the very spring season. This year the balance may be shaken due to uncertainty related with the global economic crisis and the will of external suppliers to use the attractive Polish agricultural market as a place for selling their own products. Attractive importation offers which appear before cropping time may cause a further reduction of prices of fertilizer products by domestic manufacturers. Farmers still remember a considerable reduction of purchase prices of cereals last year after cropping period and they will delay their purchasing decisions which may lead to a further price war between producers and importers. This situation is a threat to maintaining the continuity of production with the preservation of positive financial results for their activity.

V. Kind and amounts of non-typical items affecting the assets, liabilities, equity and net financial result or cashflows

In the first half of 2009 there were no unusual (by kind, size or influence) items affecting assets, liabilities, net financial results and cashflows.

VI. Kind and amounts of significant estimated values provided in previous periods of the current accounting year

The kind and amount of changes in estimated values are presented in charts in the consolidated financial statement A.II.2.

VII. Stock issue, redemption and repayment of debt and equity securities

In the first half of 2009 the Capital Group Azoty Tarnów did not issue, redeem or repay debt and equity securities other than the issue of stocks.

Details concerning the issue of stocks are presented in the annual report for 2008 in point 5.9 Material events *First listing on the stock exchange*.

VIII. Utilization of funds generated from the issue of stocks

The value of the Public Offering of 5th – 17th June 2008 was 294 770 thousand PLN.

Until the day of publishing this report for the first half of 2009 the Company utilized its revenues from the Public Offering deposited in fixed-term deposits adjusted to the predicted date of realising stock issue objectives in the following manner:

- to cover the net costs of the offering - 9 298 thousand PLN,
- to finance a part of the expenditures within fulfillment of the objectives of the issue of stocks – 50 676 thousand PLN, including:
 - investment tasks within “Optimization of the product portfolio and sales system of nitrogenous fertilizers” – the entire amount planned in the Prospectus, i.e. PLN 38,000 thousand.
 - for tasks within “Modernization of the caprolactam plant, including installation of a new hydrogen generation plant” - PLN 7 824 thousand.

- for “Intensification of production of the Modified Plastics Plant” – PLN 4 852 thousand.

In order to finance expenditures within the realisation of the stock issue objectives, the Company utilized the total of 50 676 thousand PLN from the funds obtained from the Public Offering, including from the date of publishing the report for the first quarter of 2009 - 9 848 thousand PLN for financing expenditures incurred in the second quarter of 2009.

The utilization of funds from the stock issue from the date of publishing the previous quarterly report (for the first quarter of 2009) served mainly for the financing of payments within the realisation of stock issue goals, i.e. “Modernization of the caprolactam plant, including installation of a new hydrogen generation plant” – 5 849 thousand PLN – and “Intensification of production of the Modified Plastics Plant” – 3 999 thousand PLN.

Capital Group of Zakłady Azotowe w Tarnowie-Mościcach S.A.

Management Report on the activity of the Capital Group in the first half of 2009

Expenditures incurred on the pursuit of stock issue objectives as for the day of publishing the statement for the first half of 2009

		in thousands				
Task name	Expenditures from 1st July 2008, including:	from credit	from own funds	from stock issue	including expenditures financed from the issue after the publication of report for I Q 2009	Expenditures in the first half of 2009
Optimisation of product portfolio and the sales system of nitrogenous fertilizers						
Installation of the mechanical fertilizer granulation system, 1200 t/d	29 617	6 291	346	22 980	-	338
Modernization of the dolomite-milling plant	4 146	-	1 176	2 970	-	1 172
Modernization of the fertilizer packaging and forwarding station	13 927	-	1 877	12 050	-	1 416
Total	47 690	6 291	3 399	38 000	-	2 926
Modernization of the caprolactam plant including installation of a new hydrogen generation system						
Modernization of the air compression station for the Cyclohexane Oxidation System within ob.K-54	2 383	-	1 240	1 143	-	323
Modernization of process controls within systems of the Cyclohexanone Department	410	-	410	-	-	-
Modernization of the selective phenol hydrogenation system within the Pd catalyst	6 303	-	60	6 243	5 725	6 112
Modernization and intensification of production of the Caprolactam Plant up to 101.3 thousand tons a year	534	-	96	438	124	534
Total	9 630	-	1 806	7 824	5 849	6 969
Intensification of production of the Modified Plastics Plant						
Intensification of the Modified Plastics Plant - stage I-II	3 391	-	34	3 357	2 504	3 015
Modernization of the tarnamid warehouse	1 495	-	-	1 495	1 495	1 495
Total	4 886	-	34	4 852	3 999	4 510
Total tasks financed within the objectives of the issue of stocks						
	62 206	6 291	5 239	50 676	7 498	14 405

IX. Dividend

The Issuer did not pay out dividend in the first half of 2009.

As provided for in the Prospectus, the Management Board did not apply for the payment of dividend but upon the request of Shareholders reported at the Ordinary General Meeting of Shareholders on 26th June 2009, the Ordinary General Meeting of Shareholders passed a resolution on the payment of dividend from profit for 2008 at the value of 1.02 PLN per 1 stock. Dividend involves all stocks of the Company and the date used to determine the right to dividend is 26th June 2009. Moreover, it was established that dividend would be paid in two instalments:

- 31st August 2009 - 0.34 PLN for one stock,
- 6th November 2009 – 0.68 PLN for one stock.

B. OTHER INFORMATION

I. Organization of the Capital Group

As for 30th June 2009 the Capital Group of Zakłady Azotowe w Tarnowie –Mościcach S.A. (Grupa Kapitałowa Azoty Tarnów) consisted of Zakłady Azotowe w Tarnowie-Mościcach S.A. (Azoty Tarnów) – the Parent Company and:

