PROPOSAL

to grant, on a fee-basis, the know-how for the application of iron catalyst at the unit for manufacturing cyclohexanone from benzene, which utilizes the Cyclopol® and Cyclopol-bis® processes.

Acting pursuant to Art. 51.25 of the Articles of Association, the Management Board of Grupa Azoty S.A. moves for approval of granting Gujarat State Fertilizers and Chemicals Ltd. (GSFC) of Vadodara, India, a fee-based, non-exclusive and non-transferable licence for an indefinite period, for using the know-how for the application of iron catalyst at the unit for manufacturing cyclohexanone from benzene, which utilizes the Cyclopol® and Cyclopol-bis® processes.

GROUNDS

1. Introduction
Grupa Azoty S.A. (the “Company”) first partnered with GSFC in 1986. In 1988, the Polish owners of the benzene-based cyclohexanone production technology, i.e. the Company, Industrial Chemistry Research Institute of Warsaw and Zakłady Azotowe Puławy S.A., made the technology available to GSFC against a fee. In 2009, GSFC was granted the licence to use the Cyclopol-bis process to upgrade the cyclohexane oxidation section which was part of its plant producing caprolactam from benzene.

2. Subject
GSFC wishes to acquire the know-how for the application of iron catalyst at its unit manufacturing cyclohexanone from benzene, which utilises the Cyclopol® and Cyclopol-bis® processes. The know-how was developed jointly by Grupa Azoty S.A. and Grupa Azoty Zakłady Azotowe Puławy S.A.

3. Manner
As there exist certain differences between the units manufacturing cyclohexanone from benzene in Vadodara, Puławy and Tarnów, the contemplated transaction will consist of two stages. In the first stage, a test will be carried out at GSFC’s unit, with Grupa Azoty’s specialist staff present, during which the iron catalyst will be used for the first time. If the test’s results are positive, the second stage will commence, in which GSFC will receive the
necessary know-how.

The price of the know-how will be calculated based on the benefits obtained (higher cyclohexanone concentration and lower benzene consumption), multiplied by their respective unit prices in the following fashion:

a) EUR 30,000 for each 1% increase in cyclohexanone concentration above the level currently obtained by GSFC,

b) EUR 50,000 for every 1 kg decrease in benzene consumption per single tonne of cyclohexanone above 5 kg; the benefits from reducing benzene consumption to 5 kg per tonne of cyclohexanone have already been included in the amount specified in item a) above.

4. Effect of the decision on the financial position and assets of Grupa Azoty S.A.:

Grant of the licence will not adversely affect the Company’s competitive position and will not materially increase GSFC’s caprolactam and polyamide 6 production capacities.

Therefore, acting pursuant to Art. 51.25 of the Company’s Articles of Association, the Management Board moves for approval of granting Gujarat State Fertilizers and Chemicals Ltd. (GSFC) of Vadodara, India, a fee-based, non-exclusive and non-transferable licence for an indefinite period for using the know-how referred to in the proposal at GSFC production plant.

Kind regards,

Appendices:

1. Relevant resolution of the Company’s Management Board.
2. Relevant resolution of the Company’s Supervisory Board.
3. Relevant draft resolution of the Annual General Meeting.

CC:

1. Addressee
2. To file
RESOLUTION NO. 180/IX/2015
OF THE SUPERVISORY BOARD OF GRUPA AZOTY S.A.
of May 26th 2015

on providing an opinion on a proposal for the General Meeting to approve grant of a licence

Acting pursuant to Art. 33.1.19 in conjunction with Art. 51.25 of the Company’s Articles of Association, the Supervisory Board resolves as follows:

Section 1

The Supervisory Board gives a positive opinion on the proposal of the Company’s Management Board to the Annual General Meeting (presented in letter No. NZ/RN/48/2015 of May 8th 2015) to approve granting Gujarat State Fertilizers and Chemicals Ltd. (GSFC) of Vadodara, India, a fee-based, non-exclusive and non-transferable licence for an indefinite period, for using the know-how for the application of iron catalyst at the unit for manufacturing cyclohexanone from benzene, which utilises the Cyclopol® and Cyclopol-bis® processes.

The letter is attached hereto.

Section 2

This Resolution shall become effective as of its date.

This Resolution has been passed by open ballot, in the presence of nine Supervisory Board Members.

Votes in favour: 9
Abstentions: 0
Votes against: 0.

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Monika Kacprzyk-Wojdyga
/Chairperson of the Supervisory Board/

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Jacek Oblękowski
/Deputy Chairperson of the Supervisory Board/

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Ewa Lis
/Secretary of the Supervisory Board/

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Robert Kapka

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Tomasz Klikowicz

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Artur Kucharski

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Marek Mroczkowski

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Zbigniew Paprocki

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Ryszard Trepczyński