

The file contains:

1. Resolution of the Company's Supervisory Board
2. Report of the Supervisory Board of Grupa Azoty S.A. on assessment of the following statements and reports for 2019: separate financial statements of Grupa Azoty S.A., consolidated financial statements of the Grupa Azoty Group, the Directors' Report on the operations of Grupa Azoty S.A. and the Grupa Azoty Group, consolidated report on payments to governments of the Grupa Azoty Group, non-financial statement of the Grupa Azoty Group, and the Management Board's proposal on the allocation of net profit for 2019.

-EXCERPT-

RESOLUTION NO. 443/X/2020
OF THE SUPERVISORY BOARD OF GRUPA AZOTY S.A.
dated May 29th 2020

to adopt the *Report of the Supervisory Board of Grupa Azoty S.A. on assessment of the following statements and reports for 2019: separate financial statements of Grupa Azoty S.A., consolidated financial statements of the Grupa Azoty Group, the Directors' Report on the operations of Grupa Azoty S.A. and the Grupa Azoty Group, consolidated report on payments to governments of the Grupa Azoty Group, non-financial statement of the Grupa Azoty Group, and the Management Board's proposal on the allocation of net profit for 2019*

Acting pursuant to Art. 382.3 of the Commercial Companies Code and Art. 32.1.8 and 32.1.9 in conjunction with Art. 50.25 of the Articles of Association of Grupa Azoty S.A. (the "Company"), the Company's Supervisory Board

resolves as follows:

Section 1

The Supervisory Board adopts the *Report of the Supervisory Board of Grupa Azoty S.A. on assessment of the following statements and reports for 2019: separate financial statements of Grupa Azoty S.A., consolidated financial statements of the Grupa Azoty Group, the Directors' Report on the operations of Grupa Azoty S.A. and the Grupa Azoty Group, consolidated report on payments to governments of the Grupa Azoty Group, non-financial statement of the Grupa Azoty Group, and the Management Board's proposal on the allocation of net profit for 2019*, as attached to this Resolution.

Section 2

The Supervisory Board shall submit the report referred to in Section 1 to the Annual General Meeting for consideration.

Section 3

This Resolution shall become effective as of its date.



**Report of the Supervisory Board of Grupa Azoty S.A. on assessment
of the following statements and reports for 2019:**

*separate financial statements of Grupa Azoty S.A., consolidated
financial statements of the Grupa Azoty Group, the Directors'
Report on the operations of Grupa Azoty S.A. and the Grupa Azoty
Group, consolidated report on payments to governments of the
Grupa Azoty Group, non-financial statement of the Grupa Azoty
Group*

**and the Management Board's proposal on the allocation of net profit
for 2019**

*Adopted by Resolution No. 442/X/2020 of the Grupa Azoty S.A. Supervisory Board of the
10th term of office, dated May 29th 2020*

Tarnów, May 29th 2020

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1. INTRODUCTION

Pursuant to Art. 382.3 of the Commercial Companies Code, Section 70.1.14 and Section 71.1.12 of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018 (Dz.U. of 2018, item 757), and Art. 32.1.6 and 32.1.9 of the Articles of Association of Grupa Azoty S.A. (the "Company"), the Supervisory Board of Grupa Azoty S.A. (the "Supervisory Board") has given a positive assessment of the following statements and reports:

1. The separate financial statements of Grupa Azoty Spółka Akcyjna for the 12 months ended December 31st 2019, prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union (the "Separate Financial Statements for 2019"),
2. The consolidated financial statements of the Grupa Azoty Group (the "Group") for the 12 months ended December 31st 2019, prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union (the "Consolidated Financial Statements for 2019"),
3. The Directors' Report on the operations of Grupa Azoty S.A. and the Grupa Azoty Group in the 12 months ended December 31st 2019 (the "Directors' Report for 2019").
4. The consolidated report on payments to governments in 2019 of the Grupa Azoty Group (the "Consolidated Report on Payments to Governments for 2019").
5. The non-financial statement of the Grupa Azoty Group for the 12 months ended December 31st 2019 (the "Non-financial Statement for 2019").

Additionally, the Supervisory Board assessed the Management Board's proposal on allocation of net profit for 2019.