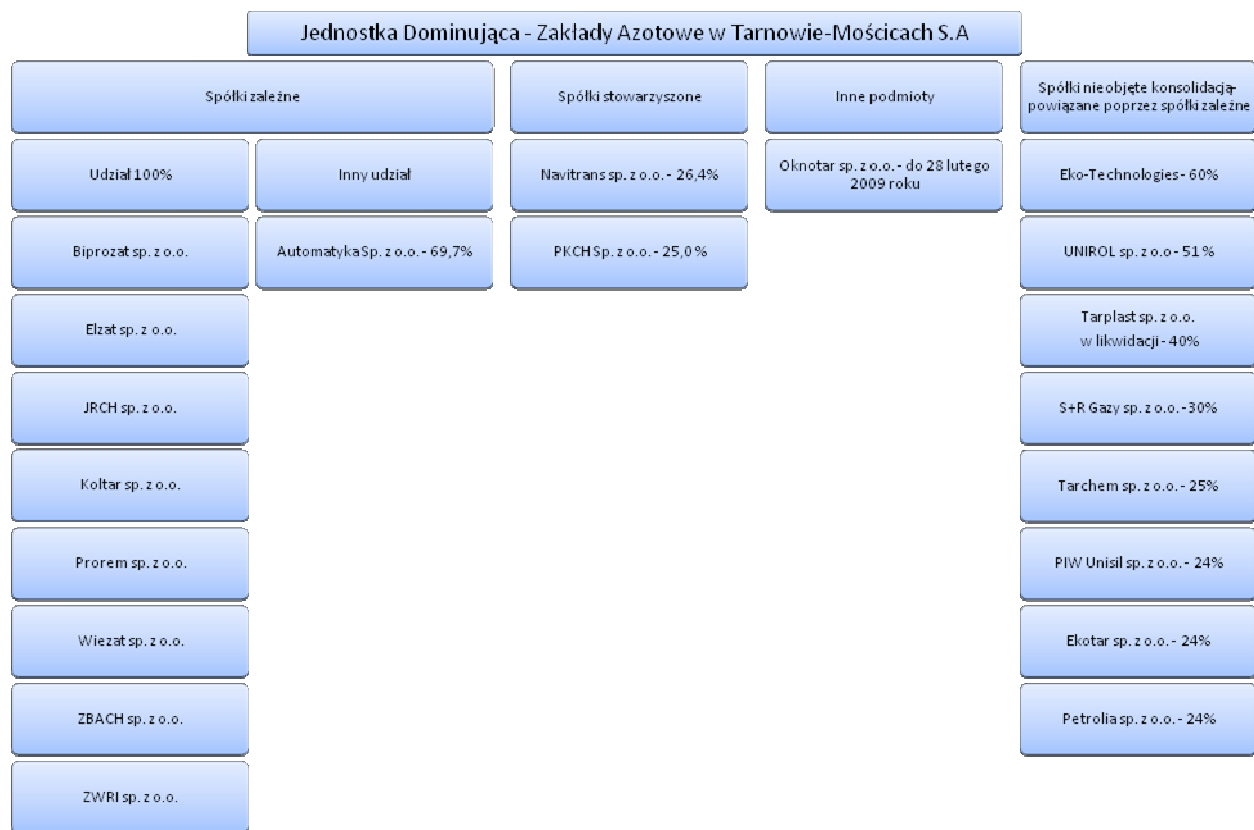
- 9 subsidiaries (with the share in capital of more than 50%),
- 2 associated companies (with the share in capital of 20%-50%).

In the first half of 2009 the following changes took place in the Capital Group:

- On 2nd March 2009 Azoty Tarnów disposed of 100% of shares in a subsidiary company „Oknotar” Sp. z o.o. for 14 individuals. The subject of the transaction were 5 000 equal and indivisible shares with the fair value of 500 PLN and the total fair value of 2 500 thousand PLN. The selling price of the aforementioned shares was 53 PLN for 1 share which gave the total of 265 thousand PLN as the balance sheet value of the possessed shares (details in point B.II.2 of this report),
- On 5th January 2009 by joining Polskie Konsorcjum Chemiczne Sp. z o.o. Azoty Tarnów took over 25% of shares in the raised share capital of PKCh Sp. z o.o., entitling to 25 % of votes at the General Meeting of Shareholders (details in point B.II.1 of this report).

The graphic presentation of the structure of the Capital Group involving entities subject to consolidation and not subject to consolidation as for 30th June 2009.

Capital Group of Zakłady Azotowe w Tarnowie-Mościcach S.A.
 Management Report on the activity of the Capital Group in the first half of 2009



Companies not subject to consolidation are entities associated through subsidiary companies. They are not subject to consolidation due to their immaterial nature.

Azoty Tarnów hold shares in 21 minority companies (details in the Management Report on the activity of the Capital Group in 2008 point 1.1 page 8, table 2).

The following changes took place in the reported period:

- Tarnowski Klaster Przemysłowy S.A. – Minutes of the Ordinary Meeting of Shareholders held on 25th March 2009 (Notarial Deed Reg. A No. 1748/2009), resolution 5/2009 on raising the Company's share capital from 17 296 400 PLN by 10 562 100 PLN, i.e. to 27 858 500 PLN through the issue of 105 621 new "F" series stocks at the stock issue price of 100 PLN. Thus, the share of Azoty Tarnów in the share capital of the company dropped to 0.1077 % from 0.17%.
- Unia Tarnów Sportowa Spółka Akcyjna – Extraordinary Meeting of Shareholders held on 8th January 2009 roku (Notarial Deed Reg. A No. 47/2009), resolution no. 15 on raising the Company's share capital by 16 thousand PLN through the second issue of registered shares marked with letter "B"; resolution no. 17 on withdrawing from dissolving the Company and abandoning its liquidation. In relation to the above, the Company's share capital amounted to 500 000 PLN and the share of Azoty Tarnów decreased from 8.26 % to 8%. The above changes were entered into the National Court Register.
- Chłodnie „Igloopol” Sp. z o.o. in the process of liquidation was cancelled from the National Court Register on 2nd July 2009.

Characteristics of operations of particular entities from the Capital Group Azoty Tarnów and subject to consolidation as for 30th June 2009:

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

The Company was entered in the companies' register of the National Court Register under No. KRS 0000075450 on December 28, 2001 pursuant to a decision of the District Court for Cracow-Śródmieście, 12th Economic Division of the National Court Register of December 28, 2001.

Scope of activity: manufacture and sales of chemicals and plastics (Polish Classification of Business Activities PKD 2414Z).

Subsidiaries:

„AUTOMATYKA” Sp. z o.o.

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

Scope of activity: manufacture of controlling devices, industrial process control, system design and installation, activity related to mechanical engineering, and computer equipment advisory services (PKD 3313Z).

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

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

Scope of activity: designing, preparation of documentation and organization 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 November 19, 1993. Its registered office is located in Tarnów at 8 E. Kwiatkowskiego Street. The Company was entered in the National Court Register under No. KRS 0000188857 on January 29, 2004 by the District Court for Cracow-Śródmieście in Cracow, 12th Economic Division of the National Court Register. The Company mainly offers environment protection-related services.

Scope of activity: services in the areas 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 and production of plastic products (PKD 22.2) – since 24th March 2009.

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

The Company was registered on December 7, 1999. Its registered office is located in Tarnów at 8 E. Kwiatkowskiego Street. The Company was entered in the National Court Register under No. KRS 0000206663 on May 12, 2004 by the District Court for Cracow-Śródmieście in Cracow, 12th Economic Division of the National Court Register.

