Warsaw, 11 September 2012

Report
by the Management Board of Zakłady Azotowe w Tarnowie-Mościcach Spółka Akcyjna,
having its registered office in Tarnów,
regarding the non-cash contributions provided to cover
the increased share capital

Introduction

Pursuant to § 10, sec. 3 and subsequent of the articles of association of Zakłady Azotowe w Tarnowie-Mościcach S.A. (the "**Company**") (the "**Articles of Association**"), the Company's Management Board has been authorised to increase the Company's issued share capital within authorised share capital through the issuance of new shares in order to offer shares in the Company, with exclusion of pre-emptive rights, to the shareholders of Zakłady Azotowe "Puławy" S.A., having its registered office in Puławy, entered into the register of companies of the National Court Register under number KRS 0000011737 ("**ZA Puławy**"). The Company's new shares will be paid for with non-cash contributions in the form of ZA Puławy shares. The Management Board intends to adopt a resolution on increase of issued share capital within authorised share capital on the conditions specified above through the issuance of not more than 42 867 293 series D ordinary bearer shares (the "**Series D Shares**") with a nominal value of PLN 5.00 each. In connection with the above, in fulfilling the requirement resulting from art. 311, in connection with art. 431, § 7 of the Act of 15 September 2000, the Polish Commercial Companies Code (the "**Polish Commercial Companies Code**"), the Management Board has drawn up this report regarding the non-cash contributions to be provided as payment for the Company's newly issued shares.

Object of the non-cash contributions

The object of the non-cash contributions provided as payment for Series D Shares comprises ZA Puławy shares with a nominal value of PLN 10 each. These shares are disposable securities with ISIN code PLZAPUL00057 and are traded on the main market managed by the Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.* – the "**WSE**") (the "**In-Kind Contribution**").

Persons providing the non-cash contributions

The persons providing the In-Kind Contribution are ZA Puławy shareholders, i.e. on the date of submitting a subscription for Series D Shares, entities in whose securities account ZA Puławy shares are recorded or for whom a relevant register is maintained by an investment firm in respect of such ZA Puławy shares, provided that such entity submits a valid subscription for Series D Shares. The detailed rules of offering and allotment of Series D Shares, together with detailed rules regarding provision of the In-Kind Contribution, will be specified in the Company's prospectus or offering memorandum drawn up in accordance with the Act of 29 July 2005 on Public Offerings and Conditions for the Introduction of Financial Instruments to an Organised Trading System and on Public Companies, as well as other relevant regulations, in connection with the public offering of Series D Shares and the application for admission and introduction of Series D Shares to trading on the regulated market managed by the WSE.

Number and type of shares issued in exchange for the non-cash contributions

In exchange for the In-Kind Contribution, the Company will issue Series D Shares as per the exchange ratio, i.e. the number of Series D Shares which will be paid for with a non-cash contribution in the form of one ZA Puławy share. Pursuant to § 10, sec. 4 of the Articles of Association, the exchange ratio is 2.5. Given the fact that Series D Shares will be subject to dematerialisation in connection with the application for their admission and introduction to trading on a regulated market, in accordance with art. 336, § 3 of the Polish Commercial Companies Code, Series D Shares will be ordinary bearer shares.

Valuation method applied to the non-cash contributions

In accordance with art. 312^1, § 3 of the Polish Commercial Companies Code, the Company will set the price of one ZA Puławy share, constituting part of the In-Kind Contribution, not later than on the date of receiving the

non-cash contribution, on the basis of the weighted average ZA Puławy share price on the WSE main market over the six-month period preceding the valuation date. The valuation will thus depend on financial market conditions, including stock market and ZA Puławy share price behaviour – objective factors which are independent of the Company. In connection with the above, pursuant to art. 312^1, § 1, point 1 of the Polish Commercial Companies Code, the Management Board will waive the requirement for the non-cash contribution for Series D Shares to be audited by a statutory auditor.

Justification for the planned transaction

The acquisition of ZA Puławy shares constitutes an element of the Company strategy, adopted and announced by the Management Board on 13 June 2012 through current report no. 33/2012, pursuant to which the Company's goals include increasing the scale of its key operations through alliances and mergers and acquisitions. The Management Board has been authorised to conduct a share issue within authorised share capital with exclusion of pre-emptive rights, addressed to existing ZA Puławy shareholders in exchange for a non-cash contribution in the form of ZA Puławy shares. The issuance of shares in exchange for an in-kind contribution will allow the Company to acquire control over ZA Puławy without having to employ significant funds and without increasing the Company's debt. The Management Board believes that the increase of issued share capital within authorised share capital is, from the viewpoint of the Company's best interest, an optimal instrument for executing the above transaction, which constitutes a significant element in implementation of the Company strategy.