In accordance with the regulations specified above, the Supervisory Board submits to the Grupa Azoty S.A Annual General Meeting this *Report of the Supervisory Board of Grupa Azoty S.A. on assessment of the following statements and reports for 2019: separate financial statements of Grupa Azoty S.A., consolidated financial statements of the Grupa Azoty Group, the Directors' Report on the operations of Grupa Azoty S.A. and the Grupa Azoty Group, consolidated report on payments to governments of the Grupa Azoty Group, non-financial statement of the Grupa Azoty Group, and the Management Board's proposal on the allocation of net profit for 2019.*

This report contains a summary of the Supervisory Board's analysis and assessment of all statements and reports of the Company for 2019, and an assessment of the Management Board's proposal on allocation of profit for 2019.

The Separate Financial Statements for 2019 and the Consolidated Financial Statements for 2019 were audited by Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka

komandytowa of Warsaw (the “auditor” or “EY”), which was selected by the Supervisory Board to audit the financial statements for 2017-2019. The auditor was responsible for auditing the financial statements and the Directors’ Report for 2019 for conformity with the adopted accounting policies and compliance with the applicable laws. The findings of the audit are included in the auditor’s statements, and additional detailed information on the organisation of the audit and the audit process is included in the additional report for the Supervisory Board’s Audit Committee.

2. SUMMARY OF THE ANALYSIS AND ASSESSMENT OF THE SEPARATE FINANCIAL STATEMENTS

GENERAL

The Supervisory Board has read and reviewed the Separate Financial Statements for 2019, including:

- 1) Separate statement of profit or loss and other comprehensive income for the period January 1st–December 31st 2019, showing a net profit of PLN 58,249 thousand and positive comprehensive income of PLN 52,442 thousand,
- 2) Separate statement of financial position as at December 31st 2019, showing total assets and total equity and liabilities of PLN 9,240,393 thousand,
- 3) Separate statement of changes in equity for the financial year January 1st–December 31st 2019, showing an increase in equity of PLN 52,442 thousand,
- 4) Separate statement of cash flows for the period January 1st–December 31st 2019, showing an increase in cash of PLN 157,399 thousand,
- 5) Notes to the separate financial statements.

The Separate Financial Statements for 2019 include:

- General information on the Company’s organisational structure,
- Significant accounting policies,
- Notes to the separate financial statements.

REVENUE, EXPENSES AND FINANCIAL RESULTS

Presented below are the key items of the 2019 statement of profit or loss along with the comparative data for 2018 (all figures in PLN '000, unless stated otherwise):

	2019	2018	Change 2019/2018	Change 2019/2018 (%)
Revenue	1,987,039	1,825,771	161,268	8.8
Cost of sales	(1,588,371)	(1,499,486)	(88,885)	5.9
Gross profit	398,668	326,285	72,383	22.2
Net profit	58,249	171,064	(112,815)	(65.9)
EBIT	89,227	47,761	41,466	86.8
EBITDA	223,755	159,971	63,784	39.9

With revenue up 8.8% and cost of sales up 5.9% year on year, the Company reported gross profit of PLN 398,668 thousand.

The Company's revenue from sales of products in 2019 was driven primarily by the market situation in the Agro Fertilizers and Plastics segments. Revenue by segment (sum of revenue from inter-segment sales and external sales; PLN '000, unless stated otherwise):

Segment	2019	2018	Change 2019/2018	Change 2019/2018 (%)
Agro Fertilizers	1,057,841	927,762	130,079	14.0
Plastics	1,383,468	1,398,920	(15,452)	1.1
Energy	541,278	562,807	(21,529)	(3.8)
Other	76,973	67,946	9,027	13.3
Total	3,059,560	2,957,435	102,125	3.5

Year-on-year revenue growth was reported in the Agro Fertilizers and Other segments. In other segments, revenue went down.

STRUCTURE OF ASSETS, EQUITY AND LIABILITIES

In 2019, the Parent's assets grew to PLN 9,240,393 thousand, i.e. by PLN 636,748 thousand relative to the end of 2018. As at December 31st 2019, non-current assets were PLN 7,490,721 thousand, and current assets stood at PLN 1,749,672 thousand.