Scope of activity: forwarding services related to the shipment and acceptance of railway consignments; loading and unloading services; cleaning and surveys of cisterns and wagons; trade activity; running 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 March 2, 2004. Its registered office is located in Tarnów at 8 E. Kwiatkowskiego Street. The Company was entered in the National Court Register under No. KRS 0000205643 on April 29, 2004 by the District Court for Cracow-Śródmieście in Cracow, 12th Economic Division of the National Court Register.

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

„OKNOTAR” Sp. z o.o.

The Company was registered on June 20, 2001. The Company's registered office is located in Tarnów at 118 Chemiczna Street. The Company was entered in the National Court Register under No. KRS 0000027977 on July 24, 2001 by the District Court for Cracow-Śródmieście in Cracow, 12th Economic Division of the National Court Register

Scope of activity: manufacture of plastic products for the building industry; manufacture of joinery and carpentry products for the building industry; manufacture of metal elements of construction joinery; warehousing and storage of goods; installation of construction joinery (PKD 2523). The Company was privatised on 2nd March 2009 (details in point B.II.2 of this report).

PROReM Sp. z o.o.

The Company was registered on October 14, 1998. Its registered office is located in Tarnów at 8 E. Kwiatkowskiego Street. The Company was entered in the National Court Register under No. KRS 0000095916 on March 6, 2002 by the District Court for Cracow-Śródmieście in Cracow, 12th Economic Division of the National Court Register.

Scope of activity: production and services (construction; assembly; sanitary, industrial, electrical, measuring, communications and other systems), repairs and modernization of specialized fixed assets (PKD 2924B).

Wieżat Sp. z o. o.

The Company was registered on October 6, 1998. Its registered office is located in Tarnów at 8 E. Kwiatkowskiego Street. The Company was entered in the National Court Register under No. KRS 0000130185 on September 13, 2002 by the District Court for Cracow-Śródmieście in Cracow, 12th Economic Division of the National Court Register.

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

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

The Company was registered on November 15, 1993. Its registered office is located in Tarnów at 8 E. Kwiatkowskiego Street. The Company was entered in the National Court Register under No. KRS 0000135985 on October 23, 2002 by the District Court for Cracow-Śródmieście in Cracow, 12th Economic Division of the National Court Register.

Scope of activity: 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 December 28, 1993. Its registered office is located in Tarnów at 8 E. Kwiatkowskiego Street. The Company was entered in the National Court Register under No. KRS 0000074630 on January 4, 2002 by the District Court for Cracow-Śródmieście in Cracow, 12th Economic Division of the National Court Register.

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

Associated entities:

Navitrans Sp. z o. o.

The Company was registered on June 29, 1992. The Company's registered office is located in Gdynia at 18 Świętojańska Street apt. 5. The Company was entered in the National Court Register under No. KRS 0000062936 on November 20, 2001 by the District Court in Gdańsk, 8th Economic Division of the National Court Register.

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

Polskie Konsorcjum Chemiczne Sp. z o.o.

The Company was registered on December 23, 2008. The Company's registered office is located in Warsaw, at 182 Puławska Street. The Company was entered in the National Court Register under No. KRS 0000319998 on February 19, 2009 by the District Court for the capital city of Warsaw in Warsaw, 13th Economic Division of the National Court Register.

Scope of activity:

- 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 in the scope of running business activity and management (70.22.Z),
- accounting and book-keeping activity; tax consultancy (69.20.Z).

II. Changes in the structure of business entities, including changes resulting from the merger of business entities, take-over or sales of entities belonging to the Capital Group of the company, long-term investments, division, restructurisation and discontinuation of operations

1. Joining Polskie Konsorcjum Chemiczne Sp. z o.o. by Azoty Tarnów

Following the letter of intent signed on 9th October 2008 concerning the purchase of a controlling shareholding in Anwil S.A., on 5th January 2009 Azoty Tarnów joined Polskie Konsorcjum Chemiczne Sp. z o.o. and took over 25% of shares in the raised share capital of PKCh Sp. z o.o., entitling to 25 % of votes at the General Meeting of Shareholders of PKCh Sp. z o.o.

The declarations of joining PKCh Sp. z o.o. and taking over the shares in the raised capital of this company were prepared in the form of notarial deeds. The value of taken-over shares in PKCh sp. z o.o. amounts to 25 thousand PLN.

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

PKCh Sp. z o.o. based in Warsaw is a special target vehicle created by Ciech SA, joined pursuant to the Shareholders' Agreement (regulating the principles of cooperation of the parties on the future purchase of the controlling package in Anwil SA) by Azoty Tarnów and Zakłady Azotowe Kędzierzyn SA. on 5th January 2009.

The purchased assets are considered financial assets with a considerable value, since the Issuer purchased over 20% of the share capital of the target company. The Issuer purchased the aforementioned assets for its own funds.

2. Sales of the shares in the Company „OKNOTAR” Sp. z o.o.

Upon confirmation of the conditions of selling shares in „OKNOTAR” by the Supervisory Board of Zakłady Azotowe w Tarnowie-Mościcach S.A. by way of the resolution no. 131/VII/2009 dated 2nd March 2009 Azoty Tarnów disposed of 100% of shares in a subsidiary company „Oknotar” Sp. z o.o. for 14 individuals. The subject of the the transaction were 5 000 equal and indivisible shares with the fair value of 500 PLN and the total fair value of 2 500 thousand PLN. The selling price of the aforementioned shares was 53 PLN for 1 share which gave the total of 265 thousand PLN as the balance sheet value of the possessed shares.
(Current report no. 11/2009 of 2nd March 2009).

3. Transfer of tarflen processing to Jednostka Ratownictwa Chemicznego Sp. z o.o. (subsidiary company of Azoty Tarnów), amending the deed of Company’s formation, raising the share capital of Jednostka Ratownictwa Chemicznego Sp. z o.o.

Having obtained corporate consents (resolution of the Supervisory Board no. 134/VII/2009 of 4th March 2009), the Extraordinary Meeting of Shareholders of Jednostka Ratownictwa Chemicznego Sp. z o.o. was held on 24th March 2009 (Notarial Deed Reg. A No. 2929/2009) during which the deed of Company’s formation was amended by extending the subject of the Company’s activity with the production of plastic products (PKD 22.2) and raising the share capital of the Company from the present level of 14 020 000 PLN by 1 925 500 PLN through the creation of 3 851 new shares with the nominal value of 500 PLN each (from the present number of shares 28 040 to 31.891). After raising, the Company’s capital amounts to 15 945 500 PLN. All newly formed shares in the raised share capital were taken over by Azoty Tarnów

III. Standpoint of the Management Board on the fulfillment of forecasts

Due to the fact that we do not publish the financial projections for 2009, the standpoint of the Management Board of Azotów Tarnów concerning the realisation of forecast goals will not be presented.

