

Tarnów, 8 March 2011

Dear shareholders of Zakłady Azotowe w Tarnowie-Mościcach S.A.,

It is with pleasure that I present you with the Zakłady Azotowe w Tarnowie-Mościcach S.A. annual report for 2010, a year in which we took further steps towards achieving our principal business objective – strengthening core operations. These actions constantly plan out the path for developing the Azoty Tarnów Group as the key player in the Polish chemical industry.

At the beginning of last year we acquired a 100% interest in the German polyamide manufacturer ATT Polymers GmbH, based in Guben. The effect of this acquisition is a significant advance for the Azoty Tarnów Group amongst integrated European polyamide producers. A subsequent event without precedence in the history of the Group was the purchase of a controlling interest in one of the largest chemical businesses in Poland – ZAK S.A.

The consolidation of Azoty Tarnów and ZAK S.A. is particularly visible in the agricultural products segment, including trade and logistics. The effects of the subsequent growth strategy in the fertiliser sector were becoming apparent at the end of 2009 after start-up of a modern fertiliser granulation facility in Tarnów and the introduction of new products to the market. After acquiring 52.6% of shares in ZAK S.A. we observed an even greater increase in quality and volume. Economies of scale, efficiency and the complementary nature of our product and service portfolio in the manufacture and sale of mineral fertilisers within the Azoty Tarnów Group increased to a level not previously observed.

Through continuing the investments declared in the issue prospectus of June 2008, Azoty Tarnów achieved a high growth dynamic in 2010. Last year we commenced implementation of another issue objective – construction of a hydrogen facility in Tarnów with production capacity of 8000 Nm³/h, connected with modernisation of the caprolactam plant to a total capacity of 101.3 tons per year. This project enables an increase in the use of natural gas from local sources, and as a consequence lowers production costs. The increase in production capacity of caprolactam is also significant in the context of acquiring the factory in Guben, which for a year has generated ample synergies within the Azoty Tarnów Group.

The investment in ZAK S.A. also played a key role last year. In October the construction of a modern nitrogen fertiliser facility was completed. Aside from improving working conditions and saving on raw materials, this facility has become part of the Azoty Tarnów Group environmental policy by reducing harmful gas and liquid emissions into the atmosphere and lowering energy and material consumption in technological processes.

As the result of many months' efforts, an industrial zone was established within the Azoty Tarnów site in 2010, aimed at enabling and facilitating business conducted in industrial and post-industrial areas. The zone is more than 231 hectares in area and contains 276 plots of land. It covers the main area where production facilities are located. Thanks to this zone, businesses located there will have access to many significant benefits, including an attractive, fully equipped area with a convenient location.

Furthermore, employment optimisation processes at Azoty Tarnów Group companies are on-going. In July 2010 a single business unit was established – the Plastics Centre – to replace the Plastics and Caprolactam Departments. This was a subsequent phase of restructuring within the parent company aimed at business optimisation in the manufacture and sale of caprolactam and plastics into one natural chain. This year work will be continued on improving the organisational structure of the Group and its companies, together with the process of selling subsidiaries. These activities will certainly result in significant cost rationalisation in future years.

Last year the Azoty Tarnów Group's operations were recognised in many competitions and rankings. We are satisfied with the fact that we are a reliable and responsible business partner. Once again we were honoured by the Association of Polish Exporters and the Business Centre Club - being granted the titles "Polish Export Leader 2010" and "Ambassador for the Polish Economy" in the European Brand category respectively. In the last few days we have been nominated under the "Company of the Year 2010" category in the annual "Parkiet" Awards.

Azoty Tarnów products also received a wide range of awards, amongst them fertilisers manufactured at the recently-opened mechanical granulation facility. Our new fertiliser – Saletrosan 26 macro – was given particular recognition, receiving the European Medal for Products and Services. Confirming the appropriate direction of our development as a manufacturer of fertilisers, we were also awarded the title "Innovation of the Year" 2010 by Forum Biznesu for the new nitrogen fertiliser manufacturing facility. ZAK S.A. products have also been awarded – last year its fertilisers were presented with a Teraz Polska accolade and an award for Highest Quality.

