

RESOLUTION NO. 175/X/2018
OF THE SUPERVISORY BOARD OF GRUPA AZOTY S.A.
dated May 17th 2018

concerning adoption of the report on activities of the Supervisory Board's Audit

Committee

Acting pursuant to Section 2.11 of the Rules of Procedure for the Audit Committee, the

Supervisory Board resolves as follows:

Section 1

The Supervisory Board adopts the report on activities of the Supervisory Board's Audit Committee for the period January 1st 2017–February 1st 2018. The report is attached as an appendix hereto.

Section 2

This Resolution shall become effective as of its date.

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

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

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

[illegible signature]
Tomasz Karusewicz
/Chairman of the Supervisory
Board/

[illegible signature]
Michał Gabryel
/Deputy Chairman of the
Supervisory Board/

[illegible signature]
Zbigniew Paprocki
/Secretary of the Supervisory
Board/

[illegible signature]
Piotr Czajkowski

[illegible signature]
Monika Fill

[illegible signature]
Robert Kapka

[illegible signature]
Bartłomiej Litwińczuk

[illegible signature]
Ireneusz Purgacz

[illegible signature]
Roman Romaniszyn

Tarnów, May 17th 2018

REPORT OF THE AUDIT COMMITTEE

In 2017, the Supervisory Board's Audit Committee consisted of:

In the period January 1st – August 27th 2017:

Artur Kucharski – Chair
Monika Fill
Ireneusz Purgacz
Robert Kapka

On July 28th 2017, the Company's Annual General Meeting passed Resolution No. 41 to remove the Chair of the Audit Committee from the Supervisory Board, whereupon Monika Fill agreed to take the position of Chair of the Audit Committee while Marek Grzelaczyk and Tomasz Karusewicz agreed to be Audit Committee Members.

In the period August 18th – August 31st 2017:

Monika Fill – Chair
Marek Grzelaczyk,
Robert Kapka
Tomasz Karusewicz
Ireneusz Purgacz

After Monika Fill had ceased to be an independent member of the Supervisory Board, she tendered her resignation as Chair and Member of the Audit Committee with effect from August 31st 2017. Consequently, to ensure the continuity of the Audit Committee's operation and compliance with legal requirements, the Chair of the Supervisory Board proposed a resolution to appoint the Chair of the Audit Committee. On August 31st 2017, the Supervisory Board passed Resolution No. 119/X/2017 to appoint Ireneusz Purgacz as Chair of the Audit Committee.

In the period August 31st – October 26th 2017:

Ireneusz Purgacz – Chair
Marek Grzelaczyk,
Robert Kapka
Tomasz Karusewicz

After Robert Kapka had tendered his resignation as Member of the Supervisory Board's Audit Committee, on October 26th 2017, the Supervisory Board passed by secret ballot Resolution No.129/X/2017 to appoint Piotr Czajkowski as an independent Member of the Audit Committee.

In the period November 13th – December 21st 2017:

Ireneusz Purgacz – Chair

Tomasz Karusewicz
Piotr Czajkowski

On December 21st 2017, the Supervisory Board of Grupa Azoty S.A. passed a resolution to appoint Michał Gabryel to the Audit Committee. Following this change, from December 21st 2017 to the end of the reporting period the composition of the Audit Committee was as follows:

Ireneusz Purgacz – Chair
Piotr Czajkowski
Michał Gabryel
Tomasz Karusewicz

On January 9th 2018, the Ministry of Development was split into two new ministries: the Ministry of Investment and Economic Development and the Ministry of Entrepreneurship and Technology. As a result, the Prime Minister's former delegation of ownership rights conferred by shares held by the State Treasury in Grupa Azoty S.A. to the Minister of Development expired, and these rights are now exercised by the Prime Minister. As an employee of the State Treasury Department of the Chancellery of the Prime Minister, Piotr Czajkowski ceased to be an independent Member of the Supervisory Board and, consequently, he tendered his resignation as Member of the Audit Committee of the Supervisory Board of Grupa Azoty S.A., with effect from April 19th 2018. Thus, from April 18th 2018 to the date of this report, the composition of the Audit Committee was as follows:

