RESOLUTION NO. 83/X/2017
OF THE SUPERVISORY BOARD OF GRUPA AZOTY S.A.
of May 29th 2017

concerning Report of the Supervisory Board on assessment of the Directors’ Report on
Grupa Azoty S.A.’s and the Grupa Azoty Group’s operations for the 12 months
ended December 31st 2016

Acting pursuant to Art. 33.1.6, Art. 33.1.8 and Art. 33.1.9 in conjunction with Art. 51.26 of
the Company’s Articles of Association, the Supervisory Board resolves as follows:

Section 1
The Supervisory Board approves the Report of the Supervisory Board for the Annual General
Meeting on assessment of the Directors’ Report on Grupa Azoty S.A.’s and the Grupa Azoty
Group’s operations for the 12 months ended December 31st 2016, as set out in the appendix
hereto.

Section 2
The Supervisory Board requests that the Annual General Meeting consider the submitted
Report.

Section 3
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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Marek Grzelaczyk ⁄Chairman of
the Supervisory Board/

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Tomasz Karusewicz ⁄Deputy Chairman of the
Supervisory Board/

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Zbigniew Paprocki ⁄Secretary of the Supervisory
Board/

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Monika Fill

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Robert Kapka

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Artur Kucharski

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Bartłomiej Litwińczuk

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Ireneusz Purgacz

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Roman Romaniszyń
REPORT

of the Supervisory Board of Grupa Azoty S.A. for the Annual General Meeting
on the assessment of the Directors’ Report on the operations of Grupa Azoty S.A.
and the Grupa Azoty Group
for the 12 months ended December 31st 2016

The Directors’ Report on the operations of Grupa Azoty S.A. and the Grupa Azoty
Group in the financial year 2016 was prepared by the Management Board and
comprises:

1. General information on the Group and its Parent
2. Management policy
3. Business overview,
4. Strategy and growth policy,
5. Current financial position,
6. Risk, threats and growth prospects,
7. Information about the shares and shareholding structure,
8. Statement of compliance with corporate governance standards,
9. Other material information and events,
10. Additional information.

Discussion of the individual sections of the Directors’ Report on the Company’s
and Group’s operations:

1. **General information on the Group and its Parent**

This section presents information on:
- Organisation and structure (structure of the Group and its individual
  companies, Parent’s equity interests in subsidiaries in units of the relevant
  currency, changes in the organisation of the Group, organisational or capital
  links between Group companies and other entities).

2. **Management policy**

This section presents:
- Parent’s organisational chart;
- The Group’s and the Parent’s workforce.

3. **Business overview**

This Section presents information on:
- The Grupa Azoty Group’s operating segments (Agro Fertilizers, Plastics,
  Chemicals, Energy, Other Activities);
- Characteristics of the main products in particular segments,
- Sales markets and sources of supply for materials used in production, goods and services;
- Material and significant agreements;
- Significant events in the reporting period (including the establishment of the Polish National Foundation, extension of the licence for African Investment Group S.A. for phosphates exploration in Senegal, launch of a new Research and Development Centre in Tarnów, signing a letter of intent between the Parent and PDH Poland S.A.).

4. Growth strategy and policy

This section presents:
- Growth prospects, taking account of the market strategy, including key strategic goals adopted by the Grupa Azoty Group for individual production segments;
- Key investments in Poland and abroad.

Structure of the Group’s capital expenditure in 2016:

- Growth capex PLN 701,171 thousand
- Maintenance capex PLN 314,199 thousand
- Mandatory capex PLN 103,213 thousand
- Purchase of finished goods PLN 51,117 thousand
- Other (components, major overhaul work, other) PLN 152,981 thousand

Capital expenditure of individual Grupa Azoty Group companies:

- Parent PLN 418,218 thousand
- Grupa Azoty KĘDZIERZYN Group PLN 198,721 thousand
- Grupa Azoty POLICE Group PLN 402,649 thousand
- Grupa Azoty PULAWY Group PLN 278,718 thousand
- Grupa Azoty SIARKOPOL PLN 7,064 thousand
- Grupa Azoty PKCh Sp. z o.o. PLN 6,926 thousand
- Grupa Azoty Koltar Sp. z o.o. PLN 9,611 thousand
- Grupa Azoty ATT Polymers GmbH PLN 774 thousand