IV. Designation of shareholders having (directly or indirectly through subsidiary entities) at least 5% of the total number of votes at the General Meeting of Shareholders as for the day of publishing this report with the designation of the number of stocks held by these entities, their percentage share in share capital, the number of votes resulting therefrom and their percentage share in the general number of votes at the general meeting of shareholders and indicating changes in the ownership structure of considerable packages of issuer’s shares in the period from the presentation of the last quarterly report.

As for the day of publishing this report

Name of entity	Number of stocks / votes at the General Meeting of Shareholders	Share in the stock capital / share in the number of votes at the General Meeting of Shareholders
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%
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The State Treasury holds directly 3.48% of shares in the equity of Zakłady Azotowe w Tarnowie-Mościcach SA, and Nafta Polska SA (a company fully held by the State Treasury) owns a further 49.08%, 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 noted in the period starting with the presentation of the last quarterly report (for the first quarter of 2009).

V. Stocks of Zakłady Azotowe w Tarnowie-Mościcach S.A. held by persons managing and supervising the Company as for the day of presenting the half-yearly report, with the indication of changes in the ownership structure in the period from the presentation of the last quarterly report, separately for each person

Stocks of Zakłady Azotowe w Tarnowie-Mościcach S.A. held by persons managing and supervising the Company

Details	Number of shares as of 15th May 2009	Changes		Number of shares as for 21st August 2009
		purchase	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
Member of the Supervisory Board – Krzysztof Pieńkowski	390	-	-	390

The number of shares held by the persons managing and supervising the Company did not change in the period from the day of presenting the annual report for 2008 to the date of publishing this report, i.e. until 21st August 2009.

As for the day of presenting the present report, i.e. 21st August 2009, other persons managing and supervising the Company held no stocks in Azoty Tarnów.

VI. Court proceedings

The companies from the Capital Group of Azoty Tarnów are not a party to proceedings related with liabilities or receivables with the value of at least 10 % of the issuer's equity, i.e. ca. 114 mln PLN.

The total value of all proceedings connected with liabilities or receivables in which participate the Companies from the Capital Group of Azoty Tarnów does not exceed 10 % of the issuer's equity.

VII. Warranties for credits and loans, granted guarantees

In the period between the beginning of 2009 and 30th June 2009 the companies from the Capital Group of Azoty Tarnów did not issue credit or loan warranties.

In the reported period, „PROREM” Sp. z o.o. (subsidiary company of Azoty Tarnów) issued a guarantee for services for several contractors worth 5 % of the contract value. This guarantee was issued for 24 months.

VIII. Other information significant for the evaluation of the staff situation, asset standing, financial result and changes of the above in the Company and its Capital Group as well as information significant for the evaluation of the possibility of fulfilling the obligations by the Company and the Capital Group

1. Changes in supervising and managing bodies.

Composition of the Supervisory Board and the Management Board of Azoty Tarnów as for 1st January 2009:

Management Board of Azoty Tarnów

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

Supervisory Board of Azoty Tarnów

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

In the reported period the composition of managing bodies changed:

At the meeting held on 26th March 2009 the Supervisory Board of Azoty Tarnów passed a resolution on recalling the Member of the Management Board Ms Monika Hap and at the same time on appointing Member of the Management Board Mr Andrzej Skolmowski as Vice-President of the Management Board.

(Current report no. 14/2009 of 26th March 2009).

In the reported period the composition of the Supervisory Board of Azoty Tarnów did not change.

Taking into account the above, as for the day of presenting the report for the first half of 2009, the composition of supervising and managing bodies looks as follows:

Management Board of Azoty Tarnów

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

- Franciszek Bernat – Member of the Management Board

Supervisory Board of Azoty Tarnów

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

2. Competencies of persons managing Azoty Tarnów

Distribution of competencies of persons managing the Company, in accordance with the Resolution no. 190/VII/2009 of the Management Board of Zakłady Azotowe w Tarnowie - Mościcach S.A. of 8th April 2009.

The President of the Company's Management Board – Managing Director Mr Jerzy Marciniak has the following competencies:

- a) initiating works on the Company's strategy,
- b) general supervision and coordination of the Company's activity,
- c) caring for the proper image of the Company,
- d) managing the operations of the Company's Management Board and chairing meetings of the Management Board,
- e) fulfilling the duties of an employer of the enterprise under the meaning stipulated in the Labour Code,
- f) supervising the works related with restructurisation and privatisation of the Company,
- g) supervising the activity of organisational entities and units directly subordinate to the President of the Management Board – Managing Director,
- h) approving the plans of economic audits and inventory and making decisions on carrying out these audits,
- i) owner supervision over the Capital Group's subsidiary companies,
- j) representing the Company in all court and out-of-court activities in cooperation with another Member of the Management Board or proxy.

The President of the Management Board – Managing Director is responsible for:

- a) initiating, coordinating, preparing and realising the multi-year and annual strategies and plans of the Company's operations,
- b) rational organisation of the Company's enterprise,
- c) staff and payroll policy as an employer within the meaning stipulated in the Labour Code,
- d) creating the conditions for achieving by the Company's enterprise of optimal economic results by supervising the work of functional departments and Business Centres with the help from subordinate directors,
- e) supervising the realisation of the designated goals by particular functional departments, Business Centres and organisational entities of the Company's enterprise,
- f) creating, supervising, coordinating and realising the policy related with management systems,
- g) supervising activities connected with creating the company's image and prestige,

- h) creating the informative policy connected with the Company's operations,
- i) realisation of the decisions and resolutions of the Company's Management Board in accordance with the Company's interests and legal regulations,
- j) representing the Company before its bodies and state and local government authorities,
- k) cooperation with trade unions and other organisations operating pursuant to constitutions on the premises of the Company's enterprise, in the scope established in law and internal regulations.

Vice-President of the Company's Management Board Mr Witold Szczypiński who supervises the field of production, technology and development has the following competencies:

- a) supervision and coordination of the activity of Business Centres and Development Department and Technical Department,
- b) supervision and coordination of the preparation and realisation of developmental strategies and programmes, production and investment tasks, research works and licence policy,
- c) coordination and supervision over the realisation of production, technical, technological, developmental, modernising, environmental tasks and tasks related with technical safety of work, fire protection, chemical rescue and crisis management,
- d) determining the policy of industrial property protection and related licence policy and supervision over the realisation of tasks in this respect,
- e) representing the Company in all court and out-of-court activities in cooperation with another Member of the Management Board or proxy.