Azoty Tarnów was for the second time included in the group of 16 listed companies comprising the RESPECT Index – companies managed in a responsible and balanced manner. We have proved many times that our place in this elite group is confirmation of our bond with the local community. We continue to be involved in many areas which are significant for the local community and we remain their patron. Azoty Tarnów's mission for the town and region is confirmed by our distinction in the Pillars of the Polish Economy ranking 2010, promoting key companies in their regions. This distinction is awarded by the opinion-forming economic magazine "PulsBiznesu" and the "TNS Pentor" Research Institute.

Thanks to its operations and constant support for cultural and sporting initiatives, ZAK S.A. has for many years been named the largest patron of culture and sport in the Opole region. The company's Code of Ethics defines ethical standards and allows it to build partnerships with all of the company's stakeholders. This constitutes a significant element in the company's development and is aimed at creating a balance between economics and ethics. ZAK S.A. participated in and implemented many charity, sponsorship, ecological, scientific and sporting projects, placing emphasis on supporting chances for children and young people in the region.

As a socially responsible company we also care for our employees. Last year we implemented a programme to raise staff qualifications in foreign languages. A great many Azoty Tarnów Group employees have begun or continue to study on post-graduate and specialist training courses. For many years we have worked with academic institutes and universities - the foundation for the development of industry. Last year we commenced cooperation with the Business College and our employees are taking courses in chemical and process engineering. 24 Azoty Tarnów employees began studying under this venture. In June we signed an agreement with Krakow University of Technology concerning scientific and research cooperation together with common teaching ventures. In the spirit of the agreement, our cooperation will be continuously expanded depending on the requirements of the Azoty Tarnów Group.

One of the main priorities for Group operations is to care for the environment, and all ventures are implemented with assurance of the responsible use of natural resources, decrease in the amount of waste and limitation of the emission of pollutants into the atmosphere. Care for the environment also brings notable economic benefits. Last year, as the first company in Poland to do so, Azoty Tarnów obtained funds from sale of nitrous oxide emission units (ERUs) generated at the nitric acid facility under the first Polish-Japanese joint implementation project, executed by the Azoty Tarnów Group with Mitsubishi Corp. Reduction in nitric acid facility emissions of nitrous oxide were also achieved at a similar level by ZAK S.A.

IT services are successfully being performed and expanded within the Group in partnership with Hewlett Packard Polska Sp. z o.o.. This covers maintenance and development of IT systems, with particular consideration to SAP. HP ran several significant standardisation projects during the period. The first and key project was the start-up of the Help Desk – the first point of call for all IT users at Azoty Tarnów. The IT outsourcing project was recognised as the “most interesting of the best implementations in industry”. HP also maintains and develops IT systems at ZAK S.A., simultaneously strengthening the company consolidation process within the Azoty Tarnów Group.

Amongst our many priorities we remember that Azoty Tarnów is a public company and its primary obligation is effective communication with the capital market. Hence our participation in the “10 for 10” programme of the Association for Private Investors, which is aimed at optimising activities in this field. Proof that our actions are effective comes from an award presented by the economic magazine “Puls Biznesu” for the company’s active participation in “Investor Action” – a platform for exchange of information between private investors and listed companies.

We are convinced that with such a solid foundation for businesses we will witness further dynamic development of the Azoty Tarnów Group this year, with benefits for employees, current and future shareholders, our local community and the Polish economy.

On behalf of the Management Board I would like to sincerely thank our employees for their hard work. Our successes and outstanding financial results are the effect of engagement on the part of Group personnel and their intellectual potential. Once again I would like to thank shareholders for the trust they show in Azoty Tarnów and our business partners for cooperation over the last year.

Jerzy Marciniak
President of the Management Board – Managing Director