Ireneusz Purgacz (Chair) – independent member
Michał Gabryel – independent member
Tomasz Karusewicz

The tasks of the Audit Committee in the reporting period included:

- Monitoring of the financial reporting process,
- Monitoring of the effectiveness of internal control, internal audit and risk management systems in place at the Company,
- Monitoring of financial audit activities,
- Monitoring of the independence of the auditor and the auditing firm,
- Monitoring of the audit of separate and consolidated full-year financial statements,
- Monitoring of the work and reports of the independent statutory auditor,
- Analysing of selected economic events relevant to the Company's operations,
- Monitoring of and providing recommendations regarding changes in the Company's and the Grupa Azoty Group's Accounting Policies,
- Adoption of the following policies: 'Policy for the selection of an auditing firm to audit the Grupa Azoty Group's financial statements', 'Policy for the provision of additional services by the auditing firm of the Grupa Azoty Group', as well as the procedure for 'Selection of an auditor of financial statements';

Additionally, the Audit Committee gave its consent for the provision by EY of the following services:

- Audit of the Project Status and Delivery Report concerning projects included in the National Investment Plan for the period July 1st 2016–June 30th 2017,
- Review of the half-year financial statements for the six months ended June 30th 2017.

From the beginning of 2017 to the date of this report, the Audit Committee held ten meetings, during which the following matters were discussed:

At its meeting held on January 18th 2017, the Audit Committee:

Discussed the results of the evaluation of bids for the audit of the Company's and the Group's financial statements for 2017–2019, submitted by qualified auditors.

Following the discussion, taking into account the regulatory framework and information provided by individual bidders, especially the price of the service and the composition of auditing teams, the Audit Committee decided to invite to its next meeting, scheduled for January 27th 2017, representatives of Grant Thornton and EY.

At its meeting held on January 27th 2017, the Audit Committee:

Held negotiations with Grant Thornton and EY. The following aspects were considered: the bid price, payment terms, structure and composition of the team responsible for the audit, additional benefits provided for in the contract, and contractual provisions. Following a review of the submitted bids and negotiations with the bidders, separate reports were drafted. The Audit Committee determined that the bid submitted by EY was better and recommended that the Supervisory Board select EY as the auditor. By its resolution of March 28th 2017, the Supervisory Board appointed EY to audit and review Grupa Azoty S.A.'s and the Grupa Azoty Group's separate and consolidated financial statements in 2017–2019.

At its meeting held on February 10th 2017, the Audit Committee:

1.

Discussed matters related to the Risk Management and Internal Audit function at the Grupa Azoty Group and the proposed organisational measures to protect the Group's interests. The Committee was updated on the progress of work leading to the establishment of a Department for the Protection of the Group's Interests.

2.

Reviewed Grupa Azoty S.A.'s budget for 2017 and requested the Management Board for additional information on, among other things, the Group companies' participation in foundations, the Group's PR and marketing policies, donations granted and planned to be

granted, and the Group's remuneration policy.

3.

Reviewed the Grupa Azoty Group's consolidated budget for 2017, paying particular attention to individual Group companies' PR spending.

At its meeting held on March 9th 2017, the Audit Committee:

1.

Read the written explanations regarding matters enquired about at the previous meeting of the Audit Committee, including information on:

- the Group companies' participation in foundations;
- the Group's PR and marketing policies;
- the donation policy along with information on donations granted in 2016.

Having reviewed the explanations, the Audit Committee requested the Management Board for detailed information on, among other things, the increased costs of legal and consultancy services provided to Grupa Azoty S.A., and contracts with certain entities (media, foundations, PR agencies) in terms of how the incurred expenses would translate into benefits for the Grupa Azoty Group.