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

- a) preparing and realising developmental strategies and programmes and substantive supervision over the realisation of production plans and repairs,
- b) supervision over the coordination of production, technical and technological activity of the Company's enterprise with the observance of the conditions of occupational safety, technical safety, fire safety and environmental protection, chemical rescue and crisis management,
- c) supervision over planning, organising and realising investment projects, modernisation and research and development tasks,
- d) realisation of the licence and patent policy and protection of industrial property rights,
- e) realisation of the decisions and resolutions of the Company's Management Board in accordance with the Company's interests and legal regulations,
- f) representing the Company before its bodies and business partners.

The competencies of Vice-President of the Company's Management Board Mr Andrzej Skolmowski who supervises the finance and commerce involve:

- a) formulating the financial strategy and coordinating the preparation of its documentation,
- b) coordinating the preparation of strategies and multi-year and annual plans related with commercial and marketing policy,
- c) coordinating and supervising the realisation of these strategies in the scope of:
 - finance and accounting,
 - product sales system,
 - raw material purchasing system,
 - marketing activity,
 - logistics activity, including the warehousing system,
 - circulation of commercial information,
- d) functional supervision and coordination of activities related with managing financial equity,

- e) supervision and coordination of the proper functioning of:
 - the planning and controlling system,
 - the strategic score card (BSC),
 - the Company's financial and accounting system,
 - the circulation of economic and financial information, including stock-exchange reporting,
- f) coordinating accountancy and financial policy and specifying its rules,
- g) supervising the functioning of the Finance Department, Strategic Marketing Department, Procurement and Logistics Department and commercial activity of business centres,
- h) representing the Company in all court and out-of-court activities zentowanie in cooperation with another Member of the Management Board or proxy.

Vice-President of the Company's Management Board who supervises the financial and commercial area is responsible for:

- a) initiating and coordinating sector strategies of the Company's enterprise in the scope of functions realised by organisational entities responsible for finance, accounting, logistics, marketing and commerce and their verification as well as supervision over realisation,
- b) supervision over the application of the principles of accounting in accordance with the mandatory regulations and International Accounting Standards,
- c) supervising the process related with public trading of the Company's stocks,
- d) supervision and coordination of tasks related with stock-exchange reporting,
- e) organising economic controls and inventories,
- f) ensuring the proper circulation, control and archiving accounting documents,
- g) supervising the Company's financial economy in accordance with the mandatory rules, particularly with regard to:
 - observing the rules of monetary settlements and ensuring proper protection of cash value,
 - observing the mandatory fiscal regulations and ensuring the timely settlements with the budget and state institutions,
- h) supervision over the settlements of financial tasks and budgets of Business Centres, functional departments and organisational entities,
- i) coordinating and supervising the accounting of commercial and marketing tasks of the Business Centre and functional departments,
- j) supervision over the realisation of financial settlements from the realisation of sales agreements,
- k) realisation of the decisions and resolutions of the Company's Management Board in accordance with the Company's interests and legal regulations,
- l) representing the Company before its bodies and business partners.

The competencies of the Member of Management Board Mr Franciszek Bernat, elected by Employees, involve:

- a) general supervision over infrastructure and energy issues – in cooperation with the Board Member responsible for the field of production, technology and development,
- b) coordinating the activities of the Company in the scope of the created industrial parks, technological parks, industrial zone and economic zone,
- c) coordinating activities connected with management and infrastructure and resulting ownership changes,

- d) supervision and coordination of cooperation with the Company's trade unions, associations and clubs operating on the premises of Azoty Tarnów and local environment,
- e) supervision and coordination of works related with the programme of restructurisation and separation of some areas, including areas of infrastructure and functioning of Azoty Tarnów,
- f) supervising the processes of privatising entities in which Azoty Tarnów hold stocks or shares,
- g) supervision and coordination of projects realised in cooperation with the Company's environment (state government and local government administration bodies, schools and higher education institutions, chambers and associations, business organisations etc.),
- h) representing the Company in all court and out-of-court activities in cooperation with another Member of the Management Board or proxy.

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

- a) initiating and coordinating strategies related with the participation of Zakłady Azotowe in the newly created and functioning industrial and technological parks and industrial and economic zones,
- b) coordinating the realisation of the strategy in the range of relocation and separation of the areas of functioning of Azoty Tarnów,
- c) planning and coordination of undertakings connected with optimisation of costs in the sphere of infrastructure, including the disposal or use of redundant non-productive assets and properties,
- d) maintaining and developing positive relations with the environment, including coordination of cooperation with trade unions operating within the enterprise.
- e) planning, preparing and supervising negotiations with investors in the range of disposal of shares / stocks in subsidiary companies and issue of new shares – in cooperation with the President of the Company's Management Board,
- f) realisation of the decisions and resolutions of the Company's Management Board in accordance with the Company's interests and legal regulations.
- g) representing the Company before its bodies, state and local government authorities and business and social partners.

3. Redundancy scheme

In the reporting period, due to changing the environment of Azoty Tarnów, in particular changing the economic situation in capital markets which accelerated some activities planned in Azoty Tarnów, restructurization is an important element of actions undertaken by the Company. Restructurisation is supposed to improve the efficiency and effectiveness of work and rationalise employment in the Company. On 22nd January 2009 an agreement has been entered into between the employer and trade unions operating within the enterprise concerning the scheme of voluntary redundancy. The scheme provides for the payment of financial incentives for employees with the right to pension, early retirement allowance and other employees who do not have the above rights in case a declaration of voluntary redundancy is submitted. The total of 177 employees joined the scheme of voluntary redundancy, including 92 persons who left in the first quarter of 2009. The total value of funds allocated for financial incentives, including retirement severance pays (in accordance with the Corporate Collective Labour Agreement) and extra incentives resulting from the scheme of voluntary redundancy amounts to over 6 200 thousand PLN. In this way, the Company will achieve the projected results in the form of reducing employment costs, improving the effectiveness of its activity and implementing new rules of management.

A new organisational structure was prepared which assumed for the end of 2009 the planned employment level of 2 090, i.e. downsizing by 370 and hiring about 250 employees.

4. Important organisational changes within the Group

Under the Company's restructurisation programme, from 1st January 2009 the processing of tarflen located in the Plastics Centre was transferred to the subsidiary company Jednostka Ratownictwa Chemicznego Sp. z o. o.. 36 employees of the Tarflen Processing Department, the Sales Office of the Plastics Centre and the Laboratory of Plastics Quality Control at the Research and Analysis Centre were transferred to Jednostka Ratownictwa Chemicznego upon the principles established in art. 23¹ of the Labour Code. In order to realise the application in question, Azoty Tarnów and the subsidiary company entered into an agreement in which the following was regulated: staff issues, lease of properties, making a contribution in kind to movable assets, sales of infrastructural services and rules of accounting raw material stocks, reconciliation of work in progress and ready products and goods. At the same time, an Agreement was concluded with the social partner, i.e. Corporate Trade Unions operating on the premises of Azoty Tarnów, which regulates the issues of the rights of employees transferred to a subsidiary company.

