Answers of the Management Board of Zakłady Azotowe w Tarnowie Mościcach S.A. ("the Company") to the questions asked, pursuant to Article 428 § 1 of the Code of Commercial Companies ("KSH") during the Extraordinary General Meeting held on 14th July 2012

Question No. 1

“In Current Report no. 85/2011 the Company announced that the State Treasury had informed it that it was the dominant entity of PZU. Why did the State Treasury not notify its shareholding in PZU altogether? Did the Management Board check, in relation to that, whether there was no event of any breach of notification or tender offer obligations by the State Treasury or by PZU Group, specified in Article 69 and 69a of the Act on Public Offering and consequently resulted in the partial or total loss of the voting rights by virtue of law by the State Treasury and PZU Group?”

Answer

In the opinion of the Management Board the above question is not connected with the assessment of cases included in the agenda of the Extraordinary General Meeting held on 14th July 2012. The question does not concern the Company but the Shareholders and relations between them. The Management Board of the Company fulfils duties imposed by the Company under Article 70 of Act of 29th July on Public Offering and Terms of Introduction of Financial Instruments to an Organized Trading System and on Public Companies (“Act on Offer”) and reports to the public opinion, Polish Financial Supervision Authority and Warsaw Stock Exchange the information received from the Company’s Shareholders, pursuant to Article 69 of the Act on Offer.

Question 2

“Why is the State Treasury, together with the subsidiaries of PZU Group, not subject to the cumulation and reduction voting mechanisms defined in paragraph 47 of the Company’s Articles of Association? The State Treasury, together with its subsidiaries owned by PZU Group, should have the voting right ascribed from 20% of shares in the Company, namely 12,823,088 shares, not 32.05% shares, i.e. 20,549,000 shares held directly and according to the notification of PZU Group, 6,644,785 shares held by PZU Group. Why this particular fact was not reflected on the list of Shareholders entitled to participate in the Extraordinary General Meeting? Is the Management Board going to update the list? Has the Management Board carried out the analysis of the Articles of Association with regard to the EU law and the rulings of the European Court of Justice where the grant of golden share to the awarded member state is forbidden?”

Answer

In the opinion of the Management Board the above question is not connected with the assessment of cases included in the agenda of the Extraordinary General Meeting held on 14th July 2012.

Question 3

In what kind of mode was the today’s General Meeting convened? The advertisement on the Internet site of the Company gives the contrary information: the section of General Meeting informs
that it was convened pursuant to §43 section 1 point 1 and 3 of the Articles of Association of the Company, so both on the request of the State Treasury and on the initiative of the Management Board. On the other hand, in the advertisement about the planned convening of the General Meeting included in Current Report no. 34/2012 it is said that the EGM was convened by the Management Board without any information of its being convened on the request of the State Treasury. Why did the Company not publish the confidential information about the request of the State Treasury about the General Meeting convention?"

Answer:

The answer to the above question was given by the Chairman of the Management Board of the Company, Mr Jerzy Marciniak, during the session of the Extraordinary General Meeting. The Extraordinary General Meeting was convened as for 14th July 2012 on the initiative of the Management Board. Therefore, the legal basis for convening the Extraordinary General Meeting was §43 section 1 point 1 of the Articles of Associations. Reference to §43 section 1 point 1 and 3, placed on the Internet site, shows the criteria of a typographical error.

Question 4:

“Does the Public Tender Offer for Zakłady Azotowe “Puławy” S.A. and the project to acquire 100% shares is tantamount with the resignation from the acquisition of Siarkopol? If not what will be the sources of financing? Has the Management Board or the independent advisor carried out an analysis of possible sources of financing the expected rates of return for the Shareholders and influence of planned takeovers on the value of the Company? The Management Board has not finished the consolidation of the year 2011 being the result of takeovers yet, has not seen the predicted effects of the Synergy and is planning the next two takeovers. Has the Management Board analysed the risk caused by the takeover and how is it evaluated? What is the reason for the exchange ratio of 2.5 % of shares in ZAT for one share in ZA “Puławy”? Has that particular kind of analysis been carried out by an independent advisor? Has the Company supplied the State Treasury with the information or the analyses made by the Company or its advisors during the last six months which were not made available to the public opinion based on Article 428 of the Code of Commercial Companies and concerned, in particular, the project presented today?”

Answer:

The Company’s announcement of the Public Tender Offer for Shares in Zakłady Azotowe “Puławy” S.A. (“ZA Pulawy”) is a result of implementing the strategy of Azoty Tarnów Group which the Company agreed on and published on 13th June 2012 (Current Report no. 33/2012). The process of acquisition of shares in ZA Pulawy is not tantamount with the resignation from the potential takeover of Siarkopol S.A. with a registered seat in Grzybów, Poland (“Siarkopol”) . The process of privatisation of Siarkopol has not been finished yet and the Company is still its participant. The Management Board has not decided about the scope of sources of financing the potential acquisition of Siarkopol. Furthermore, the Management Board takes into consideration financing by means of assets of Azoty Tarnów Group as well as a bank loan.
Azoty Tarnów Group is in the course of implementation processes aiming at a complete use of synergies which are the result of the latest takeovers of ZAK S.A. and Zakłady Chemiczne “Police” S.A. The scale of synergies resulting from the mentioned takeovers accomplished so far and the possible benefits from the consolidation of ZA Puławy for Azoty Tarnów Group makes the Management Board assess the potential risk of the implementation of the discussed transaction as inconsiderable.