Findings of the Audit Committee's review of the separate and consolidated budgets were subsequently presented to the Supervisory Board at its meeting on March 14th 2017, and the Supervisory Board decided that the budgets should be revised, especially in terms of cost reduction (including costs of PR, particularly donations) and target sales margins for 2017. In addition, based on the review findings, the Committee decided to recommend to the Supervisory Board that individual objectives for 2017 be set for Management Board Members, related to clarification of the remits and consolidation of the Marketing, PR, CSR and donation areas, along with the setting of clear objectives for those organisational areas.

2.

Read Audit Report No. 10/DOR/2016 ('Audit of marketing and PR services contracting at the Grupa Azoty Group as defined in the President of the Management Board's Decision of April 4th 2016'). Following a review of the auditors' findings and recommendations included in the report, the Committee requested the Management Board for additional information on measures taken to address the irregularities concerning cooperation with some PR agencies, as identified in the report.

The Committee also assessed the report in terms of its content, and formulated recommendations for the Supervisory Board (reasons for strengthening the Internal Audit unit).

3.

Reviewed information on the proposed change of issue dates for Grupa Azoty S.A.'s

financial statements, contemplated by the Management Board in connection with the release by Grupa Azoty Police of a current report in which it pointed to the need to adjust the value of assets related to AFRIG S.A. and the auditor's (KPMG Audyt Sp. z o.o.'s) potential qualifications regarding the financial statements of Grupa Azoty Police. The Committee decided that the issue should be discussed with the qualified auditor (KPMG Audyt Sp. z o.o.) in the presence of all Members of the Supervisory Board.

At its meeting held on May 19th and May 29th 2017, the Audit Committee:

1.

Discussed with the Company's auditor the progress and findings of the audit of (separate and consolidated) accounting records for 2016.

2.

Discussed with the Vice President of the Management Board in charge of finance the progress and findings of the audit of the separate and consolidated financial statements for 2016.

3.

Authorised the report on the Audit Committee's activities in the period from January 1st 2016 to April 11th 2017.

4.

Discussed the reports for the Company's Annual General Meeting, including:

- a) separate financial statements of Grupa Azoty S.A. for the financial year 2016,
- b) consolidated financial statements of the Grupa Azoty Group for the financial year 2016,
- c) Grupa Azoty Group's consolidated report on payments to governments for 2016, and
- d) Directors' Report on the operations of Grupa Azoty S.A. and the Grupa Azoty Group in the financial year 2016.

5.

Passed a resolution to recommend that the Supervisory Board adopt the reports for the Company's Annual General Meeting. Decided to vote on the resolutions referred to above after KPMG provided supplementary explanations regarding the valuation of the acquisition of shares in AFRIG S.A. by Grupa Azoty Zakłady Chemiczne Police S.A.

6.

Reviewed the position of the President of the Grupa Azoty S.A. Management Board on the assessment of the risk management and Internal Audit area.

7.

Provided its opinion on changes in the Accounting Policy.

Reviewed the Company's explanations provided in response to the Audit Committee's enquiries from previous meetings.

At its meeting held on August 18th 2017, the Audit Committee:

Met with the Company's auditor and discussed the progress and findings of the review of the financial statements for the first half of 2017.

At its meeting held on November 13th 2017, the Audit Committee:

1.

Met with the Company's auditor and discussed the commencement of the preliminary audit of the financial statements for 2017. The auditor showed the presentation entitled 'Grupa Azoty Group. Meeting with the Audit Committee. Audit of the financial statements for the year ended December 31st 2017. November 13th 2017' and summarised the presentation plan.

2.

The Audit Committee discussed matters concerning the 2018 Internal Audit Plan for Grupa Azoty S.A. It was the Committee's expectation that the Company's relevant units would propose audit tasks, which the Audit Committee and the Supervisory Board could evaluate. In addition, a concept of employing an accounting and controlling expert to assist the Audit Committee was presented.

At its meeting held on November 29th 2017, the Audit Committee:

1.