Year on year, the most significant changes in assets included:

- a 7.9% (PLN 397,098 thousand) increase in the value of shares, attributable to the subscription for shares in the subsidiary Grupa Azoty Zakłady Chemiczne Police S.A. as a result of an increase in its share capital through the issue of new shares, the subscription for new shares in Grupa Azoty Polyolefins S.A. (previous name: PDH Polska S.A.), and the recapitalisation of Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. and Grupa Azoty Compounding Sp. z o.o.,
- a 15.7% (PLN 157,399 thousand) increase in cash and cash equivalents.

The most significant year-on-year changes in equity and liabilities in the reporting period included:

- a 10.2% (PLN 327,322 thousand) increase in long- and short-term borrowings as a result of the implementation of the capital expenditure programme,
- a PLN 49,752 thousand increase in lease liabilities, attributable to implementation of IFRS 16 *Leases* and new lease contracts,
- a 7.2% (PLN 25,535 thousand) increase in trade and other payables, mainly due to higher liabilities under purchase of raw materials,
- a 125.4% (PLN 156,869 thousand) increase in other non-current and current financial liabilities, due to higher liabilities under reverse factoring and discount of receivables.

KEY FINANCIAL RATIOS

Profitability ratios [%]

	2019	2018
Gross profit margin	20.1	17.9
EBIT margin	4.5	2.6
EBITDA margin	11.3	8.8
Net profit margin	2.9	9.4
ROA	0.6	2.0
ROCE	1.2	0.7
ROE	1.2	3.6
Return on non-current assets	0.8	2.4

Liquidity ratios

	2019	2018
Current ratio	1.0	1.2
Quick ratio	0.8	1.0
Cash ratio	0.7	0.8

Operational efficiency ratios [days]

	2019	2018
Inventory turnover	57	59
Average collection period	42	47
Average payment period	86	85
Cash conversion cycle	13	21

Debt ratios [%]

	2019	2018
Total debt ratio	47.6	44.3
Long-term debt ratio	28.3	28.6
Short-term debt ratio	19.3	15.8
Equity-to-debt ratio	110.0	125.5
Interest cover ratio	256.9	520.3

The above ratios show an improvement in the profitability of the Company's operations, attributable to higher gross profit compared with the previous year. Profitability ratios related to net profit fell, driven by higher interest expense on credit facilities and partial write-off of shares held in Grupa Azoty Kopalnie and Zakłady Chemiczne Siarki Siarkopol S.A. There was a slight drop in the liquidity ratios, and a slight increase in debt ratios, mainly caused by growth in the Company's debt under borrowings. However, the ratios are at acceptable levels and do not indicate any liquidity risk.

ASSESSMENT AND THE JUSTIFICATION

The Supervisory Board assessed the Company's Separate Financial Statements for 2019 and was satisfied that they contained the information required by applicable laws and were accurate.

The Separate Financial Statements for 2019 were reviewed, analysed and assessed by the Audit Committee of the Company's Supervisory Board. The Audit Committee, in the performance of the obligations imposed by the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017 (Dz.U. of 2017, item 1089, as amended, the "Act") supervised the financial reporting processes, effectiveness of the internal control and risk management systems as well as internal audit processes, with particular focus on ensuring reliability of the financial statements and their compliance with relevant legal requirements.

In the course of the audit of the financial statements, the Audit Committee held regular meetings with representatives of the audit firm responsible for the audit of Grupa Azoty S.A.'s financial statements and with representatives of the Company's financial staff, monitoring the process of preparation and audit of the financial statements and discussing the key matters. In addition, the Audit Committee read the audit firm's statement on the audit of the Separate Financial Statements for 2019 and the additional report for the Audit Committee prepared in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (Official Journal of the European Union L 158/77, the "Regulation") and the requirements stipulated in the Act. As a result of its work, the Audit Committee recommended that the Company's Supervisory Board give a positive assessment of the Company's Separate Financial Statements for 2019.

The Supervisory Board's assessment of the Separate Financial Statements for 2019 is based on a positive recommendation from the Audit Committee and the auditor's statement, containing an unqualified opinion.

Based on the procedures described above as well as the additional explanations received from the Company's Management Board and the Company's auditor, the Supervisory Board has given a positive opinion on the Separate Financial Statements for 2019 and the report submitted by the Management Board.