The transaction details of the acquisition of ZA Puławy, together with its benefits for the Company and financial conditions (the price of the Public Tender Offer and exchange ratio included) were discussed in the presentation of 14th July 2012 published in Current Report no. 44/2012 and the opinion of the Management Board on the exclusion of the pre-emptive rights published on 13th July 2012 in Current Report no. 41/2012.

During the last six months the Company has not submitted to the State Treasury any information or analyses which were not officially made public.

Question 5:

“Is the Management Board going to present more materials regarding the resolutions concerned?”

In connection with the draft resolution on the authorization of the Management Board to increase the share capital of the Company and to exclude pre-emptive rights, the opinion on the exclusion of the pre-emptive rights had been produced and officially made public in Current Report no. 41/2012. Additionally, the transaction details concerning the acquisition of shares in ZA Puławy, which is linked to the previously mentioned resolution, were published in the presentation in Current Report No. 44/2012.
Questions asked the Management Board off the Extraordinary General Meeting pursuant to Article 428 § 6 of the Code of Commercial Companies (“KSH”)

The Company received the question which reads as follows:

“In the document of the draft resolutions from the General Meeting of the Shareholders of 14th July 2012 in attachment no. 1 to the resolution (no. 6a) page 6, the following wording is used:

”... As a result of issuing shares within authorised share capital, the Company intends to raise capital for implementation of the Company’s strategy, including in particular to provide financial support for planned investment and acquisition projects, chiefly the purchase of shares in other companies. Along with the Company’s strategy, the implementation of the above objectives requires the option to make use of a flexible means of increasing issued share capital allowing for the share issue process to be shortened, including through the issue of shares and warrants without pre-emptive rights for existing shareholders. The Management Board’s authorisation to waive pre-emptive rights enables the Company to offer shares and warrants to investors who are not current shareholders and, in connection with the Management Board’s authorisation to issue shares in return for non-cash contributions, enables the Company to directly implement acquisition objectives through the issue of new shares. ...” “

Questions No. 1

What exactly does this expression mean:

“... chiefly the purchase of shares in other companies ...”? 

1. Which companies, in particular, does it refer to?
2. Does this expression refer to the companies incorporated in Azoty Tarnów Group, namely Zakłady Chemiczne Police S.A. and ZAK S.A.?
3. Does this expression refer to other Polish chemical companies or their organised parts? If yes, what are these?

Questions No. 2

What exactly does this sentence mean:

“... The Management Board’s authorisation to waive pre-emptive rights enables the Company to offer shares and warrants to investors who are not current shareholders and, in connection with the Management Board’s authorisation to issue shares in return for non-cash contributions ...”

1. Which external investors, non-shareholders of the Company, does it refer to?
2. Is the Management Board negotiating at the moment or has negotiated with investors as such? If yes with what kind of investors?
3. Could you please give me an exact answer, whether it refers to the investors who are the shareholders in the companies from Azoty Tarnów Group, namely Zakłady Chemiczne Police S.A. and ZAK S.A.?

4. What exactly does this wording mean: “... in return for non-cash contributions ...”, what kind of non-cash contributions does the Management Board provide for?

5. What are the proposals to divide D shares in exchange for non-cash contributions?

Question 3:

According to the Company’s Management Board, what should be the percentage ratio of D shares price in relation to the current stock valuation of the Company’s shares to be able to say that the Company acts in its interest by obtaining proceeds from issuing D shares as high as possible? Could you please give me an exact percentage range in respect to the present stock-market price which, in the Management Board’s opinion, would correspond with acting in the Company’s interest?

Answer:

Questions 1 and 2 regard the aim of authorization of the Management Board to raise the Company’s share capital and to exclude pre-emptive rights. The mentioned authorisation is aimed at the transaction of consolidation of the Company with ZA Puławy. In the framework of the planned increase of the Company’s capital, the new shares of the Company will be offered to shareholders of ZA Puławy in exchange for contribution in kind in the form of the shares of ZA Puławy. Detailed information on the transaction were reported to the public information in the presentation published on 14th July 2012 with Current Report no. 44/2012 and in the opinion of the Management Board on the exclusion of the pre-emptive rights published on 13th July 2012 with Current Report no. 41/2012.

The issue price of the shares is determined by many factors, including those on which the Management Board does not have any influence and those that are difficult to predict. Therefore, giving an exact percentage range regarding the present stock-market price, which would cover the issue price, is impossible. The issue price of shares released in exchange for the contribution in kind in a form of shares in ZA Puławy will be determined taking into account the value of the Company and ZA Puławy, resulting from relations between the values of exchange parity of shares (i.e. the number of the company’s shares included in exchange for the contribution in kind in the form of one share in ZA Puławy) which is 2.5 of the specificity of the contribution in kind issue and the situation in the financial markets.