Discussed issues raised by the Company's auditor at the Audit Committee's meeting on November 13th 2017, including in particular:

- 1) Grupa Azoty's subsidiaries, Grupa Azoty Folie Sp. z o.o. and Grupa Azoty Compounding Sp. z o.o., having refused to contribute to the cost of the audit of the financial statements for 2017 (in the amount agreed with the auditor), as well as Grupa Azoty PKCh Sp. z o.o.'s decision not to prepare consolidated financial statements under an exemption provided for in the Accounting Act;
- 2) conclusion of agreements with auditors appointed independently by certain Grupa Azoty Group companies;
- 3) progress of work on the implementation at the Company of IFRS 9, IFRS 15 and IFRS 16, as well as new regulatory requirements for non-financial reporting.

2.

The Chair of the Audit Committee asked Wojciech Wardacki, President of the Management Board, to present the status of work to make the Internal Audit Office report directly to the Audit Committee.

The President of the Management Board also undertook to instruct the Company's relevant bodies to investigate media leaks concerning alleged irregularities involving former Chair of the Supervisory Board and impact of the related media reports on the Company.

3.

Considered a proposal by Paweł Łapiński, Vice President of the Management Board, to consent to the auditor's provision of services to subsidiaries.

4.

In connection with preparing the 2018 audit plan, the Audit Committee informed the Supervisory Board that it expected the Internal Audit Office to submit a list of subject matters for audit tasks proposed by the Office for the next year, in a number exceeding the number of tasks that would ultimately be included in the plan (about 30 matters), for the Audit Committee to select audit tasks for 2018.

At its meeting held on December 21st 2017, the Audit Committee:

1.

Issued a recommendation regarding adoption of the 'Consolidated Text of Grupa Azoty's Accounting Policy'.

2.

Discussed the schedule of meetings with the auditor in 2018 and a presentation summarising the preliminary audit and the key audit matters (KAM) identified for the entire Group.

The auditor's representatives said that the financial statements would probably be issued in March 2018. It was agreed that the Audit Committee Members would receive the relevant materials towards the end of February 2018. The auditor's representatives further indicated that, in accordance with the new Act on Statutory Auditors, a report on the audit would be prepared for the Audit Committee and that the Company would have to decide whether to publish the report on the Company's website or by including it in materials for the Company's shareholders.

The auditor's representatives also said that they were awaiting the Company's report on the media leaks concerning alleged irregularities involving former Chair of the Supervisory Board and the impact of the related media reports on the Company. It was agreed that such report would be prepared by the Security Department.

As regards fees for the auditor's services at Grupa Azoty Folie Sp. z o.o. and Grupa Azoty Compounding Sp. z o.o., Paweł Łapiński, Vice President of the Management Board, and Ewa Gładysz, Head of the Corporate Finance Department, presented a letter of December 20th 2017 (NM/80/2017) addressed to the Audit Committee, which the Audit Committee Members then reviewed.

3.

Tomasz Karusewicz, Member of the Audit Committee, pointed out that materials should be delivered in a timely manner. It was agreed that in order to meet the delivery deadlines a preliminary draft may first be submitted, followed by the final version of a document. The auditor is to notify the Committee when the materials are ready; the date of the Audit Committee's meeting will then be set.

Audit Committee Members stated that they expected changes in the Internal Audit function's operation, because its current operating procedures prevented the adoption of new Rules of Procedure for the Audit Committee. The Committee was informed that a new Head of the Internal Audit Office had been appointed.

Material events after the reporting period:

1.

The Audit Committee Members approved the report on findings of the team appointed to investigate the alleged irregularities at the Grupa Azoty Group reported by the media following detention of former Chair of the Supervisory Board of Grupa Azoty S.A. According to the report, the event did not cause any financial or reputational losses to Grupa Azoty S.A.

2.

The Audit Committee met twice with Joanna Strzesak-Rochewicz, Head of the Corporate Internal Audit Department, during which the list of 2018 audit tasks was discussed.

Signatures by members of the Audit Committee of the Grupa Azoty S.A. Supervisory Board

[illegible signature]
Ireneusz Purgacz
(Chair of the Audit
Committee)

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Michał Gabryel

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Tomasz Karusewicz