3. SUMMARY OF THE ANALYSIS AND ASSESSMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL

The Supervisory Board has read and reviewed the Consolidated Financial Statements for 2019, including:

1. Consolidated statement of profit or loss and other comprehensive income for the period January 1st–December 31st 2019, showing a net profit of PLN 407,673 thousand and positive comprehensive income of PLN 375,728 thousand,
2. Consolidated statement of financial position as at December 31st 2019, showing total assets and total equity and liabilities of PLN 15,478,691 thousand,
3. Consolidated statement of changes in equity for the financial year January 1st–December 31st 2019, showing an increase in equity of PLN 365,988 thousand,
4. Consolidated statement of cash flows for the period January 1st–December 31st 2019, showing a decrease in cash of PLN 76,445 thousand,
5. Notes to the consolidated financial statements.

The Consolidated Financial Statements for 2019 contain:

- information about the Grupa Azoty Group, including its organisational structure,
- final accounting for the purchase price of COMPO EXPERT Holding GmbH, the legal successor of Goat TopCo GmbH, acquired on November 26th 2018; a description of key accounting policies applied,
- notes to the consolidated financial statements.

REVENUE, EXPENSES AND FINANCIAL RESULTS

Presented below are the key financial figures for 2019 along with the comparative data for 2018 (all figures in PLN '000):

	2019	2018	Change 2019/2018	Change 2019/2018 (%)
Revenue	11,307,915	9,998,967	1,308,948	13.1
Cost of sales	(8,833,939)	(8,406,271)	(427,668)	5.1
Gross profit	2,473,976	1,592,696	881,280	55.3
Net profit	407,673	7,760	399,913	5,153.5
EBIT	612,824	81,144	531,680	655.2
EBITDA	1,424,110	764,442	659,668	86.3

With revenue up 13.1% year on year and a smaller growth in cost of sales, which went up by 5.1%, the Group reported a gross profit higher by PLN 881,280 thousand (55.3%) than in 2018.

The table below presents revenue for the Group's individual segments (sum of revenue from inter-segment sales and external sales).

Segment	2019	2018	Change 2019/2018	Change 2019/2018 (%)
Agro Fertilizers	8,800,944	7,496,606	1,304,338	17.4
Plastics	1,812,373	1,937,433	(125,060)	(6.5)
Chemicals	3,494,715	4,103,175	(608,460)	(15)
Energy	2,984,717	3,259,098	(274,381)	(8.4)
Other	1,137,882	1,142,658	(4,776)	(0.4)
Total	18,230,631	17,938,970	291,661	1.6

STRUCTURE OF ASSETS, EQUITY AND LIABILITIES

In 2019, the Group's assets rose to PLN 15,478,691 thousand, by PLN 1,212,679 thousand relative to the end of 2018. As at December 31st 2019, non-current assets were PLN 10,705,437 thousand, and current assets stood at PLN 4,773,254 thousand.

Year on year, the most significant changes in assets in the reporting period included:

- a 5.0% (PLN 385,680 thousand) increase in property, plant and equipment following completion of investment projects,
- a 6.0% (PLN 63,390 thousand) decrease in intangible assets, mainly caused by depreciation and amortisation charges,
- a 10.9% (PLN 164,785 thousand) increase in inventories,
- a 4.1% (PLN 63,834 thousand) increase in trade and other receivables, , attributable to such factors as the Company's contribution to the share capital increase at the subsidiary Grupa Azoty Zakłady Chemiczne Police S.A., which as at December 31st 2019 was deposited in a bank account of the Central Securities Depository of Poland, accompanied by a drop in trade receivables,
- a 9.0% (PLN 76 445 thousand) decrease in cash.

Year on year, the most significant changes in equity and liabilities in the reporting period included:

- 5.0% (PLN 365 988 thousand) increase in equity, mainly due to the consolidated net profit earned in the reporting period,
- a PLN 401,340 thousand increase in lease liabilities, attributable to implementation of IFRS 16 *Leases* and new lease contracts,
- a 171.1% (PLN 361,460 thousand) increase in other financial liabilities, due to higher liabilities under reverse factoring and discount of receivables.

As at December 31st 2019, the Consolidated Financial Statements reflected final accounting for the acquisition of assets, liabilities and contingent liabilities assumed in the acquisition of COMPO EXPERT Holding GmbH (formerly: Goat TopCo GmbH), based on the fair value measurements performed by an independent expert, which was made in the Grupa Azoty Group's interim consolidated financial statements as at June 30th 2019.