In order to realise the objectives included in the Prospectus (point 3.2.5 page 33, point 3.2.10 page 36 , point 9.1 page 112) , including the privatisation of subsidiary companies as one of the stages of the strategy of separating beyond the Capital Group of Azoty Tarnów, 100% of shares in the Company OKNOTAR Sp. z o.o. were disposed (details can be found in point B.II.2 of this report).

On 1st March 2009 the Ammonia Department I and Ammonia Department II within the Fertilizers Centre were combined into one Ammonia Department.

As of 1st April 2009 changes were introduced at the level of Business centres and Departments in organisational entities and units. Changes involved the liquidation or joining of the existing organisational units and liquidation of unnecessary work positions.

The above changes did not violate the provisions of the Rules of Organization.

As of 1st June 2009 the functions and tasks related with the sales of ammonium sulphate were transferred from the Caprolactam Center to the Fertilizers Centre.

As of 1st July 2009 the fractioning, warehousing and forwarding ammonium sulphate were transferred from the Caprolactam Center to the Fertilizers Centre. In order to ensure efficient servicing of the tasks related with loading and forwarding all fertilizer fields, the Department of Warehouses and Fertilizer Forwarding was established within the Fertilizers Centre.

As of 1st July 2009 the activity related with packaging and customizing reagents (nitric acid, ammonia water, formalin) and filling cylinders with liquid carbon dioxide realised in the Fertilizers Centre was transferred to Jednostka Ratownictwa Chemicznego Sp. z o.o.. The above was related with and resulted from the Agreement signed beforehand between Azoty Tarnów and a subsidiary company in the case in question.

As of 1st July 2009, after completing the bidding procedure activity related with the unloading of dolomite rock was transferred to the subsidiary company „Koltar” Sp. z o.o.

5. Decisions concerning the purchase of the components of fixed assets.

On 15th January 2009 the Supervisory Board of Azoty Tarnów gave the Management Board consent to the purchase of components of fixed assets within the investment task "Construction of a new gas to gas exchanger (E9) within the KDC system".

On 4th March 2009 the Supervisory Board accepted the Annual Material and Financial Plan for 2009

approved by the Company's Management Board by way of the resolution dated 26th February 2009. The Plan assumes the investment expenditures of 82 990 thousand PLN for 2009.

Moreover, on 4th March 2009 the Supervisory Board of Zakłady Azotowe w Tarnowie - Mościcach S.A. gave the Management Board consent to the purchase of the components of fixed assets for 3.94 mln PLN within the investment task "Adjustment of the electrical energy measuring and clearing system at Azoty to the requirements of the Electrical Energy Market".

IX. Factors affecting the obtained results in the perspective of at least one successive half-year

Revenues from funds located in the stock exchange

As for 30th June 2009 on long-term deposits from the funds obtained as a result of the issue of the Company's stocks and in the remaining part of funds from the current activity was located altogether the amount of 240 mln PLN, including fixed-term deposits with the maturity date of up to 3 months from the balance sheet date in the amount of 140 mln PLN and fixed-term deposits for more than 3 months and less than 1 year in the amount of 70 mln PLN. Up until the date of publishing this report the Company has renewed the term of the deposit of 130 mln PLN for 6 months.

Furthermore, in the bank accounts and one-day deposits the Company had 6.5 mln PLN used to finance its current activity.

Financial revenues of the total of 8.5 mln PLN were obtained in the first half of this year from fixed-term deposits from the issue of stocks.

In the second half of 2009 the plan is to obtain the revenues from the deposits from the issue of stocks at the level of about 7.5 mln PLN, 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 influencing the level of market interest rates.

Seasonality

Information on seasonality was included in point A.IV. of this report.

Exchange rates

The fluctuations of exchange rates have a considerable influence on the revenues from sales and results of the Group.

Due to the economic indicators both from the EUR zone and the USA observed from the beginning of the second half of 2009 which are better than forecast, a gradual increase is at the same time observed in the level of risk acceptable to the investors, which translates into the expected return of foreign capital to Poland and the consolidation of the tendency of PLN's appreciation in comparison to USD and EUR noted from the beginning of the second quarter of the year. Furthermore, the previous speculation wave affecting the weakening of the Polish currency should expire when completing the accounting of foreign currency derivatives by most domestic enterprises.

On the other hand, the intensifying apprehensions concerning the level of budget deficit and its funding in the perspective of 2010 must be taken into account, which may translate into maintaining further the high variability of exchange rates in the third quarter of 2009.

With regard to the fact that in the period from the end of the first quarter of 2009 to the date of publishing this report, the Polish currency strengthened by about 16% in comparison to USD (assumed 2.95) and by 13% in comparison to EUR (4.15), it seems very likely that until the end of the second quarter of 2009 the present levels will remain stable and there will be the possibility of further appreciation of PLN in comparison to USD and to a lesser extent in comparison to EUR by the end of the year.

Taking into account the surplus of exchange rate flows over expenditures the strengthening of PLN will cause lower revenues from sales.

Domestic exchange rates

It seems that the series of reductions of domestic exchange rates by the Monetary Policy Council continued from the fourth quarter of 2008 came to an end, in the context of the symptoms of weaker global economic crisis and simultaneous projections by some market participants that in the perspective of 2010 inflation may intensify.

In relation to the above, it must be treated as rational that the Monetary Policy Council is to suspend further decisions concerning the direction of further monetary policy until data related with key economic factors are obtained (including inflation and the growth rate of GDP). It is most likely that in the second half of 2009 the present level of interest rates will be maintained by the Monetary Policy Council or slightly changed (+0.25%) if negative or positive information about the condition of economy and strength of inflation phenomena intensify.

What must be pointed at is greater divergence between interest rates of the National Bank of Poland, rates in the inter-bank market and margins used for deposits and credits which may have a considerable influence on the higher cost of money in the market in the second quarter of 2009.

In case of EBC rates, there is not much space to manoeuvre, so it seems most likely that rates for EUR will not be changed until the end of 2009.

The presented growth tendency of the cost of money will lead to increased financing costs due to the use of credit limits by the Company. However, the level of financial revenues obtained from the interest rates of fixed-term deposits will compensate this growth causing an excess in financial revenues over the costs of external sources of funding.

The prices of raw materials and products in the next half-year

The situation in the markets of the Group's products is determined by the balance of demand and supply, prices of raw materials and obtaining economically effective relations of product prices to the prices of raw materials. The crisis has proven that the market will not accept the offered prices of products beyond certain price thresholds. Limitations in production enforced by limited demand are still maintained or renewed as the prices of raw materials are not stable. The prices of oil and their dynamics have the greatest impact on the raw material market and the market may be animated gradually on condition the prices are adequate to demand. Purchasing prices of the Group's raw materials are based to a considerable extent on market quotations – that is why they are convergent to a considerable extent. The obtained product prices are determined by the demand dependent on market situation which is projected to improve next year.