Key investments implemented at the Group in 2016:

Parent:
- Polyamide plant II, 80 thousand t/y
- Granulation plant II
- Construction of R&D Centre

Grupa Azoty Kędzierzyn:
- New CHP plant
- Special Esters I
- Raw gas compressor

**Grupa Azoty Police:**
- PDH propylene production unit and related infrastructure
- Exhaust gas treatment unit and upgrade of the EC II CHP plant
- Upgrade of the ammonia unit

**Grupa Azoty Puławy:**
- Construction of Puławy Power Plant
- Upgrade of the existing and construction of new nitric acid units, neutralisation and production of new fertilizers based on nitric acid
- Facility for production of granulated fertilizers based on ammonium nitrate

Section 4 also presents:
- Capital investments, including share capital increase at PDH Poland S.A., buyback of Grupa Azoty SIARKOPOL employee shares by the Parent;
- Assessment of the feasibility of investment projects – the Group is able to finance its investment projects, both with internally generated funds and as part of the Group’s centralised financing model (long-term credit facility agreements);
- Major R&D achievements at key companies of the Group.

5. **The Company’s current financial position and assets**

This Section presents:
- Assessment of factors and non-recurring events with a material effect on the Grupa Azoty Group’s operations and financial performance, including information on the impairment loss recognised at Zakłady Azotowe Chorzów (Grupa Azoty PUŁAWY’s subsidiary) on the fat processing unit;
- Market environment of individual production segments;
- Key financial and economic data – consolidated and separate (for the Parent);
- Management of capital and assets;
- Bank deposits of the Group;
- Credit facility and loan agreements executed or terminated during the financial year;
- Loans advanced (mostly to the Group’s related parties), guarantees and sureties, including guarantees and sureties issued to and received from related parties;
- Risk management policies and the tools, objectives and methods of risk management (management of currency risk and interest rate risk, price risk management policy, credit risk management policy, credit insurance policy);
- Expected financial position – the Parent and key Group companies are fully solvent, with good credit standing.

6. **Risks, threats and growth drivers**

This section describes significant risks and threats, including:
- risk related to price and availability of natural gas,
- risks related to planning and execution of strategic projects,
- risk related to the need to adapt production processes to new legal requirements (implementation of the Industrial Emissions Directive), risk related to greenhouse gas emissions, risk related to meeting BAT requirements,
- risk of deterioration of the supply and demand balance in the key production segments,
- currency risk,
- risk related to availability and efficiency of capital and other sources of funding,
- risk of a negative effect of CO₂ trading prices on the financial result,
- risk of major industrial accidents or technical failures disrupting the continuity of processes and operation of key production units,
- risk related to maintaining continuity of production and availability of ammonia at economically viable prices,
- risk of implementation/tightening of EU or local regulations which would restrict the use or application of the Group companies’ products,
- risk of failure to meet deadlines for reduction of NO₂, SOₓ and particulate matter emissions.

Section 6 also includes a description of the Grupa Azoty Group’s significant external and internal growth factors.

7. Shares and shareholding structure

This section presents:
- Total number and par value of Grupa Azoty shares, holdings of the shares by supervisory and management personnel, and interests of such persons in the Parent’s related entities;
- Key information on Parent shares, including the shareholding structure, dividend policy and summary of dividends paid in 2008–2016, the price of Grupa Azoty S.A. stock, broker recommendations in the financial year 2016, and information on the Investor Relations activities.

The total number of Company shares is 99,195,484, including:
- 24,000,000 Series A shares,
- 15,116,421 Series B shares,
- 24,999,023 Series C shares,
- 35,080,040 Series D shares,
with a par value of PLN 5 per share.