The final accounting for the acquisition included in particular measurement of property, plant and equipment, intangible assets, inventories and trade receivables. Deferred tax liabilities were also adjusted.

The settlements led to the determination of goodwill, presented in the statement of financial position at PLN 276,121 thousand, which will not be amortised but will be tested for impairment annually.

KEY FINANCIAL RATIOS

Profitability ratios [%]

	2019	2018
Gross profit margin	21.9	15.9
EBIT margin	5.4	0.8
EBITDA margin	12.6	7.6
Net profit margin	3.6	0.1
ROA	2.6	0.1
ROCE	5.1	0.7
ROE	5.3	0.1
Return on non-current assets	3.8	0.1

Liquidity ratios

	2019	2018
Current ratio	1.4	1.3
Quick ratio	0.9	0.8
Cash ratio	0.3	0.3

Operational efficiency ratios [days]

	2019	2018
Inventory turnover	68	64
Average collection period	51	56
Average payment period	104	112
Cash conversion cycle	16	9

Debt ratios [%]

	2019	2018
Total debt ratio	50.3	48.6
Long-term debt ratio	27.7	25.7
Short-term debt ratio	22.6	23.0
Equity-to-debt ratio	98.8	105.6
Interest cover ratio	749.3	182.3

The above ratios show a major improvement in the Group's profitability, driven by significantly higher financial results. The liquidity and debt ratios changed slightly, except for the cash conversion cycle, which lengthened as a result of increased use of reverse factoring relative to the previous year. However, the ratios are at acceptable levels and do not indicate any liquidity risk.

ASSESSMENT AND THE JUSTIFICATION

The Supervisory Board assessed the Company's Consolidated Financial Statements for 2019 and was satisfied that they contained the information required by applicable laws and were accurate.

The Consolidated Financial Statements for 2019 were reviewed, analysed and assessed by the Audit Committee of the Company's Supervisory Board. The Audit Committee, in the performance of the obligations imposed by the Act, supervised the financial reporting processes, effectiveness of the internal control and risk management systems as well as internal audit processes, with particular focus on ensuring reliability of the financial statements and their compliance with relevant legal requirements.

In the course of the audit of the financial statements, the Audit Committee held regular meetings with representatives of the audit firm responsible for the audit of Grupa Azoty S.A.'s financial statements and with representatives of the Company's financial staff, monitoring the process of

preparation and audit of the financial statements and discussing the key matters. In addition, the Audit Committee read the audit firm's statement on the audit of the Consolidated Financial Statements for 2019 and the additional report for the Audit Committee prepared in accordance with the Regulation) and the requirements stipulated in the Act. As a result of its work, the Audit Committee recommended that the Company's Supervisory Board give a positive assessment of the Company's Consolidated Financial Statements for 2019.

The Supervisory Board's assessment of the Consolidated Financial Statements for 2019 reflects a positive recommendation from the Audit Committee and the auditor's statement following the audit.

Based on the procedures described above as well as the additional explanations received from the Company's Management Board and the Company's auditor, the Supervisory Board has given a positive opinion on the Consolidated Financial Statements for 2019 and the report submitted by the Management Board.

4. SUMMARY OF THE ANALYSIS AND ASSESSMENT OF THE DIRECTORS' REPORT ON THE OPERATIONS OF GRUPA AZOTY S.A. AND THE GRUPA AZOTY GROUP

GENERAL

The Directors' Report for 2019 was prepared by the Management Board and comprises:

1. General information on the Group and the Company,
2. Management policy,
3. Business overview,
4. Strategy and growth policy,
5. Current financial position and assets,
6. Risks, threats and growth prospects,
7. Shares and shareholding structure,
8. Statement of compliance with corporate governance standards, including a report on entertainment expenses, legal costs, marketing costs, public relations and social communication expenses, and management consultancy fees,
9. Other material information and events,
10. Non-financial statement,
11. Supplementary information.

DISCUSSION OF THE INDIVIDUAL SECTIONS OF THE DIRECTORS' REPORT FOR 2019

1) General information on the Grupa Azoty Group and its Parent

The section presents in particular information on the structure of the Group and its individual companies, Parent's equity interests in the subsidiaries, including each subsidiary's share capital, changes in the organisation of the Group, organisational or capital links between subsidiaries.

