Tarnów, July 18th 2018

Management Board of Grupa Azoty S.A.

Extraordinary General Meeting of
Grupa Azoty S.A.

Re: approval of the acquisition by Grupa Azoty S.A. of 25,000 (twenty-five thousand) shares in Goat TopCo GmbH, Münster, Germany, representing 100% of the company’s share capital

Legal basis: Art. 50.9.c and Art. 51 in conjunction with Art. 21.1 and 21.2.12 in conjunction with Art. 32.1.18 of the Grupa Azoty S.A. Articles of Association

PROPOSAL

The Management Board of Grupa Azoty S.A., acting pursuant to Art. 50.9.c and Art. 51 in conjunction with Art. 21.1 and 21.2.12 in conjunction with Art. 32.1.18 of the Grupa Azoty S.A. Articles of Association, requests the Company’s Extraordinary General Meeting to grant approval to the acquisition by Grupa Azoty S.A. (the “Company”, “Grupa Azoty”) of 25,000 (twenty-five thousand) shares in Goat TopCo GmbH, Münster, Germany (“Goat TopCo”), representing 100% of the company’s share capital, from Goat Netherlands B.V. of Amsterdam, the Netherlands (the “Seller”), subject to the transaction clearance by the relevant anti-trust authorities, on the financial terms set out in the share purchase agreement (the “Agreement”), i.e. for not more than EUR 235,000,000 (two hundred and thirty-five million euro) (the “Transaction”).
The situation in the European mineral fertilizers market poses a number of challenges to manufacturers, who are compelled to constantly look for new solutions to secure what they have achieved so far. To be able to offer competitive products, Grupa Azoty is looking for new technological, business and human resources solutions, particularly on its markets outside the European Union.

Grupa Azoty’s strategy for 2013-2020 (the “Strategy”) envisages reinforcing its leadership in agricultural solutions. In line with the Strategy, this objective may be achieved by searching for acquisition opportunities. The acquisition of 100% of shares in Goat TopCo GmbH, which is the parent of the Compo Expert Group (“Compo Expert”) is consistent with the above strategy.

Compo Expert, headquartered in Germany and owned by XIO investment fund, is the largest independent global producer of high added value speciality fertilizers for professional customers. The Compo Expert products will complement Grupa Azoty’s portfolio, bringing advanced solutions in speciality fertilizers. Compo Expert operates in the European Union and on other global markets, including Mexico, Chile, Brazil, and China.

It employs more than 600 staff and its business comprises production at two main production plants located in Krefeld, Germany, and in Vall d’Uixo, Spain. Compo Expert’s principal business is the manufacture of coated, controlled-release (CRF) fertilizers and slow-release (SRF) fertilizers, fertigation and foliar feed fertilizers, liquid fertilizers and bio-stimulators, as well as NPK fertilizers with high nutrient concentrations.

The Transaction will open new opportunities for Grupa Azoty to diversify its business while at the same time acquiring highly innovative technologies, know-how, and extended distribution network.

The transaction was prepared based primarily on the results of a comprehensive due diligence, covering Compo Expert’s assets, corporate structure and tax matters. Commercial, tax, financial, legal and environmental due diligence was completed and an external adviser prepared the valuation of Goat TopCo GmbH shares. Next, Deloitte Advisory Sp. z o.o. prepared a fairness opinion, attached as an appendix hereto.
Management Board also notes that the due diligence process was carried out by specialist external consultancy firms.

The terms and conditions of the Transaction included in the Agreement were agreed upon with the Seller in the course of negotiations. The total purchase price for 25,000 shares, representing 100% of the share capital of Goat TopCo GmbH, will not exceed EUR 235,000,000. The Agreement also defines in detail the financial mechanisms of the transaction, including price definitions, the rules governing the Seller’s warranty and liability, steps required to close the transaction, such as obtaining the General Meeting’s approval and antitrust clearance, actions prohibited between the execution of the Agreement and the transaction closing, transaction closing conditions, as well as the rules governing the Parties’ reimbursement of costs if the transaction is unsuccessful. If the General Meeting refuses to approve the acquisition of shares in Goat TopCo GmbH, Grupa Azoty S.A. is obliged to reimburse the Seller for incurred costs of EUR 6,000,000. The Agreement is governed by German law; the language of the Agreement is English. The Transaction will be covered by an insurance policy in relation to the Seller’s representations and warranties and the ownership of the shares.

On July 18th 2018, the Management Board of Grupa Azoty S.A. passed Resolution No. 162/XI/2018 to approve the conditions of the transaction on the terms described above. The last step in the corporate action path and one of the conditions to the closing of the transaction is obtaining the Extraordinary General Meeting’s approval pursuant to Art. 50.9.c of the Grupa Azoty S.A. Articles of Association.

Appendices:
- Deloitte Sp. Advisory Sp. z o.o’s opinion

CC:
- Recipient.
- A/a.