The market of raw materials

Oil

Representatives of OPEC countries forecast that in the second half of the year a slight growth tendency will be continued which will result in the prices of oil in the range of 60-70 dollars at the end of this year. Similar predictions are presented by bank analysts (Helion, BM Reflex). It is assumed that in 2010 the prices of oil will stay at the level of 85 dollars a barrel.

Gas

In future, the prices of gas may determine the competitiveness of chemical industry. Getting new source of gas supply is one of the elements of energy security. Actions aimed at diversifying gas supplies are in progress.

Coal

The demand for energy decreases in the times of crisis. In many countries of Europe, including Poland in 90%, coal is the basic raw material in production processes. The prices of coal for individual customers amount to 800 PLN/t, while the prices for the energy industry amount to ca. 300 PLN/t, i.e. are twice or two times and a half lower. The prices of coal in Poland are so high that they guarantee an increase in revenues of mines despite a decrease in sales.

No changes of prices should be expected in the future unless there is over-supply from import.

Benzene, Phenol

In the first half of this year there is still low demand for benzene and phenol resulting from limited demand for caprolactam. It is the consequence of the global financial crisis and economic recession in the fourth quarter of 2008. Fluctuations of price quotations are predicted with growth tendencies in case of contracted benzene 650-770 EUR/t, and spot benzene 950-960 USD/t.

Methanol

The demand for methanol has not improved and producers are still maintaining the low production level.

Price projections for the third quarter may reach 165-170 EUR/t in case of contracted methanol and 157-173 EUR/t in case of spot methanol.

Ammonia

Price projections for the third quarter of 2009 may be at the level of 250-260 USD/t. The exhibit growth tendencies.

Product market

Liquid and crystal caprolactam

In the first half of the year the European market observed limited demand for caprolactam which entailed limitations in production estimated at ca. 60-75 %.

According to ICIS, the global production of caprolactam (April 2009) is estimated at the level of about 70 % of production capacities.

In the Asian market plants producing caprolactam are planned to be closed down until mid October (Thailand and Korea). MCC is closing down the caprolactam factory in Japan.

The plant has the production capacity of 60 thousand tons a year. It is planned to be closed down in March 2010.

Plastics

The forecasts for the polyamid 6 market provide for a slow price increase. The demand will remain at the relatively low level. Most plants processing PA6 close down their companies for the summer break. After the end of summer breaks, it is predicted that there will be higher demand for this raw material followed by the projected increase in prices.

The situation is similar in case of POM. Prices are forecast to stabilise. The predicted changes in the market may take place after the end of holidays and should be visible from the fourth quarter of the year.

Nitre-based fertilizers

In the period February-April 2009 a slight increase of prices of nitre-based fertilizers was noted which resulted from the seasonal higher purchase of fertilizers while in June there was a slight decrease in prices. Depending on the country's region and promotions and price reductions offered by distributors, prices are very varied. The price range results from the volume and costs of stocks possessed by particular distributors and prices offered by producers.

A slight increase in prices of nitre-based fertilizers is predicted at the beginning of July, by 10-20 PLN/t on average. The increase will result from gradually increasing seasonal demand for fertilizers for winter cereals. It is expected that the prices of nitrogenous fertilizers will gradually increase in the period between August and September this year.

Chemical market

From the very beginning of the year the prices of petrochemical materials were on the increase while the prices of hydrocarbon materials remained at the stable low level. The first quarter of 2009 was characterised by the profits of chemical and petrochemical companies. According to analysts of Oxford Economics, the global production of chemicals will drop this year by 7.25% and the growth in emerging markets will only partially balance the decrease by over 11% projected in Japan, Northern America and Western Europe. But in 2010 there should be witnessed a global increase in the chemistry sector by 5%. There are signs of stabilisation or even increased demand. Greater activity is noted in the field of mergers and take-overs which results in a lower number of enterprises and their greater geographical range. This should ensure balance on a global scale. The role of Asia in chemical industry will be strengthened in terms of demand and supply.

Automotive market

The import of automotive industry noted a slow-down in the first half of 2009. A lower number of orders for vehicle production was noted which translated into the decrease in orders of spare parts and in other branches of automotive industry. In the discussed period, the major importers of passenger cars and lorries were Germany, United Kingdom and Czech Republic (their share in the importation in this industry amounted to 59.81 %).

Other

Some subsidiary companies of Azoty Tarnów indicate participation in tenders (both public and organised by private investors) as the main factor affecting the results obtained in the second half of 2009. The success in tenders directly increases the chances of getting better results and allows for creating the image of the company and getting recognition.

In the coming half-year, also the market trend to reduce prices of construction and repair works may, according to the company, influence the results. The present crisis will lead to lower revenues from sales and the necessity to realise external works in distant places and the further market trend to reduce considerably the tender prices which will lead to lower profitability when compared to the result for the first half of the present year.

A considerably lower demand for design works resulting from lower level of investments in chemical industry may be a reason for limited revenues from sales in „BIPROZAT” Sp. z o.o. (subsidiary company of Azoty Tarnów).

Jednostka Ratownictwa Chemicznego Sp. z o.o. (subsidiary company of Azoty Tarnów) indicates participation in the tender announced by the Military Property Agency for utilization of a rocket fuel (ca. 900 tons) as the factor influencing future results.

Anti-dumping proceedings.

Treating China as one of strategic markets, the Company joined the anti-dumping proceedings initiated upon the motion of the government of the People’s Republic of China on 29th April 2009 related with the importation to the People’s Republic of China of SPA-6 originating from Taiwan, Russia, USA and European Union.

X. Dangers and risks related with the remaining months of an accounting year

The major factor which may significantly affect the financial result for the second half of 2009 is the more and more noticeable financial crisis. The risk lies in fluctuating exchange rates which influence the prices of raw materials and materials necessary for the production and realisation of overhaul, construction and assembly works. Domestic suppliers of materials produced abroad provide the prices of these materials in a foreign currency (most often in EUR), with the reservation that the selling price will be converted in accordance with the exchange rate for the date of issuing an invoice. The crisis also leads to abandoning investments, which entails lower demand for services. There may also be expected changes in the production volume, restriction and exclusion of technological lines. The chemical industry supplies raw materials, semi-finished products as well as finished products to many other industries. Thus the overall economic situation in the world has an impact on results reported by the global chemical sector. Polish economy, in turn, is sensitive to the global economic situation, especially the situation in the European Union. This arrangement of ties results in a situation where a rapid economic breakdown materially affects the Company’s financial results.