2) Management policy

The section presents in particular the Company's organisational chart and information on the headcount at the Company and the Group.

3) Business overview

The section presents:

- Grupa Azoty Group's operations by segment: Agro Fertilizers, Plastics, Chemicals, Energy, and Other Activities,
- Characteristics of the main products in each segment,
- Sales markets and supply sources of production materials, goods and services,
- Significant and material agreements, including loan, guarantee and surety agreements,
- material events in the reporting period,
- material events after the reporting date, including information on the actual and potential effects of the COVID-19 pandemic caused by the SARS-CoV-2 coronavirus.

4) Growth strategy and policy

The section presents:

- Strategy and development directions, as set out in the *Update of the Group's Strategy for 2013-2020*,
- Growth prospects, taking into account the market strategy, including the key strategic goals adopted by the Group for its individual production segments,
- Key investments in Poland and abroad,
- Equity investments,
- Assessment of the feasibility of investment plans,
- Significant R&D achievements.

5) Current financial position and assets

The section presents, inter alia:

- Assessment of factors and one-off events having a material impact on the Group's operations and financial performance, including impairment losses and write-downs, information on unit shutdowns and failures,
- Volatility of currency exchange rates,
- Prices of CO₂ emission allowances,
- Market environment of individual production segments,
- Key financial and economic data – consolidated and separate,
- Management of financial resources and assets,
- Deposits held in the Group companies' bank accounts,
- Material off-balance-sheet items,
- Risk management policy and the tools, objectives and methods of risk management, including management of currency risk and interest rate risk, price risk management policy, credit risk management policy, policies insuring Grupa Azoty's receivables,
- information on the expected financial situation.

6) Risk, threats and growth prospects

The section presents external and internal risks and threats material to the Group's growth.

7) Shares and shareholding structure

The section presents, inter alia:

- Total number and par value of Company shares, holdings of the shares by supervisory and management personnel, and interests of such persons in the Company's related entities,
- Key information on Company shares, including the shareholding structure, dividend policy and summary of dividends paid since 2008, the price of Company shares on the stock market and broker recommendations in the financial year 2019, and information on the Investor Relations activities.

8) Statement of compliance with corporate governance standards

The section presents:

- The set of corporate governance principles applied by the Company, i.e. the Best Practice for WSE Listed Companies 2016 (the "Best Practice"),
- The degree of the Company's non-compliance with the corporate governance principles, identification of the principles not complied with, and reasons for non-compliance,
- The Company's report on compliance with the Best Practice recommendations in the reporting period,
- Characteristics of the internal control and risk management systems applied,
- Management systems and standards,
- Changes in the Company's shareholding structure,

- Special control powers of securities holders and restrictions on the exercise of voting rights,
- Rules governing appointment and removal of the Company management staff; powers of the management staff, including in particular the authority to resolve to issue or buy back shares,
- Rules governing amendments to the Company's Articles of Association,
- Powers and operation of the Company's General Meeting,
- Composition, changes in composition, and operation of the Company's management and supervisory bodies, including members' CVs,
- The Group's diversity policy,
- The Company's remuneration policy together with information on the amount of remuneration paid to the Supervisory and Management Board members;
- The Group's sponsorship, charitable or similar activities.

This section of the Report also contains information on entertainment expenses, legal costs, marketing costs, public relations and social communication expenses, and management consultancy fees. In addition, this section includes information that in accordance with Art. 56.2 of the Company's Articles of Association, the Management Board is required to prepare, within three months from the reporting date, a report on compliance with the best practices issued pursuant to Art. 7.3 of the Act on State Property Management of December 16th 2016. As no such practices had been issued by the date of the Directors' Report for 2019, the report was not prepared.

The Supervisory Board identified no irregularities with respect to the information presented in Section 8.16 of the Directors' Report for 2019 and, in accordance with Art. 17.6 of the Act on State Property Management, issues a positive opinion on the above information presented in the Directors' Report.

9) Other material information and events

The section contains the Management Board's information, based on the Supervisory Board's statement, on the selection of Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. of Warsaw as the auditor of the financial statements, and on the auditor's remuneration. The section also includes information on environmental matters, including such aspects as the sustainable development policy, the RESPECT Index, legal requirements, safety standards, and environmental investments.