The Company’s shareholding structure as at December 31st 2016 is presented below:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of shares</th>
<th>Ownership interest (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Treasury</td>
<td>32,734,509</td>
<td>33.00</td>
</tr>
<tr>
<td>ING Pension Fund</td>
<td>9,883,323</td>
<td>9.96</td>
</tr>
<tr>
<td>Rainbee Holdings Limited*</td>
<td>9,820,352</td>
<td>9.90</td>
</tr>
<tr>
<td>Opansa Enterprises Limited*</td>
<td>9,430,000</td>
<td>9.50</td>
</tr>
</tbody>
</table>
8. **Statement of compliance with corporate governance standards**

This section presents:

- Corporate governance code applicable to the Parent, namely “Code of Best Practice for WSE Listed Companies 2016” - appendix to the WSE Supervisory Board Resolution of November 21st 2012;
- Nature and degree of Company’s non-compliance with the corporate governance principles, and reasons for such non-compliance;
- Parent’s report on compliance with recommendations of Best Practices in 2016;
- Internal control and risk management systems;
- Management systems and standards;
- Changes in the Parent’s shareholding structure;
- Special control powers of securities holders and restrictions on the exercise of voting rights;
- Rules governing appointment and removal of the Parent’s management staff; powers of the management staff, including in particular the authority to resolve to issue or buy back shares;
- Rules governing amendment of the Parent’s Articles of Association;
- Powers and procedures of the Parent’s General Meeting;
- Composition, changes in composition, and operation of the Company’s management and supervisory bodies, including members’ CVs;
- The Grupa Azoty Group’s diversity policy;
- Parent’s remuneration policy together with information on the amount of remuneration paid to the Supervisory and Management Board members;
- Sponsorship, charitable and similar activities at the Group (including social and sponsorship policy; donation policy; social and sponsorship programmes for culture, education of children and youth, sports, promotion of regional development, human health and life, chemical industry; CSR, scholarship programmes, collaboration with educational institutions, competitions).

9. **Other material information and events**

This section includes information on the entity qualified to audit financial statements - KPMG Audyt Sp. z o.o. as well as environmental considerations, including sustainable development policy, legal requirements, safety standards, environmental investments, water, sewage and waste management, as well as CO₂ emission allowances.
SUMMARY

1. The Supervisory Board is satisfied that the Directors’ Report on the operations of Grupa Azoty S.A. and the Grupa Azoty Group in 2016 has been prepared in a reliable manner and that the data contained therein is consistent with the separate financial statements of the Parent and the consolidated financial statements of the Group. Therefore, the Supervisory Board proposes that the General Meeting approve the Directors’ Report on Grupa Azoty S.A.’s and the Grupa Azoty Group’s operations for the 12 months ended December 31st 2016.

2. The Supervisory Board proposes that the General Meeting grant discharge to the following Management Board Members:
   - Mariusz Bober, President of the Management Board, for the period February 19th–December 16th 2016;
   - Wojciech Wardacki, President of the Management Board, for the period December 16th–December 31st 2016;
   - Tomasz Hinc, Vice President of the Management Board, for the period March 14th–December 31st 2016;
   - Józef Rojek, Vice President of the Management Board, for the period March 14th–December 31st 2016;
   - Paweł Łapiński, Vice President of the Management Board, for the period May 20th–December 31st 2016;
   - Witold Szczypiński, Vice President of the Management Board, for the period January 1st–December 31st 2016;
   - Artur Kopeć, Member of the Management Board, for the period January 1st–December 31st 2016.

With respect to the Following Management Board members:
   - Paweł Jarczewski, President of the Management Board in the period January 1st–February 19th 2016;
   - Krzysztof Jałosiński, Vice President of the Management Board in the period January 1st–February 19th 2016;
   - Marek Kaplucha, Vice President of the Management Board in the period January 1st–February 19th 2016;
   - Marian Rybak, Vice President of the Management Board in the period January 1st–February 19th 2016;
   - Andrzej Skolmowski, Vice President of the Management Board in the period January 1st–May 20th 2016;

the Supervisory Board did not pass resolutions to grant discharge in respect of performance of their duties in the periods indicated.

Signatures of members of the Supervisory Board of Grupa Azoty S.A.
Marek Grzelaczyk - Chairman of the Supervisory Board
Tomasz Karusewicz /Deputy Chairman of the Supervisory Board/
Zbigniew Paprocki /Secretary of the Supervisory Board/
Monika Fill
Robert Kapka
Artur Kucharski
Bartłomiej Litwińczuk
Ireneusz Purgacz
Roman Romaniszyn