The changing market and economic recession caused by the global financial crisis affecting the national economies and market sectors in 2008 (and continued until today) has had a radical impact on the demand for the Company’s products. To avoid losses resulting from the lack of demand, the Company followed the example of other entities and partly reduced the production of artificial fertilizers on a temporary basis.

The objective factors that may have a negative impact on the development of the Capital Group in the future include:

- slowdown of the Polish economy in some fields,
- the threat of inflow of cheaper fertilizers and products following the possible admission of Russia to the World Trade Organization (WTO),
- limitation of imports resulting from support to domestic producers and protection of markets by governments (as e.g. the ammonium sulphate market in Brasil),
- unexpected actions of the competition – e.g. new acquisitions in the global chemical industry.

Other risk factors which may appear in the second half of the year or external threats faced by the Group involve:

The risk of the Company becoming dependent on the macroeconomic situation in Poland and elsewhere

The Company's financial standing is affected by global macroeconomic factors. The chemical industry supplies raw materials, semi-finished products as well as finished products to many other industries. Thus the overall economic situation in the world has an impact on results reported by the global chemical sector. Polish economy, in turn, is sensitive to the global economic situation, especially the situation in the European Union. This arrangement of ties results in a situation where a rapid economic breakdown materially affects the Company's financial results. The important macroeconomic factors, influencing the entire economy and thus also the chemical sector and specifically the present Company's situation, include e.g. the level and growth rate of the gross national product, inflation and unemployment rate, as well as the society's purchasing power.

The risk of changes in the market prices of raw materials

Azoty Tarnów is the manufacturer of chemicals, the prices of which are strongly dependent on raw materials prices. This is particularly true in the case of products based on natural gas and petrochemicals, where the demand fluctuates strongly. To reduce the risk, the Company undertakes actions aimed at diversification of the sources of supply of strategic raw materials; an activity aimed at reducing the risk resulting from fluctuations of petrochemicals prices is the introduction of pricing formulas that related the price of the product to that of the raw material.

The risk of limitation of natural gas supplies

The sole supplier of natural gas to the Company is PGNiG, whose basic source of supply is the Russian monopolist Gazprom. Any disturbances in gas supplies, not necessarily resulting from economic reasons, may lead to limitations of the natural gas supplies to the Company, and thus to deterioration of its financial standing.

To limit the impact of the aforementioned risk on the Company's results, Azoty Tarnów invests in the options of using in its production processes the gas from local resources supplied by PGNiG without agency of Gaz-System S.A. The physico-chemical parameters of gas from local sources prevent its use within the national network, while such gas is sufficient for the Company's production needs owing to modification of its systems.

The risk of periodicity of product markets

The Company operates on markets where demand fluctuates periodically, which influences the prices and return on sales of specific products; as a result, margins obtained by the Company also show considerable fluctuations and respond with particular intensity to weak market periods. This leads to uncertainty of some financial projections. The Company reduces this risk by means of control of the operating costs, which are kept low, and by means of expansion of production capacity and diversification of the product portfolio. Also the lengthening of caprolactam processing and extension of the polyamides line offer possibilities for flexible control of the manufacture and sales of products within that technological line.

Seasonal risk

The seasonal nature of the sales of some products during the calendar year, which is characteristic of the chemical sector, affects the Company's financial liquidity. The chemical sector's seasonality is particularly marked in the case of artificial fertilizers, where the sales depend on the calendar of crops and the changing weather conditions. To reduce the impact of this phenomenon, the Company diversifies its product portfolio, minimizing the proportion of seasonal products.

Exchange rate risk

For many years now, the Company has been involved both in exports and purchases of raw materials for production with foreign currencies (especially USD and EUR). As a consequence, it is exposed to the exchange rate risk, which may specifically lead to higher costs of supplies or lower effective revenues from sales calculated in PLN. Azoty Tarnów secures its currency standing with such

instruments and actions as e.g. natural hedging, forward transactions and complex options structures. Furthermore, to shorten the currency items, the Company avails itself of the possibility of making payments in contractual currencies to residents. Since October 2008 the Company has used hedge accounting.

The risk of legal changes

Incessant changes of both the EU and domestic law produce the risk that the need to adjust to the new regulations to the Company's disadvantage might lead to costs and thus affect the financial results.

The risk related to the introduction of obligatory registration of chemical products

Poland is a Member State of the European Union. For many years now, works have been carried out within the Union to introduce registration of products of the chemical industry (substances).

Adopted on December 18, 2008 was Regulation (EC) No. 1907/2006 of the European Parliament and of the Council concerning Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) and Commission Regulation (EC) No. 1488/94, as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC. The Regulation entered into force on June 1, 2007, while the obligation of registration of substances arose as of June 1, 2008 and lasted until December 1, 2008. This was a so-called preliminary registration, which involved no greater costs for the Company. The Regulation establishes a specialized agency of the European Union – the European Chemicals Agency. In the following years, the Company will be forced to incur the costs of relevant registration procedures with respect to already marketed products, which involves the risk of costs of obtaining the test results for those substances.

The REACH registration procedures and the related restrictions will also apply to the basic raw materials used in production, which may affect the Company's financial result in the case of raw materials (ammonia or methanol) acquired on non-EU markets.

The risk related to non-performance of the composition

Until the end of the first half-year of 2009, the Company timely performed its obligations under the composition proceedings; however, it cannot be excluded that the Company might no longer be able to execute the composition clauses if its financial standing deteriorates considerably. The last installment with the maturity date in September 2009 is still outstanding. Cessation of performance of the obligations under the composition may result in a judicial decision quashing the composition. In such case, the originally reduced debts would become payable, which would mean a drastic deterioration of the Company's financial standing.

The risk related with the equity risk and trade in Stocks

- The risk of disposal of Stocks by Nafta Polska S.A.
In view of the fact that Series AA Stocks held by Nafta Polska S.A. have been listed, it is possible that Nafta Polska S.A. might apply for and obtain the consent of the Council of Ministers for the sale of its holding of the series AA stocks within session deals.
- The risk of increased supply of Stocks related to performance by the State Treasury of its obligations resulting from acts adopted by the Parliament (Sejm) of the Republic of Poland and from agreements with creditors of the Treasury.
- The risk of suspending trade in Stocks or their exclusion from trade on the Stock Exchange.
- The risk related with administrative sanctions imposed by the Polish Financial Supervision Authority.

SIGNATURES

Jerzy Marciniak
President of the Management Board

Witold Szczypiński
Vice-President of the Management Board

Andrzej Skolmowski
Vice-President of the Management Board

Franciszek Bernat
Member of the Management Board

Tarnów, 21 August 2009