10) Non-financial statement

Pursuant to Art. 49b.9 of the Accounting Act of September 29th 1994 (consolidated text in Dz. U. of 2019, item 351, as amended, the "Accounting Act"), the Group and the Company do not prepare a separate non-financial statement, because they prepare a non-financial statement together with the Directors' Report.

11) Supplementary information

The section provides additional information: that the Company and the Group have not published financial forecasts, information on court proceedings, rules followed in related-party transactions, and the absence of transactions involving own shares during the reporting period.

ASSESSMENT AND THE JUSTIFICATION

The Supervisory Board assessed the Directors' Report for 2019 and was satisfied that it contained the information required by applicable laws and was accurate as at September 29th 1994.

The Supervisory Board concludes that the Directors' Report for 2019 contains material information on the assets and financial condition, including an assessment of the performance and risks, and a description of threats, and the information presented in the Directors' Report is consistent with the data in the audited financial statements, i.e. the Separate Financial Statements for 2019 and the Consolidated Financial Statements for 2019, and with the accounting records and supporting documents. The Directors' Report meets the requirements stipulated in Art. 49.2 of the Accounting Act.

Based on the procedures described above as well as additional explanations received from the Company's Management Board, the Supervisory Board issued a positive opinion on the Directors' Report on the operations of Grupa Azoty S.A. and the Grupa Azoty Group for the 12 months ended December 31st 2019, submitted by the Management Board.

5. SUMMARY OF THE ANALYSIS AND ASSESSMENT OF THE CONSOLIDATED REPORT ON PAYMENTS TO GOVERNMENTS

GENERAL

The Supervisory Board assessed the Consolidated Report on Payments to Governments prepared in accordance with the provisions of Section 6a of the Accounting Act, presenting payments to governments made by the Grupa Azoty Group with regard to the upstream sector.

To satisfy the requirements of Art. 63e-Art. 63j of the Accounting Act, the Group prepares a consolidated report on payments to governments including information on:

- The total amount of payments made to governments in a given country, broken down into payments made at appropriate government levels,
- The total amount of payments made to governments in a given country at appropriate government levels, broken down into payment categories set out in Art. 63e.6 of the Accounting Act,
- Where payments have been assigned by the entity to a specific project – the total amount of payments for each project, broken down into payment categories set out in Art. 63e.6 of the Accounting Act.

The report presents:

- 1) Information on the Group company engaged in minerals extraction: Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. of Grzybów,
- 2) The total amount of payments made to governments, broken down into payments made at appropriate government levels (the total amount of payments was PLN 12,267 thousand),
- 3) The total amount of payments, broken down into payment categories specified in Art. 63e.6 of the Accounting Act, made at appropriate government levels in each country (taxes levied on income, production or profits, excluding taxes levied on consumption, such as value added taxes, personal income taxes or sales taxes, as well as royalties, dividends, licence fees, rental fees, entry fees and other payments in respect of licences or concessions received),
- 4) The total amount of payments made in respect of each project, broken down into payment categories set out in Art. 63e.6 of the Accounting Act (where payments have been assigned to specific projects),
- 5) Description of significant rules followed in preparing the report and in presenting the data contained therein.

ASSESSMENT AND THE JUSTIFICATION

Following an analysis of the report submitted by the Management Board, the Supervisory Board concluded that the report was prepared with due diligence and showed the data required by the Accounting Act. Consequently, the Supervisory Board issued a positive opinion on the Consolidated Report on Payments to Governments for 2019.

6. SUMMARY OF THE ANALYSIS AND ASSESSMENT OF THE NON-FINANCIAL STATEMENT OF THE GRUPA AZOTY GROUP

GENERAL

The non-financial statement of the Grupa Azoty Group for 2019 submitted by the Management Board describes:

- The management area,
- The environmental area,
- The human resources area,
- The social and sponsorship policy,
- Ethics management (counteracting corruption and bribery, respecting human rights),
- Product quality, production, storage and transport safety, and safety related to the impact of chemical substances and mixtures on humans.

MANAGEMENT AREA

The description of the management area includes information on the Group's position, its segments and markets on which its products are placed, as well as an overview of the Group's structure. The section contains a description of the business strategy and key financials, as well as activities undertaken in the pursuit of the sustainable development strategy.

It also presents the identified risk areas and the adopted risk prevention measures.

ENVIRONMENTAL AREA

The section describes the Group's approach to environmental protection issues. It presents the environmental impact from consumption of raw materials, other materials and energy, and discusses substances emitted into the air, waste management procedures and methods used to reduce energy consumption.

The statement also presents the amounts of penalties imposed on the Group and measures taken to reduce the environmental impact of its products.

HUMAN RESOURCES

The section describes the human resources matters, i.e. headcount at the Company and the other Group companies, remuneration and additional benefits. Procedures for maintaining the highest standards of occupational safety, training programmes and relations with employees are also presented.

SOCIAL AND SPONSORSHIP POLICY

The section contains a description of social and sponsorship initiatives undertaken in cooperation with the social environment and local communities, as well as countrywide and international initiatives.

ETHICS MANAGEMENT (COUNTERACTING CORRUPTION AND BRIBERY, RESPECTING HUMAN RIGHTS)

The section contains information about the *Grupa Azoty S.A. Code of Ethical Conduct*, a document describing measures taken by the Group to foster responsible employee behaviour and build correct relations with the environment.

PRODUCT QUALITY, PRODUCTION, STORAGE AND TRANSPORT SAFETY, AND SAFETY RELATED TO THE IMPACT OF CHEMICAL SUBSTANCES AND MIXTURES ON HUMANS

The section includes an overview of the principles underlying responsibility for all activities related to the manufacture of products along the entire supply chain. In order to effectively implement its stated goals in the area, the Company has implemented the *Grupa Azoty Food Safety Management Policy*.

ASSESSMENT AND THE JUSTIFICATION

Following an analysis, the Supervisory Board issued a positive opinion on the Non-Financial Statement for 2019.

7. CONCLUSIONS AND RECOMMENDATIONS

The assessment of the Company's financial statements and reports by the Supervisory Board is based on a positive recommendation from the Audit Committee, and the auditor's statements on the Separate Financial Statements for 2019 and the Consolidated Financial Statements for 2019, according to which:

1. The financial statements give a true and fair view of the Company's and the Group's assets and financial position as at December 31st 2019, as well as their respective separate and consolidated profit or loss, separate and consolidated cash flows for the financial year ended December 31st 2019, in accordance with applicable International Financial Reporting Standards as endorsed by the European Union and the adopted accounting policies,
2. The Separate Financial Statements were prepared on the basis of properly maintained accounting books.
3. The Separate Financial Statements for 2019 and the Consolidated Financial Statements for 2019 comply with the form and content requirements laid down in the laws and regulations applicable to, respectively, the Company and the Group, as well as with the Company's Articles of Association.

The Supervisory Board has also given a positive assessment of the Consolidated Report on Payments to Governments for 2019 and the Non-Financial Statement for 2019.

Therefore, the Supervisory Board proposes that the General Meeting approve the following statements and reports for 2019:

1. The separate financial statements of Grupa Azoty S.A. for the 12 months ended December 31st 2019, prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union,
2. The consolidated financial statements of the Grupa Azoty Group for the 12 months ended December 31st 2019, prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union,
3. The Directors' Report on Grupa Azoty S.A.'s and the Grupa Azoty Group's operations in the 12 months ended December 31st 2019,
4. The consolidated report on payments to governments in 2019,
5. The non-financial statement of the Grupa Azoty Group for the 12 months ended December 31st 2019.

8. ASSESSMENT OF THE MANAGEMENT BOARD'S PROPOSAL ON ALLOCATION OF NET PROFIT FOR 2019

The Supervisory Board has reviewed the Management Board's proposal for the General Meeting, adopted by Management Board's Resolution No. 697/XI/2020 of May 27th 2020, that the Company's net profit for the financial year 2019, amounting to PLN 58,249,388.32 (fifty-eight million, two

hundred and forty nine thousand, three hundred and eighty-eight zloty, 32/100), be allocated in full to the Company's statutory reserve funds.

The Supervisory Board agrees with the arguments presented in the statement of reasons for the proposal and issues a positive assessment of the Management Board's proposal to allocate the entire net profit for the financial year 2019 to the Company's statutory reserve funds.

Signatures of members of the Supervisory Board of Grupa Azoty S.A.